

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2023



THE CITY OF
STEPHENVILLE
TEXAS



CITY OF STEPHENVILLE, TEXAS

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CITY OF STEPHENVILLE, TEXAS

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INTRODUCTORY SECTION



298 W Washington St, Stephenville, TX 76401

October 31, 2024

TO: The Honorable Mayor, Members of the City Council, and the Citizens of Stephenville (the “City”)

The Finance Department and City Manager's Office are pleased to submit the Annual Comprehensive Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2023.

This report provides the city council, city staff, our citizens, our bondholders, and other interested parties with detailed information concerning the financial condition and activities of the city government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the city.

To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Boucher, Morgan & Young, PC has issued an unmodified (“clean”) opinion on the City's financial statements for the year ended September 30, 2023. The independent auditors' report is located at the front of the financial section of this report.

Management's discussion and analysis (MD&A) immediately follows the independent auditors' report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

CITY PROFILE



Location

The City is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of the state and the City's home rule charter. The City was incorporated in 1889 and chartered a home-rule city under Texas law in 1961.

The city is located on the intersection of U.S. Highways 67, 281, and 377. The city occupies approximately 11.79 square miles and serves a population of about 21,078. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries.

The city operates under the council-manager form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight (8) council members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city manager. The city manager is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, and appointing heads of various departments. The mayor and city council members each serve two-year terms, limited to two terms, and are elected at large.

The basic financial statements of the City include all governmental activities, organizations, and functions for which the City is financially accountable as defined by the Government Accounting Standards Board (GASB). The City of Stephenville is financially accountable for a legally separate economic development



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corporation, which is reported separately within the City of Stephenville's financial statements. Additional information on the legally separate entity can be found in the notes to the financial statements (see note 1. B).

Services Provided

The city provides a full range of services, including public safety (police, fire, emergency medical, and municipal court), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm sewer collection and transmission systems, recreational activities and cultural events, landfill operations, airport facility maintenance, as well as general administrative services.

Accounting System and Budgetary Control

The City's accounting records for general governmental operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received, and the liabilities incurred. Accounting records for the City's utilities are maintained on an accrual basis.

In developing and maintaining the City's accounting system, consideration is given to the adequacy of the internal control structure. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe that the City's internal controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The annual budget serves as the foundation of the City's financial planning and control. The city council annually formally adopts the budget and legally appropriates available monies for activities of the General Fund, Special Revenue Funds, Capital Project Funds, and the Debt Service Fund. Budgets are adopted for the proprietary funds annually only as a management tool.

No later than August 16th of each year, the city manager submits to the city council a proposed budget, which provides a complete plan for the fiscal year commencing October 1. The budget includes proposed expenditures and means of financing them. The proposed budget is made available for public inspection, and a public hearing is held to allow for citizen comment. After the public hearing, council may make changes to any item in the budget, except those fixed by law. No later than September 23, the budget is legally enacted by ordinance, which sets the limit on expenditures during the fiscal year. Additional expenditures may be authorized in the case of public necessity to meet unusual and unforeseen conditions, which could not have reasonably been foreseen at the time the budget was adopted.



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The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level; however, expenditures are monitored monthly at the department level to ensure financial accountability by department directors. Management control of budgets is further maintained at the line-item level within the department. The city also maintains an encumbrance accounting system to further accomplish budgetary control. Appropriations not spent or legally encumbered lapse at year-end. Encumbrances are generally re-appropriated as a part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION

Local Economy

The City serves as the center of commerce and recreation to over 43,000 Erath County residents and has a commercial trade area of over 85,000. The city is the county seat and the principal commercial, medical, retail, educational and industrial center of Erath County. The city currently enjoys a stable and diversified economic environment, bolstered by the strength of both the Cross Timbers area and the State of Texas. Our economy is based on agriculture, manufacturing, and Tarleton State University. Agriculture has long been Erath County's leading industry with livestock, especially beef, dairy, and other livestock production. Erath County accounts for almost 8% of the state's total milk production. The city is fortunate to have several manufacturing industries in town. Local manufacturing includes coated abrasives, oilfield related products, cheese products, fiber gratings and fasteners, metal processing of electrical products, trailer customization, and forged pipe unions. Tarleton State University, a member of the Texas A & M System, provides further economic stability as the largest employer. The Stephenville student body includes representatives from 224 Texas counties, 46 states, and 38 foreign countries. Tarleton's Stephenville Campus 2023 fall enrollment was more than 10,200 students with total enrollment across all Tarleton Campuses, including online, exceeding 14,000 students.

Stephenville ranks high in the state for the quality of work environment. As of September 2023, with unemployment at 3.9% statewide, Stephenville's unemployment was 3.5%. The city has adequate—yet below-average—wealth and income due to the high volume of college students in the work force. According to the U. S. Census Bureau's 2022 American Community Survey published in 2023, Stephenville's median household income is \$48,088 compared to \$63,985 for Dallas and \$73,035 for Texas. In addition, according to the survey, the workforce is educated with 32.8% of the population having a bachelor's degree or higher, compared to 36.5% for Dallas and 32.3% for Texas.

The growing property values, sales tax receipts and building activity reflect the area's positive economic climate. The City continues to have new residential, commercial, and educational building construction, adding over eighteen million dollars in new taxable value for the 2023 property tax rolls. A 78-unit student housing project was completed in early 2023, and a new manufacturing company opened in the summer of 2023. A new medical clinic opened, and Erath County completed its new county annex building in September 2023. Several apartment complexes and townhomes are currently under construction totaling



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almost 150 units, many of which are student housing with multiple beds. A single-family subdivision with 84 units is currently in construction as well. A boutique hotel and fine dining restaurant is nearing completion. Tarleton State University, an NCAA Division 1 school, continues to experience steady growth in student enrollment. Tarleton is currently building a convocation center and is nearing completion on a multi-level parking garage. The city completed over \$4 million of street improvements in fiscal year 2022-2023 and has appropriated over \$2.7 million in routine street improvements for fiscal year 2023-2024; \$1.3 million was from funds unspent in fiscal year 2022-2023. A major ranch and home goods retailer opened in 2023. A complex of up to five fast casual restaurants is in development with two restaurants currently open. The Stephenville Economic Development Authority (SEDA) continues to receive many new economic development inquiries from companies interested in locating their business in Stephenville and has several projects in the works.

Long-Term Financial Planning

The City's ability to respond to on-going economic challenges requires careful long-range planning, which is addressed during the budget process. The City has responded to the economy by fiscal conservatism and implementing operating budget efficiencies that have resulted in maintaining healthy fund balances in its general fund and water/wastewater funds. A portion of the General Fund's fund balance is being utilized in the 2023-2024 budget year to build a new senior center, which is nearing completion. A portion of the Water/Wastewater fund balance is being utilized to assist in the funding in water and sewer infrastructure projects.

Users of this document are encouraged to read the City's Fiscal Year 2023-2024 Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. Also available for reference is the City of Stephenville's Comprehensive Plan, which maps out the City's future strategies.

In addition, the City continues to recognize the long-term financial implications of its pension and retiree health benefits. Each year TMRS options are reviewed, and decisions are made accordingly. The city does not provide for retiree health care, as the city provides a sustainable benefit to our employees without shifting costs to future taxpayers.

Relevant Financial Policies

The City Council has adopted a series of financial standards and policies for operating and debt management. The management of the City has made every effort to comply with these standards and policies and believe we are currently in compliance.

The City Council Finance Committee meets on an as-needed basis to discuss financial and budgetary information, financial policies, fund balance reserve requirements and tax rate setting information. None of the City's financial policies had a significant impact on the current period's financial statements, as the City was able to maintain reserve levels within the stated policies for the governmental funds. Constant review of revenue and expenditure trends and reserve levels is maintained with specific responsibility assigned to the Finance Director and City Manager. The City's Finance Department publishes a monthly financial report which provides internal and external users with a general awareness of the City's financial position and economic activity.



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Major Initiatives

The city currently has several projects underway. The Clark Field Municipal Airport is working on a runway extension project. This is a \$10 million dollar project with a 90/10 match coming from TXDOT Aviation. The environmental study has been completed; surveys and appraisals of surrounding properties have been performed, and the land needed has been purchased. The complete reconstruction of a major thoroughfare designated as a minor arterial is under construction at an estimated cost of over \$11 million with completion anticipated by the end of 2024. A major sewer project is underway with completion anticipated in early 2025. This project is a three-phase project to alleviate sanitary sewer overflow issues and expand servicing areas, affecting 80% of the City. The City issued certificates of obligations in April 2022, to fund two million in ball field improvements and twenty million in water and sewer system improvements, including a new well field with transmission line and replacing utility mains under a main thoroughfare to be completed by the end of 2024. The city is committed to public safety, installing a new public safety communications system costing almost \$2 million dollars. Furthermore, the city has partnered with Erath County and has initially committed a million dollars for a Combined Dispatch Center.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Stephenville for its annual comprehensive financial report for the fiscal year ended September 30, 2022.

This award was the 35th consecutive year that the City of Stephenville has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only.

The preparation of this report could not be accomplished without the efficient and dedicated services of the entire city staff. We would like to express our appreciation to all staff members who assisted and contributed to its preparation. We would also like to thank the Mayor and City Council Members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Jason M. King
City Manager



Monica D. Harris
Director of Finance



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Stephenville
Texas**

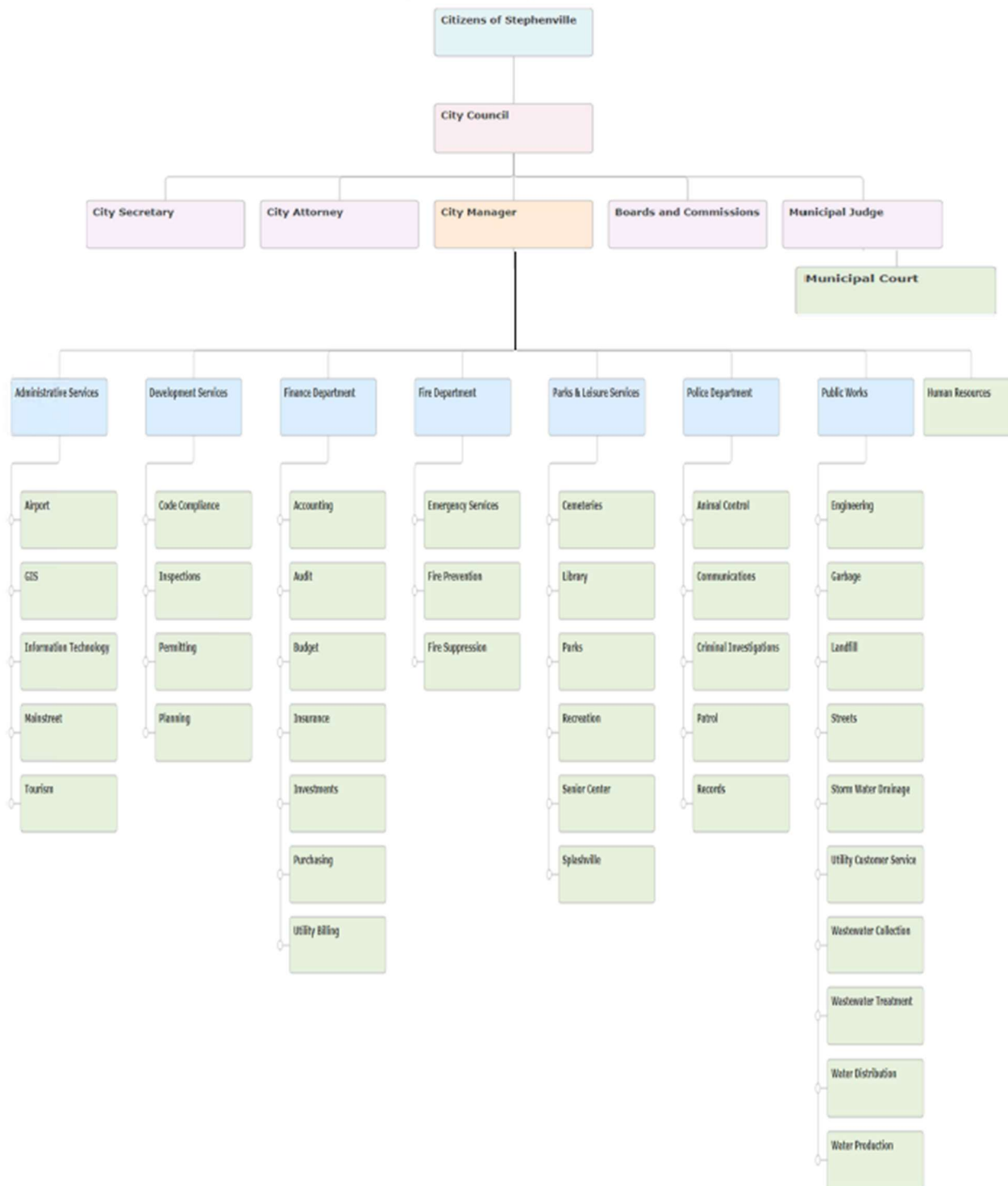
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

September 30, 2022

Christopher P. Morrill

Executive Director/CEO

City of Stephenville Organizational Chart





City Council

as of September 30, 2023

Mayor	Doug Svien
Place 1	LeAnn Durfey
Place 2	Justin Haschke
Place 3	Lonn Reisman
Place 4	Bob Newby
Place 5	Maddie Smith
Place 6	David Basket
Place 7	Gerald Cook
Place 8	Mark McClinton

Staff

as of September 30, 2023

City Manager	Jason M. King
Director of Administrative Services	Darrell Brown
Director of Finance & Administration	Monica D. Harris
Director of Utilities	Nick Williams
Police Chief	Dan M. Harris, Jr.
Fire Chief	Robert Isbell
Director of Development Services	Steve Killen
Director of Parks & Leisure Services	Daron Trussell
City Secretary	Sarah Lockenour

FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and members
of the City Council
City of Stephenville, Texas

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas (the City) as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Changes in Accounting Principles

As discussed in Note 1 to the financial statements, during the year ended September 30, 2023, the City adopted Governmental Accounting Standards Board (GASB) Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to these matters.

Prior Period Adjustments

As discussed in Note 14 to the financial statements, certain errors resulting in understatement of amounts previously reported for receivables and revenue as of and for the year ended September 30, 2022, were discovered by management of the City during the year ended September 30, 2023. Accordingly, adjustments have been made to net position as of September 30, 2022, to correct these errors. Our opinions are not modified with respect to these matters.

Responsibilities of Management for the Financial Statements

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

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

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and budget statements and 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*, and the schedule of expenditures of state awards as required by the Texas Grant Management Standards, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and budget statements, and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of the report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Boucher, Morgan & Young". The signature is written in black ink and is positioned below the main body of text.

Granbury, Texas
October 31, 2024

**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

CITY OF STEPHENVILLE, TEXAS
Management's Discussion and Analysis
September 30, 2023

As management of the City of Stephenville, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City of Stephenville exceeded its liabilities and deferred inflows (net position) at September 30, 2023, by \$120,838,539. Of this amount, \$23,487,900 (unrestricted net position) may be used to meet the government's ongoing obligations.
- The City's total net position increased by \$14,586,761. Net position in the government funds increased \$7,065,455, and net position in the business-type activities increased \$7,521,306. The majority of the City's net position is invested in capital assets and restricted for specific purposes.
- The City's governmental funds reported combined ending fund balances of \$24,232,639 at September 30, 2023, a decrease of \$876,406 over the prior year; this includes an increase of \$1,085,132 in the general fund, a decrease of \$2,393,270 in the capital projects fund, and an increase of \$431,732 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$13,756,961 or 66% of total general fund expenditures.
- The City's proprietary funds reported combined ending net position of \$69,982,818 at September 30, 2023, an increase of \$7,521,306 over the prior year; this includes an increase of \$7,108,480 in the water/wastewater fund, an increase of \$739,534 in the storm water drainage funds, and a decrease of \$326,708 in the nonmajor proprietary funds.
- The City's outstanding bonds and certificates of obligation payable decreased by \$2,465,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$53,505,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional details to support the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

CITY OF STEPHENVILLE, TEXAS
Management's Discussion and Analysis
September 30, 2023

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, culture and recreation, community development, public safety, and streets. The business-type activities of the City include water and wastewater, stormwater drainage, airport, and sanitary landfill operations.

The government-wide financial statements can be found on pages 19-21 of this report.

FUND FINANCIAL STATEMENTS

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

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

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

The City maintains eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, which are the two major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in a separate section of the report.

The City adopts an annual appropriated budget for its general, debt service, capital projects, and special revenue funds. A budgetary comparison statement has been provided for each fund to demonstrate compliance with their respective budget.

The basic governmental fund financial statements can be found on pages 22-25 of this report.

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Proprietary Funds

The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and wastewater services, storm water drainage operations, sanitary landfill operations, and airport operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, production and distribution, billing and collection. The City's intent is that the costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

Proprietary financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater fund and the storm water drainage fund since they are considered major funds of the City. Data from the airport and sanitary landfill funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor proprietary funds is provided in a separate section of the report.

The basic proprietary fund financial statements can be found on pages 26-29 of this report.

Component Unit

The City maintains the accounting and financial statements for two component units. The Stephenville Economic Development Authority is a discretely presented component unit displayed on the government-wide financial statements.

The Tax Increment Financing fund ("TIF") is a special purpose fund that collects property taxes within its boundaries for the purpose of infrastructure development. The fund's board consists of the City Council and two members of the Stephenville Economic Development Authority Board. It is reported as a blended component unit, as it functions similar to a department of the City.

NOTES TO THE FINANCIAL STATEMENTS

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and funds financial statements.

The notes to the financial statements can be found on pages 30-64 of this report.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the City's progress in funding its obligation to provide pension benefits to its employees and budgetary comparison for the general fund.

Other supplementary information such as combining fund financial statements for nonmajor governmental and nonmajor proprietary funds are provided, as well as budgetary comparison schedules for the nonmajor governmental funds.

GOVERNMENT WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Stephenville, Texas, assets and deferred outflows exceeded liabilities and deferred inflows by \$120,838,539 as of September 30, 2023, in the primary government.

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The largest portion of the City's net position, \$89,830,894, reflects its investment in capital assets (e.g., land, city hall, recreation facilities, police and fire stations, machinery and equipment, streets, water and wastewater system, airport hangars, storm water drainage system, the sanitary landfill, as well as public works facilities) less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$7,519,745, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$23,487,900, may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2023, the City is able to report positive balances in all three categories of net position, both for government as a whole, as well as for its separate governmental and business-type activities.

CITY OF STEPHENVILLE, TEXAS
Management's Discussion and Analysis
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Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current and other assets	\$ 26,067,129	\$ 37,643,709	\$ 63,710,838	\$ 29,037,244	\$ 49,565,266	\$ 78,602,510
Capital assets, net	44,160,849	83,603,264	127,764,113	36,268,757	63,281,859	99,550,616
Net pension asset	-	-	-	5,748,514	874,876	6,623,390
Total Assets	<u>70,227,978</u>	<u>121,246,973</u>	<u>191,474,951</u>	<u>71,054,515</u>	<u>113,722,001</u>	<u>184,776,516</u>
Deferred Outflows	5,683,570	822,582	6,506,152	678,398	106,653	785,051
Other Liabilities	1,388,504	7,975,533	9,364,037	2,888,597	7,620,393	10,508,990
Long-term Liabilities	21,070,724	42,052,396	63,123,120	21,938,947	43,183,960	65,122,907
Total Liabilities	<u>22,459,228</u>	<u>50,027,929</u>	<u>72,487,157</u>	<u>24,827,544</u>	<u>50,804,353</u>	<u>75,631,897</u>
Deferred Inflows	2,596,599	2,058,808	4,655,407	3,115,103	562,789	3,677,892
Net Position:						
Net investment in						
capital assets	27,436,169	62,394,725	89,830,894	21,976,458	50,478,546	72,455,004
Restricted	5,185,539	2,334,206	7,519,745	6,751,872	1,543,514	8,295,386
Unrestricted	18,234,013	5,253,887	23,487,900	15,061,936	10,439,452	25,501,388
Total Net Position	<u>\$ 50,855,721</u>	<u>\$ 69,982,818</u>	<u>\$ 120,838,539</u>	<u>\$ 43,790,266</u>	<u>\$ 62,461,512</u>	<u>\$ 106,251,778</u>

Note: Fiscal year 2022 was restated for prior period adjustments related to error corrections and the implementation of GASB 96.

Current and other assets of governmental activities were \$26,067,129 and \$29,037,244 as of September 30, 2023 and September 30, 2022, respectively. The decrease of \$2,970,115 was primarily attributable to lesser cash on hand at year end due to spending bond proceeds. Current and other assets of business-type activities were \$37,643,709 and \$49,565,266 as of September 30, 2023 and September 30, 2022, respectively. The decrease of \$11,921,557 was primarily attributable to lesser cash on hand at year end due to spending bond proceeds. Overall capital assets increased by \$28,213,497 due to ongoing investment in City infrastructure and other capital assets. The net pension asset of \$6,623,390 for the year ended September 30, 2022, was reduced to a net pension liability of \$278,260. Deferred outflows and deferred inflows increased \$5,721,101 and \$977,515, respectively, also primarily related to pensions. The long-term liabilities were \$63,123,120 and \$65,122,907 as of September 30, 2023, and September 30, 2022, respectively. The decrease of \$1,999,787 was primarily attributable to debt service payments. Other liabilities were \$9,364,037 and \$10,508,990 as of September 30, 2023, and September 30, 2022, respectively. The decrease of \$1,144,953 was attributable to a reduction in unearned revenue but an increase in accounts payable.

CITY OF STEPHENVILLE, TEXAS
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Statement of Activities:

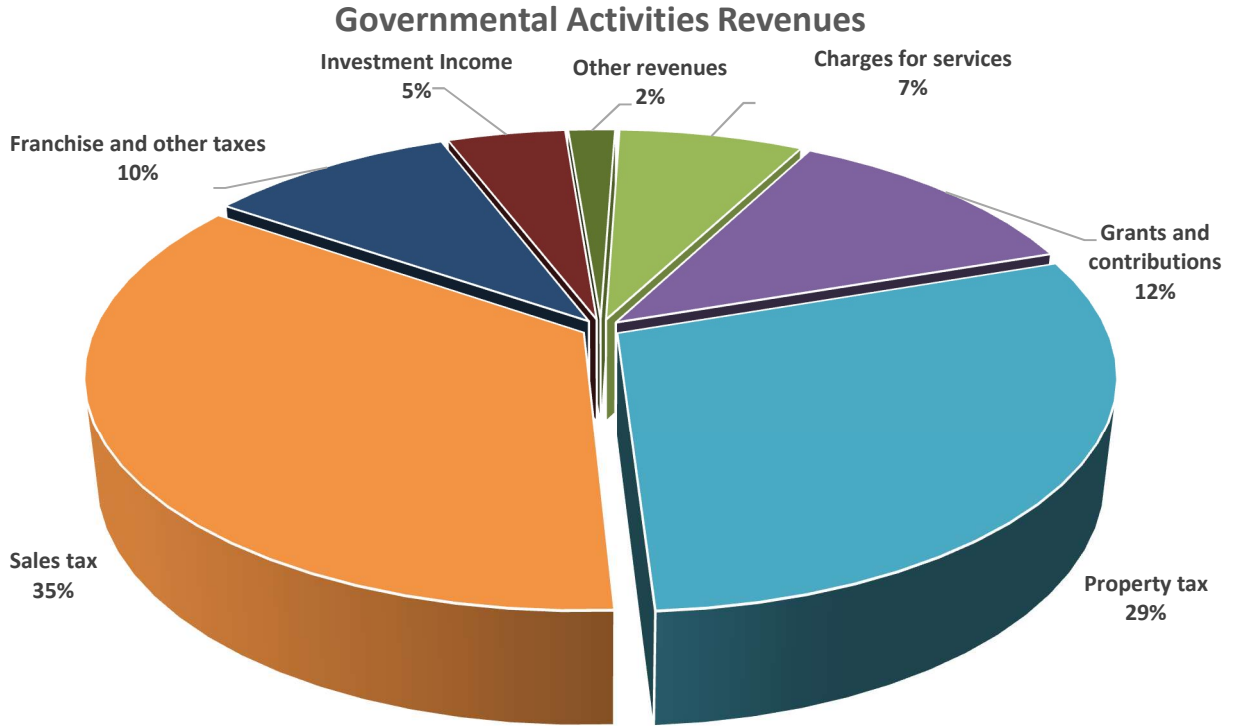
The following table provides a summary of the City's changes in net position:

	2023			2022		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenues:						
Fines, fees, and charges for services	\$ 1,757,780	\$ 13,720,109	\$ 15,477,889	\$ 2,000,928	\$ 13,073,192	\$ 15,074,120
Grants and contributions	2,967,270	4,085,783	7,053,053	1,783,783	1,502,229	3,286,012
General revenues:						
Property tax	7,205,423	-	7,205,423	6,709,590	-	6,709,590
Sales tax	8,725,344	-	8,725,344	8,081,130	-	8,081,130
Franchise and other taxes	2,360,281	-	2,360,281	1,997,043	-	1,997,043
Investment income	1,124,243	1,847,275	2,971,518	187,589	284,266	471,855
Other revenues	443,936	70,871	514,807	321,715	55,329	377,044
Total Revenues	<u>24,584,277</u>	<u>19,724,038</u>	<u>44,308,315</u>	<u>21,081,778</u>	<u>14,915,016</u>	<u>35,996,794</u>
Expenses						
General government	3,227,931	-	3,227,931	2,930,375	-	2,930,375
Culture and recreation	2,877,342	-	2,877,342	2,756,348	-	2,756,348
Community development	759,141	-	759,141	427,452	-	427,452
Public safety	10,774,535	-	10,774,535	8,964,516	-	8,964,516
Streets	1,525,640	-	1,525,640	1,496,839	-	1,496,839
Interest and fiscal charges	542,150	-	542,150	521,390	-	521,390
Water and wastewater	-	7,277,797	7,277,797	-	6,698,399	6,698,399
Airport	-	223,073	223,073	-	198,800	198,800
Storm water drainage	-	617,924	617,924	-	858,992	858,992
Sanitary landfill	-	1,896,021	1,896,021	-	957,065	957,065
Total Expenses	<u>19,706,739</u>	<u>10,014,815</u>	<u>29,721,554</u>	<u>17,096,920</u>	<u>8,713,256</u>	<u>25,810,176</u>
Change in Net Position Before Transfers	4,877,538	9,709,223	14,586,761	3,984,858	6,201,760	10,186,618
Transfers	2,187,917	(2,187,917)	-	1,723,170	(1,723,170)	-
Change in Net Position	7,065,455	7,521,306	14,586,761	5,708,028	4,478,590	10,186,618
Beginning Net Position	43,790,266	62,461,512	106,251,778	38,082,238	57,982,922	96,065,160
Ending Net Position	<u>\$ 50,855,721</u>	<u>\$ 69,982,818</u>	<u>\$ 120,838,539</u>	<u>\$ 43,790,266</u>	<u>\$ 62,461,512</u>	<u>\$ 106,251,778</u>

Note: Fiscal year 2022 was restated for prior period adjustments related to error corrections and the implementation of GASB 96.

