



COUNCIL COMMITTEE MEETING - FINANCE COMMITTEE

City Hall Council Chambers, 298 W Washington
Tuesday, August 22, 2023 at 5:30 PM

AGENDA

CALL TO ORDER

FINANCE COMMITTEE

Justin Haschke, chair; David Baskett, Brandon Greenhaw, Mark McClinton

- [1.](#) Review and Discuss Annual Comprehensive Finance Report for the Period Ending September 30, 2022
- [2.](#) Budget Adjustments for Fiscal Year Ending September 30, 2022
- [3.](#) Consider Approval of Investment Policy

ADJOURN

Note: The Stephenville City Council may convene into Executive Session on any matter related to any of the above agenda items for a purpose, such closed session allowed under Chapter 551, Texas Government Code.

In accordance with the Americans with Disabilities Act, persons who need accommodation to attend or participate in this meeting should contact City Hall at 254-918-1287 within 48 hours prior to the meeting to request such assistance.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2022



Stephenville

TE★AS

*ANNUAL COMPREHENSIVE
FINANCIAL REPORT*

of the

City of Stephenville, Texas

**For the Year Ended
September 30, 2022**

Prepared by:
Finance Department

Monica Harris
Director of Finance

City of Stephenville, Texas

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September 30, 2022

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INTRODUCTORY SECTION

Stephenville

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298 W Washington St, Stephenville, TX 76401 (254) 918-1220 Fax (254) 918 -1207

June 30, 2023

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

The Finance Department and City Manager's Office are pleased to submit the Annual Comprehensive Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2022.

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, 2022. The independent auditors' report is located at the front of the financial section of this report.

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

CITY PROFILE



Location

The City is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of the state and the City's home rule charter. The City was incorporated in 1889 and chartered a home-rule city under Texas law in 1961. The city is located on the intersection of U.S. Highways 67, 281, and 377. The city occupies approximately 11.79 square miles and serves a population of about 21,130. 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 an accrual basis.

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

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

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

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

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

ECONOMIC CONDITION

Local Economy

The City serves as the center of commerce and recreation to over 43,000 Erath County residents and has a commercial trade area of over 85,000. The city is the county seat and the principal commercial, medical, retail, educational and industrial center of Erath County. The city currently enjoys a stable and diversified economic environment, bolstered by the strength of both the Cross Timbers area and the State of Texas. Our economy is based on agriculture, manufacturing, and Tarleton State University. Agriculture has long been Erath County's leading industry with livestock, especially beef, dairy, and other livestock production. Erath County accounts for 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, cheese products, fiber gratings and fasteners, metal processing of electrical products, trailer customization, and forged pipe unions. Tarleton State University, a member of the Texas A & M System, provides further economic stability as the largest employer. The Stephenville student body includes representatives from 230 Texas counties, 46 states, and 34 foreign countries. Tarleton's Stephenville Campus 2022 fall enrollment was more than 9,800 students with total enrollment across all Tarleton Campuses, including online, exceeding 14,000 students.

Stephenville ranks high in the state for the quality of work environment. As of September 2022, with unemployment at 3.7% statewide, Stephenville's unemployment was 3.3%. The city has adequate—yet below-average—wealth and income. According to the U. S. Census Bureau's 2021 American Community Survey published in 2022, Stephenville's median household income is \$50,552 compared to \$58,231 for Dallas and \$67,321 for Texas. In addition, according to the survey, the workforce is educated with 31.9% of the population having a bachelor's degree or higher, compared to 35.6% for Dallas and 31.5% for Texas.

The growing property values, sales tax receipts and building activity reflect the area's positive economic climate. The City continues to have new residential, commercial, and educational building construction, adding over thirty-eight million dollars in new taxable value for the 2022 property tax rolls. A 78-unit student housing project was completed in early 2022. Several apartment complexes and townhomes are currently under construction totaling 160 units, as well as a student housing project with 84 units and 252 beds. Several single-family subdivisions are currently in planning and construction as well. A boutique hotel is currently under construction. Tarleton State University, an NCAA Division 1 school, continues to experience steady growth in student enrollment. Tarleton is currently building a multi-level parking garage and has completed construction of an Olympic size track and field facility. In addition, Tarleton is in the planning stage of a hotel and will break ground on a convocation center in the summer of 2023. The city completed over \$300,000 dollars of street improvements in fiscal year 2021-2022 and has appropriated over \$1.7 million in routine street improvements for fiscal year 2022-2023; \$850,000 was from funds unspent in fiscal year 2021-2022. A retail sales complex completed construction in early 2022 with the last retailer opening in late 2022; the projected retail sales are \$40 to \$50 million per year. A major agricultural and livestock supplier opened in mid-2022, and a major ranch and home goods retailer is currently in construction. A complex of up to five fast casual restaurants is in development with one restaurant opening in January 2023 and another opened in June 2023. The Stephenville Economic Development Authority (SEDA) continues to receive many new economic development inquiries from companies interested in locating their business in Stephenville and has several projects in the works.

Long-Term Financial Planning

The City's ability to respond to on-going economic challenges requires careful long-range planning, which is addressed during the budget process by carrying the budget out five years to determine the impact of current decisions on future fiscal periods. The City has responded to the economy by fiscal conservatism and implementing operating budget efficiencies that have resulted in maintaining healthy fund balances in its general fund and water/wastewater funds. A portion of these fund balances are being utilized in the 2022-2023 Budget year to build a new senior center and to assist in the funding in water and sewer infrastructure projects.

Users of this document are encouraged to read the City's Fiscal Year 2022-2023 Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. Also available for reference is the City of Stephenville's Comprehensive Plan, which maps out the City's future strategies.

In addition, the City continues to recognize the long-term financial implications of its pension and retiree health benefits. 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. In addition, the city offers a one percent match to the deferred compensation plan offered to employees. The city does not provide for retiree health care, as the city provides a sustainable benefit to our employees without shifting costs to future taxpayers.

Relevant Financial Policies

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

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

Major Initiatives

The city currently has several projects underway. The Clark Field Municipal Airport is working on a runway extension project. This is a \$10 million dollar project with a 90/10 match coming from TXDOT Aviation. The environmental study has been completed; surveys and appraisals of surrounding properties have been performed, and a significant portion of the land needed has been purchased. The complete reconstruction of a major thoroughfare designated as a minor arterial is under construction at an estimated cost of over \$8.5 million with completion anticipated by fall of 2023. A major sewer project is underway with completion anticipated in eighteen months. This project is a three-phase project to alleviate sanitary sewer overflow issues and expand servicing areas, affecting 80% of the City. The City issued certificates of obligations in April 2022, to fund two million in ball field improvements and twenty million in water and sewer system improvements, including a new well field with transmission line and replacing utility mains under a main thoroughfare to be completed by summer 2024.

AWARDS AND ACKNOWLEDGEMENTS

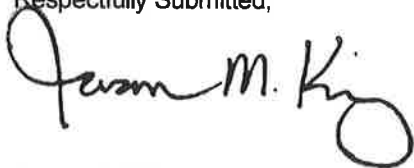
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Stephenville for its Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021.

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 34th consecutive year and the 41st year that the City of Stephenville has achieved this prestigious award. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

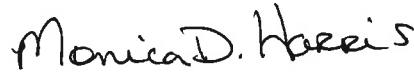
A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,



Jason M. King
City Manager



Monica D. Harris
Director of Finance



Government Finance Officers Association

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

Presented to

**City of Stephenville
Texas**

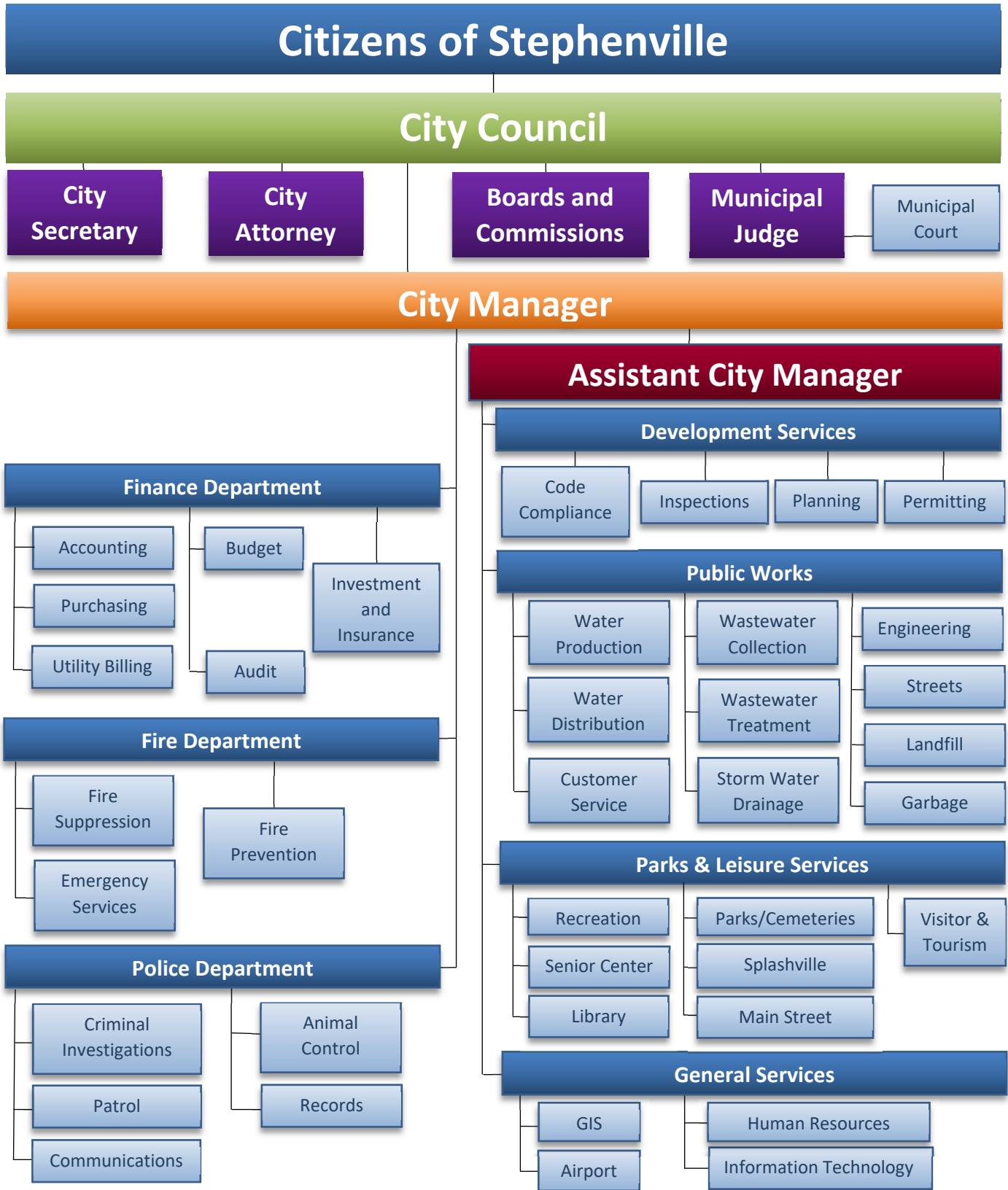
For its Annual Comprehensive
Financial Report
for the Fiscal Year Ended

September 30, 2021

Christopher P. Morill

Executive Director/CEO

Organizational Chart



City Council

as of September 30, 2022

Mayor	Doug Svien
Place 1	LeAnn Durfey
Place 2	Justin Haschke
Place 3	Vacant
Place 4	Bob Newby
Pace 5	Ricky Thurman
Place 6	David Basket
Place 7	Gerald Cook
Place 8	Mark McClinton

Staff

as of September 30, 2022

City Manager	Jason M. King
Assistant City Manager	Vacant
Director of Finance & Administration	Monica D. Harris
Director of Utilities	Nick Williams
Police Chief	Dan M. Harris, Jr.
Fire Chief	Robert Isbell
Director of Development Services	Steve Killen
Director of Parks & Leisure Services	Daron Trussell
Interim City Secretary	Terri Johnson

FINANCIAL SECTION

Stephenville

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BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, 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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 of Stephenville, Texas, as of September 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We are required to be independent of City of Stephenville, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The City's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair

presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of employer contributions to pension plan, schedules of changes in other postemployment benefits liability and related ratios, and budgetary comparison information for the general fund 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 opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements 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 June 30, 2023 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.

Brooks Watson & Co.
Certified Public Accountants
Houston, Texas
June 30, 2023

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

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City of Stephenville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS

September 30, 2022

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, 2022. 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, 2022 by \$108,888,245.
- The City's total net position increased by \$10,430,072. 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 \$25,109,045 at September 30, 2022, an increase of \$2,544,737 from the prior fiscal year; this includes an increase of \$3,147,479 in the general fund, a decrease of \$1,149,915 in the capital projects fund, and an increase of \$547,173 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$14,095,016 or 75% of total general fund expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$18,910,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$55,970,000.
- The City's net pension asset totaled \$6,755,804 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, 2022

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, 2022

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 eight individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, 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 36-43 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 44-53 of this report.

City of Stephenville, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

September 30, 2022

Component Unit

The City maintains the accounting and financial statements for two component units. The Stephenville Economic Development Authority is a discretely presented component unit displayed on the government-wide financial statements. The component unit basic fund financial statements can be found on pages 127-130 of this report.

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

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 55-97 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 and deferred outflows exceeded liabilities and deferred inflows by \$108,888,245 as of September 30, 2022, in the primary government.

The largest portion of the City's net position, \$72,449,962, 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, 2022

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2022			2021		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	\$ 27,865,705	\$ 49,565,266	\$ 77,430,971	\$ 24,080,231	\$ 25,684,029	\$ 49,764,260
Capital assets, net	35,533,629	63,281,859	98,815,488	30,489,316	60,319,938	90,809,254
Net pension asset	5,748,514	874,876	6,623,390	2,757,051	373,653	3,130,704
Total Assets	69,147,848	113,722,001	182,869,849	57,326,598	86,377,620	143,704,218
Deferred Outflows	678,398	106,653	785,051	2,016,119	306,677	2,322,796
Other liabilities	4,017,660	5,894,675	9,912,335	1,970,857	3,347,541	5,318,398
Long-term liabilities	20,079,798	41,096,630	61,176,428	16,558,912	22,590,738	39,149,650
Total Liabilities	24,097,458	46,991,305	71,088,763	18,529,769	25,938,279	44,468,048
Deferred Inflows	3,115,103	562,789	3,677,892	2,730,710	370,083	3,100,793
Net Position:						
Net investment						
in capital assets	21,971,416	50,478,546	72,449,962	23,272,989	49,052,873	72,325,862
Restricted	5,580,333	1,543,514	7,123,847	3,266,474	956,437	4,222,911
Unrestricted	15,061,936	14,252,500	29,314,436	11,542,775	10,366,625	21,909,400
Total Net Position	\$ 42,613,685	\$ 66,274,560	\$ 108,888,245	\$ 38,082,238	\$ 60,375,935	\$ 98,458,173

Current assets of governmental activities were \$27,865,705 and \$24,080,231 as of September 30, 2022 and September 30, 2021, respectively. The increase of \$3,785,474 was primarily attributable to greater cash on hand as of yearend due to unspent bond proceeds. Current assets of business-type activities were \$49,565,266 and \$25,684,029 as of September 30, 2022 and September 30, 2021, respectively. The increase of \$23,881,237 was primarily attributable to greater cash on hand, resulting from unspent bond proceeds at yearend. Overall capital assets increased by \$8,006,234 due to ongoing investment in City infrastructure and other capital assets. Other liabilities of the primary government increased by \$4,593,937 primarily due to greater outstanding payables for capital investments and an increase in the current portion of long-term debt compared to the prior year end.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

Statement of Activities:

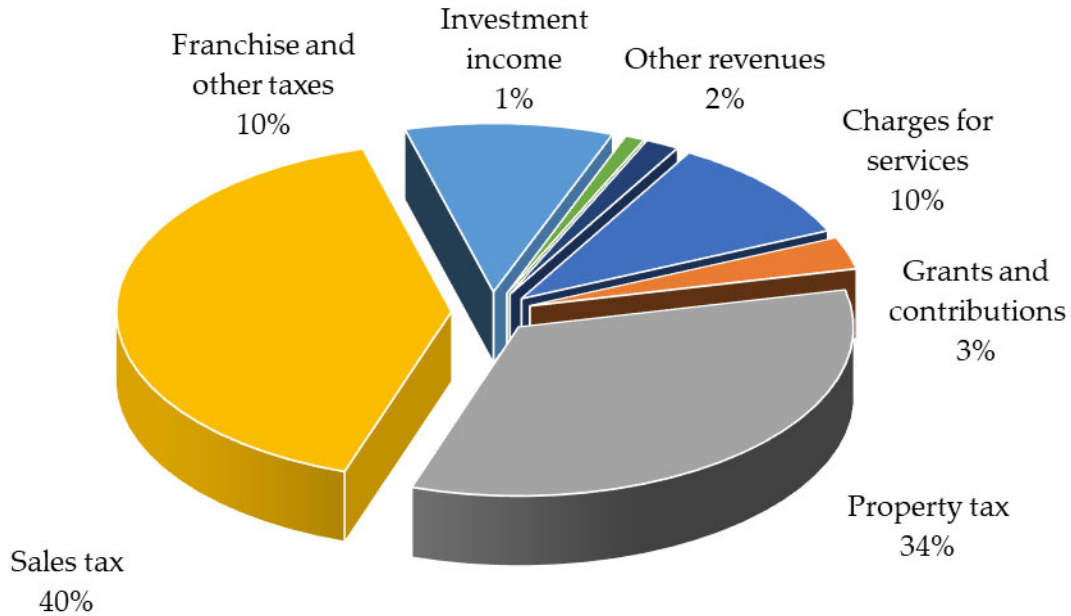
The following table provides a summary of the City's changes in net position:

	For the Year Ended September 30, 2022			For the Year Ended September 30, 2021		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	\$ 2,000,928	\$ 13,073,192	\$ 15,074,120	\$ 1,877,701	\$ 10,886,281	\$ 12,763,982
Grants and contributions	612,244	2,922,264	3,534,508	1,501,164	4,685,293	6,186,457
General revenues:						
Property tax	6,709,590	-	6,709,590	6,711,935	-	6,711,935
Sales tax	8,081,130	-	8,081,130	7,075,224	-	7,075,224
Franchise and other taxes	1,997,043	-	1,997,043	1,794,406	-	1,794,406
Investment income	187,589	284,266	471,855	11,277	8,039	19,316
Other revenues	321,715	55,329	377,044	269,196	64,745	333,941
Total Revenues	19,910,239	16,335,051	36,245,290	19,240,903	15,644,358	34,885,261
Expenses						
General government	2,926,475	-	2,926,475	2,831,782	-	2,831,782
Culture and recreation	2,756,348	-	2,756,348	2,511,374	-	2,511,374
Community development	427,452	-	427,452	488,792	-	488,792
Public safety	8,973,458	-	8,973,458	8,953,779	-	8,953,779
Streets	1,496,839	-	1,496,839	1,495,367	-	1,495,367
Interest and fiscal charges	521,390	1,162,589	1,683,979	402,914	409,486	812,400
Water and wastewater	-	5,777,158	5,777,158	-	5,088,848	5,088,848
Airport	-	198,800	198,800	-	205,951	205,951
Storm water drainage	-	617,644	617,644	-	296,706	296,706
Sanitary landfill	-	957,065	957,065	-	643,520	643,520
Total Expenses	17,101,962	8,713,256	25,815,218	16,684,008	6,644,511	23,328,519
Change in Net Position						
Before Transfers	2,808,277	7,621,795	10,430,072	2,556,895	8,999,847	11,556,742
Transfers	1,723,170	(1,723,170)	-	561,433	(561,433)	-
Total	1,723,170	(1,723,170)	-	561,433	(561,433)	-
Change in Net Position	4,531,447	5,898,625	10,430,072	3,118,328	8,438,414	11,556,742
Beginning Net Position	38,082,238	60,375,935	98,458,173	34,963,910	51,937,521	86,901,431
Ending Net Position	\$ 42,613,685	\$ 66,274,560	\$ 108,888,245	\$ 38,082,238	\$ 60,375,935	\$ 98,458,173

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

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

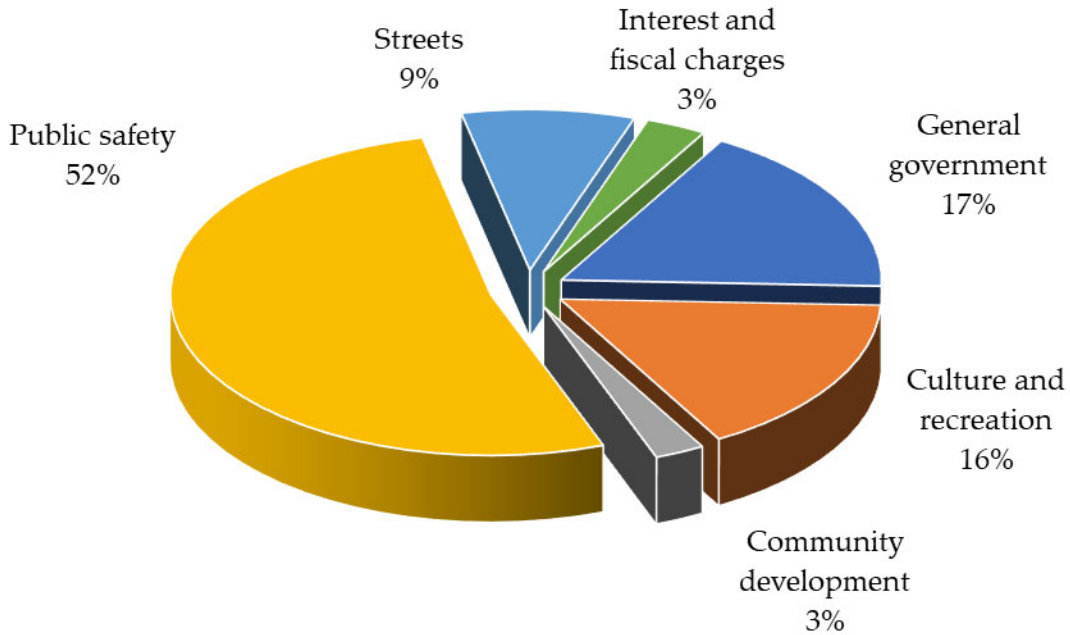


For the year ended September 30, 2022, revenues from governmental activities totaled \$19,910,239. Property tax and sales tax are the City's largest general revenue sources. Overall revenue increased \$669,336 or 3% from the prior year. Sales tax and franchise tax revenues increased by \$1,005,906 or 14% and \$202,637 or 11%, respectively, primarily due to economic growth fueled by local purchases. Charges for services increased by \$123,227 or 7% primarily due to greater youth program activity revenues, parkland dedication fees, and building permits in the current year. Grants and contributions decreased \$888,920 primarily as a result of nonrecurring capital grants and public safety operating contributions received in the prior year. Investment income increased by \$176,312 or over 100% primarily as a result of greater interest-bearing account balances and the realization of higher interest rates in the current year. All other revenues remained relatively stable when compared to the previous year.

