

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2020



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*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of the

City of Stephenville, Texas

**For the Year Ended
September 30, 2020**

Prepared by:
Finance Department

Monica Harris
Director of Finance

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City of Stephenville, Texas

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INTRODUCTORY SECTION

Stephenville
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May 28, 2021

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 Comprehensive Annual Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2020.

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.

Brooks Watson & Company has issued an unmodified (“clean”) opinion on the City's financial statements for the year ended September 30, 2020. 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 23,120. 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 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 I. 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 the 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 formally adopts the budget and legally appropriates available monies for activities of the General Fund, Special Revenue Funds, Capital Project Funds and Debt Service Fund.

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 grave public necessity to meet unusual and unforeseen conditions, which could not have reasonably been foreseen at the time the budget was adopted.

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 45,000 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 fairly 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 over 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, cream cheese, 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, 42 states, and 20 foreign countries. Tarleton's Stephenville Campus 2020 fall enrollment was in excess of 9,500 students with total enrollment across all Tarleton Campuses, including online, exceeding 14,000 students.

Stephenville ranks high in the state for a quality of work environment. As of September 2020, with unemployment at 7.9% statewide, Stephenville's unemployment was 5.8%. The city has adequate—yet below-average—wealth and income. According to the U. S. Census Bureau's 2019 American Community Survey published in 2020, Stephenville's median household income is \$47,161 compared to \$52,580 for Dallas and \$61,874 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 33.4% for Dallas and 29.9% for Texas.

The stable 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 ten million dollars in new taxable value for the 2020 property tax rolls. A multi-family and single family housing project has begun construction with anticipated completion in late 2021. Several apartment complexes and student housing projects have been completed, and additional multi-family dwellings are in varying stages from planning to construction. Tarleton State University continues its growth and is now a NCAA Division 1 school, anticipating growth in student enrollment unseen previously. The City did not complete the anticipated street preservation projects for fiscal year 2019-2020 due to the pandemic, but has re-appropriated those funds and an additional \$950,000 more for fiscal year 2020-2021. A major fast food restaurant franchise was completed, and another major fast food restaurant is currently under construction to open their largest and newest model in the state. A retail sales complex is in the construction phase with projected retail sales of \$40 to \$50 million per year; completion is anticipated in 2022. A long stalled commercial development has submitted plans for a potential complex of up to five fast casual restaurants. The Stephenville Economic Development Authority (SEDA) continues to work on several major projects and continues to receive many new economic development inquiries from companies interested in locating their business in Stephenville.

Long-Term Financial Planning

The City's ability to respond to on-going economic challenges will require careful long-range planning. 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.

Users of this document are encouraged to read the City's Fiscal Year 2020-2021 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 has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, the City's TMRS net pension asset far exceeds the other post-employment benefits liability created by the supplemental death benefit offered to retirees. The City does not provide for retiree health care. The City provides a sustainable benefit to our employees without shifting costs to future taxpayers. In addition, the City has expanded the deferred compensation plan offered to employees.

Relevant Financial Policies

The City Council has adopted a series of financial standards and policies for operating and debt management. 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 the general awareness of the City's financial positions and economic activity.

Major Initiatives

The City currently has several projects underway. Several of these projects were delayed by the pandemic. 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 a significant portion of the land needed has been purchased. A major sewer project is underway with completion anticipated in thirty-six months. This project is a three-phase project to alleviate sanitary sewer overflow issues and expand servicing areas, affecting 80% of the City. A \$2 million dollar storm water drainage project is in progress with Community Development Block Grant funding through the Texas General Land Office with completion expected in the third quarter of 2021. The City anticipates reconstructing a major thoroughfare designated as a minor arterial with bond proceeds; estimated completion is in twenty-four months.

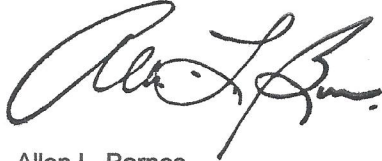
AWARDS AND ACKNOWLEDGEMENTS

The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This award was the 32nd 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 comprehensive annual 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. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report on a timely basis 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,



Allen L. Barnes
City Manager



Monica D. Harris
Director of Finance & Administration



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Stephenville
Texas**

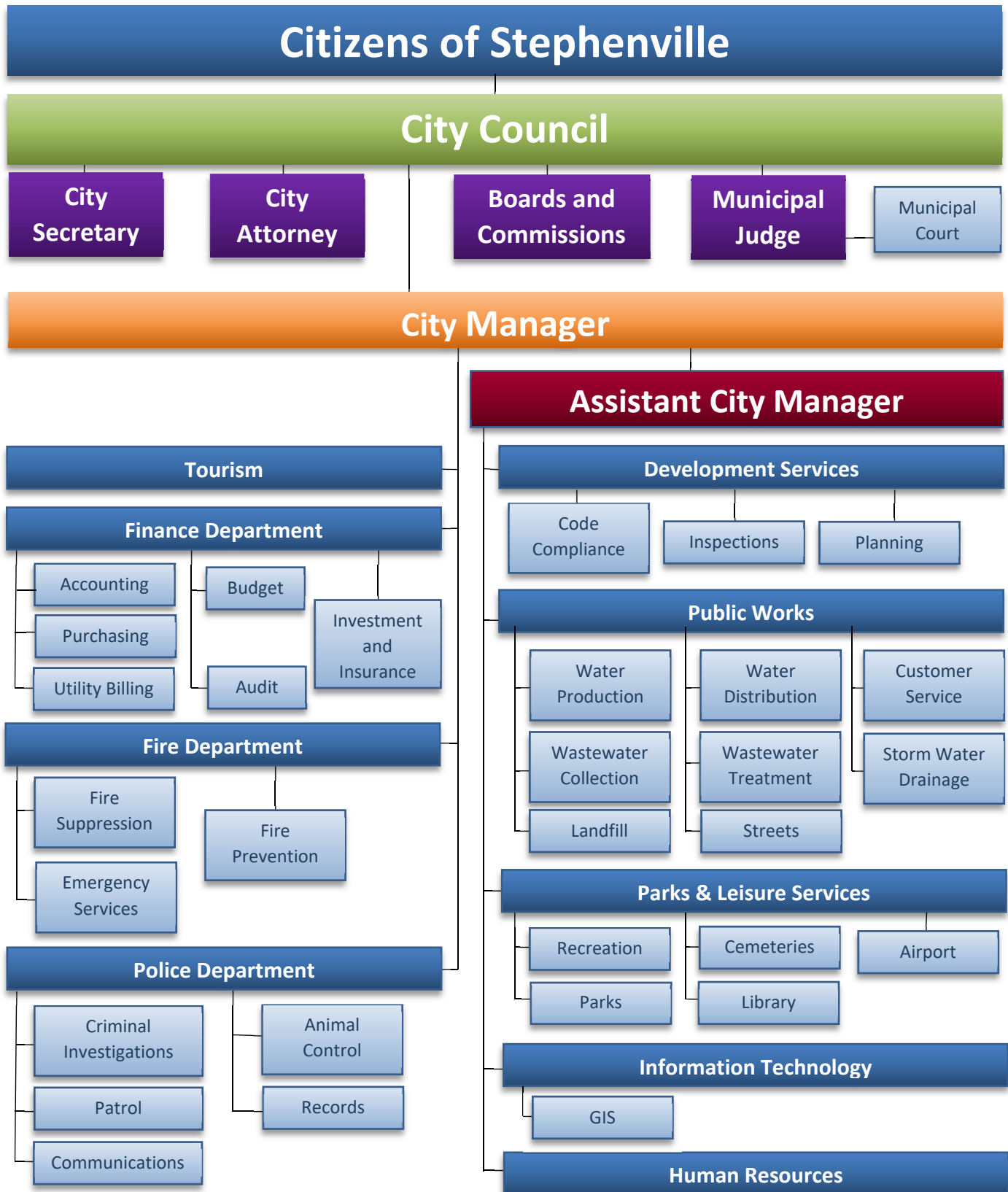
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2019

Christopher P. Morill

Executive Director/CEO

Organizational Chart





City Council

Mayor	Doug Svien
Place 1	Mark McClinton
Place 2	Justin Haschke
Place 3	Nick Robinson
Place 4	Brady Pendleton
Pace 5	Ricky Thurman
Place 6	Alan Nix
Place 7	Gerald Cook
Place 8	Brandon Huckabee

Staff

City Administrator	Allen L. Barnes
Assistant City Manager	Jason M. King
Director of Finance & Administration	Monica D. Harris
Director of Utilities	Nick Williams
Police Chief	Dan M Harris, Jr.
Fire Chief	Jimmy Chew
Director of Development Services	Steve Killen
Director of Parks & Leisure Services	Jennifer Basham
City Secretary	Staci L. King

FINANCIAL SECTION

Stephenville
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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Stephenville, Texas:

Report on the Financial Statements

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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The City's 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; this includes 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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, 2020, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V.F the City has restated net position of governmental activities, business-type activities, the general fund, and the storm drainage fund to correct a prior year accounting error. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary comparison information, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary 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. Such 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 accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
May 28, 2021

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

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City of Stephenville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2020

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, 2020. 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 1-5 of this report.

Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows (net position) at September 30, 2020 by \$86,901,431.
- The City's total net position increased by \$6,238,925. 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 \$24,404,737 at September 30, 2020, an increase of \$14,098,393 from the prior fiscal year; this includes an increase of \$865,652 in the general fund, an increase of \$13,110,383 in the capital projects fund, and an increase of \$122,358 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$9,576,401 or 59% of total general fund expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$10,365,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$38,575,000.
- The City's net pension asset totaled \$2,464,863 as of year end.

Overview of the Financial Statements

The 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) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

The *government-wide 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.

City of Stephenville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

The *statement of net position* presents information on all of 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.

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 of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other 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 public works. The business-type activities of the City include water and wastewater, stormwater drainage, airport and sanitary landfill operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Stephenville Economic Development Authority for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 30-35 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.

City of Stephenville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is the only major fund. 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 36-39 of this report.

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, airport, storm water drainage operations, and sanitary landfill 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 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 sewer and the storm water drainage funds since they are considered major funds of the City.

The basic proprietary fund financial statements can be found on pages 42-51 of this report.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Component Units

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

Notes to Financial Statements

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

The notes to the financial statements can be found on pages 53-91 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.

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 exceed liabilities by \$86,901,431 as of September 30, 2020, in the primary government.

The largest portion of the City's net position, \$67,141,545, reflects its investments in capital assets (e.g., land, city hall complex, recreation hall, streets, water and wastewater system, airport hanger, sanitary landfill systems, as well as the 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.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2020			2019		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 26,351,076	\$ 20,581,406	\$ 46,932,482	\$ 12,083,836	\$ 24,341,593	\$ 36,425,429
Capital assets, net	26,654,604	58,599,440	85,254,044	24,650,234	53,644,966	78,295,200
Net pension asset	2,102,774	314,517	2,417,291	-	-	-
Total Assets	55,108,454	79,495,363	134,603,817	36,734,070	77,986,559	114,720,629
Deferred Outflows	2,644,380	433,381	3,077,761	3,669,186	613,074	4,282,260
Other liabilities	2,711,225	3,221,485	5,932,710	2,489,265	3,191,255	5,680,520
Long-term liabilities	16,750,115	24,272,023	41,022,138	4,978,384	26,028,850	31,007,234
Total Liabilities	19,461,339	27,493,508	46,954,847	7,467,649	29,220,105	36,687,754
Deferred Inflows	3,327,585	497,715	3,825,300	1,430,177	222,452	1,652,629
Net Position:						
Net investment						
in capital assets	21,847,814	45,293,731	67,141,545	20,416,468	43,079,879	63,496,347
Restricted	1,976,474	1,089,229	3,065,703	2,008,149	1,045,392	3,053,541
Unrestricted	11,139,622	5,554,561	16,694,183	9,080,813	5,031,805	14,112,618
Total Net Position	\$ 34,963,910	\$ 51,937,521	\$ 86,901,431	\$ 31,505,430	\$ 49,157,076	\$ 80,662,506

Current assets of governmental activities were \$26,351,076 and \$12,083,836 as of September 30, 2020 and September 30, 2019, respectively. The increase of \$14,267,240 was primarily attributable to unspent bond proceeds received in the current year. Current assets of business-type activities were \$20,581,406 and \$24,341,593 as of September 30, 2020 and September 30, 2019, respectively. The decrease of \$3,760,187 was primarily attributable to capital asset purchases. Business-type activities had an overall positive change in net position of \$2,780,445. Long-term liabilities for governmental activities increased by \$11,771,731 primarily as a result of the issuance of certificates of obligation during the current year. Overall capital assets increased by \$6,958,844 due to ongoing investment in City infrastructure and other capital assets.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

Statement of Activities:

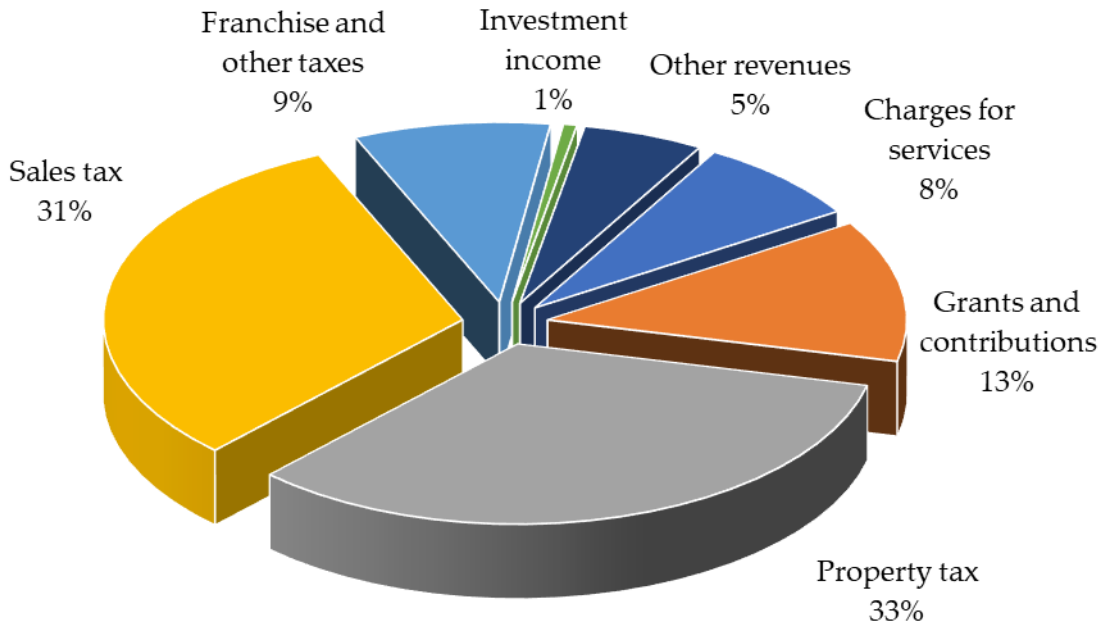
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2020			For the Year Ended September 30, 2019		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 1,446,661	\$ 10,015,289	\$ 11,461,950	\$ 1,887,801	\$ 9,385,175	\$ 11,272,976
Grants and contributions	2,413,762	287,600	2,701,362	288,435	316,254	604,689
General revenues:						
Property tax	6,324,119	-	6,324,119	6,042,944	-	6,042,944
Sales tax	5,940,857	-	5,940,857	5,943,343	-	5,943,343
Franchise and other taxes	1,675,634	-	1,675,634	1,827,729	-	1,827,729
Investment income	115,763	195,341	311,104	264,034	501,577	765,611
Other revenues	1,030,088	287,971	1,318,059	260,645	249,753	510,398
Total Revenues	18,946,884	10,786,201	29,733,085	16,514,931	10,452,759	26,967,690
Expenses						
General government	2,512,975	-	2,512,975	2,555,641	-	2,555,641
Culture and recreation	2,254,992	-	2,254,992	2,402,357	-	2,402,357
Community development	493,019	-	493,019	588,612	-	588,612
Public safety	9,637,871	-	9,637,871	8,885,222	-	8,885,222
Streets	1,501,306	-	1,501,306	1,644,724	-	1,644,724
Interest and fiscal charges	530,646	453,686	984,332	124,539	474,669	599,208
Water and wastewater	-	4,966,867	4,966,867	-	5,230,103	5,230,103
Airport	-	178,661	178,661	-	178,613	178,613
Storm water drainage	-	364,971	364,971	-	396,986	396,986
Sanitary landfill	-	599,166	599,166	-	579,206	579,206
Total Expenses	16,930,809	6,563,351	23,494,160	16,201,095	6,859,577	23,060,672
Change in Net Position						
Before Transfers	2,016,075	4,222,850	6,238,925	313,836	3,593,182	3,907,018
Transfers	1,442,405	(1,442,405)	-	400,495	(400,495)	-
Total	1,442,405	(1,442,405)	-	400,495	(400,495)	-
Change in Net Position	3,458,480	2,780,445	6,238,925	714,331	3,192,687	3,907,018
Beginning Net Position	31,505,430	49,157,076	80,662,506	30,791,099	45,964,389	76,755,488
Ending Net Position	\$ 34,963,910	\$ 51,937,521	\$ 86,901,431	\$ 31,505,430	\$ 49,157,076	\$ 80,662,506

