

ANNUAL FINANCIAL REPORT

CITY OF MULESHOE, TEXAS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2025

CITY OF MULESHOE  
Muleshoe, Texas

ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2025

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CITY OF MULESHOE  
Muleshoe, Texas

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*INTRODUCTORY SECTION*

CITY OF MULESHOE  
Muleshoe, Texas

September 30, 2025

CITY COUNCIL

Colt Ellis

Mayor

Gary Parker

Mayor Pro-tem

Jackson Meyers

Councilmember

Crystal Alarcon

Councilmember

Austin Atchley

Councilmember

ADMINISTRATIVE STAFF

Ramon Sanchez  
Tamara Cain

City Manager  
City Secretary

*FINANCIAL SECTION*

# Terry & King, CPAs, P.C.

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## Independent Auditors' Report

Honorable Mayor and City Council  
City of Muleshoe, Texas  
215 South First Street  
Muleshoe, Texas 79347

### **Report on the Audit of the Financial Statements**

#### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muleshoe, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muleshoe, Texas as of September 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Muleshoe, Texas 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.



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

## **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and OPEB schedules, and budgetary comparison information, identified as required supplementary information, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

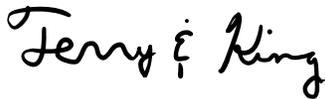
### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muleshoe, Texas' basic financial statements. The accompanying other schedules listed in the table of contents as Other Supplementary Information and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, 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 Other Supplementary Information and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2026, on our consideration of the City of Muleshoe, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Muleshoe, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Muleshoe, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
March 9, 2026

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

Our discussion and analysis of the City of Muleshoe's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2025. Please read this in conjunction with the City's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The City's net position increased as a result of this year's operations. While net position of our business-type activities increased by \$673,151 or 11%, net position of our governmental activities increased by \$1,177,223 or 15%.
- During the year, the City had expenses that were \$1,114,873 less than the \$5,753,125 generated in tax and other revenues for governmental programs before transfers.
- In the City's business type activities, charges for services increased \$61,693 to \$2,010,541 (or 3%) while operating expenses decreased \$209,471 to \$1,363,351.
- The General Fund reported a surplus this year of \$357,855.
- The resources available for appropriation were \$431,926 more than budgeted for the General Fund. Expenditures for the General Fund were less than the budgeted amounts by \$145,602.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements start on page 14. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

## **Reporting the City as a Whole -- The Statement of Net Position and the Statement of Activities**

Our analysis of the City as a whole begins on page 6. One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the City as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the City's *net position* and changes in it. You can think of the City's net position—the differences between assets and liabilities—as one way to measure the City's financial health, or *financial position*. Over time, *increases or decreases* in the City's net position is one indicator of whether its *financial health* is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the City's property tax base and the condition of the City's roads, to assess the *overall health* of the City.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

- Governmental activities – Most of the City's basic services are reported here, including the ambulance, fire, police, streets, and parks departments, and general administration. Property taxes, sales taxes, franchise taxes, charges to customers, and state and federal grants finance most of these activities.
- Business-type activities – The City charges a fee to customers to help it cover the cost of certain services it provides. The City's water, sewer, and sanitation services are reported here.

## **Reporting the City's Most Significant Funds – Fund Financial Statements**

Our analysis of the City's major funds begins on page 10. The fund financial statements begin on page 15 and provide detailed information about the most significant funds—not the City as a whole. Some funds are required to be established by State law and by bond covenants. At times a city council may establish other funds to help it control and manage money for particular purposes, such as special projects or to show that it is meeting legal responsibilities for using certain Federal or State grants. The City's two kinds of funds – *governmental* and *proprietary* – use different accounting approaches.

- *Governmental funds*—Most of the City’s basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called *modified accrual* accounting, which measures cash and all other *financial assets* that can readily be converted to cash. The Governmental fund statements provide a detailed *short-term view* of the City’s general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City’s programs. We describe the relationship (or differences) between governmental *activities* (reported in the Statement of Net Position and the Statement of Activities) and governmental *funds* in reconciliation on Exhibits C-1R and C-3.
- *Proprietary funds*—When the City charges customers for the services it provides—whether to outside customers or to other units of the City—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City’s enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

## **THE CITY AS A WHOLE**

The City’s combined net position was \$14,369,102. Our following analysis focuses on the net position (Table 1) and changes in net position (Table 2) of the City’s government and business-type activities.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$14,369,102 at September 30, 2025. (See Table A-1).

Table A-1  
City of Muleshoe's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2025	2024	Percentage Change	2025	2024	Percentage Change	2025	2024	Percentage Change
<b>Current assets:</b>									
Cash in Bank	4,816,224	4,593,820	5%	2,384,526	1,756,047	36%	7,200,750	6,349,867	13%
Cash in Bank - restricted	-	-	0%	107,475	104,010	3%	107,475	104,010	3%
Other current assets	539,911	524,015	3%	176,318	179,847	-2%	716,229	703,862	2%
Lease Receivable	11,613	11,131	4%	-	-	0%	11,613	11,131	4%
Internal Balances	-	-	0%	-	-	0%	-	-	0%
Total current assets:	5,367,748	5,128,966	5%	2,668,319	2,039,904	31%	8,036,067	7,168,870	12%
<b>Noncurrent assets:</b>									
Notes Receivable	203,720	203,720	0%	-	-	0%	203,720	203,720	0%
Lease Receivable	87,477	99,090	-12%	-	-	0%	87,477	99,090	-12%
Land	611,889	612,284	0%	833,126	833,127	0%	1,445,015	1,445,411	0%
Construction in Progress	19,733	-	100%	-	-	0%	19,733	-	100%
Buildings & Improvements, net	1,947,825	2,099,778	-7%	97,535	103,863	-6%	2,045,360	2,203,641	-7%
Infrastructure, net	1,442,956	861,389	68%	-	-	0%	1,442,956	861,389	68%
Airport Improvements, net	1,312,383	1,393,868	-6%	-	-	0%	1,312,383	1,393,868	-6%
Utility Systems & Equipment, net	-	-	0%	4,459,532	4,648,756	-4%	4,459,532	4,648,756	-4%
Furniture & Equipment, net	692,989	631,320	10%	239,685	218,616	10%	932,674	849,936	10%
Total noncurrent assets	6,318,972	5,901,449	7%	5,629,878	5,804,362	-3%	11,948,850	11,705,811	2%
Total Assets	11,686,720	11,030,415	6%	8,298,197	7,844,266	6%	19,984,917	18,874,681	6%
<b>Deferred Outflows of Resources</b>	285,373	555,684	-49%	77,178	153,208	-50%	362,551	708,892	-49%
<b>Current liabilities</b>	112,952	100,861	12%	53,415	73,407	-27%	166,367	174,268	-5%
<b>Noncurrent liabilities:</b>									
Customer Deposits	-	-	0%	107,475	104,010	3%	107,475	104,010	3%
Due within one year	286,475	261,000	10%	199,606	180,000	11%	486,081	441,000	10%
Due in more than one year	1,054,769	1,180,098	-11%	1,401,760	1,567,152	-11%	2,456,529	2,747,250	-11%
Net Pension Liability	1,593,704	1,886,470	-16%	482,927	571,410	-15%	2,076,631	2,457,880	-16%
Total OPEB Liability	104,678	107,515	-3%	31,589	29,230	8%	136,267	136,745	0%
Total Liabilities	3,152,578	3,535,944	-11%	2,276,772	2,525,209	-10%	5,429,350	6,061,153	-10%
<b>Deferred Inflows of Resources</b>	516,579	811,460	-36%	32,437	24,361	33%	549,016	835,821	-34%
<b>Net Position:</b>									
Net investment in capital assets	4,834,127	4,200,536	15%	4,083,625	4,057,210	1%	8,917,752	8,257,746	8%
Restricted	2,291,606	2,107,366	9%	-	-	0%	2,291,606	2,107,366	9%
Unrestricted	1,177,203	930,793	26%	1,982,541	1,390,694	43%	3,159,744	2,321,487	36%
Total Net Position	8,302,936	7,238,695	15%	6,066,166	5,447,904	11%	14,369,102	12,686,599	13%

Net position of the City's governmental activities increased (\$8,302,936 compared to \$7,238,695). Unrestricted net position - the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements - changed from \$930,793 at September 30, 2024 to \$1,177,203 at the end of this year. Net position of the City's business-type activities increased 11%, from \$5,447,904 to \$6,066,166.

Table A-2  
Changes in City of Muleshoe's Net Position

	Governmental Activities			Business-type Activities			Total Primary Government		
	2025	2024	Percentage Change	2025	2024	Percentage Change	2025	2024	Percentage Change
<b>Program Revenues:</b>									
Charges for Services	1,258,812	1,284,624	-2%	2,010,541	1,948,848	3%	3,269,353	3,233,472	1%
Grants & Contributions	1,325,967	566,792	134%	-	-	0%	1,325,967	566,792	134%
<b>General Revenues:</b>									
Property Taxes	1,297,798	1,254,521	3%	-	-	0%	1,297,798	1,254,521	3%
Nonproperty Taxes	1,375,532	1,365,705	1%	-	-	0%	1,375,532	1,365,705	1%
Investment Earnings	227,151	214,004	6%	88,311	80,787	9%	315,462	294,791	7%
Other	267,865	178,443	50%	-	-	0%	267,865	178,443	50%
	<u>5,753,125</u>	<u>4,864,089</u>	<u>18%</u>	<u>2,098,852</u>	<u>2,029,635</u>	<u>3%</u>	<u>7,851,977</u>	<u>6,893,724</u>	<u>14%</u>
<b>Expenses:</b>									
General Government	656,263	653,184	0%	-	-	0%	656,263	653,184	0%
Police	1,141,941	1,022,009	12%	-	-	0%	1,141,941	1,022,009	12%
Fire	129,420	151,608	-15%	-	-	0%	129,420	151,608	-15%
Streets	556,218	496,297	12%	-	-	0%	556,218	496,297	12%
Sanitation	689,223	743,163	-7%	-	-	0%	689,223	743,163	-7%
Parks	99,924	83,185	20%	-	-	0%	99,924	83,185	20%
Swimming Pool	187,452	186,745	0%	-	-	0%	187,452	186,745	0%
Library	251,087	259,931	-3%	-	-	0%	251,087	259,931	-3%
Municipal Court	73,465	74,099	-1%	-	-	0%	73,465	74,099	-1%
Golf Course	63,726	67,795	-6%	-	-	0%	63,726	67,795	-6%
Code Enforcement	74,310	58,351	27%	-	-	0%	74,310	58,351	27%
Economic Development	54,003	64,337	-16%	-	-	0%	54,003	64,337	-16%
Airport	125,831	132,852	-5%	-	-	0%	125,831	132,852	-5%
Training Facility	4,328	4,959	-13%	-	-	0%	4,328	4,959	-13%
HOME Grant Program	499,228	373,132	34%	-	-	0%	499,228	373,132	34%
Interest on Long-Term Debt	18,643	23,895	-22%	-	-	0%	18,643	23,895	-22%
Debt Issuance Costs and Fees	13,190	13,189	0%	-	-	0%	13,190	13,189	0%
Water & Sewer	-	-	0%	1,363,351	1,572,822	-13%	1,363,351	1,572,822	-13%
	<u>4,638,252</u>	<u>4,408,731</u>	<u>5%</u>	<u>1,363,351</u>	<u>1,572,822</u>	<u>-13%</u>	<u>6,001,603</u>	<u>5,981,553</u>	<u>0%</u>
<b>Excess (Deficiency) Before Other Resources, Uses &amp; Transfers</b>	<b>1,114,873</b>	<b>455,358</b>	<b>-145%</b>	<b>735,501</b>	<b>456,813</b>	<b>61%</b>	<b>1,850,374</b>	<b>912,171</b>	<b>103%</b>
<b>Other Resources (Uses) Transfers In (Out)</b>	<b>-</b>	<b>-</b>	<b>0%</b>	<b>(62,350)</b>	<b>(362,025)</b>	<b>83%</b>	<b>-</b>	<b>-</b>	<b>0%</b>
<b>Increase (Decrease) in Net Position</b>	<b>1,177,223</b>	<b>817,383</b>	<b>-44%</b>	<b>673,151</b>	<b>94,788</b>	<b>610%</b>	<b>1,850,374</b>	<b>912,171</b>	<b>103%</b>
<b>Net Position - Beginning</b>	<b>7,238,695</b>	<b>6,421,312</b>	<b>13%</b>	<b>5,447,904</b>	<b>5,353,116</b>	<b>2%</b>	<b>12,686,599</b>	<b>11,774,428</b>	<b>8%</b>
<b>Prior Period Adjustment</b>	<b>(112,982)</b>	<b>-</b>	<b>-100%</b>	<b>(54,889)</b>	<b>-</b>	<b>-100%</b>	<b>(167,871)</b>	<b>-</b>	<b>-100%</b>
<b>Net Position - Ending</b>	<b>8,302,936</b>	<b>7,238,695</b>	<b>15%</b>	<b>6,066,166</b>	<b>5,447,904</b>	<b>11%</b>	<b>14,369,102</b>	<b>12,686,599</b>	<b>13%</b>