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

This graph shows the governmental function expenses of the City:

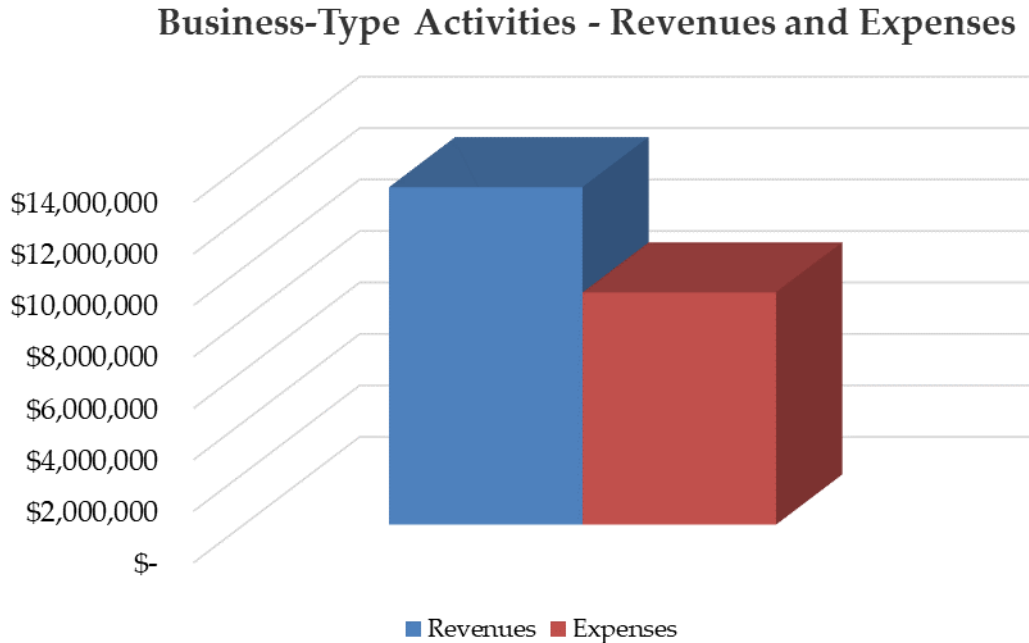
Governmental Activities Expenses



For the year ended September 30, 2022, expenses for governmental activities totaled \$17,101,962. This represents an increase of \$417,954 or 3% from the prior year. The City's largest functional expense is public safety totaling \$8,973,458 and remained consistent with the prior year. Culture and recreation increased by \$244,974 or 10% as a result of increased pool maintenance. Interest and fiscal charges increased by \$118,476 or 29% primarily due to nonrecurring bond issuance costs 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, 2022

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



For the year ended September 30, 2022, charges for services by business-type activities totaled \$13,073,192. This is an increase of \$2,186,911, or 20%, from the previous year. This is primarily a result of increases in both rates and growth/consumption in water, sewer, and stormwater drainage services.

Total expenses increased \$2,068,745 or 31% to a total of \$8,713,256. Water and wastewater department expenses increased by \$688,310 or 14% primarily due to greater personnel costs, water facility/well maintenance, and utility expenses in the current year. Storm water drainage expenses increased by \$320,938 or over 100% primarily due to depreciation and nonrecurring professional fees relating to a flood protection study in the current year. Sanitary landfill expenses increased by \$313,545 or 49% due to professional fees for planned landfill expansion, fuel, maintenance, and greater landfill site closure costs. Interest and fiscal charges increased by \$753,103 or over 100% due to interest on new debt and non-recurring bond issuance costs of \$503,224 in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental Funds - The focus of the City's governmental funds is to provide information 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, 2022

At September 30, 2022, the City's governmental funds reported combined fund balances of \$25,109,045, an increase of \$2,544,737 in comparison with the prior year. Approximately 56% of this amount, \$14,095,016, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Nonspendable fund balance totaled \$47,264 for inventories/prepays and committed fund balance totaled \$1,086,068. The remainder of the fund balance is restricted for particular purposes totaling \$9,880,697.

As of the end of the year, the general fund reflected a total fund balance of \$15,200,627. General fund balance increased by \$3,147,479. This increase is a result of greater than anticipated sales tax revenues and less than anticipated expenditures over the course of the 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 \$14,095,016 is 75% of total general fund operating expenditures.

As of the end of the year, the capital projects reflected a total fund balance of \$8,488,418, a decrease of \$1,149,915 compared to the prior year. The change was primarily due to less than anticipated revenues during the current year.

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 \$49,441,421. Unrestricted net position at the close of the fiscal year amounted to \$11,696,290, and overall net position increased \$5,510,577 from the previous year. Total investment in capital assets, net of related debt of was \$36,707,057, and capital assets, net of depreciation totaled \$44,798,337.

GENERAL FUND BUDGETARY HIGHLIGHTS

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$4,498,333 and increasing total revenues by \$1,369,609, resulting in a decrease in final budgeted fund balance of \$152,332. Total budgeted revenues of \$18,300,113 were less than actual revenues of \$18,462,778, resulting in a total positive revenue variance of \$162,665. Total budgeted expenditures of \$21,520,573 were greater than actual expenditures of \$18,681,434, resulting in a total positive expenditure variance of \$2,839,139.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested \$35,533,629 in a variety of capital assets and infrastructure. The City's business-type activities funds had invested \$63,281,859 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, 2022

- Purchased six mowers for Parks and Cemetery totaling \$148,995.
- Purchased a new Ford 4x4 type 1 ambulance for \$233,756.
- Continued work on the public safety communication system for \$1,163,526.
- Made improvements to the public safety communication shelter for \$171,115.
- Purchased new patrol car equipment for \$62,896.
- Street resurfacing to Hyman, Swan and South Dale totaling \$221,060.
- Improvements to Washington Commons totaling \$552,402.
- Harbin Drive improvements project totaling \$3,606,967.
- Airport pump station expansion totaling \$1,222,064.
- Improvements to the Long Street utilities for \$503,322.
- Working totaling \$2,660,181 on the Wellfield transmission line.
- Waterline extension work in Lingleville for \$91,544.
- Purchased a new Caterpillar Tractor for \$99,952.

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 \$18,910,000 from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$55,970,000. The City made \$4,655,000 in principal payments on outstanding bonds, certificates of obligation, and capital lease obligations. The City issued \$2,825,000 in general obligation refunding bonds with an average interest rate of 4.402%. Bond proceeds of \$3,210,875, including premium of \$385,875 were utilized to refund \$3,095,000 of outstanding 2013 combination tax and revenue certificates of obligation. This debt refunding reduced the City's total debt service payments by \$208,553 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$182,606. 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 is experiencing continued growth as evidenced by sales tax revenue, property tax valuations, and construction permits issued. Sales tax collections for fiscal year 2021-2022 were \$1 million more than fiscal year 2020-2021. In addition, the sales tax collections for fiscal year 2022-2023, thus far, exceed last fiscal year to date by over 17%. Taxable assessed property values for 2021 exceeded 2020 by 5.49%, and the 2022 taxable assessed values exceeded 2021 by 20.70%, with over \$38 million attributed to new taxable value. This allowed the 2021 total property tax rate of \$0.4420 per \$100 of taxable value to decrease to \$0.3958 per \$100 of taxable value for 2022 and still raise \$350,000 more in property tax revenue, \$151,000 of which was from new property added to the tax roll. Furthermore, the City issued 291 building permits in the 2021-2022 fiscal year with a value exceeding \$63 million. It is

City of Stephenville, Texas
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
September 30, 2022

anticipated that the new assessed taxable value for 2023 will exceed \$30 million. Water rates were increased by 1% and sewer rates were increased by 12% to continue to fund planned debt service and infrastructure improvements.

The City of Stephenville is committed to maintaining and improving the services provided to its citizens, budgeting over \$1 million for the annual street improvements program. The City has budgeted over \$39 million in water, sewer, street, park, and recreation infrastructure projects funded with debt proceeds, grant proceeds, and cash reserves for the 2022-2023 fiscal year. The City budgeted 8 new positions to meet and enhance services to the citizens. The General Fund budget for fiscal year 2022-2023 is a balanced budget with the \$1.9 million negative variance funded through cash reserves and funds budgeted but unspent in the 2021-2022 fiscal year. The same is true for the Water and Sewer Fund, the Hotel Occupancy Tax Fund, the Capital Project Fund, the Non-Major Special Revenue Funds, and the Discrete Component Unit. All other funds have a positive variance.

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, 2022

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 15,224,774	\$ 14,235,489	\$ 29,460,263
Investments	1,310,938	-	1,310,938
Restricted cash	8,489,978	32,907,157	41,397,135
Receivables, net	2,792,751	2,050,849	4,843,600
Prepaid items	27,721	127,859	155,580
Inventories	19,543	243,912	263,455
Current Assets	27,865,705	49,565,266	77,430,971
Net pension asset	5,748,514	874,876	6,623,390
Capital assets:			
Non-depreciable	12,136,104	11,808,909	23,945,013
Net depreciable capital assets	23,397,525	51,472,950	74,870,475
Noncurrent Assets	41,282,143	64,156,735	105,438,878
Total Assets	69,147,848	113,722,001	182,869,849
Deferred Outflows of Resources			
Deferred charge on refunding	11,743	5,193	16,936
Deferred pension outflows	549,143	83,576	632,719
Deferred OPEB outflows	117,512	17,884	135,396
Total Deferred Outflows of Resources	678,398	106,653	785,051

<u>Component Unit</u>	
<u>Stephenville</u>	
<u>EDA</u>	
\$	1,151,248
	-
	-
	142,558
	-
	-
	<u>1,293,806</u>
	132,414
	-
	44,120
	<u>176,534</u>
	<u>1,470,340</u>
	-
	12,649
	2,707
	<u>15,356</u>

City of Stephenville, Texas
STATEMENT OF NET POSITION (page 2 of 2)
September 30, 2022

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
<u>Liabilities</u>			
Accounts payable and accrued liabilities	2,141,912	2,692,914	4,834,826
Customer deposits	-	520,141	520,141
Accrued interest payable	119,914	362,301	482,215
Compensated absences, current	531,851	81,655	613,506
Long-term debt due within one year	1,223,983	2,101,065	3,325,048
Unearned revenue	-	136,599	136,599
Current Liabilities	4,017,660	5,894,675	9,912,335
Noncurrent liabilities due in more than one year:			
OPEB liability	626,771	95,390	722,161
Compensated absences, noncurrent	59,095	9,073	68,168
Landfill closure costs	-	409,604	409,604
Debt due in more than one year	19,393,932	40,582,563	59,976,495
	20,079,798	41,096,630	61,176,428
Total Liabilities	24,097,458	46,991,305	71,088,763
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	3,102,952	472,245	3,575,197
Deferred OPEB inflows	12,151	1,850	14,001
Deferred gain on refunding	-	88,694	88,694
Total Deferred Inflows of Resources	3,115,103	562,789	3,677,892
<u>Net Position</u>			
Net investment in capital assets	21,971,416	50,478,546	72,449,962
Restricted for:			
Capital projects	1,106,378	-	1,106,378
Tourism	969,209	-	969,209
Pensions	3,194,705	486,207	3,680,912
Municipal court	18,666	-	18,666
Public safety	90,144	-	90,144
Debt service	201,231	1,057,307	1,258,538
Economic development	-	-	-
Unrestricted	15,061,936	14,252,500	29,314,436
Total Net Position	\$ 42,613,685	\$ 66,274,560	\$ 108,888,245

See Notes to Financial Statements.

<u>Component Unit</u>	
<u>Stephenville</u>	
<u>EDA</u>	
83,620	
-	
-	
9,647	
-	
-	
<u>93,267</u>	
14,437	
1,072	
-	
-	
<u>15,509</u>	
<u>108,776</u>	
71,474	
280	
-	
<u>71,754</u>	
44,120	
-	
-	
-	
-	
-	
-	
1,261,046	
-	
<u>\$ 1,305,166</u>	

City of Stephenville, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2022

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,926,475	\$ 3,600	\$ 279,053	\$ -
Culture and recreation	2,756,348	411,487	17,829	68,992
Community development	427,452	505,088	-	-
Public safety	8,973,458	1,058,541	208,378	37,992
Streets	1,496,839	22,212	-	-
Interest and fiscal charges	521,390	-	-	-
Total Governmental Activities	17,101,962	2,000,928	505,260	106,984
Business-Type Activities				
Water and Wastewater	6,698,399	10,686,333	-	2,680,514
Storm Water Drainage	858,992	981,550	-	241,750
Airport	198,800	131,120	-	-
Sanitary Landfill	957,065	1,274,189	-	-
Total Business-Type Activities	8,713,256	13,073,192	-	2,922,264
Total Primary Government	\$ 25,815,218	\$ 15,074,120	\$ 505,260	\$ 3,029,248
Component Unit				
Stephenville Economic Development Authority	\$ 683,464	\$ -	\$ 66,500	\$ -
Total Component Unit	\$ 683,464	\$ -	\$ 66,500	\$ -

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 Activities	Business-Type Activities	Total	Stephenville EDA
\$ (2,643,822)	\$ -	\$ (2,643,822)	\$ -
(2,258,040)	-	(2,258,040)	-
77,636	-	77,636	-
(7,668,547)	-	(7,668,547)	-
(1,474,627)	-	(1,474,627)	-
(521,390)	-	(521,390)	-
<u>(14,488,790)</u>	<u>-</u>	<u>(14,488,790)</u>	<u>-</u>
-	6,668,448	6,668,448	-
-	364,308	364,308	-
-	(67,680)	(67,680)	-
-	317,124	317,124	-
<u>-</u>	<u>7,282,200</u>	<u>7,282,200</u>	<u>-</u>
<u>(14,488,790)</u>	<u>7,282,200</u>	<u>(7,206,590)</u>	<u>-</u>
			<u>(616,964)</u>
			<u>(616,964)</u>
6,709,590	-	6,709,590	-
8,081,130	-	8,081,130	714,141
1,274,715	-	1,274,715	-
722,328	-	722,328	-
187,589	284,266	471,855	8,825
321,715	55,329	377,044	-
1,723,170	(1,723,170)	-	-
<u>19,020,237</u>	<u>(1,383,575)</u>	<u>17,636,662</u>	<u>722,966</u>
4,531,447	5,898,625	10,430,072	106,002
38,082,238	60,375,935	98,458,173	1,199,164
<u>\$ 42,613,685</u>	<u>\$ 66,274,560</u>	<u>\$ 108,888,245</u>	<u>\$ 1,305,166</u>

City of Stephenville, Texas

BALANCE SHEET (Page 1 of 2)

GOVERNMENTAL FUNDS

September 30, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Assets</u>				
Cash and cash equivalents	\$ 12,894,824	\$ 1,078,659	\$ 1,251,291	\$ 15,224,774
Investments	1,310,938	-	-	1,310,938
Restricted cash	63,988	8,341,056	84,934	8,489,978
Receivables, net	2,666,607	-	126,144	2,792,751
Inventory	19,543	-	-	19,543
Prepaid items	-	27,721	-	27,721
Total Assets	\$ 16,955,900	\$ 9,447,436	\$ 1,462,369	\$ 27,865,705
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 1,140,770	\$ 959,018	\$ 42,124	\$ 2,141,912
Total Liabilities	1,140,770	959,018	42,124	2,141,912
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - Fines and fees	118,397	-	-	118,397
Unavailable revenue - EMS	476,964	-	-	476,964
Unavailable revenue - property taxes	19,142	-	245	19,387
Total Deferred Inflows of Resources	614,503	-	245	614,748

City of Stephenville, Texas

BALANCE SHEET (Page 2 of 2)

GOVERNMENTAL FUNDS

September 30, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Fund Balances</u>				
Nonspendable:				
Inventories	\$ 19,543	\$ -	\$ -	\$ 19,543
Prepaid items	-	27,721	-	27,721
Committed for:				
Debt service	686,068	-	-	686,068
Airport improvement	250,000	-	-	250,000
Grant match	150,000	-	-	150,000
Restricted for:				
Capital projects	-	8,460,697	-	8,460,697
Community reinvestment	-	-	141,835	141,835
Tourism	-	-	969,209	969,209
Municipal court	-	-	18,666	18,666
Public safety	-	-	90,144	90,144
Debt service	-	-	200,146	200,146
Unassigned reported in:				
General fund	14,095,016	-	-	14,095,016
Total Fund Balances	<u>15,200,627</u>	<u>8,488,418</u>	<u>1,420,000</u>	<u>25,109,045</u>
Total Liabilities, Deferred				
Inflows and Fund Balances	<u>\$ 16,955,900</u>	<u>\$ 9,447,436</u>	<u>\$ 1,462,369</u>	<u>\$ 27,865,705</u>

See Notes to Financial Statements.

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City of Stephenville, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS September 30, 2022

Fund Balances - Total Governmental Funds	\$ 25,109,045
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	12,136,104
Capital assets - net depreciable	23,397,525
The net pension asset is not an available resource and, therefore, is not reported in the funds.	5,748,514
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	118,397
Property tax receivable	19,387
EMS receivable	476,964
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	11,743
Deferred pension outflows	549,143
Deferred OPEB outflows	117,512
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	(3,102,952)
Deferred OPEB inflows	(12,151)
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.	
OPEB liability	(626,771)
Compensated absences	(590,946)
Accrued interest	(119,914)
Bond premium	(1,058,148)
Bond discount	1,258
Non-current liabilities due in one year	(1,223,983)
Non-current liabilities due in more than one year	(18,337,042)
Net Position of Governmental Activities	\$ 42,613,685

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, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	\$ 6,482,590	\$ -	\$ 276,101	\$ 6,758,691
Sales tax	7,855,554	-	225,576	8,081,130
Franchise and other taxes	1,274,715	-	-	1,274,715
Hotel occupancy taxes	-	-	722,328	722,328
License and permits	468,977	3,712	-	472,689
Charges for services	477,125	-	-	477,125
Emergency services	776,770	-	-	776,770
Fines and forfeitures	150,038	-	40,289	190,327
Intergovernmental	230,779	-	2,779	233,558
Contributions and donations	372,386	-	-	372,386
Investment income	110,720	68,677	8,192	187,589
Other revenues	263,124	-	58,357	321,481
Total Revenues	18,462,778	72,389	1,333,622	19,868,789
Expenditures				
Current:				
General government	2,632,137	-	408,444	3,040,581
Culture and recreation	2,525,341	-	-	2,525,341
Community development	476,848	-	-	476,848
Public safety	9,254,190	-	12,567	9,266,757
Streets	745,456	1,601	-	747,057
Debt service:				
Principal retirement	572,649	-	200,000	772,649
Interest and fiscal charges	75,537	-	413,100	488,637
Bond issuance costs	-	41,814	-	41,814
Capital outlay:				
General government	65,280	-	13,483	78,763
Culture and recreation	519,792	-	-	519,792
Public safety	1,770,221	-	-	1,770,221
Streets	43,983	4,455,739	-	4,499,722
Total Expenditures	18,681,434	4,499,154	1,047,594	24,228,182
Excess of Revenues Over (Under) Expenditures	(218,656)	(4,426,765)	286,028	(4,359,393)

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, 2022

	General	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
<u>Other Financing Sources (Uses)</u>				
Transfers in	\$ 1,704,475	\$ 1,234,069	\$ 604,742	\$ 3,543,286
Transfers (out)	(1,476,466)	-	(343,650)	(1,820,116)
Debt issuance	3,088,857	1,885,000	-	4,973,857
Premium on bond issuance	-	157,781	53	157,834
Proceeds from sale of assets	49,269	-	-	49,269
Total Other Financing Sources	3,366,135	3,276,850	261,145	6,904,130
Net Change in Fund Balances	3,147,479	(1,149,915)	547,173	2,544,737
Beginning fund balances	12,053,148	9,638,333	872,827	22,564,308
Ending Fund Balances	\$ 15,200,627	8,488,418	\$ 1,420,000	\$ 25,109,045

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, 2022

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

Net changes in fund balances - total governmental funds	\$ 2,544,737
<p>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.</p>	
Capital outlay	6,868,498
Depreciation expense	(1,775,150)
Adjustment for sale of capital assets	(49,035)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	34,916
<p>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.</p>	
Pension expense	1,276,757
Compensated absences	13,629
Other post employment benefits	(39,224)
Accrued interest	(45,829)
Amortization of deferred charges on refunding	(1,119)
Amortization of bond premium and discounts	56,009
<p>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.</p>	
Principal payments	778,949
Debt issuances	(1,885,000)
Notes payable issuance	(3,088,857)
Premiums on bonds issued	(157,834)
Change in Net Position of Governmental Activities	\$ 4,531,447

See Notes to Financial Statements.