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

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

Governmental Activities Revenues

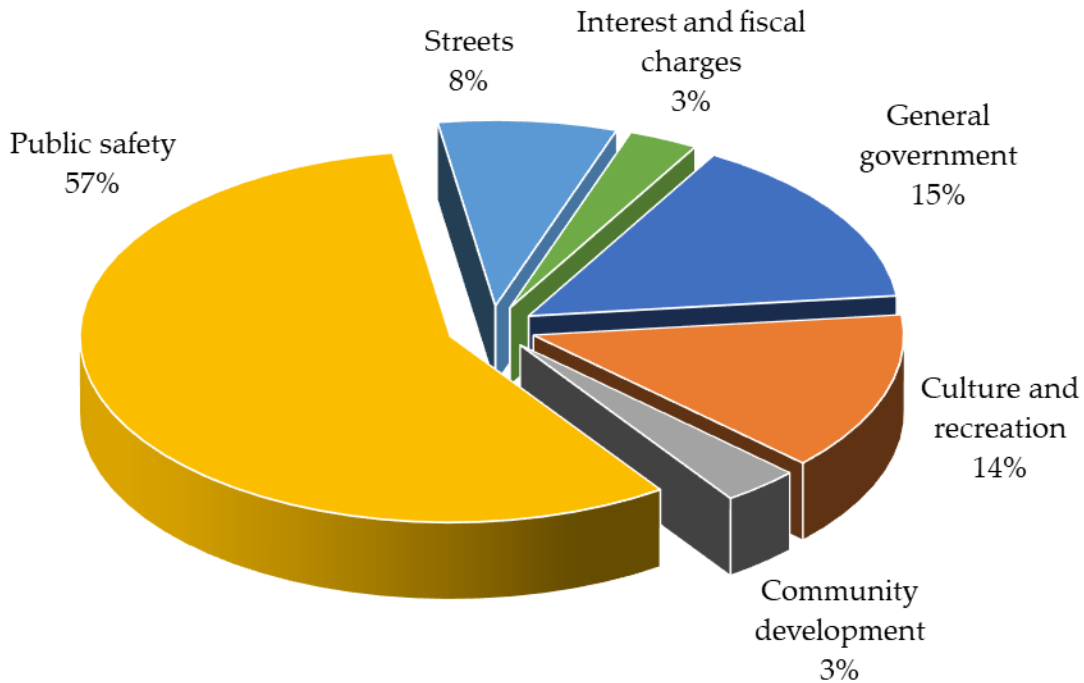


For the year ended September 30, 2020, revenues from governmental activities totaled \$18,946,884. Property tax and sales tax are the City's largest general revenue sources. Overall revenue increased \$2,431,953 or 15% from the prior year. Property tax revenue increased \$281,175 or 5% due to an increase in appraised property values and a growing tax base. Charges for services decreased by \$441,140 or 23% primarily to nonrecurring parks and recreation fees and building permit revenue in the prior year. Grants and contributions increased \$2,125,327 primarily as a result of nonrecurring capital grants received in the current year. Investment income decreased by \$148,271 or 56% primarily as a result of the realization of lower interest rates in the current year. Other revenue increased by \$769,443 due to nonrecurring insurance proceeds received in the current year. All other revenues remained relatively stable when compared to the previous year.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

This graph shows the governmental function expenses of the City:

Governmental Activities Expenses

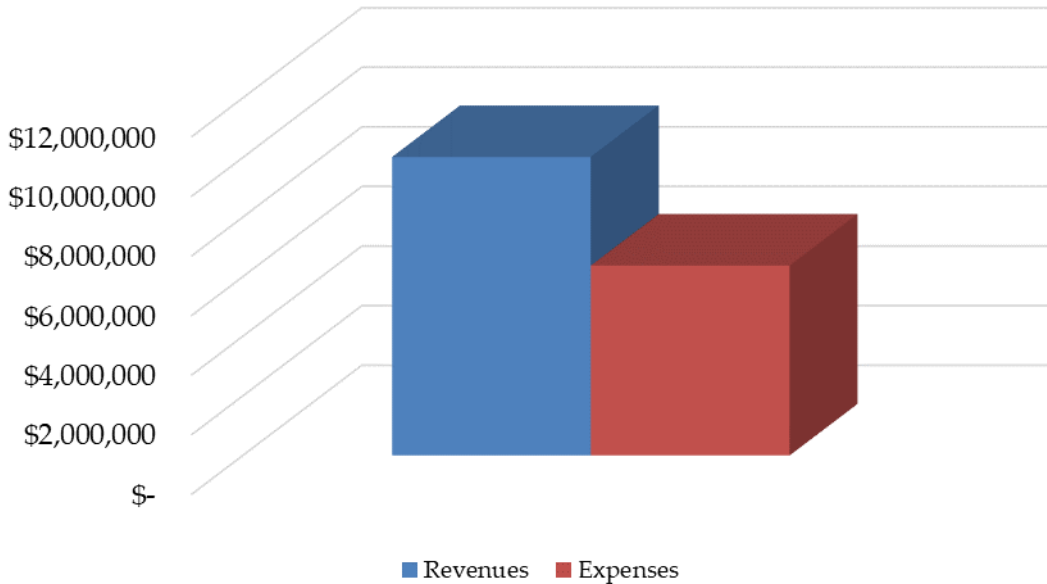


For the year ended September 30, 2020, expenses for governmental activities totaled \$16,930,809. This represents an increase of \$729,714 or 5% from the prior year. The City's largest functional expense is public safety totaling \$9,637,871. Public safety increased \$752,649 or 8% when compared to the prior year primarily due to nonrecurring damage claim expenses resulting from storm damage. Streets expenses decreased by \$143,418 or 9% primarily as a result of a reduction in maintenance, utilities, equipment, and depreciation expenses. Interest and fiscal charges increased by \$406,107 primarily due to nonrecurring bond issuance costs recognized, as the City issued certificates of obligation in the current year. All other expenses remained relatively stable when compared to the previous year.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

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, 2020, charges for services by business-type activities totaled \$10,015,289. This is an increase of \$630,114, or 7%, from the previous year. This is primarily a result of increased water and sewer service rates charged to customers compared to the prior year.

Total expenses decreased \$296,226 or 4% to a total of \$6,563,351. Water and wastewater department expenses decreased by \$263,236 or 5% primarily due to decreased water distribution expenses, which is in line with lower water consumption compared to the prior year. In addition, there was a reduction in water meter maintenance and wastewater collection over the course of the current year. Storm water drainage expenses decreased by \$32,015 or 8%, primarily due to a reduction in maintenance and professional expenses over the course of 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 of near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for spending at the end of the year.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

At September 30, 2020, the City's governmental funds reported combined fund balances of \$24,404,737, an increase of \$14,098,393 in comparison with the prior year. Approximately 39% of this amount, \$9,576,401, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Nonspendable fund balance totaled \$3,962 for inventories and committed fund balance totaled \$14,189,708. The remainder of the fund balance is restricted for particular purposes totaling \$634,666.

As of the end of the year the general fund reflected a total fund balance of \$10,115,117. General fund balance increased by \$865,652. This increase is a result of higher than anticipated emergency services revenue and licenses and permits. Contributions and donations increased by \$660,585 when compared to the prior year. Property tax totaled \$6,084,204 and increased \$497,417 from the prior year.

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 \$9,576,401 is 59% of total general fund operating expenditures.

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 \$37,998,262. Unrestricted net position at the close of the fiscal year amounted to \$3,843,813, and overall net position increased \$2,266,385 from the previous year. Total investment in capital assets, net of related debt of was \$33,275,585, and capital assets, net of depreciation totaled \$41,317,695.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$3,156,018 and increasing total revenues by \$2,407,405 resulting in a deficit in a final budgeted fund balance of \$182,482. The primary amendment to expenditures and revenue related to additional salaries and wages due to the COVID pandemic as well as grants and contributions. Total budgeted revenues of \$18,045,686 were greater than actual revenues of \$16,812,391, resulting in a total negative revenue variance of \$1,233,295. Total budgeted expenditures of \$18,631,700 were greater than actual expenditures of \$16,339,070, resulting in a total positive expenditure variance of \$2,292,630.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$26,654,604 in a variety of capital assets and infrastructure. The City's business-type activities funds had invested \$58,599,440 in a variety of capital assets and infrastructure, net of accumulated depreciation. This investment in capital assets includes land, buildings, vehicles, equipment, improvements, and infrastructure. Major capital asset events during the current year include the following:

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2020

- Purchase of land off US Hwy 67 (.98 acres) for \$30,831.
- Lightning mixers for wastewater treatment plant for \$116,000.
- CDBG water line improvement project improvements totaling \$494,145.
- Eastside sewer interceptor project investments totaling \$3,191,279.
- Graham Ave. water and sewer line improvements totaling \$2,000,000.
- TP2 aerator replacement for \$209,652.
- Type IV landfill improvements for \$347,505.
- Grosebeck CDBG GLO project improvements totaling \$118,100.
- Purchase of Spillman NIBRS software equipment for \$135,503.
- Harbin Dr. street widening improvements for \$395,944.
- Electrical work for recreation work totaling \$129,599.
- Purchased new parks and recreation equipment for \$119,026.
- Bosque River Trail Phase II improvements totaling \$1,897,409.
- Public safety renovations for \$201,189.

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

LONG-TERM DEBT

The City's outstanding bonds and certificates of obligation (excluding premiums and discounts) payable increased by \$10,365,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$38,575,000. During the year, the City issued \$11,860,000 worth of certificates of obligation. The City made \$1,495,000 in principal payments on outstanding bonds and certificates of obligation. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The local economy has remained stable and is experiencing continued growth as evidenced by sales tax revenue, property tax valuations, and construction permits issued. Sales tax collections for fiscal year 2019-2020, during the COVID-19 pandemic, were \$2,800 less than fiscal year 2018-2019. In addition, the sales tax collections for fiscal year 2020-2021, thus far, exceed fiscal year 2019-2020 by over 18%. Taxable assessed property values for 2019 exceeded 2018 by 8.61, and the 2020 taxable assessed values exceeded 2019 by 5.36%. Furthermore, the City issued 220 building permits in fiscal year 2019-2020 with a value exceeding \$21 million during the pandemic. It is anticipated that new assessed taxable value for 2021 could be as high as \$50 million.

The City of Stephenville is committed to maintaining and improving the services provided to its citizens, budgeting over \$1.9 million in street improvements of which \$1 million was fiscal year 2019-2020 unspent funds re-appropriated for projects delayed due to the pandemic. The City also re-appropriated unspent 2019-2020 funds of over \$1.5 million to continue the CDBG storm water drainage

City of Stephenville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2020

project, over \$11 million for the Eastside Sewer project, and over \$7 million for the Harbin Drive water, sewer, and street project. The City is mindful of the impact of the budget on the citizens, and continues to strive for cost savings, efficiencies in operations, charging adequate user fees, and applying for grant funding. The budget for fiscal year 2020-2021, includes a small deficit of \$386,000 requiring reserve funding, of which about 75% were items unspent in fiscal year 2019-2020 or items previously committed for reserve funding. In addition, over \$1 was budgeted in the general fund for capital expenditures. The City also increased water, sewer, and storm rates to fund almost \$2 million in water and sewer capital expenditures and \$400,000 in capital expenditures in storm water drainage.

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) 918-1211.

FINANCIAL STATEMENTS

City of Stephenville, Texas
STATEMENT OF NET POSITION (page 1 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Assets</u>			
Cash and cash equivalents	\$ 23,538,348	\$ 4,862,501	\$ 28,400,849
Investments	490,483	-	490,483
Restricted cash	103,389	13,919,258	14,022,647
Receivables, net	2,208,444	1,400,276	3,608,720
Prepaid items	-	160,809	160,809
Due from component unit	6,450	-	6,450
Inventories	3,962	238,562	242,524
Current Assets	26,351,076	20,581,406	46,932,482
Net pension asset	2,102,774	314,517	2,417,291
Capital assets:			
Non-depreciable	3,349,532	13,164,404	16,513,936
Net depreciable capital assets	23,305,072	45,435,036	68,740,108
Noncurrent Assets	28,757,378	58,913,957	87,671,335
Total Assets	55,108,454	79,495,363	134,603,817
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	13,981	39,946	53,927
Deferred pension outflows	2,564,385	383,561	2,947,946
Deferred OPEB outflows	66,014	9,874	75,888
Total Deferred Outflows of Resources	2,644,380	433,381	3,077,761

Component Unit
Stephenville
EDA

\$ 891,896
-
-
110,341
-
-
-

1,002,237

47,572
-
-

47,572

1,049,809

-
58,015
1,493

59,508

City of Stephenville, Texas
STATEMENT OF NET POSITION (page 2 of 2)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<u>Liabilities</u>			
Accounts payable and accrued liabilities	1,570,585	1,049,199	2,619,784
Customer deposits	-	379,083	379,083
Accrued interest payable	79,409	60,436	139,845
Compensated absences due within one year	573,134	58,099	631,233
Long-term debt due within one year	488,097	1,659,608	2,147,705
Unearned revenue	-	15,060	15,060
Due to primary government	-	-	-
Current Liabilities	2,711,225	3,221,485	5,932,710
Noncurrent liabilities due in more than one year:			
OPEB liability	494,671	73,990	568,661
Compensated absences, noncurrent	63,682	6,456	70,138
Landfill closure costs	-	175,467	175,467
Debt due in more than one year	16,191,762	24,016,110	40,207,872
	16,750,115	24,272,023	41,022,138
Total Liabilities	19,461,339	27,493,508	46,954,847
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	3,325,351	497,380	3,822,731
Deferred OPEB inflows	2,234	335	2,569
Total Deferred Inflows of Resources	3,327,585	497,715	3,825,300
<u>Net Position</u>			
Net investment in capital assets	21,847,814	45,293,731	67,141,545
Restricted for:			
Capital projects	-	-	-
Tourism	377,302	-	377,302
Pensions	1,341,808	200,698	1,542,506
Municipal court	6,023	-	6,023
Public safety	50,415	-	50,415
Debt service	200,926	888,531	1,089,457
Economic development	-	-	-
Unrestricted	11,139,622	5,554,561	16,694,183
Total Net Position	\$ 34,963,910	\$ 51,937,521	\$ 86,901,431

See Notes to Financial Statements.

Component Unit
Stephenville
EDA

24,937
-
-
9,868
-
-
6,450
<u>41,255</u>
11,191
1,096
-
-
<u>12,287</u>
<u>53,542</u>
75,231
51
<u>75,282</u>
-
75,000
80,000
30,356
-
-
-
795,137
-
<u>\$ 980,493</u>

City of Stephenville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,512,975	\$ 3,600	\$ 561,706	\$ -
Culture and recreation	2,254,992	245,570	1,456	1,401,652
Community development	493,019	321,774	-	-
Public safety	9,637,871	875,103	372,080	-
Streets	1,501,306	614	-	76,868
Interest and fiscal charges	530,646	-	-	-
Total Governmental Activities	16,930,809	1,446,661	935,242	1,478,520
Business-Type Activities				
Water and Wastewater	5,234,741	8,152,610	-	255,420
Storm Water Drainage	550,783	638,126	-	-
Airport	178,661	110,919	-	32,180
Sanitary Landfill	599,166	1,113,634	-	-
Total Business-Type Activities	6,563,351	10,015,289	-	287,600
Total Primary Government	\$ 23,494,160	\$ 11,461,950	\$ 935,242	\$ 1,766,120
Component Unit				
Stephenville Economic Development Authority	\$ 442,152	\$ -	\$ -	\$ -
Total Component Unit	\$ 442,152	\$ -	\$ -	\$ -

General Revenues:

- Taxes
 - Property tax
 - Sales tax
 - Franchise and other taxes
 - Hotel occupancy taxes
- Investment income
- Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental	Business-Type		Stephenville
Activities	Activities	Total	EDA
\$ (1,947,669)	\$ -	\$ (1,947,669)	\$ -
(606,314)	-	(606,314)	-
(171,245)	-	(171,245)	-
(8,390,688)	-	(8,390,688)	-
(1,423,824)	-	(1,423,824)	-
(530,646)	-	(530,646)	-
<u>(13,070,386)</u>	<u>-</u>	<u>(13,070,386)</u>	<u>-</u>
-	3,173,289	3,173,289	-
-	87,343	87,343	-
-	(35,562)	(35,562)	-
-	514,468	514,468	-
<u>-</u>	<u>3,739,538</u>	<u>3,739,538</u>	<u>-</u>
<u>(13,070,386)</u>	<u>3,739,538</u>	<u>(9,330,848)</u>	<u>-</u>
			<u>(442,152)</u>
			<u>(442,152)</u>
6,324,119	-	6,324,119	-
5,940,857	-	5,940,857	540,078
1,276,928	-	1,276,928	-
398,706	-	398,706	-
115,763	195,341	311,104	7,379
1,030,088	287,971	1,318,059	-
1,442,405	(1,442,405)	-	-
<u>16,528,866</u>	<u>(959,093)</u>	<u>15,569,773</u>	<u>547,457</u>
3,458,480	2,780,445	6,238,925	105,305
31,505,430	49,157,076	80,662,506	875,188
<u>\$ 34,963,910</u>	<u>\$ 51,937,521</u>	<u>\$ 86,901,431</u>	<u>\$ 980,493</u>

City of Stephenville, Texas

BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2020

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 9,157,723	\$ 13,723,465	\$ 657,160	\$ 23,538,348
Investments	490,483	-	-	490,483
Restricted cash	103,389	-	-	103,389
Receivables, net	2,113,529	-	94,915	2,208,444
Inventory	3,962	-	-	3,962
Due from other funds	15,656	-	-	15,656
Due from component unit	6,450	-	-	6,450
Total Assets	\$ 11,891,192	\$ 13,723,465	\$ 752,075	\$ 26,366,732
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 1,400,947	\$ 68,511	\$ 101,127	\$ 1,570,585
Due to other funds	-	-	15,656	15,656
Total Liabilities	1,400,947	68,511	116,783	1,586,241
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Fines and fees	141,069	-	-	141,069
Unavailable revenue - EMS	209,252	-	-	209,252
Unavailable revenue - property taxes	24,807	-	626	25,433
Total Deferred Inflows of Resources	375,128	-	626	375,754
<u>Fund Balances</u>				
Nonspendable:				
Inventories	3,962	-	-	3,962
Committed for:				
Capital projects	-	13,654,954	-	13,654,954
Airport improvement	384,754	-	-	384,754
Grant match	150,000	-	-	150,000
Restricted for:				
Tourism	-	-	377,302	377,302
Municipal court	-	-	6,023	6,023
Public safety	-	-	50,415	50,415
Debt service	-	-	200,926	200,926
Unassigned reported in:				
General fund	9,576,401	-	-	9,576,401
Total Fund Balances	10,115,117	13,654,954	634,666	24,404,737
Total Liabilities, Deferred Inflows and Fund Balances	\$ 11,891,192	\$ 13,723,465	\$ 752,075	\$ 26,366,732

See Notes to Financial Statements.