The City's total revenues were \$7,851,977. A significant portion, 27%, of the City's total revenue comes from the water and sewer operations. Revenues available to fund governmental activities consist of property taxes (23%), non-property taxes (24%), charges for services (22%), grants and contributions (23%), and other (8%).

The total cost of all programs and services was \$6,001,603; 23% of these costs were for water and sewer expenses. Expenses for governmental activities consisted of costs for general government (14%), Police (25%), streets (12%), sanitation (15%), other (34%).

### **Governmental Activities**

Revenues for the City's governmental activities increased 18%, while total expenses increased 5%.

- Property tax rates decreased from \$0.7182 to \$0.6925 per \$100 valuation. The ad valorem tax levy for the previous fiscal year was \$1,251,039, compared to \$1,291,905 for the current year. Total tax collections were \$1,285,767 in the current year of which \$1,064,045 was for maintenance and operation and \$221,722 for debt service.
- Grants and contributions revenues increased \$759,175. The following grants increased by \$694,788. These additional grant revenues consisted of HOME Grant (\$144,588), CLFRF Grant (\$179,480), and CDBG Downtown Revitalization Grant (\$370,720).
- The cost of all *governmental* activities this year was \$4,638,252. As shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through tax collections was \$1,297,798 because some of the costs were paid by those who directly benefited from the programs (\$1,258,812), by nonproperty taxes (\$1,375,532), or grants and contributions (\$1,325,967).

### **Business-type Activities**

Revenues of the City's business-type activities (see table A-2) increased 3% (\$2,098,852 from \$2,029,635) and expenses decreased 13% (\$1,363,351 from \$1,572,822).

## THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds (as presented in the balance sheet on Exhibit C-1) reported a *combined* fund balance of \$5,057,777, which is an increase from the prior year's total of \$4,513,653. The following items effecting fund balance should be noted:

- In the prior year, expenditures were less than revenues by \$327,273 prior to transfers. In the current year, expenditures were less than revenues by \$481,774 prior to transfers.
- The revenues in the governmental funds increased 18% from the prior period and expenses for the governmental funds increased 17% from the prior period. These increases were largely due to increases in grant revenues and related expenditures.

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City's budget once. Even with these adjustments, actual revenues were \$431,926 more than budgeted amounts and expenditures were \$145,602 less than final budget amounts.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2025, the City had \$25,127,454 invested in a broad range of capital assets, including buildings, furniture and equipment, and utilities facilities (see Table A-3). This amount represents a net increase (including additions and deductions) of \$383,099 over last year.

Table A-3  
Fixed Assets

Governmental <u>Activities:</u>	Balance <u>10-01-24</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>09-30-25</u>
Land	\$ 612,284	-	(395)	611,889
Construction in Progress	-	19,733	-	19,733
Infrastructure	989,805	630,018	-	1,619,823
Buildings& Improvements	4,641,904	31,700	(66,172)	4,607,432
Airport Improvements	2,155,952	-	-	2,155,952
Furniture & Equipment	4,629,301	269,835	(677,987)	4,221,149
Accumulated Depreciation	<u>(7,430,609)</u>	<u>(506,251)</u>	<u>(728,657)</u>	<u>(7,208,203)</u>
Net Capital Assets	<u>\$ 5,598,637</u>	<u>\$ 445,035</u>	<u>\$ (15,897)</u>	<u>\$ 6,027,775</u>

Business-Type Activities:	Balance 10-01-24	Additions	Deletions/ Reclassifications	Balance 09-30-25
Land	\$ 833,126	-	-	833,126
Construction in Progress	-	-	-	-
Buildings & Improvements	206,804	-	-	206,804
Water & Sewer System	9,648,278	110,538	-	9,758,816
Vehicles & Equipment	1,026,901	65,829	-	1,092,730
Accumulated Depreciation	<u>(5,910,747)</u>	<u>(350,852)</u>	<u>-</u>	<u>(6,261,599)</u>
Net Capital Assets	<u>\$ 5,804,362</u>	<u>\$(174,485)</u>	<u>\$ -</u>	<u>\$ 5,629,877</u>

More detailed information about the City's capital assets is presented in the notes to the financial statements.

### Debt

A municipal government can finance activities such as capital improvements and acquisitions through general tax bonds or revenue bonds. Additionally, a government may purchase items through the use of capital leases or notes payable with a financial institution.

Governmental Activities:	Balance 10-01-24	Additions	Decreases	Balance 09-30-25	Due Within One Year
Refunding Bonds	\$ 1,075,000	\$ -	\$ 261,000	\$ 814,000	\$ 266,000
Estimated Liability for Landfill Closure Costs	366,098	43,647	-	409,745	-
Compensated Absences	112,982	4,517	-	117,499	20,475
Net Pension Liability	1,886,470	-	292,766	1,593,704	-
Total OPEB Liability	<u>107,515</u>	<u>3,876</u>	<u>6,713</u>	<u>104,678</u>	<u>-</u>
	<u>\$ 3,548,065</u>	<u>\$ 52,040</u>	<u>\$ 560,479</u>	<u>\$ 3,039,626</u>	<u>\$ 286,475</u>
Business-Type Activities:	Balance 10-01-24	Additions	Decreases	Balance 09-30-25	Due Within One Year
Certificates of Obligation	\$ 1,650,000	\$ -	\$ 180,000	\$ 1,470,000	\$ 190,000
Bond Premium	97,152	-	22,831	74,321	-
Compensated Absences	54,889	226	-	55,115	9,606
Net Pension Liability	571,410	-	88,483	482,927	-
Total OPEB Liability	<u>29,230</u>	<u>3,640</u>	<u>1,281</u>	<u>31,589</u>	<u>-</u>
Total	<u>\$ 2,402,681</u>	<u>\$ 3,866</u>	<u>\$ 292,595</u>	<u>\$ 2,113,952</u>	<u>\$ 199,606</u>

More detailed information about the City's long-term obligations is presented in the notes to the financial statements.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected officials considered many factors when setting the fiscal year 2026 budget, tax rates, and fees. Factors considered include the current economy, property tax values and the needs of the City in the coming year. The Council has adopted tax rates, budgets and set fees accordingly.

If these estimates are realized, the City's budgetary general fund fund balance is expected to increase slightly by the close of 2026.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the City Administrator at the City's office located in Muleshoe, Texas.

## *BASIC FINANCIAL STATEMENTS*

CITY OF MULESHOE  
Muleshoe, Texas  
STATEMENT OF NET POSITION  
September 30, 2025

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS:</b>			
Cash and Investments	\$ 4,816,224	\$ 2,384,526	\$ 7,200,750
Cash and Investments - Restricted	-	107,475	107,475
Accounts Receivable, net	192,655	172,684	365,339
Taxes Receivable, Net	81,403	-	81,403
Due from Other Governments	265,853	-	265,853
Interfund Balances	-	-	-
Deferred Expenses	-	3,634	3,634
Note Receivable	203,720	-	203,720
Lease Receivable - current	11,613	-	11,613
Lease Receivable - noncurrent	87,477	-	87,477
Capital Assets:			
Land	611,889	833,126	1,445,015
Construction in Progress	19,733	-	19,733
Buildings & Improvements, net	1,947,825	97,535	2,045,360
Infrastructure	1,442,956	-	1,442,956
Airport Improvements	1,312,383	-	1,312,383
Utility Systems & Equipment, net	-	4,459,532	4,459,532
Furniture & Equipment, net	692,989	239,685	932,674
<b>TOTAL ASSETS</b>	<b>\$ 11,686,720</b>	<b>\$ 8,298,197</b>	<b>\$ 19,984,917</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflows - Pension	246,059	74,397	320,456
Deferred Outflows - OPEB	9,217	2,781	11,998
Deferred Charge on Bond Refunding	30,097	-	30,097
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>285,373</b>	<b>77,178</b>	<b>362,551</b>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 110,876	\$ 46,546	\$ 157,422
Accrued Interest	2,076	6,869	8,945
<b>Noncurrent Liabilities:</b>			
Customer Deposits	-	107,475	107,475
Due within one year	286,475	199,606	486,081
Due in more than one year	1,054,769	1,325,509	2,380,278
Premium on Bond Issuance	-	76,251	76,251
Net Pension Liability	1,593,704	482,927	2,076,631
Total OPEB Liability	104,678	31,589	136,267
<b>Total Liabilities</b>	<b>\$ 3,152,578</b>	<b>\$ 2,276,772</b>	<b>\$ 5,429,350</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflows - Pension	90,028	27,107	117,135
Deferred Inflows - OPEB	17,662	5,330	22,992
Deferred Inflows - Lease Income	99,090	-	99,090
Deferred Inflows - Grant Funds	309,799	-	309,799
<b>Total Deferred Inflows of Resources</b>	<b>516,579</b>	<b>32,437</b>	<b>549,016</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	\$ 4,834,127	\$ 4,083,625	\$ 8,917,752
Restricted for:			
Retirement of Long-Term Debt	90,488	-	90,488
Economic Development	1,782,804	-	1,782,804
Hotel/Motel Occupancy Tax	179,201	-	179,201
Drug Seizure Proceeds	3,325	-	3,325
Street Maintenance	115,657	-	115,657
Grant Programs	120,131	-	120,131
Unrestricted	1,177,203	1,982,541	3,159,744
<b>Total Net Position</b>	<b>\$ 8,302,936</b>	<b>\$ 6,066,166</b>	<b>\$ 14,369,102</b>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas  
STATEMENT OF ACTIVITIES  
Year Ended September 30, 2025