City of Stephenville, Texas
STATEMENT OF NET POSITION (Page 1 of 2)
PROPRIETARY FUNDS
September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 11,630,342	\$ 336,441	\$ 2,268,706
Restricted cash	32,470,424	436,733	-
Receivables, net	1,547,094	435,875	67,880
Prepaid items	6,972	-	120,887
Inventories	243,912	-	-
Total Current Assets	45,898,744	1,209,049	2,457,473
<u>Noncurrent Assets</u>			
Net pension asset	751,245	-	123,631
Capital assets:			
Non-depreciable	7,816,021	193,970	3,798,918
Net depreciable capital assets	36,982,316	9,533,994	4,956,640
Total Noncurrent Assets	45,549,582	9,727,964	8,879,189
Total Assets	91,448,326	10,937,013	11,336,662
<u>Deferred Outflows of Resources</u>			
Deferred charge on refunding	5,193	-	-
Deferred pension outflows	71,765	-	11,811
Deferred OPEB outflows	15,357	-	2,527
Total Deferred Outflows of Resources	92,315	-	14,338

Total	
\$	14,235,489
	32,907,157
	2,050,849
	127,859
	243,912
	<u>49,565,266</u>
	874,876
	11,808,909
	51,472,950
	<u>64,156,735</u>
	<u>113,722,001</u>
	5,193
	83,576
	17,884
	<u>106,653</u>

City of Stephenville, Texas
STATEMENT OF NET POSITION (Page 2 of 2)
PROPRIETARY FUNDS
September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds
Liabilities			
Current Liabilities			
Accounts payable and accrued expenses	\$ 2,593,466	\$ 52,230	\$ 47,218
Customer deposits	515,741	-	4,400
Compensated absences, current	72,272	-	9,383
Current maturities of long-term liabilities	1,786,065	315,000	-
Unearned revenue	-	128,279	8,320
Accrued interest	340,411	21,890	-
Total Current Liabilities	5,307,955	517,399	69,321
Noncurrent Liabilities			
OPEB liability - TMRS	81,910	-	13,480
Compensated absences, noncurrent	8,030	-	1,043
Landfill closure costs	-	-	409,604
Long-term liabilities	36,294,227	4,288,336	-
Total Liabilities	41,692,122	4,805,735	493,448
Deferred Inflows of Resources			
Deferred pension inflows	405,510	-	66,735
Deferred OPEB inflows	1,588	-	262
Deferred gain on refunding	-	88,694	-
Total Deferred Inflows of Resources	407,098	88,694	66,997
Net Position			
Net investment in capital assets	36,707,057	5,035,934	8,735,555
Restricted for:			
Pensions	417,500	-	68,707
Debt service	620,574	436,733	-
Unrestricted	11,696,290	569,917	1,986,293
Total Net Position	\$ 49,441,421	\$ 6,042,584	\$ 10,790,555

See Notes to Financial Statements.

Total	
\$	2,692,914
	520,141
	81,655
	2,101,065
	136,599
	362,301
	<u>5,894,675</u>
	95,390
	9,073
	409,604
	<u>40,582,563</u>
	<u>46,991,305</u>
	472,245
	1,850
	88,694
	<u>562,789</u>
	50,478,546
	486,207
	1,057,307
	14,252,500
\$	<u><u>66,274,560</u></u>

City of Stephenville, Texas

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

For the Year Ended September 30, 2022

Business-Type Activities

Enterprise Funds

	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds
<u>Operating Revenues</u>			
Water revenue	\$ 6,304,015	\$ -	\$ -
Sewer revenue	4,382,318	-	-
Airport services	-	-	131,120
Storm drainage	-	981,550	-
Sanitation landfill	-	-	1,274,189
Other income	38,492	16,837	-
Total Operating Revenues	10,724,825	998,387	1,405,309
<u>Operating Expenses</u>			
Personnel services	-	-	221,134
Contractual services	-	-	87,239
Materials and supplies	-	-	465,907
Utilities administration and customer service	752,865	-	-
Water and production and distribution	1,804,835	-	-
Wastewater collection and treatment	1,437,409	-	-
Billing and collection	388,634	-	-
Stormwater	-	321,150	-
Airport operations	-	-	74,131
Depreciation	1,393,415	296,494	307,454
Total Operating Expenses	5,777,158	617,644	1,155,865
Operating Income (Loss)	4,947,667	380,743	249,444
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	269,541	2,948	11,777
Interest expense	(502,288)	(157,077)	-
Bond issuance costs	(418,953)	(84,271)	-
Total Nonoperating Revenues (Expenses)	(651,700)	(238,400)	11,777
Income (Loss) Before Contributions and Transfers	4,295,967	142,343	261,221
<u>Transfers</u>			
Capital grants and contributions	2,680,514	241,750	-
Transfers in	50,219	-	-
Transfers (out)	(1,516,123)	(175,727)	(81,539)
Change in Net Position	5,510,577	208,366	179,682
Beginning net position	43,930,844	5,834,218	10,610,873
Ending Net Position	\$ 49,441,421	\$ 6,042,584	\$ 10,790,555

See Notes to Financial Statements.

Total	
\$	6,304,015
	4,382,318
	131,120
	981,550
	1,274,189
	55,329
	<u>13,128,521</u>
	221,134
	87,239
	465,907
	752,865
	1,804,835
	1,437,409
	388,634
	321,150
	74,131
	1,997,363
	<u>7,550,667</u>
	<u>5,577,854</u>
	284,266
	(659,365)
	(503,224)
	<u>(878,323)</u>
	4,699,531
	2,922,264
	50,219
	(1,773,389)
	<u>5,898,625</u>
	<u>60,375,935</u>
\$	<u><u>66,274,560</u></u>

City of Stephenville, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 1 of 2) For the Year Ended September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 10,698,796	\$ 2,112,193	\$ 1,365,976
Receipts (payments) from interfund transactions	-	(415,682)	360,000
Payments to suppliers and contractors	(1,708,763)	(569,522)	(617,316)
Payments to employees for salaries and benefits	(932,250)	-	(246,617)
Net Cash Provided (Used) by Operating Activities	8,057,783	1,126,989	862,043
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer in	50,219	-	-
Transfer (out)	(1,516,123)	(175,727)	(81,539)
Net Cash Provided (Used) by Noncapital Financing Activities	(1,465,904)	(175,727)	(81,539)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchases of capital assets	(4,666,999)	(112,420)	(179,865)
Capital grants	2,680,514	241,750	-
Principal paid on capital debt	(1,358,729)	(330,000)	-
Proceeds from issuance of debt	20,431,498	3,210,875	-
Current year debt refunding	-	(3,095,000)	-
Change in landfill closure costs	-	-	223,004
Bond issuance costs paid	(418,953)	(88,495)	-
Interest paid on capital debt	(227,140)	(175,109)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	16,440,191	(348,399)	43,139
<u>Cash Flows from Investing Activities</u>			
Interest on investments	269,541	2,948	11,777
Net Cash Provided by Investing Activities	269,541	2,948	11,777
Net Increase (Decrease) in Cash and Cash Equivalents	23,301,611	605,811	835,420
Beginning cash and cash equivalents	20,799,155	167,363	1,433,286
Ending Cash and Cash Equivalents	\$ 44,100,766	\$ 773,174	\$ 2,268,706

See Notes to Financial Statements.

<u>Total</u>	
\$	14,176,965
	(55,682)
	(2,895,601)
	(1,178,867)
	<u>10,046,815</u>
	50,219
	<u>(1,773,389)</u>
	<u>(1,723,170)</u>
	(4,959,284)
	2,922,264
	(1,688,729)
	23,642,373
	(3,095,000)
	223,004
	(507,448)
	<u>(402,249)</u>
	<u>16,134,931</u>
	284,266
	<u>284,266</u>
	24,742,842
	<u>22,399,804</u>
\$	<u><u>47,142,646</u></u>

City of Stephenville, Texas

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS (Page 2 of 2) For the Year Ended September 30, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water and Wastewater	Storm Water Drainage	Nonmajor Funds
Reconciliation of Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ 4,947,667	\$ 380,743	\$ 249,444
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	1,393,415	296,494	307,454
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(20,735)	985,527	(39,833)
Inventory	(7,672)	-	-
Deferred Outflows of Resources:			
Deferred pension charges	140,972	-	29,953
OPEB charges	(1,152)	-	262
Increase (Decrease) in:			
Accounts payable and accrued expenses	1,929,787	(248,372)	9,961
Customer deposits	(5,294)	-	500
Deferred revenue - grants	-	128,279	-
Compensated absences	7,321	-	77
Due to (from) other funds	-	(415,682)	360,000
Net pension liability (asset)	(438,909)	-	(62,314)
OPEB liability	14,637	-	273
Deferred Inflows of Resources:			
Pension inflows	97,714	-	6,309
OPEB inflows	32	-	(43)
Net Cash Provided (Used) by Operating Activities	\$ 8,057,783	\$ 1,126,989	\$ 862,043

See Notes to Financial Statements.

<u>Total</u>	
\$	5,577,854
	1,997,363
	924,959
	(7,672)
	170,925
	(890)
	1,691,376
	(4,794)
	128,279
	7,398
	(55,682)
	(501,223)
	14,910
	104,023
	(11)
\$	<u>10,046,815</u>

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City of Stephenville, Texas

NOTES TO FINANCIAL STATEMENTS

September 30, 2022

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. 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 which the nature and significance of their relationship with the primary government are

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2022

such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Discretely Presented Component Unit

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, 2022 are not prepared.

Blended Component Unit

Tax Increment Financing Fund

The Tax Increment Financing fund was created to encourage and accelerate planned development within the City limits. The fund accounts for all tax and expenditure activity associated with the fund's primary purpose. The tax increment is derived from an allocation of sales taxes, the difference in appraised value between the year in which the reinvestment zone is established (base year) and each year the reinvestment zone is in existence. The Board is comprised of eight City Council Members, the Mayor, and two members appointed by the Stephenville Economic Development Authority. The TIF Board is substantially the same as City Council and the fund functions similar to a department of the City. As such, the TIF Fund is reported as a blended component unit/special revenue fund. Separate audited financial statements are not available.

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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 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 from bond proceeds and 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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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, municipal court technology, and TIF funds.

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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

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*. Custodial funds use the economic resources measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities. The City of Stephenville does

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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not have any pension and other postemployment benefit trust, private-purpose trust or custodial 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 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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

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.

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.

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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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 assets 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 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. Deferred outflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

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 assets 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. Deferred inflows of resources can also occur at the government wide level due to differences between investment gains and losses realized on pension investments compared to assumption used within the pension actuarial valuation model.

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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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).

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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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.

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

City of Stephenville, Texas
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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.

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

City of Stephenville, Texas
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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 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

City of Stephenville, Texas
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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.

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.

City of Stephenville, Texas
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A. Expenditures Exceeding Appropriations

During the year ended September 30, 2022, current year expenditures exceeded appropriations at the legal level of control as follows:

General fund:

Information technology	\$ 16,630
Aquatic	2,509

B. 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.

The following is a list of fund balances restricted by the City:

	Restricted
Tourism	\$ 969,209 *
Municipal court	18,666 *
Public safety	90,144 *
Debt service	200,146
Capital projects	8,460,697
Community reinvestment	141,835
Total	\$ 9,880,697

* Restricted by enabling legislation

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2022, the primary government had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
Certificates of deposits	\$ 1,212,547	0.49
US Treasury securities	98,391	0.67
External investment pools:		
TexSTAR	38,362,400	0.03
TexPool	31,455,136	0.07
Total value	<u>\$ 71,128,474</u>	
Portfolio weighted average maturity		0.06

As of September 30, 2022, the SEDA, a discretely presented component unit, had the following investments:

<u>Investment Type</u>	<u>Value</u>	<u>Weighted Average Maturity (Years)</u>
External investment pools	\$ 1,316,069	0.07
Total value	<u>\$ 1,316,069</u>	
Portfolio weighted average maturity		0.07

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.

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, 2022, the City's investment in investment pools were rated AAAM by Standard & Poor's.

City of Stephenville, Texas
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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 at least 102% of the principal amount of the deposits. As of September 30, 2022, the market values of pledged securities and FDIC exceeded bank balances and State requirements.

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 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 &

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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	\$ 58,620	\$ 3,686	\$ 62,306
Sales and mixed beverage tax	1,569,792	57,927	1,627,719
Franchise tax	23,149	-	23,149
Hotel/motel taxes	-	66,613	66,613
Court	472,084	-	472,084
Ambulance billing	1,670,393	-	1,670,393
Other	277,211	321	277,532
Allowance	(1,404,642)	(2,403)	(1,407,045)
	\$ 2,666,607	\$ 126,144	\$ 2,792,751

	Business-Type Activities				
	Water and	Storm Water	Sanitary		Total
	Wastewater	Drainage	Airport	Landfill	
Accounts	\$ 2,292,492	\$ 117,621	\$ 3,025	\$ 64,417	\$ 2,477,555
Other	31,815	334,733	438	-	366,986
Allowance	(777,213)	(16,479)	-	-	(793,692)
	\$ 1,547,094	\$ 435,875	\$ 3,463	\$ 64,417	\$ 2,050,849

The SEDA, a discretely presented component unit, had receivables of \$142,558 as of yearend which consisted primarily of sales tax.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
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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	\$ 5,628,362	\$ 532,448	\$ -	\$ 6,160,810
Construction in progress	792,531	5,182,763	-	5,975,294
Total capital assets not being depreciated	<u>6,420,893</u>	<u>5,715,211</u>	<u>-</u>	<u>12,136,104</u>
Capital assets, being depreciated:				
Buildings and improvements	7,457,982	84,429	-	7,542,411
Machinery and equipment	11,718,011	744,252	(468,919)	11,993,344
Infrastructure	29,872,903	324,606	-	30,197,509
Total capital assets being depreciated	<u>49,048,896</u>	<u>1,153,287</u>	<u>(468,919)</u>	<u>49,733,264</u>
Less accumulated depreciation				
Buildings and improvements	2,639,817	196,007	-	2,835,824
Machinery and equipment	7,617,633	599,718	(419,884)	7,797,467
Infrastructure	14,723,023	979,425	-	15,702,448
Total accumulated depreciation	<u>24,980,473</u>	<u>1,775,150</u>	<u>(419,884)</u>	<u>26,335,739</u>
Net capital assets being depreciated	<u>24,068,423</u>	<u>(621,863)</u>	<u>(49,035)</u>	<u>23,397,525</u>
Total Capital Assets	<u><u>\$ 30,489,316</u></u>	<u><u>\$ 5,093,348</u></u>	<u><u>\$ (49,035)</u></u>	<u><u>\$ 35,533,629</u></u>

Depreciation was charged to governmental functions as follows:

General government	\$ 83,992
Public safety	553,486
Streets	786,241
Culture and recreation	351,431
Total Governmental Activities Depreciation Expense	<u><u>\$ 1,775,150</u></u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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	\$ 4,847,227	\$ -	\$ -	\$ 4,847,227
Construction in progress	4,937,677	4,527,152	(2,503,147)	6,961,682
Total capital assets not being depreciated	<u>9,784,904</u>	<u>4,527,152</u>	<u>(2,503,147)</u>	<u>11,808,909</u>
Capital assets, being depreciated:				
Buildings and improvements	19,935,627	122,011	2,007,832	22,065,470
Machinery and equipment	5,494,032	201,926	-	5,695,958
Infrastructure	67,881,045	108,195	495,315	68,484,555
Total capital assets being depreciated	<u>93,310,704</u>	<u>432,132</u>	<u>2,503,147</u>	<u>96,245,983</u>
Less accumulated depreciation				
Buildings and improvements	6,789,425	514,302	-	7,303,727
Machinery and equipment	3,763,760	212,459	-	3,976,219
Infrastructure	32,222,485	1,270,602	-	33,493,087
Total accumulated depreciation	<u>42,775,670</u>	<u>1,997,363</u>	<u>-</u>	<u>44,773,033</u>
Net capital assets being depreciated	<u>50,535,034</u>	<u>(1,565,231)</u>	<u>2,503,147</u>	<u>51,472,950</u>
Total Capital Assets	<u>\$ 60,319,938</u>	<u>\$ 2,961,921</u>	<u>\$ -</u>	<u>\$ 63,281,859</u>

Depreciation was charged to business-type activities as follows:

Water	\$ 685,042
Sewer	708,373
Storm water drainage	296,494
Airport Fund	120,470
Landfill	186,984
Total Business-type Activities Depreciation Expense	<u>\$ 1,997,363</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

A summary of changes in component unit 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, being depreciated:				
Machinery and equipment	\$ 60,438	\$ -	\$ -	\$ 60,438
Total capital assets being depreciated	<u>60,438</u>	<u>-</u>	<u>-</u>	<u>60,438</u>
Less accumulated depreciation				
Machinery and equipment	5,439	10,879	-	16,318
Total accumulated depreciation	<u>5,439</u>	<u>10,879</u>	<u>-</u>	<u>16,318</u>
Net capital assets being depreciated	54,999	(10,879)	-	44,120
Total Capital Assets	<u>\$ 54,999</u>	<u>\$ (10,879)</u>	<u>\$ -</u>	<u>\$ 44,120</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022. 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>Refunding</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	\$ 14,275,000	\$ 1,885,000	\$ -	\$ (200,000)	\$ 15,960,000	\$ 735,000
Notes payable	1,091,117	3,088,857	-	(578,949)	3,601,025	488,983
Less deferred amounts:						
For discounts	(1,390)	-	-	132	(1,258)	-
For premiums	956,455	157,834	-	(56,141)	1,058,148	-
Total Governmental Activities	<u>\$ 16,321,182</u>	<u>\$ 5,131,691</u>	<u>\$ -</u>	<u>\$ (834,958)</u>	<u>\$ 20,617,915</u>	<u>\$ 1,223,983</u>
		Long-term liabilities due in more than one year			<u>\$ 19,393,932</u>	
Business-Type Activities:						
General Obligation Bonds	\$ 3,175,000	\$ 2,825,000	\$ (3,095,000)	\$ (80,000)	\$ 2,825,000	\$ 55,000
Certificates of Obligation	19,610,000	18,855,000	-	(1,280,000)	37,185,000	1,675,000
Notes payable	1,080,409	-	-	(328,729)	751,680	371,065
Less deferred amounts:						
For discounts	(18,146)	-	15,778	207	(2,161)	-
For premiums	156,791	1,962,373	(136,324)	(58,731)	1,924,109	-
Total Business-Type Activities	<u>\$ 24,004,054</u>	<u>\$ 23,642,373</u>	<u>\$ (3,215,546)</u>	<u>\$ (1,747,253)</u>	<u>\$ 42,683,628</u>	<u>\$ 2,101,065</u>
		Long-term liabilities due in more than one year			<u>\$ 40,582,563</u>	

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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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%	\$ 2,215,000	\$ -	\$ 2,215,000
\$11,860,000 Certificates of Obligation, Series 2020, due in annual installments through 2040, interest at 2-4%	11,860,000	-	11,860,000
\$20,470,000 Certificates of Obligation, Series 2022, due in annual installments through 2042, interest at 3-5%	1,885,000	18,855,000	20,740,000
\$4,300,000 Certificates of Obligation, Series 2006A, due in annual installments through 2027, interest at 3.92% semi-annually	-	1,410,000	1,410,000
\$1,000,000 Certificates of Obligation, Series 2013 due in annual installments through 2024, interest at 2.49% semi-annually	-	375,000	375,000
\$2,040,000 Certificates of Obligation Bonds, Series 2016 due in annual installments through 2027, interest at 1.84% semi-annually	-	1,895,000	1,895,000
\$17,030,000 Certificates of Obligation Bonds, Series 2018, due in annual installments through 2039, interest at 0.18% to 1.33% semi-annually	-	14,650,000	14,650,000
Total Certificates of Obligation	\$ 15,960,000	\$ 37,185,000	\$ 53,145,000
General Obligation Bonds:			
\$2,825,000 General Obligation Refunding, Series 2022, due in annual installments through 2033, interest at 4.402%	\$ -	\$ 2,825,000	\$ 2,825,000
Total General Obligation Bonds	\$ -	\$ 2,825,000	\$ 2,825,000
Less deferred amounts:			
Issuance premium	\$ 1,058,148	\$ 1,924,109	\$ 2,982,257
Issuance discounts	(1,258)	(2,161)	(3,419)
Total deferred amounts	<u>\$ 1,056,890</u>	<u>\$ 1,921,948</u>	<u>\$ 2,978,838</u>
Notes payable	\$ 3,601,025	\$ 751,680	\$ 4,352,705
Total Long-Term Debt	\$ 20,617,915	\$ 42,683,628	\$ 63,301,543

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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>
2023	\$ 735,000	\$ 519,533	\$ 1,254,533
2024	790,000	466,431	1,256,431
2025	820,000	434,331	1,254,331
2026	855,000	400,231	1,255,231
2027	895,000	363,906	1,258,906
2028	930,000	326,031	1,256,031
2029	965,000	286,706	1,251,706
2030	1,015,000	245,600	1,260,600
2031	1,045,000	209,463	1,254,463
2032	775,000	185,225	960,225
2033	795,000	167,600	962,600
2034	810,000	150,550	960,550
2035	830,000	133,125	963,125
2036	845,000	115,325	960,325
2037	865,000	97,013	962,013
2038	885,000	77,963	962,963
2039	905,000	54,075	959,075
2040	935,000	25,250	960,250
2041	130,000	8,000	138,000
2042	135,000	2,700	137,700
	<u>\$ 15,960,000</u>	<u>\$ 4,269,058</u>	<u>\$ 20,229,058</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Combination Tax and Revenue Certificates of Obligations

<u>Year ending</u> <u>September 30,</u>	<u>Business-Type Activites</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,675,000	\$ 1,202,299	\$ 2,877,299
2024	1,935,000	940,713	2,875,713
2025	2,365,000	896,849	3,261,849
2026	2,430,000	840,623	3,270,623
2027	2,490,000	774,538	3,264,538
2028	1,600,000	717,547	2,317,547
2029	1,650,000	669,905	2,319,905
2030	1,700,000	619,644	2,319,644
2031	1,750,000	566,798	2,316,798
2032	1,810,000	511,251	2,321,251
2033	1,855,000	462,920	2,317,920
2034	1,895,000	422,552	2,317,552
2035	1,935,000	380,765	2,315,765
2036	1,985,000	337,532	2,322,532
2037	2,025,000	291,556	2,316,556
2038	2,080,000	241,318	2,321,318
2039	2,135,000	184,932	2,319,932
2040	1,240,000	130,000	1,370,000
2041	1,290,000	79,400	1,369,400
2042	1,340,000	26,800	1,366,800
	<u>\$ 37,185,000</u>	<u>\$ 10,297,942</u>	<u>\$ 47,482,942</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

General Obligation Bonds

<u>Year ending</u> <u>September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 55,000	\$ 119,025	\$ 174,025
2024	55,000	117,375	172,375
2025	60,000	115,650	175,650
2026	60,000	113,850	173,850
2027	65,000	111,650	176,650
2028	380,000	102,750	482,750
2029	395,000	87,250	482,250
2030	415,000	71,050	486,050
2031	425,000	54,250	479,250
2032	445,000	34,625	479,625
2033	470,000	11,750	481,750
	<u>\$ 2,825,000</u>	<u>\$ 939,225</u>	<u>\$ 3,764,225</u>

Governmental assets under note payable financing consist of vehicles and have an original purchase value of \$4,502,895 and a current net book value of \$4,139,112 of year end.