City of Stephenville, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2020

Fund Balances - Total Governmental Funds	\$ 24,404,737
Adjustments for the Statement of Net Position:	
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.	
Capital assets - non-depreciable	3,349,532
Capital assets - net depreciable	23,305,072
Net pension asset	
The net pension asset is not an available resource and, therefore, is not reported in the funds.	2,102,774
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.	
Fines and fees receivable	141,069
Property tax receivable	25,433
EMS receivable	209,252
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.	
Deferred charges on refunding	13,981
Deferred pension outflows	2,564,385
Deferred OPEB outflows	66,014
Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.	
Deferred pension inflows	(3,325,351)
Deferred OPEB inflows	(2,234)
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.	
OPEB liability	(494,671)
Compensated absences	(636,815)
Accrued interest	(79,409)
Bond premium	(1,008,650)
Bond discount	1,523
Non-current liabilities due in one year	(488,097)
Non-current liabilities due in more than one year	(15,184,635)
Net Position of Governmental Activities	\$ 34,963,910

See Notes to Financial Statements.

City of Stephenville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 1 of 2)

For the Year Ended September 30, 2020

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 6,084,204	\$ -	\$ 256,240	\$ 6,340,444
Sales tax	5,940,857	-	-	5,940,857
Franchise and other taxes	1,276,928	-	-	1,276,928
Hotel occupancy taxes	-	-	398,706	398,706
License and permits	321,774	-	-	321,774
Charges for services	246,141	6,597	-	252,738
Emergency services	702,878	-	-	702,878
Fines and forfeitures	78,498	-	4,069	82,567
Intergovernmental	175,728	-	3,538	179,266
Contributions and donations	832,844	-	-	832,844
Investment income	92,939	18,240	4,584	115,763
Other revenues	1,059,600	-	6,800	1,066,400
Total Revenues	16,812,391	24,837	673,937	17,511,165
Expenditures				
Current:				
General government	2,120,702	-	289,292	2,409,994
Culture and recreation	1,939,211	-	-	1,939,211
Community development	482,507	-	-	482,507
Public safety	8,965,028	-	1,452	8,966,480
Streets	773,640	-	-	773,640
Debt service:				
Principal retirement	303,490	-	180,000	483,490
Interest and fiscal charges	50,466	126,960	80,835	258,261
Bond issuance costs	-	262,595	-	262,595
Capital outlay:				
General government	28,150	-	-	28,150
Culture and recreation	826,344	-	-	826,344
Community development	73,853	-	-	73,853
Public safety	762,179	-	-	762,179
Streets	13,500	477,476	-	490,976
Total Expenditures	16,339,070	867,031	551,579	17,757,680
Excess of Revenues Over (Under)				
Expenditures	473,321	(842,194)	122,358	(246,515)

City of Stephenville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS (Page 2 of 2)

For the Year Ended September 30, 2020

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,442,405	1,071,572	-	2,513,977
Transfers (out)	(1,071,572)	-	-	(1,071,572)
Bond proceeds	-	11,860,000	-	11,860,000
Premium on bond issuance	-	1,021,005	-	1,021,005
Proceeds from sale of assets	21,498	-	-	21,498
Total Other Financing Sources	392,331	13,952,577	-	14,344,908
Net Change in Fund Balances	865,652	13,110,383	122,358	14,098,393
Beginning fund balances	9,249,465	544,571	512,308	10,306,344
Ending Fund Balances	\$ 10,115,117	13,654,954	\$ 634,666	\$ 24,404,737

See Notes to Financial Statements.

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City of Stephenville, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

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

Net changes in fund balances - total governmental funds	\$ 14,098,393
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	2,181,502
Capital contributions	1,401,652
Depreciation expense	(1,520,974)
Adjustment for sale of capital assets	(57,810)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	70,379
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense	(154,033)
Compensated absences	(113,975)
Other post employment benefits	(39,349)
Accrued interest	(35,208)
Amortization of deferred charges on refunding	(1,119)
Amortization of bond premium and discounts	26,537

The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	483,490
Bonds issued	(11,860,000)
Premiums on bonds issued	(1,021,005)

Change in Net Position of Governmental Activities	\$ 3,458,480
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See Notes to Financial Statements.

City of Stephenville, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Airport
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 3,114,350	\$ 706,612	\$ 171,622
Restricted cash	13,736,261	182,997	-
Receivables, net	1,297,957	78,921	272
Prepaid items	6,972	-	153,837
Inventories	238,562	-	-
Total Current Assets	18,394,102	968,530	325,731
<u>Noncurrent Assets</u>			
Net pension asset	271,628	-	1,479
Capital assets:			
Non-depreciable	9,314,766	403,732	3,405,906
Net depreciable capital assets	32,002,929	8,023,177	3,637,165
Total Noncurrent Assets	41,589,323	8,426,909	7,044,550
Total Assets	59,983,425	9,395,439	7,370,281
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	9,915	30,031	-
Deferred pension outflows	331,257	-	1,804
Deferred OPEB outflows	8,528	-	46
Total Deferred Outflows of Resources	349,700	30,031	1,850

**Business-Type Activities
Enterprise Funds**

Nonmajor		
Sanitary Landfill		Total
\$ 869,917	\$	4,862,501
-		13,919,258
23,126		1,400,276
-		160,809
-		238,562
<u>893,043</u>		<u>20,581,406</u>
41,410		314,517
40,000		13,164,404
1,771,765		45,435,036
<u>1,853,175</u>		<u>58,913,957</u>
<u>2,746,218</u>		<u>79,495,363</u>
-		39,946
50,500		383,561
1,300		9,874
<u>51,800</u>		<u>433,381</u>

City of Stephenville, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Airport
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued expenses	977,912	51,875	2,031
Customer deposits	375,283	-	-
Compensated absences due within one year	50,884	-	-
Current maturities of long-term liabilities	1,344,608	315,000	-
Unearned revenue	-	-	15,060
Accrued interest	36,695	23,741	-
Total Current Liabilities	2,785,382	390,616	17,091
<u>Noncurrent Liabilities</u>			
OPEB liability - TMRS	63,900	-	348
Compensated absences, noncurrent	5,654	-	-
Landfill closure costs	-	-	-
Long-term liabilities	19,050,083	4,966,027	-
Total Liabilities	21,905,019	5,356,643	17,439
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	429,555	-	2,339
Deferred OPEB inflows	289	-	2
Total Deferred Inflows of Resources	429,844	-	2,341
<u>Net Position</u>			
Net investment in capital assets	33,275,585	3,165,813	7,043,071
Restricted for:			
Pensions	173,330	-	944
Debt service	705,534	182,997	-
Unrestricted	3,843,813	720,017	308,336
Total Net Position	\$ 37,998,262	\$ 4,068,827	\$ 7,352,351

See Notes to Financial Statements.

Business-Type Activities

Enterprise Funds

<u>Nonmajor Sanitary Landfill</u>	<u>Total</u>
17,381	1,049,199
3,800	379,083
7,215	58,099
-	1,659,608
-	15,060
-	60,436
<u>28,396</u>	<u>3,221,485</u>
9,742	73,990
802	6,456
175,467	175,467
-	24,016,110
<u>214,407</u>	<u>27,493,508</u>
65,486	497,380
44	335
<u>65,530</u>	<u>497,715</u>
1,809,262	45,293,731
26,424	200,698
-	888,531
682,395	5,554,561
<u>\$ 2,518,081</u>	<u>\$ 51,937,521</u>

City of Stephenville, Texas

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

For the Year Ended September 30, 2020

	Business-Type Activities Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Airport
<u>Operating Revenues</u>			
Water revenue	\$ 4,948,271	\$ -	\$ -
Sewer revenue	3,204,339	-	-
Airport services	-	-	110,919
Storm drainage	-	638,126	-
Sanitation landfill	-	-	-
Other income	169,871	118,100	-
Total Operating Revenues	8,322,481	756,226	110,919
<u>Operating Expenses</u>			
Personnel services	-	-	-
Contractual services	-	-	-
Materials and supplies	-	-	-
Utilities administration and customer service	623,494	-	-
Water and production and distribution	1,389,322	-	-
Wastewater collection and treatment	1,446,125	-	-
Billing and collection	282,357	-	-
Stormwater	-	94,449	-
Airport operations	-	-	56,908
Depreciation	1,225,569	270,522	121,753
Total Operating Expenses	4,966,867	364,971	178,661
Operating Income (Loss)	3,355,614	391,255	(67,742)
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	179,893	8,613	-
Interest expense	(267,196)	(185,812)	-
Bank fees	(678)	-	-
Total Nonoperating Revenues (Expenses)	(87,981)	(177,199)	-
Income Before Contributions and Transfers	3,267,633	214,056	(67,742)
<u>Capital Contributions and Transfers</u>			
Capital grants and contributions	255,420	-	32,180
Transfers in	40,337	-	-
Transfers (out)	(1,297,005)	(150,601)	-
Change in Net Position	2,266,385	63,455	(35,562)
Beginning net position	35,731,877	4,005,372	7,387,913
Ending Net Position	\$ 37,998,262	\$ 4,068,827	\$ 7,352,351

See Notes to Financial Statements.

**Business-Type Activities
Enterprise Funds**

Nonmajor	
Sanitary Landfill	Total
\$ -	\$ 4,948,271
-	3,204,339
-	110,919
-	638,126
1,113,634	1,113,634
-	287,971
<u>1,113,634</u>	<u>10,303,260</u>
206,642	206,642
35,413	35,413
172,632	172,632
-	623,494
-	1,389,322
-	1,446,125
-	282,357
-	94,449
-	56,908
184,479	1,802,323
<u>599,166</u>	<u>6,109,665</u>
<u>514,468</u>	<u>4,193,595</u>
6,835	195,341
-	(453,008)
-	(678)
<u>6,835</u>	<u>(258,345)</u>
521,303	3,935,250
-	287,600
-	40,337
(35,136)	(1,482,742)
<u>486,167</u>	<u>2,780,445</u>
2,031,914	49,157,076
<u>\$ 2,518,081</u>	<u>\$ 51,937,521</u>

City of Stephenville, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Airport
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 8,406,302	\$ 841,119	\$ 110,884
Payments to suppliers and contractors	(3,153,576)	(103,056)	(51,562)
Payments to employees for salaries and benefits	(582,425)	-	(379)
Net Cash Provided by Operating Activities	4,670,301	738,063	58,943
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	40,337	-	-
Transfer (out)	(1,297,005)	(150,601)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,256,668)	(150,601)	-
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchases of capital assets	(6,236,838)	(129,047)	(31,388)
Capital grant	255,420	-	32,180
Principal paid on capital debt	(1,325,811)	(305,000)	-
Change in landclosure costs	-	-	-
Bond issuance costs	(678)	-	-
Interest paid on capital debt	(258,632)	(197,616)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(7,566,539)	(631,663)	792
<u>Cash Flows from Investing Activities</u>			
Change in investment balances	150,000	-	-
Interest on investments	179,893	8,613	-
Net Cash Provided by Investing Activities	329,893	8,613	-
Net Increase (Decrease) in Cash and Cash	(3,823,013)	(35,588)	59,735
Beginning cash and cash equivalents	20,673,624	925,197	111,887
Ending Cash and Cash Equivalents	\$ 16,850,611	\$ 889,609	\$ 171,622

See Notes to Financial Statements.

Business-Type Activities

Enterprise Funds

Nonmajor		
Sanitary Landfill		Total
\$ 1,158,256		\$ 10,516,561
(207,296)		(3,515,490)
(199,644)		(782,448)
<u>751,316</u>		<u>6,218,623</u>
-		40,337
<u>(35,136)</u>		<u>(1,482,742)</u>
(35,136)		(1,442,405)
(359,524)		(6,756,797)
-		287,600
-		(1,630,811)
13,777		13,777
-		(678)
-		(456,248)
<u>(345,747)</u>		<u>(8,543,157)</u>
-		150,000
6,835		195,341
<u>6,835</u>		<u>345,341</u>
377,268		(3,421,598)
<u>492,649</u>		<u>22,203,357</u>
<u>\$ 869,917</u>		<u>\$ 18,781,759</u>

City of Stephenville, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Airport
Reconciliation of Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 3,355,614	\$ 391,255	\$ (67,742)
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	1,225,569	270,522	121,753
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	91,465	84,893	(35)
Inventory	23,886	2,402	-
Prepaid items	-	-	3,083
Deferred Outflows of Resources:			
Deferred pension charges	163,062	-	(943)
OPEB charges	(8,167)	-	(45)
Increase (Decrease) in:			
Accounts payable and accrued expenses	(59,658)	48,016	2,263
Customer deposits	(7,644)	-	-
Compensated absences	9,240	-	-
Due to other funds	-	(59,025)	-
Net pension liability (asset)	(370,920)	-	(1,652)
OPEB liability	11,623	-	257
Deferred Inflows of Resources:			
Pension inflows	237,032	-	2,004
OPEB inflows	(801)	-	-
Net Cash Provided (Used) by Operating Activities	\$ 4,670,301	\$ 738,063	\$ 58,943

See Notes to Financial Statements.

Business-Type Activities

Enterprise Funds

Nonmajor		
Sanitary Landfill		Total
\$ 514,468	\$	4,193,595
184,479		1,802,323
44,322		220,645
-		26,288
-		3,083
22,270		184,389
(1,247)		(9,459)
749		(8,630)
300		(7,344)
2,928		12,168
-		(59,025)
(56,027)		(428,599)
2,046		13,926
37,144		276,180
(116)		(917)
<u>\$ 751,316</u>	<u>\$</u>	<u>6,218,623</u>

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City of Stephenville, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2020

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of government-wide financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. Reporting Entity

The City of Stephenville, Texas (the "City"), was incorporated in 1889, and operates as a home rule City. The City operates under a council-manager form of government and 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 generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Stephenville Economic Development Authority (the "SEDA") although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable, and considerations pertaining to organizations for

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Units

Stephenville Economic Development Authority

The SEDA is governed by a board of seven members, all of whom are appointed by the City Council of the City of Stephenville, Texas and whom can be removed from office by the City Council at its will. SEDA has potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the City. SEDA was incorporated in the state of Texas in 2015. The nature and significance of the relationship between the primary government and SEDA is such that exclusion would cause the City's financial statements to be misleading and incomplete.

Separate financial statements for SEDA as of and for the fiscal year ended September 30, 2020 are not prepared.

C. Basis of Presentation - Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and the proprietary funds.

As discussed earlier, the government has one discretely presented component unit and is shown in separate columns in the government-wide financial statements.

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

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales 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.

Capital Projects Fund

This fund was established to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by transfers from the general fund.

The government reports the following major enterprise funds:

Water and Wastewater Fund

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.

Storm Water Drainage Fund

The storm water drainage fund is used to account for the activities necessary for the provisions of storm water drainage services.

Additionally, the government reports the following fund types:

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes (not including expendable trusts or major capital projects) in a special revenue fund. These funds consist of the hotel/motel tax, child safety, public safety, and municipal court technology funds.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Debt Service Fund

The City's debt service fund accounts for the accumulation of resources to service the City's governmental long-term debt.

Airport Fund

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.

Sanitary Landfill Fund

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

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

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

D. Measurement focus and basis of accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary, pension and other postemployment benefit trust, and private-purpose trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities. The City of Stephenville does not have any pension and other postemployment benefit trust, private-purpose trust or agency funds.

E. Assets, Liabilities, Deferred Outflows / Inflows, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types

City of Stephenville, Texas
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consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for “money market investments” and “2a7-like pools.” Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools’ share price. The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit and money market accounts
- Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board (“GASB”) Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

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

Advances between funds are offset by a nonspendable fund balance account in the applicable governmental fund to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of any allowance for uncollectible amounts.

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4. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred, (i.e., the purchase method). The enterprise fund inventories are valued at the lower of average cost or market. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government, as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art, and capital items received in a service concession arrangement are reported at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Airport improvements	40 years
Waterworks and sanitation system	33 1/3 years
Infrastructure	20 years
Buildings and improvements	20 - 40 years

6. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net

City of Stephenville, Texas
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position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, fines and fees, and EMS. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

7. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

8. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

9. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

City of Stephenville, Texas
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The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The government 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.

10. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

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. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. 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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

11. Pensions

For purposes of measuring the net pension liability (asset), 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.

12. Other Postemployment Benefits ("OPEB")

The City has implemented GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. This statement applies to the individual employers (TMRS cities) in the TMRS Supplemental Death Benefits (SDB) plan, with retiree coverage. The TMRS 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) as such the SDBF is considered to be an unfunded OPEB plan. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single employer, defined benefit OPEB plan. 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 on which TMRS deposits are made, for the 12-month period preceding the month of death. The death benefit amount for retirees is \$7,500. GASB No. 75 requires the liability of employers and nonemployer contributing entities to employees for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

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13. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets 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. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied 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. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

Property taxes at the fund level are recorded as receivables and deferred revenues at the time the taxes are assessed. Revenues are recognized as the related ad valorem taxes are collected. Additional amounts estimated to be collectible in time to be a resource for payment of obligations incurred during the fiscal year and therefore susceptible to accrual in accordance with Generally Accepted Accounting Principles have been recognized as revenue.