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
<b>Government Activities:</b>							
General Government	\$ 656,263	\$ 46,131	\$ 12,500	\$ -	\$ (597,632)	-	(597,632)
Police	1,141,941	-	3,871	134,729	(1,003,341)	-	(1,003,341)
Fire	129,420	-	35,517	45,000	(48,903)	-	(48,903)
Streets	556,218	-	-	523,079	(33,139)	-	(33,139)
Sanitation	689,223	1,105,150	15,000	-	430,927	-	430,927
Parks	99,924	7,047	16,211	19,800	(56,866)	-	(56,866)
Swimming Pool	187,452	49,199	-	-	(138,253)	-	(138,253)
Library	251,087	-	1,299	-	(249,788)	-	(249,788)
Municipal Court	73,465	-	-	-	(73,465)	-	(73,465)
Golf Course	63,726	-	-	-	(63,726)	-	(63,726)
Code Enforcement	74,310	-	-	-	(74,310)	-	(74,310)
Economic Development	54,003	-	-	-	(54,003)	-	(54,003)
Airport	125,831	51,285	-	19,733	(54,813)	-	(54,813)
Training Facility	4,328	-	-	-	(4,328)	-	(4,328)
HOME Grant Program	499,228	-	499,228	-	-	-	-
Interest on Long-Term Debt	18,643	-	-	-	(18,643)	-	(18,643)
Debt Issuance Costs and Fees	13,190	-	-	-	(13,190)	-	(13,190)
<b>Total Government Activities</b>	<b>\$ 4,638,252</b>	<b>\$ 1,258,812</b>	<b>\$ 583,626</b>	<b>\$ 742,341</b>	<b>\$ (2,053,473)</b>	<b>\$ -</b>	<b>\$ (2,053,473)</b>
<b>Business-type Activities</b>							
Water and Sewer	\$ 1,363,351	\$ 2,010,541	\$ -	\$ -	\$ -	\$ 647,190	\$ 647,190
<b>Total Business-Type Activities</b>	<b>\$ 1,363,351</b>	<b>\$ 2,010,541</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 647,190</b>	<b>\$ 647,190</b>
<b>Total Primary Government</b>	<b>\$ 6,001,603</b>	<b>\$ 3,269,353</b>	<b>\$ 583,626</b>	<b>\$ 742,341</b>	<b>\$ (2,053,473)</b>	<b>\$ 647,190</b>	<b>\$ (1,406,283)</b>
<b>General Revenues</b>							
Property Taxes, Levied for General Purpose					1,075,491	-	1,075,491
Property Taxes, Levied for Debt Service					222,307	-	222,307
Nonproperty Taxes					1,375,532	-	1,375,532
Investment Earnings					227,151	88,311	315,462
Fines					102,691	-	102,691
Licenses and Permits					21,705	-	21,705
Gain on Sale of Assets					36,602	-	36,602
Miscellaneous					106,867	-	106,867
Transfers					62,350	(62,350)	-
<b>Total General Revenue</b>					<b>3,230,696</b>	<b>25,961</b>	<b>3,256,657</b>
<b>Change in Net Position</b>					<b>1,177,223</b>	<b>673,151</b>	<b>1,850,374</b>
<b>Net Position -- Beginning</b>					<b>7,238,695</b>	<b>5,447,904</b>	<b>12,686,599</b>
<b>Prior Period Adjustment</b>					<b>(112,982)</b>	<b>(54,889)</b>	<b>(167,871)</b>
<b>Net Position -- Ending</b>					<b>\$ 8,302,936</b>	<b>\$ 6,066,166</b>	<b>\$ 14,369,102</b>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

BALANCE SHEET -- GOVERNMENTAL FUNDS  
September 30, 2025

	General Fund	Economic Development	HOME Grant	CLFRF Grant	Other Governmental Fund	Total Governmental Funds
<b>ASSETS</b>						
Cash & Cash Equivalents	\$ 2,370,140	\$ 1,629,718	\$ -	\$ 444,930	\$ 371,436	\$ 4,816,224
Property Taxes Receivable, net	66,601	-	-	-	14,802	81,403
Accounts Receivable	189,007	-	-	-	3,648	192,655
Due from Other Governments	5,933	-	253,409	-	6,511	265,853
Due from Other Funds	303,734	-	-	-	-	303,734
Notes Receivable	-	203,720	-	-	-	203,720
<b><u>TOTAL ASSETS</u></b>	<b><u>\$ 2,935,415</u></b>	<b><u>\$ 1,833,438</u></b>	<b><u>\$ 253,409</u></b>	<b><u>\$ 444,930</u></b>	<b><u>\$ 396,397</u></b>	<b><u>\$ 5,863,589</u></b>
<b>LIABILITIES</b>						
<b>Current Liabilities</b>						
Accounts Payable	\$ 89,917	\$ 709	\$ -	\$ 15,000	\$ 5,250	\$ 110,876
Due to Other Funds	-	49,925	253,409	-	400	303,734
<b><u>Total Liabilities</u></b>	<b><u>89,917</u></b>	<b><u>50,634</u></b>	<b><u>253,409</u></b>	<b><u>15,000</u></b>	<b><u>5,650</u></b>	<b><u>414,610</u></b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenues - Property Taxes	66,601	-	-	-	14,802	81,403
Deferred Inflows - Grant Proceeds	-	-	-	309,799	-	309,799
<b><u>Total Deferred Inflows of Resources</u></b>	<b><u>66,601</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>309,799</u></b>	<b><u>14,802</u></b>	<b><u>391,202</u></b>
<b>FUND BALANCES</b>						
<b>Restricted Fund Balances:</b>						
Retirement of Long-Term Debt	-	-	-	-	77,762	77,762
Economic Development	-	1,782,804	-	-	-	1,782,804
Hotel/Motel Occupancy Tax	-	-	-	-	179,201	179,201
Drug Seizure Proceeds	-	-	-	-	3,325	3,325
Street Maintenance	-	-	-	-	115,657	115,657
Grant Programs	-	-	-	120,131	-	120,131
Unassigned	2,778,897	-	-	-	-	2,778,897
<b><u>Total Fund Equities</u></b>	<b><u>2,778,897</u></b>	<b><u>1,782,804</u></b>	<b><u>-</u></b>	<b><u>120,131</u></b>	<b><u>375,945</u></b>	<b><u>5,057,777</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</u></b>	<b><u>\$ 2,935,415</u></b>	<b><u>\$ 1,833,438</u></b>	<b><u>\$ 253,409</u></b>	<b><u>\$ 444,930</u></b>	<b><u>\$ 396,397</u></b>	<b><u>\$ 5,863,589</u></b>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

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

Total Fund Balances -- Governmental Funds Balance Sheet	\$ 5,057,777
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Other long-term assets are not available to pay for current-period expenditures and therefore are unavailable in the funds	81,403
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,027,775
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities consist of:	
Deferred Charge on Bond Refunding	30,097
Accrued interest payable	(2,076)
Certificates of Obligation	(814,000)
Landfill Closure/Postclosure	(409,745)
Compensated Absences	<u>(117,499)</u>
	(1,313,223)
Included in the items related to noncurrent assets is the recognition of the City's proportionate share of the net pension liability required by GASB 68 in the amount of \$1,593,704, a deferred resource outflow related to pension in the amount of \$246,059, and a deferred resource inflow of \$90,028. This resulted in a decrease in net position by \$1437,673.	(1,437,673)
Included in the items related to noncurrent liabilities is the recognition of the City's proportionate share of the net OPEB liability required by GASB 75 in the amount of \$104,678, a deferred resource outflow related to OPEB in the amount of \$9,217, and a deferred resource inflow related to OPEB in the amount of \$17,662. This resulted in a decrease in net position by \$113,123.	<u>(113,123)</u>
Net Position of Governmental Activities -- Statement of Net Position	<u>\$ 8,302,936</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

EXHIBIT C-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES--  
GOVERNMENTAL FUNDS  
For the Year Ended September 30, 2025

	General Fund	Economic Development	HOME Grant	CLFRF Grant	Other Governmental Fund	Total Governmental Funds
<b>REVENUES:</b>						
Property Taxes (Including Penalty & Interest)	\$ 1,086,559	\$ -	\$ -	\$ -	\$ 225,001	\$ 1,311,560
Sales Taxes	665,233	164,082	-	-	164,083	993,398
Franchise Taxes	336,816	-	-	-	-	336,816
Occupancy Taxes	-	-	-	-	45,318	45,318
Licenses and permits	21,705	-	-	-	-	21,705
Rents	72,289	-	-	-	-	72,289
Swimming Pool	49,199	-	-	-	-	49,199
Donations	35,816	-	-	-	-	35,816
Sanitation Charges	1,105,150	-	-	-	-	1,105,150
Airport Fuel Sales	32,173	-	-	-	-	32,173
Fines	102,691	-	-	-	-	102,691
Interest	98,319	80,568	-	29,172	19,092	227,151
Grants	78,709	-	499,228	304,818	407,395	1,290,150
Insurance Proceeds	76,620	-	-	-	-	76,620
Miscellaneous	30,247	-	-	-	-	30,247
<u>Total Revenues</u>	<u>3,791,526</u>	<u>244,650</u>	<u>499,228</u>	<u>333,990</u>	<u>860,889</u>	<u>5,730,283</u>
<b>EXPENDITURES</b>						
<b>Current</b>						
General Government	587,606	-	-	12,500	37,500	637,606
Police	1,028,214	-	-	134,729	3,422	1,166,365
Fire	118,662	-	-	-	-	118,662
Streets	458,922	-	-	86,845	635,268	1,181,035
Sanitation	626,007	-	-	15,000	-	641,007
Parks	66,518	-	-	36,011	-	102,529
Swimming Pool	100,305	-	-	-	-	100,305
Library	246,745	-	-	-	-	246,745
Municipal Court	73,518	-	-	-	-	73,518
Golf Course	55,931	-	-	-	-	55,931
Code Enforcement	80,309	-	-	-	-	80,309
Economic Development and Assistance	-	54,003	-	-	-	54,003
Airport	39,106	-	-	19,733	-	58,839
Training Facility	4,328	-	-	-	-	4,328
HOME Grant	-	-	499,228	-	-	499,228
Principal on Long-Term Debt	-	-	-	-	261,000	261,000
Interest on Long-Term Debt	-	-	-	-	19,308	19,308
Debt issuance costs and fees	-	-	-	-	291	291
Capital Outlay	-	-	-	-	-	-
<u>Total Expenditures</u>	<u>3,486,171</u>	<u>54,003</u>	<u>499,228</u>	<u>304,818</u>	<u>956,789</u>	<u>5,301,009</u>
Excess of Revenues Over (Under) Expenditures	305,355	190,647	-	29,172	(95,900)	429,274
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers In	-	-	-	-	62,350	62,350
Transfers Out	-	-	-	-	-	-
Sale of Capital Assets	52,500	-	-	-	-	52,500
<u>Total Other Sources (Uses)</u>	<u>52,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>62,350</u>	<u>114,850</u>
Net Change in Fund Balances	357,855	190,647	-	29,172	(33,550)	544,124
Fund Balance--Beginning of Year	2,421,042	1,592,157	-	90,959	409,495	4,513,653
<u>Fund Balance--End of Year</u>	<u>\$ 2,778,897</u>	<u>\$ 1,782,804</u>	<u>\$ -</u>	<u>\$ 120,131</u>	<u>\$ 375,945</u>	<u>\$ 5,057,777</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
For the Year Ended September 30, 2025