CITY OF STEPHENVILLE, TEXAS
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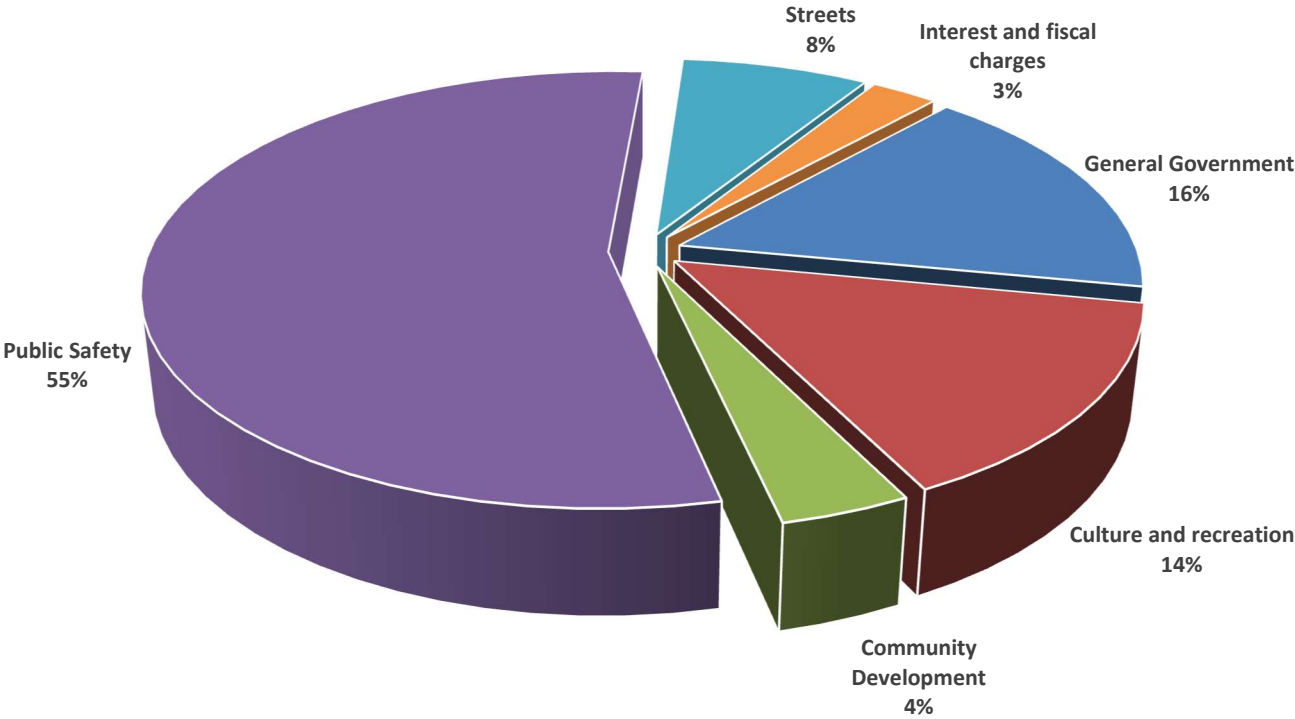
Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



For the year ended September 30, 2023, revenues from governmental activities total \$24,584,277. Property tax and sales tax are the City's largest general revenue sources. Overall revenue increased \$3,502,499 or 17% from the prior year. Property tax increased \$495,833 or 7% due to increased taxable values, new property added to the taxable values, and a 3.5% tax increase. Sales tax and franchise and other tax revenues increased by \$664,214 or 8% and \$363,238 or 18%, respectively, primarily due to economic growth fueled by local purchases and tourism. Charges for services decreased by \$243,148 or 12% primarily due to lower emergency services revenue. Grants and contributions increased \$1,183,487 or 66% primarily as a result of nonrecurring capital grants. Investment income increased by \$936,654 primarily as a result of the realization of higher interest rates in the current year. All other revenues remained relatively stable when compared to the previous year.

CITY OF STEPHENVILLE, TEXAS
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Governmental Activities Expenses

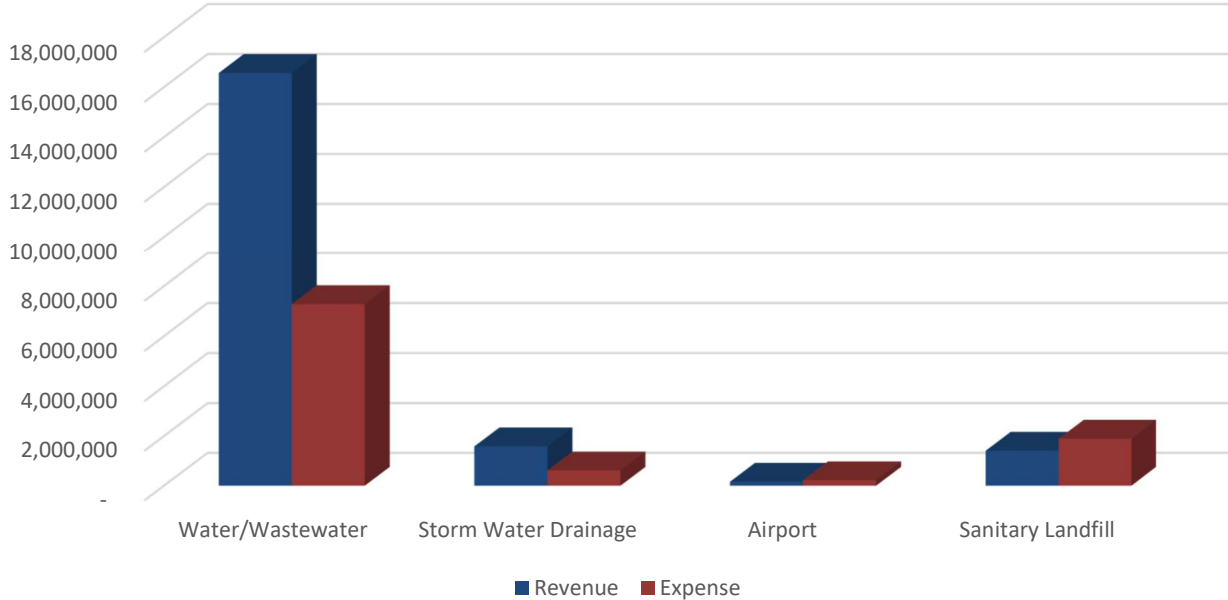


For the year ended September 30, 2023, expenses for governmental activities totaled \$19,706,739. This represents an increase of \$2,609,819 or 15% from the prior year. The City's largest functional expense is public safety totaling \$10,774,535, an increase of \$1,810,019 or 20% due to salaries and benefits. General government increased by \$297,556 or 10% primarily due to salaries and benefits. Community development increased \$331,689 or 78% primarily due to contractual services. All other expenses remained relatively stable when compared to the previous year.

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Business-type activities are shown comparing operating costs to revenues generated by related services.

Business-type Activities - Revenues and Expenses



For the year ended September 30, 2023, charges for services by business-type activities total \$13,720,109. This is an increase of \$646,917, or 5% from the previous year. This is primarily a result of rate increases for water and wastewater services.

Total expenses increased \$1,301,559 or 15% to a total of \$10,014,815. Water and wastewater department expenses increased by \$579,398 or 9% primarily due to greater personnel costs and contractual services in the current year. Storm water drainage expenses decreased by \$241,068 or 28% primarily due to lower professional fees relating to a flood protection study in the current year and bond issuance costs in the prior year. Sanitary landfill expenses increased by \$938,956 or 98% primarily due to increased depreciation in the current year. Airport expenses increased \$24,273 or 12% primarily due to greater personnel costs and maintenance in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

At September 30, 2023, the City's governmental funds reported combined fund balances of \$24,232,639, a decrease of \$876,406 in comparison with the prior year. Approximately 57% of this amount, \$13,756,961, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Nonspendable fund balance totaled \$113,778 for inventories/prepays and committed fund balance totaled \$2,442,741. The remainder of the fund balance is restricted for specific purposes totaling \$7,919,159.

CITY OF STEPHENVILLE, TEXAS
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As of the end of the year, the general fund reflected a total fund balance of \$16,285,759. General fund balance increased by \$1,085,132. This increase is a result of greater than anticipated revenues and less than anticipated expenditures over the course of the year, which is detailed in the General Fund budgetary highlights section.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$13,756,961 is 66% of total general fund operating expenditures.

As of the end of the year, the capital projects reflected a total fund balance of \$6,095,148, a decrease of \$2,393,270 compared to the prior year. The change was primarily due to the spending of bond proceeds.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's largest proprietary fund, the water and wastewater fund, totaled \$52,736,853. Net investment in capital assets was \$48,983,712, an increase of \$12,276,655. Unrestricted net position at the close of the fiscal year amounted to \$1,842,612, and restricted net position was \$1,910,529. Overall net position increased \$7,521,306 from the previous year.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$3,101,311 and increasing total revenues by \$673,548, resulting in a decrease in the final budgeted fund balance of \$2,427,763. Total budgeted revenues of \$18,540,132 were less than actual revenues of \$20,361,102 primarily due to increased sales and franchise tax receipts, increased emergency services receipts due to an increase in ambulance services, increased fines and forfeitures due to an increase in traffic violations, increased contributions and donations due to higher donations and grant revenue, and increased investment income due to higher interest rates. This resulted in a total positive revenue variance of \$1,820,970. Total budgeted expenditures of \$23,985,805 were greater than actual expenditures of \$20,749,971 due to personnel vacancies, lower operating and maintenance costs, and unspent capital outlay that will be carried over to fiscal year 2024. This resulted in a total positive expenditure variance of \$3,235,834. Total budgeted other financing sources/uses of \$1,135,816 were less than the actual amount of \$1,474,001, resulting in a total positive variance of \$338,185, primarily due to the SBITA financing (the effect of GASB Statement No. 96) and sales of assets.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$44,160,849 in a variety of capital assets and infrastructure, net of accumulated depreciation/amortization. The City's business-type activities funds had invested \$83,603,264 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, improvements, infrastructure, and right to use assets. Major capital asset events during the current year include the following:

- Purchased a building to expand City Hall for \$794,670
- Purchased downtown decorative street lighting for \$78,185
- Purchased two mowers, a gator, and a bunker rake for Parks & Cemetery totaling \$64,705
- Replaced basketball goals at Recreation Hall for \$23,514
- Built phase one of inclusion playground for \$176,896
- Repainted Birdsong Amphitheater, including Mural totaling \$27,122
- Replaced cardiac monitors totaling \$101,851
- Upgraded SCBA system for \$377,854

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- Purchased thirteen police vehicles totaling \$626,913
- Purchased two police patrol motorcycles totaling \$29,020
- Purchased one vehicle for building inspections for \$40,568
- Improvement to Long Street utilities totaling \$4,021,201
- Improvement to 536 well field totaling \$4,4046,614
- Improvement to Airport Pump Station totaling \$2,518,312
- Improvement to storage tanks totaling \$458,455
- Continuation of East Side Sewer Interceptor project for \$7,571,664
- Purchase of compactor for Landfill for \$1,189,831
- Street resurfacing totaling \$368,865
- Continuation of improvements to Harbin Drive totaling \$3,987,265
- Purchase and installation of ballfield lighting totaling \$988,984

More detailed information about the City's capital assets is presented in note 4 of the financial statements.

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation (excluding premiums and discounts) payable decreased by \$2,465,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$53,505,000. Outstanding notes payable increased \$525,317 due to the issuance of notes for capital assets. Leases payable decreased \$62,940, and SBITA payables increased \$106,074. The City made \$3,631,178 in principal payments on outstanding bonds, certificates of obligation, and notes payable.

More detailed information about the City's long-term liabilities is presented in note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy is experiencing continued but more stable growth as evidenced by sales tax revenue, property tax valuations, and construction permits issued. Sales tax collections for fiscal year 2022-2023 were \$674,328 more than fiscal year 2021-2022. In addition, sales tax estimated for fiscal year 2023-2024 are expected to surpass fiscal year 2022-2023. Taxable assessed property values for 2022 exceeded 2021 by 21% with over \$38 million attributed to new taxable value. The 2023 taxable assessed values exceeded 2022 by 5%, with over \$18 million attributed to new taxable value. This allowed the 2022 total property tax rate of \$0.3958 per \$100 of taxable value to decrease to \$0.3872 per \$100 of taxable value for 2023 and still raise \$296,000 more in property tax revenue, \$72,000 of which was from new property added to the tax roll. Furthermore, the City issued 223 building permits in the 2022-2023 fiscal year with a value exceeding \$38 million. It is anticipated that over half of which will be added to the assessed taxable value for 2023. Water rates increased by 1% and sewer rates were increased by 12% to continue to fund planned debt service and infrastructure improvements.

The City of Stephenville is committed to maintaining and improving the services provided to its citizens, budgeting over \$36 million in capital improvements for fiscal year 2023-2024 funded with debt proceeds, grant proceeds, and cash reserves. The City budgeted seven new full-time positions and one part-time position to meet and enhance services for the citizens. The General Fund budget for fiscal year 2023- 2024 is a balanced budget with the \$1.7 million negative variance funded through cash reserves and funds budgeted but unspent in the 2022-2023 fiscal year. The same is true for the Water and Sewer Fund, the Airport Fund, the Storm Water Drainage Fund, the Hotel Occupancy Tax Fund, the Capital Project Fund, the Non-Major Special Revenue Funds, and the Discrete Component Unit. All other funds have a positive variance.

CITY OF STEPHENVILLE, TEXAS
Management's Discussion and Analysis
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CONTACTING THE CITY'S FINANCIAL MANAGEMENT

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact Monica D. Harris, Director of Finance, 298 West Washington, Stephenville, Texas 76401-4257 or call (254) 918-1218.

BASIC FINANCIAL STATEMENTS

CITY OF STEPHENVILLE, TEXAS

Statement of Net Position

September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Stephenville EDA
ASSETS:				
Cash and equivalents	\$ 13,580,014	\$ 8,792,825	\$ 22,372,839	\$ 1,191,590
Investments	1,566,919	-	1,566,919	-
Receivables, net	3,682,351	2,083,574	5,765,925	144,706
Due from component unit	208,475	-	208,475	-
Prepaid items	98,660	148,858	247,518	-
Inventory	15,118	257,578	272,696	-
Other assets	181,399	-	181,399	-
Restricted cash and equivalents	6,734,193	26,360,874	33,095,067	-
Capital assets not being depreciated/amortized	16,804,716	27,060,362	43,865,078	-
Capital assets, net of accumulated depreciation/amortization	27,356,133	56,542,902	83,899,035	33,241
Total Assets	70,227,978	121,246,973	191,474,951	1,369,537
DEFERRED OUTFLOWS:				
Deferred charge on refunding	10,626	2,831	13,457	-
Related to TMRS pension	5,659,199	817,765	6,476,964	171,531
Related to TMRS OPEB	13,745	1,986	15,731	417
Total Deferred Outflows	5,683,570	822,582	6,506,152	171,948
Total Assets and Deferred Outflows	\$ 75,911,548	\$ 122,069,555	\$ 197,981,103	\$ 1,541,485
LIABILITIES:				
Accounts payable	\$ 2,056,875	\$ 4,447,827	\$ 6,504,702	\$ 10,286
Customer deposits	-	475,111	475,111	-
Internal balances	(1,435,504)	1,435,504	-	-
Due to primary government	-	-	-	208,475
Accrued interest	90,760	177,918	268,678	-
Unearned revenue	-	1,341,435	1,341,435	-
Noncurrent liabilities-				
Due within one year	2,081,310	2,599,721	4,681,031	13,898
Due in more than one year	18,989,414	39,452,675	58,442,089	1,544
Net pension liability	243,127	35,133	278,260	7,369
OPEB liability	433,246	62,605	495,851	13,132
Total Liabilities	22,459,228	50,027,929	72,487,157	254,704
DEFERRED INFLOWS:				
Deferred gain on refunding	-	80,247	80,247	-
Related to PPP	-	1,603,346	1,603,346	-
Related to TMRS pension	2,481,257	358,548	2,839,805	75,207
Related to TMRS OPEB	115,342	16,667	132,009	3,496
Total Deferred Inflows	2,596,599	2,058,808	4,655,407	78,703
NET POSITION:				
Net investment in capital assets	27,436,169	62,394,725	89,830,894	33,241
Restricted for:				
Capital projects	3,333,807	-	3,333,807	-
Tourism	1,393,442	-	1,393,442	-
Municipal court	32,127	-	32,127	-
Public safety	57,408	-	57,408	-
Community reinvestment	169,704	-	169,704	-
Debt service	199,051	2,303,065	2,502,116	-
Flood protection plan	-	31,141	31,141	-
Economic development	-	-	-	1,174,837
Unrestricted	18,234,013	5,253,887	23,487,900	-
Total Net Position	\$ 50,855,721	\$ 69,982,818	\$ 120,838,539	\$ 1,208,078

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

Statement of Activities For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Fines, Fees, and Charges for Services	Capital Grants and Contributions	Operating Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	\$ 3,227,931	\$ 3,300	\$ -	\$ 59,050
Culture and recreation	2,877,342	450,294	35,538	52,333
Community development	759,141	542,893	-	-
Public safety	10,774,535	738,923	140,780	665,131
Streets	1,525,640	22,370	2,014,438	-
Interest and fiscal charges	542,150	-	-	-
Total Governmental Activities	19,706,739	1,757,780	2,190,756	776,514
Business-type Activities:				
Water and wastewater	7,277,797	11,267,611	3,526,629	-
Storm water drainage	617,924	999,800	527,526	-
Airport	223,073	129,295	31,628	-
Sanitary landfill	1,896,021	1,323,403	-	-
Total Business-type Activities	10,014,815	13,720,109	4,085,783	-
Total Primary Government	\$ 29,721,554	\$ 15,477,889	\$ 6,276,539	\$ 776,514
Component Unit				
Stephenville Economic Development Authority	\$ 892,369	\$ -	\$ -	\$ -
	\$ 892,369	\$ -	\$ -	\$ -

General Revenues:

Taxes:

 Property

 Sales

 Franchise and other

 Hotel occupancy

Investment income

Other revenues

Gain on disposal of capital assets

Transfers

 Total general revenues and transfers

 Change in net position

Net Position - Beginning, as previously reported

Prior period adjustments

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Stephenville EDA
\$ (3,165,581)	\$ -	\$ (3,165,581)	\$ -
(2,339,177)	-	(2,339,177)	-
(216,248)	-	(216,248)	-
(9,229,701)	-	(9,229,701)	-
511,168	-	511,168	-
(542,150)	-	(542,150)	-
<u>(14,981,689)</u>	<u>-</u>	<u>(14,981,689)</u>	<u>-</u>
-	7,516,443	7,516,443	-
-	909,402	909,402	-
-	(62,150)	(62,150)	-
-	<u>(572,618)</u>	<u>(572,618)</u>	-
-	<u>7,791,077</u>	<u>7,791,077</u>	-
<u>(14,981,689)</u>	<u>7,791,077</u>	<u>(7,190,612)</u>	-
			<u>\$ (892,369)</u>
			<u>(892,369)</u>
7,205,423	-	7,205,423	-
8,725,344	-	8,725,344	744,255
1,449,693	-	1,449,693	-
910,588	-	910,588	-
1,124,243	1,847,275	2,971,518	51,026
352,148	70,871	423,019	-
91,788	-	91,788	-
2,187,917	<u>(2,187,917)</u>	-	-
<u>22,047,144</u>	<u>(269,771)</u>	<u>21,777,373</u>	<u>795,281</u>
<u>7,065,455</u>	<u>7,521,306</u>	<u>14,586,761</u>	<u>(97,088)</u>
42,613,685	66,274,560	108,888,245	1,305,166
1,176,581	<u>(3,813,048)</u>	<u>(2,636,467)</u>	-
<u>\$ 50,855,721</u>	<u>\$ 69,982,818</u>	<u>\$ 120,838,539</u>	<u>\$ 1,208,078</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

**Balance Sheet - Governmental Funds
September 30, 2023**

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS:				
Assets:				
Cash and equivalents	\$ 9,625,938	\$ 2,343,073	\$ 1,611,003	\$ 13,580,014
Investments	1,566,919	-	-	1,566,919
Receivables, net	2,480,682	1,013,329	188,340	3,682,351
Due from other funds	2,291,525	-	-	2,291,525
Due from component unit	208,475	-	-	208,475
Prepaid items	70,939	27,721	-	98,660
Inventory	15,118	-	-	15,118
Other	181,399	-	-	181,399
Restricted cash and equivalents	942,505	4,787,467	1,004,221	6,734,193
Total Assets	<u>\$ 17,383,500</u>	<u>\$ 8,171,590</u>	<u>\$ 2,803,564</u>	<u>\$ 28,358,654</u>
LIABILITIES:				
Liabilities:				
Accounts payable	\$ 898,631	\$ 1,063,113	\$ 95,131	\$ 2,056,875
Due to other funds	-	-	856,021	856,021
Total Liabilities	<u>898,631</u>	<u>1,063,113</u>	<u>951,152</u>	<u>2,912,896</u>
DEFERRED INFLOWS:				
Unavailable revenue - fines and fees	141,310	-	-	141,310
Unavailable revenue - EMS	27,726	-	-	27,726
Unavailable revenue - property taxes	30,074	-	680	30,754
Unavailable revenue - capital grants	-	1,013,329	-	1,013,329
Total Deferred Inflows	<u>199,110</u>	<u>1,013,329</u>	<u>680</u>	<u>1,213,119</u>
FUND BALANCES:				
Nonspendable:				
Prepaid items	70,939	27,721	-	98,660
Inventory	15,118	-	-	15,118
Committed for:				
Debt service	792,741	-	-	792,741
Airport improvement	500,000	-	-	500,000
Grant match	150,000	-	-	150,000
Combined dispatch	1,000,000	-	-	1,000,000
Restricted for:				
Capital projects	-	6,067,427	-	6,067,427
Tourism	-	-	1,393,442	1,393,442
Municipal court	-	-	32,127	32,127
Public safety	-	-	57,408	57,408
Community reinvestment	-	-	169,704	169,704
Debt service	-	-	199,051	199,051
Unassigned	13,756,961	-	-	13,756,961
Total Fund Balances	<u>16,285,759</u>	<u>6,095,148</u>	<u>1,851,732</u>	<u>24,232,639</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 17,383,500</u>	<u>\$ 8,171,590</u>	<u>\$ 2,803,564</u>	<u>\$ 28,358,654</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

**Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Position
September 30, 2023**

Total fund balances - governmental funds balance sheet		\$24,232,639
Amounts reported for governmental activities in the statement of net position are different because:		
Capital, lease, and SBITA assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet.		44,160,849
Revenues earned but not available within sixty days of the year end are not recognized as revenue on the fund financial statements.		1,213,119
The statement of net position includes the City's proportionate share of the TMRS net pension liability as well as certain pension related transactions accounted for as Deferred Inflows and Outflows of resources.		
Net pension liability	(243,127)	
Deferred outflows of resources	5,659,199	
Deferred inflows of resources	(2,481,257)	2,934,815
The statement of net position includes the City's proportionate share of the TMRS OPEB liability as well as certain OPEB related transactions accounted for as Deferred Inflows and Outflows of resources.		
OPEB liability	(433,246)	
Deferred outflows of resources	13,745	
Deferred inflows of resources	(115,342)	(534,843)
Compensated absences are not due and payable in the current period and therefore are not reported in the fund financial statements.		(571,374)
Noncurrent liabilities and related balances are not due and payable in the current period and therefore are not reported in the fund financial statements.		
Accrued interest	(90,760)	
Certificates of obligation	(15,225,000)	
Notes payable	(3,504,194)	
Discount on certificates of obligation	1,125	
Premium on certificates of obligation	(998,061)	
Leases payable	(195,999)	
SBITAs payable	(577,221)	(20,590,110)
Deferred outflows from refunding of debt represents a decrease in net position that applies to future periods and, therefore, will not be recognized as an inflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.		10,626
Net position of governmental activities		<u><u>\$50,855,721</u></u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Year Ended September 30, 2023

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUE				
Taxes:				
Property	\$ 6,838,634	\$ -	\$ 355,422	\$ 7,194,056
Sales	8,123,976	-	601,368	8,725,344
Franchise	1,449,693	-	-	1,449,693
Hotel occupancy	-	-	910,588	910,588
Licenses and permits	532,790	5,359	-	538,149
Charges for services	477,900	-	-	477,900
Emergency services	876,278	-	-	876,278
Fines and forfeitures	264,406	-	18,848	283,254
Intergovernmental	261,249	-	3,369	264,618
Contributions and donations	688,214	1,142,787	-	1,831,001
Investment income	701,946	337,556	84,741	1,124,243
Other revenues	146,016	144,900	61,232	352,148
Total revenues	<u>20,361,102</u>	<u>1,630,602</u>	<u>2,035,568</u>	<u>24,027,272</u>
EXPENDITURES				
Current:				
General government	2,607,630	-	414,134	3,021,764
Culture and recreation	2,403,204	-	-	2,403,204
Community development	746,842	-	-	746,842
Public safety	9,890,139	-	17,685	9,907,824
Streets	746,383	500	-	746,883
Debt service:				
Principal retirement	751,357	-	735,000	1,486,357
Interest and fiscal charges	137,030	-	493,111	630,141
Capital outlay	3,467,386	5,408,269	77,823	8,953,478
Total Expenditures	<u>20,749,971</u>	<u>5,408,769</u>	<u>1,737,753</u>	<u>27,896,493</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(388,869)</u>	<u>(3,778,167)</u>	<u>297,815</u>	<u>(3,869,221)</u>
Other Financing Sources (Uses):				
Debt issuance	501,664	-	-	501,664
SBITA financing	195,996	-	-	195,996
Proceeds from sale of assets	107,238	-	-	107,238
Transfers in	2,440,425	1,384,897	957,767	4,783,089
Transfers out	(1,771,322)	-	(823,850)	(2,595,172)
Total Other Financing Sources (Uses)	<u>1,474,001</u>	<u>1,384,897</u>	<u>133,917</u>	<u>2,992,815</u>
Net Change in Fund Balances	<u>1,085,132</u>	<u>(2,393,270)</u>	<u>431,732</u>	<u>(876,406)</u>
Fund Balances - Beginning	<u>15,200,627</u>	<u>8,488,418</u>	<u>1,420,000</u>	<u>25,109,045</u>
Fund Balances - Ending	<u>\$ 16,285,759</u>	<u>\$ 6,095,148</u>	<u>\$ 1,851,732</u>	<u>\$ 24,232,639</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
Reconciliation of the Statement of Revenues, Expenditures,
and Change in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended September 30, 2023