Legislation was passed in 1979 and amended in 1981 by the Texas Legislature which affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislature creates a "Property Tax Code" and provides, among other things, for the establishment of county-wide appraisal districts and for a State Property Tax Board which commenced operation in January 1980. The appraisal of property within the City is the responsibility of the Erath County Tax Appraisal District. The Appraisal District is required

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under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment rations. The value of real property within the Appraisal District must be reviewed at least every four years. The City, at its own expense, may challenge appraised values established by the Appraisal District through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on property within the City limits. 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 three & one-half percent (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 rate, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than three and one-half percent above the rate of the previous year.

3. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Employees can carry forward unused sick leave benefits, however, no liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in the government-wide, and 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's resignation and retirement.

4. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer fund, 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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general fund, special revenue funds, and debt service fund. Budgets are adopted for the proprietary fund annually only as a management tool. Capital projects funds do not present a budget comparison since project length financial plans usually extend into two or more fiscal years, thus making comparisons confusing and misleading. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the department level. No funds can be transferred or added which affect the total fund expenditures without City Council approval. Appropriations lapse at the end of the year, unless legally encumbered. Several supplemental budget appropriations were made during the year.

A. Restricted Fund Equity

The City records fund balance restrictions on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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The following is a list of fund balances restricted by the City:

	Restricted
Tourism	\$ 377,302 *
Municipal court	6,023 *
Public safety	50,415 *
Debt service	200,926
Total	\$ 634,666

* Restricted by enabling legislation

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2020, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Certificates of deposits	\$ 490,483	0.06
External investment pools	40,569,999	0.11
Total value	\$ 41,060,482	
Portfolio weighted average maturity		0.11

As of September 30, 2020, the discretely presented component unit had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
External investment pools	\$ 891,896	0.10
Total value	\$ 891,896	
Portfolio weighted average maturity		0.10

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed one year; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

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Credit risk: The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2020, the City's investment in investment pools were rated AAAM by Standard & Poor's.

Custodial credit risk – deposits: In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. 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 that have a market value of not less than the principal amount of the deposits. As of September 30, 2020, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments: For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

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. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

TexSTAR

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds

City of Stephenville, Texas
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Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAM by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	Governmental Activities		
	Nonmajor		Total
	General	Governmental	
Property taxes	\$ 79,081	\$ 6,795	\$ 85,876
Sales and mixed beverage tax	1,213,091	-	1,213,091
Hotel/motel taxes	-	92,533	92,533
Court	199,908	-	199,908
Ambulance billing	1,390,059	-	1,390,059
Other	397,250	464	397,714
Allowance	(1,165,860)	(4,877)	(1,170,737)
	\$ 2,113,529	\$ 94,915	\$ 2,208,444

	Business-Type Activities				Total
	Water and Wastewater	Storm Water Drainage	Airport	Sanitary Landfill	
Accounts	\$ 1,920,922	\$ 90,080	\$ -	\$ 23,126	\$ 2,034,128
Other	33,146	10,100	272	-	43,518
Allowance	(656,111)	(21,259)	-	-	(677,370)
	\$ 1,297,957	\$ 78,921	\$ 272	\$ 23,126	\$ 1,400,276

The discretely presented component unit had receivables of \$110,341 as of yearend which consisted entirely of sales tax.

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C. Capital Assets

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

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 2,676,079	\$ -	\$ -	\$ 2,676,079
Construction in progress	864,061	691,857	(882,465)	673,453
Total capital assets not being depreciated	<u>3,540,140</u>	<u>691,857</u>	<u>(882,465)</u>	<u>3,349,532</u>
Capital assets, being depreciated:				
Buildings and improvements	7,000,575	330,788	(55,761)	7,275,602
Machinery and equipment	9,876,726	497,330	707,334	11,081,390
Infrastructure	26,172,159	2,063,179	29,179	28,264,517
Total capital assets being depreciated	<u>43,049,460</u>	<u>2,891,297</u>	<u>680,752</u>	<u>46,621,509</u>
Less accumulated depreciation				
Buildings and improvements	2,293,122	167,910	(9,550)	2,451,482
Machinery and equipment	6,760,332	477,676	(149,136)	7,088,872
Infrastructure	12,885,912	875,388	14,783	13,776,083
Total accumulated depreciation	<u>21,939,366</u>	<u>1,520,974</u>	<u>(143,903)</u>	<u>23,316,437</u>
Net capital assets being depreciated	21,110,094	1,370,323	824,655	23,305,072
Total Capital Assets	<u>\$ 24,650,234</u>	<u>\$ 2,062,180</u>	<u>\$ (57,810)</u>	<u>\$ 26,654,604</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 67,252
Public safety	453,807
Streets	715,443
Culture and recreation	284,472
Total Governmental Activities Depreciation Expense	<u>\$ 1,520,974</u>

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NOTES TO FINANCIAL STATEMENTS, Continued
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A summary of changes in business-type activities capital assets for the year end was as follows:

	<u>Beginning Balances</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$ 4,368,159	\$ 43,767	\$ (3,100)	\$ 4,408,826
Construction in progress	3,497,716	5,814,472	(556,610)	8,755,578
Total capital assets not being depreciated	<u>7,865,875</u>	<u>5,858,239</u>	<u>(559,710)</u>	<u>13,164,404</u>
Capital assets, being depreciated:				
Buildings and improvements	19,573,022	362,605	-	19,935,627
Machinery and equipment	5,108,812	354,896	-	5,463,708
Infrastructure	60,143,456	181,057	559,710	60,884,223
Total capital assets being depreciated	<u>84,825,290</u>	<u>898,558</u>	<u>559,710</u>	<u>86,283,558</u>
Less accumulated depreciation				
Buildings and improvements	5,828,271	439,816	-	6,268,087
Machinery and equipment	3,252,672	246,382	-	3,499,054
Infrastructure	29,965,256	1,116,125	-	31,081,381
Total accumulated depreciation	<u>39,046,199</u>	<u>1,802,323</u>	<u>-</u>	<u>40,848,522</u>
Net capital assets being depreciated	<u>45,779,091</u>	<u>(903,765)</u>	<u>559,710</u>	<u>45,435,036</u>
Total Capital Assets	<u>\$ 53,644,966</u>	<u>\$ 4,954,474</u>	<u>\$ -</u>	<u>\$ 58,599,440</u>

Depreciation was charged to business-type activities as follows:

Water and Wastewater	\$ 1,225,569
Storm Water Drainage	270,522
Airport	121,753
Sanitary Landfill	184,479
Total Business-type Activities Depreciation Expense	<u>\$ 1,802,323</u>

City of Stephenville, Texas
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D. Long-term Debt

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2020. In general, the City uses the debt service fund and general fund to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Bonds, notes and other payables:					
Certificates of Obligation	\$ 2,785,000	\$ 11,860,000	\$ (180,000)	\$ 14,465,000	\$ 190,000
Capital lease obligations	1,511,222	-	(303,490)	1,207,732	298,097
Less deferred amounts:					
For discounts	(1,656)	-	133	(1,523)	-
For premiums	14,315	1,021,005	(26,670)	1,008,650	-
Total Governmental Activities	<u>\$ 4,308,881</u>	<u>\$ 12,881,005</u>	<u>\$ (510,027)</u>	<u>\$ 16,679,859</u>	<u>\$ 488,097</u>
				<u>\$ 16,191,762</u>	
Business-Type Activities:					
General Obligation Bonds	\$ 3,325,000	\$ -	\$ (75,000)	\$ 3,250,000	\$ 75,000
Certificates of Obligation	22,100,000	-	(1,240,000)	20,860,000	1,250,000
Capital lease obligations	1,730,829	-	(315,811)	1,415,018	334,608
Less deferred amounts:					
For discounts	(21,302)	-	1,578	(19,724)	-
For premiums	184,059	-	(13,635)	170,424	-
Total Business-Type Activities	<u>\$ 27,318,586</u>	<u>\$ -</u>	<u>\$ (1,642,868)</u>	<u>\$ 25,675,718</u>	<u>\$ 1,659,608</u>
				<u>\$ 24,016,110</u>	

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NOTES TO FINANCIAL STATEMENTS, Continued
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Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. The City intends to retire all of its general long-term liabilities, plus accrued interest, from property taxes and other current revenues from the debt service fund as has been done in prior years. The proprietary fund type long-term debt will be repaid, plus accrued interest, from operating revenues of the respective fund. The general fund has typically been used to liquidate the liability for compensated absences for governmental activities.

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

	Governmental Activities	Business - Type Activities	Total
Certificates of Obligation:			
\$4,000,000 Certificates of Obligation, Series 2011, due in annual installments through 2031, interest at 1.75-4.25%	\$ 2,605,000	\$ -	\$ 2,605,000
\$11,860,000 Certificates of Obligation, Series 2020, due in annual installments through 2040, interest at 2-4%	11,860,000	-	11,860,000
\$4,300,000 Certificates of Obligation, Series 2006A, due in annual installments through 2027, interest at 3.92% semi-annually	-	1,900,000	1,900,000
\$1,000,000 Certificates of Obligation, Series 2013 due in annual installments through 2024, interest at 2.49% semi-annually	-	730,000	730,000
\$2,040,000 Certificates of Obligation Bonds, Series 2016 due in annual installments through 2027, interest at 1.84% semi-annually	-	1,990,000	1,990,000
\$17,030,000 Certificates of Obligation Bonds, Series 2018 due in annual installments through 2039, interest at 0.18% to 1.33% semi-annually	-	16,240,000	16,240,000
Total Certificates of Obligation	\$ 14,465,000	\$ 20,860,000	\$ 35,325,000
General Obligation Bonds:			
\$4,775,000 General Obligation Refunding, Series 2013, due in annual installments through 2033, interest at 2.0% to 4.0%	\$ -	\$ 3,250,000	\$ 3,250,000
Total General Obligation Bonds	\$ -	\$ 3,250,000	\$ 3,250,000
Less deferred amounts:			
Issuance premium	\$ 1,008,650	\$ 170,424	\$ 1,179,074
Issuance discounts	(1,523)	(19,724)	(21,247)
Total deferred amounts	\$ 1,007,127	\$ 150,700	\$ 1,157,827
Capital lease obligations	1,207,732	1,415,018	2,622,750
Total Long-Term Debt	\$ 16,679,859	\$ 25,675,718	\$ 42,355,577

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The annual requirements to amortize the City's long-term activities debt issues outstanding at year ending were as follows:

<u>Year ending</u> <u>September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 190,000	\$ 418,950	\$ 608,950
2022	200,000	426,944	626,944
2023	695,000	423,631	1,118,631
2024	725,000	394,706	1,119,706
2025	755,000	364,556	1,119,556
2026	785,000	333,181	1,118,181
2027	820,000	300,481	1,120,481
2028	855,000	266,356	1,121,356
2029	885,000	230,906	1,115,906
2030	930,000	193,925	1,123,925
2031	955,000	162,163	1,117,163
2032	680,000	142,550	822,550
2033	695,000	128,800	823,800
2034	710,000	114,750	824,750
2035	725,000	100,400	825,400
2036	740,000	85,750	825,750
2037	755,000	70,800	825,800
2038	770,000	55,550	825,550
2039	785,000	36,075	821,075
2040	810,000	12,150	822,150
	<u>\$ 14,465,000</u>	<u>\$ 4,262,625</u>	<u>\$ 18,727,625</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Combination Tax and Revenue Certificates of Obligations

<u>Year ending September 30,</u>	<u>Business-Type Activites</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,250,000	\$ 279,208	\$ 1,529,208
2022	1,280,000	261,767	1,541,767
2023	1,265,000	243,345	1,508,345
2024	1,285,000	223,826	1,508,826
2025	1,695,000	199,761	1,894,761
2026	1,730,000	171,085	1,901,085
2027	1,755,000	140,876	1,895,876
2028	830,000	121,510	951,510
2029	840,000	113,368	953,368
2030	845,000	104,731	949,731
2031	855,000	95,635	950,635
2032	865,000	86,088	951,088
2033	875,000	76,082	951,082
2034	885,000	65,565	950,565
2035	895,000	54,528	949,528
2036	910,000	43,020	953,020
2037	920,000	31,125	951,125
2038	935,000	18,881	953,881
2039	945,000	6,332	951,332
	<u>\$ 20,860,000</u>	<u>\$ 2,336,732</u>	<u>\$ 23,196,732</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

General Obligation Bonds

<u>Year ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 75,000	\$ 114,750	\$ 189,750
2022	80,000	113,200	193,200
2023	80,000	111,200	191,200
2024	80,000	108,800	188,800
2025	85,000	106,325	191,325
2026	85,000	103,775	188,775
2027	90,000	101,150	191,150
2028	405,000	93,725	498,725
2029	420,000	80,825	500,825
2030	440,000	65,200	505,200
2031	450,000	47,400	497,400
2032	470,000	29,000	499,000
2033	490,000	9,800	499,800
	<u>\$ 3,250,000</u>	<u>\$ 1,085,150</u>	<u>\$ 4,335,150</u>

Governmental assets under capital lease consist of vehicles and have an original purchase value of \$1,989,985 and a current net book value of \$1,750,004 of year end.

Business-type assets under capital lease consist of water meters and infrastructure and have an original purchase value of \$2,988,450 and a current net book value of \$2,564,085 of year end.

The annual requirements to amortize capital leases outstanding at year ending were as follows:

<u>Year ending September 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 298,097	\$ 39,977	\$ 338,074
2022	168,317	30,232	198,550
2023	113,917	24,019	137,936
2024	117,608	20,328	137,936
2025	121,419	16,517	137,936
2026	125,353	12,583	137,936
2027	129,414	8,522	137,936
2028	133,607	4,329	137,936
Total	<u>\$ 1,207,732</u>	<u>\$ 156,507</u>	<u>\$ 1,364,239</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Year ending September 30,	Business-Type Activities		
	Principal	Interest	Total
2021	\$ 334,608	\$ 34,066	\$ 368,674
2022	328,729	25,545	354,274
2023	371,065	16,868	387,934
2024	380,616	7,317	387,933
Total	\$ 1,415,018	\$ 83,796	\$ 1,498,814

E. Other Long-term Liabilities

The following is a summary of changes in the City's total other long-term liabilities for the year ended September 30, 2020. In general, the City uses the general fund to liquidate governmental compensated absences.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	\$ 522,840	\$ 493,612	\$ (379,637)	\$ 636,815	\$ 573,134
Total Governmental Activities	\$ 522,840	\$ 493,612	\$ (379,637)	\$ 636,815	\$ 573,134
				Long-term liabilities due in more than one year	\$ 63,682
Business-Type Activities:					
Estimated landfill closure and postclosure cost	\$ 161,690	\$ 13,777	\$ -	\$ 175,467	-
Compensated Absences	52,387	60,679	(48,511)	64,555	58,099
Total Business-Type Activities	\$ 214,077	\$ 74,456	\$ (48,511)	\$ 240,022	\$ 58,099
				Long-term liabilities due in more than one year	\$ 181,923
Component Unit Activities:					
Compensated Absences	\$ 8,654	\$ 2,310	\$ -	\$ 10,964	\$ 9,868
Total Component Unit Activities	\$ 8,654	\$ 2,310	\$ -	\$ 10,964	\$ 9,868
				Long-term liabilities due in more than one year	\$ 1,096

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental and business-type activities totaled \$13,981 and \$39,946, respectively. Current year amortization expense for governmental and business-type activities totaled \$1,119 and \$4,763, respectively.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

G. Interfund Transactions

Transfers between the primary government funds during the 2020 year were as follows:

<u>Transfer out:</u>	<u>Transfer In:</u>			<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Water & Wastewater</u>	
General	\$ -	\$ 1,071,572	\$ -	\$ 1,071,572
Water & Wastewater	1,297,005	-	-	1,297,005
Stormwater Drainage	110,264	-	40,337	150,601
Nonmajor Enterprise	35,136	-	-	35,136
Total	<u>\$ 1,442,405</u>	<u>\$ 1,071,572</u>	<u>\$ 40,337</u>	<u>\$ 2,554,314</u>

Transfers between funds were primarily to support capital projects, internal administration costs and operation of funds.

The compositions of interfund balances as of the year ended September 30, 2020 were as follows:

<u>Payable:</u>	<u>Receivable:</u>	
	<u>General</u>	<u>Total</u>
Nonmajor governmental	15,656	15,656
Total	<u>\$ 15,656</u>	<u>\$ 15,656</u>

Interfund receivables and payables related to negative cash positions in pooled cash equity and various amounts used to cover operational and capital expenditures. All balances are expected to be resolved in the subsequent year.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Commitments and Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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.

The City had the following construction commitments as of year end:

Project	Spent to Date	Contract Amount	Remaining Commitment
Eastside Sewer Project - Engineering	\$ 646,151	\$ 701,000	\$ 54,849
Eastside Sewer Project - Resident Project Rep	204,000	209,000	5,000
Eastside Sewer Project - Project Management	110,344	165,000	54,656
Green Ribbon Grant Median Improvements	37,250	41,000	3,750
Eastside Sewer Project - Lift Station	4,345,657	4,347,000	1,343
Airport Extension	281,232	294,953	13,721
Downtown Revitalization - Sidewalks - Engineering & Construction	38,221	331,353	293,132
Harbin Drive - Engineering	395,944	641,557	245,613
South Lockhart Rd Engineering	56,185	92,378	36,193
CDBG GLO Project Grosebeck Storm Drainage-Engineering	141,400	202,000	60,600
CDBG GLO Project Grosebeck Storm Drainage-Admin Svcs	67,600	108,000	40,400
	<u>\$ 6,323,984</u>	<u>\$ 7,133,241</u>	<u>\$ 809,257</u>

C. Municipal Solid Waste Landfill Closure and Post Closure Costs

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 regulation 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. Estimated closure and 5-year post closure

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

costs are approximately \$439,521. The landfill site has an estimate net capacity of 1,216,156 cubic yards and is expected to be closed within the next 20-30 years; approximately 39.92% of the landfill was used at yearend. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

The City has received written authorization from the state that no annual contributions are required, thus the intent of the City is to fund the required expenses as incurred.