Net Change in Fund Balances -- Total Governmental Funds		\$ 544,124
Amounts reported for governmental activities in the statement of activities ("SOA") 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 useful lives as depreciation expense. This is the amount of capital outlays during the current period.		935,387
The depreciation of capital assets is not reported in the funds. This is the amount of current depreciation on these assets.		(506,251)
Certain property tax revenues are unavailable in the funds. These are the amounts that have not been collected and are therefore do not provide current financial resources. This is the amount that these accounts have changed during the current period.		(13,762)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:		261,000
Some expenses reported in the statement of activities do not require current financial resources and therefore are not reported as expenditures in governmental funds.		
Change in pension expense	11,087	
Change in OPEB expense	6,035	
Change in liability for landfill closure & postclosure expenses	(43,647)	
Change in liability for compensated absences	(4,517)	
Amortization of deferred charge on bond refunding	(12,898)	
Change in accrued interest payable	665	
	<u>665</u>	<u>(43,275)</u>
		<u>\$ 1,177,223</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUNDS  
September 30, 2025

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<b>ASSETS</b>	
<u>Current Assets:</u>	
Cash and Investments	\$ 2,384,526
Cash - Restricted for customer deposits	107,475
Due from Other Governments	-
Accounts Receivable	210,836
Allowance for Uncollectible	(38,152)
Deferred Expenses	3,634
<u>Total Current Assets</u>	<u>\$ 2,668,319</u>
<u>Noncurrent Assets:</u>	
Land	\$ 833,126
Construction in Progress	-
Buildings and Improvements, net	97,535
Machinery and Equipment, net	239,685
Water and Sewer System, net	4,459,532
<u>Total Noncurrent Assets</u>	<u>\$ 5,629,878</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 8,298,197</u></b>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>	
Deferred Outflows - Pension	\$ 74,397
Deferred Outflows - OPEB	2,781
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$ 77,178</u>
<b>LIABILITIES</b>	
<u>Current Liabilities</u>	
Accounts Payable	\$ 46,546
Accrued Interest	6,869
Due to Other Funds	-
<u>Noncurrent Liabilities</u>	
Customer Deposits	107,475
Due within one year	199,606
Due in more than one year	1,325,509
Premium on bond issuance	76,251
Net Pension Liability	482,927
Total OPEB Liability	31,589
<u>Total Liabilities</u>	<u>2,276,772</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
Deferred Inflows - Pension	\$ 27,107
Deferred Inflows - OPEB	5,330
<u>Total Deferred Inflows of Resources</u>	<u>32,437</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,083,625
Unrestricted	1,982,541
<u>Total Net Position</u>	<u>\$ 6,066,166</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION--  
PROPRIETARY FUNDS

For the Year Ended September 30, 2025

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Operating Revenues</u>	
Charges for Services	\$ 1,986,488
Rents	20,803
Miscellaneous	3,250
<u>Total Operating Revenues</u>	<u>2,010,541</u>
<u>Operating Expenses</u>	
Personnel Services	545,421
Supplies	63,899
Maintenance	112,980
Other Charges	253,444
Depreciation	350,852
<u>Total Operating Expenses</u>	<u>1,326,596</u>
<u>Operating Income (Loss)</u>	683,945
<u>Non-Operating Revenues (Expenses)</u>	
Gain on Sale of Assets	-
Interest Income	88,311
Interest Expense	(36,074)
Bond Fees	(681)
<u>Total Non-Operating Revenues (Expenses)</u>	<u>51,556</u>
<u>Income Before Contributions and Transfers</u>	735,501
<u>Contributions and Transfers</u>	
Capital Contribution - CLFRF Grant	-
Transfers In/(Out)	(62,350)
<u>Total Contributions and Transfers</u>	<u>(62,350)</u>
Change in Net Position	673,151
NET POSITION	
Net Position, Beginning of Year	5,447,904
Prior Period Adjustment	(54,889)
Net Position, End of Year	<u><u>6,066,166</u></u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

STATEMENT OF CASH FLOWS--  
PROPRIETARY FUNDS  
For the Year Ended September 30, 2025

	<u>Proprietary Funds</u>
	<u>Water and Sewer</u>
<u>Cash Flows from Operating Activities:</u>	
Receipts from Customers	\$ 2,016,854
Payments to Suppliers	(449,640)
Payments to Employees	(547,213)
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>1,020,001</u>
<u>Cash Flows from Non-Capital Financing Activities:</u>	
Payments on Interfund Balances	-
Transfer to Other Fund	(62,350)
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>(62,350)</u>
<u>Cash Flows from Capital &amp; Related Financing Activities:</u>	
Acquisition of Fixed Assets	(176,368)
Payments on Long-Term Debt	(237,650)
<u>Net Cash Provided (Used) by Capital &amp; Related Financing Activities</u>	<u>(414,018)</u>
<u>Cash Flows from Investing Activities</u>	
Interest Earned on Investments	88,311
<u>Net Cash Provided (Used) by Investing Activities</u>	<u>88,311</u>
Net Increase (Decrease) in Cash & Cash Equivalents	631,944
Cash & Cash Equivalents--Beginning of Year	<u>1,860,057</u>
<u>Cash &amp; Cash Equivalents--End of Year</u>	<u>2,492,001</u>
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:	
Operating Income (Loss)	683,945
Adjustments to Reconcile to Net Cash Provided (Used) by Operating Activities:	
Depreciation	350,852
(Increase) Decrease in Receivables	2,848
(Increase) Decrease in Deferred Outflows	76,030
Increase (Decrease) in Liabilities	(101,750)
Increase (Decrease) in Deferred Inflows	8,076
<u>Net Cash Provided (Used) by Operating Activities</u>	<u>1,020,001</u>

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS  
September 30, 2025

Note A: Summary of Significant Accounting Policies

The City of Muleshoe was incorporated on January 1, 1926, and adopted the Home Rule Charter in accordance with statutes of the State of Texas on July 3, 1960. The City of Muleshoe, Texas (the City) operates under a Council-Manager form of government and provides the following services as authorized by its charter: Public Safety (Police and Fire), Highways and Streets, Sanitation, Health and Social Services, Public Improvements (Water and Sewer Systems), Planning and Zoning, and General Administrative Services.

The accounting and reporting policies of the City relating to the activities included in the accompanying financial statements conform to generally accepted accounting principles (GAAP) as applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units* and by the Financial Accounting Standards Board (when applicable). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

1. The Reporting Entity

As required by generally accepted accounting principles, these financial statements present the City (the primary government) and its component units, if applicable. The City's financial statements include accounts of all City operations. Component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board and is either able to impose its will on that organization or there is a potential for the organizations to provide specific financial benefits to, or impose specific financial burdens on, the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is fiscally dependent on the City. The financial statement of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, include whether:

- The organization is legally separate (can sue and be sued in their own name)
- The City holds the corporate powers of the organization
- The City appoints a voting majority of the organization's board
- The City is able to impose its will on the organization
- The organization has the potential to impose a financial benefit/burden on the City
- There is fiscal dependency by the organization on the City

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 2  
September 30, 2025

Note A: Summary of Significant Accounting Policies (Continued)

Based on the aforementioned criteria, the City of Muleshoe has a single component unit, the Muleshoe Economic Development Corporation (EDC). The EDC is treated as a blended component and reported as a special revenue fund of the City. The EDC was formed to provide economic growth in the City. The governing board of the EDC is appointed by the Mayor and City Council. The City has assigned a portion of its sales tax revenues to the EDC for future economic development of the City. The EDC does not issue separate financial statements. During the fiscal year ended September 30, 2025 the City allocated \$164,082 of its sales tax revenue to the EDC.

Joint Ventures

The City of Muleshoe has the following joint ventures at September 30, 2025. The City of Muleshoe is in conjunction with the County of Bailey, Texas, Muleshoe Independent School District, Muleshoe Area Hospital District and High Plains Underground Water Conservation District No. 1 to create Bailey Central Appraisal District pursuant to the laws of the State of Texas, for the appraisal and collection of property taxes. Bailey Central Appraisal District is governed by a five-member board composed of three appointees by Muleshoe School District and one by the County of Bailey, Texas, and the City of Muleshoe. Each taxing entity is liable for its share of the cost of operating Bailey Central Appraisal District. In accordance with the agreement with each taxing entity, excess funds will be paid annually at the discretion of Bailey Central Appraisal District. All known costs and refunds have been shown in current financial statements. Complete financial statements for Bailey Central Appraisal District can be obtained from Bailey Central Appraisal District, 302 Main, Muleshoe, Texas.

Related Organization

The following organization was excluded from the financial reporting entity because the City's accountability does not extend beyond making appointments. Audited financial statements are available from the respective organization.

<u>Related Organizations</u>	<u>Brief Description of Activities and Relationship to the City</u>
Housing Authority of Muleshoe	Administer Federal funding and/or other Financing for improvement of housing Conditions in the City. The five citizens who Serve as the Governing Board are appointed by the Mayor and approved by the City Council. The City has no significant influence over the management, budget, or policies of the Housing Authority of Muleshoe. The Authority reports independently.

Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 3  
September 30, 2025

Note A: Summary of Significant Accounting Policies (Continued)

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the over-reporting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all of taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The City reports the following major governmental funds:

General Fund: This is the primary operating fund of the City. It accounts for all financial resources of the general government except those required to be accounted for in another fund.

Economic Development: This fund accounts for sales tax revenue used for economic development.

HOME Grant – This fund accounts for the HOME grant program being administered by the City.

CLFRF Grant – This fund accounts for the Coronavirus Local Fiscal Recovery Fund.

In addition, the City reports the following fund types:

Special Revenue Funds: The City accounts for resources restricted to, or designated for, specific purposes by the City or a grantor in a special revenue fund.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 4  
September 30, 2025

Note A: Summary of Significant Accounting Policies (Continued)

Debt Service Fund: This fund accounts for financial resources that are restricted, committed, or assigned to expenditures for principal and interest on long-term debt of governmental activities.

Enterprise Funds: Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

b. Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims, and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital assets acquisitions are reported as expenditures in governmental funds. Proceeds from general long-term debt and acquisitions under capital leases are reported as other financing sources

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 5  
September 30, 2025

Note A: Summary of Significant Accounting Policies--Continued

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus utilizing the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The fund equity is segregated in net investment in capital assets, restricted net position, and unrestricted net position.

c. Fund Balance Classification

Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Currently, the City's restricted fund balances are made up of:

- Retirement of Long-Term Debt \$77,762
- Economic Development \$1,782,804
- Hotel/Motel Occupancy Tax \$179,201
- Drug Seizure Proceeds \$3,325
- Street Maintenance \$115,657
- CLFRF Grant Program \$120,131

Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the City Council. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (resolution) that was employed when the funds were initially committed. Currently, the City does not have any committed fund balances.

Unassigned: This classification includes the residual fund balance for the General Fund.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

The District reserves the right to selectively spend Unassigned/Unrestricted resources first to defer the use of these other classified funds.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 6  
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

3. Financial Statement Amounts

a. Deposits and Investments

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 purposes of the statement of cash flows, the City considers all highly liquid investments purchased with maturity of three months or less to be cash equivalents.

Investments for the City are reported at fair value.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1<sup>st</sup> for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. On January 1<sup>st</sup> of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. As of September 30, 2025, the amount deemed uncollectible by this estimate was \$64,809. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect cost applicable to future periods and are recorded as prepaid items.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 7  
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair market value at the date of the donation. The City has elected not to retroactively report its infrastructure assets. Infrastructure assets acquired after the implementation of GASB 34 will be capitalized. The cost of normal maintenance and repairs that do not add to the value of the assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	50
Buildings	50
Building Improvements	20
Vehicles	5-15
Office Equipment and Furniture	3-7
Computer Equipment	3-5

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of the period end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 8  
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results could differ from those estimates.

h. Compensated Absences

Probationary and full-time employees accrue sick leave at a rate of eight (8) hours per month. Unused sick leave may be carried over from year to year until an employee accumulates 816 hours. After an employee has accumulated the maximum number of sick leave time, the employee may request that the city buy back up to five (5) days of unused sick leave in December of each year. Any sick leave days that are unused at the time of termination will expire and employees will not receive any extra compensation for any remaining days in their leave account.