Net change in fund balances - total governmental funds \$ (876,406)

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

Depreciation and amortization expense on capital assets is reported in the statement of activities and does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(2,084,321)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those capital and right-to-use assets is allocated over their estimated useful lives, and reported as depreciation or amortization expense.	8,953,478
Governmental funds recognize the proceeds from the disposal of capital assets as an other financing source. However, in the statement of activities, a gain on sale of capital assets is reported. Thus, the change in net position differs from the change in fund balance by the net book value of the capital assets disposed.	(15,450)
Governmental funds do not recognize assets contributed by developers or donated to the City. However, in the statement of activities the fair market value of those assets are recognized as revenue, then allocated over their estimated useful lives as depreciation expense.	1,038,385
Certain revenues in the government-wide statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.	(573,168)
Net pension liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.	(259,890)
OPEB liabilities as well as the related deferred inflows and outflows of resources generated from those assets are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.	(13,433)
Current year changes in compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	19,572
Current year changes in accrued interest do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	29,154
The issuance of bonds payable and related balances and other long-term liabilities provide current financial resources to governmental funds, while the repayment of the liabilities uses the current financial resources. Neither transaction, however, has any effect on net position.	847,534

Change in net position of governmental activities **\$ 7,065,455**

CITY OF STEPHENVILLE, TEXAS

Statement of Net Position

Proprietary Funds

September 30, 2023

	<u>Business-Type Activities</u>			
	<u>Water and Wastewater</u>	<u>Storm Water Drainage</u>	<u>Nonmajor Funds</u>	<u>Total</u>
ASSETS:				
Current Assets:				
Cash and equivalents	\$ 5,527,519	\$ 764,070	\$ 2,501,236	\$ 8,792,825
Receivables, net	1,892,039	109,771	81,764	2,083,574
Due from other funds	-	-	292,676	292,676
Prepaid items	28,990	-	119,868	148,858
Inventory	257,578	-	-	257,578
Restricted cash and equivalents	25,731,067	462,696	167,111	26,360,874
Total Current Assets	<u>33,437,193</u>	<u>1,336,537</u>	<u>3,162,655</u>	<u>37,936,385</u>
Noncurrent Assets:				
Capital Assets:				
Capital assets not being depreciated	22,979,986	193,970	3,886,406	27,060,362
Capital assets, net of accumulated depreciation	41,866,696	9,687,684	4,988,522	56,542,902
Total Noncurrent Assets	<u>64,846,682</u>	<u>9,881,654</u>	<u>8,874,928</u>	<u>83,603,264</u>
Total Assets	<u>98,283,875</u>	<u>11,218,191</u>	<u>12,037,583</u>	<u>121,539,649</u>
DEFERRED OUTFLOWS:				
Deferred charge on refunding	2,831	-	-	2,831
Related to TMRS pension	665,514	-	152,251	817,765
Related to TMRS OPEB	1,616	-	370	1,986
Total Deferred Outflows	<u>669,961</u>	<u>-</u>	<u>152,621</u>	<u>822,582</u>
Total Assets and Deferred Outflows	<u>\$ 98,953,836</u>	<u>\$ 11,218,191</u>	<u>\$ 12,190,204</u>	<u>\$ 122,362,231</u>
LIABILITIES:				
Current Liabilities:				
Accounts payable	\$ 4,324,910	\$ 43,141	\$ 79,776	\$ 4,447,827
Customer deposits	470,311	-	4,800	475,111
Due to other funds	1,728,180	-	-	1,728,180
Accrued interest	114,766	20,410	42,742	177,918
Unearned revenue	1,294,736	39,019	7,680	1,341,435
Current portion of long-term liabilities	2,119,424	325,000	155,297	2,599,721
Total Current Liabilities	<u>10,052,327</u>	<u>427,570</u>	<u>290,295</u>	<u>10,770,192</u>
Noncurrent Liabilities:				
Net pension liability	28,592	-	6,541	35,133
OPEB liability	50,949	-	11,656	62,605
Long-term liabilities	34,176,412	3,928,256	1,348,007	39,452,675
Total Noncurrent Liabilities	<u>34,255,953</u>	<u>3,928,256</u>	<u>1,366,204</u>	<u>39,550,413</u>
Total Liabilities	<u>44,308,280</u>	<u>4,355,826</u>	<u>1,656,499</u>	<u>50,320,605</u>
DEFERRED INFLOWS:				
Deferred gain on refunding	-	80,247	-	80,247
Related to PPP	1,603,346	-	-	1,603,346
Related to TMRS pension	291,793	-	66,755	358,548
Related to TMRS OPEB	13,564	-	3,103	16,667
Total Deferred Inflows	<u>1,908,703</u>	<u>80,247</u>	<u>69,858</u>	<u>2,058,808</u>
NET POSITION:				
Net investment in capital assets	48,983,712	5,548,151	7,862,862	62,394,725
Restricted for:				
Debt service	1,910,529	392,536	-	2,303,065
Flood protection plan	-	31,141	-	31,141
Unrestricted	1,842,612	810,290	2,600,985	5,253,887
Total net position	<u>\$ 52,736,853</u>	<u>\$ 6,782,118</u>	<u>\$ 10,463,847</u>	<u>\$ 69,982,818</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS
Statement of Revenues, Expenses, and Changes
in Fund Net Position - Proprietary Fund
For the Year Ended September 30, 2023

	Business-Type Activities			Total
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds	
OPERATING REVENUES:				
Water revenue	\$ 6,344,065	\$ -	\$ -	\$ 6,344,065
Sewer revenue	4,923,546	-	-	4,923,546
Airport services	-	-	129,295	129,295
Storm water drainage	-	999,800	-	999,800
Sanitation landfill	-	-	1,323,403	1,323,403
Other income	51,481	19,390	-	70,871
Total Operating Revenues	<u>11,319,092</u>	<u>1,019,190</u>	<u>1,452,698</u>	<u>13,790,980</u>
OPERATING EXPENSES:				
Personnel services	-	-	301,268	301,268
Contractual services	-	-	160,042	160,042
Materials and supplies	-	-	346,420	346,420
Utilities administration and customer service	1,140,823	-	-	1,140,823
Water production and distribution	1,706,883	-	-	1,706,883
Wastewater collection and treatment	1,646,002	-	-	1,646,002
Billing and collection	503,104	-	-	503,104
Stormwater	-	165,264	-	165,264
Airport operations	-	-	88,071	88,071
Depreciation	1,415,690	328,494	1,180,551	2,924,735
Total Operating Expenses	<u>6,412,502</u>	<u>493,758</u>	<u>2,076,352</u>	<u>8,982,612</u>
Operating Income (loss)	<u>4,906,590</u>	<u>525,432</u>	<u>(623,654)</u>	<u>4,808,368</u>
NON-OPERATING REVENUES (EXPENSES)				
Investment income	1,720,875	39,233	87,167	1,847,275
Interest expense	(865,295)	(124,166)	(42,742)	(1,032,203)
Total Non-operating Revenues (Expenses)	<u>855,580</u>	<u>(84,933)</u>	<u>44,425</u>	<u>815,072</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS				
Capital grants and contributions	3,526,629	527,526	31,628	4,085,783
Transfers in	82,662	-	297,325	379,987
Transfers out	(2,262,981)	(228,491)	(76,432)	(2,567,904)
Total Capital Contributions and Transfers	<u>1,346,310</u>	<u>299,035</u>	<u>252,521</u>	<u>1,897,866</u>
Change in Net Position	7,108,480	739,534	(326,708)	7,521,306
Net Position - Beginning, as previously reported	49,441,421	6,042,584	10,790,555	66,274,560
Prior Period Adjustment	(3,813,048)	-	-	(3,813,048)
Net Position - Beginning, as restated	45,628,373	6,042,584	10,790,555	62,461,512
Net Position - Ending	<u>\$ 52,736,853</u>	<u>\$ 6,782,118</u>	<u>\$ 10,463,847</u>	<u>\$ 69,982,818</u>

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

Statement of Cash Flows

Proprietary Funds

For the Year Ended September 30, 2023

	Business-Type Activities			Total
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds	
Cash Flows from Operating Activities:				
Cash received from customers	\$ 10,960,994	\$ 1,345,294	\$ 1,439,214	\$ 13,745,502
Cash paid to suppliers	(3,416,308)	(174,353)	(782,918)	(4,373,579)
Cash paid to employees	(1,560,242)	-	(307,848)	(1,868,090)
Net Cash Provided By Operating Activities	5,984,444	1,170,941	348,448	7,503,833
Cash Flows from Non-capital Financing Activities:				
Transfers to other funds	(2,262,981)	(228,491)	(76,432)	(2,567,904)
Transfers from other funds	82,662	-	297,325	379,987
Net Cash Provided By (Used in) Non-capital Financing Activities	(2,180,319)	(228,491)	220,893	(2,187,917)
Cash Flows from Capital and Related Financing Activities:				
Proceeds from capital grants	258,774	-	30,988	289,762
Principal repayment on debt	(1,786,065)	(315,000)	(196,618)	(2,297,683)
Interest, amortization and fees paid on debt issuance	(1,168,977)	(169,173)	-	(1,338,150)
Purchase of capital assets	(15,670,912)	(43,918)	(91,237)	(15,806,067)
Net Cash Used in Capital & Related Financing Activities	(18,367,180)	(528,091)	(256,867)	(19,152,138)
Cash Flows from Investing Activities:				
Interest on investments	1,720,875	39,233	87,167	1,847,275
Net Cash Provided By Investing Activities	1,720,875	39,233	87,167	1,847,275
Net Increase (Decrease) in Cash and Cash Equivalents	(12,842,180)	453,592	399,641	(11,988,947)
Cash and Cash Equivalents at Beginning of Year	44,100,766	773,174	2,268,706	47,142,646
Cash and Cash Equivalents at End of Year	\$ 31,258,586	\$ 1,226,766	\$ 2,668,347	\$ 35,153,699
Reconciliation of Cash and Cash Equivalents Per Statement of Cash Flows to the Statement of Net Position				
Cash and equivalents	\$ 5,527,519	\$ 764,070	\$ 2,501,236	\$ 8,792,825
Restricted cash	25,731,067	462,696	167,111	26,360,874
	\$ 31,258,586	\$ 1,226,766	\$ 2,668,347	\$ 35,153,699

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

Statement of Cash Flows (continued)

Proprietary Fund

For the Year Ended September 30, 2023

	Business-Type Activities			Total
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds	
Reconciliation of Operating Income to Net Cash				
Provided By Operating Activities:				
Operating Income (Loss)	\$ 4,906,590	\$ 525,432	\$ (623,654)	\$ 4,808,368
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities				
Depreciation and amortization	1,415,690	328,494	1,180,551	2,924,735
Change in estimated landfill closure and postclosure cost - noncash	-	-	89,569	89,569
Change in Assets and Liabilities:				
(Increase) Decrease in:				
Receivables	(308,910)	326,104	(13,884)	3,310
Prepaid items	(22,018)	-	1,019	(20,999)
Inventory	(13,666)	-	-	(13,666)
Due from other funds	-	-	(292,676)	(292,676)
Deferred outflows related to TMRS pension	(593,749)	-	(140,440)	(734,189)
Deferred outflows related to TMRS OPEB	13,741	-	2,157	15,898
Increase (Decrease) in:				
Accounts payable	(1,741,067)	(9,089)	13,703	(1,736,453)
Customer deposits	(45,430)	-	400	(45,030)
Due to other funds	1,728,180	-	-	1,728,180
Compensated absences	1,706	-	494	2,200
Net pension liability	779,837	-	130,172	910,009
OPEB liability	(30,961)	-	(1,824)	(32,785)
Deferred inflows related to PPP	(3,758)	-	-	(3,758)
Deferred inflows related to TMRS pension	(113,717)	-	20	(113,697)
Deferred inflows related to TMRS OPEB	11,976	-	2,841	14,817
Total Adjustments	<u>1,077,854</u>	<u>645,509</u>	<u>972,102</u>	<u>2,695,465</u>
Net Cash Provided By Operating Activities	<u>\$ 5,984,444</u>	<u>\$ 1,170,941</u>	<u>\$ 348,448</u>	<u>\$ 7,503,833</u>
Supplemental Schedule of Noncash Financing,				
Capital and Investing Activities				
Capital asset acquisitions financed	\$ -	\$ -	\$ 1,189,829	\$ 1,189,829
Accounts payable for capital asset acquisitions	3,472,511	-	18,855	3,491,366
Capital assets acquired under PPP arrangement	1,571,069	-	-	1,571,069
Developer contributions of capital assets	749,543	438,266	-	1,187,809

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Stephenville, Texas (the City) have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the City are described below.

A. The Reporting Entity

The City was incorporated in 1889 and became a home rule City in 1961. The City operates under a Council-Manager form of government. The City provides the following services as authorized by its charter: general government, public safety (police, fire, and EMS), highway and streets, culture and recreation, community development (planning and zoning, licensing, permitting, and inspection), water and wastewater system, storm water drainage, airport, and sanitary landfill.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by GAAP, these financial statements include the primary government and organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's government body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, or activities of, or the level of services performed or provided by, the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of the fiscal dependency on the primary government. An organization is fiscally dependent on the primary government if it is unable to adopt its budget, levy taxes, set rates or charges, or issue bonded debt without approval by the primary government.

Discretely Presented Component Unit

Stephenville Economic Development Authority – The Stephenville Economic Development Authority (the SEDA) is a corporation governed by a board of seven members, all of whom are appointed by the City Council and can be removed from office by the City Council at its will. The SEDA has potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. The SEDA was incorporated in the state of Texas in 2015. The nature and significance of the relationship between the primary government and the SEDA is such that exclusion would cause the City's financial statements to be misleading and incomplete. Separate financial statements for the SEDA as of and for the fiscal year ended September 30, 2023, have not been prepared.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. The Reporting Entity (continued)

Blended Component Unit

Tax Increment Financing Fund – The Tax Increment Financing Fund (the TIF Fund) was created to encourage and accelerate planned development within the City limits. The TIF Fund accounts for all tax and expenditure activity associated with its primary purpose. The tax increment is derived from an allocation of (1) sales taxes, based on the difference in sales tax received during the year in which the reinvestment zone is established (base year) and each year the reinvestment zone is in existence, and (2) property taxes, based on the difference in appraised value between the year in which the reinvestment zone is established (base year) and each year the reinvestment zone is in existence. The TIF Fund is governed by a board of eight City Council members, the City Mayor, and two members appointed by the SEDA. The TIF Fund board is substantially the same as City Council, and the TIF Fund functions similar to a department of the City. As such, the TIF Fund is reported as a blended component unit/special revenue fund. Separate financial statements for the TIF Fund as of and for the fiscal year ended September 30, 2023, have not been prepared.

B. Basis of Presentation

Government-wide Statements:

The government-wide financial statements consist of the statement of net position and the statement of activities. These statements report information on all of the non-fiduciary activities of the primary government and its component units. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange 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 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 taxes, are presented as general revenues.

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

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 and enterprise funds, each displayed in a separate column. All other funds are aggregated and reported as nonmajor funds.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer, storm water drainage, airport, and sanitary landfill funds are charges to customers for sales and services. The water and sewer fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major Governmental funds:

The **General Fund** is the City's primary operating fund and is used to account for all financial resources not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, emergency services, and charges for services. Expenditures include general government, public safety, streets, culture and recreation, and community development.

The **Capital Projects Fund** is used to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily from bond proceeds and transfers from the General Fund.

The City reports the following major Enterprise funds:

The **Water and Wastewater Fund** accounts for the operation of the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

The **Storm Water Drainage Fund** accounts for the activities necessary for the provisions of storm water drainage services.

Additionally, the City reports the following funds and fund types:

Special revenue funds account for resources restricted to, or designated for, specific purposes (not including expendable trusts or major capital projects). These funds consist of the hotel/motel tax, child safety, public safety, municipal court technology, and TIF funds.

The City's **Debt Service Fund** accounts for the accumulation of resources to service the City's governmental long-term debt.

The **Airport Fund** accounts for municipal airport services and to support air transportation and charter services. This fund is presented as a nonmajor proprietary fund.

The **Sanitary Landfill Fund** is used to account for solid waste collection and disposal services provided to residents of the City. This fund is presented as a nonmajor proprietary fund.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under this measurement focus, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The City did not have any fiduciary funds during the year ended September 30, 2023.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Property taxes, interest revenue, charges for services, franchise taxes and sales tax revenues are susceptible to accrual. Fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Budgetary Control

Annual budgets are adopted on a basis consistent with GAAP for the general fund, special revenue funds, and debt service fund. The budget, as formally adopted by the City Council prior to the beginning of the year, establishes the maximum authorization of operating funds to be expended by any fund. Any subsequent amendment thereto must be approved by the Council. The legal level of budget control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. No funds can be transferred or added which affect the total fund expenditures without City Council approval. Appropriations in all budgeted funds lapse at the end of the fiscal year, unless legally encumbered.

E. Use of Estimates

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

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance

1. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have an original maturity of three months or less when purchased.

2. Investments

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments, except for certain investment pools, at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values for investments are determined by closing market values and other observable inputs at year end as reported by the investment custodian. Investment pools are carried at either amortized cost or net asset value, as determined by each pool's individual valuation method and whether there is a readily determinable fair value of the pool as of the City's fiscal year end.

3. Receivables

Receivables are shown net of any allowance for uncollectible amounts.

4. Inventory and Prepaid Items

Inventories consist of fuel, materials, and supplies. The cost is recorded as expenditures at the time inventory items are consumed. Inventories are valued at the lower of average cost or market.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

5. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in proprietary fund financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Capital assets that are purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition value at the date of the donation. Improvements to capital assets that materially add to the function or capacity of the asset are capitalized. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Depreciation has been provided over the estimated useful lives of the assets using the straight-line method. The estimated useful lives are as follows:

Buildings and improvements	10 – 40 years
Machinery and equipment	5 – 40 years
Infrastructure	20 – 40 years

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Employees are not paid for unused sick leave benefits upon termination. Vacation pay is accrued when incurred in the government-wide financial statements and the proprietary fund type statement of net position. Compensated absences are reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. The General Fund typically liquidates the governmental activities liability for compensated absences.

7. Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element 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 then.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

8. 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. Pension liabilities within governmental activities will be liquidated with resources of the General Fund.

9. Other Post-employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information has been determined based on the City's actuary report. For this purpose, OPEB expense recognized each fiscal year is equal to the employer's yearly contributions for retirees. Information regarding the City's OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. OPEB liabilities within governmental activities will be liquidated with resources of the General Fund.

10. Leases

GASB defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

The City is the lessee in certain lease arrangements recorded in the accompanying financial statements. The City recognizes a lease liability and an intangible right-to-use lease asset at the beginning of a lease. In general, the lease liability and the right-to-use lease assets are measured based on the present value of the expected payments during the term of the lease. Remeasurement of a lease liability and right-to-use lease asset occurs when there is a change in the lease term and/or other changes that are likely to have a significant impact on the lease liability.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

The key estimates and judgments related to leases include how the City determines the discount rate it uses to discount the expected lease payments to present value, lease term, and lease payments. When available, the City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate. The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and any purchase option price that the City is reasonably certain to exercise. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options or periods after termination options are only included in the lease term if the lease is reasonably certain to be extended. Leases with periodic percentage rent increases or flat rate increases that are specified in the lease terms are included in the measurement of the lease liability.

The City calculates the amortization of the discount on the lease liability and reports that amount as outflows of resources or interest expense for the period. Payments are allocated first to accrued interest liability and then to the lease liability.

The City amortizes the right-to-use lease asset on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. However, if a lease contains a purchase option that the City has determined is reasonably certain of being exercised, the lease asset is amortized over the useful life of the underlying asset. If the underlying asset is nondepreciable, such as land, the lease asset is not amortized. The City reports the amortization of the lease asset as an outflow of resources, amortization expense, which is combined with depreciation expense related to other capital assets for financial reporting purposes. The City recognizes payments for short-term leases and variable payments as outflows of resources or expense in the period in which the City incurs the obligation for those payments.

The present value of the leases is aggregated on a fund basis. Lease right-to-use assets and liabilities are reflected in the government-wide statements and the proprietary fund statements. Governmental funds report amounts incurred under lease arrangements as a lessee as current expenditures in the fund level statements.

11. Subscription-Based Information Technology Arrangements (SBITAs)

Effective October 1, 2022, the City implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs). The objective of this Statement is to better meet the needs of financial statement users by improving accounting and financial reporting for SBITAs by governments. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription assets – an intangible asset – and a corresponding liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in GASB Statement No. 87, *Leases*, as amended.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

The City is a subscriber of certain SBITAs. A SBITA is a contract that conveys control of the right to use a vendor's software, alone or in combination with hardware. The accounting treatment is very similar for leases (where the City is lessee) and SBITAs. In each case, the City recognizes both a liability and an intangible right-to-use asset in the government-wide and proprietary fund financial statements. The right-to-use asset of a SBITA is reported with depreciable capital assets and the liabilities for SBITAs are reported with the long-term liabilities when the SBITA contract term is greater than 12 months. In general, SBITAs with a contract term of 12 months or less are recognized as outflows of resources or expense.

At the commencement of a SBITA contract, the City initially measures the SBITA liability at the present value of payments expected to be made during the subscription term. The SBITA liability is reduced by the principal portion of the subscription payments made. The SBITA asset is initially measured as the initial amount of the SBITA liability, adjusted for subscription payments made at or before the subscription commencement date, plus certain initial direct costs. The SBITA asset is amortized on a straight-line basis over the shorter of the subscription term or useful life.

The City uses the interest charged by the vendor as the discount rate, when available. If the interest rate charged by the vendor is not available, the City generally uses its estimated incremental borrowing rate. The subscription term includes the noncancellable period of the SBITA. In determining the subscription term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options or periods after termination options are only included in the subscription term if it is reasonably certain that the SBITA will be extended or not terminated.

Liabilities arising from a SBITA are initially measured on a present value basis. SBITA liabilities include the net present value of the following contract payments, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the subscription term: (a) fixed payments; (b) variable payments that depend on an index or a rate (such as the Consumer Price Index or a marked interest rate), measured using the index or rate as of the commencement of the subscription term; (c) variable payments that are fixed in-substance; (d) payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising an option to terminate the SBITA or a fiscal funding or cancellation clause; and (e) any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors.

Assets arising from a SBITA are initially measured using the sum of the following, less any SBITA vendor incentives received from the SBITA vendor at the commencement of the subscription term: (a) the amount of the initial measurement of the subscription liability; (b) payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, if applicable; and (c) capitalizable initial implementation costs. The City monitors changes in circumstances that may require a remeasurement of its SBITAs and will remeasure the SBITA asset and liability balances if certain changes occur that are expected to significantly affect those balances.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

The present value of the SBITAs is aggregated on a fund basis. SBITA right-to-use assets and liabilities are reflected in the government-wide statements and the proprietary fund statements. Governmental funds report amounts incurred under SBITAs as current expenditures in the fund level statements. The City had no SBITAs within business-type activities during the year ended September 30, 2023.

12. Public-Private Partnerships

Effective October 1, 2022, the City implemented GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94). The objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement requires that PPPs that meet the definition of a lease apply the guidance in GASB Statement No. 87, *Leases*, as amended, if existing assets of the transferor that are not required to be improved by the operator as part of the PPP arrangement are the only underlying PPP assets and the PPP does not meet the definition of a service concession arrangement (SCA). This Statement also provides accounting and financial reporting requirements for all other PPPs; those that either (1) meet the definition of an SCA or (2) are not within the scope of Statement No. 87, as amended (as clarified by GASB 94). The Statement also provides guidance for the recognition of availability payment arrangements. Implementation of GASB 94 had no effect on beginning net position/fund balance at October 1, 2022.

13. Long-Term Obligations

Long-term debt and other long-term obligations for general governmental purposes are reported as liabilities in the government-wide statement of net position. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Long-term debt and other long-term obligations financed by proprietary funds are reported as liabilities in the appropriate funds and the business-type activities in the government-wide statement of net position. For proprietary fund types, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed when incurred.

14. Net Position and Fund Balance

In the financial statements, assets and deferred outflows of resources in excess of liabilities and deferred inflows of resources are presented in one of two ways depending on the measurement focus of the fund.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

On the statement of net position for government-wide reporting and the proprietary funds, net position is segregated into three categories as follows:

- *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets, and adding back unspent proceeds.
- *Restricted net position* is the portion of the City's net position which is subject to external legal restrictions on how it may be used, and therefore is not available for general spending at the discretion of the City.
- *Unrestricted net position* represents amounts not included in other categories.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

On governmental fund balance sheets, assets and deferred outflows in excess of liabilities and deferred inflow are reported as fund balances and are segregated into separate classifications indicating the extent to which the City is bound to honor constraints on specific purposes for which those funds can be spent as follows:

- *Non-spendable*: This classification includes amounts that cannot be spent because they are either not in the spendable form or are legally or contractually required to be maintained intact.
- *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.
- *Committed*: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.
- *Assigned*: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has, by resolution, authorized the finance director to assign fund balance. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, additional action does not need to be taken to remove the assignment.
- *Unassigned*: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

The City has adopted a policy to maintain a minimum reserve of unassigned fund balance in the General Fund at an amount equal to or greater than 25% of budgeted expenditures of that fund.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. Assets, Liabilities, Deferred Outflows/Inflows, and Net Position or Fund Balance (continued)

In circumstances where expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

G. New Accounting Pronouncements

The GASB has issued the following statements which will be effective in future years:

GASB Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Certain provisions of this Statement related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 were effective upon issuance. Other requirements related to leases, public-private and public-public partnerships, and SBITAs were effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of these provisions did not have a significant impact on the City's financial statements. The Statement contains additional requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53, which are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City is currently evaluating the potential impact that implementation of these provisions will have on its financial statements.