D. Defined Benefit Pension Plans

1. Plan Description

The City of Stephenville, Texas participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency 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 municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. 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 benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The general and enterprise funds have typically been used to liquidate the liability for pension and OPEB balances.

Plan provisions for the City were as follows:

	<u>Plan Year 2019</u>	<u>Plan Year 2018</u>
Employee deposit rate	6%	6%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI
Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	101
Inactive employees entitled to but not yet receiving benefits	119
Active employees	<u>156</u>
Total	<u>376</u>

3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, 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 actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Stephenville, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Stephenville, Texas were 6.36% and 6.67% in calendar years 2019 and 2020, respectively. The City's

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

contributions to TMRS for the year ended September 30, 2020, were \$601,275, and were equal to the required contributions.

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2019, 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 (Asset) in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.75%
Investment Rate of Return	6.75% net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for 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 16 mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They 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 in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

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 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability (Asset) was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee 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 employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (Asset). Of the total pension (asset), \$2,417,291 is related to the primary government and \$47,572 is attributable to discretely presented component units.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) – (b)	Primary Government	Component Unit
Balance at 12/31/18	\$ 40,008,933	\$ 39,144,016	\$ 864,917	\$ 847,532	\$ 17,385
Changes for the year:					
Service cost	1,185,079	-	1,185,079	1,162,207	22,872
Interest	2,679,331	-	2,679,331	2,627,620	51,711
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(105,017)	-	(105,017)	(102,990)	(2,027)
Changes of assumptions	38,003	-	38,003	37,962	41
Contributions – employer	-	571,828	(571,828)	(560,792)	(11,036)
Contributions – employee	-	537,993	(537,993)	(527,610)	(10,383)
Net investment income	-	6,052,577	(6,052,577)	(5,935,762)	(116,815)
Benefit payments, including refunds of emp. cont.	(1,815,354)	(1,815,354)	-	-	-
Administrative expense	-	(34,194)	34,194	33,534	660
Other changes	-	(1,028)	1,028	1,008	20
Net changes	1,982,042	5,311,822	(3,329,780)	(3,264,823)	(64,957)
Balance at 12/31/19	\$ 41,990,975	\$ 44,455,838	\$ (2,464,863)	\$ (2,417,291)	\$ (47,572)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability (asset) 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:

Primary Government:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 2,823,127	\$ (2,417,291)	\$ (6,778,086)

Component Unit:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 55,559	\$ (47,572)	\$ (133,392)

Total:

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ 2,878,686	\$ (2,464,863)	\$ (6,911,478)

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2020, the City recognized pension expense of \$803,422. Of this amount, \$787,916 is related to the primary government and \$15,506 is attributable to discretely presented component unit.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Primary Government:		
Difference between projected and actual investment earnings	\$ 2,349,763	\$ (3,686,063)
Differences between expected and actual economic experience	116,198	(136,668)
Difference in assumption changes	28,988	-
Contributions subsequent to the measurement date	452,997	-
Component Unit:		
Difference between projected and actual investment earnings	46,243	(72,541)
Differences between expected and actual economic experience	2,287	(2,690)
Difference in assumption changes	570	-
Contributions subsequent to the measurement date	8,915	-
Total	\$ 3,005,961	\$ (3,897,962)

The primary government and component units reported \$452,997 and \$8,915, respectively, as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability for the year ending September 30, 2021.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Total	Primary Government	Component Unit
2020	\$ (362,676)	\$ (355,676)	\$ (7,000)
2021	(419,851)	(411,748)	(8,103)
2022	118,134	115,854	2,280
2023	(689,520)	(676,212)	(13,308)
2024	-	-	-
Thereafter	-	-	-
	<u>\$ (1,353,913)</u>	<u>\$ (1,327,782)</u>	<u>\$ (26,131)</u>

Other Postemployment Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The 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); retired employees are insured for \$7,500; this coverage is an "other postemployment benefit," or OPEB.

The City offers supplemental death to:	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

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 employees' entire careers.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Employees covered by benefit terms

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	79
Inactive employees entitled to but not yet receiving benefits	26
Active employees	156
Total	261

The City's contributions to the TMRS SDBF for the years ended 2020, 2019, and 2018 were \$4,567, \$4,366, and \$4,263, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(RETIREE-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2018	0.05%	0.05%	100.0%
2019	0.05%	0.05%	100.0%
2020	0.05%	0.05%	100.0%

Total OPEB Liability

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2019, and the Total OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5%, including inflation per year
Discount rate	2.75%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68

Salary increases were based on a service-related table. For service retirees and beneficiary mortality rates, the OPEB liability and the OPEB contribution rates utilized the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. For disabled annuitants mortality rates, the OPEB liability and the OPEB contribution rates utilized the 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

Primary Government:		
1% Decrease 1.75%	Current Single Rate Assumption 2.75%	1% Increase 3.75%
\$ 687,329	\$ 568,661	\$ 477,063
Component Unit:		
1% Decrease 1.75%	Current Single Rate Assumption 2.75%	1% Increase 3.75%
\$ 13,527	\$ 11,191	\$ 9,389
Total:		
1% Decrease 1.75%	Current Single Rate Assumption 2.75%	1% Increase 3.75%
\$ 700,856	\$ 579,852	\$ 486,452

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>	<u>Primary Government</u>	<u>Component Unit</u>
Balance at 12/31/18	\$ 455,377	\$ 446,588	\$ 8,789
Changes for the year:			
Service Cost	16,803	16,479	324
Interest	17,124	16,794	330
Difference between expected and actual experience	3,706	3,634	72
Changes of assumptions	91,264	89,503	1,761
Contributions – employer	-	-	-
Contributions – employee	-	-	-
Net investment income	-	-	-
Benefit payments	(4,422)	(4,337)	(85)
Administrative expense	-	-	-
Other changes	-	-	-
Net changes	124,475	122,073	2,402
Balance at 12/31/19	<u>\$ 579,852</u>	<u>\$ 568,661</u>	<u>\$ 11,191</u>

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$47,931. Of this amount, \$47,006 is related to the primary government and \$925 is attributable to discretely presented component unit.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB liability from the following sources:

<u>Primary Government</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	(2,569)
Differences in assumptions	72,660	-
Contributions subsequent to measurement date	3,228	-
Total	<u>\$ 75,888</u>	<u>\$ (2,569)</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

<u>Component Unit</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	(51)
Differences in assumptions	1,430	-
Contributions subsequent to measurement date	63	-
Total	\$ 1,493	\$ (51)

The City reported \$3,291 as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date that will be recognized as a reduction of the OPEB liability for the year ending September 30, 2021.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Total	Primary Government	Component Unit
2020	\$ 14,004	\$ 13,734	\$ 270
2021	14,004	13,734	270
2022	14,004	13,734	270
2023	12,532	12,290	242
2024	10,433	10,232	201
Thereafter	6,493	6,368	125
	\$ 71,470	\$ 70,091	\$ 1,379

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

E. Tax Abatement Disclosures

The City negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with one entity as of September 30, 2020:

<u>Purpose</u>	Percentage of Taxes Abated during	Amount of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
	the Fiscal Year	Property Tax	Sales Tax
Construction of a well service pump facility by F.M.C. Technologies, Inc. for commercial or industrial purposes.	40%	\$ 23,500	\$ -
Purchase of capital machine tools and modification of existing structure by F.M.C. Technologies, Inc. This agreement is between F.M.C. Technologies Inc. and Erath County.	40%	28,200	-
Total		\$ 51,700	\$ -

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. Taxes were abated through a reduction of taxes owed.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

F. Restatement

Due to a correction to year end receivables, the City restated its beginning net position/fund balance within governmental activities, business-type activities, the general fund, and the storm drainage fund.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2020

The below tables summarize the changes to net position/fund balance as a result of this change.

	Governmental Activities	General
Prior year ending net position/fund balance, as reported	\$ 31,596,327	\$ 9,340,362
Correction to receivables	(90,897)	(90,897)
Restated beginning net position/fund balance	\$ 31,505,430	\$ 9,249,465
	Business-Type Activities	Storm Water Drainage
Prior year ending net position/fund balance, as reported	\$ 49,066,179	\$ 3,914,475
Correction to receivables	90,897	90,897
Restated beginning net position/fund balance	\$ 49,157,076	\$ 4,005,372

G. Related Party Transactions

The City contracted with a website video and production company owned by a Board Member for the SEDA, totaling \$4,390 during the year.

H. Subsequent Events

There were no other material subsequent events through May 28, 2021, the date the financial statements were issued.

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REQUIRED SUPPLEMENTARY INFORMATION

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 1 of 2)
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 6,180,994	\$ 6,180,994	\$ 6,084,204	\$ (96,790)
Sales tax	6,008,963	6,008,963	5,940,857	(68,106)
Franchise and other taxes	1,233,500	1,233,500	1,276,928	43,428
License and permits	245,890	245,890	321,774	75,884
Charges for services	529,004	529,004	246,141	(282,863)
Emergency services	575,000	575,000	702,878	127,878
Fines and forfeitures	170,200	170,200	78,498	(91,702)
Intergovernmental	150,000	152,715	175,728	23,013
Contributions and donations	334,340	1,823,536	832,844	(990,692)
Investment income	172,800	172,800	92,939	(79,861)
Other revenues	37,590	953,084	1,059,600	106,516
Total Revenues	15,638,281	18,045,686	16,812,391	(1,233,295)
Expenditures				
Current:				
General government				
City council	124,619	216,816	197,498	19,318
City administrator	417,865	458,831	351,065	107,766
City secretary	134,350	204,763	147,275	57,488
Emergency management	24,122	24,122	19,212	4,910
Financial services	494,132	537,904	533,113	4,791
Municipal building	113,140	118,732	108,628	10,104
Municipal services center	97,970	96,715	83,470	13,245
Information technology	311,719	314,727	281,110	33,617
Legal counsel	126,630	126,630	106,494	20,136
Human resources	236,557	235,552	153,284	82,268
Tax	168,026	168,026	167,703	323
Total general government	2,249,130	2,502,818	2,148,852	353,966
Culture and recreation				
Library	254,639	251,966	237,229	14,737
Parks and recreation	2,007,749	2,612,772	2,224,803	387,969
Senior citizens	149,157	159,582	119,174	40,408
Aquatic	290,182	291,472	184,349	107,123
Total culture and recreation	2,701,727	3,315,792	2,765,555	550,237

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND (Page 2 of 2)
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development				
Planning and development	511,296	825,829	556,360	269,469
Total community development	<u>511,296</u>	<u>825,829</u>	<u>556,360</u>	<u>269,469</u>
Public safety				
Municipal court	179,791	179,679	121,689	57,990
Fire department	3,157,919	3,600,626	3,514,617	86,009
Police department	5,366,502	6,875,767	6,090,901	784,866
Total public safety	<u>8,704,212</u>	<u>10,656,072</u>	<u>9,727,207</u>	<u>928,865</u>
Public works				
Street maintenance	955,361	977,233	787,140	190,093
Total public works	<u>955,361</u>	<u>977,233</u>	<u>787,140</u>	<u>190,093</u>
Debt service:				
Principal retirement	303,490	303,490	303,490	-
Interest and fiscal charges	50,466	50,466	50,466	-
Total debt service	<u>353,956</u>	<u>353,956</u>	<u>353,956</u>	<u>-</u>
Total Expenditures	<u>15,475,682</u>	<u>18,631,700</u>	<u>16,339,070</u>	<u>2,292,630</u>
Revenues Over (Under) Expenditures	<u>162,599</u>	<u>(586,014)</u>	<u>473,321</u>	<u>1,059,335</u>
Other Financing Sources (Uses)				
Transfers in	1,455,104	1,455,104	1,442,405	(12,699)
Transfers (out)	(1,071,572)	(1,071,572)	(1,071,572)	-
Proceeds from sale of assets	20,000	20,000	21,498	1,498
Total Other Financing Sources (Uses)	<u>403,532</u>	<u>403,532</u>	<u>392,331</u>	<u>(11,201)</u>
Net Change in Fund Balance	<u>\$ 566,131</u>	<u>\$ (182,482)</u>	<u>865,652</u>	<u>\$ 1,048,134</u>
Beginning fund balance			9,249,465	
Ending Fund Balance			<u>\$ 10,115,117</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET) AND RELATED RATIOS

Years Ended:

	<u>12/31/2014</u>	<u>12/31/2015</u>	<u>12/31/2016</u>
Total pension liability			
Service cost	\$ 992,735	\$ 1,076,600	\$ 1,240,408
Interest	2,494,034	2,637,868	2,673,757
Changes in benefit terms	-	-	-
Differences between expected and actual experience	(36,585)	(270,060)	341,014
Changes of assumptions	-	86,443	-
Benefit payments, including refunds of participant contributions	(1,370,731)	(1,503,966)	(1,866,778)
Net change in total pension liability	<u>2,079,453</u>	<u>2,026,885</u>	<u>2,388,401</u>
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>37,897,511</u>	<u>39,924,396</u>	<u>42,312,797</u>
Plan fiduciary net position			
Contributions - employer	\$ 1,060,235	\$ 1,056,595	\$ 1,152,678
Contributions - members	436,423	439,450	487,390
Net investment income	1,840,969	50,357	2,307,288
Benefit payments, including refunds of participant contributions	(1,370,731)	(1,503,966)	(1,866,778)
Administrative expenses	(19,219)	(30,670)	(26,054)
Other	(1,580)	(1,514)	(1,403)
Net change in plan fiduciary net position	<u>1,946,097</u>	<u>10,252</u>	<u>2,053,121</u>
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>\$ 34,124,969</u>	<u>\$ 34,135,221</u>	<u>\$ 36,188,342</u>
Fund's net pension liability(asset) - ending (a) - (b)	<u>\$ 3,772,542</u>	<u>\$ 5,789,175</u>	<u>\$ 6,124,455</u>
 Plan fiduciary net position as a percentage of the total pension liability (asset)	 90.05%	 85.50%	 85.53%
Covered payroll	\$ 6,901,589	\$ 7,215,815	\$ 8,123,168
Fund's net pension liability as a percentage of covered payroll	54.66%	80.23%	75.39%

Notes to schedule:

1) This schedule is presented to illustrate the requirement to show information for ten calendar years. However, until a full ten-year trend is compiled, only available information is shown.

	<u>12/31/2017</u>	<u>12/31/2018</u>	<u>12/31/2019</u>
	\$ 1,250,973	\$ 1,168,137	\$ 1,185,079
	2,424,723	2,540,193	2,679,331
	(6,087,924)	-	-
	(149,716)	97,553	(105,017)
	-	-	38,003
	(1,857,064)	(1,690,739)	(1,815,354)
	(4,419,008)	2,115,144	1,982,042
	42,312,797	37,893,789	40,008,933
	37,893,789	40,008,933	41,990,975
	\$ 1,163,749	\$ 591,042	\$ 571,828
	488,628	523,047	537,993
	5,016,931	(1,227,648)	6,052,577
	(1,857,064)	(1,690,739)	(1,815,354)
	(25,993)	(23,720)	(34,194)
	(1,321)	(1,238)	(1,028)
	4,784,930	(1,829,256)	5,311,822
	36,188,342	40,973,272	39,144,016
	\$ 40,973,272	\$ 39,144,016	\$ 44,455,838
	\$ (3,079,483)	\$ 864,917	\$ (2,464,863)
	108.13%	97.84%	105.87%
	\$ 8,133,762	\$ 8,717,442	\$ 8,843,876
	-37.86%	9.92%	-27.87%

<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u> ¹
\$ 746,654	\$ 565,648	\$ 601,275
<u>\$ 746,654</u>	<u>\$ 565,648</u>	<u>\$ 601,275</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 8,525,408	\$ 8,732,879	\$ 9,133,053
8.76%	6.48%	6.58%

City of Stephenville, Texas

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS PENSIONS (OPEB) LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2017	12/31/2018	12/31/2019 ¹
Total OPEB liability			
Service cost	\$ 16,268	\$ 20,050	\$ 16,803
Interest	15,405	15,629	17,124
Changes in benefit terms	-	-	-
Differences between expected and actual experience	-	(8,185)	3,706
Changes of assumptions	35,257	(32,062)	91,264
Benefit payments, including refunds of participant contributions	(4,068)	(4,359)	(4,422)
Net change in total OPEB liability	62,862	(8,927)	124,475
Total OPEB liability - beginning	401,442	464,304	455,377
Total OPEB liability - ending (a)	\$ 464,304	\$ 455,377	\$ 579,852 ²
Covered payroll	\$ 8,133,762	\$ 8,717,442	\$ 8,843,876
City's total OPEB liability as a percentage of covered	5.71%	5.22%	6.56%

Notes to schedule:

¹ This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is compiled, only available information is shown.

² No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement No. 75 to pay related benefits.