Employees in full-time positions shall be eligible for vacation benefits, upon completion of six (6) months of service. Vacation leave must be used in the service year in which it was earned. Vacation leave may not be carried over from year to year. No accrual for vacation leave is reported in the financial statements.

i. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to August 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to September 15, the budget is legally enacted through passage of an ordinance.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Total expenditures may not exceed total appropriation for any budgeted fund without amending the budget.
5. GASB Statement No. 34 requires that budgetary comparison statements for the General Fund and major special revenue funds be presented in the basic financial statements. These statements must display original budget, amended budget, and actual results (on a budgetary basis).
6. Budgets for the General Fund and Economic Development Fund are adopted on a basis consistent with generally accepted accounting principles (GAAP). All appropriations lapse at year end.

Budgeted amounts are as originally adopted, or as amended by the City Council throughout the year. Individual amendments were not material in relation to the original appropriations which were amended.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 9  
September 30, 2025

Note A: Summary of Significant Accounting Policies (continued)

j. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period when the amounts become available.

k. Pensions

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

l. Other Post-Employment Benefits

The City provides a supplemental death benefit for retirees that is considered an other post-employment benefit (OPEB) covered by GASB No. 75. This plan benefit is administered by TMRS. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. There are no investments.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 10  
September 30, 2025

Note B: Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violations</u>	<u>Action Taken</u>
None Reported	Not Applicable

Note C: Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest bearing saving accounts included in temporary investments) was \$1,226,286 and the bank balance was \$2,200,335. The City's cash deposits at September 30 and during the year then ended, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 11  
September 30, 2025

Note C: Deposits and Investments (continued)

The City's investments at September 30, 2025 included investment pools amounting to \$5,469,741.

<u>Investment Pool</u>	<u>Fund Rating (Standard &amp; Poor's)</u>	<u>Wtd Average Maturity</u>	<u>Amount</u>
LOGIC	AAAm	54 Days	\$ 5,469,741

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of now lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 12  
September 30, 2025

Note C: Deposits and Investments (continued)

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

CITY OF MULESHOE  
Muleshoe, Texas

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September 30, 2025

Note D: Leases Receivable

- a. The City, as lessor, has a lease agreement with Muleshoe Country Club whereby a tract of land containing 78.52 acres is being leased for the operation and maintenance of a public golf course. The lease has an initial lease term of March 1, 2013 and terminating on February 28, 2033.

The agreed rent to be paid by the Tenant to the City is the sum of \$1,300 per month. The City has the right to adjust monthly rent from time to time to accurately reflect fair market value. Lease income of \$11,131 and interest income of \$4,469 was recognized for the fiscal year ending September 30, 2025.

Future rental payments due from the tenant at September 30, 2025 are as follows:

Governmental Activities:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year Ending September 30,			
2026	\$ 11,613	\$ 3,987	\$ 15,600
2027	12,116	3,484	15,600
2028	12,642	2,958	15,600
2029	13,189	2,411	15,600
2030	13,761	1,839	15,600
2031-2033	<u>35,769</u>	<u>1,931</u>	<u>37,700</u>
Totals	<u>\$ 99,090</u>	<u>\$ 16,610</u>	<u>\$ 115,700</u>

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 14  
September 30, 2025

Note E: Capital Assets

Capital asset activity for the period ended September 30, 2025, was as follows:

<b><u>Governmental Activities:</u></b>	Balance <u>10-01-24</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-25</u>
Land	\$ 612,284	-	(395)	\$ 611,889
Construction in Progress	-	19,733	-	19,733
Infrastructure	989,805	630,018	-	1,619,823
Buildings& Improvements	4,641,904	31,700	(66,172)	4,607,432
Airport Improvements	2,155,952	-	-	2,155,952
Furniture & Equipment	<u>4,629,301</u>	<u>269,835</u>	<u>(677,987)</u>	<u>4,221,149</u>
Total Capital Assets	<u>\$ 13,029,246</u>	<u>\$ 951,286</u>	<u>\$ (744,554)</u>	<u>\$13,235,978</u>

Less Accumulated  
Depreciation:

Infrastruture	\$ 128,416	\$ 48,451	-	\$ 176,867
Buildings& Improvements	2,542,126	183,653	(66,172)	2,659,607
Airport Improvements	762,084	81,485	-	843,569
Furniture & Equipment	<u>3,997,983</u>	<u>192,662</u>	<u>(662,485)</u>	<u>3,528,160</u>
Total Accumulated Depreciation	<u>\$ 7,430,609</u>	<u>\$ 506,251</u>	<u>\$ (728,657)</u>	<u>\$ 7,208,203</u>
Net Capital Assets	<u>\$ 5,598,637</u>	<u>\$ 445,035</u>	<u>\$ (15,897)</u>	<u>\$ 6,027,775</u>

<b><u>Water and Sewer Activities:</u></b>	Balance <u>10-01-24</u>	<u>Additions</u>	Deletions/ <u>Reclassifications</u>	Balance <u>9-30-25</u>
Land	\$ 833,126	-	-	\$ 833,126
Construction in Progress	-	-	-	-
Buildings& Improvements	206,804	-	-	206,804
Water & Sewer System	9,648,278	110,538	-	9,758,816
Vehicles, Machinery & Furniture & Fixtures	<u>1,026,901</u>	<u>65,829</u>	<u>-</u>	<u>1,092,730</u>
Total Capital Assets	<u>\$11,715,109</u>	<u>\$176,367</u>	<u>\$ -</u>	<u>\$11,891,476</u>

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Muleshoe, Texas

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September 30, 2025

Note E: Capital Assets (continued)

<u>Less Accumulated Depreciation:</u>	<u>Balance 10-01-24</u>	<u>Additions</u>	<u>Deletions/ Reclassifications</u>	<u>Balance 9-30-25</u>
Buildings& Improvements	\$ 102,941	\$ 6,327	-	\$ 109,268
Water & Sewer System	4,999,521	299,764	-	5,299,285
Vehicles, Machinery & Furniture & Fixtures	<u>808,285</u>	<u>44,761</u>	<u>-</u>	<u>853,046</u>
Total Accumulated Depreciation	<u>\$ 5,910,747</u>	<u>\$ 350,852</u>	<u>\$ -</u>	<u>\$ 6,261,599</u>
Net Capital Assets	<u>\$ 5,804,362</u>	<u>\$(174,485)</u>	<u>\$ -</u>	<u>\$ 5,629,877</u>

Depreciation was charged to functions of the primary government as follows:

General Government	\$ 17,176
Police	121,235
Fire	59,018
Streets	93,031
Sanitation	810
Parks	29,094
Swimming Pool	87,148
Library	4,219
Golf Course	7,795
Airport	86,725
Water & Sewer	<u>350,852</u>
	<u>\$ 857,103</u>

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Muleshoe, Texas

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September 30, 2025

Note F: Interfund Balances and Activities

Interfund balances at September 30, 2025 consisted of the following individual fund balances:

<u>Fund</u>	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Economic Development Fund	\$ 49,925	-
HOME Grant	253,409	-
Other Governmental Funds	400	-
<u>Total General Fund</u>	<u>303,734</u>	<u>-</u>
 <u>Economic Development Fund:</u>		
General Fund	<u>-</u>	<u>49,925</u>
 <u>HOME Grant Fund:</u>		
General Fund	<u>-</u>	<u>253,409</u>
 <u>Other Governmental Funds:</u>		
General Fund	<u>-</u>	<u>400</u>
 <u>Total</u>	 <u>\$ 303,734</u>	 <u>\$ 303,734</u>

These interfund receivables and payables arise out of the normal course of business. All balances are expected to be paid within one year.

Note G: Interfund Transfers

Interfund transfers for the year ended September 30, 2025 consisted of the following:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
<u>Debt Service Fund:</u>		
Water and Sewer Fund	<u>62,350</u>	<u>-</u>
 <u>Water and Sewer Fund:</u>		
Debt Service Fund	<u>-</u>	<u>62,350</u>
<u>Total Water and Sewer Fund</u>	<u>-</u>	<u>62,350</u>
 <u>Total</u>	 <u>\$ 62,350</u>	 <u>\$ 62,350</u>

These interfund transfers represent cash flow transfers between funds in the normal course of business.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 17  
September 30, 2025

Note H: Long-Term Obligations

Interest expense charged to various functions within the City government is as follows:

	<u>9/30/2024</u>	<u>9/30/2025</u>
Governmental Activities	\$ 24,551	\$ 18,643
Business-type Activities	\$ 39,488	\$ 36,074

At September 30, 2025 debt consisted of the following individual issues:

General Obligation Refunding Bonds

On November 1, 2015, City of Muleshoe issued General Obligation Refunding Bonds Series 2015 of \$2,855,000 due in various annual installments of \$32,000 to \$278,000 through 2028 at an interest rate of 2.04%. These were issued to refund the City’s outstanding Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2007 of \$2,655,000 with interest and to pay the costs of issuing the bonds.

Revenue Certificate of Obligation Bonds

The City of Muleshoe issued Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2016, in the amount of \$2,795,000, dated November 10, 2016, for the following purposes: improvements to the city waterworks and sewer system, treatment plant, and professional services rendered in relation to such projects. The City of Muleshoe pledged the net revenues of City’s Waterworks and System and the levy and collection of direct ad valorem tax on property within the City of Muleshoe for payment on the Certificates of Obligation. Therefore, the liability for the Certificate of Obligation is recorded in the financial statement of the Water and Sewer Fund.

The Certificates of Obligation are secured by a continuing direct ad valorem tax on all taxable property within the city sufficient to provide for the payment of principal and interest on the obligations payable.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 18  
September 30, 2025

Note H: Long-Term Obligations (continued)

Changes in long-term obligations for the year ended September 30, 2025 are as follows:

<b><u>Governmental Activities:</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
General Obligation Refunding Bond-2015	\$ 1,075,000	\$ -	\$ 261,000	\$ 814,000	\$ 266,000
Compensated Absences*	112,982	4,517	-	117,499	20,475
Net Pension Liability	1,886,470	-	292,766	1,593,704	-
Total OPEB Liability	107,515	3,876	6,713	104,678	-
Estimated Liability for Landfill Closure Cost	<u>366,098</u>	<u>43,647</u>	<u>-</u>	<u>409,745</u>	<u>-</u>
<b><u>Total Governmental Funds:</u></b>	<b><u>\$ 3,548,065</u></b>	<b><u>\$ 52,040</u></b>	<b><u>\$ 560,479</u></b>	<b><u>\$ 3,039,626</u></b>	<b><u>\$ 286,475</u></b>

<b><u>Business-Type Activities:</u></b>	<b><u>Beginning Balance</u></b>	<b><u>Increases</u></b>	<b><u>Decreases</u></b>	<b><u>Ending Balance</u></b>	<b><u>Due Within One Year</u></b>
Certificates Of Obligation-2016	\$ 1,650,000	\$ -	\$ 180,000	\$ 1,470,000	\$ 190,000
Certificate of Obligation Premium	97,152	-	22,831	74,321	-
Compensated Absences*	54,889	226	-	55,115	9,606
Net Pension Liability-TMRS	571,410	-	88,483	482,927	-
Total OPEB Liability	<u>29,230</u>	<u>3,640</u>	<u>1,281</u>	<u>31,589</u>	<u>-</u>
<b><u>Total Business-Type Activities:</u></b>	<b><u>\$ 2,402,681</u></b>	<b><u>\$ 3,866</u></b>	<b><u>\$ 292,595</u></b>	<b><u>\$ 2,113,952</u></b>	<b><u>\$ 199,606</u></b>

\*The change in compensated absences is reported as a net increase or decrease.