GASB Statement No. 100, *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. The Statement also addresses corrections of errors in previously issued financial statements. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City is currently evaluating the potential impact that implementation of these provisions will have on its financial statements.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. New Accounting Pronouncements (continued)

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The City is currently evaluating the potential impact that implementation of these provisions will have on its financial statements.

NOTE 2. DEPOSITS AND INVESTMENTS

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

Investment Type	Value	Weighted Average Maturity (Years)
Governmental activities:		
Certificates of deposit	\$ 1,467,974	0.33
U.S. Treasury securities	98,945	0.21
Total	\$ 1,566,919	
Portfolio weighted average maturity		0.32

A. Authorized Investments

The City's investment policy limits investments to: obligations of the United States, state of Texas, or their agencies and instrumentalities with a stated maturity not exceeding five years; obligations of states, agencies, counties, cities, and other political subdivisions of any state with any investment quality rating of not less than A or its equivalent; interest-bearing banking deposits of any bank doing business in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or its successor, the National Credit Union Share Insurance Fund or its successor, or are collateralized by the United States or one of its instrumentalities; certificates of deposits that are fully insured or collateralized from a bank doing business in the state of Texas, with a stated maturity not exceeding two years; certificates of deposit with a maturity not to exceed five years that are brokered by an entity selected from the list of approved brokers/dealers having a main office or branch in the state of Texas and participating in the FDIC insurance programs; repurchase agreement and reverse repurchase agreements with a stated maturity not exceeding 90 days; commercial paper with a stated maturity not to exceed one year and rated A-1, P-1, or equivalent by two nationally recognized rating agencies or one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; no-load money market mutual funds that are SEC registered and regulated striving to maintain a \$1 net asset value; no-load mutual funds that are SEC registered, having an average weighted maturity of less than two years, subject to limitations as defined in the policy; Texas local government investment pools which have previously been authorized by the governing body and for which a \$1 net asset value is maintained; and other investment types of asset classes as approved by the governing authority.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

B. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. In accordance with its investment policy, the City manages its exposure to interest rate risk is by limiting the portion of the portfolio that may be invested beyond 12 months to 20%; limiting the weighted average maturity of the total portfolio to one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; and investing operating funds primarily in short-term securities, money market mutual funds, or similar investment pools.

C. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the holder of the investment. In order to manage credit risk, the City's investment policy includes certain credit rating provisions as outlined above. As of September 30, 2023, the entire balance of the City's investments in certificates of deposit was FDIC insured.

D. Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transactions, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities in an amount not less than the deposit of public funds. As of September 30, 2023, the bank balances of the City's deposits totaled \$1,310,974; of that amount, \$389,639 was covered by federal depository insurance and \$921,335 was covered by collateral held in the pledging bank's trust department in the City's name. The City's investment policy requires all trades of marketable securities to be executed by delivery versus payment to ensure that securities are deposited in an eligible custody account prior to the release of funds.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

E. Concentration Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's Investment policy requires that the portfolio be structured to diversify investments to reduce the risk of loss by over-concentration of assets in a specific maturity, a specific issuer, or a specific type of security. No more than 50% of the City's total investment portfolio may be invested in the securities of a single issuer, except for the securities of the U.S. Treasury. Further diversification standards provided by the policy include the following:

	Maximum Percentage of Portfolio
U.S. Treasury securities	100%
Securities with the U.S. government's guarantee	100%
U.S. government agencies and instrumentalities	80%
Fully insured or collateralized certificates of deposit	40%
Fully insured brokered certificate of deposit securities	40%
State and municipal debt	40%
Commercial paper	20%
Repurchase agreement	100%
Local government investment pools	
Liquidity pools	100%
Maximum percent ownership of pool	20%
Money market funds	30%

F. Investment in State Investment Pools

The City is a voluntary participant in the TexPool external investment pool. TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Investments in TexPool are measured at amortized cost. As of September 30, 2023, TexPool had a Standard & Poor's rating of AAAM and a weighted average maturity of 28 days.

The City is also a voluntary participant in the TexStar external investment pool. TexStar is managed by a five-member board consisting of three representatives of participants, one member employed by J.P. Morgan Investment Management Inc., and one member employed by Hilltop Securities Inc., Hilltop Securities Asset Management, LLC or an affiliate. Investments in TexStar are measured at net asset value. As of September 30, 2023, TexStar had a Standard & Poor's rating of AAAM and a weighted average maturity of 30 days.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 2. DEPOSITS AND INVESTMENTS (CONTINUED)

G. Investments Measured at Fair Value

The City measures and reports investments at fair value using the valuation input hierarchy established by GAAP, as follows:

- Level 1: Quoted prices in active markets for identical assets or liabilities;
- Level 2: These are quoted market prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other than quoted prices that are not observable;
- Level 3: Unobservable inputs for an asset or liability.

As of September 30, 2023, the City had recurring fair value measurements as detailed below.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of deposit	\$ -	\$ 1,467,974	\$ -	\$ 1,467,974
U.S. Treasury securities	98,945	-	-	98,945
	<u>\$ 98,945</u>	<u>\$ 1,467,974</u>	<u>\$ -</u>	<u>\$ 1,566,919</u>

NOTE 3. RECEIVABLES

The following comprise receivable balances of the City at year end:

	<u>Governmental Activities</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor</u>	
Property taxes	\$ 74,897	\$ -	\$ 4,169	\$ 79,066
Sales and mixed beverage tax	1,599,547	-	81,910	1,681,457
Franchise tax	21,545	-	-	21,545
Hotel/motel taxes	-	-	104,216	104,216
Court	716,561	-	-	716,561
Ambulance billing	1,585,360	-	-	1,585,360
Due from other governments	-	1,013,329	-	1,013,329
Other	326,113	-	580	326,693
Allowance	(1,843,341)	-	(2,535)	(1,845,876)
	<u>\$ 2,480,682</u>	<u>\$ 1,013,329</u>	<u>\$ 188,340</u>	<u>\$ 3,682,351</u>

	<u>Business-Type Activities</u>			<u>Total</u>
	<u>Water and Wastewater</u>	<u>Storm Water Drainage</u>	<u>Nonmajor</u>	
Accounts	\$ 2,199,082	\$ 124,165	\$ 81,274	\$ 2,404,521
Other	36,738	-	490	37,228
Allowance	(343,781)	(14,394)	-	(358,175)
	<u>\$ 1,892,039</u>	<u>\$ 109,771</u>	<u>\$ 81,764</u>	<u>\$ 2,083,574</u>

As of September 30, 2023, the SEDA, a discretely presented component unit, had receivables of \$144,706, all of which related to sales tax; no allowance determined to be necessary.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 4. CAPITAL ASSETS

Capital assets activity within governmental activities for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated/amortized:				
Land	\$ 6,160,810	\$ 53,736	\$ (450)	\$ 6,214,096
Construction in progress	5,975,294	5,564,307	(948,981)	10,590,620
Total assets not being depreciated/amortized:	<u>12,136,104</u>	<u>5,618,043</u>	<u>(949,431)</u>	<u>16,804,716</u>
Capital assets, being depreciated/amortized:				
Buildings and improvements	7,542,411	814,975	-	8,357,386
Machinery and equipment	11,993,344	1,210,510	577,111	13,780,965
Infrastructure	30,197,509	2,152,339	221,870	32,571,718
Right-to-use assets - premises	323,784	-	-	323,784
Right-to-use assets - equipment	54,473	-	-	54,473
Right-to-use assets - SBITAs	538,359	195,996	-	734,355
Total capital assets being depreciated/amortized	<u>50,649,880</u>	<u>4,373,820</u>	<u>798,981</u>	<u>55,822,681</u>
Accumulated depreciation/amortization:				
Buildings and improvements	2,835,824	215,839	-	3,051,663
Machinery and equipment	7,797,467	681,707	-	8,479,174
Infrastructure	15,702,448	1,022,161	(135,000)	16,589,609
Right-to-use assets - premises	119,632	54,785	-	174,417
Right-to-use assets - equipment	4,539	10,895	-	15,434
Right-to-use assets - SBITAs	57,317	98,934	-	156,251
Total accumulated depreciation/amortization	<u>26,517,227</u>	<u>2,084,321</u>	<u>(135,000)</u>	<u>28,466,548</u>
Total capital assets being depreciated/amortized, net	<u>24,132,653</u>	<u>2,289,499</u>	<u>933,981</u>	<u>27,356,133</u>
Governmental activities capital assets, net	<u>\$ 36,268,757</u>	<u>\$ 7,907,542</u>	<u>\$ (15,450)</u>	<u>\$ 44,160,849</u>

Depreciation and amortization were charged to governmental functions as follows:

General government	\$ 165,288
Public safety	703,626
Streets	778,636
Culture and recreation	434,163
Community development	2,608
Total depreciation and amortization expense - governmental activities	<u>\$ 2,084,321</u>

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital assets activity within business-type activities for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 4,847,227	\$ 182,950	\$ -	\$ 5,030,177
Construction in process	6,961,682	18,237,330	(3,168,827)	22,030,185
Total assets not being depreciated	<u>11,808,909</u>	<u>18,420,280</u>	<u>(3,168,827)</u>	<u>27,060,362</u>
Capital assets, being depreciated:				
Buildings and improvements	22,065,470	711,897	-	22,777,367
Machinery and equipment	5,695,958	2,424,498	-	8,120,456
Infrastructure	68,484,555	1,689,465	3,168,827	73,342,847
Total capital assets being depreciated	<u>96,245,983</u>	<u>4,825,860</u>	<u>3,168,827</u>	<u>104,240,670</u>
Accumulated depreciation:				
Buildings and improvements	7,303,727	805,849	-	8,109,576
Machinery and equipment	3,976,219	823,363	-	4,799,582
Infrastructure	33,493,087	1,295,523	-	34,788,610
Total accumulated depreciation	<u>44,773,033</u>	<u>2,924,735</u>	<u>-</u>	<u>47,697,768</u>
Total capital assets being depreciated, net	<u>51,472,950</u>	<u>1,901,125</u>	<u>3,168,827</u>	<u>56,542,902</u>
Business-type activities capital assets, net	<u>\$ 63,281,859</u>	<u>\$ 20,321,405</u>	<u>\$ -</u>	<u>\$ 83,603,264</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 581,580
Sewer	434,225
Wastewater treatment plant	250,444
Storm water drainage	328,495
Airport	118,702
Sanitary landfill	1,211,289
Total depreciation expense - business-type activities	<u>\$ 2,924,735</u>

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 4. CAPITAL ASSETS (CONTINUED)

Capital assets activity for the City's discretely presented component unit for the year ended September 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Additions/ Completions</u>	<u>Retirements/ Adjustments</u>	<u>Ending Balance</u>
Capital assets, being depreciated:				
Machinery and equipment	\$ 60,438	\$ -	\$ -	\$ 60,438
Total capital assets being depreciated	<u>60,438</u>	<u>-</u>	<u>-</u>	<u>60,438</u>
Accumulated depreciation:				
Machinery and equipment	16,318	10,879	-	27,197
Total accumulated depreciation	<u>16,318</u>	<u>10,879</u>	<u>-</u>	<u>27,197</u>
Total capital assets being depreciated, net	<u>44,120</u>	<u>(10,879)</u>	<u>-</u>	<u>33,241</u>
Component unit capital assets, net	<u>\$ 44,120</u>	<u>\$ (10,879)</u>	<u>\$ -</u>	<u>\$ 33,241</u>

NOTE 5. LONG-TERM LIABILITIES

The following is a summary of changes in the City's long-term liabilities for the year ended September 30, 2023:

<u>Description</u>	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>	<u>Due within one year</u>
Governmental-type activities					
Certificates of obligation	\$ 15,960,000	\$ -	\$ (735,000)	\$ 15,225,000	\$ 790,000
Notes payable	3,601,025	501,664	(598,495)	3,504,194	599,024
Less deferred amounts:					
Discounts	(1,258)	-	133	(1,125)	-
Premiums	1,058,148	-	(60,087)	998,061	-
Leases payable	258,939	-	(62,940)	195,999	65,932
SBITAs payable	471,147	195,996	(89,922)	577,221	112,118
Compensated absences	<u>590,946</u>	<u>470,933</u>	<u>(490,505)</u>	<u>571,374</u>	<u>514,236</u>
Governmental-type activities long-term liabilities	<u>\$ 21,938,947</u>	<u>\$ 1,168,593</u>	<u>\$ (2,036,816)</u>	<u>\$ 21,070,724</u>	<u>\$ 2,081,310</u>
Business-type activities					
Certificates of obligation	\$ 37,185,000	\$ -	\$ (1,675,000)	\$ 35,510,000	\$ 1,935,000
General obligation bonds	2,825,000	-	(55,000)	2,770,000	55,000
Notes payable	751,680	1,189,831	(567,683)	1,373,828	526,086
Less deferred amounts:					
Discounts	(2,161)	-	204	(1,957)	-
Premiums	1,924,109	-	(115,685)	1,808,424	-
Estimated landfill closure and postclosure costs	409,604	89,569	-	499,173	-
Compensated absences	<u>90,728</u>	<u>83,978</u>	<u>(81,778)</u>	<u>92,928</u>	<u>83,635</u>
Business-type activities long-term liabilities	<u>\$ 43,183,960</u>	<u>\$ 1,363,378</u>	<u>\$ (2,494,942)</u>	<u>\$ 42,052,396</u>	<u>\$ 2,599,721</u>
Component Unit Activities					
Compensated absences	<u>\$ 10,719</u>	<u>\$ 4,723</u>	<u>\$ -</u>	<u>\$ 15,442</u>	<u>\$ 13,898</u>
Component unit activities long-term liabilities	<u>\$ 10,719</u>	<u>\$ 4,723</u>	<u>\$ -</u>	<u>\$ 15,442</u>	<u>\$ 13,898</u>

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

As of September 30, 2023, the City's long-term debt consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Certificates of Obligation			
\$4,000,000 Certificates of Obligation, Series 2011, due in annual installments through 2031, interest at 1.75-4.25%	\$ 2,010,000	\$ -	\$ 2,010,000
\$11,860,000 Certificates of Obligation, Series 2020, due in annual installments through 2040, interest at 2-4%	11,370,000	-	11,370,000
\$20,470,000 Certificates of Obligation, Series 2022, due in annual installments through 2042, interest at 3-5%	1,845,000	18,445,000	20,290,000
\$4,300,000 Certificates of Obligation, Series 2006A, due in annual installments through 2027, interest at 3.92%	-	1,150,000	1,150,000
\$1,000,000 Certificates of Obligation, Series 2013, due in annual installments through 2024, interest at 2.49%	-	190,000	190,000
\$2,040,000 Certificates of Obligation, Series 2016, due in annual installments through 2027, interest at 1.84%	-	1,875,000	1,875,000
\$17,030,000 Certificates of Obligation, Series 2018, due in annual installments through 2039, interest at 0.18-1.34%	-	13,850,000	13,850,000
	<u>\$ 15,225,000</u>	<u>\$ 35,510,000</u>	<u>\$ 50,735,000</u>
Notes Payable			
\$2,998,450 note payable, due in semi-annual installments through 2024, interest at 2.558%, secured by equipment	\$ -	\$ 380,617	\$ 380,617
\$1,189,831 note payable, due in annual installments through 2023, interest at 5.15%, secured by property tax revenue	-	993,211	993,211
\$1,200,000 note payable, due in annual installments through 2028, interest at 3.24%, secured by equipment	627,400	-	627,400
\$267,000 note payable, due in annual installments through 2031, interest at 3.192%, secured by property tax revenue	217,581	-	217,581
\$1,990,403 note payable, due in annual installments through 2031, interest at 2.684%, secured by property tax revenue	1,610,505	-	1,610,505
\$484,507 note payable, due in annual installments through 2031, interest at 2.998%, secured by property tax revenue	383,699	-	383,699
\$327,834 note payable, due in annual installments through 2027, interest at 4.962%, secured by property tax revenue	262,104	-	262,104
\$173,830 note payable, due in annual installments through 2026, interest at 5.70%, secured by property tax revenue	130,043	-	130,043
Various notes payable with an aggregate original amount of \$543,948, due in annual installments through 2026, interest at 2.941-4.619%, secured by equipment and property tax revenue	272,862	-	272,862
	<u>\$ 3,504,194</u>	<u>\$ 1,373,828</u>	<u>\$ 4,878,022</u>
General Obligation Bonds			
\$2,825,000 General Obligation Refunding, Series 2022, due in annual installments through 2033, interest at 3-5%	\$ -	\$ 2,770,000	\$ 2,770,000
	<u>\$ 18,729,194</u>	<u>\$ 39,653,828</u>	<u>\$ 58,383,022</u>

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 5. LONG-TERM LIABILITIES (CONTINUED)

Debt service requirements for long-term debt outstanding as of September 30, 2023 are as follows:

<u>Certificates of Obligation</u>	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 790,000	\$ 442,650	\$ 1,935,000	\$ 940,715
2025	820,000	413,300	2,365,000	896,849
2026	855,000	382,075	2,430,000	840,623
2027	895,000	348,750	2,490,000	774,539
2028	930,000	314,000	1,600,000	717,548
2029-2033	4,595,000	1,078,625	8,765,000	2,830,518
2034-2038	4,235,000	573,975	9,920,000	1,673,727
2039-2042	2,105,000	90,025	6,005,000	421,132
Total	<u>\$ 15,225,000</u>	<u>\$ 3,643,400</u>	<u>\$ 35,510,000</u>	<u>\$ 9,095,651</u>

<u>Notes Payable</u>	<u>Governmental-Type Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 599,024	\$ 110,817	\$ 526,086	\$ 58,468
2025	661,566	94,021	152,961	43,659
2026	559,537	70,656	160,838	35,781
2027	407,788	48,090	169,122	27,498
2028	419,755	36,122	177,831	18,788
2029-2031	856,524	48,039	186,990	9,630
Total	<u>\$ 3,504,194</u>	<u>\$ 407,745</u>	<u>\$ 1,373,828</u>	<u>\$ 193,824</u>

<u>General Obligation Bonds</u>	<u>Business-Type Activities</u>		<u>SBITAs</u>	<u>Governmental-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>		<u>Principal</u>	<u>Interest</u>
2024	\$ 55,000	\$ 117,375	2024	\$ 112,118	\$ 19,361
2025	60,000	115,650	2025	120,223	17,301
2026	60,000	113,850	2026	80,738	12,751
2027	65,000	111,650	2027	77,182	9,693
2028	380,000	102,750	2028	81,471	6,546
2029-2033	2,150,000	258,925	2029-2031	105,489	6,476
Total	<u>\$ 2,770,000</u>	<u>\$ 820,200</u>	Total	<u>\$ 577,221</u>	<u>\$ 72,128</u>

<u>Leases</u>	<u>Governmental-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2024	\$ 65,932	\$ 4,962
2025	62,134	2,965
2026	44,112	1,431
2027	23,821	216
Total	<u>\$ 195,999</u>	<u>\$ 9,574</u>

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 6. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 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 of the year following the year in which imposed. On January 1 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 and when they are expected to be collected during a 60 day period after the close of the fiscal year. Property taxes that are deemed uncollectible are presented as a reserve against property tax receivables and revenue.

The appraisal of property within the City is the responsibility of Erath County Tax Appraisal District. The value of real property within the Appraisal District must be reviewed at least every three years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. The City establishes tax rates on property within its jurisdiction. If the adopted tax rate, excluding tax rates for bonds and other contractual obligations, adjusted for new improvements and revaluation, exceeds the rate of the previous year by more than 3.5% (voter-approval tax rate), an automatic property tax election is required. However, cities with a population under 30,000 have the option to calculate a de minimis tax rate that would generate \$500,000 in more property tax revenue than that of the previous year. If the approved tax rate is above the voter-approval rate but less than the de minimis tax rate, qualified votes of the City may petition for an election to determine whether to limit the tax rate to no more than 3.5% above the rate of the previous year.

NOTE 7. INTERFUND ACTIVITY

Amounts due to and due from other funds as of September 30, 2023 were as follows:

	Due from These Funds		
Due to These Funds	Water and Wastewater	TIF	Total
General Fund	\$ 1,435,504	\$ 856,021	\$ 2,291,525
Airport	292,676	-	292,676
	\$ 1,728,180	\$ 856,021	\$ 2,584,201

Amounts due to the General Fund and Airport Fund from the Water and Wastewater Fund related to negative cash positions in pooled cash equity and various amounts used to cover operational and capital expenditures. The amount due to the General Fund from the TIF Fund related to debt service payments.

Additionally, as of September 30, 2023, the General Fund had \$208,475 due from the SEDA, which related to outstanding payables at that date.

All of the amounts due from other funds and the component unit are expected to be collected within one year.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 7. INTERFUND ACTIVITY (CONTINUED)

Interfund transfers during the year ended September 30, 2023 were as follows:

Transfers Into These Funds	Transfers Out of These Funds					Total
	General Fund	Water and Wastewater	TIF	Storm Water Drainage	Sanitary Landfill	
General Fund	\$ -	\$ 2,218,164	\$ -	\$ 145,829	\$ 76,432	\$ 2,440,425
Capital Projects	1,384,897	-	-	-	-	1,384,897
Debt Service	-	-	823,850	-	-	823,850
TIF	89,100	44,817	-	-	-	133,917
Water and Wastewater	-	-	-	82,662	-	82,662
Airport	297,325	-	-	-	-	297,325
	<u>\$ 1,771,322</u>	<u>\$ 2,262,981</u>	<u>\$ 823,850</u>	<u>\$ 228,491</u>	<u>\$ 76,432</u>	<u>\$ 5,163,076</u>

Transfers from the General Fund to Capital Projects are to provide for annual street improvements. Water and Wastewater, Storm Water Drainage, and Sanitary Landfill transfers to the General Fund were to support the cost of administrative services, such as management, accounting, legal, and IT provided by the General Fund. Storm Water Drainage transfers to Water and Wastewater were to support the cost of billing and collections provided by Water and Wastewater staff. General and Water and Wastewater transfers to the TIF were to subsidize debt service payments, which will be repaid once the TIF revenue exceeds the annual debt service requirements. The TIF Fund transfers to Debt Service were for the debt service payments. General Fund transfers to the Airport were to subsidize salary and benefits as well as grant matching funds.

NOTE 8. PENSION PLAN

A. Plan Description

The City of Stephenville participates as one of 934 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.

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

B. 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.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 8. PENSION PLAN (CONTINUED)

B. Benefits Provided (continued)

Plan provisions for the City were as follows:

Employee deposit rate	6.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Updated service credit	100% repeating transfers
Annuity increase (to retirees)	0% of CPI
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	124
Inactive employees entitled to but not yet receiving benefits	154
Active employees	173
	451
	451

C. 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 benefit plan options selected by the city and any changes in benefits or actual experience over time.

Employees for the City of Stephenville were required to contribute 6% of the annual gross earnings during the fiscal year. The contribution rates for the City of Stephenville were 7.53% and 7.51% in calendar years 2023 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$834,385, and were in excess of the required contributions.

D. Net Pension Liability

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

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 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 STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 8. PENSION PLAN (CONTINUED)

D. Net Pension Liability (continued)

Salary increases were based on a service related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is 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 may become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. The assumptions were adopted in 2019 and first used in the December 31, 2019, actuarial valuation. The post-retirement mortality assumption for 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 using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	7.7%
Core Fixed Income	6.0%	4.9%
Non-Core Fixed Income	20.0%	8.7%
Other Public and Private Markets	12.0%	8.1%
Real Estate	12.0%	5.8%
Hedge Funds	5.0%	6.9%
Private Equity	10.0%	11.8%
Total	100.0%	

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 8. PENSION PLAN (CONTINUED)

D. Net Pension Liability (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.

Changes in the Net Pension Liability

	Increase (Decrease)				
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Total Net Pension Liability (Asset) (a) - (b)	Primary Government	Component Unit
Balance at 12/31/2021	\$ 44,646,419	\$ 51,402,223	\$ (6,755,804)	\$ (6,623,390)	\$ (132,414)
Changes for the year:					
Service cost	1,441,696	-	1,441,696	1,413,076	28,620
Interest	2,967,599	-	2,967,599	2,908,688	58,911
Changes in current period benefits	-	-	-	-	-
Difference between expected and actual experience	325,507	-	325,507	319,045	6,462
Changes in assumptions	-	-	-	-	-
Contributions - employer	-	794,897	(794,897)	(779,117)	(15,780)
Contributions - employee	-	639,333	(639,333)	(626,641)	(12,692)
Net investment income	-	(3,747,136)	3,747,136	3,672,750	74,386
Benefit payment, including refunds of employee contributions	(2,805,671)	(2,805,671)	-	-	-
Administrative expense	-	(32,469)	32,469	31,824	645
Other changes	-	38,744	(38,744)	(37,975)	(769)
Net changes	\$ 1,929,131	\$ (5,112,302)	\$ 7,041,433	\$ 6,901,650	\$ 139,783
Balance at 12/31/2022	\$ 46,575,550	\$ 46,289,921	\$ 285,629	\$ 278,260	\$ 7,369

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Beginning			
Primary government	\$ 43,771,349	\$ 50,394,739	\$ (6,623,390)
Component unit	875,070	1,007,484	(132,414)
Balance at 12/31/21	\$ 44,646,419	\$ 51,402,223	\$ (6,755,804)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Ending			
Primary government	\$ 45,373,901	\$ 45,095,641	\$ 278,260
Component unit	1,201,649	1,194,280	7,369
Balance at 12/31/22	\$ 46,575,550	\$ 46,289,921	\$ 285,629

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 8. PENSION PLAN (CONTINUED)

D. Net Pension Liability (continued)

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 (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Primary government	\$ 6,113,404	\$ 278,260	\$ (4,548,399)
Component unit	161,898	7,369	(120,453)
Total	\$ 6,275,302	\$ 285,629	\$ (4,668,852)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in the Schedule of Changes in Net Fiduciary Net Position, by Participating City. That report may be obtained at tmrs.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$1,110,390. Of this amount, \$1,081,742 related to the primary government and \$28,648 related to the discretely presented component unit.

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

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 239,384	\$ (313,970)	\$ 6,340	\$ (8,315)
Changes in actuarial assumptions	4,114	-	109	-
Difference between projected and actual investment earnings	5,624,474	(2,525,835)	148,954	(66,892)
Contributions subsequent to the measurement date	608,992	-	16,128	-
Total	\$ 6,476,964	\$ (2,839,805)	\$ 171,531	\$ (75,207)

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 8. PENSION PLAN (CONTINUED)

D. Net Pension Liability (continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$625,120 (\$608,992 related to the primary government and \$16,128 related to the component unit) will be recognized as a reduction of the Net Pension Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31:	Primary Government	Component Unit	Total
2023	\$ 8,477	\$ 225	\$ 8,702
2024	718,664	19,033	737,697
2025	888,697	23,536	912,233
2026	1,412,329	37,402	1,449,731
2027	-	-	-
Thereafter	-	-	-

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

A. Plan Description

The City participates in a single employer, defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retirement 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 City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during the employees' entire careers.

B. Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

C. Employees Covered by Benefit Terms

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	34
Active employees	173
	298

D. OPEB Liability

The City's OPEB liability of \$508,983, of which \$495,851 related to the primary government and \$13,132 related to the component unit, was measured as of December 31, 2022 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% including inflation
Discount rate	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under the reporting requirements of GASB Statement No. 68

Salary increases were based on a service related table. Mortality rates for pre-retirement were based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables and based on the size of the City, rates are multiplied by an additional factor of 98%. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is 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 may become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate

The discount rate used to measure the OPEB liability was 4.05%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the valuation date.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. OPEB Liability (continued)

Changes in the OPEB Liability

	Primary Government	Component Unit	Total Liability
Balance at 12/31/2021	\$ 722,161	\$ 14,437	\$ 736,598
Changes for the year:			
Service cost	36,021	208	36,229
Interest	13,651	79	13,730
Changes in current period benefits	-	-	-
Difference between expected and actual experience	(1,508)	(9)	(1,517)
Changes in assumptions or other inputs	(257,523)	(1,485)	(259,008)
Benefit payments	(16,951)	(98)	(17,049)
Net changes	\$ (226,310)	\$ (1,305)	(227,615)
Balance at 12/31/2022	\$ 495,851	\$ 13,132	\$ 508,983

Sensitivity of the OPEB Liability to Changes in the Discount Rate

The following presents the OPEB liability of the City calculated using the discount rate of 4.05% as well as what the City's OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.05%) or 1-percentage-point higher (5.05%) than the current rate:

	1% Decrease (3.05%)	Current Discount Rate (4.05%)	1% Increase (5.05%)
Primary government	\$ 591,416	\$ 495,851	\$ 422,128
Component unit	15,663	13,132	11,180
Total	\$ 607,079	\$ 508,983	\$ 433,308

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$35,854. Of this amount, \$34,929 related to the primary government and \$925 related to the discretely presented component unit.

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

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ (11,631)	\$ -	\$ (308)
Changes in actuarial assumptions	-	(120,378)	-	(3,188)
Difference between projected and actual investment earnings	-	-	-	-
Contributions subsequent to the measurement date	15,731	-	417	-
Total	\$ 15,731	\$ (132,009)	\$ 417	\$ (3,496)

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

D. OPEB Liability (continued)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of \$16,148 (\$15,731 related to the primary government and \$417 related to the component unit) will be recognized as a reduction of the Net OPEB Liability for the year ending September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in pension expense as follows:

Year ending December 31:	Primary Government	Component Unit	Total
2023	\$ (15,175)	\$ (402)	\$ (15,577)
2024	(17,220)	(456)	(17,676)
2025	(21,057)	(558)	(21,615)
2026	(35,855)	(950)	(36,805)
2027	(41,030)	(1,087)	(42,117)
Thereafter	(1,672)	(43)	(1,715)

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City insures its buildings and contents, law enforcement liability, public officials' liability, general liability, auto liability, and its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool (TMLIRP), which is a self-insurance policy mechanism for political subdivisions in Texas. Premiums are adjusted annually using experience modifiers based on individual members' loss experience. The City is responsible only to the extent of premiums paid and contributions made to the TMLIRP. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

NOTE 11. COMMITMENTS AND CONTINGENCIES

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's management that the resolution of these matters will not have a material adverse effect on the financial condition of the City.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 11. COMMITMENTS AND CONTINGENCIES (CONTINUED)

As of September 30, 2023, the City had outstanding construction and other commitments as follows:

General Fund	\$	216,393
Capital Projects Fund		3,698,980
Waste and Wastewater Fund		18,624,592
Storm Water Drainage Fund		42,444
Airport Fund		52,606
		52,606
	\$	22,635,015

The City has constructed a Type IV sanitary landfill, which began operations on December 1, 1995. This facility is permitted to accept only brush and/or construction demolition wastes and rubbish free of household wastes.

State and federal laws and regulations require the City to place a final cover on the landfill site when it stops accepting waste to perform certain maintenance and monitoring functions at the site for a period of five years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City will report a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used to date. Total estimated closure and 5-year post closure costs are approximately \$530,081. The landfill site has an estimated net capacity of 1,216,156 cubic yards and is expected to be closed within the next two years; approximately 94% of the landfill was used at year end, resulting in an accrued liability of \$499,173. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

State and federal regulations require landfill owners to provide, on an annual basis, assurance that they will have sufficient financial resources to satisfy closure and post-closure care expenditures as these become payable. The City submits an annual report demonstrating financial assurance in accordance with Texas Administrative Code Section 330, Chapter 37 in order to satisfy this requirement.

NOTE 12. TAX ABATEMENTS

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with one entity as of September 30, 2023:

	Percentage of Taxes Abated During the Fiscal Year	Amount of Taxes Abated During the Fiscal Year - Property Taxes	Amount of Taxes Abated During the Fiscal Year - Sales Taxes
Construction of a well service pump facility by F.M.C. Technologies, Inc. for commercial or industrial purposes.	25%	\$ 17,316	\$ -
Purchase of capital machine tools and modification of existing structure by F.M.C. Technologies, Inc. This agreement between F.M.C. Technologies Inc. and Erath County.	22%	17,316	-
		\$ 34,632	\$ -

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 12. TAX ABATEMENTS (CONTINUED)

Each agreement was negotiated under Article III, Section 52-a, Texas Constitution, and Chapter 312, Texas Tax Code, stating that the City may establish and provide for the administration of a program for making loans and grants of public money to promote state or local economic development and to stimulate business and commercial activity in the municipality. The agreement is in accordance with Section 501.103, Texas Local Government Code. Taxes were abated through the reduction of taxes owed.

NOTE 13. PUBLIC-PRIVATE PARTNERSHIP

Effective March 27, 2023, the City entered into a public-private partnership (PPP) arrangement with the Cowboy Capital Pro Rodeo Association (CCPRA). Under this arrangement, the City is leasing a parcel of land to CCPRA for an initial term of thirty-five years. Upon mutual agreement of both parties, the term may be renewed for a single five-year renewal term. The agreement requires CCPRA to construct a rodeo arena and complimentary improvements on the leased property, the cost of which would be borne by CCPRA. This construction was completed in August 2023. The arena and all improvements constructed on the leased property are the property of the City. The CCPRA is responsible for operating and maintaining the arena and improvements for the term of the arrangement. CCPRA is required to obtain the City's approval of all events and performances to be held on the leased premises. The arrangement permits CCPRA, subject to consent of the City, to use its interest in the leasehold improvements as collateral for a loan or other financial obligation.

The City has recorded a receivable for the total lease payments due from CCPRA of \$61,920 over the term of the agreement. The receivable was discounted using a rate of 3.104%. As of September 30, 2023, the City reported the following amounts related to this arrangement:

Receivables	\$ 34,487
Land	\$ 175,000
Buildings and improvements	207,112
Machinery and equipment	1,188,957
Less: Accumulated depreciation	<u>(29,007)</u>
Net capital assets	1,542,062
Deferred inflows of resources	\$ 1,603,346

The City has recognized lease income of \$3,758 related to this arrangement during the year ended September 30, 2023.

CITY OF STEPHENVILLE, TEXAS
Notes to Financial Statements

NOTE 14. ACCOUNTING CHANGES

A. Change in Accounting Principles

As the result of implementing GASB Statement No. 96, the City has restated the beginning net position in the government-wide statement of net position. The net effect of the recognition of right-to-use assets of \$481,042 and subscription liabilities of \$471,147 as of October 1, 2022, was to increase net position at that date by \$9,895.

B. Correction of Errors

The City received a total of \$5,275,113 in funds under the American Rescue Plan Act (ARPA), all of which was recognized as grant revenue. As of September 30, 2022, the unspent portion of these funds totaled \$3,813,048. Because ARPA is an expenditure-driven grant, revenue should be recognized as qualifying expenditures are incurred and all other eligibility requirements have been met. As such, the unspent proceeds at September 30, 2022, should have been reported as unearned revenue at that date. Accordingly, the City has decreased net position at September 30, 2022, by \$3,813,048.

The City entered into a memorandum of understanding (MOU) with another governmental entity under which the other entity would reimburse the City for certain improvements to be performed by the City on property adjacent to the other entity's facilities. Expenditures for improvements under the MOU totaled \$1,171,539 during the year ended September 30, 2022. The City received reimbursements from the other entity totaling this amount in March 2023 and February 2024. Accordingly, governmental activities within the government-wide financial statements as of and for the year ended September 30, 2022, should have reflected a receivable and revenue in this amount. As a result, net position for governmental activities as of September 30, 2022, has been increased by \$1,171,539 in the accompanying government-wide financial statements. Additionally, the capital projects fund should have reflected a receivable and a deferred inflow of resources related to unavailable revenue in this amount in the balance sheet for governmental funds as of September 30, 2022; this misstatement had no effect on fund balance as of September 30, 2022.

The provisions of GASB Statement No. 87 were not appropriately applied to certain lease arrangements under which the City was lessor during the year ended September 30, 2022. Accordingly, the City has decreased net position at September 30, 2022, by \$4,853.

C. Change in Estimate

For the year ended September 30, 2023, the City changed the useful life estimates for certain capital assets in the Sanitary Landfill Fund based on a reassessment of the remaining life of the City's Type IV sanitary landfill. The effect of this change in estimate was an increase in depreciation expense of \$819,329.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STEPHENVILLE, TEXAS

General Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUE				
Taxes:				
Property	\$ 6,978,446	\$ 6,978,446	\$ 6,838,634	\$ (139,812)
Sales	7,743,985	7,743,985	8,123,976	379,991
Franchise	1,227,200	1,227,200	1,449,693	222,493
Licenses and permits	588,565	588,565	532,790	(55,775)
Charges for services	495,558	495,558	477,900	(17,658)
Emergency services	676,000	676,000	876,278	200,278
Fines and forfeitures	133,325	141,940	264,406	122,466
Intergovernmental	233,000	233,000	261,249	28,249
Contributions and donations	41,920	205,188	688,214	483,026
Investment income	215,000	215,000	701,946	486,946
Other revenue	35,250	35,250	146,016	110,766
Total revenues	<u>18,368,249</u>	<u>18,540,132</u>	<u>20,361,102</u>	<u>1,820,970</u>
EXPENDITURES				
Current:				
General government	3,391,891	3,331,891	2,607,630	724,261
Culture and recreation	2,724,389	2,724,389	2,403,204	321,185
Community development	1,129,126	1,029,126	746,842	282,284
Public safety	10,039,512	10,280,631	9,890,139	390,492
Streets	968,683	968,683	746,383	222,300
Debt service:				
Principal retirement	488,961	598,396	751,357	(152,961)
Interest and fiscal charges	104,916	117,757	137,030	(19,273)
Capital outlay	<u>2,037,016</u>	<u>4,934,932</u>	<u>3,467,386</u>	<u>1,467,546</u>
Total Expenditures	<u>20,884,494</u>	<u>23,985,805</u>	<u>20,749,971</u>	<u>3,235,834</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,516,245)</u>	<u>(5,445,673)</u>	<u>(388,869)</u>	<u>5,056,804</u>
Other Financing Sources (Uses):				
Debt issuance	-	501,665	501,664	(1)
SBITA financing	-	-	195,996	195,996
Proceeds from sale of assets	-	-	107,238	107,238
Transfers in	2,405,473	2,405,473	2,440,425	34,952
Transfers out	<u>(1,771,322)</u>	<u>(1,771,322)</u>	<u>(1,771,322)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>634,151</u>	<u>1,135,816</u>	<u>1,474,001</u>	<u>338,185</u>
Net Change in Fund Balances	<u>(1,882,094)</u>	<u>(4,309,857)</u>	<u>1,085,132</u>	<u>5,394,989</u>
Fund Balances - Beginning	<u>15,200,627</u>	<u>15,200,627</u>	<u>15,200,627</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 13,318,533</u>	<u>\$ 10,890,770</u>	<u>\$ 16,285,759</u>	<u>\$ 5,394,989</u>

CITY OF STEPHENVILLE, TEXAS

**Schedule of Changes in Net Pension Liability
And Related Ratios**

Last 10 Measurement Years (will ultimately be displayed)

Total Pension Liability	<u>2014</u>	<u>2015</u>	<u>2016</u>
Service cost	\$ 992,735	\$ 1,076,600	\$ 1,240,408
Interest (on the Total Pension Liability)	2,494,034	2,637,868	2,673,757
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(36,585)	(270,060)	341,014
Change of assumptions	-	86,443	-
Benefit payments, including refunds of employee contributions	<u>(1,370,731)</u>	<u>(1,503,966)</u>	<u>(1,866,778)</u>
Net Change in Total Pension Liability	2,079,453	2,026,885	2,388,401
Total Pension Liability - Beginning	<u>35,818,058</u>	<u>37,897,511</u>	<u>39,924,396</u>
Total Pension Liability - Ending (a)	<u><u>\$ 37,897,511</u></u>	<u><u>\$ 39,924,396</u></u>	<u><u>\$ 42,312,797</u></u>
 Plan Fiduciary Net Position			
Contributions - employer	\$ 1,060,235	\$ 1,056,595	\$ 1,152,678
Contributions - employee	436,423	439,450	487,390
Net investment income	1,840,969	50,357	2,307,288
Benefit payments, including refunds of employee contributions	(1,370,731)	(1,503,966)	(1,866,778)
Administrative expense	(19,219)	(30,670)	(26,054)
Other	<u>(1,580)</u>	<u>(1,514)</u>	<u>(1,403)</u>
Net Change in Plan Fiduciary Net Position	1,946,097	10,252	2,053,121
Plan Fiduciary Net Position - Beginning	<u>32,178,872</u>	<u>34,124,969</u>	<u>34,135,221</u>
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 34,124,969</u></u>	<u><u>\$ 34,135,221</u></u>	<u><u>\$ 36,188,342</u></u>
 Net Pension Liability - Ending (a) - (b)	 \$ 3,772,542	 \$ 5,789,175	 \$ 6,124,455
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	 90.05%	 85.50%	 85.53%
 Covered Payroll	 \$ 6,901,589	 \$ 7,215,815	 \$ 8,123,168
 Net Pension Liability as a Percentage of Covered Payroll	 54.66%	 80.23%	 75.39%

2017	2018	2019	2020	2021	2022
\$ 1,250,973	\$ 1,168,137	\$ 1,185,079	\$ 1,239,233	\$ 1,275,150	\$ 1,441,696
2,424,723	2,540,193	2,679,331	2,803,005	2,895,233	2,967,599
(6,087,924)	-	-	-	-	-
(149,716)	97,553	(105,017)	(264,202)	(433,666)	325,507
-	-	38,003	-	-	-
<u>(1,857,064)</u>	<u>(1,690,739)</u>	<u>(1,815,354)</u>	<u>(2,169,177)</u>	<u>(2,690,132)</u>	<u>(2,805,671)</u>
(4,419,008)	2,115,144	1,982,042	1,608,859	1,046,585	1,929,131
<u>42,312,797</u>	<u>37,893,789</u>	<u>40,008,933</u>	<u>41,990,975</u>	<u>43,599,834</u>	<u>44,646,419</u>
<u>\$ 37,893,789</u>	<u>\$ 40,008,933</u>	<u>\$ 41,990,975</u>	<u>\$ 43,599,834</u>	<u>\$ 44,646,419</u>	<u>\$ 46,575,550</u>
\$ 1,163,749	\$ 591,042	\$ 571,828	\$ 609,114	\$ 665,418	\$ 794,897
488,628	523,047	537,993	547,929	566,314	639,333
5,016,931	(1,227,648)	6,052,577	3,372,435	6,095,203	(3,747,136)
(1,857,064)	(1,690,739)	(1,815,354)	(2,169,177)	(2,690,132)	(2,805,671)
(25,993)	(23,720)	(34,194)	(21,835)	(28,225)	(32,469)
<u>(1,321)</u>	<u>(1,238)</u>	<u>(1,028)</u>	<u>(852)</u>	<u>193</u>	<u>38,744</u>
4,784,930	(1,829,256)	5,311,822	2,337,614	4,608,771	(5,112,302)
<u>36,188,342</u>	<u>40,973,272</u>	<u>39,144,016</u>	<u>44,455,838</u>	<u>46,793,452</u>	<u>51,402,223</u>
<u>\$ 40,973,272</u>	<u>\$ 39,144,016</u>	<u>\$ 44,455,838</u>	<u>\$ 46,793,452</u>	<u>\$ 51,402,223</u>	<u>\$ 46,289,921</u>
\$ (3,079,483)	\$ 864,917	\$ (2,464,863)	\$ (3,193,618)	\$ (6,755,804)	\$ 285,629
108.13%	97.84%	105.87%	107.32%	115.13%	99.39%
\$ 8,133,762	\$ 8,717,442	\$ 8,843,876	\$ 9,132,155	\$ 9,438,565	\$ 10,655,552
-37.86%	9.92%	-27.87%	-34.97%	-71.58%	2.68%

CITY OF STEPHENVILLE, TEXAS

Schedule of Contributions Last 10 Fiscal Years (will ultimately be displayed)

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 1,050,537	\$ 1,105,140	\$ 1,147,185
Contributions in relation to the actuarially determined contribution	\$ 1,050,537	\$ 1,105,140	\$ 1,147,185
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Covered payroll	\$ 7,179,688	\$ 7,752,867	\$ 8,042,962
Contributions as a percentage of covered payroll	14.63%	14.25%	14.26%

Note: Only nine years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2018	2019	2020	2021	2022	2023
\$ 746,654	\$ 565,648	\$ 601,275	\$ 642,735	\$ 743,582	\$ 726,692
\$ 746,654	\$ 565,648	\$ 601,275	\$ 642,735	\$ 793,175	\$ 834,385
\$ -	\$ -	\$ -	\$ -	\$ (49,593)	\$ (107,693)
\$ 8,525,408	\$ 8,732,879	\$ 9,133,053	\$ 9,254,121	\$ 10,799,000	\$ 11,087,687
8.76%	6.48%	6.58%	6.95%	7.34%	7.53%

CITY OF STEPHENVILLE, TEXAS
Notes to Required Supplementary Information

Valuation Date

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

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed fair value; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information

Notes There were no benefit changes during the year.

CITY OF STEPHENVILLE, TEXAS
Schedule of Changes in OPEB Liability
And Related Ratios
Last 10 Measurement Years (will ultimately be displayed)

OPEB Liability	2017	2018	2019	2020	2021	2022
Service cost	\$ 16,268	\$ 20,050	\$ 16,803	\$ 22,830	\$ 28,316	\$ 36,229
Interest (on OPEB Liability)	15,405	15,629	17,124	16,197	13,899	13,730
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	-	(8,185)	3,706	(16,587)	(1,976)	(1,517)
Change of assumptions	35,257	(32,062)	91,264	90,141	22,650	(259,008)
Benefit payments, including refunds of employee contributions	<u>(4,068)</u>	<u>(4,359)</u>	<u>(4,422)</u>	<u>(4,566)</u>	<u>(14,158)</u>	<u>(17,049)</u>
Net Change in OPEB Liability	62,862	(8,927)	124,475	108,015	48,731	(227,615)
Total OPEB Liability - Beginning	<u>401,442</u>	<u>464,304</u>	<u>455,377</u>	<u>579,852</u>	<u>687,867</u>	<u>736,598</u>
Total OPEB Liability - Ending (a)	<u>\$ 464,304</u>	<u>\$ 455,377</u>	<u>\$ 579,852</u>	<u>\$ 687,867</u>	<u>\$ 736,598</u>	<u>\$ 508,983</u>
Covered Payroll	\$ 8,133,762	\$ 8,717,442	\$ 8,843,876	\$ 9,132,155	\$ 9,438,565	\$ 10,655,552
OPEB Liability as a Percentage of Covered Payroll	5.71%	5.22%	6.56%	7.53%	7.80%	4.78%

Notes:

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

Only six years of data is presented in accordance with GASB 75, Paragraph 245. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

SUPPLEMENTARY INFORMATION

CITY OF STEPHENVILLE, TEXAS

**Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2023**

	Special Revenue Funds				
	Hotel/Motel Tax Fund	Child Safety Fund	Public Safety Fund	Municipal Court Technology Fund	TIF Fund
ASSETS:					
Assets:					
Cash and equivalents	\$ 1,314,350	\$ 10,376	\$ 56,633	\$ 32,127	\$ -
Receivables, net	104,216	-	-	-	81,910
Restricted cash and equivalents	60,406	-	-	-	943,815
Total Assets	<u>\$ 1,478,972</u>	<u>\$ 10,376</u>	<u>\$ 56,633</u>	<u>\$ 32,127</u>	<u>\$ 1,025,725</u>
LIABILITIES:					
Liabilities:					
Accounts payable	\$ 85,530	\$ -	\$ 9,601	\$ -	\$ -
Due to other funds	-	-	-	-	856,021
Total Liabilities	<u>85,530</u>	<u>-</u>	<u>9,601</u>	<u>-</u>	<u>856,021</u>
DEFERRED INFLOWS:					
Unavailable revenue - property taxes					
Total Deferred Inflows	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES:					
Restricted for:					
Tourism	1,393,442	-	-	-	-
Municipal court	-	-	-	32,127	-
Public safety	-	10,376	47,032	-	-
Community reinvestment	-	-	-	-	169,704
Debt service	-	-	-	-	-
Total Fund Balances	<u>1,393,442</u>	<u>10,376</u>	<u>47,032</u>	<u>32,127</u>	<u>169,704</u>
Total Liabilities, Deferred Inflows, and Fund Balances	<u>\$ 1,478,972</u>	<u>\$ 10,376</u>	<u>\$ 56,633</u>	<u>\$ 32,127</u>	<u>\$ 1,025,725</u>

<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 1,413,486	\$ 197,517	\$ 1,611,003
186,126	2,214	188,340
1,004,221	-	1,004,221
<u>\$ 2,603,833</u>	<u>\$ 199,731</u>	<u>\$ 2,803,564</u>
\$ 95,131	\$ -	\$ 95,131
856,021	-	856,021
<u>951,152</u>	<u>-</u>	<u>951,152</u>
-	680	680
<u>-</u>	<u>680</u>	<u>680</u>
1,393,442	-	1,393,442
32,127	-	32,127
57,408	-	57,408
169,704	-	169,704
-	199,051	199,051
<u>1,652,681</u>	<u>199,051</u>	<u>1,851,732</u>
<u>\$ 2,603,833</u>	<u>\$ 199,731</u>	<u>\$ 2,803,564</u>

CITY OF STEPHENVILLE, TEXAS

**Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
For the Year Ended September 30, 2023**

	Special Revenue Funds				
	Hotel/Motel Tax Fund	Child Safety Fund	Public Safety Fund	Municipal Court Technology Fund	TIF Fund
REVENUE					
Taxes:					
Property	\$ -	\$ -	\$ -	\$ -	\$ 90,511
Sales	-	-	-	-	601,368
Hotel occupancy	910,588	-	-	-	-
Fines and forfeitures	-	2,305	4,188	12,355	-
Intergovernmental	-	-	3,369	-	-
Investment income	50,953	404	3,703	1,106	25,923
Other revenue	61,232	-	-	-	-
Total revenues	<u>1,022,773</u>	<u>2,709</u>	<u>11,260</u>	<u>13,461</u>	<u>717,802</u>
EXPENDITURES					
Current:					
General government	413,834	-	-	-	-
Public safety	-	-	17,685	-	-
Debt service:					
Principal retirement	40,000	-	-	-	-
Interest and fiscal charges	95,903	-	-	-	-
Capital outlay	48,803	-	29,020	-	-
Total Expenditures	<u>598,540</u>	<u>-</u>	<u>46,705</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>424,233</u>	<u>2,709</u>	<u>(35,445)</u>	<u>13,461</u>	<u>717,802</u>
Other Financing Sources (Uses):					
Transfers in	-	-	-	-	133,917
Transfers out	-	-	-	-	(823,850)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(689,933)</u>
Net Change in Fund Balances	<u>424,233</u>	<u>2,709</u>	<u>(35,445)</u>	<u>13,461</u>	<u>27,869</u>
Fund Balances - Beginning	<u>969,209</u>	<u>7,667</u>	<u>82,477</u>	<u>18,666</u>	<u>141,835</u>
Fund Balances - Ending	<u>\$ 1,393,442</u>	<u>\$ 10,376</u>	<u>\$ 47,032</u>	<u>\$ 32,127</u>	<u>\$ 169,704</u>

<u>Total Special Revenue Funds</u>	<u>Debt Service Fund</u>	<u>Total Other Governmental Funds</u>
\$ 90,511	\$ 264,911	\$ 355,422
601,368	-	601,368
910,588	-	910,588
18,848	-	18,848
3,369	-	3,369
82,089	2,652	84,741
61,232	-	61,232
<u>1,768,005</u>	<u>267,563</u>	<u>2,035,568</u>
413,834	300	414,134
17,685	-	17,685
40,000	695,000	735,000
95,903	397,208	493,111
77,823	-	77,823
<u>645,245</u>	<u>1,092,508</u>	<u>1,737,753</u>
<u>1,122,760</u>	<u>(824,945)</u>	<u>297,815</u>
133,917	823,850	957,767
<u>(823,850)</u>	<u>-</u>	<u>(823,850)</u>
<u>(689,933)</u>	<u>823,850</u>	<u>133,917</u>
432,827	(1,095)	431,732
1,219,854	200,146	1,420,000
<u>\$ 1,652,681</u>	<u>\$ 199,051</u>	<u>\$ 1,851,732</u>