***COMBINING AND INDIVIDUAL FUND FINANCIAL
STATEMENTS AND SCHEDULES***

City of Stephenville, Texas

COMBINING BALANCE SHEET

NONMAJOR GOVERNMENTAL FUNDS

September 30, 2020

	Hotel/ Motel Tax	Child Safety	Public Safety	Municipal Court Technology
<u>Assets</u>				
Cash and cash equivalents	\$ 361,502	\$ 3,141	\$ 71,668	\$ 6,023
Accounts receivable, net	92,533	-	-	-
Total Assets	\$ 454,035	\$ 3,141	\$ 71,668	\$ 6,023
 <u>Liabilities</u>				
Accounts payable	\$ 76,733	\$ -	\$ 24,394	\$ -
Due to other funds	-	-	-	-
Total Liabilities	76,733	-	24,394	-
 <u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	-	-	-	-
 <u>Fund Balances</u>				
Restricted for:				
Tourism	377,302	-	-	-
Municipal court	-	-	-	6,023
Public safety	-	3,141	47,274	-
Debt service	-	-	-	-
Total Fund Balances	377,302	3,141	47,274	6,023
Total Liabilities, Deferred Inflows and Fund Balances	\$ 454,035	\$ 3,141	\$ 71,668	\$ 6,023

Total Nonmajor Special Revenue	Debt Service	Total Nonmajor Governmental
\$ 442,334	\$ 214,826	\$ 657,160
92,533	2,382	94,915
<u>\$ 534,867</u>	<u>\$ 217,208</u>	<u>\$ 752,075</u>
\$ 101,127	\$ -	\$ 101,127
-	15,656	15,656
<u>101,127</u>	<u>15,656</u>	<u>116,783</u>
<u>-</u>	<u>626</u>	<u>626</u>
377,302	-	377,302
6,023	-	6,023
50,415	-	50,415
<u>-</u>	<u>200,926</u>	<u>200,926</u>
<u>433,740</u>	<u>200,926</u>	<u>634,666</u>
<u>\$ 534,867</u>	<u>\$ 217,208</u>	<u>\$ 752,075</u>

City of Stephenville, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	<u>Hotel/ Motel Tax</u>	<u>Child Safety</u>	<u>Public Safety</u>	<u>Municipal Court Technology</u>
Revenues				
Hotel occupancy tax	\$ 398,706	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Fines and fees	-	1,830	-	2,239
Intergovernmental	-	-	3,538	-
Investment income	2,145	16	896	36
Other revenue	6,800	-	-	-
Total Revenues	<u>407,651</u>	<u>1,846</u>	<u>4,434</u>	<u>2,275</u>
Expenditures				
General government	289,292	-	-	-
Public safety	-	-	1,266	186
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>289,292</u>	<u>-</u>	<u>1,266</u>	<u>186</u>
Revenues Over (Under) Expenditures	<u>118,359</u>	<u>1,846</u>	<u>3,168</u>	<u>2,089</u>
Net Change in Fund Balances	118,359	1,846	3,168	2,089
Beginning fund balances	258,943	1,295	44,106	3,934
Ending Fund Balances	<u>\$ 377,302</u>	<u>\$ 3,141</u>	<u>\$ 47,274</u>	<u>\$ 6,023</u>

Total Nonmajor Special Revenue	Debt Service	Total Nonmajor Governmental
\$ 398,706	\$ -	\$ 398,706
-	256,240	256,240
4,069	-	4,069
3,538	-	3,538
3,093	1,491	4,584
6,800	-	6,800
<u>416,206</u>	<u>257,731</u>	<u>673,937</u>
289,292	-	289,292
1,452	-	1,452
-	180,000	180,000
-	80,835	80,835
<u>290,744</u>	<u>260,835</u>	<u>551,579</u>
<u>125,462</u>	<u>(3,104)</u>	<u>122,358</u>
125,462	(3,104)	122,358
308,278	204,030	512,308
<u>\$ 433,740</u>	<u>\$ 200,926</u>	<u>\$ 634,666</u>

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL/MOTEL TAX
For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Hotel occupancy tax	\$ 500,000	\$ 500,000	\$ 398,706	\$ (101,294)
Investment income	4,000	4,000	2,145	(1,855)
Other revenue	51,000	51,000	6,800	(44,200)
Total Revenues	<u>555,000</u>	<u>555,000</u>	<u>407,651</u>	<u>(147,349)</u>
<u>Expenditures</u>				
General government	555,000	555,000	289,292	265,708
Total Expenditures	<u>555,000</u>	<u>555,000</u>	<u>289,292</u>	<u>265,708</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	118,359	<u>\$ 118,359</u>
Beginning fund balance			258,943	
Ending Fund Balance			<u>\$ 377,302</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CHILD SAFETY
For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Original & Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 1,830	\$ (3,170)
Investment income	-	-	16	16
Total Revenues	<u>5,000</u>	<u>5,000</u>	<u>1,846</u>	<u>(3,154)</u>
Excess of Revenues Over (Under) Expenditures				
	<u>5,000</u>	<u>5,000</u>	<u>1,846</u>	<u>(3,154)</u>
Net Change in Fund Balance	<u>\$ 5,000</u>	<u>\$ 5,000</u>	1,846	<u>\$ (3,154)</u>
Beginning fund balance			<u>1,295</u>	
Ending Fund Balance			<u>\$ 3,141</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
PUBLIC SAFETY
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Intergovernmental	\$ 3,550	\$ 3,550	\$ 3,538	\$ (12)
Interest income	1,000	1,000	896	(104)
Total Revenues	4,550	4,550	4,434	(116)
<u>Expenditures</u>				
Public safety	15,868	15,868	1,266	14,602
Total Expenditures	15,868	15,868	1,266	14,602
Net Change in Fund Balance	\$ (11,318)	\$ (11,318)	3,168	\$ 14,486
Beginning fund balance			44,106	
Ending Fund Balance			\$ 47,274	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
MUNICIPAL COURT TECHNOLOGY
For the Year Ended September 30, 2020

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Fines and forfeitures	\$ 5,000	\$ 5,000	\$ 2,239	\$ (2,761)
Interest income	250	250	36	(214)
Total Revenues	<u>5,250</u>	<u>5,250</u>	<u>2,275</u>	<u>(2,975)</u>
<u>Expenditures</u>				
Public safety	-	-	186	(186)
Total Expenditures	<u>-</u>	<u>-</u>	<u>186</u>	<u>(186)</u>
Net Change in Fund Balance	<u>\$ 5,250</u>	<u>\$ 5,250</u>	2,089	<u>\$ (3,161)</u>
Beginning fund balance			3,934	
Ending Fund Balance			<u>\$ 6,023</u>	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE

For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 260,600	\$ 260,600	\$ 256,240	\$ (4,360)
Interest income	1,000	1,000	1,491	491
Total Revenues	261,600	261,600	257,731	(3,869)
<u>Expenditures</u>				
Debt service				
Principal	180,000	180,000	180,000	-
Interest	80,850	80,850	80,835	15
Total Expenditures	260,850	260,850	260,835	15
Excess of Revenues Over (Under) Expenditures	750	750	(3,104)	(3,854)
Net Change in Fund Balance	\$ 750	\$ 750	(3,104)	\$ (3,854)
Beginning fund balance			204,030	
Ending Fund Balance			\$ 200,926	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Charges for services	\$ 19,543	\$ 19,543	\$ 6,597	\$ (12,946)
Interest income	8,000	8,000	18,240	10,240
Total Revenues	27,543	27,543	24,837	(2,706)
<u>Expenditures</u>				
Debt service:				
Interest and fiscal charges	-	127,910	126,960	950
Bond issuance costs	-	253,095	262,595	(9,500)
Capital outlay	1,108,502	13,655,790	477,476	13,178,314
Total Expenditures	1,108,502	14,036,795	867,031	13,169,764
Excess of Revenues Over (Under) Expenditures	(1,080,959)	(14,009,252)	(842,194)	13,167,058
<u>Other Financing Sources (Uses)</u>				
Transfers in	1,071,572	1,071,572	1,071,572	-
Bond proceeds	-	12,881,005	11,860,000	(1,021,005)
Premium on bond issuance	-	-	1,021,005	1,021,005
Total Other Financing Sources (Uses)	1,071,572	13,952,577	13,952,577	-
Net Change in Fund Balance	\$ (9,387)	\$ (56,675)	13,110,383	\$ 13,167,058
Beginning fund balance			544,571	
Ending Fund Balance			\$ 13,654,954	

Notes to Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

City of Stephenville, Texas
BALANCE SHEET
DISCRETELY PRESENTED COMPONENT UNIT
September 30, 2020

		Stephenville Economic Development Authority
<u>Assets</u>		
Cash and cash equivalents	\$	891,896
Receivables, net		110,341
Total Assets	\$	1,002,237
 <u>Liabilities</u>		
Accounts payable and accrued liabilities	\$	24,937
Due to primary government		6,450
Total Liabilities		31,387
 <u>Fund Balances</u>		
Restricted for:		
Economic development		970,850
Total Fund Balance		970,850
Total Liabilities and Fund Balance	\$	1,002,237

See Notes to Financial Statements.

City of Stephenville, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION DISCRETELY PRESENTED COMPONENT UNIT

September 30, 2020

Fund Balance	\$ 970,850
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Adjustments for the Statement of Net Position:

Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.

Deferred pension outflows	58,015
Deferred OPEB outflows	1,493

Deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Deferred pension inflows	(75,231)
Deferred OPEB inflows	(51)

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

Compensated absences	(10,964)
Net pension asset	47,572
OPEB liability	(11,191)

Net Position of the Discretely Presented Component Unit	\$ 980,493
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See Notes to Financial Statements.

City of Stephenville, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE DISCRETELY PRESENTED COMPONENT UNIT

For the Year Ended September 30, 2020

	Stephenville Economic Development Authority
<u>Revenues</u>	
Sales tax	\$ 540,078
Investment income	7,379
Total Revenues	<u>547,457</u>
<u>Expenditures</u>	
Current:	
Economic development	434,274
Total Expenditures	<u>434,274</u>
Net Change in Fund Balance	113,183
Beginning fund balance	857,667
Ending Fund Balance	<u>\$ 970,850</u>

See Notes to Financial Statements.

City of Stephenville, Texas
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED
COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

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

Net changes in fund balance	\$	113,183
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Pension expense		(5,100)
Other post employment benefits		(468)
Compensated absences		(2,310)
Change in Net Position of the Discretely Presented Component Unit	\$	<u>105,305</u>

See Notes to Financial Statements.

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STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Contents	Page
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Financial Trends	119
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These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity	129
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These schedules contain information to help the reader assess the City's most significant local revenue sources.

Debt Capacity	137
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These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information	143
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These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information	147
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These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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City of Stephenville, Texas

NET POSITION BY COMPONENT

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental activities:										
Invested in capital assets, net of related debt	\$ 16,605,859	\$ 17,500,689	\$ 17,032,179	\$ 18,024,389	\$ 18,038,284	\$ 19,789,241	\$ 19,963,873	\$ 20,176,273	\$ 20,416,468	\$ 21,847,814
Restricted	420,877	450,527	870,780	523,019	427,493	593,600	581,054	2,621,264	2,008,149	1,976,474
Unrestricted	<u>8,156,696</u>	<u>7,680,873</u>	<u>8,355,906</u>	<u>9,150,340</u>	<u>8,142,434</u>	<u>5,976,217</u>	<u>5,115,547</u>	<u>7,993,562</u>	<u>9,080,813</u>	<u>11,139,622</u>
Total governmental activities net position	<u>\$ 25,183,432</u>	<u>\$ 25,632,089</u>	<u>\$ 26,258,865</u>	<u>\$ 27,697,748</u>	<u>\$ 26,608,211</u>	<u>\$ 26,359,058</u>	<u>\$ 25,660,474</u>	<u>\$ 30,791,099</u>	<u>\$ 31,505,430</u>	<u>\$ 34,963,910</u>
Business-type activities:										
Invested in capital assets, net of related debt	\$ 26,538,623	\$ 28,438,665	\$ 30,014,882	\$ 32,099,918	\$ 33,151,854	\$ 34,339,443	\$ 36,926,841	\$ 38,174,605	\$ 43,079,879	\$ 45,293,731
Restricted	714,547	842,224	2,706,411	1,023,271	1,019,719	1,054,111	1,456,900	2,477,403	1,045,392	1,089,229
Unrestricted	<u>5,548,656</u>	<u>5,243,744</u>	<u>3,030,924</u>	<u>4,112,342</u>	<u>4,382,362</u>	<u>4,795,330</u>	<u>4,810,634</u>	<u>5,312,381</u>	<u>5,031,805</u>	<u>5,554,561</u>
Total business-type activities net position	<u>\$ 32,801,826</u>	<u>\$ 34,524,633</u>	<u>\$ 35,752,217</u>	<u>\$ 37,235,531</u>	<u>\$ 38,553,935</u>	<u>\$ 40,188,884</u>	<u>\$ 43,194,375</u>	<u>\$ 45,964,389</u>	<u>\$ 49,157,076</u>	<u>\$ 51,937,521</u>
Primary government:										
Invested in capital assets, net of related debt	\$ 43,144,482	\$ 45,939,354	\$ 47,047,061	\$ 50,124,307	\$ 51,190,138	\$ 54,128,684	\$ 56,890,714	\$ 58,350,878	\$ 63,496,347	\$ 67,141,545
Restricted	1,135,424	1,292,751	3,577,191	1,546,290	1,447,212	1,647,711	2,037,954	5,098,667	3,053,541	3,065,703
Unrestricted	<u>13,705,352</u>	<u>12,924,617</u>	<u>11,386,830</u>	<u>13,262,682</u>	<u>12,524,796</u>	<u>10,771,547</u>	<u>9,926,181</u>	<u>13,305,943</u>	<u>14,112,618</u>	<u>16,694,183</u>
Total primary government net position	<u>\$ 57,985,258</u>	<u>\$ 60,156,722</u>	<u>\$ 62,011,082</u>	<u>\$ 64,933,279</u>	<u>\$ 65,162,146</u>	<u>\$ 66,547,942</u>	<u>\$ 68,854,849</u>	<u>\$ 76,755,488</u>	<u>\$ 80,662,506</u>	<u>\$ 86,901,431</u>

Source: City Audited Financials.

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City of Stephenville, Texas

CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
EXPENSES										
Governmental activities:										
General government	\$ 1,374,221	\$ 1,518,207	\$ 2,076,100	\$ 2,353,191	\$ 1,922,897	\$ 2,004,366	\$ 1,999,694	\$ 2,271,044	\$ 2,555,641	\$ 2,512,975
Culture and recreation	2,522,284	2,509,599	2,157,175	2,037,539	1,705,654	2,254,963	2,457,781	2,467,345	2,402,357	2,254,992
Community development	374,335	433,360	521,710	444,401	471,855	980,992	1,031,830	486,602	588,612	493,019
Public Safety	6,274,700	6,496,290	6,786,524	6,948,549	7,879,067	7,929,307	8,617,164	8,561,797	8,885,222	9,637,871
Streets	1,479,381	1,567,117	1,432,818	1,274,173	1,462,172	1,604,054	1,566,786	1,507,920	1,644,724	1,501,306
Interest on long-term debt	97,809	151,197	128,398	108,289	77,063	68,008	100,245	107,588	124,539	530,646
Total governmental activities expenses	<u>12,122,730</u>	<u>12,675,770</u>	<u>13,102,725</u>	<u>13,166,142</u>	<u>13,518,708</u>	<u>14,841,690</u>	<u>15,773,500</u>	<u>15,402,296</u>	<u>16,201,095</u>	<u>16,930,809</u>
Business-type activities:										
Water & Wastewater	4,846,996	4,833,953	5,018,940	5,237,160	5,326,721	5,690,857	5,688,473	5,032,780	5,508,559	5,234,741
Storm water drainage	600,859	562,207	535,056	528,208	558,501	505,829	546,509	415,779	593,199	550,783
Airport	313,982	313,978	282,952	305,179	395,474	442,822	465,063	542,252	178,613	178,661
Sanitary landfill	160,803	181,904	183,145	193,368	207,538	224,233	256,121	194,000	579,206	599,166
Total business-type activities expenses	<u>5,922,640</u>	<u>5,892,042</u>	<u>6,020,093</u>	<u>6,263,915</u>	<u>6,488,234</u>	<u>6,863,741</u>	<u>6,956,166</u>	<u>6,184,811</u>	<u>6,859,577</u>	<u>6,563,351</u>
Total primary government program revenues	<u>\$ 18,045,370</u>	<u>\$ 18,567,812</u>	<u>\$ 19,122,818</u>	<u>\$ 19,430,057</u>	<u>\$ 20,006,942</u>	<u>\$ 21,705,431</u>	<u>\$ 22,729,666</u>	<u>\$ 21,587,107</u>	<u>\$ 23,060,672</u>	<u>\$ 23,494,160</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General Government	\$ 216,870	\$ 219,082	\$ 217,686	\$ 205,782	\$ 22,648	\$ 8,274	\$ 5,704	\$ 11,141	\$ 12,722	\$ 3,600
Culture and recreation	338,662	363,650	346,442	288,540	321,565	377,192	347,603	289,065	313,847	245,570
Community development	249,501	193,592	413,762	265,863	217,805	320,353	215,731	245,391	474,426	321,774
Public Safety	893,207	1,077,514	959,364	1,073,838	989,630	817,156	721,112	664,449	1,056,364	875,103
Streets	24,419	95,954	30,443	28,170	42,749	15,567	15,352	20,836	30,442	614
Operating grants and contributions	40,015	29,142	53,796	63,038	147,200	160,504	514,199	219,853	238,763	935,242
Capital grants and contributions	258,933	159,402	-	188,262	3,654	3,596	49,905	170,239	49,672	1,478,520
Total governmental activities expenses	<u>2,021,607</u>	<u>2,138,336</u>	<u>2,021,493</u>	<u>2,113,493</u>	<u>1,745,251</u>	<u>1,702,642</u>	<u>1,869,606</u>	<u>1,620,974</u>	<u>2,176,236</u>	<u>3,860,423</u>
Business-type activities:										
Charges for services:										
Water and Wastewater	\$ 6,147,606	\$ 6,055,936	\$ 6,443,152	\$ 6,708,108	\$ 6,485,177	\$ 7,014,095	\$ 7,264,479	\$ 7,596,037	\$ 7,762,515	\$ 8,152,610
Storm water drainage	591,326	604,231	620,595	618,993	611,827	632,583	629,673	657,356	646,904	638,126
Municipal airport	76,015	93,493	110,200	104,440	107,544	111,088	107,484	108,097	111,927	110,919
Sanitary landfill	277,985	200,546	297,650	457,086	955,391	856,649	665,681	628,731	863,829	1,113,634
Operating grants and contributions	5,184	7,868	-	-	-	17,857	7,086	-	-	-
Capital grants and contributions	528,471	813,212	27,652	109,614	175,651	48,054	1,672,182	175,274	316,254	287,600
Total business-type activities program revenues	<u>7,626,587</u>	<u>7,775,286</u>	<u>7,499,249</u>	<u>7,998,241</u>	<u>8,335,590</u>	<u>8,680,326</u>	<u>10,346,585</u>	<u>9,165,495</u>	<u>9,701,429</u>	<u>10,302,889</u>
Total primary government program revenues	<u>\$ 9,648,194</u>	<u>\$ 9,913,622</u>	<u>\$ 9,520,742</u>	<u>\$ 10,111,734</u>	<u>\$ 10,080,841</u>	<u>\$ 10,382,968</u>	<u>\$ 12,216,191</u>	<u>\$ 10,786,469</u>	<u>\$ 11,877,665</u>	<u>\$ 14,163,312</u>

Source: City Audited Financials.