Business-type assets under note payable financing consist of water meters and infrastructure and have an original purchase value of \$2,988,450 and a current net book value of \$2,425,111 of year end.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The annual requirements to amortize notes payable 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>
2023	\$ 488,983	\$ 104,886	\$ 593,869
2024	498,074	90,393	588,467
2025	483,986	75,460	559,446
2026	446,689	61,228	507,917
2027	407,788	48,090	455,878
2028	419,755	36,122	455,877
2029	277,454	23,801	301,255
2030	285,170	16,085	301,255
2031	293,126	8,153	301,279
Total	<u>\$ 3,601,025</u>	<u>\$ 464,218</u>	<u>\$ 4,065,243</u>

<u>Year ending September 30,</u>	<u>Business-Type Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 371,065	\$ 16,868	\$ 387,934
2024	380,615	7,317	387,932
Total	<u>\$ 751,680</u>	<u>\$ 24,185</u>	<u>\$ 775,865</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022. In general, the City uses the general fund to liquidate governmental compensated absences.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities:					
Compensated Absences	\$ 604,575	\$ 511,438	\$ (525,067)	\$ 590,946	\$ 531,851
Total Governmental Activities	<u>\$ 604,575</u>	<u>\$ 511,438</u>	<u>\$ (525,067)</u>	<u>\$ 590,946</u>	<u>\$ 531,851</u>
				<u>Long-term liabilities due in more than one year</u>	<u>\$ 59,095</u>
Business-Type Activities:					
Estimated landfill closure and postclosure cost	\$ 186,600	\$ 223,004	\$ -	\$ 409,604	\$ -
Compensated Absences	83,330	88,749	(81,351)	90,728	81,655
Total Business-Type Activities	<u>\$ 269,930</u>	<u>\$ 311,753</u>	<u>\$ (81,351)</u>	<u>\$ 500,332</u>	<u>\$ 81,655</u>
				<u>Long-term liabilities due in more than one year</u>	<u>\$ 418,677</u>
Component Unit Activities:					
Compensated Absences	\$ 12,408	\$ -	\$ (1,689)	\$ 10,719	\$ 9,647
Total Component Unit Activities	<u>\$ 12,408</u>	<u>\$ -</u>	<u>\$ (1,689)</u>	<u>\$ 10,719</u>	<u>\$ 9,647</u>
				<u>Long-term liabilities due in more than one year</u>	<u>\$ 1,072</u>

F. Deferred Charges on Refunding

Deferred charges resulting from the issuance of general obligation refunding bonds have been recorded as deferred outflows/inflows 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 deferred outflow balances for governmental and business-type activities totaled \$11,743 and \$5,193, respectively. Current year amortization expense for governmental and business-type activities totaled \$1,119 and \$29,989, respectively. Current year deferred inflow balances for business-type activities totaled \$88,694. Current year amortization credit toward interest expense for business-type activities totaled \$4,224.

G. Current Year Refunding

On April 28, 2022, the City issued \$2,825,000 in general obligation refunding bonds with an average interest rate of 4.402%. Bond proceeds of \$3,210,875, including premium of \$385,875 were utilized to refund \$3,095,000 of outstanding 2013 combination tax and revenue certificates of obligation, which had an average interest rate of 2 - 4%. The net proceeds of

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

the refunding portion of \$3,121,539 after payment of \$89,859 in underwriting fees and other issuance costs were deposited into an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded certificates of obligation. As a result, the obligations are considered defeased and the liability for those certificates has been removed from the statement of net position.

The net carrying amount of the reacquisition price was less than the principal, accrued interest, and deferred charges of the refunded debt by \$92,918. This amount is being amortized over the remaining life of the refunding debt. This debt refunding reduced the City's total debt service payments by \$208,553 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$182,606. The refunding did not significantly change the payment term of the related debt.

H. Interfund Transactions

Transfers between the primary government funds during the 2022 year were as follows:

<u>Transfer out:</u>	<u>Transfer In:</u>				<u>Total</u>
	<u>General</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Water & Wastewater</u>	
General	\$ -	\$ 1,234,069	\$ 242,397	\$ -	\$ 1,476,466
Nonmajor Govt	-	-	343,650	-	343,650
Water & Wastewater	1,497,428	-	18,695	-	1,516,123
Stormwater Drainage	125,508	-	-	50,219	175,727
Nonmajor Enterprise	81,539	-	-	-	81,539
Total	<u>\$ 1,704,475</u>	<u>\$ 1,234,069</u>	<u>\$ 604,742</u>	<u>\$ 50,219</u>	<u>\$ 3,593,505</u>

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

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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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

Project	Contract Amount	Spent to Date	Remaining Commitment
Capital Projects Fund:			
South Lockhart Road Engineering	\$ 92,378	\$ 86,957	\$ 5,421
Harbin Drive Engineering	12,900	-	12,900
Harbin Drive Construction	10,668,463	3,520,465	7,147,997
Brick Street Project Engineering	12,000	-	12,000
Swan, Hyman, & Dale Resurfacing	275,814	221,060	54,754
2022 Chip Seal Project	405,546	-	405,546
Total Capital Projects Fund	\$ 11,467,101	\$ 3,828,482	\$ 7,638,619
Water & Wastewater:			
Eastside Sewer Project - Engineering	100,000	81,966	18,035
Eastside Sewer Project - Project Management	165,000	145,780	19,220
Eastside Sewer Project Geotechnical Drilling & Eval.	5,495	4,741	754
536 Well Field Development Engineering	698,285	485,788	212,497
536 Well Field Development Construction	3,137,010	2,252,431	884,579
377 Ground Storage Tank Engineering	85,200	82,555	2,645
Airport Pump Station Expansion Engineering	291,825	289,725	2,100
Airport Pump Station Expansion Construction	3,797,062	1,171,679	2,625,382
Long Street Utilities & Street Reconstruction Eng.	594,700	503,194	91,506
Total Water & Wastewater	\$ 8,874,577	\$ 5,017,859	\$ 3,856,718
Stormwater Drainage:			
Flood Protection Plan	450,000	281,697	168,303
Total Stormwater Drainage	\$ 450,000	\$ 281,697	\$ 168,303
Nonmajor Proprietary			
Airport Extension	294,953	281,232	13,721
Total Nonmajor Proprietary	\$ 294,953	\$ 281,232	\$ 13,721
Total Construction Commitments	\$ 21,086,631	\$ 9,409,270	\$ 11,677,361

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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

will report a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used to date. Total estimated closure and 5-year post closure costs are approximately \$459,244. 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 89.19% of the landfill was used at yearend resulting in an accrued liability of \$409,604. 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 920 plans in the defined benefit cash-balance plan administered by Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

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

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Plan provisions for the City were as follows:

	<u>Plan Year 2020</u>	<u>Plan Year 2021</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, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	117
Inactive employees entitled to but not yet receiving benefits	141
Active employees	<u>161</u>
Total	<u>419</u>

3. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the City matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of 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 7.05% and 7.51% in calendar years 2021 and 2022, respectively. The City's contributions to TMRS for the year ended September 30, 2022, were \$793,175, and were equal to the required contributions.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

4. Net Pension Liability (Asset)

The City's Net Pension Liability (Asset) was measured as of December 31, 2021, 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

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

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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by 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 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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2022 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35.0%	7.55%
Core Fixed Income	6.0%	2.00%
Non-Core Fixed Income	20.0%	5.68%
Other Public/Private Markets	12.0%	7.22%
Real Estate	12.0%	6.85%
Hedge Funds	5.0%	5.35%
Private Equity	10.0%	10.00%
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 members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (Asset). Of the total pension (asset), \$6,623,390 is related to the primary government and \$132,414 is attributable to the discretely presented component unit.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Net Pension Liability (Asset)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Total Net Pension Liability (Asset) (a) – (b)	Primary Government	Component Unit
Balance at 12/31/2020	\$ 43,599,834	\$ 46,793,452	\$ (3,193,618)	\$ (3,130,704)	\$ (62,914)
Changes for the year:					
Service cost	1,275,150	-	1,275,150	1,250,157	24,993
Interest	2,895,233	-	2,895,233	2,838,486	56,747
Change in benefit terms	-	-	-	-	-
Difference between expected and actual experience	(433,666)	-	(433,666)	(425,166)	(8,500)
Changes of assumptions	-	-	-	-	-
Contributions – employer	-	665,418	(665,418)	(652,376)	(13,042)
Contributions – employee	-	566,314	(566,314)	(555,214)	(11,100)
Net investment income	-	6,095,203	(6,095,203)	(5,975,737)	(119,466)
Benefit payments, including refunds of emp. contributions	(2,690,132)	(2,690,132)	-	-	-
Administrative expense	-	(28,225)	28,225	27,672	553
Other changes	-	193	(193)	(508)	315
Net changes	1,046,585	4,608,771	(3,562,186)	(3,492,686)	(69,500)
Balance at 12/31/2021	\$ 44,646,419	\$ 51,402,223	\$ (6,755,804)	\$ (6,623,390)	\$ (132,414)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Beginning			
Primary Government	\$ 42,740,917	\$ 45,871,621	\$ (3,130,704)
Component Unit	858,917	921,831	(62,914)
Balance at 12/31/2020	\$ 43,599,834	\$ 46,793,452	\$ (3,193,618)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (c)
Ending			
Primary Government	\$ 43,771,349	\$ 50,394,739	\$ (6,623,390)
Component Unit	875,070	1,007,484	(132,414)
Balance at 12/31/2021	\$ 44,646,419	\$ 51,402,223	\$ (6,755,804)

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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%
\$ (1,047,399)	\$ (6,623,390)	\$ (11,244,094)

Component Unit

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ (20,939)	\$ (132,414)	\$ (224,790)

Total

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
\$ (1,068,338)	\$ (6,755,804)	\$ (11,468,884)

Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2022, the City recognized pension income of \$771,228. Of this amount, \$756,112 is related to the primary government and \$15,116 is attributable to discretely presented component unit.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

At September 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Primary Government:		
Difference between projected and actual investment earnings	\$ -	\$ (3,076,290)
Differences between expected and actual economic experience	16,107	(498,907)
Difference in assumption changes	12,420	-
Contributions subsequent to the measurement date	604,192	-
Component Unit:		
Difference between projected and actual investment earnings	-	(61,500)
Differences between expected and actual economic experience	322	(9,974)
Difference in assumption changes	248	-
Contributions subsequent to the measurement date	12,079	-
Total	<u>\$ 645,368</u>	<u>\$ (3,646,671)</u>

The primary government and component unit reported \$604,192 and \$12,079, 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, 2023.

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:	<u>Total</u>	<u>Primary Government</u>	<u>Component Unit</u>
2022	\$ (706,786)	\$ (692,933)	\$ (13,853)
2023	(1,514,438)	(1,484,755)	(29,683)
2024	(785,443)	(770,048)	(15,395)
2025	(610,907)	(598,933)	(11,974)
2026	-	-	-
Thereafter	-	-	-
	<u>\$ (3,617,574)</u>	<u>\$ (3,546,670)</u>	<u>\$ (70,904)</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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 2021	Plan Year 2020
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.

Employees covered by benefit terms

At the December 31, 2021 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	34
Active employees	161
Total	283

The City's contributions to the TMRS SDBF for the years ended 2022, 2021, and 2020 were \$17,005, \$11,334, and \$4,567, respectively, which equaled the required contributions each year.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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
2020	0.05%	0.05%	100.0%
2021	0.15%	0.15%	100.0%
2022	0.16%	0.16%	100.0%

Total OPEB Liability

The City’s Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2021, 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, 2021 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	1.84%
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 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.

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
 September 30, 2022

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 1.84%. The discount rate was based on the Fidelity Index’s “20-Year Municipal GO AA Index” rate as of December 31, 2021.

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 1.84%, 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 (0.84%) or 1-percentage-point higher (2.84%) than the current rate:

Primary Government:		
1% Decrease 0.84%	Current Single Rate Assumption 1.84%	1% Increase 2.84%
\$ 887,137	\$ 722,161	\$ 597,315
Component Unit:		
1% Decrease 0.84%	Current Single Rate Assumption 1.84%	1% Increase 2.84%
\$ 17,735	\$ 14,437	\$ 11,941
Total:		
1% Decrease 0.84%	Current Single Rate Assumption 1.84%	1% Increase 2.84%
\$ 904,872	\$ 736,598	\$ 609,256

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

Changes in the Total OPEB Liability:

	<u>Total OPEB Liability</u>	<u>Primary Government</u>	<u>Component Unit</u>
Balance at 12/31/2020	\$ 687,867	\$ 674,316	\$ 13,551
Changes for the year:			
Service Cost	28,316	27,761	555
Interest	13,899	13,627	272
Difference between expected and actual experience	(1,976)	(1,937)	(39)
Changes of assumptions	22,650	22,206	444
Benefit payments	(14,158)	(13,881)	(277)
Other changes	-	69	(69)
Net changes	48,731	47,845	886
Balance at 12/31/2021	<u>\$ 736,598</u>	<u>\$ 722,161</u>	<u>\$ 14,437</u>

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

For the year ended September 30, 2022, the City recognized OPEB expense of \$71,245. Of this amount, \$69,849 is related to the primary government and \$1,396 is attributable to discretely presented component unit.

At September 30, 2022, 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	\$ -	\$ (14,001)
Differences in assumptions	122,742	-
Contributions subsequent to measurement date	12,654	-
Total	<u>\$ 135,396</u>	<u>\$ (14,001)</u>

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

<u>Component Unit</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (280)
Differences in assumptions	2,454	-
Contributions subsequent to measurement date	253	-
Total	\$ 2,707	\$ (280)

The primary government and component unit reported \$12,654 and \$253, 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, 2023.

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
2022	\$ 29,030	\$ 28,461	\$ 569
2023	27,558	27,018	540
2024	25,459	24,960	499
2025	21,520	21,098	422
2025	6,330	6,206	124
Thereafter	1,018	998	20
	\$ 110,915	\$ 108,741	\$ 2,174

City of Stephenville, Texas
NOTES TO FINANCIAL STATEMENTS, Continued
September 30, 2022

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, 2022:

<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.	35%	\$ 18,463	\$ -
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.	29%	18,463	-
Total		\$ 36,926	\$ -

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. Subsequent Events

On November 18, 2022, the City issued a note payable through the Public Property Finance Act to finance the purchase a landfill compactor. The loan totaled \$1,189,831 with an interest rate of 5.15%. Principal and interest payments of \$196,620 are due annually through November 2028.

On January 17, 2023, the City issued a note payable through the Public Property Finance Act to finance the purchase of several vehicles. The loan totaled \$327,834 with an interest rate of 4.962%. Principal and interest payments of \$73,864 are due annually through July 2027.

On March 21, 2023, the City financed a purchase of several patrol vehicles through the Public Property Finance Act. The loan totaled \$173,830 with an interest rate of 5.70%. Principal and interest payments of \$48,411 are due annually through September 2026.

There were no other material subsequent events through June 30, 2023, 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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property tax	\$ 6,534,192	\$ 6,534,192	\$ 6,482,590	\$ (51,602)
Sales tax	6,710,123	7,660,123	7,855,554	195,431
Franchise and other taxes	1,225,000	1,225,000	1,274,715	49,715
License and permits	339,385	339,385	468,977	129,592
Charges for services	591,147	591,147	477,125	(114,022)
Emergency services	634,536	634,536	776,770	142,234
Fines and forfeitures	71,875	131,875	150,038	18,163
Intergovernmental	223,000	223,000	230,779	7,779
Contributions and donations	560,213	824,607	372,386	(452,221)
Investment income	4,683	4,683	110,720	106,037
Other revenues	36,350	131,565	263,124	131,559
Total Revenues	16,930,504	18,300,113	18,462,778	162,665
Expenditures				
Current:				
General government				
City council	108,010	183,010	109,820	73,190
City manager	434,006	565,439	556,511	8,928
City secretary	159,604	188,315	176,413	11,902
Emergency management	18,000	18,000	15,326	2,674
Financial services	626,095	576,595	543,134	33,461
Municipal building	98,222	181,755	95,945	85,810
Municipal services center	101,633	101,633	98,231	3,402
Information technology	470,265	470,265	486,895	(16,630) *
Legal counsel	112,361	132,361	129,750	2,611
Human resources	255,398	255,398	195,497	59,901
Downtown	58,442	204,070	116,673	87,397
Tax	174,491	174,491	173,222	1,269
Total general government	2,616,527	3,051,332	2,697,417	353,915
Culture and recreation				
Library	268,657	268,657	268,558	99
Parks and recreation	2,408,909	2,532,529	1,895,182	637,347
Senior citizens	174,190	388,890	358,757	30,133
Aquatic	239,146	520,127	522,636	(2,509) *
Total culture and recreation	3,090,902	3,710,203	3,045,133	665,070

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, 2022

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community development				
Planning and development	611,256	546,256	476,848	69,408
Total community development	611,256	546,256	476,848	69,408
Public safety				
Municipal court	118,394	130,894	128,031	2,863
Fire department	3,510,029	4,738,651	4,186,186	552,465
Police department	5,824,932	7,720,424	6,710,194	1,010,230
Total public safety	9,453,355	12,589,969	11,024,411	1,565,558
Public works				
Street maintenance	997,327	968,327	789,439	178,888
Total public works	997,327	968,327	789,439	178,888
Debt service:				
Principal retirement	216,562	577,940	572,649	5,291
Interest and fiscal charges	36,311	76,546	75,537	1,009
Total debt service	252,873	654,486	648,186	6,300
Total Expenditures	17,022,240	21,520,573	18,681,434	2,839,139
Revenues Over (Under) Expenditures	(91,736)	(3,220,460)	(218,656)	3,001,804
Other Financing Sources (Uses)				
Transfers in	1,575,736	1,575,736	1,704,475	128,739
Transfers (out)	(1,476,466)	(1,596,466)	(1,476,466)	120,000
Loan issuance	-	3,088,858	3,088,857	(1)
Proceeds from sale of assets	-	-	49,269	49,269
Total Other Financing Sources (Uses)	99,270	3,068,128	3,366,135	298,007
Net Change in Fund Balance	\$ 7,534	\$ (152,332)	3,147,479	\$ 3,299,811
Beginning fund balance			12,053,148	
Ending Fund Balance			\$ 15,200,627	

Notes to Required Supplementary Information

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

* Expenditures exceeded appropriations at the legal level of control.