CITY OF STEPHENVILLE, TEXAS

**Combining Balance Sheet
Nonmajor Proprietary Funds
September 30, 2023**

	Business-Type Activities Nonmajor Proprietary Funds		Total
	Airport	Sanitary Landfill	
ASSETS:			
Current Assets:			
Cash and equivalents	\$ 396,277	\$ 2,104,959	\$ 2,501,236
Receivables, net	3,410	78,354	81,764
Due from other funds	292,676	-	292,676
Prepaid items	119,868	-	119,868
Restricted cash and equivalents	-	167,111	167,111
Total Current Assets	<u>812,231</u>	<u>2,350,424</u>	<u>3,162,655</u>
Noncurrent Assets:			
Capital assets not being depreciated	3,846,406	40,000	3,886,406
Capital assets, net of accumulated depreciation	3,276,775	1,711,747	4,988,522
Total Noncurrent Assets	<u>7,123,181</u>	<u>1,751,747</u>	<u>8,874,928</u>
Total Assets	<u>7,935,412</u>	<u>4,102,171</u>	<u>12,037,583</u>
DEFERRED OUTFLOWS:			
Related to TMRS pension	11,968	140,283	152,251
Related to TMRS OPEB	29	341	370
Total Deferred Outflows	<u>11,997</u>	<u>140,624</u>	<u>152,621</u>
Total Assets and Deferred Outflows	<u>\$ 7,947,409</u>	<u>\$ 4,242,795</u>	<u>\$ 12,190,204</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	\$ 30,970	\$ 48,806	\$ 79,776
Customer deposits	-	4,800	4,800
Accrued interest	-	42,742	42,742
Unearned revenue	7,680	-	7,680
Current portion of long-term liabilities	218	155,079	155,297
Total Current Liabilities	<u>38,868</u>	<u>251,427</u>	<u>290,295</u>
Noncurrent Liabilities:			
Net pension liability	514	6,027	6,541
OPEB liability	916	10,740	11,656
Long-term liabilities	24	1,347,983	1,348,007
Total Noncurrent Liabilities	<u>1,454</u>	<u>1,364,750</u>	<u>1,366,204</u>
Total Liabilities	<u>40,322</u>	<u>1,616,177</u>	<u>1,656,499</u>
DEFERRED INFLOWS:			
Related to TMRS pension	5,248	61,507	66,755
Related to TMRS OPEB	244	2,859	3,103
Total Deferred Inflows	<u>5,492</u>	<u>64,366</u>	<u>69,858</u>
NET POSITION:			
Net investment in capital assets	7,104,326	758,536	7,862,862
Unrestricted	797,269	1,803,716	2,600,985
Total Net Position	<u>7,901,595</u>	<u>2,562,252</u>	<u>10,463,847</u>
Total Liabilities, Deferred Inflows, and Net Position	<u>\$ 7,947,409</u>	<u>\$ 4,242,795</u>	<u>\$ 12,190,204</u>

CITY OF STEPHENVILLE, TEXAS

**Combining Statement of Revenues, Expenses, and Changes
in Net Position - Nonmajor Proprietary Funds
For the Year Ended September 30, 2023**

	Business-Type Activities Nonmajor Proprietary Funds		Total
	Airport	Sanitary Landfill	
	<u>Airport</u>	<u>Sanitary Landfill</u>	
OPERATING REVENUES:			
Airport services	\$ 129,295	\$ -	\$ 129,295
Sanitation landfill	-	1,323,403	1,323,403
Total revenues	<u>129,295</u>	<u>1,323,403</u>	<u>1,452,698</u>
OPERATING EXPENSES:			
Personnel services	16,300	284,968	301,268
Contractual services	-	160,042	160,042
Materials and supplies	-	346,420	346,420
Airport operations	88,071	-	88,071
Depreciation	118,702	1,061,849	1,180,551
Total Operating Expenses	<u>223,073</u>	<u>1,853,279</u>	<u>2,076,352</u>
Operating Loss	<u>(93,778)</u>	<u>(529,876)</u>	<u>(623,654)</u>
NON-OPERATING REVENUES (EXPENSES)			
Investment income	-	87,167	87,167
Interest expense	-	(42,742)	(42,742)
Total Non-operating Revenues (Expenses)	<u>-</u>	<u>44,425</u>	<u>44,425</u>
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital grants and contributions	31,628	-	31,628
Transfers in	297,325	-	297,325
Transfers out	-	(76,432)	(76,432)
Total Capital Contributions and Transfers	<u>328,953</u>	<u>(76,432)</u>	<u>252,521</u>
Change in Net Position	<u>235,175</u>	<u>(561,883)</u>	<u>(326,708)</u>
Net Position - Beginning	7,666,420	3,124,135	10,790,555
Net Position - Ending	<u>\$ 7,901,595</u>	<u>\$ 2,562,252</u>	<u>\$ 10,463,847</u>

CITY OF STEPHENVILLE, TEXAS

**Statement of Cash Flows
Nonmajor Proprietary Funds
For the Year Ended September 30, 2023**

	Business-Type Activities Nonmajor Proprietary Funds		Total
	Airport	Sanitary Landfill	
Cash Flows from Operating Activities:			
Cash received from customers	\$ 129,348	\$ 1,309,866	\$ 1,439,214
Cash paid to suppliers	(380,564)	(402,354)	(782,918)
Cash paid to employees	(19,877)	(287,971)	(307,848)
Net Cash Provided By (Used in) Operating Activities	<u>(271,093)</u>	<u>619,541</u>	<u>348,448</u>
Cash Flows from Non-capital Financing Activities:			
Transfers to other funds	-	(76,432)	(76,432)
Transfers from other funds	297,325	-	297,325
Net Cash Provided By (Used in) Non-capital Financing Activities	<u>297,325</u>	<u>(76,432)</u>	<u>220,893</u>
Cash Flows from Capital and Related Financing Activities:			
Proceeds from capital grants	30,988	-	30,988
Principal repayment on debt	-	(196,618)	(196,618)
Purchase of capital assets	(68,633)	(22,604)	(91,237)
Net Cash Used in Capital & Related Financing Activities	<u>(37,645)</u>	<u>(219,222)</u>	<u>(256,867)</u>
Cash Flows from Investing Activities:			
Interest on investments	-	87,167	87,167
Net Cash Provided By Investing Activities	<u>-</u>	<u>87,167</u>	<u>87,167</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(11,413)	411,054	399,641
Cash and Cash Equivalents at Beginning of Year	407,690	1,861,016	2,268,706
Cash and Cash Equivalents at End of Year	<u>\$ 396,277</u>	<u>\$ 2,272,070</u>	<u>\$ 2,668,347</u>
Reconciliation of Cash and Cash Equivalents Per Statement of Cash Flows to the Statement of Net Position			
Cash and equivalents	\$ 396,277	\$ 2,104,959	\$ 2,501,236
Restricted cash	-	167,111	167,111
	<u>\$ 396,277</u>	<u>\$ 2,272,070</u>	<u>\$ 2,668,347</u>

CITY OF STEPHENVILLE, TEXAS

**Statement of Cash Flows (continued)
Nonmajor Proprietary Funds
For the Year Ended September 30, 2023**

	Business-Type Activities		Total
	Nonmajor Proprietary Funds		
	Airport	Sanitary Landfill	
Reconciliation of Operating Income to Net Cash Provided By Operating Activities:			
Operating Loss	\$ (93,778)	\$ (529,876)	\$ (623,654)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used in) Operating Activities			
Depreciation and amortization	118,702	1,061,849	1,180,551
Change in estimated landfill closure and postclosure cost - noncash	-	89,569	89,569
Change in Assets and Liabilities:			
(Increase) Decrease in:			
Receivables	53	(13,937)	(13,884)
Prepaid items	1,019	-	1,019
Due from other funds	(292,676)	-	(292,676)
Deferred outflows related to TMRS pension	(11,709)	(128,731)	(140,440)
Deferred outflows related to TMRS OPEB	26	2,131	2,157
Increase (Decrease) in:			
Accounts payable	(836)	14,539	13,703
Customer deposits	-	400	400
Compensated absences	242	252	494
Net pension liability	3,216	126,956	130,172
OPEB liability	621	(2,445)	(1,824)
Deferred inflows related to TMRS pension	3,789	(3,769)	20
Deferred inflows related to TMRS OPEB	238	2,603	2,841
Total Adjustments	<u>(177,315)</u>	<u>1,149,417</u>	<u>972,102</u>
Net Cash Provided By (Used in) Operating Activities	<u>\$ (271,093)</u>	<u>\$ 619,541</u>	<u>\$ 348,448</u>
Supplemental Schedule of Noncash Financing, Capital and Investing Activities			
Capital asset acquisitions financed	\$ -	\$ 1,189,829	\$ 1,189,829
Accounts payable for capital asset acquisitions	18,855	-	18,855

CITY OF STEPHENVILLE, TEXAS

Hotel/Motel Fund

Budgetary Comparison Schedule

For the Year Ended September 30, 2023

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUE				
Taxes:				
Hotel occupancy	\$ 694,278	\$ 694,278	\$ 910,588	\$ 216,310
Investment income	4,500	4,500	50,953	46,453
Other revenue	24,750	24,750	61,232	36,482
Total revenues	<u>723,528</u>	<u>723,528</u>	<u>1,022,773</u>	<u>299,245</u>
EXPENDITURES				
Current:				
General government	650,804	650,804	413,834	236,970
Debt service:				
Principal retirement	40,000	40,000	40,000	-
Interest and fiscal charges	95,903	95,903	95,903	-
Capital outlay	-	-	48,803	(48,803)
Total Expenditures	<u>786,707</u>	<u>786,707</u>	<u>598,540</u>	<u>188,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(63,179)</u>	<u>(63,179)</u>	<u>424,233</u>	<u>487,412</u>
Net Change in Fund Balances	<u>(63,179)</u>	<u>(63,179)</u>	<u>424,233</u>	<u>487,412</u>
Fund Balances - Beginning	<u>969,209</u>	<u>969,209</u>	<u>969,209</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 906,030</u>	<u>\$ 906,030</u>	<u>\$ 1,393,442</u>	<u>\$ 487,412</u>

CITY OF STEPHENVILLE, TEXAS
Child Safety Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Fines and forfeitures	\$ 2,500	\$ 2,500	\$ 2,305	\$ (195)
Investment income	75	75	404	329
Total revenues	<u>2,575</u>	<u>2,575</u>	<u>2,709</u>	<u>134</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,575</u>	<u>2,575</u>	<u>2,709</u>	<u>134</u>
Net Change in Fund Balances	<u>2,575</u>	<u>2,575</u>	<u>2,709</u>	<u>134</u>
Fund Balances - Beginning	<u>7,667</u>	<u>7,667</u>	<u>7,667</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 10,242</u>	<u>\$ 10,242</u>	<u>\$ 10,376</u>	<u>\$ 134</u>

CITY OF STEPHENVILLE, TEXAS
Public Safety Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Fines and forfeitures	\$ -	\$ -	\$ 4,188	\$ 4,188
Intergovernmental	2,800	2,800	3,369	569
Investment income	750	750	3,703	2,953
Total revenues	<u>3,550</u>	<u>3,550</u>	<u>11,260</u>	<u>7,710</u>
EXPENDITURES				
Current:				
Public safety	20,787	32,047	17,685	14,362
Capital outlay	-	29,020	29,020	-
Total Expenditures	<u>20,787</u>	<u>61,067</u>	<u>46,705</u>	<u>14,362</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(17,237)</u>	<u>(57,517)</u>	<u>(35,445)</u>	<u>22,072</u>
Net Change in Fund Balances	<u>(17,237)</u>	<u>(57,517)</u>	<u>(35,445)</u>	<u>22,072</u>
Fund Balances - Beginning	82,477	82,477	82,477	-
Fund Balances - Ending	<u>\$ 65,240</u>	<u>\$ 24,960</u>	<u>\$ 47,032</u>	<u>\$ 22,072</u>

CITY OF STEPHENVILLE, TEXAS
Municipal Court Technology Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Fines and forfeitures	\$ 6,761	\$ 6,761	\$ 12,355	\$ 5,594
Investment income	150	150	1,106	956
Total revenues	<u>6,911</u>	<u>6,911</u>	<u>13,461</u>	<u>6,550</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,911</u>	<u>6,911</u>	<u>13,461</u>	<u>6,550</u>
Net Change in Fund Balances	<u>6,911</u>	<u>6,911</u>	<u>13,461</u>	<u>6,550</u>
Fund Balances - Beginning	18,666	18,666	18,666	-
Fund Balances - Ending	<u>\$ 25,577</u>	<u>\$ 25,577</u>	<u>\$ 32,127</u>	<u>\$ 6,550</u>

CITY OF STEPHENVILLE, TEXAS
TIF Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 89,933	\$ 89,933	\$ 90,511	\$ 578
Sales	600,000	600,000	601,368	1,368
Investment income	150	150	25,923	25,773
Total revenues	<u>690,083</u>	<u>690,083</u>	<u>717,802</u>	<u>27,719</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>690,083</u>	<u>690,083</u>	<u>717,802</u>	<u>27,719</u>
Other Financing Sources (Uses):				
Transfers in	133,917	133,917	133,917	-
Transfers out	(823,850)	(823,850)	(823,850)	-
Total Other Financing Sources (Uses)	<u>(689,933)</u>	<u>(689,933)</u>	<u>(689,933)</u>	<u>-</u>
Net Change in Fund Balances	<u>150</u>	<u>150</u>	<u>27,869</u>	<u>27,719</u>
Fund Balances - Beginning	<u>141,835</u>	<u>141,835</u>	<u>141,835</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 141,985</u>	<u>\$ 141,985</u>	<u>\$ 169,704</u>	<u>\$ 27,719</u>

CITY OF STEPHENVILLE, TEXAS
Debt Service Fund
Budgetary Comparison Schedule
For the Year Ended September 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE				
Taxes:				
Property	\$ 270,443	\$ 270,443	\$ 264,911	\$ (5,532)
Investment income	500	500	2,652	2,152
Total revenues	<u>270,943</u>	<u>270,943</u>	<u>267,563</u>	<u>(3,380)</u>
EXPENDITURES				
Current:				
General government	700	700	300	(400)
Debt service:				
Principal retirement	695,000	695,000	695,000	-
Interest and fiscal charges	<u>397,225</u>	<u>397,225</u>	<u>397,208</u>	<u>(17)</u>
Total Expenditures	<u>1,092,925</u>	<u>1,092,925</u>	<u>1,092,508</u>	<u>(417)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(821,982)</u>	<u>(821,982)</u>	<u>(824,945)</u>	<u>(3,797)</u>
Other Financing Sources (Uses):				
Transfers in	<u>823,850</u>	<u>823,850</u>	<u>823,850</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>823,850</u>	<u>823,850</u>	<u>823,850</u>	<u>-</u>
Net Change in Fund Balances	<u>1,868</u>	<u>1,868</u>	<u>(1,095)</u>	<u>(3,797)</u>
Fund Balances - Beginning	<u>200,146</u>	<u>200,146</u>	<u>200,146</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 202,014</u>	<u>\$ 202,014</u>	<u>\$ 199,051</u>	<u>\$ (3,797)</u>

STATISTICAL SECTION

CITY OF STEPHENVILLE, TEXAS
Net Position by Component
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Governmental activities:				
Net investment in capital assets	\$ 18,024,389	\$ 18,038,284	\$ 19,789,241	\$ 19,963,873
Restricted	523,019	427,493	593,600	581,054
Unrestricted	<u>9,150,340</u>	<u>8,142,434</u>	<u>5,976,217</u>	<u>5,115,547</u>
Total governmental activities net assets	<u>\$ 27,697,748</u>	<u>\$ 26,608,211</u>	<u>\$ 26,359,058</u>	<u>\$ 25,660,474</u>
Business-type activities:				
Net investment in capital assets	\$ 32,099,918	\$ 33,151,854	\$ 34,339,443	\$ 36,926,841
Restricted	1,023,271	1,019,719	1,054,111	1,456,900
Unrestricted	<u>4,112,342</u>	<u>4,382,362</u>	<u>4,795,330</u>	<u>4,810,634</u>
Total business-type activities net assets	<u>\$ 37,235,531</u>	<u>\$ 38,553,935</u>	<u>\$ 40,188,884</u>	<u>\$ 43,194,375</u>
Primary government:				
Net investment in capital assets	\$ 50,124,307	\$ 51,190,138	\$ 54,128,684	\$ 56,890,714
Restricted	1,546,290	1,447,212	1,647,711	2,037,954
Unrestricted	<u>13,262,682</u>	<u>12,524,796</u>	<u>10,771,547</u>	<u>9,926,181</u>
Total primary government net assets	<u>\$ 64,933,279</u>	<u>\$ 65,162,146</u>	<u>\$ 66,547,942</u>	<u>\$ 68,854,849</u>

Note:

Fiscal year ended 2021 restated for the error correction related to ARPA funds.

Fiscal year ended 2022 restated for the error correction related to ARPA funds, the error correction related reimbursement for capital project, and the effects of GASB 96.

Source: City Audited Financials

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 20,176,273	\$ 20,416,468	\$ 21,847,814	\$ 23,272,989	\$ 21,971,416	\$ 27,436,169
2,621,264	2,008,149	1,976,474	3,266,474	6,751,872	5,185,539
<u>7,993,562</u>	<u>9,080,813</u>	<u>11,139,622</u>	<u>11,542,775</u>	<u>15,066,978</u>	<u>18,234,013</u>
\$ <u>30,791,099</u>	\$ <u>31,505,430</u>	\$ <u>34,963,910</u>	\$ <u>38,082,238</u>	\$ <u>43,790,266</u>	\$ <u>50,855,721</u>
\$ 38,174,605	\$ 43,079,879	\$ 45,293,731	\$ 49,052,873	\$ 50,478,546	\$ 62,394,725
2,477,403	1,045,392	1,089,229	956,437	1,543,514	2,334,206
<u>5,312,381</u>	<u>5,031,805</u>	<u>5,554,561</u>	<u>7,973,611</u>	<u>10,439,452</u>	<u>5,253,887</u>
\$ <u>45,964,389</u>	\$ <u>49,157,076</u>	\$ <u>51,937,521</u>	\$ <u>57,982,921</u>	\$ <u>62,461,512</u>	\$ <u>69,982,818</u>
\$ 58,350,878	\$ 63,496,347	\$ 67,141,545	\$ 72,325,862	\$ 72,449,962	\$ 89,830,894
5,098,667	3,053,541	3,065,703	4,222,911	8,295,386	7,519,745
<u>13,305,943</u>	<u>14,112,618</u>	<u>16,694,183</u>	<u>19,516,386</u>	<u>25,506,430</u>	<u>23,487,900</u>
\$ <u>76,755,488</u>	\$ <u>80,662,506</u>	\$ <u>86,901,431</u>	\$ <u>96,065,159</u>	\$ <u>106,251,778</u>	\$ <u>120,838,539</u>

CITY OF STEPHENVILLE, TEXAS
Changes in Net Position
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
EXPENSES				
Governmental activities:				
General government	\$ 2,353,191	\$ 1,922,897	\$ 2,004,366	\$ 1,999,694
Culture and recreation	2,037,539	1,705,654	2,254,963	2,457,781
Community development	444,401	471,855	980,992	1,031,830
Public Safety	6,948,549	7,879,067	7,929,307	8,617,164
Streets	1,274,173	1,462,172	1,604,054	1,566,786
Interest and fiscal charges	108,289	77,063	68,008	100,245
Total governmental activities expenses	<u>13,166,142</u>	<u>13,518,708</u>	<u>14,841,690</u>	<u>15,773,500</u>
Business-type activities:				
Water & Wastewater	5,237,160	5,326,721	5,690,857	5,688,473
Storm water drainage	528,208	558,501	505,829	546,509
Airport	305,179	395,474	442,822	465,063
Sanitary landfill	193,368	207,538	224,233	256,121
Total business-type activities expenses	<u>6,263,915</u>	<u>6,488,234</u>	<u>6,863,741</u>	<u>6,956,166</u>
Total primary government expenses	<u>\$ 19,430,057</u>	<u>\$ 20,006,942</u>	<u>\$ 21,705,431</u>	<u>\$ 22,729,666</u>
PROGRAM REVENUES				
Governmental activities:				
Charges for services:				
General Government	\$ 205,782	\$ 22,648	\$ 8,274	\$ 5,704
Culture and recreation	288,540	321,565	377,192	347,603
Community development	265,863	217,805	320,353	215,731
Public Safety	1,073,838	989,630	817,156	721,112
Streets	28,170	42,749	15,567	15,352
Capital grants and contributions	188,262	3,654	3,596	49,905
Operating grants and contributions	63,038	147,200	160,504	514,199
Total governmental activities program revenues	<u>2,113,493</u>	<u>1,745,251</u>	<u>1,702,642</u>	<u>1,869,606</u>
Business-type activities:				
Charges for services:				
Water and Wastewater	\$ 6,708,108	\$ 6,485,177	\$ 7,014,095	\$ 7,264,479
Storm water drainage	618,993	611,827	632,583	629,673
Airport	104,440	107,544	111,088	107,484
Sanitary landfill	457,086	955,391	856,649	665,681
Capital grants and contributions	109,614	175,651	48,054	1,672,182
Operating grants and contributions	-	-	17,857	7,086
Total business-type activities program revenues	<u>7,998,241</u>	<u>8,335,590</u>	<u>8,680,326</u>	<u>10,346,585</u>
Total primary government program revenues	<u>\$ 10,111,734</u>	<u>\$ 10,080,841</u>	<u>\$ 10,382,968</u>	<u>\$ 12,216,191</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$ (11,052,649)	\$ (11,773,457)	\$ (13,139,048)	\$ (13,903,894)
Business-type activities	1,734,326	1,847,356	1,816,585	3,390,419
Total primary government net expense	<u>\$ (9,318,323)</u>	<u>\$ (9,926,101)</u>	<u>\$ (11,322,463)</u>	<u>\$ (10,513,475)</u>

Note:

Fiscal year ended 2021 restated for the error correction related to ARPA funds.

Fiscal year ended 2022 restated for the error correction related to ARPA funds, the error correction related reimbursement for capital project, and the effects of GASB 96.

Source: City Audited Financials

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$	2,271,044	\$ 2,555,641	\$ 2,512,975	\$ 2,831,782	\$ 2,930,375	\$ 3,227,931
	2,467,345	2,402,357	2,254,992	2,511,374	2,756,348	2,877,342
	486,602	588,612	493,019	488,792	427,452	759,141
	8,561,797	8,885,222	9,637,871	8,953,779	8,964,516	10,774,535
	1,507,920	1,644,724	1,501,306	1,495,367	1,496,839	1,525,640
	107,588	124,539	530,646	402,914	521,390	542,150
	<u>15,402,296</u>	<u>16,201,095</u>	<u>16,930,809</u>	<u>16,684,008</u>	<u>17,096,920</u>	<u>19,706,739</u>
	5,032,780	5,508,559	5,234,741	5,323,323	6,698,399	7,277,797
	415,779	593,199	550,783	471,717	858,992	617,924
	542,252	178,613	178,661	205,951	198,800	223,073
	194,000	579,206	599,166	643,520	957,065	1,896,021
	<u>6,184,811</u>	<u>6,859,577</u>	<u>6,563,351</u>	<u>6,644,511</u>	<u>8,713,256</u>	<u>10,014,815</u>
\$	<u>21,587,107</u>	<u>23,060,672</u>	<u>23,494,160</u>	<u>23,328,519</u>	<u>25,810,176</u>	<u>29,721,554</u>
\$	11,141	\$ 12,722	\$ 3,600	\$ 3,926	\$ 3,600	\$ 3,300
	289,065	313,847	245,570	324,975	411,487	450,294
	245,391	474,426	321,774	373,582	505,088	542,893
	664,449	1,056,364	875,103	1,110,456	1,058,541	738,923
	20,836	30,442	614	67,969	22,212	22,370
	170,239	49,672	1,478,520	53,801	1,278,523	2,190,756
	219,853	238,763	935,242	1,444,156	505,260	776,514
	<u>1,620,974</u>	<u>2,176,236</u>	<u>3,860,423</u>	<u>3,378,865</u>	<u>3,784,711</u>	<u>4,725,050</u>
\$	7,596,037	\$ 7,762,515	\$ 8,152,610	\$ 8,991,212	\$ 10,686,333	\$ 11,267,611
	657,356	646,904	638,126	757,477	981,550	999,800
	108,097	111,927	110,919	113,231	131,120	129,295
	628,731	863,829	1,113,634	1,024,361	1,274,189	1,323,403
	175,274	316,254	287,600	2,292,279	1,502,229	4,085,783
	-	-	-	-	-	-
	<u>9,165,495</u>	<u>9,701,429</u>	<u>10,302,889</u>	<u>13,178,560</u>	<u>14,575,421</u>	<u>17,805,892</u>
\$	<u>10,786,469</u>	<u>11,877,665</u>	<u>14,163,312</u>	<u>16,557,425</u>	<u>18,360,132</u>	<u>22,530,942</u>
\$	(13,781,322)	\$ (14,024,859)	\$ (13,070,386)	\$ (13,305,143)	\$ (13,312,209)	\$ (14,981,689)
	2,980,684	2,841,852	3,739,538	6,534,049	5,862,165	7,791,077
\$	<u>(10,800,638)</u>	<u>(11,183,007)</u>	<u>(9,330,848)</u>	<u>(6,771,094)</u>	<u>(7,450,044)</u>	<u>(7,190,612)</u>

CITY OF STEPHENVILLE, TEXAS
Changes In Net Position (Continued)
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
NET (EXPENSE) REVENUES				
Governmental activities	\$ (11,052,649)	\$ (11,773,457)	\$ (13,139,048)	\$ (13,903,894)
Business-type activities	1,734,326	1,847,356	1,816,585	3,390,419
Total primary government net expense	<u>(9,318,323)</u>	<u>(9,926,101)</u>	<u>(11,322,463)</u>	<u>(10,513,475)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS				
Governmental activities:				
Taxes				
Property -general purposes	4,321,370	4,386,134	4,715,959	4,806,351
Property -debt services	595,444	576,847	484,490	481,603
Sales	5,485,705	5,718,579	5,285,142	5,264,443
Franchise	1,166,503	1,525,602	1,501,457	1,381,186
Other taxes	450,456	502,017	480,036	515,043
Investment earnings	6,157	5,990	52,123	68,163
Insurance Proceeds	-	63,740	58,576	18,537
Other revenue	100,731	164,842	37,080	135,230
Gain/ (loss) on disposal of capital assets	110,122	-	16,162	30,274
Special item - change in employee benefits	-	-	-	-
Transfers	255,044	208,824	258,870	504,479
Total governmental activities	<u>12,491,532</u>	<u>13,152,575</u>	<u>12,889,895</u>	<u>13,205,309</u>
Business-type activities:				
Investment earnings	4,032	4,891	23,477	49,082
Other revenue	-	33,292	45,127	72,069
Gain/ (loss) on disposal of capital assets	-	17,106	8,630	(1,600)
Transfers	(255,044)	(208,824)	(258,870)	(504,479)
Total business-type activities	<u>(251,012)</u>	<u>(153,535)</u>	<u>(181,636)</u>	<u>(384,928)</u>
Total primary government	<u>12,240,520</u>	<u>12,999,040</u>	<u>12,708,259</u>	<u>12,820,381</u>
CHANGE IN NET ASSETS				
Governmental activities	1,438,883	1,379,118	(249,153)	(698,585)
Business-type activities	1,483,314	1,693,821	1,634,949	3,005,491
Total primary government	<u>\$ 2,922,197</u>	<u>\$ 3,072,939</u>	<u>\$ 1,385,796</u>	<u>\$ 2,306,906</u>

Note:

Fiscal year ended 2021 restated for the error correction related to ARPA funds.