The debt service fund is used to liquidate the governmental activities long-term debt and the water and sewer fund liquidates the business-type activities long-term debt. The annual aggregate maturities of bonds, certificates of obligation, and notes payable for the years subsequent to September 30, 2025 are as follows:

<b><u>Debt Service Requirements</u></b> Year Ending September 30,	<b><u>Governmental Activities</u></b>		<b><u>Business-Type Activities</u></b>	
	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>
2026	\$ 266,000	\$ 13,892	\$ 190,000	\$ 52,100
2027	270,000	8,425	195,000	46,325
2028	278,000	2,836	200,000	39,400
2029	-	-	210,000	31,200
2030	-	-	215,000	22,700
2031-2032	-	-	460,000	18,600
<b>Total</b>	<b><u>\$ 814,000</u></b>	<b><u>\$ 25,153</u></b>	<b><u>\$ 1,470,000</u></b>	<b><u>\$ 210,325</u></b>

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 19  
September 30, 2025

Note I: TMRS-Pension Plan

Plan Description

The City of Muleshoe participates as one of 938 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for 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; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at [tmrs.com](http://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. 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.

	<u>Plan Year 2024</u>	<u>Plan Year 2023</u>
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100%	100%
Annuity Increase (to retirees)	70% of CPI	70% of CPI

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 20  
September 30, 2025

Note I: TMRS-Pension Plan (continued)

*Employees covered by benefit terms*

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	39
Inactive employees entitled to but not yet receiving benefits	27
Active employees	<u>32</u>
Total	98

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 (EAN) 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 of Muleshoe were required to contribute 7% of their annual compensation during the fiscal year. The actuarially determined contribution rates for the City of Muleshoe were 24.06% and 24.08% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$371,462, and were equal to the required contributions.

Net Pension Liability

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

*Actuarial assumptions:*

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 21  
September 30, 2025

Note I: TMRS-Pension Plan (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 MP-2021 to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2018 to December 31, 2022. The assumptions were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined by best estimate range 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 the expected return for each major asset class in fiscal year 2024 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	35.00%	7.10%
Core Fixed Income	6.00%	5.00%
Non-Core Fixed Income	6.00%	6.80%
Hedge Funds	5.00%	6.40%
Private Equity	13.00%	8.50%
Private Debt	13.00%	8.20%
Real Estate	12.00%	6.70%
Infrastructure	6.00%	6.00%
Other Private Markets	<u>4.00%</u>	7.30%
Total	100.00%	

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 22  
September 30, 2025

Note I: TMRS-Pension Plan (continued)

*Discount Rate*

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that member and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan'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 Total Pension Liability.

*Change in the Net Pension Liability*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/23	\$ 13,355,083	\$ 10,897,203	\$ 2,457,880
Changes for the year:			
Service cost	260,906		260,906
Interest	886,412		886,412
Change of benefit terms			
Difference between expected and actual experience	70,115		70,115
Changes of assumptions	-		-
Contributions - employer		369,258	(369,258)
Contributions - employee		107,432	(107,432)
Net investment income		1,129,423	(1,129,423)
Benefit payments, including refunds of employee contributions	(706,998)	(706,998)	-
Administrative expense		(7,262)	7,262
Other changes		(169)	169
Net changes	<u>510,435</u>	<u>891,684</u>	<u>(381,249)</u>
Balance at 12/31/24	<u>\$ 13,865,518</u>	<u>\$ 11,788,887</u>	<u>\$ 2,076,631</u>

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Net Pension Liability of the city, calculated using the discount rate of 6.75%, as well as what the city's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 3,787,930	\$ 2,076,631	\$ 649,802

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Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 23  
September 30, 2025

Note I: TMRS-Pension Plan (continued)

*Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s Fiduciary Net Position is available in the Schedule of Changes in Fiduciary Net Position, by Participating City. That report may be obtained at [tmrs.com](http://tmrs.com).

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

For the year ended September 30, 2025, the city recognized pension expense of \$357,184.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 41,141	\$ 1,223
Changes in actuarial assumptions	\$ -	\$ 9,567
Difference between projected and actual investment earnings	\$ -	\$ 106,345
Contributions subsequent to the measure date December 31, 2024	<u>\$ 279,315</u>	<u>\$ -</u>
Total	\$ 320,456	\$ 117,135

\$279,315 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 Net Pension Liability for the 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:

Year ended Dec 31:	
2025	\$ 29,548
2026	147,215
2027	(173,987)
2028	(78,770)
2029	-
Thereafter	<u>-</u>
Total	\$ (75,994)

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 24  
September 30, 2025

Note J: Supplemental Death Benefits Plan

1. Plan Description

The City participates in the single-employer unfunded defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (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 City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 818 participating cities as of December 31, 2024.

2. OPEB Plan Fiduciary Net Position

Detailed information about the fiduciary net position of the Supplemental Death Benefits Fund is available in the separately-issued TMRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [tmrs.com](http://tmrs.com) or by writing to TMRS at P.O. Box 149153, Austin, TX 78714-9153.

3. Benefits Provided

The death benefit for active members provides a lump-sum payment approximately equal to the member's annual salary (calculated based on the members' actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit" ("OPEB") and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of the Pension Trust Fund. 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).

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	5
Active employees	<u>32</u>
Total	61

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Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 25  
September 30, 2025

Note J: Supplemental Death Benefits Plan (continued)

4. Contributions

The City contributes to the SDBF monthly based on the payroll of their covered members at an annually actuarially determined rate. There is a one-year delay between the actuarial valuation that serves as the basis for the city's contribution rate and the calendar year when the rate goes into effect.

TMRS pools the SDBF contributions with those of the Pension Trust Fund for investment purposes. 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.

	<u>Contribution Rates</u>	
City and Component Unit	<u>2024</u>	<u>2025</u>
Current Fiscal Year Employer Contributions	0.64%	0.53%
Primary Government		\$ 8,606

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 26  
September 30, 2025

Note J: Supplemental Death Benefits Plan (continued)

5. Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

**Summary of Actuarial Methods and Assumptions**

Valuation Date	December 31, 2024
Actuarial Cost Method	Entry Age Normal
Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount Rate*	4.08%*
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

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

CITY OF MULESHOE  
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NOTES TO THE FINANCIAL STATEMENTS, Page 27  
September 30, 2025

Note J: Supplemental Death Benefits Plan (continued)

6. Discount Rate

As of December 31, 2024, the discount rate used in the development of the Total OPEB Liability was 4.08% compared to 3.77% as of December 31, 2023. In accordance with GASB No. 75, paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated as AA or higher. The projection of cash flows used to determine the discount rate assumed that contributions are made at the actuarially determined rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Bond Buyer “20-Bond GO Index” as of December 31, 2024.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.77%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Increase in Discount Rate (5.08%)
Primary Government	\$ 157,900	\$ 136,267	\$ 118,816

8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At September 30, 2025, the City reported a liability of \$136,267 for total OPEB liability. The total OPEB liability was measured as of December 31, 2024 by an actuarial valuation as of that date.

**Changes Since the Prior Actuarial Valuation** – The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

As of December 31, 2024, the discount rate used in the development of the Total OPEB Liability was 4.08% compared to 3.77% as of December 31, 2023. The discount rate was based on the Bond Buyer “20-Bond GO Index” rate closest to, but not later than December 31, 2024.

For the year ended September 30, 2025, the City recognized OPEB expense of \$3,744.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 28  
September 30, 2025

Note J: Supplemental Death Benefits Plan (continued)

*Change in the Total OPEB Liability*

	Total OPEB Liability	
	<u>Primary Government</u>	
Balance at 12/31/23	\$	136,745
Changes for the year:		
Service cost		4,451
Interest		5,135
Change of benefit terms		-
Difference between expected and actual experience		1,665
Changes of assumptions		(6,204)
Benefit payments, including refunds of employee contributions		(5,525)
Other changes		-
Net changes		<u>(478)</u>
Balance at 12/31/24	\$	<u>136,267</u>

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

<u>Primary Government:</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,577	\$ 1,630
Changes in actuarial assumptions	\$ 3,267	\$ 21,362
Difference between projected and actual investment earnings	\$ -	\$ -
Contributions subsequent to the measure date December 31, 2024	\$ 6,154	-
Total	<u>\$ 11,998</u>	<u>\$ 22,992</u>

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO FINANCIAL STATEMENTS, Page 29  
September 30, 2025

Note J: Supplemental Death Benefits Plan (continued)

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

Year ended Dec 31:	<u>Primary Government</u>
2025	\$ (11,819)
2026	(4,318)
2027	(1,011)
2028	-
2029	-
Thereafter	-
Total	\$ (17,148)

Note K: Healthcare-related Post-Employment Benefits

The City has an other postemployment benefit (OPEB) for health-related benefits. The OPEB for health-related benefits is not administered through a qualifying trust, and is funded on a pay-as-you-go funding strategy.

An employee that retires from the City shall be eligible for retiree and dependent medical dental, and vision insurance subject to the health insurance plan that is in place at the time of retirement.

For an employee that is eligible to retire and was hired prior to March 12, 2002, the City will contribute an amount toward the cost of the retiree and dependent medical, dental, and vision insurance equal to the amount provided to regular full-time employees for a period of five (5) years or until that retiree becomes eligible for Medicare or is covered by another health insurance plan. Any additional cost will be the responsibility of the retiree.

For an employee that is eligible to retire and was hired after March 12, 2002, and has been continuously employed by the City for 20 years or more and has reached the age of sixty (60), the City will contribute an amount toward the cost of the retiree and dependent medical, dental, and vision insurance equal to the amount provided to regular full-time employee for a period of five (5) years or until that retiree becomes eligible for Medicare or is covered by another health insurance plan. Any additional cost will be the responsibility of the retiree.

The City has not recorded a liability for this OPEB as required by GASB 75 in the current fiscal year ending September 30, 2025. In the opinion of Management, the unrecorded OPEB liability will not have a materially adverse effect on the City’s financial position at September 30, 2025.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 30  
September 30, 2025

Note L: Contingent Liabilities

The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Any liability for reimbursement, which may arise as the result of these audits, is not believed to be significant.

From time to time the City is party to various legal proceedings which normally occur in governmental operations. These legal proceedings are not likely to have a significant adverse impact on the affected funds of the City.

Note M: Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2021, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

Note N: Health Care Coverage

During the year ended September 30, 2025, employees of the City were covered through TML MultiState IEBP. The City paid premiums of \$650 per month per employee for employee coverage to the Plan. Additionally, the City paid premiums of \$500 per month towards optional dependent coverage. Employees authorized payroll withholdings to pay the remaining premium for dependents. Under this plan, the City is not liable for costs incurred beyond the premiums paid.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 31  
September 30, 2025

Note O: Closure and Post-closure Care Cost

State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site after closure. In addition to operating expense related to current activities of the landfill, a related liability will be recognized in the General Long-Term Debt Account based on the future closure and post-closure care costs that will be incurred near or after the date that the landfill no longer accepts waste. The recognition of these landfill closure and post-closure care costs is based on the amount of landfill used during the year. The estimated liability for landfill closure and post-closure care costs has a balance of \$409,745 as of September 30, 2025, which is based on 3.71% usage (filled) of the landfill. It is estimated that an additional \$938,722 will be recognized as closure and post-closure care expenses between the October 1, 2025 and the date the landfill is expected to be filled to capacity. The estimated total current cost of the landfill closure and post-closure care (\$1,348,467) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were incurred as of September 30, 2025. However, the actual cost of closure and post-closure cost may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The City is required by Texas Commission on Environmental Quality to satisfy certain requirements of financial assurance for closure and post-closure cost by meeting certain financial tests. In the opinion of City Management, all financial assurance requirements have been met at September 30, 2025.