City of Stephenville, Texas

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

Years Ended:

	12/31/2014	12/31/2015	12/31/2016
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	2,079,453	2,026,885	2,388,401
Total pension liability - beginning	35,818,058	37,897,511	39,924,396
Total pension liability - ending (a)	37,897,511	39,924,396	42,312,797
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	1,946,097	10,252	2,053,121
Plan fiduciary net position - beginning	32,178,872	34,124,969	34,135,221
Plan fiduciary net position - ending (b)	\$ 34,124,969	\$ 34,135,221	\$ 36,188,342
Fund's net pension liability(asset) - ending (a) - (b)	\$ 3,772,542	\$ 5,789,175	\$ 6,124,455
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>	<u>12/31/2020</u>	<u>12/31/2021</u> ¹
\$	1,250,973	\$ 1,168,137	\$ 1,185,079	\$ 1,239,233	\$ 1,275,150
	2,424,723	2,540,193	2,679,331	2,803,005	2,895,233
	(6,087,924)	-	-	-	-
	(149,716)	97,553	(105,017)	(264,202)	(433,666)
	-	-	38,003	-	-
	(1,857,064)	(1,690,739)	(1,815,354)	(2,169,177)	(2,690,132)
	<u>(4,419,008)</u>	<u>2,115,144</u>	<u>1,982,042</u>	<u>1,608,859</u>	<u>1,046,585</u>
	<u>42,312,797</u>	<u>37,893,789</u>	<u>40,008,933</u>	<u>41,990,975</u>	<u>43,599,834</u>
	<u>37,893,789</u>	<u>40,008,933</u>	<u>41,990,975</u>	<u>43,599,834</u>	<u>44,646,419</u>
\$	1,163,749	\$ 591,042	\$ 571,828	\$ 609,114	\$ 665,418
	488,628	523,047	537,993	547,929	566,314
	5,016,931	(1,227,648)	6,052,577	3,372,435	6,095,203
	(1,857,064)	(1,690,739)	(1,815,354)	(2,169,177)	(2,690,132)
	(25,993)	(23,720)	(34,194)	(21,835)	(28,225)
	(1,321)	(1,238)	(1,028)	(852)	193
	<u>4,784,930</u>	<u>(1,829,256)</u>	<u>5,311,822</u>	<u>2,337,614</u>	<u>4,608,771</u>
	<u>36,188,342</u>	<u>40,973,272</u>	<u>39,144,016</u>	<u>44,455,838</u>	<u>46,793,452</u>
\$	<u>40,973,272</u>	<u>\$ 39,144,016</u>	<u>\$ 44,455,838</u>	<u>\$ 46,793,452</u>	<u>\$ 51,402,223</u>
\$	<u>(3,079,483)</u>	<u>\$ 864,917</u>	<u>\$ (2,464,863)</u>	<u>\$ (3,193,618)</u>	<u>\$ (6,755,804)</u>
	108.13%	97.84%	105.87%	107.32%	115.13%
\$	8,133,762	\$ 8,717,442	\$ 8,843,876	\$ 9,132,155	\$ 9,438,565
	-37.86%	9.92%	-27.87%	-34.97%	-71.58%

City of Stephenville, Texas

SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

	<u>9/30/2015</u>	<u>9/30/2016</u>	<u>9/30/2017</u>
Actuarially determined employer contributions	\$ 1,050,537	\$ 1,105,140	\$ 1,147,185
Contributions in relation to the actuarially determined contribution	<u>\$ 1,050,537</u>	<u>\$ 1,105,140</u>	<u>\$ 1,147,185</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual covered payroll	\$ 7,179,688	\$ 7,752,867	\$ 8,042,962
Employer contributions as a percentage of covered payroll	14.63%	14.25%	14.26%

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.

NOTES TO SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Valuation Date:

Notes

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes

There were no benefit changes during the year.

<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2021</u>	<u>9/30/2022</u> ¹
\$ 746,654	\$ 565,648	\$ 601,275	\$ 642,735	\$ 793,175
<u>\$ 746,654</u>	<u>\$ 565,648</u>	<u>\$ 601,275</u>	<u>\$ 642,735</u>	<u>\$ 793,175</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>\$ 8,525,408</u>	<u>\$ 8,732,879</u>	<u>\$ 9,133,053</u>	<u>\$ 9,254,121</u>	<u>\$ 10,799,000</u>
8.76%	6.48%	6.58%	6.95%	7.34%

City of Stephenville, Texas

SCHEDULE OF CHANGES IN OPEB LIABILITY AND RELATED RATIOS TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS PLAN

Years Ended:

	12/31/2017	12/31/2018	12/31/2019	12/31/2020
Total OPEB liability				
Service cost	\$ 16,268	\$ 20,050	\$ 16,803	\$ 22,830
Interest	15,405	15,629	17,124	16,197
Changes in benefit terms	-	-	-	-
Differences between expected and actual experience	-	(8,185)	3,706	(16,587)
Changes of assumptions	35,257	(32,062)	91,264	90,141
Benefit payments, including refunds of participant contributions	(4,068)	(4,359)	(4,422)	(4,566)
Net change in total OPEB liability	62,862	(8,927)	124,475	108,015
Total OPEB liability - beginning	401,442	464,304	455,377	579,852
Total OPEB liability - ending	\$ 464,304	\$ 455,377	\$ 579,852	\$ 687,867
Covered-employee payroll	\$ 8,133,762	\$ 8,717,442	\$ 8,843,876	\$ 9,132,155
City's total OPEB liability as a percentage of covered-employee payroll	5.71%	5.22%	6.56%	7.53%

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.

<u>12/31/2021</u> ¹	
\$	28,316
	13,899
	-
	(1,976)
	22,650
	(14,158)
	<u>48,731</u>
	<u>687,867</u>
\$	<u><u>736,598</u></u> ²
\$	9,438,565
	7.80%

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

City of Stephenville, Texas
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2022

	<u>Hotel/ Motel Tax</u>	<u>Child Safety</u>	<u>Public Safety</u>	<u>Municipal Court Technology</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 934,095	\$ 7,667	\$ 92,076	\$ 18,666
Restricted cash	1,026	-	-	-
Accounts receivable, net	66,613	-	-	-
Total Assets	\$ 1,001,734	\$ 7,667	\$ 92,076	\$ 18,666
<u>Liabilities</u>				
Accounts payable	\$ 32,525	\$ -	\$ 9,599	\$ -
Total Liabilities	32,525	-	9,599	-
<u>Deferred Inflows of Resources</u>				
Unavailable revenue - property taxes	-	-	-	-
<u>Fund Balances</u>				
Restricted for:				
Tourism	969,209	-	-	-
Municipal court	-	-	-	18,666
Public safety	-	7,667	82,477	-
Community reinvestment	-	-	-	-
Debt service	-	-	-	-
Total Fund Balances	969,209	7,667	82,477	18,666
Total Liabilities, Deferred Inflows and Fund Balances	\$ 1,001,734	\$ 7,667	\$ 92,076	\$ 18,666

TIF	Total Nonmajor Special Revenue	Debt Service	Total Nonmajor Governmental
\$ -	\$ 1,052,504	\$ 198,787	\$ 1,251,291
83,908	84,934	-	84,934
57,927	124,540	1,604	126,144
<u>\$ 141,835</u>	<u>\$ 1,261,978</u>	<u>\$ 200,391</u>	<u>\$ 1,462,369</u>
\$ -	\$ 42,124	\$ -	\$ 42,124
-	42,124	-	42,124
-	-	245	245
-	969,209	-	969,209
-	18,666	-	18,666
-	90,144	-	90,144
141,835	141,835	-	141,835
-	-	200,146	200,146
141,835	1,219,854	200,146	1,420,000
<u>\$ 141,835</u>	<u>\$ 1,261,978</u>	<u>\$ 200,391</u>	<u>\$ 1,462,369</u>

City of Stephenville, Texas
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2022

	<u>Hotel/ Motel Tax</u>	<u>Child Safety</u>	<u>Public Safety</u>	<u>Municipal Court Technology</u>
Revenues				
Hotel occupancy tax	\$ 722,328	\$ -	\$ -	\$ -
Property taxes	-	-	-	-
Sales taxes	-	-	-	-
Fines and forfeitures	-	2,575	29,458	8,256
Intergovernmental	-	-	2,779	-
Investment income	6,053	52	675	116
Other revenue	58,357	-	-	-
Total Revenues	<u>786,738</u>	<u>2,627</u>	<u>32,912</u>	<u>8,372</u>
Expenditures				
General government	407,344	-	-	-
Public safety	-	-	12,567	-
Debt service:				
Principal retirement	-	-	-	-
Interest	-	-	-	-
Capital outlay	13,483	-	-	-
Total Expenditures	<u>420,827</u>	<u>-</u>	<u>12,567</u>	<u>-</u>
Revenues Over (Under) Expenditures	<u>365,911</u>	<u>2,627</u>	<u>20,345</u>	<u>8,372</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Premium on bond issuance	53	-	-	-
Total Other Financing Sources (Uses)	<u>53</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	365,964	2,627	20,345	8,372
Beginning fund balances	603,245	5,040	62,132	10,294
Ending Fund Balances	<u>\$ 969,209</u>	<u>\$ 7,667</u>	<u>\$ 82,477</u>	<u>\$ 18,666</u>

TIF	Total Nonmajor Special Revenue	Debt Service	Total Nonmajor Governmental
\$ -	\$ 722,328	\$ -	\$ 722,328
7,969	7,969	268,132	276,101
225,576	225,576	-	225,576
-	40,289	-	40,289
-	2,779	-	2,779
880	7,776	416	8,192
-	58,357	-	58,357
<u>234,425</u>	<u>1,065,074</u>	<u>268,548</u>	<u>1,333,622</u>
-	407,344	1,100	408,444
-	12,567	-	12,567
-	-	200,000	200,000
-	-	413,100	413,100
-	13,483	-	13,483
<u>-</u>	<u>433,394</u>	<u>614,200</u>	<u>1,047,594</u>
<u>234,425</u>	<u>631,680</u>	<u>(345,652)</u>	<u>286,028</u>
261,092	261,092	343,650	604,742
(343,650)	(343,650)	-	(343,650)
-	53	-	53
<u>(82,558)</u>	<u>(82,505)</u>	<u>343,650</u>	<u>261,145</u>
151,867	549,175	(2,002)	547,173
(10,032)	670,679	202,148	872,827
<u>\$ 141,835</u>	<u>\$ 1,219,854</u>	<u>\$ 200,146</u>	<u>\$ 1,420,000</u>

City of Stephenville, Texas
COMBINING STATEMENT OF NET POSITION (Page 1 of 2)
NONMAJOR PROPRIETARY FUNDS
September 30, 2022

	Business-Type Activities		Total
	Nonmajor Enterprise Funds		
	Airport	Sanitary Landfill	
<u>Assets</u>			
<u>Current Assets</u>			
Cash and cash equivalents	\$ 407,690	\$ 1,861,016	\$ 2,268,706
Receivables, net	3,463	64,417	67,880
Prepaid items	120,887	-	120,887
Total Current Assets	532,040	1,925,433	2,457,473
<u>Noncurrent Assets</u>			
Net pension asset	2,702	120,929	123,631
Capital assets:			
Non-depreciable	3,758,918	40,000	3,798,918
Net depreciable capital assets	3,395,477	1,561,163	4,956,640
Total Noncurrent Assets	7,157,097	1,722,092	8,879,189
Total Assets	7,689,137	3,647,525	11,336,662
<u>Deferred Outflows of Resources</u>			
Deferred pension outflows	259	11,552	11,811
Deferred OPEB outflows	55	2,472	2,527
Total Deferred Outflows of Resources	314	14,024	14,338

City of Stephenville, Texas
COMBINING STATEMENT OF NET POSITION (Page 2 of 2)
NONMAJOR PROPRIETARY FUNDS
September 30, 2022

	Business-Type Activities		Total
	Nonmajor Enterprise Funds		
	Airport	Sanitary Landfill	
<u>Liabilities</u>			
<u>Current Liabilities</u>			
Accounts payable and accrued expenses	\$ 12,951	\$ 34,267	\$ 47,218
Customer deposits	-	4,400	4,400
Compensated absences, current	-	9,383	9,383
Unearned revenue	8,320	-	8,320
Total Current Liabilities	21,271	48,050	69,321
<u>Noncurrent Liabilities</u>			
OPEB liability - TMRS	295	13,185	13,480
Compensated absences, noncurrent	-	1,043	1,043
Landfill closure costs	-	409,604	409,604
Total Liabilities	21,566	471,882	493,448
<u>Deferred Inflows of Resources</u>			
Deferred pension inflows	1,459	65,276	66,735
Deferred OPEB inflows	6	256	262
Total Deferred Inflows of Resources	1,465	65,532	66,997
<u>Net Position</u>			
Net investment in capital assets	7,154,395	1,581,160	8,735,555
Restricted for:			
Pensions	1,502	67,205	68,707
Unrestricted	510,523	1,475,770	1,986,293
Total Net Position	\$ 7,666,420	\$ 3,124,135	\$ 10,790,555

See Notes to Financial Statements.

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City of Stephenville, Texas

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION NONMAJOR PROPRIETARY FUNDS For the Year Ended September 30, 2022

	Business-Type Activities Nonmajor Enterprise Funds		Total
	Airport	Sanitary Landfill	
<u>Operating Revenues</u>			
Airport services	\$ 131,120	\$ -	\$ 131,120
Sanitation landfill	-	1,274,189	1,274,189
Total Operating Revenues	131,120	1,274,189	1,405,309
<u>Operating Expenses</u>			
Personnel services	4,199	216,935	221,134
Contractual services	-	87,239	87,239
Materials and supplies	-	465,907	465,907
Airport operations	74,131	-	74,131
Depreciation	120,470	186,984	307,454
Total Operating Expenses	198,800	957,065	1,155,865
Operating Income (Loss)	(67,680)	317,124	249,444
<u>Nonoperating Revenues (Expenses)</u>			
Investment income	-	11,777	11,777
Total Nonoperating Revenues (Expenses)	-	11,777	11,777
Income (Loss) Before Contributions and Transfers	(67,680)	328,901	261,221
<u>Transfers</u>			
Transfers (out)	-	(81,539)	(81,539)
Change in Net Position	(67,680)	247,362	179,682
Beginning net position	7,734,100	2,876,773	10,610,873
Ending Net Position	\$ 7,666,420	\$ 3,124,135	\$ 10,790,555

See Notes to Financial Statements.

City of Stephenville, Texas
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2022

	Business-Type Activities		Total
	Nonmajor Enterprise Funds		
	Airport	Sanitary Landfill	
<u>Cash Flows from Operating Activities</u>			
Receipts from customers	\$ 127,971	\$ 1,238,005	\$ 1,365,976
Receipts (payments) from interfund transactions	360,000	-	360,000
Payments to suppliers and contractors	(77,650)	(539,666)	(617,316)
Payments to employees for salaries and benefits	(4,790)	(241,827)	(246,617)
Net Cash Provided (Used) by Operating Activities	405,531	456,512	862,043
<u>Cash Flows from Noncapital Financing Activities</u>			
Transfer (out)	-	(81,539)	(81,539)
Net Cash Provided (Used) by Noncapital Financing Activities	-	(81,539)	(81,539)
<u>Cash Flows from Capital and Related Financing Activities</u>			
Purchases of capital assets	(3,602)	(176,263)	(179,865)
Change in landfill closure costs	-	223,004	223,004
Net Cash Provided (Used) by Capital and Related Financing Activities	(3,602)	46,741	43,139
<u>Cash Flows from Investing Activities</u>			
Interest on investments	-	11,777	11,777
Net Cash Provided by Investing Activities	-	11,777	11,777
Net Increase (Decrease) in Cash and Cash Equivalents	401,929	433,491	835,420
Beginning cash and cash equivalents	5,761	1,427,525	1,433,286
Ending Cash and Cash Equivalents	\$ 407,690	\$ 1,861,016	\$ 2,268,706

See Notes to Financial Statements.

City of Stephenville, Texas
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR PROPRIETARY FUNDS (Page 2 of 2)
For the Year Ended September 30, 2022

	Business-Type Activities		Total
	Nonmajor Enterprise Funds		
	Airport	Sanitary Landfill	
Reconciliation of Operating Income (Loss)			
to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (67,680)	\$ 317,124	\$ 249,444
Adjustments to reconcile operating income to net cash provided (used):			
Depreciation	120,470	186,984	307,454
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(3,149)	(36,684)	(39,833)
Deferred Outflows of Resources:			
Deferred pension charges	611	29,342	29,953
OPEB charges	3	259	262
Increase (Decrease) in:			
Accounts payable and accrued expenses	(3,519)	13,480	9,961
Customer deposits	-	500	500
Compensated absences	-	77	77
Due to (from) other funds	360,000	-	360,000
Net pension liability (asset)	(1,425)	(60,889)	(62,314)
OPEB liability	20	253	273
Deferred Inflows of Resources:			
Pension inflows	200	6,109	6,309
OPEB inflows	-	(43)	(43)
Net Cash Provided (Used) by Operating Activities	\$ 405,531	\$ 456,512	\$ 862,043

See Notes to Financial Statements.

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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
Hotel occupancy tax	\$ 584,261	\$ 584,261	\$ 722,328	\$ 138,067
Investment income	181	181	6,053	5,872
Other revenue	69,600	69,600	58,357	(11,243)
Total Revenues	<u>654,042</u>	<u>654,042</u>	<u>786,738</u>	<u>132,696</u>
Expenditures				
General government	434,999	434,999	407,344	27,655
Capital outlay	13,483	13,483	13,483	-
Total Expenditures	<u>448,482</u>	<u>448,482</u>	<u>420,827</u>	<u>27,655</u>
Excess of Revenues Over (Under) Expenditures	<u>205,560</u>	<u>205,560</u>	<u>365,911</u>	<u>160,351</u>
Other Financing Sources (Uses)				
Bond premium	-	-	53	53
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>53</u>	<u>53</u>
Net Change in Fund Balance	<u>\$ 205,560</u>	<u>\$ 205,560</u>	<u>365,964</u>	<u>\$ 160,404</u>
Beginning fund balance			603,245	
Ending Fund Balance			<u>\$ 969,209</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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
<u>Revenues</u>			
Fines and forfeitures	\$ 2,500	\$ 2,575	\$ 75
Investment income	3	52	49
Total Revenues	2,503	2,627	124
Excess of Revenues Over (Under) Expenditures			
	2,503	2,627	124
Net Change in Fund Balance	\$ 2,503	2,627	\$ 124
Beginning fund balance		5,040	
Ending Fund Balance		\$ 7,667	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Fines and forfeitures	\$ -	\$ 29,458	\$ 29,458
Intergovernmental	3,200	2,779	(421)
Interest income	21	675	654
Total Revenues	3,221	32,912	29,691
Expenditures			
Public safety	13,740	12,567	1,173
Total Expenditures	13,740	12,567	1,173
Excess of Revenues Over (Under) Expenditures	(10,519)	20,345	30,864
Net Change in Fund Balance	\$ (10,519)	20,345	\$ 30,864
Beginning fund balance		62,132	
Ending Fund Balance		\$ 82,477	

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, 2022

	Original & Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues			
Fines and forfeitures	\$ 4,450	\$ 8,256	\$ 3,806
Interest income	7	116	109
Total Revenues	<u>4,457</u>	<u>8,372</u>	<u>3,915</u>
Net Change in Fund Balance	<u>\$ 4,457</u>	8,372	<u>\$ 3,915</u>
Beginning fund balance		10,294	
Ending Fund Balance		<u>\$ 18,666</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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 271,045	\$ 271,045	\$ 268,132	\$ (2,913)
Interest income	21	21	416	395
Total Revenues	<u>271,066</u>	<u>271,066</u>	<u>268,548</u>	<u>(2,518)</u>
<u>Expenditures</u>				
General government	300	1,100	1,100	-
Debt service				
Principal	200,000	200,000	200,000	-
Interest	413,100	413,100	413,100	-
Total Expenditures	<u>613,400</u>	<u>614,200</u>	<u>614,200</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures	<u>(342,334)</u>	<u>(343,134)</u>	<u>(345,652)</u>	<u>(2,518)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	343,650	343,650	343,650	-
Total Other Financing Sources (Uses)	<u>343,650</u>	<u>343,650</u>	<u>343,650</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 1,316</u>	<u>\$ 516</u>	<u>(2,002)</u>	<u>\$ (2,518)</u>
Beginning fund balance			202,148	
Ending Fund Balance			<u>\$ 200,146</u>	

Notes to Supplementary Information

- 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, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
Revenues				
License and permits	\$ 5,000	\$ 5,000	\$ 3,712	\$ (1,288)
Interest income	392	392	68,677	68,285
Other revenue	8,935	1,408,935	-	(1,408,935)
Total Revenues	<u>14,327</u>	<u>1,414,327</u>	<u>72,389</u>	<u>(1,341,938)</u>
Expenditures				
Streets	-	-	1,601	(1,601)
Debt service:				
Bond issuance costs	-	41,814	41,814	-
Capital outlay	10,309,369	13,825,237	4,455,739	9,369,498
Total Expenditures	<u>10,309,369</u>	<u>13,867,051</u>	<u>4,499,154</u>	<u>9,367,897</u>
Excess of Revenues Over (Under) Expenditures	<u>(10,295,042)</u>	<u>(12,452,724)</u>	<u>(4,426,765)</u>	<u>8,025,959</u>
Other Financing Sources (Uses)				
Transfers in	1,234,069	1,234,069	1,234,069	-
Bond issuance	-	1,885,000	1,885,000	-
Premium on bond issuance	-	157,834	157,781	(53)
Total Other Financing Sources (Uses)	<u>1,234,069</u>	<u>3,276,903</u>	<u>3,276,850</u>	<u>(53)</u>
Net Change in Fund Balance	<u>\$ (9,060,973)</u>	<u>\$ (9,175,821)</u>	<u>(1,149,915)</u>	<u>\$ 8,025,906</u>
Beginning fund balance			<u>9,638,333</u>	
Ending Fund Balance			<u>\$ 8,488,418</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
TIF FUND
For the Year Ended September 30, 2022

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance with Final Budget Positive (Negative)
<u>Revenues</u>				
Property taxes	\$ 7,127	\$ 7,127	\$ 7,969	\$ 842
Sales taxes	10,000	75,431	225,576	150,145
Investment income	-	-	880	880
Total Revenues	<u>17,127</u>	<u>82,558</u>	<u>234,425</u>	<u>151,867</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	326,523	261,092	261,092	-
Transfers (out)	(343,650)	(343,650)	(343,650)	-
Total Other Financing Sources (Uses)	<u>(17,127)</u>	<u>(82,558)</u>	<u>(82,558)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	151,867	<u>\$ 151,867</u>
Beginning fund balance			(10,032)	
Ending Fund Balance			<u>\$ 141,835</u>	

Notes to Supplementary Information

- 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, 2022

		Stephenville Economic Development Authority
<u>Assets</u>		
Cash and cash equivalents	\$	1,151,248
Receivables, net		142,558
Total Assets	\$	1,293,806
<u>Liabilities</u>		
Accounts payable and accrued liabilities	\$	83,620
Total Liabilities		83,620
<u>Fund Balances</u>		
Restricted for:		
Economic development		1,210,186
Total Fund Balance		1,210,186
Total Liabilities and Fund Balance	\$	1,293,806

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, 2022

Fund Balance	1,210,186
 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 - net depreciable	44,120
 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	12,649
Deferred OPEB outflows	2,707
 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	(71,474)
Deferred OPEB inflows	(280)
 Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.	
Compensated absences	(10,719)
Net pension asset	132,414
OPEB liability	(14,437)
Net Position of the Discretely Presented Component Unit	1,305,166

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, 2022

		Stephenville Economic Development Authority
<u>Revenues</u>		
Sales tax	\$	714,141
Grant revenues		66,500
Investment income		8,825
	Total Revenues	789,466
<u>Expenditures</u>		
Current:		
Economic development		703,089
	Total Expenditures	703,089
	Revenue Over (Under) Expenditures	86,377
	Net Change in Fund Balance	86,377
Beginning fund balance		1,123,809
	Ending Fund Balance	\$ 1,210,186

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, 2022

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

Net changes in fund balance	\$	86,377
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.		
Depreciation expense		(10,879)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
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		29,822
Other post employment benefits		(1,007)
Compensated absences		1,689
Change in Net Position of the Discretely Presented Component Unit	\$	<u>106,002</u>

See Notes to Financial Statements.