Fiscal year ended 2022 restated for the error correction related to ARPA funds, the error correction related reimbursement for capital project, and the effects of GASB 96.

Source: City Audited Financials

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ (13,781,322)	\$ (14,024,859)	\$ (13,070,386)	\$ (13,305,143)	\$ (13,312,209)	\$ (14,981,689)
<u>2,980,684</u>	<u>2,841,852</u>	<u>3,739,538</u>	<u>6,534,049</u>	<u>5,862,165</u>	<u>7,791,077</u>
<u>(10,800,638)</u>	<u>(11,183,007)</u>	<u>(9,330,848)</u>	<u>(6,771,094)</u>	<u>(7,450,044)</u>	<u>(7,190,612)</u>
5,286,326	5,577,304	6,067,879	6,446,356	6,441,458	6,940,512
492,536	465,640	256,240	265,579	268,132	264,911
5,644,834	5,943,343	5,940,857	7,075,224	8,081,130	8,725,344
1,199,890	1,317,544	1,276,928	1,204,400	1,274,715	1,449,693
474,199	510,185	398,706	590,006	722,328	910,588
139,025	264,034	115,763	11,277	187,589	1,124,243
-	-	-	-	-	-
153,598	260,645	1,030,088	251,087	286,455	352,148
-	-	-	18,109	35,260	91,788
5,110,168	-	-	-	-	-
<u>750,852</u>	<u>400,495</u>	<u>1,442,405</u>	<u>561,433</u>	<u>1,723,170</u>	<u>2,187,917</u>
<u>19,251,428</u>	<u>14,739,190</u>	<u>16,528,866</u>	<u>16,423,471</u>	<u>19,020,237</u>	<u>22,047,144</u>
118,108	501,577	195,341	8,039	284,266	1,847,275
106,639	249,753	287,971	64,745	55,329	70,871
-	-	-	-	-	-
<u>(750,852)</u>	<u>(400,495)</u>	<u>(1,442,405)</u>	<u>(561,433)</u>	<u>(1,723,170)</u>	<u>(2,187,917)</u>
<u>(526,105)</u>	<u>350,836</u>	<u>(959,093)</u>	<u>(488,649)</u>	<u>(1,383,575)</u>	<u>(269,771)</u>
<u>18,725,323</u>	<u>15,090,026</u>	<u>15,569,773</u>	<u>15,934,822</u>	<u>17,636,662</u>	<u>21,777,373</u>
5,470,106	714,331	3,458,480	3,118,328	5,708,028	7,065,455
2,454,579	3,192,688	2,780,445	6,045,400	4,478,590	7,521,306
<u>\$ 7,924,685</u>	<u>\$ 3,907,018</u>	<u>\$ 6,238,925</u>	<u>\$ 9,163,728</u>	<u>\$ 10,186,618</u>	<u>\$ 14,586,761</u>

CITY OF STEPHENVILLE, TEXAS
Fund Balances of Governmental Funds
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General fund				
Nonspendable	\$ 10,995	\$ 7,016	\$ 20,955	\$ 8,760
Assigned/committed	3,000,000	3,000,000	1,150,000	950,609
Unassigned	5,868,872	6,786,574	7,154,643	7,132,272
Total general fund	<u>\$ 8,879,867</u>	<u>\$ 9,793,590</u>	<u>\$ 8,325,598</u>	<u>\$ 8,091,641</u>
All other governmental funds				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned, reported in:				
Special revenue funds	-	-	-	-
Restricted	824,262	702,559	434,914	365,349
Assigned/committed	416,371	416,727	417,929	415,743
Total all other governmental fund	<u>\$ 1,240,633</u>	<u>\$ 1,119,286</u>	<u>\$ 852,843</u>	<u>\$ 781,092</u>

Source: City Audited Financials

2018	2019	2020	2021	2022	2023
\$ 11,609	\$ 5,563	\$ 3,962	\$ 6,760	\$ 19,543	\$ 86,057
950,609	579,402	534,754	764,287	1,086,068	2,442,741
7,288,833	8,755,397	9,576,401	11,282,011	14,095,016	13,756,961
<u>\$ 8,251,051</u>	<u>\$ 9,340,362</u>	<u>\$ 10,115,117</u>	<u>\$ 12,053,058</u>	<u>\$ 15,200,627</u>	<u>\$ 16,285,759</u>
\$ -	\$ -	\$ -	\$ 27,721	\$ 27,721	\$ 27,721
-	-	-	(10,032)	-	-
488,158	512,308	634,666	10,493,471	9,880,697	7,919,159
442,063	544,571	13,654,954	-	-	-
<u>\$ 930,221</u>	<u>\$ 1,056,879</u>	<u>\$ 14,289,620</u>	<u>\$ 10,511,160</u>	<u>\$ 9,908,418</u>	<u>\$ 7,946,880</u>

CITY OF STEPHENVILLE, TEXAS
Changes In Fund Balances of Governmental Funds
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
REVENUES					
Taxes	\$ 12,014,282	\$ 12,733,241	\$12,455,045	\$ 12,460,952	\$ 13,089,387
Licenses, fees and permits	294,084	258,384	186,925	143,903	246,891
Charges for services	1,131,850	1,111,193	1,022,624	958,249	978,973
Fines and penalties	261,126	227,979	316,343	210,015	147,598
Intergovernmental	127,751	200,634	218,054	613,744	344,358
Contributions and donations	-	-	-	-	-
Investment earnings	6,157	5,990	52,123	68,163	139,025
Miscellaneous	103,838	167,941	40,054	135,230	150,649
Total revenues	<u>13,939,088</u>	<u>14,705,362</u>	<u>14,291,168</u>	<u>14,590,256</u>	<u>15,096,881</u>
EXPENDITURES					
General government	2,289,098	1,922,184	1,904,340	1,870,697	2,145,014
Culture and recreation	1,795,809	1,853,439	1,936,112	2,104,892	2,163,873
Community development	419,054	456,196	968,197	1,003,655	485,280
Public Safety	6,725,152	7,668,000	7,428,899	7,820,377	8,066,721
Streets	780,006	968,092	997,520	818,913	768,153
Debt service					
Principal	465,000	505,000	415,000	469,243	560,879
Interest	120,261	77,845	66,375	85,322	107,099
Bond Issuance Costs	11,027	-	-	-	-
Advance Refunding Escrow	1,323,441	-	-	-	-
Capital outlay	985,179	859,897	3,053,778	1,532,290	1,480,185
Total expenditures	<u>14,914,027</u>	<u>14,310,653</u>	<u>16,770,221</u>	<u>15,705,389</u>	<u>15,777,204</u>
EXCESS OF REVENUES OVER(UNDER) EXPENDITURES					
	<u>\$ (974,939)</u>	<u>\$ 394,709</u>	<u>\$ (2,479,053)</u>	<u>\$ (1,115,133)</u>	<u>\$ (680,323)</u>
OTHER FINANCEING SOURCES (USES)					
Debt issued	1,336,841	-	-	-	215,371
Premium on Bonds	-	-	-	-	-
Discount on Bonds	-	113,938	349,833	168,051	-
SBITA financing	-	-	-	-	-
Proceeds from sales of assets	219,822	11,165	77,340	118,358	22,639
Proceeds from insurance	-	63,740	58,576	18,537	-
Transfers in	1,196,840	208,824	633,870	729,968	1,666,068
Transfers out	(941,796)	-	(375,000)	(225,489)	(915,216)
Total other financing sources (uses)	<u>1,811,707</u>	<u>397,667</u>	<u>744,619</u>	<u>809,425</u>	<u>988,862</u>
NET CHANGE IN FUND BALANCES					
	<u>\$ 836,768</u>	<u>\$ 792,376</u>	<u>\$ (1,734,434)</u>	<u>\$ (305,708)</u>	<u>\$ 308,539</u>
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES					
	<u>4.2%</u>	<u>4.3%</u>	<u>3.5%</u>	<u>3.9%</u>	<u>4.7%</u>

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 13,824,745	\$13,956,935	\$15,538,510	\$ 16,836,864	\$ 18,279,681
434,132	321,774	373,582	472,689	538,149
1,219,100	955,616	1,223,443	1,253,895	1,354,178
97,480	82,567	119,653	190,327	283,254
367,463	1,012,110	245,224	233,558	264,618
-	-	1,249,640	372,386	1,831,001
264,034	115,763	11,277	187,589	1,124,243
269,704	1,066,400	251,087	321,481	352,148
<u>16,476,658</u>	<u>17,511,165</u>	<u>19,012,416</u>	<u>19,868,789</u>	<u>24,027,272</u>
2,407,281	2,409,994	2,815,335	3,040,581	3,021,767
2,081,327	1,939,211	2,236,700	2,525,341	2,403,204
558,878	482,507	508,857	476,848	746,842
7,926,014	8,966,480	8,837,094	9,266,757	9,907,824
852,360	773,640	764,084	747,057	746,883
746,898	483,490	497,316	772,649	1,486,354
104,230	258,261	459,181	488,637	630,141
-	262,595	-	41,814	-
-	-	-	-	-
2,338,141	2,181,502	5,512,163	6,868,498	8,953,478
<u>17,015,129</u>	<u>17,757,680</u>	<u>21,630,730</u>	<u>24,228,182</u>	<u>27,896,493</u>
<u>\$ (538,471)</u>	<u>\$ (246,515)</u>	<u>\$ (2,618,314)</u>	<u>\$ (4,359,393)</u>	<u>\$ (3,869,221)</u>
1,333,310	11,860,000	197,001	4,973,857	501,664
-	1,021,005	-	157,834	-
-	-	-	-	-
-	-	-	-	195,996
20,635	21,498	19,451	49,269	107,238
-	-	-	-	-
2,036,185	2,513,977	2,773,666	3,543,286	4,783,089
<u>(1,635,690)</u>	<u>(1,071,572)</u>	<u>(2,212,233)</u>	<u>(1,820,116)</u>	<u>(2,595,172)</u>
<u>1,754,440</u>	<u>14,344,908</u>	<u>777,885</u>	<u>6,904,130</u>	<u>2,992,815</u>
<u>\$ 1,215,969</u>	<u>\$14,098,393</u>	<u>\$ (1,840,429)</u>	<u>\$ 2,544,737</u>	<u>\$ (876,406)</u>
<u>5.8%</u>	<u>4.8%</u>	<u>5.9%</u>	<u>7.3%</u>	<u>11.2%</u>

CITY OF STEPHENVILLE, TEXAS
Assessed Value and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years

Tax Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property
2013	2013-2014	567,670,640	562,727,447	297,556,973
2014	2014-2015	601,105,080	750,961,010	245,239,590
2015	2015-2016	636,597,500	768,186,520	268,319,490
2016	2016-2017	657,717,227	785,853,463	259,118,010
2017	2017-2018	753,358,500	824,711,040	245,604,310
2018	2018-2019	776,693,310	841,695,300	304,695,430
2019	2019-2020	826,226,780	883,238,110	346,709,950
2020	2020-2021	887,954,420	952,950,260	293,836,870
2021	2021-2022	958,911,760	981,246,130	301,952,860
2022	2022-2023	1,238,798,090	1,052,746,880	287,219,140

Source: Erath County Appraisal District.

Less: Tax-exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
441,606,152	986,348,908	0.4950	986,348,908	100%
590,694,529	1,006,611,151	0.4900	1,006,611,151	100%
609,847,714	1,063,255,796	0.4900	1,063,255,796	100%
627,870,983	1,074,817,717	0.4900	1,074,817,717	100%
617,069,492	1,206,604,358	0.4800	1,206,604,358	100%
651,711,851	1,271,372,189	0.4750	1,271,372,189	100%
675,346,485	1,380,828,355	0.4700	1,380,828,355	100%
679,895,887	1,454,845,663	0.4550	1,454,845,663	100%
707,326,188	1,534,784,562	0.4420	1,534,784,562	100%
726,231,949	1,852,532,161	0.3958	1,852,532,161	100%

CITY OF STEPHENVILLE, TEXAS
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

Tax Year	Fiscal Year	CITY DIRECT RATES			OVERLAPPING RATES			Total Direct and Overlapping Rates
		Basic Rate	General Obligation Debt Service	Total Direct Rate	Stephenville School District	Middle Trinity Water District	Erath County	
2013	2013-2014	0.4357	0.0593	0.4950	1.2170	0.0125	0.4700	2.1945
2014	2014-2015	0.4330	0.0570	0.4900	1.2349	0.0120	0.4700	2.2069
2015	2015-2016	0.4450	0.0450	0.4900	1.2349	0.0115	0.4700	2.2064
2016	2016-2017	0.4454	0.0446	0.4900	1.2349	0.0112	0.4700	2.2061
2017	2017-2018	0.4391	0.0409	0.4800	1.2349	0.0103	0.4700	2.1952
2018	2018-2019	0.4384	0.0366	0.4750	1.3429	0.0097	0.4458	2.2734
2019	2019-2020	0.4512	0.0188	0.4700	1.2729	0.0094	0.4560	2.2083
2020	2020-2021	0.4368	0.0182	0.4550	1.2221	0.0092	0.4444	2.1307
2021	2021-2022	0.4245	0.0175	0.4420	1.1922	0.0085	0.4355	2.0782
2022	2022-2023	0.3812	0.0146	0.3958	1.1474	0.0073	0.4119	1.9624

Source: Erath County Tax Office

Notes: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

Overlapping rates are those of local and county governments that apply to property owners within the City of Stephenville, Texas.

CITY OF STEPHENVILLE, TEXAS
Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>TAX YEAR 2022</u>			<u>TAX YEAR 2013</u>		
	<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>		<u>Taxable Assessed Value</u>	<u>Percentage of Total City Taxable Assessed Value</u>	
FMC Company	\$ 126,670,443	1	6.84%	\$ 80,664,969	1	8.18%
Creekside Townhomes	33,291,230	2	1.80%			- %
Windmass Villiage III Portfolio Owner LLC	30,748,160	3	1.66%			- %
Mustang Ranch	27,131,560	4	1.46%			- %
Oncor Electric Delivery	22,557,660	5	1.22%	7,912,100	8	0.80%
Stephenville Campus Crest	18,686,670	6	1.01%	11,401,270	3	1.16%
Tarleton Development Partners LLC	18,485,240	7	1.00%			- %
FMC Technologies	17,518,720	8	0.95%			- %
STX Washington Partners	16,202,620	9	0.87%			- %
Saint Gobain Abrasives	13,464,778	10	0.73%	8,743,448	4	0.89%
Wal-Mart Stores, Inc. #1			- %	8,576,680	6	0.87%
Tejas Tubular Inc.			- %	24,789,556	2	2.51%
Bosque River Associates			- %	8,221,950	7	0.83%
Stephenville Student Housing LP			- %	8,738,130	5	0.89%
Stephenville Real Estate Investments Inc			- %	6,776,160	9	0.69%
Wilmington Trust (Wal-Mart #2)			- %	6,507,310	10	0.66%
Subtotal	\$ 324,757,081		17.53%	\$ 172,331,573		17.48%
Remaining Roll	<u>1,527,775,080</u>		<u>82.47%</u>	<u>814,017,335</u>		<u>82.52%</u>
Total	\$ <u>1,852,532,161</u>		<u>100.00%</u>	\$ <u>986,348,908</u>		<u>100.00%</u>

Source: Erath County Appraisal District State Property Tax Board Report.

CITY OF STEPHENVILLE, TEXAS
Property Tax Levies and Collections
Last Ten Fiscal Years

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Subsequent Adjustments To Levy	Final Adjusted Levy	Collected With the Fiscal Year of the Levy	
					Amount	Percentage of Levy
2013	2013-2014	4,868,772	(1,805)	4,866,967	4,822,564	99.05%
2014	2014-2015	4,927,485	(14,476)	4,913,009	4,887,492	99.19%
2015	2015-2016	5,195,573	(9,861)	5,185,712	5,141,402	98.96%
2016	2016-2017	5,351,990	(99,594)	5,252,396	5,204,383	97.24%
2017	2017-2018	5,774,003	(74,086)	5,699,917	5,710,836	98.91%
2018	2018-2019	6,039,033	(28,140)	6,010,893	5,994,513	99.26%
2019	2019-2020	6,489,897	(134,457)	6,355,440	6,234,838	96.07%
2020	2020-2021	6,619,550	(34,878)	6,584,672	6,507,012	98.30%
2021	2021-2022	6,783,557	(154,033)	6,629,524	6,609,695	97.44%
2022	2022-2023	7,384,954	(222,079)	7,162,875	7,120,615	96.42%

Sources: Erath County Appraisal District and Erath County Tax Assessor-Collector.

Collections in Subsequent Years	Total Collections to Date		Outstanding as of 9/30/23
	Amount	Percentage of Levy	
44,096	4,866,660	99.96%	307
21,500	4,908,992	99.62%	4,017
38,038	5,179,440	99.69%	6,272
46,323	5,250,706	98.11%	1,690
(13,959)	5,696,877	98.66%	3,040
13,643	6,008,156	99.49%	2,737
117,118	6,351,956	97.87%	3,484
74,214	6,581,226	99.42%	3,446
9,918	6,619,613	97.58%	9,911
-	7,120,615	96.42%	42,260

CITY OF STEPHENVILLE, TEXAS

Taxable Sales By Category

Last Ten Calendar Years

Calendar Year

(Unaudited)

Category	2013	2014	2015	2016
Services	\$ 49,560,842	\$ 46,989,186	\$ 41,651,657	\$ 40,241,475
Misc Retail	52,221,686	54,975,621	54,751,164	54,321,288
Eat/Drink Places	55,015,006	60,296,991	57,700,419	68,762,227
Hospitality and Leisure	60,118,426	64,408,646	66,313,220	53,981,331
HomeFurnishings	7,209,200	7,246,403	6,660,673	6,162,365
Apparel Stores	8,799,575	10,578,892	10,324,254	10,257,542
Automotive Stores	113,933,329	123,712,193	115,703,501	107,067,897
Food Stores	57,179,417	59,377,144	63,577,869	59,091,905
General Merchandise	120,780,721	123,134,874	126,719,228	121,170,557
Building/Garden Supplies	28,455,504	31,727,307	37,693,956	35,695,603
Wholesale Trade	47,091,948	45,902,673	48,009,817	46,967,803
Manufacturing	27,220,571	51,074,808	44,597,329	36,916,496
Construction	23,399,150	29,565,160	39,838,703	36,567,165
Other	31,521,635	29,361,821	42,437,131	32,920,411
Agriculture	346,309	157,377	131,950	87,089
Total	\$ <u>682,853,319</u>	\$ <u>738,509,096</u>	\$ <u>756,110,871</u>	\$ <u>710,211,154</u>
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%

Source: Office of the Comptroller of the State of Texas

	2017	2018	2019	2020	2021	2022
\$	63,727,628	\$ 59,351,380	\$ 60,613,525	\$ 58,476,390	\$ 58,144,576	\$ 70,969,613
	50,773,645	52,220,824	53,686,867	59,406,069	62,663,258	60,305,583
	70,136,317	75,769,971	72,885,265	76,893,794	92,511,577	99,641,115
	72,606,172	78,151,316	83,181,730	79,884,966	96,932,092	102,700,033
	7,046,159	7,604,974	8,387,888	7,889,581	17,798,350	8,656,016
	9,645,246	11,823,407	12,760,079	12,426,438	16,965,921	30,039,899
	144,126,333	116,799,945	113,763,645	112,589,518	146,308,834	166,326,710
	59,400,532	66,271,975	72,885,265	79,158,303	90,185,420	110,654,953
	123,107,302	117,640,631	118,089,721	119,417,436	131,331,637	151,179,392
	36,386,966	36,761,366	34,781,537	32,534,255	60,382,960	74,413,888
	51,525,032	57,421,775	62,100,066	65,174,511	77,228,448	84,848,120
	41,376,240	45,379,899	54,485,728	32,324,686	32,806,051	185,024,621
	32,516,125	42,457,584	32,014,392	24,908,250	29,004,497	41,528,544
	37,214,389	37,851,430	31,426,794	43,677,784	215,254,337	36,715,225
	-	-	-	-	-	-
\$	<u>799,588,086</u>	<u>805,506,477</u>	<u>811,062,502</u>	<u>804,761,981</u>	<u>1,127,517,958</u>	<u>1,223,003,712</u>
	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

CITY OF STEPHENVILLE, TEXAS
Direct and Overlapping Sales Tax Rates
Last Ten Fiscal Years

Fiscal Year Ending 9/30	General Municipal Sales Tax	Sales Tax for Property Tax Relief	Sales Tax for Economic/ Industrial Dev Sec 4B
2014	1.00%	0.50%	-
2015	1.00%	0.50%	-
2016	1.000%	0.375%	0.125%
2017	1.000%	0.375%	0.125%
2018	1.000%	0.375%	0.125%
2019	1.000%	0.375%	0.125%
2020	1.000%	0.375%	0.125%
2021	1.000%	0.375%	0.125%
2022	1.000%	0.375%	0.125%
2023	1.000%	0.375%	0.125%

Source: Texas Comptroller

CITY OF STEPHENVILLE, TEXAS
Ratios of Outstanding Debt By Type
Last Ten Fiscal Years

Governmental Activities				
Fiscal Year	General Obligation Bonds	Certificates of Participation	Unamortized Premiums (Discounts)	Leases/ SBITAS/ Notes Payable
2014	1,500,000	3,340,000	18,734	
2015	1,155,000	3,180,000	17,721	113,938
2016	905,000	3,015,000	16,709	436,510
2017	610,000	2,920,000	14,683	525,318
2018	310,000	2,855,000	13,671	544,810
2019	-	2,785,000	12,659	1,511,222
2020	-	14,465,000	1,007,127	1,207,732
2021	-	14,275,000	955,065	1,091,117
2022	-	15,960,000	1,056,890	3,601,025
2023	-	15,225,000	996,936	4,277,414

Notes: See Demographic and Economics Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Business-type Activities

Enterprise Revenue Bonds	Certificates of Participation	Unamortized Premiums (Discounts)	Leases/SBITAS/Notes Payable	Total Primary Government	Percentage of Personal Income	Per Capita
9,385,000	6,851,841	220,290	-	21,315,865	3.15%	1,098
8,895,000	5,350,850	210,978	3,161,834	22,085,321	3.27%	1,129
8,390,000	3,774,827	198,922	2,833,134	19,570,101	2.57%	904
6,720,000	5,568,827	186,866	3,131,370	19,677,064	2.39%	896
5,040,000	22,340,000	174,811	2,028,635	33,306,927	3.78%	1,495
3,325,000	22,100,000	162,757	1,730,829	31,627,467	3.34%	1,396
3,250,000	20,860,000	150,700	1,415,018	42,355,577	4.43%	2,027
3,175,000	19,610,000	138,645	1,080,409	40,325,236	4.01%	1,935
2,825,000	37,185,000	1,921,948	751,680	63,301,543	5.93%	2,996
2,770,000	35,510,000	1,806,467	1,373,828	61,959,645	N/A	2,940

CITY OF STEPHENVILLE, TEXAS
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligations	Total		
2014	1,518,734	10,191,841	11,710,575	1.19%	603
2015	1,172,721	8,530,850	9,703,571	0.96%	496
2016	921,709	6,789,827	7,711,536	0.73%	356
2017	624,683	8,488,827	9,113,510	0.85%	415
2018	323,671	25,195,000	25,518,671	2.11%	1145
2019	12,659	24,885,000	24,897,659	1.96%	1099
2020	11,645	36,320,482	36,332,127	2.63%	1739
2021	10,633	34,829,432	34,840,065	2.39%	1672
2022	9,620	56,097,691	56,107,311	3.66%	2656
2023	8,607	53,514,846	53,523,453	2.89%	2539

Notes:

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

See Assessed Value and Estimated Actual Value of Taxable Property for property value data.

Population data can be found in Demographic and Economics Statistics.

CITY OF STEPHENVILLE, TEXAS
Direct and Overlapping Governmental Activities Debt
as of September 30, 2023

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Overlapping			
Stephenville Independent School District	\$ 112,714,063	79.60%	\$ 89,720,394
Erath County	\$ 925,000	44.60%	<u>412,550</u>
Subtotal, overlapping debt			90,132,944
Direct			
City of Stephenville	\$ 20,499,350	100.00%	<u>20,499,350</u>
Total Direct and Overlapping Debt			<u>\$ 110,632,294</u>

Sources:

Assessed value data used to estimate applicable percentages provided by the Erath County Appraisal District and Assessment Debt outstanding data provided by each governmental unit.

Notes:

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Stephenville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

CITY OF STEPHENVILLE, TEXAS
Municiple Utility
Revenue Bond Coverage
Last Ten Fiscal Years

Fiscal Year	Water and Wastewater Revenue Bonds						Coverage
	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service			
				Principal	Interest		
2014	6,700,902	3,491,792	3,209,110	1,866,000	608,919	1.30	
2015	6,485,177	3,631,614	2,853,563	1,986,000	459,292	1.17	
2016	7,014,095	4,115,398	2,898,697	2,076,000	351,427	1.19	
2017	7,264,479	4,095,335	3,169,144	1,911,000	319,806	1.42	
2018	7,694,695	3,022,451	4,672,244	1,938,827	331,249	2.06	
2019	7,962,268	3,917,609	4,044,659	1,955,000	424,112	1.70	
2020	8,322,481	3,741,298	4,581,183	1,315,000	411,005	2.65	
2021	9,044,632	3,753,322	5,291,310	1,325,000	375,420	3.11	
2022	10,724,825	4,383,743	6,341,082	4,455,000	* 634,099	1.25	
2023	11,319,092	4,996,812	6,322,280	1,730,000	* 1,321,324	2.07	

Notes: Operating expenses do not include interest, depreciation, or amortization expenses.
Utility Surplus Revenue is also pledged for other Enterprise bonds.