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City of Stephenville, Texas
CHANGES IN NET POSITION (Continued)
Last Ten Fiscal Years (Unaudited)
(accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
NET (EXPENSE) REVENUES										
Governmental activities	\$(10,101,123)	\$(10,537,434)	\$(11,081,232)	\$(11,052,649)	\$(11,773,457)	\$(13,139,048)	\$(13,903,894)	\$(13,781,322)	\$(14,024,859)	\$(13,070,386)
Business-type activities	<u>1,703,947</u>	<u>1,883,244</u>	<u>1,479,156</u>	<u>1,734,326</u>	<u>1,847,356</u>	<u>1,816,585</u>	<u>3,390,419</u>	<u>2,980,684</u>	<u>2,841,852</u>	<u>3,739,538</u>
Total primary government net expense	<u>(8,397,176)</u>	<u>(8,654,190)</u>	<u>(9,602,076)</u>	<u>(9,318,323)</u>	<u>(9,926,101)</u>	<u>(11,322,463)</u>	<u>(10,513,475)</u>	<u>(10,800,638)</u>	<u>(11,183,007)</u>	<u>(9,330,848)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes										
Property -general purposes	3,595,948	3,787,828	4,049,755	4,321,370	4,386,134	4,715,959	4,806,351	5,286,326	5,577,304	6,067,879
Property -debt services	526,519	593,543	589,867	595,444	576,847	484,490	481,603	492,536	465,640	256,240
Sales	4,616,312	5,191,213	5,281,663	5,485,705	5,718,579	5,285,142	5,264,443	5,644,834	5,943,343	5,940,857
Franchise	1,120,678	1,122,934	1,097,564	1,166,503	1,525,602	1,501,457	1,381,186	1,199,890	1,317,544	1,276,928
Other	363,645	393,461	374,806	450,456	502,017	480,036	515,043	474,199	510,185	398,706
Proceeds from sale of capital assets	12,159		10,056	110,122		16,162	30,274	-	-	-
Investment earnings	13,517	14,651	11,546	6,157	5,990	52,123	68,163	139,025	264,034	115,763
Insurance Proceeds	-	-	-	-	63,740	58,576	18,537	-	-	-
Miscellaneous	26,870	18,320	35,902	100,731	164,842	37,080	135,230	153,598	260,645	1,030,088
Transfers	(137,203)	21,161	256,849	255,044	208,824	258,870	504,479	750,852	400,495	1,442,405
Special item - change in employee benefits	-	-	-	-	-	-	-	5,110,168	-	-
Total governmental activities	<u>10,138,445</u>	<u>11,143,111</u>	<u>11,708,008</u>	<u>12,491,532</u>	<u>13,152,575</u>	<u>12,889,895</u>	<u>13,205,309</u>	<u>19,251,428</u>	<u>14,739,190</u>	<u>16,528,866</u>
Business-type activities:										
Investment earnings	5,151	7,716	6,780	4,032	4,891	23,477	49,082	118,108	501,577	195,341
Gain on Sale of Capital Assets					17,106	8,630	(1,600)	-	-	
Miscellaneous	-	-	(1,504)		33,292	45,127	72,069	106,639	249,753	287,971
Transfers	<u>137,203</u>	<u>(21,161)</u>	<u>(256,849)</u>	<u>(255,044)</u>	<u>(208,824)</u>	<u>(258,870)</u>	<u>(504,479)</u>	<u>(750,852)</u>	<u>(400,495)</u>	<u>(1,442,405)</u>
Total business-type activities	<u>142,354</u>	<u>(13,445)</u>	<u>(251,573)</u>	<u>(251,012)</u>	<u>(153,535)</u>	<u>(181,636)</u>	<u>(384,928)</u>	<u>(526,105)</u>	<u>350,835</u>	<u>(959,093)</u>
Total primary government	<u>10,280,799</u>	<u>11,129,666</u>	<u>11,456,435</u>	<u>12,240,520</u>	<u>12,999,040</u>	<u>12,708,259</u>	<u>12,820,381</u>	<u>18,725,323</u>	<u>15,090,025</u>	<u>15,569,773</u>
CHANGE IN NET POSITION										
Governmental activities	37,322	605,677	626,776	1,438,883	1,379,118	(249,153)	(698,585)	5,470,106	714,331	3,458,480
Business-type activities	<u>1,846,301</u>	<u>1,869,799</u>	<u>1,227,583</u>	<u>1,483,314</u>	<u>1,693,821</u>	<u>1,634,949</u>	<u>3,005,491</u>	<u>2,454,579</u>	<u>3,192,687</u>	<u>2,780,445</u>
Total primary government	<u>\$ 1,883,623</u>	<u>\$ 2,475,476</u>	<u>\$ 1,854,359</u>	<u>\$ 2,922,197</u>	<u>\$ 3,072,939</u>	<u>\$ 1,385,796</u>	<u>\$ 2,306,906</u>	<u>\$ 7,924,685</u>	<u>\$ 3,907,018</u>	<u>\$ 6,238,925</u>

Source: City Audited Financials.

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City of Stephenville, Texas
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General fund										
Reserved	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	-	-	-	-	-	-	-	-	-	-
Nonspendable	18,836	17,399	19,417	10,995	7,016	20,955	8,760	11,609	5,563	3,962
Assigned/committed	3,750,000	1,989,442	2,400,000	3,000,000	3,000,000	1,150,000	950,609	950,609	579,402	534,754
Unassigned	<u>3,779,268</u>	<u>5,113,489</u>	<u>5,246,245</u>	<u>5,868,872</u>	<u>6,786,574</u>	<u>7,154,643</u>	<u>7,132,272</u>	<u>7,288,833</u>	<u>8,755,397</u>	<u>9,576,401</u>
Total general fund	<u>\$ 7,548,104</u>	<u>\$ 7,120,330</u>	<u>\$ 7,665,662</u>	<u>\$ 8,879,867</u>	<u>\$ 9,793,590</u>	<u>\$ 8,325,598</u>	<u>\$ 8,091,641</u>	<u>\$ 8,251,051</u>	<u>\$ 9,340,362</u>	<u>\$ 10,115,117</u>
All other governmental funds										
Reserved										
Debt service funds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	-	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted	424,194	4,206,447	1,201,698	824,262	702,559	434,914	365,349	488,158	512,308	634,666
Assigned/committed	<u>486,235</u>	<u>529,093</u>	<u>416,371</u>	<u>416,371</u>	<u>416,727</u>	<u>417,929</u>	<u>415,743</u>	<u>442,063</u>	<u>544,571</u>	<u>13,654,954</u>
Total all other governmental funds	<u>\$ 910,429</u>	<u>\$ 4,735,540</u>	<u>\$ 1,618,069</u>	<u>\$ 1,240,633</u>	<u>\$ 1,119,286</u>	<u>\$ 852,843</u>	<u>\$ 781,092</u>	<u>\$ 930,221</u>	<u>\$ 1,056,879</u>	<u>\$ 14,289,620</u>

Note:

The City implemented GASB Statement 54 in fiscal year 2011. Prior year balances have not been restated to conform to GASB Statement 54.

Source: City Audited Financials.

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City of Stephenville, Texas
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (Unaudited)
(modified accrual basis of accounting)

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
REVENUES										
Taxes	\$ 10,251,019	\$ 11,062,514	\$ 11,394,371	\$ 12,014,282	\$ 12,733,241	\$ 12,455,045	\$ 12,460,952	\$ 13,089,387	\$ 13,824,745	\$ 13,956,935
Charges for services	1,076,971	1,291,337	1,198,408	1,131,850	1,111,193	1,022,624	958,249	978,973	1,219,100	955,616
Licenses, fees and permits	295,075	318,899	361,236	294,084	258,384	186,925	143,903	246,891	434,132	321,774
Fines and penalties	255,269	182,517	398,093	261,126	227,979	316,343	210,015	147,598	97,480	82,567
Intergovernmental	147,510	233,670	65,465	127,751	200,634	218,054	613,744	344,358	367,463	1,012,110
Investment earnings	13,517	14,651	11,546	6,157	5,990	52,123	68,163	139,025	264,034	115,763
Miscellaneous	37,977	18,189	75,550	103,838	167,941	40,054	135,230	150,649	269,704	1,066,400
Total revenues	<u>12,077,338</u>	<u>13,121,777</u>	<u>13,504,669</u>	<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>	<u>16,476,658</u>	<u>17,511,165</u>
EXPENDITURES										
General government	1,319,243	1,504,855	1,997,675	2,289,098	1,922,184	1,904,340	1,870,697	2,145,014	2,407,281	2,409,994
Culture and recreation	2,189,768	2,268,386	1,859,640	1,795,809	1,853,439	1,936,112	2,104,892	2,163,873	2,081,327	1,939,211
Community development	367,228	414,769	514,474	419,054	456,196	968,197	1,003,655	485,280	558,878	482,507
Public Safety	6,084,813	6,210,892	6,410,938	6,725,152	7,668,000	7,428,899	7,820,377	8,066,721	7,926,014	8,966,480
Streets	937,367	968,236	920,417	780,006	968,092	997,520	818,913	768,153	852,360	773,640
Capital outlay	889,326	1,793,507	4,076,340	985,179	859,897	3,053,778	1,532,290	1,480,185	2,338,141	2,181,502
Debt service										
Principal	420,000	440,000	455,000	465,000	505,000	415,000	469,243	560,879	746,898	483,490
Interest	98,117	139,305	126,693	120,261	77,845	66,375	85,322	107,099	104,230	258,261
Bond Issuance Costs	-	45,000	5,312	11,027	-	-	-	-	-	262,595
Advance Refunding Escrow	-	-	382,370	1,323,441	-	-	-	-	-	-
Total expenditures	<u>12,305,862</u>	<u>13,784,950</u>	<u>16,748,859</u>	<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>	<u>17,015,129</u>	<u>17,757,680</u>
EXCESS OF REVENUES										
OVER (UNDER) EXPENDITURES	<u>\$ (228,524)</u>	<u>\$ (663,173)</u>	<u>\$ (3,244,190)</u>	<u>\$ (974,939)</u>	<u>\$ 394,709</u>	<u>\$ (2,479,053)</u>	<u>\$ (1,115,133)</u>	<u>\$ (680,323)</u>	<u>\$ (538,471)</u>	<u>\$ (246,515)</u>
OTHER FINANCING SOURCES (USES)										
Debt issued	-	4,000,000	370,000	1,336,841	-	-	-	215,371	1,333,310	11,860,000
Premium on Bonds	-	-	22,904	-	-	-	-	-	-	1,021,005
Discount on Bonds	-	-	(2,651)	-	113,938	349,833	168,051	-	-	-
Sale of Fixed Assets	27,316	27,851	24,950	219,822	11,165	77,340	118,358	22,639	20,635	21,498
Proceeds from insurance	5,502	11,498	-	-	63,740	58,576	18,537	-	-	-
Transfers in	292,052	741,161	506,849	1,196,840	208,824	633,870	729,968	1,666,068	2,036,185	2,513,977
Transfers out	(429,255)	(720,000)	(250,000)	(941,796)	-	(375,000)	(225,489)	(915,216)	(1,635,690)	(1,071,572)
Total other financing sources (uses)	<u>(104,385)</u>	<u>4,060,510</u>	<u>672,052</u>	<u>1,811,707</u>	<u>397,667</u>	<u>744,619</u>	<u>809,425</u>	<u>988,862</u>	<u>1,754,440</u>	<u>14,344,908</u>
NET CHANGE IN FUND BALANCES	<u>\$ (332,909)</u>	<u>\$ 3,397,337</u>	<u>\$ (2,572,138)</u>	<u>\$ 836,768</u>	<u>\$ 792,376</u>	<u>\$ (1,734,434)</u>	<u>\$ (305,708)</u>	<u>\$ 308,539</u>	<u>\$ 1,215,969</u>	<u>\$ 14,098,393</u>
DEBT SERVICE AS A PERCENTAGE										
OF NONCAPITAL EXPENDITURES	<u>4.5%</u>	<u>5.2%</u>	<u>7.6%</u>	<u>13.8%</u>	<u>4.3%</u>	<u>3.5%</u>	<u>3.9%</u>	<u>4.7%</u>	<u>5.8%</u>	<u>6.4%</u>

Source: City Audited Financials.

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City of Stephenville, Texas
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years (Unaudited)

Tax Year	Fiscal Year	Residential Property	Commercial Property	Industrial Property	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
2010	2010-2011	\$ 546,372,660	\$ 514,213,740	\$ 127,553,350	\$ 302,938,397	\$ 885,201,353	\$ 0.460	\$ 885,201,353	100%
2011	2011-2012	555,032,740	511,780,800	148,096,980	317,517,724	897,392,796	0.4850	897,392,796	100%
2012	2012-2013	561,570,020	546,842,640	225,183,450	384,611,442	948,984,668	0.4850	948,984,668	100%
2013	2013-2014	567,670,640	562,727,447	297,556,973	441,606,152	986,348,908	0.4950	986,348,908	100%
2014	2014-2015	601,105,080	750,961,010	245,239,590	590,694,529	1,006,611,151	0.4900	1,006,611,151	100%
2015	2015-2016	636,597,500	768,186,520	268,319,490	609,847,714	1,063,255,796	0.4900	1,063,255,796	100%
2016	2016-2017	657,717,227	785,853,463	259,118,010	627,870,983	1,074,817,717	0.4900	1,074,817,717	100%
2017	2017-2018	753,358,500	824,711,040	245,604,310	617,069,492	1,206,604,358	0.4800	1,206,604,358	100%
2018	2018-2019	776,693,310	841,695,300	304,695,430	651,711,851	1,271,372,189	0.4750	1,271,372,189	100%
2019	2019-2020	826,226,780	883,238,110	346,709,950	675,346,485	1,380,828,355	0.4700	1,380,828,355	100%

Source: Erath County Appraisal District.

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City of Stephenville, Texas
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years (Unaudited)

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	
2010	2010-2011	\$ 0.4015	\$ 0.0585	\$ 0.4600	\$ 1.1470	\$ 0.0150	\$ 0.4500	\$ 2.0720
2011	2011-2012	0.4194	0.0656	0.4850	1.1700	0.0150	0.4700	2.1400
2012	2012-2013	0.4235	0.0615	0.4850	1.1940	0.0145	0.4700	2.1635
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	0.0097	0.4560	2.2086

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 TAX PAYERS

Current and Nine Years Ago (Unaudited)

Taxpayer	Tax Year 2019			Tax Year 2010		
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	
FMC Company	\$ 121,995,212	1	8.83%	\$ 37,355,452	1	4.22%
Mustang Ranch	20,246,840	2	1.47%	-		- %
Stephenville Campus Crest	17,650,170	3	1.28%	11,872,640	3	1.34%
FMC Technologies	16,571,850	4	1.20%	-		- %
NJH Investment Corp	16,252,160	5	1.18%	-		- %
DB Bosque LLC	13,294,130	6	0.96%	-		- %
Oncor Electric Delivery	12,891,620	7	0.93%	7,569,510	7	0.86%
Bosque River Center Realty	10,013,350	8	0.73%	-		- %
Tejas Tubular Inc.	9,983,929	9	0.72%	-		- %
Wal-Mart Stores, Inc. #1	9,484,280	10	0.69%	8,737,210	5	0.99%
Bosque River Associates	-		- %	8,118,020	6	0.92%
Stephenville Student Housing LP	-		- %	8,956,830	4	1.01%
Saint Gobain Abrasives #2	-		- %	-		- %
United Telephone Company (Century	-		- %	6,928,430	8	0.78%
Wilmington Trust (Wal-Mart #2)	-		- %	6,000,730	9	0.68%
Saint Gobain Abrasives #1	-		- %	16,632,836	2	1.88%
Subtotal	<u>\$ 248,383,541</u>		<u>17.99%</u>	<u>\$ 112,171,658</u>		<u>12.68%</u>
Remaining Roll	<u>1,132,444,814</u>		<u>82.01%</u>	<u>773,029,695</u>		<u>87.32%</u>
Total	<u>\$ 1,380,828,355</u>		<u>100.00%</u>	<u>\$ 885,201,353</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 (Unaudited)

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding as of 9/30/20
			Amount	Percentage of Levy		Amount	Percentage of Levy	
2010	2010-2011	\$ 4,059,655	\$ 4,007,449	98.71%	\$ 50,771	\$ 4,058,220	99.96%	1,435
2011	2011-2012	4,343,596	4,302,513	99.05%	39,036	4,341,549	99.95%	2,047
2012	2012-2013	4,594,127	4,554,491	99.14%	37,568	4,592,059	99.95%	2,068
2013	2013-2014	4,868,772	4,820,901	99.02%	45,725	4,866,626	99.96%	2,146
2014	2014-2015	4,914,157	4,889,253	99.49%	19,925	4,909,178	99.90%	4,979
2015	2015-2016	5,173,332	5,130,875	99.18%	34,198	5,165,073	99.84%	8,259
2016	2016-2017	5,250,713	5,204,383	99.12%	41,644	5,246,027	99.91%	4,686
2017	2017-2018	5,774,003	5,718,051	99.03%	48,287	5,766,338	99.87%	7,664
2018	2018-2019	6,039,572	5,993,621	99.24%	35,932	6,029,553	99.83%	10,019
2019	2019-2020	6,490,160	6,458,237	99.51%	-	6,458,237	99.51%	31,923