The total amount of landfill closure and post-closure care cost for the current period in the amount of \$43,647 (required by GASB 18) increased the amount of estimated liability for landfill closure and post-closure care cost as a Long-Term Liability.

Note P: Notes Receivable

The Muleshoe Economic Development Corporation has loaned various businesses money for economic development purposes. These receivables are reflected in the Statement of Net Position and Balance Sheet as an asset.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO THE FINANCIAL STATEMENTS, Page 32  
September 30, 2025

Note Q: Prior Period Adjustment – Compensated Absences

The implementation of GASBS No. 101 – Compensated Absences resulted in a prior period adjustment decreasing the beginning net position of the Governmental Activities (\$112,982) and Business-Type Activities (\$54,889).

According to the standard, liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used and (b) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

Probationary and full-time employees accrue sick leave at a rate of eight (8) hours per month. Unused sick leave may be carried over from year to year until an employee accumulates 816 hours. After an employee has accumulated the maximum number of sick leave time, the employee may request that the city buy back up to five (5) days of unused sick leave in December of each year. Any sick leave days that are unused at the time of termination will expire and employees will not receive any extra compensation for any remaining days in their leave account.

Employees in full-time positions shall be eligible for vacation benefits, upon completion of six (6) months of service. Vacation leave must be used in the service year in which it was earned. Vacation leave may not be carried over from year to year. No accrual for vacation leave is reported in the financial statements.

*REQUIRED SUPPLEMENTARY INFORMATION*

CITY OF MULESHOE  
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
For the Fiscal Year Ended September 30, 2025

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Property Taxes (Including Penalty & Interest)	\$ 988,000	\$ 988,000	\$ 1,086,559	\$ 98,559
Sales Taxes	615,000	615,000	665,233	50,233
Franchise Taxes	315,000	315,000	336,816	21,816
Occupancy Taxes	-	-	-	-
Licenses and permits	13,750	13,750	21,705	7,955
Rents	65,200	65,200	72,289	7,089
Swimming Pool	50,000	50,000	49,199	(801)
Donations	37,000	37,000	35,816	(1,184)
Sanitation Charges	1,053,000	1,068,000	1,105,150	37,150
Airport Fuel Sales	25,000	25,000	32,173	7,173
Fines	57,150	57,150	102,691	45,541
Interest	33,000	33,000	98,319	65,319
Grants	4,000	58,000	78,709	20,709
Insurance Proceeds	-	-	76,620	76,620
Miscellaneous	34,500	34,500	30,247	(4,253)
<u>Total Revenues</u>	<u>3,290,600</u>	<u>3,359,600</u>	<u>3,791,526</u>	<u>431,926</u>
<u>Expenditures</u>				
<u>Current</u>				
General Government	625,725	625,725	587,606	38,119
Police	1,057,081	1,057,081	1,028,214	28,867
Fire	110,825	135,825	118,662	17,163
Streets	447,611	476,611	458,922	17,689
Sanitation	615,307	630,307	626,007	4,300
Parks	68,050	68,050	66,518	1,532
Swimming Pool	86,945	110,945	100,305	10,640
Library	253,064	253,064	246,745	6,319
Municipal Court	79,430	79,430	73,518	5,912
Golf Course	63,500	63,500	55,931	7,569
Code Enforcement	82,735	82,735	80,309	2,426
Airport	41,000	41,000	39,106	1,894
Training Facility	7,500	7,500	4,328	3,172
<u>Total Expenditures</u>	<u>3,538,773</u>	<u>3,631,773</u>	<u>3,486,171</u>	<u>145,602</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	320,000	320,000	-	(320,000)
Sale of Capital Assets	-	-	52,500	52,500
<u>Total Other Sources (Uses)</u>	<u>320,000</u>	<u>320,000</u>	<u>52,500</u>	<u>(267,500)</u>
Net Change in Fund Balances	71,827	47,827	357,855	310,028
Fund Balance, Beginning of Year	<u>2,421,042</u>	<u>2,421,042</u>	<u>2,421,042</u>	<u>-</u>
<u>Fund Balance, End of Year</u>	<u>\$ 2,492,869</u>	<u>\$ 2,468,869</u>	<u>\$ 2,778,897</u>	<u>\$ 310,028</u>

CITY OF MULESHOE  
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE  
ECONOMIC DEVELOPMENT  
For the Fiscal Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Sales Taxes	\$ 150,000	\$ 150,000	\$ 164,082	\$ 14,082
Interest Income	21,000	21,000	80,568	59,568
<u>Total Revenues</u>	<u>171,000</u>	<u>171,000</u>	<u>244,650</u>	<u>73,650</u>
<u>Expenditures</u>				
Current				
Economic development and assistance	164,875	164,875	54,003	110,872
<u>Total Expenditures</u>	<u>164,875</u>	<u>164,875</u>	<u>54,003</u>	<u>110,872</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	6,125	6,125	190,647	184,522
Fund Balance, Beginning of Year	<u>1,592,157</u>	<u>1,592,157</u>	<u>1,592,157</u>	<u>-</u>
<u>Fund Balance, End of Year</u>	<u>\$ 1,598,282</u>	<u>\$ 1,598,282</u>	<u>\$ 1,782,804</u>	<u>\$ 184,522</u>

CITY OF MULESHOE  
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE  
HOME GRANT  
For the Fiscal Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Grant Income	\$ 712,350	\$ 712,350	\$ 499,228	\$ (213,122)
Interest Income	-	-	-	-
<u>Total Revenues</u>	<u>712,350</u>	<u>712,350</u>	<u>499,228</u>	<u>(213,122)</u>
<u>Expenditures</u>				
Current				
HOME Grant Program	712,350	712,350	499,228	213,122
<u>Total Expenditures</u>	<u>712,350</u>	<u>712,350</u>	<u>499,228</u>	<u>213,122</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	-	-	-	-
Fund Balance, Beginning of Year	-	-	-	-
<u>Fund Balance, End of Year</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF MULESHOE  
Muleshoe, Texas

BUDGETARY COMPARISON SCHEDULE  
CLFRF GRANT  
For the Fiscal Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<u>Revenues</u>				
Grant Income	\$ 771,758	\$ 614,617	\$ 304,818	\$ (309,799)
Interest Income	20,000	20,000	29,172	9,172
<u>Total Revenues</u>	<u>791,758</u>	<u>634,617</u>	<u>333,990</u>	<u>(300,627)</u>
<u>Expenditures</u>				
Current				
General Government	12,500	12,500	12,500	-
Police	134,729	134,729	134,729	-
Streets	86,845	86,845	86,845	-
Sanitation	15,000	15,000	15,000	-
Parks	36,011	36,011	36,011	-
Airport	486,673	329,532	19,733	309,799
<u>Total Expenditures</u>	<u>771,758</u>	<u>614,617</u>	<u>304,818</u>	<u>309,799</u>
<u>Other Financing Sources (Uses)</u>				
Transfers In/(Out)	-	-	-	-
<u>Total Other Sources (Uses)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	20,000	20,000	29,172	9,172
Fund Balance, Beginning of Year	90,959	90,959	90,959	-
<u>Fund Balance, End of Year</u>	<u>\$ 110,959</u>	<u>\$ 110,959</u>	<u>\$ 120,131</u>	<u>\$ 9,172</u>

CITY OF MULESHOE  
Muleshoe, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY/ASSET  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year									
	December 31, 2024	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015
<b>Total Pension Liability</b>										
Service Cost	\$ 260,906	\$ 247,292	\$ 237,083	\$ 250,615	\$ 241,842	\$ 219,988	\$ 223,131	\$ 217,345	\$ 213,582	\$ 212,058
Interest (on the Total Pension Liability)	886,412	864,007	812,571	760,485	730,217	713,760	670,969	623,937	580,931	567,622
Changes of benefit terms	-	-	-	-	-	-	-	-	-	-
Difference between expected and actual experience	70,115	(16,525)	325,798	369,155	105,024	(115,108)	195,248	237,819	231,788	16,982
Change of assumptions	-	(129,159)	-	-	-	27,191	-	-	-	30,665
Benefit payments, including refunds of employee contributions	(706,998)	(573,968)	(663,120)	(540,587)	(725,517)	(500,385)	(407,267)	(363,187)	(418,921)	(242,269)
<b>Net change in Total Pension Liability</b>	510,435	391,647	712,332	839,668	351,566	345,446	682,081	715,914	607,380	585,058
<b>Total Pension Liability - Beginning</b>	13,355,083	12,963,436	12,251,104	11,411,436	11,059,870	10,714,424	10,032,343	9,316,429	8,709,049	8,123,991
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 13,865,518</u>	<u>\$ 13,355,083</u>	<u>\$ 12,963,436</u>	<u>\$ 12,251,104</u>	<u>\$ 11,411,436</u>	<u>\$ 11,059,870</u>	<u>\$ 10,714,424</u>	<u>\$ 10,032,343</u>	<u>\$ 9,316,429</u>	<u>\$ 8,709,049</u>
<b>Plan Fiduciary Net Position</b>										
Contributions - employer	369,258	311,737	275,805	304,082	287,264	248,235	234,266	213,126	215,189	218,865
Contributions - employee	107,432	104,912	100,764	108,090	105,280	97,401	97,437	95,687	94,805	91,630
Net investment income	1,129,423	1,145,445	(802,433)	1,283,646	718,801	1,289,945	(260,157)	1,064,776	493,602	10,671
Benefit payments, including refunds of employee contributions	(706,998)	(573,968)	(663,120)	(540,587)	(725,517)	(500,385)	(407,267)	(363,187)	(418,920)	(242,269)
Administrative expense	(7,262)	(7,301)	(6,951)	(5,944)	(4,653)	(7,291)	(5,029)	(5,518)	(5,575)	(6,500)
Other	(169)	(52)	8,294	41	(182)	(219)	(263)	(280)	(300)	(321)
<b>Net Change in Plan Fiduciary Net Position</b>	891,684	980,773	(1,087,641)	1,149,328	380,993	1,127,686	(341,013)	1,004,604	378,801	72,076
<b>Plan Fiduciary Net Position - Beginning</b>	10,897,203	9,916,430	11,004,071	9,854,743	9,473,750	8,346,064	8,687,077	7,682,473	7,303,672	7,231,596
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 11,788,887</u>	<u>\$ 10,897,203</u>	<u>\$ 9,916,430</u>	<u>\$ 11,004,071</u>	<u>\$ 9,854,743</u>	<u>\$ 9,473,750</u>	<u>\$ 8,346,064</u>	<u>\$ 8,687,077</u>	<u>\$ 7,682,473</u>	<u>\$ 7,303,672</u>
<b>Net Pension Liability/(Asset) - Ending (a) - (b)</b>	\$ 2,076,631	\$ 2,457,880	\$ 3,047,006	\$ 1,247,033	\$ 1,556,693	\$ 1,586,120	\$ 2,368,360	\$ 1,345,266	\$ 1,633,956	\$ 1,405,377
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	85.02%	81.60%	76.50%	89.82%	86.36%	85.66%	77.90%	86.59%	82.46%	83.86%
<b>Covered Employee Payroll</b>	\$ 1,534,741	\$ 1,498,740	\$ 1,439,483	\$ 1,544,149	\$ 1,503,993	\$ 1,391,446	\$ 1,391,957	\$ 1,366,952	\$ 1,354,354	\$ 1,309,003
<b>Net Pension Liability/(Asset) as a Percentage of Covered Payroll</b>	135.31%	164.00%	211.67%	80.76%	103.50%	113.99%	170.15%	98.41%	120.64%	107.36%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS - TMRS  
(unaudited)