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	133
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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	143
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These schedules contain information to help the reader assess the City's most significant local revenue sources.

Debt Capacity	151
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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	157
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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	161
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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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Governmental activities:										
Net investment in capital assets	\$ 17,032,179	\$ 18,024,389	\$ 18,038,284	\$ 19,789,241	\$ 19,963,873	\$ 20,176,273	\$ 20,416,468	\$ 21,847,814	\$ 23,272,989	\$ 21,971,416
Restricted	870,780	523,019	427,493	593,600	581,054	2,621,264	2,008,149	1,976,474	3,266,474	5,580,333
Unrestricted	<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>	<u>11,542,775</u>	<u>15,061,936</u>
Total governmental activities net position	<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>	<u>\$ 38,082,238</u>	<u>\$ 42,613,685</u>
Business-type activities:										
Net investment in capital assets	\$ 30,014,882	\$ 32,099,918	\$ 33,151,854	\$ 34,339,443	\$ 36,926,841	\$ 38,174,605	\$ 43,079,879	\$ 45,293,731	\$ 49,052,873	\$ 50,478,546
Restricted	2,706,411	1,023,271	1,019,719	1,054,111	1,456,900	2,477,403	1,045,392	1,089,229	956,437	1,543,514
Unrestricted	<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>	<u>10,366,625</u>	<u>14,252,500</u>
Total business-type activities net position	<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>	<u>\$ 60,375,935</u>	<u>\$ 66,274,560</u>
Primary government:										
Net investment in capital assets	\$ 47,047,061	\$ 50,124,307	\$ 51,190,138	\$ 54,128,684	\$ 56,890,714	\$ 58,350,878	\$ 63,496,347	\$ 67,141,545	\$ 72,325,862	\$ 72,449,962
Restricted	3,577,191	1,546,290	1,447,212	1,647,711	2,037,954	5,098,667	3,053,541	3,065,703	4,222,911	7,123,847
Unrestricted	<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>	<u>21,909,400</u>	<u>29,314,436</u>
Total primary government net position	<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>	<u>\$ 98,458,173</u>	<u>\$ 108,888,245</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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
EXPENSES										
Governmental activities:										
General government	\$ 2,076,100	\$ 2,353,191	\$ 1,922,897	\$ 2,004,366	\$ 1,999,694	\$ 2,271,044	\$ 2,555,641	\$ 2,512,975	\$ 2,831,782	\$ 2,926,475
Culture and recreation	2,157,175	2,037,539	1,705,654	2,254,963	2,457,781	2,467,345	2,402,357	2,254,992	2,511,374	2,756,348
Community development	521,710	444,401	471,855	980,992	1,031,830	486,602	588,612	493,019	488,792	427,452
Public Safety	6,786,524	6,948,549	7,879,067	7,929,307	8,617,164	8,561,797	8,885,222	9,637,871	8,953,779	8,973,458
Streets	1,432,818	1,274,173	1,462,172	1,604,054	1,566,786	1,507,920	1,644,724	1,501,306	1,495,367	1,496,839
Interest on long-term debt	128,398	108,289	77,063	68,008	100,245	107,588	124,539	530,646	402,914	521,390
Total governmental activities expenses	<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>	<u>16,684,008</u>	<u>17,101,962</u>
Business-type activities:										
Water & Wastewater	5,018,940	5,237,160	5,326,721	5,690,857	5,688,473	5,032,780	5,508,559	5,234,741	5,323,323	6,698,399
Storm water drainage	535,056	528,208	558,501	505,829	546,509	415,779	593,199	550,783	471,717	858,992
Airport	282,952	305,179	395,474	442,822	465,063	542,252	178,613	178,661	205,951	198,800
Sanitary landfill	183,145	193,368	207,538	224,233	256,121	194,000	579,206	599,166	643,520	957,065
Total business-type activities expenses	<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>	<u>6,644,511</u>	<u>8,713,256</u>
Total primary government program revenues	<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>	<u>\$ 23,328,519</u>	<u>\$ 25,815,218</u>
PROGRAM REVENUES										
Governmental activities:										
Charges for services:										
General Government	\$ 217,686	\$ 205,782	\$ 22,648	\$ 8,274	\$ 5,704	\$ 11,141	\$ 12,722	\$ 3,600	\$ 3,926	\$ 3,600
Culture and recreation	346,442	288,540	321,565	377,192	347,603	289,065	313,847	245,570	324,975	411,487
Community development	413,762	265,863	217,805	320,353	215,731	245,391	474,426	321,774	373,582	505,088
Public Safety	959,364	1,073,838	989,630	817,156	721,112	664,449	1,056,364	875,103	1,110,456	1,058,541
Streets	30,443	28,170	42,749	15,567	15,352	20,836	30,442	614	67,969	22,212
Operating grants and contributions	53,796	63,038	147,200	160,504	514,199	219,853	238,763	935,242	1,444,156	505,260
Capital grants and contributions	-	188,262	3,654	3,596	49,905	170,239	49,672	1,478,520	53,801	106,984
Total governmental activities program revenues	<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>	<u>3,378,865</u>	<u>2,613,172</u>
Business-type activities:										
Charges for services:										
Water and Wastewater	\$ 6,443,152	\$ 6,708,108	\$ 6,485,177	\$ 7,014,095	\$ 7,264,479	\$ 7,596,037	\$ 7,762,515	\$ 8,152,610	\$ 8,991,212	\$ 10,686,333
Storm water drainage	620,595	618,993	611,827	632,583	629,673	657,356	646,904	638,126	757,477	981,550
Municipal airport	110,200	104,440	107,544	111,088	107,484	108,097	111,927	110,919	113,231	131,120
Sanitary landfill	297,650	457,086	955,391	856,649	665,681	628,731	863,829	1,113,634	1,024,361	1,274,189
Operating grants and contributions	-	-	-	17,857	7,086	-	-	-	-	-
Capital grants and contributions	27,652	109,614	175,651	48,054	1,672,182	175,274	316,254	287,600	4,685,293	2,922,264
Total business-type activities program revenues	<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>	<u>15,571,574</u>	<u>15,995,456</u>
Total primary government program revenues	<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>	<u>\$ 18,950,439</u>	<u>\$ 18,608,628</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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
NET (EXPENSE) REVENUES										
Governmental activities	\$(11,081,232)	\$(11,052,649)	\$(11,773,457)	\$(13,139,048)	\$(13,903,894)	\$(13,781,322)	\$(14,024,859)	\$(13,070,386)	\$(13,305,143)	\$(14,488,790)
Business-type activities	1,479,156	1,734,326	1,847,356	1,816,585	3,390,419	2,980,684	2,841,852	3,739,538	8,927,063	7,282,200
Total primary government net expense	<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>	<u>(4,378,080)</u>	<u>(7,206,590)</u>
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION										
Governmental activities:										
Taxes										
Property -general purposes	4,049,755	4,321,370	4,386,134	4,715,959	4,806,351	5,286,326	5,577,304	6,067,879	6,446,356	6,441,458
Property -debt services	589,867	595,444	576,847	484,490	481,603	492,536	465,640	256,240	265,579	268,132
Sales	5,281,663	5,485,705	5,718,579	5,285,142	5,264,443	5,644,834	5,943,343	5,940,857	7,075,224	8,081,130
Franchise	1,097,564	1,166,503	1,525,602	1,501,457	1,381,186	1,199,890	1,317,544	1,276,928	1,204,400	1,274,715
Other	374,806	450,456	502,017	480,036	515,043	474,199	510,185	398,706	590,006	722,328
Proceeds from sale of capital assets	10,056	110,122		16,162	30,274	-	-	-	18,109	35,260
Investment earnings	11,546	6,157	5,990	52,123	68,163	139,025	264,034	115,763	11,277	187,589
Insurance Proceeds	-	-	63,740	58,576	18,537	-	-	-	-	-
Miscellaneous	35,902	100,731	164,842	37,080	135,230	153,598	260,645	1,030,088	251,087	286,455
Transfers	256,849	255,044	208,824	258,870	504,479	750,852	400,495	1,442,405	561,433	1,723,170
Special item - change in employee benefits	-	-	-	-	-	5,110,168	-	-	-	-
Total governmental activities	<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>	<u>16,423,471</u>	<u>19,020,237</u>
Business-type activities:										
Investment earnings	6,780	4,032	4,891	23,477	49,082	118,108	501,577	195,341	8,039	284,266
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	64,745	55,329
Transfers	(256,849)	(255,044)	(208,824)	(258,870)	(504,479)	(750,852)	(400,495)	(1,442,405)	(561,433)	(1,723,170)
Total business-type activities	<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>	<u>(488,649)</u>	<u>(1,383,575)</u>
Total primary government	<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>	<u>15,934,822</u>	<u>17,636,662</u>
CHANGE IN NET POSITION										
Governmental activities	626,776	1,438,883	1,379,118	(249,153)	(698,585)	5,470,106	714,331	3,458,480	3,118,328	4,531,447
Business-type activities	1,227,583	1,483,314	1,693,821	1,634,949	3,005,491	2,454,579	3,192,687	2,780,445	8,438,414	5,898,625
Total primary government	<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>	<u>\$ 11,556,742</u>	<u>\$ 10,430,072</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>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
General fund										
Nonspendable	\$ 19,417	\$ 10,995	\$ 7,016	\$ 20,955	\$ 8,760	\$ 11,609	\$ 5,563	\$ 3,962	\$ 6,760	\$ 19,543
Assigned/committed	2,400,000	3,000,000	3,000,000	1,150,000	950,609	950,609	579,402	534,754	764,377	1,086,068
Unassigned	<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>	<u>11,282,011</u>	<u>14,095,016</u>
Total general fund	<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>	<u>\$ 12,053,148</u>	<u>\$ 15,200,627</u>
All other governmental funds										
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 27,721	\$ 27,721
Unassigned, reported in:										
Special revenue funds	-	-	-	-	-	-	-	-	(10,032)	-
Capital projects funds	-	-	-	-	-	-	-	-	-	-
Restricted	1,201,698	824,262	702,559	434,914	365,349	488,158	512,308	634,666	10,493,471	9,880,697
Assigned/committed	<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>	<u>-</u>	<u>-</u>
Total all other governmental funds	<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>	<u>\$ 10,511,160</u>	<u>\$ 9,908,418</u>

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)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
REVENUES										
Taxes	\$ 11,394,371	\$ 12,014,282	\$ 12,733,241	\$ 12,455,045	\$ 12,460,952	\$ 13,089,387	\$ 13,824,745	\$ 13,956,935	\$ 15,538,510	\$ 16,836,864
Licenses, fees and permits	361,236	294,084	258,384	186,925	143,903	246,891	434,132	321,774	373,582	472,689
Charges for services	1,198,408	1,131,850	1,111,193	1,022,624	958,249	978,973	1,219,100	955,616	1,223,443	1,253,895
Fines and penalties	398,093	261,126	227,979	316,343	210,015	147,598	97,480	82,567	122,860	190,327
Intergovernmental	65,465	127,751	200,634	218,054	613,744	344,358	367,463	1,012,110	242,017	233,558
Contributions and donations	-	-	-	-	-	-	-	-	1,249,640	372,386
Investment earnings	11,546	6,157	5,990	52,123	68,163	139,025	264,034	115,763	11,277	187,589
Miscellaneous	75,550	103,838	167,941	40,054	135,230	150,649	269,704	1,066,400	251,087	321,481
Total revenues	<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>	<u>19,012,416</u>	<u>19,868,789</u>
EXPENDITURES										
General government	1,997,675	2,289,098	1,922,184	1,904,340	1,870,697	2,145,014	2,407,281	2,409,994	2,815,335	3,040,581
Culture and recreation	1,859,640	1,795,809	1,853,439	1,936,112	2,104,892	2,163,873	2,081,327	1,939,211	2,236,700	2,525,341
Community development	514,474	419,054	456,196	968,197	1,003,655	485,280	558,878	482,507	508,857	476,848
Public Safety	6,410,938	6,725,152	7,668,000	7,428,899	7,820,377	8,066,721	7,926,014	8,966,480	8,837,094	9,266,757
Streets	920,417	780,006	968,092	997,520	818,913	768,153	852,360	773,640	764,084	747,057
Capital outlay	4,076,340	985,179	859,897	3,053,778	1,532,290	1,480,185	2,338,141	2,181,502	5,512,163	6,868,498
Debt service										
Principal	455,000	465,000	505,000	415,000	469,243	560,879	746,898	483,490	497,316	772,649
Interest	126,693	120,261	77,845	66,375	85,322	107,099	104,230	258,261	459,181	488,637
Bond Issuance Costs	5,312	11,027	-	-	-	-	-	262,595	-	41,814
Advance Refunding Escrow	382,370	1,323,441	-	-	-	-	-	-	-	-
Total expenditures	<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>	<u>21,630,730</u>	<u>24,228,182</u>
EXCESS OF REVENUES										
OVER (UNDER) EXPENDITURES	<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>	<u>\$ (2,618,314)</u>	<u>\$ (4,359,393)</u>
OTHER FINANCING SOURCES (USES)										
Debt issued	370,000	1,336,841	-	-	-	215,371	1,333,310	11,860,000	197,001	4,973,857
Premium on Bonds	22,904	-	-	-	-	-	-	1,021,005	-	157,834
Discount on Bonds	(2,651)	-	113,938	349,833	168,051	-	-	-	-	-
Sale of Fixed Assets	24,950	219,822	11,165	77,340	118,358	22,639	20,635	21,498	19,451	49,269
Proceeds from insurance	-	-	63,740	58,576	18,537	-	-	-	-	-
Transfers in	506,849	1,196,840	208,824	633,870	729,968	1,666,068	2,036,185	2,513,977	2,773,666	3,543,286
Transfers out	(250,000)	(941,796)	-	(375,000)	(225,489)	(915,216)	(1,635,690)	(1,071,572)	(2,212,233)	(1,820,116)
Total other financing sources (uses)	<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>	<u>777,885</u>	<u>6,904,130</u>
NET CHANGE IN FUND BALANCES	<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>	<u>\$ (1,840,429)</u>	<u>\$ 2,544,737</u>
DEBT SERVICE AS A PERCENTAGE										
OF NONCAPITAL EXPENDITURES	<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>	<u>5.9%</u>	<u>7.5%</u>

Source: City Audited Financials.

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City of Stephenville, Texas
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years (Unaudited)

Tax Year	Fiscal Year	Taxes Levied for the Fiscal Year	Subsequent Adjustments To Levy	Final Adjusted Levy	Collected With the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date		Outstanding as of 9/30/22
					Amount	Percentage of Levy		Amount	Percentage of Levy	
2012	2012-2013	\$ 4,592,451	\$ 3,682	\$ 4,596,133	\$ 4,557,429	99.24%	\$ 38,420	\$ 4,595,849	100.07%	\$ 284
2013	2013-2014	4,868,772	(1,406)	4,867,366	4,822,564	99.05%	44,087	4,866,651	99.96%	715
2014	2014-2015	4,927,485	(14,476)	4,913,009	4,887,492	99.19%	21,492	4,908,984	99.62%	4,025
2015	2015-2016	5,195,573	(9,861)	5,185,712	5,141,402	98.96%	38,024	5,179,426	99.69%	6,286
2016	2016-2017	5,351,990	(99,594)	5,252,396	5,204,383	97.24%	46,300	5,250,683	98.11%	1,713
2017	2017-2018	5,774,003	(74,086)	5,699,917	5,710,836	98.91%	(14,054)	5,696,782	98.66%	3,135
2018	2018-2019	6,039,033	(28,105)	6,010,928	5,994,513	99.26%	13,242	6,007,755	99.48%	3,173
2019	2019-2020	6,489,897	(134,374)	6,355,523	6,234,838	96.07%	116,487	6,351,325	97.86%	4,198
2020	2020-2021	6,619,550	(34,797)	6,584,753	6,507,012	98.30%	70,770	6,577,782	99.37%	6,971
2021	2021-2022	6,783,557.00	(143,737)	6,639,820	6,609,695	97.44%	-	6,609,695	97.44%	30,125

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

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

<u>Tax Year</u>	<u>Fiscal Year</u>	<u>Residential Property</u>	<u>Commercial Property</u>	<u>Industrial Property</u>	<u>Less: Tax-exempt Property</u>	<u>Total Taxable Assessed Value</u>	<u>Total Direct Tax Rate</u>	<u>Estimated Actual Taxable Value</u>	<u>Taxable Assessed Value as a Percentage of Actual Taxable Value</u>
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%
2020	2020-2021	887,954,420	952,950,260	293,836,870	679,895,887	1,454,845,663	0.4550	1,454,845,663	100%
2021	2021-2022	958,911,760	981,246,130	301,952,860	707,326,188	1,534,784,562	0.4420	1,534,784,562	100%

Source: Erath County Appraisal District.