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

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City of Stephenville, Texas

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years (Unaudited)

Category	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Services	\$ 82,499,237	\$ 80,715,109	\$ 43,434,651	\$ 49,560,842	\$ 46,989,186	\$ 41,651,657	\$ 40,241,475	\$ 63,727,628	\$ 59,351,380	\$ 60,613,525
Misc Retail	50,223,257	57,031,030	51,246,891	52,221,686	54,975,621	54,751,164	54,321,288	50,773,645	52,220,824	53,686,867
Eat/Drink Places	45,659,353	48,634,297	51,945,376	55,015,006	60,296,991	57,700,419	68,762,227	70,136,317	75,769,971	72,885,265
Hospitality and Leisure			56,992,190	60,118,426	64,408,646	66,313,220	53,981,331	72,606,172	78,151,316	83,181,730
HomeFurnishings	13,494,549	13,893,238	7,144,077	7,209,200	7,246,403	6,660,673	6,162,365	7,046,159	7,604,974	8,387,888
Apparel Stores	8,174,834	8,341,058	8,639,294	8,799,575	10,578,892	10,324,254	10,257,542	9,645,246	11,823,407	12,760,079
Automotive Stores	83,707,882	92,836,643	115,540,159	113,933,329	123,712,193	115,703,501	107,067,897	144,126,333	116,799,945	113,763,645
Food Stores	49,273,894	57,733,375	56,734,012	57,179,417	59,377,144	63,577,869	59,091,905	59,400,532	66,271,975	72,885,265
General Merchandise	114,441,489	121,061,076	120,479,906	120,780,721	123,134,874	126,719,228	121,170,557	123,107,302	117,640,631	118,089,721
Building/Garden										
Supplies	27,131,515	28,142,214	27,030,238	28,455,504	31,727,307	37,693,956	35,695,603	36,386,966	36,761,366	34,781,537
Wholesale Trade	53,330,189	54,781,219	53,509,172	47,091,948	45,902,673	48,009,817	46,967,803	51,525,032	57,421,775	62,100,066
Manufacturing	24,080,368	20,743,984	23,103,447	27,220,571	51,074,808	44,597,329	36,916,496	41,376,240	45,379,899	54,485,728
Construction	26,360,348	24,673,453	20,487,172	23,399,150	29,565,160	39,838,703	36,567,165	32,516,125	42,457,584	32,014,392
Other	18,688,413	20,498,610	24,770,674	31,521,635	29,361,821	42,437,131	32,920,411	37,214,389	37,851,430	31,426,794
Agriculture	192,638	310,294	227,301	346,309	157,377	131,950	87,089	-	-	-
Total	\$ 597,257,966	\$ 629,395,600	\$ 661,284,560	\$ 682,853,319	\$ 738,509,096	\$ 756,110,871	\$ 710,211,154	\$ 799,588,086	\$ 805,506,477	\$ 811,062,502
Direct Sales Tax Rate	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%	1.50%

Source: Office of the Comptroller of the State of Texas

City of Stephenville, Texas
DIRECT AND OVERLAPPING SALES TAX RATES
Last Ten Fiscal Years (Unaudited)

	General Municipal Sales Tax	Sales Tax for Property Tax Relief	Sales Tax for Economic/ Industrial Dev Sec 4B
2011	1.00%	0.50%	-
2012	1.00%	0.50%	-
2013	1.00%	0.50%	-
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%

Source: Texas Comptroller.

City of Stephenville, Texas
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years (Unaudited)

Fiscal Year	Governmental Activities				Business-type Activities				Total Primary Government	Percentage of Personal Income	Per Capita
	General Obligation Bonds	Certificates of Obligation	Unamortized Premiums (Discounts)	Capital Leases	Water Revenue Bonds	Certificates of Obligation	Unamortized Premiums (Discounts)	Capital Leases			
2011	-	\$ 2,185,000	-	-	\$ 840,000	\$ 19,921,865	-	\$ 194,121	\$ 23,140,986	4.39%	1,324
2012	-	5,745,000	-	-	430,000	18,597,865	-	99,661	24,872,526	4.43%	1,360
2013	360,000	4,940,000	19,746	-	4,315,000	12,737,850	239,090	-	22,611,686	3.73%	1,157
2014	1,500,000	3,340,000	18,734	-	9,385,000	6,851,841	220,290	-	21,315,865	3.17%	1,098
2015	1,155,000	3,180,000	17,721	113,938	8,895,000	5,350,850	210,978	3,161,834	22,085,321	3.24%	1,129
2016	905,000	3,015,000	16,709	436,510	8,390,000	3,774,827	198,922	2,833,134	19,570,101	2.55%	904
2017	610,000	2,920,000	14,683	525,318	6,720,000	5,568,827	186,866	3,131,370	19,677,064	2.38%	896
2018	310,000	2,855,000	13,671	544,810	5,040,000	22,340,000	174,811	2,028,635	33,306,927	3.78%	1,495
2019	-	2,785,000	12,659	1,511,222	3,325,000	22,100,000	162,757	1,730,829	31,627,467	3.45%	1,396
2020	-	14,465,000	1,007,127	1,207,732	3,250,000	20,860,000	150,700	1,415,018	42,355,577	N/A	1,829

Notes: See page 139 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

City of Stephenville, Texas
RATIOS OF NET GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligations	Total		
2011	-	\$ 2,185,000	\$ 2,185,000	0.25%	125
2012	-	5,745,000	5,745,000	0.64%	314
2013	379,746	4,940,000	5,319,746	0.56%	275
2014	1,518,734	3,340,000	4,858,734	0.49%	250
2015	1,172,721	3,180,000	4,352,721	0.43%	223
2016	921,709	3,015,000	3,936,709	0.37%	182
2017	624,683	2,920,000	3,544,683	0.33%	161
2018	323,671	2,855,000	3,178,671	0.26%	143
2019	12,659	2,785,000	2,797,659	0.22%	123
2020	11,645	15,460,482	15,472,127	1.12%	668

Notes:

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

See page 125 for property value data.

Population data can be found on page 139.

City of Stephenville, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2020 (Unaudited)

Government Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt repaid with property taxes:			
Overlapping			
Stephenville Independent School District	\$ 81,715,333	70.91%	\$ 57,944,343
Erath County	\$ 2,330,000	37.77%	<u>880,041</u>
Subtotal, overlapping debt			<u>58,824,384</u>
Direct			
City of Stephenville	\$ 16,679,859	100.00%	<u>16,679,859</u>
Total Direct and Overlapping Debt			<u>\$ 75,504,243</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.

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City of Stephenville, Texas

LEGAL DEBT MARGIN INFORMATION

Last Ten Fiscal Years (Unaudited)

(amounts expressed in thousands)

Tax Year Fiscal year	2019 <u>2019-2020</u>	2018 <u>2018-2019</u>	2017 <u>2017-2018</u>	2016 <u>2016-2017</u>	2015 <u>2015-2016</u>	2014 <u>2014-2015</u>	2013 <u>2013-2014</u>	2012 <u>2012-2013</u>	2011 <u>2011-2012</u>	2010 <u>2010-2011</u>
Debt limit	\$ 157,749	\$ 145,165	\$ 135,754	\$ 124,250	\$ 122,554	\$ 116,345	\$ 116,885	\$ 107,470	\$ 98,743	\$ 96,046
Total net debt applicable to limit	<u>15,257</u>	<u>2,591</u>	<u>2,981</u>	<u>3,389</u>	<u>3,793</u>	<u>4,213</u>	<u>4,718</u>	<u>5,191</u>	<u>5,627</u>	<u>2,083</u>
Legal debt margin	<u>\$ 142,491</u>	<u>\$ 142,574</u>	<u>\$ 132,773</u>	<u>\$ 120,861</u>	<u>\$ 118,762</u>	<u>\$ 112,132</u>	<u>\$ 112,167</u>	<u>\$ 102,279</u>	<u>\$ 93,116</u>	<u>\$ 93,963</u>
Total net debt applicable to limit as a percentage of debt limit		1.78%	2.20%	2.73%	3.09%	3.62%	4.04%	4.83%	5.70%	2.17%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$ 1,380,828
Add back: exempt real property	<u>196,657</u>
Total assessed value	<u>1,577,486</u>
Debt limit (10% of total assessed value)	157,749
Debt applicable to limit:	
General obligation	15,472
Less: Amount set aside for repayment of general obligation debt	<u>(215)</u>
Total net debt applicable to limit	<u>15,257</u>
Legal debt margin	<u>\$ 142,491</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.

City of Stephenville, Texas

PLEDGED-REVENUE COVERAGE

Last Ten Fiscal Years (Unaudited)

Water and Wastewater Revenue Bonds

Fiscal Year	Utility	Less:	Net	Debt Service		Coverage
	Service Charges	Operating Expenses	Available Revenue	Principal	Interest	
2011	\$ 6,147,606	\$ 3,106,016	\$ 3,041,590	\$ 1,668,000	\$ 865,248	1.20
2012	6,055,936	3,106,535	2,949,401	1,734,000	800,432	1.16
2013	6,443,151	3,282,484	3,160,667	1,810,000	613,073	1.30
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	410,304	2.66

Notes: Operating expenses do not include interest, depreciation, or amortization expenses.

Source City CAFR.

City of Stephenville, Texas
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years (Unaudited)

Calendar Year	Population	Personal Income	Per Capita Personal Income	School Enrollment	College Enrollment	Unemployment Rate
2011	17,480	\$ 527,459,000	\$ 30,175	3,584	9,575	6.5%
2012	18,290	561,832,220	30,718	3,702	10,227	5.2%
2013	19,320	605,469,480	31,339	3,731	10,903	5.5%
2014	19,410	672,265,350	34,635	3,656	11,681	4.7%
2015	19,560	681,626,880	34,848	3,702	12,396	3.8%
2016	21,640	767,938,680	35,487	3,614	12,333	4.7%
2017	21,950	827,668,650	37,707	3,671	13,052	3.9%
2018	22,280	881,664,160	39,572	3,711	13,019	3.2%
2019	22,660	916,868,920	40,462	3,842	13,226	3.1%
2020	23,160	n/a	n/a	3,659	14,022	5.8%

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 2010-2018 reflect county population estimates available as of March 2019. Personal income is not available for 2019.

City of Stephenville, Texas

PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Tarleton State University	1,297	1	6.48%	1,166	1	6.54%
FMC Company	735	2	3.67%	790	2	4.43%
Scheiber Foods	500	3	2.50%	341	5	1.91%
Stephenville Independent School District	475	4	2.37%	236	7	1.32%
Saint Gobain Abrasives	470	5	2.35%	477	3	2.68%
Wal-Mart Stores, Inc.	350	6	1.75%	460	4	2.58%
Texas Health Harris Methodist Stephenville	232	7	1.16%	279	6	1.56%
Western Dairy Transport	225	8	1.12%	150	10	0.84%
Erath County	215	9	1.07%	174	8	0.98%
City of Stephenville	164	10	0.82%	-		- %
Tejas Tubular (Caporal Forging)	-		- %	165	9	0.93%
Bruner Motors	-		- %	150	11	0.84%
Subtotal	4,663		23.30%	4,388		24.61%
Remaining Employers (County)	15,350		76.70%	13,443		75.39%
Total	20,013		100.00%	17,831		100.00%

Source: City Human Resources Department. Total employee data is provided by the State Department of Commerce and Labor.

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 (Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Management services	4	4	4	4	4	5	5	5	8	9
Finance	7	7	7	7	7	7	7	7	9	9
Planning	2	2	2	2	2	2	3	3	3	3
Building	2	2	2	2	2	2	2	2	2	2
Other	1	2	2	2	2	2	2	3	2	2
Police										
Officers	38	39	39	39	39	39	39	39	39	39
Civilians	12	12	12	16	16	15	17	17	19	19
Fire										
Firefighters and officers	31	31	31	31	31	31	31	31	31	31
Civilians	-	-	-			1	1	1	1	1
Parks and recreation	13	13	13	13	13	12	14	14	14	14
Library	3	3	3	3	3	3	3	4	4	4
Streets	7	7	7	7	7	7	7	7	7	7
Water	13	13	13	13	13	16	15	15	15	15
Wastewater	5	5	5	5	5	5	6	6	6	6
Landfill	2	2	2	2	3	3	3	3	3	3
Total	<u>140</u>	<u>142</u>	<u>142</u>	<u>146</u>	<u>147</u>	<u>150</u>	<u>155</u>	<u>157</u>	<u>163</u>	<u>164</u>

Source: Various City departments

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

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City of Stephenville, Texas
OPERATING INDICATORS BY FUNCTIONS/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
General government										
Building permits issued	148	96	113	90	93	146	127	197	205	220
Building permits value	\$29,365,010	\$11,174,610	\$49,204,311	\$19,061,275	\$10,829,426	\$41,143,042	\$22,331,535	\$24,569,365	\$71,952,765	\$21,765,542
Building inspections conducted										
Police										
Calls for service	17,278	11,166	10,566	9,836	14,631	12,378	12,044	13,785	15,369	15,135
Physical arrests	717	882	1,123	846	806	643	696	742	687	487
Parking violations (1)	401	417	520	258	467	858	830	177	130	407
Traffic violations	4,639	2,035	5,357	7,338	5,665	3,816	3,470	3,767	3,207	2,571
Fire										
Ambulance responses	1,524	1,517	1,555	1,592	1,733	1,897	1,767	1,842	1,876	1,787
Fires responses	282	229	276	251	294	303	313	385	479	421
Inspections	316	289	551	456	444	400	393	392	293	455
Refuse collection										
Refuse collected (tons)	15,538	16,930	18,393	21,729	22,494	21,676	19,229	19,689	21,092	20,873
Recyclables collected (tons per day)										
Other public works										
Street resurfacing (miles)	0.90	1.30	1.32	-	-	17.90	8.77	10.62	10.38	-
Library										
Volumes in collection	33,709	32,504	33,316	35,171	36,759	37,416	38,685	40,041	40,167	39,636
Total volumes borrowed	132	161	25	6	12	37	199	138	111	113
Water										
Active connections	5,698	5,920	6,181	6,000	6,442	6,495	6,625	6,813	6,435	6,519
Water main breaks	70	80	47	59	57	39	30	23	45	38
Average daily consumption (thousands of gallons)	2,447,000	2,115,000	2,107,000	1,983,000	1,945,000	1,997,000	1,932,000	2,117,000	1,893,000	2,000,000
Peak daily consumption (thousands of gallons)	4,765,000	3,937,000	3,937,000	3,176,000	3,505,000	3,872,000	2,985,000	3,703,000	3,352,000	3,493,000
Wastewater										
Average daily sewage treatment (thousands of gallons)	1,395,000	1,610,000	1,453,000	1,433,000	1,444,000	1,720,000	1,380,000	1,310,000	1,667,000	1,368,000
WW Peak	2,716,000	4,494,000	3,158,000	2,737,000	7,106,000	9,350,000	6,597,000	6,800,000	7,220,000	3,560,000
Airport										
Landings	3,655	3,637	3,574	3,384	3,233	3,008	2,862	2,765	2,879	2,825
Take-offs	3,657	3,631	3,572	3,383	3,239	3,010	2,862	2,765	2,878	2,826
Municipal Court										
New cases (2)	-	-	-	-	-	-	-	-	-	1,226
Disposed cases	-	-	-	-	-	-	-	-	-	741

(1) 2009 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

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City of Stephenville, Texas
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	10	10	11	11	11	12
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	92	92	92	92	92	93	93	93	91	95
Highways (miles)	23	23	23	23	23	23	23	23	23	25
Streetlights	1,121	1,125	1,127	1,139	1,145	1,149	1,156	1,164	1,168	1,160
Parks and recreation										
Acreage	130	130	130	130	130	142	142	142	140	147
Playgrounds	4	4	4	4	4	4	4	4	7	6
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	1	1	1	1	1	1	1	1	1	-
Skate park	1	1	1	1	1	1	1	1	1	1
Outdoor aquatic center	1	1	1	1	1	1	1	1	1	1
Community centers	2	2	2	2	2	2	2	2	2	2
Water										
Water mains (miles)	126	126	126	126	126	126	128	131	131	135
Fire hydrants	788	798	798	798	798	801	816	816	820	863
Storage capacity (thousands of gallons)	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000
Wastewater										
Sanitary sewers (miles)	116	116	116	116	116	116	116	117	117	117
Storm sewers (miles)	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	3.2
Treatment capacity (thousands of gallons)	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	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

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***OVERALL
COMPLIANCE AND INTERNAL CONTROL***

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BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Honorable Mayor and
Members of the City Council
City of Stephenville, Texas:

We have audited, 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, the financial statements of the governmental activities, the business-type activities, 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 28, 2021.

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) to determine the 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.

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

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

financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Brooks Watson & Co., PLLC
Certified Public Accountants
Houston, Texas
May 28, 2021

City of Stephenville, Texas
SCHEDULE OF FINDINGS AND RESPONSES
For the Year Ended September 30, 2020

I. SUMMARY OF AUDITOR'S RESULTS:

Financial Statements

Type of auditor's report issued:

The auditor's report on the basic financial statements of the City expresses an unmodified opinion.

Internal control over financial reporting:

Are any material weaknesses identified?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Are any significant deficiencies identified not considered to be material weaknesses?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> None Reported
Is any noncompliance material to financial statements noted?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No

II. FINANCIAL STATEMENT FINDINGS:

None.

City of Stephenville, Texas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2020

I. SUMMARY OF PRIOR YEAR AUDIT FINDINGS:

None.

City of Stephenville, Texas

CORRECTIVE ACTION PLAN

For the Year Ended September 30, 2020

I. CORRECTIVE ACTION PLAN:

Not applicable.