* General Obligation Refund Bonds Series 2013 were refunded with General Obligation Refund Bonds Series 2022

CITY OF STEPHENVILLE, TEXAS
Legal Debt Margin Information
Last Ten Fiscal Years (Unaudited)
(amounts expressed in thousands)

Tax Year Fiscal year	<u>2022</u> <u>2022-2023</u>	<u>2021</u> <u>2021-2022</u>	<u>2020</u> <u>2020-2021</u>	<u>2019</u> <u>2019-2020</u>	<u>2018</u> <u>2018-2019</u>	<u>2017</u> <u>2017-2018</u>
Debt limit	\$ 202,537	\$ 169,296	\$ 160,740	\$ 157,749	\$ 145,165	\$ 135,754
Total net debt applicable to limit	<u>53,326</u>	<u>55,909</u>	<u>15,029</u>	<u>15,257</u>	<u>2,591</u>	<u>2,981</u>
Legal debt margin	<u>\$ 149,211</u>	<u>\$ 113,387</u>	<u>\$ 145,711</u>	<u>\$ 142,492</u>	<u>\$ 142,574</u>	<u>\$ 132,773</u>
Total net debt applicable to limit as a percentage of debt limit	26.33%	33.02%	9.35%	9.67%	1.78%	2.20%

Legal Debt Margin Calculation for Fiscal Year 2023

Assessed value	\$ 1,852,532
Add back: exempt real property	172,834
Total assessed value	<u>2,025,366</u>
Debt limit (10% of total assessed value)	202,537
Debt applicable to limit:	
General obligation bonds	53,523
Less: Amount set aside for repayment of general obligation debt	<u>(198)</u>
Total net debt applicable to limit	<u>53,326</u>
Legal debt margin	<u>\$ 149,211</u>

Note: There is no direct debt limitation in the City Charter or under state law. The City operates under a Home Rule Charter (Article XI, Section 5, Texas Constitution), that limits the maximum tax rate, for all city purposes, to \$2.50 per \$100 assessed valuation. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for general obligation debt service.

Source: City of Stephenville, TX and Erath County Appraisal District

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
<u>2016-2017</u>	<u>2015-2016</u>	<u>2014-2015</u>	<u>2013-2014</u>
\$ 124,250	\$ 122,554	\$ 116,345	\$ 116,885
<u>3,389</u>	<u>3,793</u>	<u>4,213</u>	<u>4,718</u>
<u>\$ 120,861</u>	<u>\$ 118,762</u>	<u>\$ 112,132</u>	<u>\$ 112,167</u>
2.73%	3.09%	3.62%	4.04%

CITY OF STEPHENVILLE, TEXAS
Demographic and Economics Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	College Enrollment	Unemployment Rate
2014	19,410	677,564,280	34,908	3,656	11,681	4.7%
2015	19,560	674,956,920	34,507	3,702	12,396	3.8%
2016	21,640	762,745,080	35,247	3,614	12,333	4.7%
2017	21,950	822,247,000	37,460	3,671	13,052	3.9%
2018	22,280	882,154,320	39,594	3,711	13,019	3.2%
2019	22,660	945,692,440	41,734	3,842	13,226	3.1%
2020	20,897	955,536,222	45,726	3,659	14,022	5.8%
2021	20,840	1,006,467,800	48,295	3,622	13,995	4.1%
2022	21,127	1,068,329,009	50,567	3,695	14,092	3.3%
2023	21,078	N/A	N/A	3,730	14,513	3.5%

Sources: Population estimate provided by the North Central Texas Council of Governments. Personal income data provided by the U.S. Census Bureau of Economic Analysis. Unemployment rate data provided by the Texas Workforce Commission. School enrollment data provided by the Stephenville Independent School District and Tarleton State University.

Note: Per capita personal income was computed using Census Bureau midyear population estimates. Estimates for 2014-2019 reflect county population estimates available as of March 2020. Estimates for 2020 and 2022 are based on the 2020 decennial counts. Personal income is not available for 2023.

CITY OF STEPHENVILLE, TEXAS
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2023</u>			<u>2014</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Tarleton State University	1,420	1	6.96%	1,236	1	6.92%
FMC Company	735	2	3.60%	769	2	4.30%
Stephenville Independent School District	485	3	2.38%	218	9	1.22%
Saint Gobain Abrasives	470	4	2.30%	477	3	2.67%
Scheiber Foods	435	5	2.13%	375	5	2.10%
Wal-Mart Stores, Inc.	300	6	1.47%	451	4	2.52%
Western Dairy Transport	210	7	1.03%			- %
Pecan Valley Centers	210	8	1.03%			- %
Erath County	240	9	1.18%			- %
Texas Health Harris Methodist Stephenville	200	10	0.98%	263	6	1.47%
Tejas Tubular (Caporal Forging)			- %	263	7	1.47%
HEB			- %	180	10	1.01%
Fibergrate Composite Structures			- %	260	8	1.46%
Subtotal	<u>4,705</u>		<u>23.07%</u>	<u>4,492</u>		<u>25.14%</u>
Remaining Employers (County)	<u>15,688</u>		<u>76.93%</u>	<u>13,376</u>		<u>74.86%</u>
Total	<u><u>20,393</u></u>		<u><u>100.00%</u></u>	<u><u>17,868</u></u>		<u><u>100.00%</u></u>

Source: Tarleton State University, Stephenville Independent School District, Erath County, and Stephenville Chamber of Commerce. Total employee data is provided by the Texas Workforce Commission.

Notes:

Total employee information is based on entire Erath County. Principal employers are only those that operate from within the corporate city limits of Stephenville.

CITY OF STEPHENVILLE, TEXAS
Full-Time Equivalent City Government Employees
By Function/Program
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
General government										
Management services	4	4	5	5	5	8	9	8	9	9
Finance	7	7	7	7	7	9	9	8	9	10
Planning	2	2	2	3	3	3	3	4	4	4
Building	2	2	2	2	2	2	2	2	2	3
Other	2	2	2	2	3	2	2	3	3	3
Police										
Officers	39	39	39	39	39	39	39	39	40	40
Civilians	16	16	15	17	17	19	19	19	19	19
Fire										
Firefighters and officers	31	31	31	31	31	31	31	34	34	35
Civilians			1	1	1	1	1	1	1	1
Parks and recreation	13	13	12	14	14	14	14	14	16	17
Library	3	3	3	3	4	4	4	4	4	4
Streets	7	7	7	7	7	7	7	7	7	7
Water	13	13	16	15	15	15	15	15	16	20
Wastewater	5	5	5	6	6	6	6	6	6	6
Landfill	2	3	3	3	3	3	3	4	5	5
Airport	-	-	-	-	-	-	-	-	-	1
Total	146	147	150	155	157	163	164	168	175	184

Source: Current Year Approved Budget

Notes: A full time employee is scheduled to work 2080 hours per year (including vacation and sick leave).

CITY OF STEPHENVILLE, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017
General government				
Building permits issued	90	93	146	127
Building permits value	\$ 19,061,275	\$ 10,829,426	\$ 41,143,042	\$ 22,331,535
Police				
Calls for service	9,836	14,631	12,378	12,044
Physical arrests	846	806	643	696
Parking violations (1)	258	467	858	830
Traffic violations	7,338	5,665	3,816	3,470
Fire				
Ambulance responses	1,592	1,733	1,897	1,767
Fires responses	251	294	303	313
Inspections	456	444	400	393
Refuse collection				
Refuse collected (tons)	21,729	22,494	21,676	19,229
Other public works				
Street resurfacing (miles)	-	-	17.90	8.77
Library				
Volumes in collection	35,171	36,759	37,416	38,685
Total volumes borrowed	6	12	37	199
Water				
Active connections	6,000	6,442	6,495	6,625
Water main breaks	59	57	39	30
Average daily consumption (gallons)	1,983,000	1,945,000	1,997,000	1,932,000
Peak daily consumption (gallons)	3,176,000	3,505,000	3,872,000	2,985,000
Wastewater				
Average daily sewage treatment (gallons)	1,433,000	1,444,000	1,720,000	1,380,000
WW Peak (gallons)	2,737,000	7,106,000	9,350,000	6,597,000
Airport				
Landings	3,384	3,233	3,008	2,862
Take-offs	3,383	3,239	3,010	2,862
Municipal Court				
New Cases (2)				
Disposed Cases				

(1) 2011 through 2017 represents the calls for parking violations, which could be significantly higher than actual citations issued. Due to new software, 2018 represents the actual citations issued for parking violations.

(2) The City of Stephenville contracted with Erath County Justice of the Peace precinct 1, 3, 4 for Municipal Court services until 9/30/19. The new cases for 2020 include cases transferred from the Justice of the Peace.

Source: Various City departments

2018	2019	2020	2021	2022	2023
197	205	220	241	291	223
\$ 24,569,365	\$ 71,952,765	\$ 21,765,542	\$ 36,545,036	\$ 63,214,568	\$ 38,369,566
13,785	15,369	15,135	14,775	25,050	22,765
742	687	487	455	364	783
177	130	407	75	150	149
3,767	3,207	2,571	2,221	945	2,550
1,842	1,876	1,787	1,869	1,769	1,927
385	479	421	605	968	1,163
392	293	455	376	574	540
19,689	21,092	20,873	16,768	21,053	23,381
10.62	10.38	-	15.40	5.23	5.34
40,041	40,167	39,636	38,219	34,589	36,169
138	111	113	862	3,395	4,008
6,813	6,435	6,519	6,630	6,808	6,799
23	45	38	45	37	26
2,117,000	1,893,000	2,000,000	2,101,000	2,131,000	2,218,000
3,703,000	3,352,000	3,493,000	3,742,000	3,600,000	3,881,000
1,310,000	1,667,000	1,368,000	1,320,000	1,306,000	1,770,000
6,800,000	7,220,000	3,560,000	1,910,000	5,730,000	3,840,000
2,765	2,879	2,825	2,859	2,664	7,483
2,765	2,878	2,826	2,859	2,665	7,483
		1,226	963	1,829	2,636
		741	654	1,225	2,151

CITY OF STEPHENVILLE, TEXAS
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	2014	2015	2016	2017
Police				
Stations	1	1	1	1
Patrol units	10	10	10	11
Fire				
Stations	2	2	2	2
Other public works				
Streets (miles)	92	92	93	93
Highways (miles)	23	23	23	23
Streetlights	1,139	1,145	1,149	1,156
Parks and recreation				
Acreage	130	130	142	142
Playgrounds	4	4	4	4
Baseball/softball diamonds	11	11	11	11
Soccer/football fields	1	1	1	1
Skate park	1	1	1	1
Outdoor Aquatic Center	1	1	1	1
Community centers	2	2	2	2
Water				
Water mains (miles)	126	126	126	128
Fire hydrants	798	798	801	816
Storage capacity (gallons)	5,750,000	5,750,000	5,750,000	5,750,000
Wastewater				
Sanitary sewers (miles)	116	116	116	116
Storm sewers (miles)	3.2	3.2	3.2	3.2
Treatment capacity (gallons)	9,000,000	9,000,000	9,000,000	9,000,000

Source: Various City departments

Note: No capital asset indicators are available for the general government or library function.

2018	2019	2020	2021	2022	2023
1	1	1	1	1	1
11	11	12	12	12	14
2	2	2	2	2	2
93	91	91	91	92	92
23	23	23	23	22	22
1,164	1,168	1,160	1,160	1,173	1,175
142	142	147	160	160	160
4	6	6	6	6	6
11	11	11	11	11	10
1	1	0	0	0	0
1	1	1	1	1	1
1	1	1	1	1	1
2	2	2	2	2	2
131	131	135	135	136	136
816	863	863	922	926	1103
5,750,000	5,750,000	5,750,000	5,750,000	5,500,000	5,500,000
117	117	117	118	118	118
3.2	3.2	3.2	4.9	5.6	7.1
9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000

**OVERALL COMPLIANCE AND INTERNAL
CONTROLS SECTION**



**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROLS 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 members
of the City Council
City of Stephenville, Texas

We have audited, in accordance with the auditing standards generally accepting in the United States of America and the standards applicable to the financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas (the City), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated October 31, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City’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’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001, 2023-002, and 2023-003 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-004 and 2023-005 to be significant deficiencies

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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*.

The City's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the findings in our audit and described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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.

A handwritten signature in cursive script that reads "Boucher, Morgan & Young".

Boucher, Morgan and Young, a P.C.
Granbury, Texas
October 31, 2024

CITY OF STEPHENVILLE, TEXAS
Summary Schedule of Prior Audit Findings
September 30, 2023

Finding/Recommendation

There were no prior year findings.

CITY OF STEPHENVILLE, TEXAS
Schedule of Findings and Questioned Costs
September 30, 2023

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

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

Noncompliance material to the financial statements noted? Yes No

Federal and State Awards

Type of auditor’s report issued: Unmodified

Internal control over major programs:

Material weakness(es) identified? Yes No

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

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

Version of compliance supplement used: May 2023

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S Code of Federal Regulations (CFR) Part 200? Yes No

Any audit findings disclosed that are required to be reported in accordance with section 510 of the Texas Grant Management Standards? Yes No

Identification of Major Programs:

Federal Awards

U.S. Department of Treasury:
 ALN 21.027 Coronavirus State and Local Fiscal Recovery Funds

State Awards

Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes No

CITY OF STEPHENVILLE, TEXAS
Schedule of Findings and Questioned Costs
September 30, 2023

Section II – Financial Statement Findings

2023-001: Revenue Recognition

Type of Finding: Material Weakness

Criteria: Revenue related to expenditure-driven grants and other reimbursable expenditures should be recognized as qualifying expenditures are incurred and all other eligibility requirements, as applicable, have been met.

Condition: Revenues under a grant received by the City and a memorandum of understanding (MOU) with another governmental entity for the year ended September 30, 2022, were not recognized in accordance with the applicable criteria.

Cause: The City did not sufficiently consider the appropriate revenue recognition requirements relevant to these arrangements during its fiscal year ended September 30, 2022.

Effect: Capital grants and contributions revenue was overstated by \$3,813,048 and contributions and donations revenue was understated by \$1,171,539 for the year ended September 30, 2022.

Recommendation: The City should ensure that its system of internal controls provides for a thorough review of the revenue recognition criteria applicable to each revenue source that is significant to the financial statements.

Views of responsible officials and planned corrective actions: See corrective action plan.

2023-002: Implementation of New Accounting Standards

Type of Finding: Material Weakness

Criteria: The Governmental Accounting Standards Board (GASB) periodically releases new accounting standards, some of which may have a significant impact on the City's financial statements. The implementation of these new standards, which vary in complexity, requires an assessment of their applicability to the entity's specific facts and circumstances; implementation of some standards may require changes to the entity's accounting systems and reporting. As the significance of the standard to the entity's financial statements and the complexity of the standard increase, so does the risk of material misstatement of the entity's financial statements in the period of implementation.

Condition: We noted certain new GASB accounting standards that were effective during the current and prior years that were not properly implemented by the City.

Cause: While we noted that the City's accounting personnel were aware of the recently effective standards and appear to possess the skills, knowledge, and experience to oversee proper implementation of the new standards, recent turnover within the department combined with an accounting software conversion likely contributed to constraints on the amount of time that personnel could reasonably devote to the development and execution of an implementation plan.

Effect: The City's current and prior financial statements required audit adjustments to properly reflect implementation of certain recently effective accounting standards.

CITY OF STEPHENVILLE, TEXAS
Schedule of Findings and Questioned Costs
September 30, 2023

Recommendation: Upon issuance of a GASB pronouncement, the City should obtain an understanding of the new guidance sufficient to determine the extent to which the accounting standard will have an impact on the City's financial statements. Accounting personnel should then develop an implementation plan, considering such factors as the potential need for: the gathering of additional information needed; the involvement of other departments that are involved in operations or activities relevant to the new pronouncement; revisions to procedures and/or system reports; changes to internal control processes; and software and other programming alterations. Once the scope of the implementation plan has been determined, the City should assess whether internal resources will be sufficient to successfully execute the implementation plan. To the extent necessary, the City should secure external resources to assist with implementation of the new standard.

Views of responsible officials and planned corrective actions: See corrective action plan.

2023-003: Debt Discounts and Premiums
Type of Finding: Material Weakness

Criteria: GASB Codification Section 130, *Interest Costs – Imputation*, paragraph .113 states that amortization of a discount or premium on debt should be calculated using the effective interest method.

Condition: The City utilizes the straight-line method to amortize discounts and premiums associated with its debt issuances.

Cause: City accounting personnel were not sufficiently familiar with specific requirements for the proper amortization of premiums and discounts in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments.

Effect: The City's amortization methodology is not compliant with GASB requirements and, as a result, the City's long-term liabilities and interest expense are misstated. While such misstatements have been determined to be immaterial to the financial statements taken as a whole during the current period, the effect of such misstatements may be material to the financial statements in future periods.

Recommendation: The City should review the accounting treatment for items that could potentially have a material impact on the financial statements and ensure that its methodologies are consistent with those prescribed in applicable GASB standards.

Views of responsible officials and planned corrective actions: See corrective action plan.

2023-004: Landfill Closure and Postclosure Liability
Type of Finding: Significant Deficiency

Criteria: Governments are required to recognize landfill closure and postclosure care costs over the expected life of the landfill. Factors relevant to the calculation of the liability include the estimated total current cost of closure and postclosure care, the cumulative capacity used as a percentage of total estimated capacity, and the application of inflation factors.

Condition: In our review of the City's calculation of its liability for estimated landfill closure and postclosure care costs, we noted certain errors related to the application of inflation factors. Further, in the course of reviewing related documentation, we became aware that the City's initial calculation of the liability did not contemplate the most recent information available regarding estimated total cost of closure and postclosure care.

Cause: Review of the City's liability calculation was not sufficiently thorough to detect errors related to the application of inflation factors. Additionally, insufficient collaboration and communication between accounting personnel and the public works department resulted in the use of outdated information in the City's initial calculation of the liability.

CITY OF STEPHENVILLE, TEXAS
Schedule of Findings and Questioned Costs
September 30, 2023

Effect: While the City's liability for estimated landfill closure and postclosure care costs was not materially misstated at the financial reporting date as a result of these conditions, such conditions could result in material misstatements in future periods.

Recommendation: The City should ensure that its review process of the calculation of its liability for estimated landfill closure and postclosure care costs is sufficiently thorough to detect any errors that could result in a material misstatement in current or future periods. Additionally, the City's accounting and public works personnel should establish ongoing communication of information relevant to the City's liability for estimated landfill closure and postclosure care costs that is sufficient to provide a sound basis for calculation of the liability.

Views of responsible officials and planned corrective actions: See corrective action plan.

Section III – Federal and State Award Findings and Questioned Costs

None noted.

CITY OF STEPHENVILLE, TEXAS
Corrective Action Plan
September 30, 2023

Audit Findings

2023-001: Revenue Recognition

Revenues from the Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) were recognized when received instead of when the expenditures of the funds occurred. CSLFRF reporting for non-entitled units (NEUs) of local governments allowed the NEUs to take a standard allowance of up to \$10 million dollars for lost revenue, which would allow a simpler reporting of expenditures. The city chose to utilize the funds on qualified infrastructure projects. The city reported using the standard allowance for CSLFRF reporting. However, for the financial statements, only the revenue related to qualified expenditures should have been recognized. Capital grants and contributions revenue was overstated by \$3,813,048.

Revenue from a memorandum of understanding (MOU) with another governmental entity for a street and storm water drainage project were again recognized when received instead of when the expenditures of the funds occurred. Contributions and donations revenue was understated by \$1,171,539. The initial invoice for 97% of the work was invoiced August 29, 2022, but the revenue was not received until March 2023. The remainder was not invoiced until January 12, 2024. Lack of detailed communication between Public Works and Finance was the root cause for this error.

The auditee concurs with this finding.

The Director of Finance will review the grant and other agreement documents thoroughly at year end to ensure that revenue has been recognized appropriately and will request outside assistance when necessary. In addition, Finance and other department heads have been meeting regularly over the last year to discuss capital projects, including expenditures and reimbursement of funds.

This audit finding will be resolved by the issuance of the annual comprehensive report for the fiscal year ending September 30, 2024.

2023-002: Implementation of New Accounting Standards

GASB 87, Leases was not properly implemented in the prior year, resulting in a decrease in net position of \$4,854 in the prior year. GASB 96, Subscription-Based Information Technology Arrangements and GASB 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements were not properly implemented in the current year, resulting in an audit delay.

The auditee concurs with this finding.

The Director of Finance is responsible for implementing new accounting standards. As time constraints did not allow for a thorough review or implementation of the standards, in the future, the Director of Finance will review new accounting standards and request outside assistance, when required.

This audit finding will be resolved by the issuance of the annual comprehensive report for the fiscal year ending September 30, 2024.

CITY OF STEPHENVILLE, TEXAS
Corrective Action Plan
September 30, 2023

2023-003: Debt Discounts and Premiums

Amortization of discounts and premiums on debt was calculated using the straight-line method instead of the effective interest method. Although not material, long-term liabilities and interest expense are misstated.

The auditee concurs with this finding.

The Director of Finance is responsible for the calculation of debt discounts and premiums and will review the proper treatment of debt discounts and premiums. This review will be included at the time of future debt issuances. In addition, amortization of premiums and discounts will be recalculated for the fiscal year ending September 30, 2024.

This audit finding will be resolved by the issuance of the annual comprehensive report for the fiscal year ending September 30, 2024.

2023-004: Landfill Closure and Postclosure Liability

The closure and postclosure liability is calculated using the most recent engineer's estimate, applying inflation factors, and the percentage of capacity used to capacity available. An incorrect inflation factor was applied in 2010. In addition, as a permit amendment is currently in process, a more recent engineer's estimate of closure and postclosure costs was available, but not utilized. Although the difference in the calculation was not material, it could be in the future.

The auditee concurs with this finding.

The Director of Public Works/Utilities is responsible for obtaining updated engineer's estimates for closure and postclosure costs. The Finance Director is responsible for calculating the closure and postclosure liability. Therefore, finance staff and public works staff will meet annually to review data related to the Landfill closure and postclosure liability. In addition, finance staff will review prior year inflation factors to ensure correct application.

This audit finding will be resolved by the issuance of the annual comprehensive report for the fiscal year ending September 30, 2024.

FEDERAL AND STATE AWARDS SECTION



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE
TEXAS GRANT MANAGEMENT STANDARDS**

To the Honorable Mayor and members
of the City Council
City of Stephenville, Texas

Report on Compliance for Each Major Federal and State Program

Opinions on Each Major Federal and State Program

We have audited the City of Stephenville, Texas' (the City) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the Texas Grant Management Standards that could have a direct and material effect on each of the City's major federal and state programs for the year ended September 30, 2023. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City of Stephenville, Texas, 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 and state programs for the year ended September 30, 2023.

Basis for Opinions on Each Major Federal and State 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) and the Texas Grant Management Standards (TxGMS). Our responsibilities under those standards, the Uniform Guidance and the TxGMS are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City 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 opinions on compliance for each major federal and state program. Our audit does not provide a legal determination of the City'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 the City's federal and state 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 the City'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*, the Uniform Guidance and TxGMS 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 City's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and TxGMS, 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 City'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 the City'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 and TxGMS, but not for the purpose of expressing an opinion on the effectiveness of the City'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 or state 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 or state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state 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 and TxGMS. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Boucher, Morgan & Young". The signature is written in black ink and is positioned above the typed name and date.

Boucher, Morgan and Young, a P.C.
October 31, 2024

CITY OF STEPHENVILLE, TEXAS

Schedule of Expenditures of Federal Awards For the Year Ended September 30, 2023

Federal Grantor/Pass-through Agency/Program Name	Program/Grant/Project Number	Federal Assistance Listing Number	Expenditures
U.S. DEPARTMENT OF JUSTICE			
Direct Award			
2023 Asset Forfeiture Sharing Agreement	TX0720200	16.922	\$ 44,940
	Total U.S. Department of Justice		<u>44,940</u>
U.S. DEPARTMENT OF TRANSPORTATION			
Pass-through Texas Department of Transportation			
Airport Improvement Program	1202STVLE	20.106	24,100
Airport Improvement Program	1702STVLE	20.106	7,528
	Total U.S. Department of Transportation		<u>31,628</u>
U.S. DEPARTMENT OF TREASURY			
Pass-through Texas Division of Emergency Management			
(COVID-19) Coronavirus State and Local Fiscal Recovery Funds	LLS5B2KX32P7 S#395	21.027	2,518,312
	Total U.S. Department of Treasury		<u>2,518,312</u>
U.S. DEPARTMENT OF HOMELAND SECURITY			
Pass-through Texas Division of Emergency Management			
Texas Severe Winter Storms	FEMA-DR-4586-TX 630 550775	97.036	27,202
Texas COVID 19 Pandemic	FEMA-DR-4485-TX 628 670143	97.036	11,914
Texas COVID 19 Pandemic-Vacc Center	FEMA-DR-4485-TX 783 239443	97.036	262,972
Direct Award			
Fiscal Year (FY) 2021 Assistance To Firefighters Grants	EMW-2021-FG-11565	97.044	20,972
	Total U.S. Department of Homeland Security		<u>323,060</u>
	TOTAL PROGRAMS		<u>\$ 2,917,940</u>

CITY OF STEPHENVILLE, TEXAS

Schedule of Expenditures of State Awards For the Year Ended September 30, 2023

<u>State Grantor/Pass-through Agency/Program Name</u>	<u>Program/Grant/Project Number</u>	<u>Expenditures</u>
TEXAS WATER DEVELOPMENT BOARD		
<i>Clean Water State Revolving Fund Loan Program</i>	L1000715 73744	\$ 7,453,283
<i>Flood Infrastructure Fund Project Grant</i>	G1001289	<u>89,259</u>
Total Texas Water Development Board		<u>7,542,542</u>
	TOTAL PROGRAMS	<u>\$ 7,542,542</u>

CITY OF STEPHENVILLE, TEXAS
Notes to the Schedules of Expenditures of Federal and State Awards
September 30, 2023

Note 1: Basis of Presentation

The accompanying schedules of expenditures of federal and state awards ("the Schedules") include the federal and state awards of the City. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Texas Grant Management Standards (TxGMS). Because the Schedules present only a selected portion of the operations of the City, they are not intended to and do not represent the financial position or changes in the net position of the City.

Note 2: Summary of Significant Accounting Policies

Expenditures on the Schedules are reported on the accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance and TxGMS, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts are shown on the Schedules, if any, represent adjustments or credit made in the normal course of business to amounts reported as expenditures in prior years.

The City of has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance of TxGMS.

Note 3: Loan Programs

The City issued bonds that were purchased by the Texas Water Development Board with Clean Water State Revolving Funds. The amount of state awards reported in the Schedule of Expenditures of State Awards are the amount of bond funds spent during the period.