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	
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	0.0094	0.4560	2.2083
2020	2020-2021	0.4368	0.0182	0.4550	1.2221	0.0092	0.4444	2.1307
2021	2021-2022	0.4245	0.0175	0.4420	1.1922	0.0085	0.4355	2.0782

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 2021			Tax Year 2012		
	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value		Taxable Assessed Value	Percentage of Total City Taxable Assessed Value	
FMC Company	\$ 101,653,275	1	6.62%	\$ 62,372,199	1	6.57%
Windmass Villiage III Portfolio Owne	25,598,480	2	1.67%	-		- %
NJH Investment Corp	23,952,290	3	1.56%	-		- %
Mustang Ranch	20,246,840	4	1.32%	-		- %
Saint Gobain Abrasives	19,510,530	5	1.27%	8,840,598	5	0.93%
Stephenville Campus Crest	16,843,680	6	1.10%	11,401,270	3	1.20%
Oncor Electric Delivery	16,528,350	7	1.08%	7,617,870	9	0.80%
Fibergrate Composite Structures Inc.	12,143,820	8	0.79%	-		- %
Tarleton Development Partners LLC	10,500,510	9	0.68%	-		- %
Wal-Mart Stores, Inc. #1	9,819,640	10	0.64%	8,730,140	7	0.92%
Tejas Tubular Inc.	-		- %	24,013,180	2	2.53%
FMC Technologies	-		- %	10,534,000	4	1.11%
Bosque River Associates	-		- %	8,221,950	8	0.87%
Stephenville Student Housing LP	-		- %	8,738,130	6	0.92%
United Telephone Company (Century	-		- %	6,759,830	10	0.71%
Subtotal	\$ 256,797,415		16.73%	\$ 157,229,167		16.56%
Remaining Roll	1,277,987,147		83.27%	791,755,501		83.44%
Total	\$ 1,534,784,562		100.00%	\$ 948,984,668		100.00%

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

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City of Stephenville, Texas
TAXABLE SALES BY CATEGORY
Last Ten Calendar Years (Unaudited)

Category	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Services	\$ 43,434,651	\$ 49,560,842	\$ 46,989,186	\$ 41,651,657	\$ 40,241,475	\$ 63,727,628	\$ 59,351,380	\$ 60,613,525	\$ 58,476,390	\$ 58,144,576
Misc Retail	51,246,891	52,221,686	54,975,621	54,751,164	54,321,288	50,773,645	52,220,824	53,686,867	59,406,069	62,663,258
Eat/Drink Places	51,945,376	55,015,006	60,296,991	57,700,419	68,762,227	70,136,317	75,769,971	72,885,265	76,893,794	92,511,577
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	79,884,966	96,932,092
HomeFurnishings	7,144,077	7,209,200	7,246,403	6,660,673	6,162,365	7,046,159	7,604,974	8,387,888	7,889,581	17,798,350
Apparel Stores	8,639,294	8,799,575	10,578,892	10,324,254	10,257,542	9,645,246	11,823,407	12,760,079	12,426,438	16,965,921
Automotive Stores	115,540,159	113,933,329	123,712,193	115,703,501	107,067,897	144,126,333	116,799,945	113,763,645	112,589,518	146,308,834
Food Stores	56,734,012	57,179,417	59,377,144	63,577,869	59,091,905	59,400,532	66,271,975	72,885,265	79,158,303	90,185,420
General Merchandise	120,479,906	120,780,721	123,134,874	126,719,228	121,170,557	123,107,302	117,640,631	118,089,721	119,417,436	131,331,637
Building/Garden										
Supplies	27,030,238	28,455,504	31,727,307	37,693,956	35,695,603	36,386,966	36,761,366	34,781,537	32,534,255	60,382,960
Wholesale Trade	53,509,172	47,091,948	45,902,673	48,009,817	46,967,803	51,525,032	57,421,775	62,100,066	65,174,511	77,228,448
Manufacturing	23,103,447	27,220,571	51,074,808	44,597,329	36,916,496	41,376,240	45,379,899	54,485,728	32,324,686	32,806,051
Construction	20,487,172	23,399,150	29,565,160	39,838,703	36,567,165	32,516,125	42,457,584	32,014,392	24,908,250	29,004,497
Other	24,770,674	31,521,635	29,361,821	42,437,131	32,920,411	37,214,389	37,851,430	31,426,794	43,677,784	215,254,337
Agriculture	227,301	346,309	157,377	131,950	87,089	-	-	-		
Total	\$ 661,284,560	\$ 682,853,319	\$ 738,509,096	\$ 756,110,871	\$ 710,211,154	\$ 799,588,086	\$ 805,506,477	\$ 811,062,502	\$ 804,761,981	\$ 1,127,517,958
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)

	<u>General Municipal Sales Tax</u>	<u>Sales Tax for Property Tax Relief</u>	<u>Sales Tax for Economic/ Industrial Dev Sec 4B</u>
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%
2021	1.000%	0.375%	0.125%
2022	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)	Leases/ Notes	Water Revenue Bonds	Certificates of Obligation	Unamortized Premiums (Discounts)	Capital Leases			
2013	360,000	4,940,000	19,746	-	4,315,000	12,737,850	239,090	-	22,611,686	3.60%	1,170
2014	1,500,000	3,340,000	18,734	-	9,385,000	6,851,841	220,290	-	21,315,865	3.09%	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	3.22%	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	2.52%	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	2.35%	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	3.73%	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	3.29%	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	4.09%	1,832
2021	-	14,275,000	955,065	1,091,117	3,175,000	19,610,000	138,645	1,080,409	40,325,236	3.72%	1,745
2022	-	15,960,000	1,056,890	3,601,025	2,825,000	37,185,000	1,921,948	751,680	63,301,543	N/A	2,996

Notes: See page 157 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		
2013	379,746	17,677,850	18,057,596	1.90%	935
2014	1,518,734	10,191,841	11,710,575	1.19%	603
2015	1,172,721	8,530,850	9,703,571	0.96%	496
2016	921,709	6,789,827	7,711,536	0.73%	356
2017	624,683	8,488,827	9,113,510	0.85%	415
2018	323,671	25,195,000	25,518,671	2.11%	1,145
2019	12,659	24,885,000	24,897,659	1.96%	1,099
2020	11,645	36,320,482	36,332,127	2.63%	1,571
2021	10,633	34,829,432	34,840,065	2.39%	1,508
2022	9,620	56,097,691	56,107,311	3.66%	2,655

Notes:

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

See page 145 for property value data.

Population data can be found on page 157.

City of Stephenville, Texas
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
As of September 30, 2022 (Unaudited)

<u>Government Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt repaid with property taxes:			
Overlapping			
Stephenville Independent School District	\$ 75,711,575	79.60%	\$ 60,266,414
Erath County	\$ 1,405,000	44.60%	<u>626,630</u>
Subtotal, overlapping debt			<u>60,893,044</u>
Direct			
City of Stephenville	\$ 20,617,915	100.00%	<u>20,617,915</u>
Total Direct and Overlapping Debt			<u>\$ 81,510,959</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	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
	2021-2022	2020-2021	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016	2014-2015	2013-2014	2012-2013
Debt limit	\$ 169,296	\$ 160,740	\$ 157,749	\$ 145,165	\$ 135,754	\$ 124,250	\$ 122,554	\$ 116,345	\$ 116,885	\$ 107,470
Total net debt applicable to limit	55,908	15,029	15,257	2,591	2,981	3,389	3,793	4,213	4,718	5,191
Legal debt margin	<u>\$ 113,388</u>	<u>\$ 145,711</u>	<u>\$ 142,492</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>
Total net debt applicable to limit as a percentage of debt limit	33.02%	9.35%	9.67%	1.78%	2.20%	2.73%	3.09%	3.62%	4.04%	4.83%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed value	\$ 1,534,785
Add back: exempt real property	158,179
Total assessed value	<u>1,692,964</u>
Debt limit (10% of total assessed value)	169,296
Debt applicable to limit:	
General obligation	56,107
Less: Amount set aside for repayment of general obligation debt	<u>(199)</u>
Total net debt applicable to limit	<u>55,908</u>
Legal debt margin	<u>\$ 113,388</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 Service Charges	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
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	411,005	2.65
2021	9,044,632	3,753,322	5,291,310	1,325,000	375,420	3.11
2022	10,724,825	4,383,743	6,341,082	4,455,000	638,134	1.25

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

Source City ACFR.

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

<u>Calendar Year</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>College Enrollment</u>	<u>Unemployment Rate</u>
2013	19,320	628,189,800	32,515	3,731	10,903	5.5%
2014	19,410	689,695,530	35,533	3,656	11,681	4.7%
2015	19,560	685,147,680	35,028	3,702	12,396	3.8%
2016	21,640	776,724,520	35,893	3,614	12,333	4.7%
2017	21,950	835,570,650	38,067	3,671	13,052	3.9%
2018	22,280	893,026,960	40,082	3,711	13,019	3.2%
2019	22,660	961,826,360	42,446	3,842	13,226	3.1%
2020	23,120	1,035,151,760	44,773	3,659	14,022	5.8%
2021	23,110	1,083,997,660	46,906	3,622	13,995	4.1%
2022	21,130	N/A	N/A	3,695	14,092	3.3%

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 2012-2020 reflect county population estimates available as of March 2020. Personal income is not available for 2021.

City of Stephenville, Texas
PRINCIPAL EMPLOYERS
Current and Nine Years Ago (Unaudited)

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Tarleton State University	1,374	1	6.80%	1,250	1	6.98%
FMC Company	735	2	3.64%	705	2	3.94%
Stephenville Independent School District	506	3	2.50%	241	8	1.35%
Saint Gobain Abrasives	470	4	2.33%	464	3	2.59%
Scheiber Foods	435	5	2.15%	284	6	1.59%
Wal-Mart Stores, Inc.	300	6	1.48%	450	4	2.51%
Western Dairy Transport	210	7	1.04%	175	9	0.98%
Pecan Valley Centers	210	8	1.04%	-		- %
Erath County	215	9	1.06%	172	10	0.96%
Texas Health Harris Methodist Stephenville	200	10	0.99%	285	5	1.59%
Tejas Tubular (Caporal Forging)	-		- %	261	7	1.46%
Subtotal	4,655		23.04%	4,287		23.94%
Remaining Employers (County)	15,549		76.96%	13,622		76.06%
Total	20,204		100.00%	17,909		100.00%

Source: City Human Resources Department, Stephenville Independent School District, Erath County, and Stephenville Chamber of Commerce. Total employee data is provided by the Texas Workforce Commission.

Notes:

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

City of Stephenville, Texas
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years (Unaudited)

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
Management services	4	4	4	5	5	5	8	9	8	9
Finance	7	7	7	7	7	7	9	9	8	9
Planning	2	2	2	2	3	3	3	3	4	4
Building	2	2	2	2	2	2	2	2	2	2
Other	2	2	2	2	2	3	2	2	3	3
Police										
Officers	39	39	39	39	39	39	39	39	39	40
Civilians	12	16	16	15	17	17	19	19	19	19
Fire										
Firefighters and officers	31	31	31	31	31	31	31	31	34	34
Civilians	-			1	1	1	1	1	1	1
Parks and recreation	13	13	13	12	14	14	14	14	14	16
Library	3	3	3	3	3	4	4	4	4	4
Streets	7	7	7	7	7	7	7	7	7	7
Water	13	13	13	16	15	15	15	15	15	16
Wastewater	5	5	5	5	6	6	6	6	6	6
Landfill	2	2	3	3	3	3	3	3	4	5
Total	142	146	147	150	155	157	163	164	168	175

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	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General government										
Building permits issued	113	90	93	146	127	197	205	220	241	291
Building permits value	\$49,204,311	\$19,061,275	\$10,829,426	\$41,143,042	\$22,331,535	\$24,569,365	\$71,952,765	\$21,765,542	\$36,545,036	\$63,214,568
Police										
Calls for service	10,566	9,836	14,631	12,378	12,044	13,785	15,369	15,135	14,775	25,050
Physical arrests	1,123	846	806	643	696	742	687	487	455	364
Parking violations (1)	520	258	467	858	830	177	130	407	75	150
Traffic violations	5,357	7,338	5,665	3,816	3,470	3,767	3,207	2,571	2,221	945
Fire										
Ambulance responses	1,555	1,592	1,733	1,897	1,767	1,842	1,876	1,787	1,869	1,769
Fires responses	276	251	294	303	313	385	479	421	605	968
Inspections	551	456	444	400	393	392	293	455	376	574
Refuse collection										
Refuse collected (tons)	18,393	21,729	22,494	21,676	19,229	19,689	21,092	20,873	16,768	21,053
Recyclables collected (tons per day)										
Other public works										
Street resurfacing (miles)	1.32	-	-	17.90	8.77	10.62	10.38	-	15.40	5.23
Library										
Volumes in collection	33,316	35,171	36,759	37,416	38,685	40,041	40,167	39,636	38,219	34,589
Total volumes borrowed	25	6	12	37	199	138	111	113	862	3,395
Water										
Active connections	6,181	6,000	6,442	6,495	6,625	6,813	6,435	6,519	6,630	6,808
Water main breaks	47	59	57	39	30	23	45	38	45	37
Average daily consumption (thousands of gallons)	2,107,000	1,983,000	1,945,000	1,997,000	1,932,000	2,117,000	1,893,000	2,000,000	2,101,000	2,131,000
Peak daily consumption (thousands of gallons)	3,937,000	3,176,000	3,505,000	3,872,000	2,985,000	3,703,000	3,352,000	3,493,000	3,742,000	3,600,000
Wastewater										
Average daily sewage treatme (thousands of gallons)	1,453,000	1,433,000	1,444,000	1,720,000	1,380,000	1,310,000	1,667,000	1,368,000	1,320,000	1,306,000
WW Peak	3,158,000	2,737,000	7,106,000	9,350,000	6,597,000	6,800,000	7,220,000	3,560,000	1,910,000	5,730,000
Airport										
Landings	3,574	3,384	3,233	3,008	2,862	2,765	2,879	2,825	2,859	2,664
Take-offs	3,572	3,383	3,239	3,010	2,862	2,765	2,878	2,826	2,859	2,665
Municipal Court										
New cases (2)	-	-	-	-	-	-	-	1,226	963	1,829
Disposed cases	-	-	-	-	-	-	-	741	654	1,225

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

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

Source: Various City departments

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

Function/Program	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	10	10	10	10	11	11	11	12	12	12
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	92	92	92	93	93	93	91	91	91	92
Highways (miles)	23	23	23	23	23	23	23	23	23	22
Streetlights	1,127	1,139	1,145	1,149	1,156	1,164	1,168	1,160	1,160	1,173
Parks and recreation										
Acreage	130	130	130	142	142	142	142	147	160	160
Playgrounds	4	4	4	4	4	4	6	6	6	6
Baseball/softball diamonds	11	11	11	11	11	11	11	11	11	11
Soccer/football fields	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	128	131	131	135	135	136
Fire hydrants	798	798	798	801	816	816	863	863	922	926
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	5,500,000
Wastewater										
Sanitary sewers (miles)	116	116	116	116	116	117	117	117	118	118
Storm sewers (miles)	3.2	3.2	3.2	3.2	3.2	3.2	3.2	3.2	4.9	5.6
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

City of Stephenville
Statement of Activities All Funds
FY 2022-2023

	General Fund	Water Sewer Fund	Landfill Fund	Airport Fund	Storm Water Fund	Hotel Occupancy Tax Fund	Debt Service Fund	Capital Project Fund	TIF Special Revenue Fund	Non--Major Special Revenue Funds	Total	Discrete Component Unit
Estimated Cash Balance 10/01	14,269,750	44,100,766	1,861,016	407,690	773,174	935,121	198,787	9,419,715	83,908	118,409	72,168,336	1,151,248
Revenues												
Taxes	16,675,797	-	-	-	-	694,278	270,443	-	689,933	-	18,330,451	703,996
Licenses & Permits	588,565	1,000	-	-	25,000	-	-	2,500	-	-	617,065	-
Fines & Forfeitures	141,940	-	-	-	-	-	-	-	-	9,261	151,201	-
Intergovernmental	399,868	2,637,556	-	10,000	112,500	-	-	265,737	-	2,800	3,428,461	-
Service Charges	1,203,208	10,471,363	1,160,581	130,350	1,015,380	24,750	-	12,500	-	-	14,018,132	-
Other Revenue	758,585	463,000	1,207,182	1,423,040	2,250	4,500	500	112,500	150	975	3,972,682	15,000
Total Revenue	19,767,963	13,572,919	2,367,763	1,563,390	1,155,130	723,528	270,943	393,237	690,083	13,036	40,517,992	718,996
Transfers In	1,679,307	82,662	-	297,325	-	-	823,850	1,384,897	133,917	-	4,401,958	
Transfers Out	(1,771,322)	(1,501,863)	(76,432)	-	(228,491)	-	-	-	(823,850)	-	(4,401,958)	
Expenditures												
Personnel Costs	12,865,247	2,006,541	294,950	77,676	-	66,677	-	-	-	-	15,311,091	325,114
Operating Expenditures	5,469,473	4,003,067	449,760	79,413	350,120	584,127	700	-	-	32,047	10,968,707	190,846
Economic Development Programs												923,036
Capital Expenditures	4,934,932	40,374,144	1,244,832	1,562,373	-	-	-	10,730,036	-	29,020	58,875,337	400,000
Debt Service	716,153	2,955,060	196,620	-	484,201	135,903	1,092,225	-	-	-	5,580,162	-
Total Expenditures	23,985,805	49,338,812	2,186,162	1,719,462	834,321	786,707	1,092,925	10,730,036	-	61,067	90,735,297	1,838,996
Net Revenues over(under) Expenditures	(4,309,857)	(37,185,094)	105,169	141,253	92,318	(63,179)	1,868	(8,951,902)	150	(48,031)	(50,217,305)	(1,120,000)
Estimated Cash Balance 09/30	9,959,893	6,915,672	1,966,185	548,943	865,492	871,942	200,655	467,813	84,058	70,378	21,951,031	31,248
Restricted:												
Operational Reserve	4,583,680	1,502,402	186,178	39,272	87,530	162,701	-	-	-	-	6,561,763	85,235
Debt Service	686,068	2,953,859	196,620	-	482,163	136,725	200,655	-	84,058	-	4,740,148	-
Tourism and Visitor Bureau						419,509	-	-	-	-	419,509	-
Sports Venue						153,007	-	-	-	-	153,007	-
Capital Projects								467,813	-	-	467,813	-
Child Safety										10,242	10,242	-
Court Technology										13,995	13,995	-
Court Building Security										11,582	11,582	-
Public Safety										34,559	34,559	-
Economic Development											-	(53,987)
Airport Improvement	250,000										250,000	-
Grant Match	150,000										150,000	-
Combined Dispatch Commitment	1,000,000										1,000,000	-
Accounts Payable		1,929,787										
Estimated Unrestricted Cash Balance 9/30	3,290,145	529,624	1,583,387	509,671	295,799	-	-	-	-	-	6,208,626	

Budget Adjustment Register

City of Stephenville

Adjustment Detail

Packet: GLPKT07914 - 4th Quarter Adjustments FY 22-23

Adjustment Date 9/5/2023



Adjustment Number	Account Number	Account Name	Adjustment Description	Budget	Adjustment	Proposed Budget
BA0000166	01-101-55210.00000	BUILDINGS	Purchase of 294 & 299 N. Belknap and expenses	-	794,670	794,670
BA0000167	01-302-53341.00000 01-302-54160.00000 01-42010.00000	CREDIT CARD FEES COMPUTER MAINTENANCE MUNICIPAL COURT FINES	Increase for credit card fee & software Increase for credit card fee & software Increase for credit card fee & software	5,088 4,759 (123,025)	5,912 2,703 (8,615)	11,000 7,462 (131,640)
BA0000168	01-501-55270.03250	PARKLAND DEDICATION IMPROVEMEN	C/O Parkland Dedication Improv. unspent FY 21-22	79,000	176,896	255,896
BA0000169	01-45602.00000 01-601-55110.00000 01-701-55110.00000 01-801-55110.00000 01-900-57551.00000 01-900-57601.00000	LOAN PROCEEDS VEHICLES VEHICLE VEHICLES DEBT INTEREST DEBT PRINCIPAL	Financing of 8 General Fund Vehicles Financing of 8 General Fund Vehicles Financing of 8 General Fund Vehicles Financing of 8 General Fund Vehicles Financing of 8 General Fund Vehicles Financing of 8 General Fund Vehicles	- 30,000 227,000 21,000 - -	(327,834) 77,452 156,518 20,000 8,134 65,730	(327,834) 107,452 383,518 41,000 8,134 65,730
BA0000170	01-601-55140.00000	OTHER EQUIPMENT	Carryover SCBA and cardiac monitors	-	489,201	489,201
BA0000171	01-102-51120.00000 01-43500.00000 01-601-51120.00000 01-701-51120.00000 01-801-51120.00000	OVERTIME GRANTS OVERTIME OVERTIME OVERTIME	Increase Fire Overtime Increase Fire Overtime to actual Increase Fire Overtime Increase Fire Overtime Increase Fire Overtime	- - 253,862 400,056 -	(60,000) (72,504) 282,504 (50,000) (100,000)	(60,000) (72,504) 536,366 350,056 (100,000)
BA0000172	01-45602.00000 01-701-55110.00000 01-701-57550.00000 01-701-57600.00000	LOAN PROCEEDS VEHICLE LOAN/LEASE INTEREST LOAN/LEASE PRINCIPAL	Financing of 4 Police Vehicles Financing of 4 Police Vehicles Financing of 4 Police Vehicles Financing of 4 Police Vehicles	- 227,000 54,492 257,884	(173,831) 125,419 4,707 43,705	(173,831) 352,419 59,199 301,589
BA0000173	01-701-55110.00000	VEHICLE	Carryover vehicles unspent from 21-22	227,000	304,448	531,448
BA0000174	01-701-55140.00000	OTHER EQUIPMENT	Carryover Public Safety Communication project	-	662,548	662,548
BA0000175	01-43500.00000 01-701-55140.20230	GRANTS OTHER EQUIPMENT - TX CJD GRANT	Ballistic Shield Grant Ballistic Shield Grant	- -	(90,764) 90,764	(90,764) 90,764
BA0000176	01-203-54160.00000 01-804-54160.00000	COMPUTER MAINTENANCE COMPUTER MAINTENANCE	GIS and drone software GIS and drone software	188,069 -	(8,565) 8,565	179,504 8,565
BA0000177	02-002-55290.00000	EQUIPMENT	Carryover purchase of compact excavator	-	45,710	45,710
BA0000178	02-001-54235.00000 02-003-52531.00000 02-003-54236.00000 02-012-52614.00000 02-012-54241.00000 02-012-55140.00000 02-020-53342.00000	WATER FACILITY MAINTENANCE OUTSIDE PROFESSIONALS METER MAINTENANCE CONTRACTUAL SERVICES-OMI SEWER FACILITY MAINTENANCE EQUIPMENT MAINTENANCE WEB CREDIT CARD FEES	Adjust to anticipated actuals - maintenance Adjust to anticipated actuals - csi inspections Adjust to anticipated actuals - maintenance Adjust to anticipated actuals - wwtp contract Adjust to anticipated actuals - maintenance Adjust to anticipated actuals - maintenance Adjust to anticipated actuals	150,000 50,000 47,672 870,958 75,000 1,122,760 101,666	50,000 30,000 30,000 63,678 50,000 (323,678) 100,000	200,000 80,000 77,672 934,636 125,000 799,082 201,666
BA0000179	03-030-55140.00000 03-030-57601.00000 03-45602.00000	OTHER EQUIPMENT DEBT PRINCIPAL LOAN PROCEEDS	Financing and purchase of landfill compactor Financing and purchase of landfill compactor Financing and purchase of landfill compactor	225,000 - -	964,832 196,620 (1,189,832)	1,189,832 196,620 (1,189,832)
BA0000180	03-030-53230.00000 03-030-53341.00000 03-44710.00000	GAS & OIL CREDIT CARD FEES LANDFILL GATE FEES	Increase to anticipated actuals - fuel Increase to anticipated actuals - cc fees Increase to anticipated actuals	75,782 7,500 (1,100,400)	54,218 5,963 (60,181)	130,000 13,463 (1,160,581)
BA0000181	13-130-52601.00000 13-130-55110.00000	FEDERAL FORFEITURE VEHICLES	Purchase of Police motorcycles and training Purchase of Police motorcycles	- -	11,260 29,020	11,260 29,020
BA0000182	02-000-55276.20220	WATER & SEWER LINE IMPROVEMENT	Adjust Carryover Long Street Reconstruction	6,598,800	(7,294)	6,591,506
BA0000183	02-001-55235.00000	WELLS	Adjust Carryover 536 Wellfield Project	4,410,730	1,429,982	5,840,712
BA0000184	02-002-55281.00000	WATER TANKS	Adjust Carryover Airport Pump Station Project	3,387,967	(608,644)	2,779,323
BA0000185	02-011-55270.20180	SEWER LINE REPLACEMENT	Adjust Carryover East Side Sewer Project	17,649,179	708,594	18,357,773
BA0000186	10-402-55250.20200	STREETS - 2020 BONDS	Adjust C/O Harbin Drive	6,354,879	576,661	6,931,540