	Measurement Year							
	2024	2023	2022	2021	2020	2019	2018	2017
<b>Total OPEB Liability</b>								
Service Cost	\$ 4,451	\$ 4,496	\$ 8,061	\$ 8,030	\$ 6,166	\$ 4,035	\$ 5,011	\$ 4,238
Interest (on the Total OPEB Liability)	5,135	5,183	3,178	3,276	3,719	5,855	3,576	3,504
Changes of benefit terms	-	-	-	-	-	-	-	-
Difference between expected and actual experience	1,665	(2,857)	4,407	(3,693)	(271)	(52,549)	49,861	-
Change of assumptions	(6,204)	6,293	(54,875)	4,690	20,224	19,954	(7,337)	8,027
Benefit payments, including refunds of employee contributions	(5,525)	(4,196)	(3,311)	(3,397)	(1,053)	(835)	(835)	(820)
<b>Net change in Total OPEB Liability</b>	(478)	8,919	(42,540)	8,906	28,785	(23,540)	50,276	14,949
<b>Total OPEB Liability - Beginning</b>	<u>136,745</u>	<u>127,826</u>	<u>170,366</u>	<u>161,460</u>	<u>132,675</u>	<u>156,215</u>	<u>105,939</u>	<u>90,990</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 136,267</u>	<u>\$ 136,745</u>	<u>\$ 127,826</u>	<u>\$ 170,366</u>	<u>\$ 161,460</u>	<u>\$ 132,675</u>	<u>\$ 156,215</u>	<u>\$ 105,939</u>
<b>Covered Employee Payroll</b>	\$ 1,534,741	\$ 1,498,740	\$ 1,439,483	\$ 1,544,149	\$ 1,503,993	\$ 1,391,446	\$ 1,391,957	\$ 1,366,952
<b>Total OPEB Liability/(Asset) as a Percentage of Covered Payroll</b>	8.88%	9.12%	8.88%	11.03%	10.74%	9.54%	11.22%	7.75%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas  
SCHEDULE OF CONTRIBUTIONS - TMRS PENSION  
(unaudited)

	Fiscal Year September 30,									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially Determined Contribution	\$ 371,462	\$ 355,939	\$ 296,267	\$ 299,467	\$ 298,790	\$ 280,973	\$ 247,965	\$ 229,654	\$ 212,580	\$ 214,497
Contributions in relation to the actuarially determined contributor	<u>371,462</u>	<u>355,939</u>	<u>296,267</u>	<u>299,467</u>	<u>298,790</u>	<u>280,973</u>	<u>247,965</u>	<u>229,654</u>	<u>212,580</u>	<u>214,497</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 employee payroll	\$ 1,541,871	\$ 1,530,717	\$ 1,450,557	\$ 1,550,474	\$ 1,522,474	\$ 1,479,550	\$ 1,396,752	\$ 1,377,622	\$ 1,339,826	\$ 1,314,140
Contributions as a percentage of covered employee payroll	24.09%	23.25%	20.42%	19.31%	19.63%	18.99%	17.75%	16.67%	15.87%	16.32%

The accompanying notes are an integral part of this statement

CITY OF MULESHOE  
Muleshoe, Texas  
SCHEDULE OF CONTRIBUTIONS - TMRS OPEB  
(*unaudited*)

	Fiscal Year September 30,							
	2025	2024	2023	2022	2021	2020	2019	2018
Actuarially Determined Contribution	\$ 8,606	\$ 9,377	\$ 7,042	\$ 5,226	\$ 4,593	\$ 3,551	\$ 3,073	\$ 2,617
Contributions in relation to the actuarially determined contribution	<u>8,606</u>	<u>9,377</u>	<u>7,042</u>	<u>5,226</u>	<u>4,593</u>	<u>3,551</u>	<u>3,073</u>	<u>2,617</u>
Contribution (deficiency) excess	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 1,541,871	\$ 1,530,717	\$ 1,450,557	\$ 1,550,474	\$ 1,522,474	\$ 1,479,550	\$ 1,396,752	\$ 1,377,622
Contributions as a percentage of covered employee payroll	0.56%	0.61%	0.49%	0.34%	0.30%	0.24%	0.22%	0.19%

The accompanying notes are an integral part of this statement.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2025

Schedule of Pension Contributions – TMRS

**Valuation Date:**

Notes

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	21 Years (longest amortization ladder)
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: PUP(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:**

Notes

There were no benefit changes during the year.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
September 30, 2025

Schedule of Contributions for OPEB – TMRS

**Valuation Date:**

Notes

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

Asset Valuation

For purposes of calculating the Total OPEB Liability, the plan is considered to be unfunded and therefore no assets are accumulated for OPEB.

Inflation

2.5%

Salary Increases

3.60% to 11.85% including inflation

Discount Rate\*

4.08%

Retirees' share of benefit-related costs

0\$

Administrative expenses

All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

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

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

*OTHER SUPPLEMENTARY INFORMATION*

CITY OF MULESHOE  
Muleshoe, Texas

SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
For the Year Ended September 30, 2025

Last Ten Years Ended September 30*	Tax Rates			Beginning Balance 10/01/24	Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 09/30/25
	Maintenance	Debt Service	Total						
2016 and Prior Years	Various	Various	Various	\$ 18,987	\$ -	\$ 3,424	\$ -	\$ (6,283)	\$ 9,280
2017	0.65380	0.08670	0.7405	4,946	-	1,221	162	(568)	2,995
2018	0.57470	0.16850	0.7432	5,714	-	1,011	296	(568)	3,839
2019	0.61760	0.16760	0.7852	8,256	-	1,618	439	(849)	5,350
2020	0.61760	0.16760	0.7852	11,340	-	2,692	730	(719)	7,199
2021	0.62890	0.15180	0.7807	11,952	-	2,235	540	(558)	8,619
2022	0.63580	0.14830	0.7841	17,487	-	3,676	858	(1,113)	11,840
2022	0.61046	0.13551	0.7460	26,834	-	7,643	1,696	(1,179)	16,316
2023	0.58679	0.13145	0.7182	48,988	-	16,851	3,775	(1,231)	27,131
2025- Year Under Audit	0.57313	0.11938	0.6925	-	1,291,905	1,023,674	213,226	(1,362)	53,643
1000	TOTALS			<u>\$ 154,504</u>	<u>\$ 1,291,905</u>	<u>\$ 1,064,045</u>	<u>\$ 221,722</u>	<u>\$ (14,430)</u>	<u>\$ 146,212</u>

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
P.O. Box 93550  
Lubbock, TX 79493-3550

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Ryan R. King, CPA

Telephone - (806) 698-8858 – Fax – (866) 288-6490

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## Independent Auditors' Report

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and City Council  
City of Muleshoe  
215 South First Street  
Muleshoe, Texas 79347

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muleshoe, Texas, as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Muleshoe's basic financial statements, and have issued our report thereon dated March 9, 2026.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Muleshoe's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Muleshoe's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Independent Auditors' Report  
Page 2

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

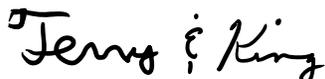
Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Muleshoe's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Terry & King". The signature is written in a cursive, flowing style.

Terry & King, CPAs, P.C.  
Lubbock, Texas  
March 9, 2026

# Terry & King, CPAs, P.C.

5707 114<sup>th</sup> Street  
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## Independent Auditors' Report

### REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Honorable Mayor and City Council  
City of Muleshoe  
215 South First Street  
Muleshoe, Texas 79347

Members of the City Council:

#### ***Report on Compliance for Each Major Federal Program***

##### ***Opinion on Each Major Federal Program***

We have audited the City of Muleshoe's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended September 30, 2025. City of Muleshoe's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Muleshoe complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

##### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Muleshoe and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Muleshoe's compliance with the compliance requirements referred to above.



### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Muleshoe's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Muleshoe's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Muleshoe's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Report on Internal Control over Compliance***

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over*

Independent Auditors' Report  
Page 3

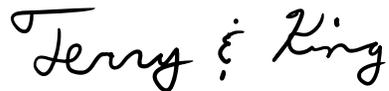
*compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in cursive script that reads "Terry & King".

Terry & King, CPAs, P.C.  
Lubbock, Texas  
March 9, 2026

CITY OF MULESHOE  
Muleshoe, Texas

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended September 30, 2025

A. Summary of Auditors' Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:  
Material weakness(es) identified?     Yes   X  No

Significant deficiencies identified that  
are not considered to be material  
weaknesses?     Yes   X  None Reported

Noncompliance material to financial  
Statements noted?     Yes   X  No

2. Federal Awards

Internal control over major programs:  
Material weakness(es) identified?     Yes   X  No

Significant deficiencies identified that  
are not considered to be material  
weaknesses?     Yes   X  None Reported

Type of auditor's report issued on compliance  
for major programs: Unmodified

Any audit findings disclosed that are required  
To be reported in accordance with the  
Uniform Guidance?     Yes   X  No

Identification of major programs:  
CFDA Number(s) Name of Federal Program or Cluster  
14.239 HOME Investment Partnerships  
Program

Dollar threshold used to distinguish between  
type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee?     Yes   X  No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

CITY OF MULESHOE  
Muleshoe, Texas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended September 30, 2025

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
None	N/A	N/A

CITY OF MULESHOE  
Muleshoe, Texas

CORRECTIVE ACTION PLAN  
For the Year Ended September 30, 2025

Not Applicable – None Required

CITY OF MULESHOE  
Muleshoe, Texas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2025

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal AL Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<u>U.S. Department of Agriculture</u>			
Passed-Through the Texas Department of Agriculture CDBG - Downtown Revitalization Program	14.228	CDM23-0288	<u>407,395</u>
Total U.S. Department of Agriculture			<u>407,395</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed Through Texas Department of Housing Community Affairs HOME Investment Partnerships Program	14.239	2021-0024	<u>499,228</u>
Total U.S. Department of Housing and Urban Development			<u>499,228</u>
<u>U.S. Department of the Treasury</u>			
Direct Program: COVID-19: Coronavirus State and Local Fiscal Recovery Funds	21.027	N/A	<u>304,818</u>
Total U.S. Department of the Treasury			<u>304,818</u>
<u>TOTAL EXPENDITURES OF FEDERAL AWARDS</u>			<u>\$ 1,211,441</u>

\* - Indicates a cluster program under Uniform Guidance.

The accompanying notes are an integral part of this schedule.

CITY OF MULESHOE  
Muleshoe, Texas

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended September 30, 2025

The accompanying schedule of expenditures of federal awards includes the federal award activity of the City under programs of the federal government for the year ended September 30, 2025. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position or changes in net position of the City.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types are accounted for using a current financial resources measurement focus. The Business-Type activities are reported using the economic resources measurement focus and the accrual basis of accounting.

The modified accrual basis of accounting is used for the Governmental Fund Types in the fund financial statements. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Proprietary Fund Financial Statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange include grants, entitlements, and donations. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Federal grants are considered to be earned to the extent of expenditures made under the provisions of the grant, and accordingly when such funds are received, they are recorded as unearned revenue until earned.

The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in 2 CFR Part 200, Part 3, Section H, Period of Performance.

The City elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.