Budget Adjustment Register

City of Stephenville
Adjustment Detail

Packet: GLPKT07914 - 4th Quarter Adjustments FY 22-23

Adjustment Date 9/5/2023

Adjustment Number	Account Number	Account Name	Adjustment Description	Budget	Adjustment	Proposed Budget
Budget Code Summary						
	Account Number	Account Name		Budget	Adjustment	Proposed Budget
	01-101-55210.00000	BUILDINGS		-	794,670	794,670
	01-102-51120.00000	OVERTIME		-	(60,000)	(60,000)
	01-203-54160.00000	COMPUTER MAINTENANCE		188,069	(8,565)	179,504
	01-302-53341.00000	CREDIT CARD FEES		5,088	5,912	11,000
	01-302-54160.00000	COMPUTER MAINTENANCE		4,759	2,703	7,462
	01-42010.00000	MUNICIPAL COURT FINES		(123,025)	(8,615)	(131,640)
	01-43500.00000	GRANTS		-	(163,268)	(163,268)
	01-45602.00000	LOAN PROCEEDS		-	(501,665)	(501,665)
	01-501-55270.03250	PARKLAND DEDICATION IMPROVEMEN		79,000	176,896	255,896
	01-601-51120.00000	OVERTIME		253,862	282,504	536,366
	01-601-55110.00000	VEHICLES		30,000	77,452	107,452
	01-601-55140.00000	OTHER EQUIPMENT		-	489,201	489,201
	01-701-51120.00000	OVERTIME		400,056	(50,000)	350,056
	01-701-55110.00000	VEHICLE		227,000	586,385	813,385
	01-701-55140.00000	OTHER EQUIPMENT		-	662,548	662,548
	01-701-55140.20230	OTHER EQUIPMENT - TX CJD GRANT		-	90,764	90,764
	01-701-57550.00000	LOAN/LEASE INTEREST		54,492	4,707	59,199
	01-701-57600.00000	LOAN/LEASE PRINCIPAL		257,884	43,705	301,589
	01-801-51120.00000	OVERTIME		-	(100,000)	(100,000)
	01-801-55110.00000	VEHICLES		21,000	20,000	41,000
	01-804-54160.00000	COMPUTER MAINTENANCE		-	8,565	8,565
	01-900-57551.00000	DEBT INTEREST		-	8,134	8,134
	01-900-57601.00000	DEBT PRINCIPAL		-	65,730	65,730
		Total General Fund			<u><u>2,427,763</u></u>	
	02-001-54235.00000	WATER FACILITY MAINTENANCE		150,000	50,000	200,000
	02-000-55276.20220	WATER & SEWER LINE IMPROVEMENT		6,598,800	(7,294)	6,591,506
	02-011-55270.20180	SEWER LINE REPLACEMENT		4,410,730	1,429,982	5,840,712
	02-002-55281.00000	WATER TANKS		3,387,967	(608,644)	2,779,323
	02-002-55290.00000	EQUIPMENT		-	45,710	45,710
	02-003-52531.00000	OUTSIDE PROFESSIONALS		50,000	30,000	80,000
	02-003-54236.00000	METER MAINTENANCE		47,672	30,000	77,672
	02-011-55270.20180	SEWER LINE REPLACEMENT		17,649,179	708,594	18,357,773
	02-012-52614.00000	CONTRACTUAL SERVICES-OMI		870,958	63,678	934,636
	02-012-54241.00000	SEWER FACILITY MAINTENANCE		75,000	50,000	125,000
	02-012-55140.00000	EQUIPMENT MAINTENANCE		1,122,760	(323,678)	799,082
	02-020-53342.00000	WEB CREDIT CARD FEES		101,666	100,000	201,666
		Total Water & Sewer Fund			<u><u>1,568,348</u></u>	
	03-030-53230.00000	GAS & OIL		75,782	54,218	130,000
	03-030-53341.00000	CREDIT CARD FEES		7,500	5,963	13,463
	03-030-55140.00000	OTHER EQUIPMENT		225,000	964,832	1,189,832
	03-030-57601.00000	DEBT PRINCIPAL		-	196,620	196,620
	03-44710.00000	LANDFILL GATE FEES		(1,100,400)	(60,181)	(1,160,581)
	03-45602.00000	LOAN PROCEEDS		-	(1,189,832)	(1,189,832)
		Total Landfill Fund			<u><u>(28,380)</u></u>	
	10-402-55250.20200	STREETS - 2020 BONDS		6,354,879	576,661	6,931,540
		Total Capital Projects Fund			<u><u>576,661</u></u>	
	13-130-52601.00000	FEDERAL FORFEITURE		-	11,260	11,260
	13-130-55110.00000	VEHICLES		-	29,020	29,020
		Total Public Safety Fund			<u><u>40,280</u></u>	
		Grand Total:		<u><u>41,425,678</u></u>	<u><u>4,584,672</u></u>	<u><u>46,010,350</u></u>

Fund Summary

Fund	Budget	Adjustment	Proposed Budget
01	1,398,185	2,427,763	3,825,948
02	34,464,732	1,568,348	36,033,080
03	(792,118)	(28,380)	(820,498)
10	6,354,879	576,661	6,931,540
13	-	40,280	40,280
Grand Total:	<u><u>41,425,678</u></u>	<u><u>4,584,672</u></u>	<u><u>46,010,350</u></u>

ORDINANCE NO. 2023-O-XX

AN ORDINANCE PROVIDING BUDGET AMENDMENT FOR THE REMAINDER OF THE FISCAL YEAR BEGINNING OCTOBER 1, 2022 AND ENDING SEPTEMBER 30, 2023.

WHEREAS, it is necessary to amend the 2022-23 fiscal year budget to adjust revenues and expenditures as reflected on the attached pages, and incorporated herein by reference.

The attached budget amendment for the fiscal year beginning October 1, 2022 and ending September 30, 2023, was duly presented to the City Council by the City Manager and a public notice was posted in the Stephenville City Hall.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF STEPHENVILLE, TEXAS:

SECTION 1. That the amended appropriations and anticipated revenues for the fiscal year beginning October 1, 2022 and ending September 30, 2023 for the support of the general government of the City of Stephenville, Texas, be amended and fixed for the remainder of the fiscal year ending September 30, 2023, with the revenues and expenditures shown.

SECTION 2. That the amended budget is hereby approved in all respects and adopted as the City’s budget for the remainder of the fiscal year ending September 30, 2023.

PASSED and **APPROVED** this the 5th day of September, 2023.

Doug Svien, Mayor

ATTEST:

Sarah Lockenour, City Secretary

Reviewed by Jason M. King,
City Manager

Randy Thomas, City Attorney
Approved as to form and legality

CITY OF STEPHENVILLE

Investment Policy

I. Governing Authority

Legality

The investment program shall be operated in conformance with governing legislation and other legal requirements. It is the intent of the City to be in complete compliance with the City Charter, local law and the Texas Public Funds Investment Act, Chapter 2256, Texas Government Code.

The Public Funds Collateral Act, Chapter 2257, Texas Government Code, specifies collateral requirements for all public funds deposits

The Interlocal Cooperation Act, Chapter 791, Texas Government Code, authorizes local governments in Texas to participate in an investment pool established thereunder. That statute and reference to authorized investment in investment pools in the Act, is primary authority for use of investment pools by political subdivisions of the State of Texas.

II. Policy Statement

This document is to establish an investment policy that provides clear and concise guidelines for investing City of Stephenville funds; providing for security of capital, diversification and maximum return.

It is the policy of the City of Stephenville, Texas ("City") that the administration of its funds and the investment of those funds shall be handled as its highest public trust. Investments shall be made in a manner, which will provide the maximum security of principal invested through limitations and diversification while meeting the daily cash flow needs of the City and conforming to all applicable state and City statutes governing the investment of public funds. The receipt of a market rate of return will be secondary to the requirements for safety and liquidity. The earnings from investment will be used in a manner that best serves the public trust and interests of the City.

III. Scope

This policy applies to the investment of all funds of the City of Stephenville, Texas ("City") at the present time and any funds to be created in the future, excluding the investment of employees' retirement funds, and serves to satisfy the statutory requirement to define and adopt a formal investment policy. All funds are defined and accounted for in the City's Annual Comprehensive Financial Report (ACFR).

1. *Pooling of Funds*

The City will consolidate cash and reserve balances from all funds, including municipal bond proceeds, to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping and administration.

Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

IV. General Objectives

The primary objectives of investment activities shall be safety, liquidity, and return:

1. *Safety*

Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk and interest rate risk.

a. Credit Risk

The City will minimize credit risk, which is the risk of loss of all or part of the investment due to the failure of the security issuer or backer, by:

- Limiting investments to the types of securities listed in Section VII of this Investment Policy
- Pre-qualifying and conducting ongoing due diligence of the financial institutions, broker/dealers, intermediaries, and advisers with which the City will do business in accordance with Section VI
- Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

b. Interest Rate Risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by:

- Structuring the investment portfolio so that security maturities match cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity
- Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting individual security maturity as well as the average maturity of the portfolio in accordance with this policy (see section IX).

c. Loss of Rating

The City is not required to liquidate investments that were authorized investments at the time of purchase. However, should a security that requires a minimum rating under state law not have that required rating, the investment officer shall take all prudent measures to liquidate the security.

d. Monitoring FDIC Coverage

The investment officer or investment advisor shall monitor, on no less than a weekly basis, the status and ownership of all banks issuing brokered CDs owned by the City based upon information from the FDIC. If any bank has been acquired or merged with another bank in which brokered CD's are owned, the investment officer or advisor shall immediately liquidate any brokered CD which places the City above the FDIC insurance level.

e. Monitoring Credit Ratings

The investment officer or investment advisor shall monitor, on no less than a weekly basis, the credit rating on all authorized investments in the portfolio based upon independent information from a nationally recognized rating agency. If any security falls below the minimum rating required by policy, the investment officer or advisor shall notify the Finance Director and City Manager of the loss of rating, conditions affecting the rating and possible loss of principal with liquidation options available, within two weeks after the loss of the required rating.

2. *Liquidity*

The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). Furthermore, since all possible cash demands cannot be anticipated, the portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). Alternatively, a portion of the portfolio may be placed in money market mutual funds or local government investment pools

which offer same-day liquidity for short-term funds.

3. *Return*

The investment portfolio shall be designed with the objective of attaining a market rate of return throughout budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs. Return on investment is of secondary importance compared to the safety and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The City's cash management portfolio shall be designed with the objective of regularly meeting or exceeding the average yield on three-month U.S. Treasury bills. The investment program shall seek to augment returns above this threshold, consistent with risk limitations identified herein and prudent investment principles. (See Section X on performance standards and selecting a benchmark.)

Securities shall generally be held until maturity with the following exceptions:

- A security with declining credit may be sold early to minimize loss of principal;
- Selling a security and reinvesting the proceeds that would improve the quality, yield, or target duration in the portfolio may be undertaken;
- Unanticipated liquidity needs of the portfolio require that the security be sold.

V. Standards of Care

1. *Prudence*

The standard of prudence to be used by investment officials shall be the "uniform prudent investor act" standard and shall be applied in the context of managing an overall portfolio. Investment officers acting in accordance with written procedures and this investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and the liquidity and the sale of securities are carried out in accordance with the terms of this policy.

2. *Ethics and Conflicts of Interest*

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business, in accordance with applicable laws. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City.

3. *Delegation of Authority*

The Council is responsible for considering the quality and capability of staff, investment advisors, and consultants involved in investment management and procedures. The Council may contract with a registered investment advisor to assist the investment officer(s) in the fulfillment of their responsibilities.

Authority to manage the investment program is granted to the Director of Finance and derived from the following: City Charter Article VII Section 2 (8). The Assistant Finance Director is also designated as an investment officer. Responsibility for the operation of the investment program is hereby delegated to the investment officer(s), who shall act in accordance with established written procedures and internal controls for the operation of the investment program consistent with this investment policy. At a minimum, procedures should include references to the following:

safekeeping, delivery vs. payment, investment accounting, repurchase agreements, wire transfer agreements, and collateral/depository agreements. No person may engage in an investment transaction except as provided under the terms of this policy and the procedures established by the investment officer(s) and approved by the City Manager. The investment officer(s) shall be responsible for all transactions undertaken and shall establish a system of controls to regulate the activities of subordinate officials. All participants in the investment process shall seek to act responsibly as custodians of the public trust.

VI. Authorized Financial Institutions, Depositories, and Broker/Dealers

1. Authorized Financial Institutions, Depositories, and Broker/Dealers

A list will be maintained of no more than five (5) financial institutions and depositories authorized to provide investment services. In addition, a list will be maintained of approved security broker/dealers selected by creditworthiness and/or other factors, such as FINRA broker check.

All financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of Financial Industry Regulatory Authority (FINRA) certification (not applicable to Certificate of Deposit counterparties)
- Proof of state registration
- Completed broker/dealer questionnaire (not applicable to Certificate of Deposit counterparties)
- Certification of having read and understood and agreeing to comply with the City's investment policy.
- Evidence of adequate insurance coverage.

2. Depositories

The City will designate one banking institution through a competitive process as its central banking service provider at least every two years, according to Charter. This institution will be used for normal banking services including disbursements, deposits, lockbox, controlled disbursement and safekeeping of securities.

An annual review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the investment officer(s).

VII. Safekeeping and Custody

1. Delivery vs. Payment

All trades of marketable securities will be executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible custody account prior to the release of funds.

2. Safekeeping

Securities will be held by either the City, an independent third-party custodian selected by the City, or the City's designated depository. The safekeeping institution shall annually provide a copy of their most recent report on internal controls (Statement of Auditing Standards No. 70, or SAS 70).

All safekeeping arrangements shall be designated by the investment officer(s) and an agreement of the terms executed in writing. The third-party custodian shall be required to issue safekeeping receipts to the City listing each specific security, rate, description, maturity, CUSIP number, and other pertinent information. Each safekeeping receipt will be clearly marked that the security is held for the City or pledged to the City.

All securities pledged to the City for certificates of deposit or demand deposits shall be held by an independent third party bank domiciled in Texas. The safekeeping bank may not be within the same holding company as the bank from which the securities are pledged.

3. *Internal Controls*

The investment officer(s) shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed annually by the Finance Committee and with the independent auditor. An annual audit for compliance of the portfolio to this policy will be completed by the external auditor along with a review of the quarterly reports provided to Council. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, mis-representation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the City.

VIII. Suitable and Authorized Investments

1. *Investment Types* – Consistent with the Texas Public Funds Investment Act, the following investments will be permitted by this policy:
 - A. Obligations of the United States or its agencies and instrumentalities not to exceed five years to stated maturity (PFIA 2256.009);
 - B. Direct obligations of this state or its agencies and instrumentalities not to exceed five years to stated maturity (PFIA 2256.009);
 - C. Obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less an A or its equivalent (PFIA 2256.009);
 - D. Interest-bearing banking deposits of any bank doing business in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, the National Credit Union Share Insurance Fund or its successor, or are collateralized by the United States or an instrumentality of the United States (PFIA 2256.009);
 - E. Certificates of deposit that are fully insured or collateralized from a bank doing business in the State of Texas and under the terms of a written depository agreement with that bank, not to exceed two years to the stated maturity (PFIA 2256.010);
 - F. Certificates of deposit with a maturity not to exceed five years that are brokered by an entity selected from the list of approved brokers/dealers having a main office or branch in this state. The certificates of deposit must be delivered versus payment to the City's federally insured safekeeping depository. Before purchase, the investment officer or advisor must verify the FDIC status of the offering bank (PFIA 2256.010);
 - G. Repurchase agreement and reverse repurchase agreements, not to exceed 90 days to stated maturity, collateralized with Section VII. A. above, provided an executed PSA Master Repurchase Agreement is on file with the City and the county party bank or primary dealer, or flexible repurchase agreement longer than 90 days if matched to an expenditure plan of bond funds (PFIA 2256.011);
 - H. Commercial paper with a stated maturity not to exceed 365 days, rated A-1, P-1, or equivalent by two nationally recognized rating agencies or one nationally recognized credit rating agency

if the commercial paper is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state (PFIA 2256.013);

- I. No-load money market mutual funds that are SEC registered and regulated striving to maintain a \$1 net asset value (PFIA 2256.014);
- J. No-load mutual funds that are SEC registered, having an average weighted maturity of less than two years, and either has a duration of one year or more and is invested exclusively in obligations approved by this subchapter; or has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities (PFIA 2256.014);
- K. Texas Local government investment pools which have previously been authorized by the governing body and for which a \$1 net asset value is maintained (PFIA 2256.016);
- L. Other investment types or asset classes as approved by the governing authority.

If additional types of securities are approved for investment of public funds by state statute, they will not be eligible for investment by the City until this policy has been amended and the amended version approved by the City Council.

2. *Collateralization*

Full collateralization will be required on all demand deposit accounts, including checking accounts and non-negotiable certificates of deposit. In order to anticipate market changes and provide a level of additional security for all funds, the collateralization level required will be 102% of the market value of the principal and accrued interest.

3. *Repurchase Agreements*

Full collateralization will also be required on all repurchase agreements at 102% of the market value of the principal and accrued interest. Repurchase agreements shall be consistent with GFOA Recommended Practices on Repurchase Agreements.

IX. Investment Diversification & Constraints

1. *Diversification*

It is the policy of the City to diversify its investment portfolios. To eliminate risk of loss resulting from the overconcentration of assets in a specific maturity, issuer, or class of securities, all cash and cash equivalent assets in all City funds shall be diversified by maturity, issuer, and security type. Diversification strategies shall be determined and revised periodically by the Finance Committee/investment officer(s) for all funds except for the employee retirement fund.

In establishing specific diversification strategies, the following general policies and constraints shall apply: Portfolio maturities shall be staggered to avoid undue concentration of assets in a specific maturity sector. Maturities selected shall provide for stability of income and reasonable liquidity.

- Liquidity shall be assured through practices ensuring that the next disbursement date and payroll date are covered through maturing investments or marketable U.S. Treasury bills.
- Positions in securities having potential default risk (e.g., commercial paper) shall be limited in size so that in case of default, the portfolio's annual investment income will exceed a loss on a single issuer's securities.
- Risks of market price volatility shall be controlled through maturity diversification and

duration management.

- The investment committee/investment officer(s) shall establish strategies and guidelines for the percentage of the total portfolio that may be invested in securities other than repurchase agreements, Treasury bills or collateralized certificates of deposit. The committee shall conduct an annual review of these guidelines and evaluate the probability of market and default risk in various investment sectors as part of its considerations.

The following diversification limitations shall be imposed on the portfolio:

- **Maturity:** No more than 20% percent of the portfolio may be invested beyond 12 months, and the weighted average maturity of the portfolio shall never exceed 1 year.
- **Default risk:** No more than 50 percent of the overall portfolio may be invested in the securities of a single issuer, except for securities of the U.S. Treasury. At a minimum, diversification standards by security type and issuer shall be:

a) U.S. Treasuries	100%
b) Securities with the US Government's guarantee	100%
c) U.S. Government agencies and instrumentality's	not to exceed 80%
d) Fully insured or collateralized CDs	not to exceed 40%
e) Fully insured brokered CD securities	not to exceed 40%
f) State and Municipal debt	not to exceed 40%
g) Commercial Paper	not to exceed 20%
h) Repurchase agreement	100%
i) Local Government Investment Pools	
Liquidity Pools	100%
Maximum percent ownership of pool	not to exceed 20%
j) Money market funds	not to exceed 30%

- **Liquidity risk:** Based on liquidity needs, at least 50 percent of the overall portfolio shall be invested in overnight instruments or in marketable securities which can be converted to cash within one day.

2. *Maximum Maturities*

To the extent possible, the City shall attempt to match its investments with anticipated cash flow requirements. Unless matched to a specific cash flow, the City will not directly invest in securities maturing more than five (5) years from the date of purchase or in accordance with governing legislation. The City shall adopt weighted average maturity limitations consistent with the investment objectives.

Reserve funds and other funds with longer-term investment horizons may be segregated into a long-term "core" investment portfolio and invested in securities exceeding five (5) years if the maturities of such investments are made to coincide as nearly as practicable with the expected use of funds. The intent to invest in securities with longer maturities shall be disclosed in writing to the legislative body.

3. *Competitive Bids*

The investment officer(s) shall obtain competitive bids from at least three brokers or financial institutions on all purchases and sales of investment instruments transacted on the secondary

market.

X. Reporting

1. *Methods*

The investment officer(s) shall prepare an investment report monthly, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions executed over the last month/quarter. This management summary will be prepared in a manner which will allow the City to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the City Manager monthly and the City Council quarterly. The report will include the following:

- Listing of individual securities held at the end of the reporting period including type, acquisition cost, book cost, and market value.
- Realized and unrealized gains or losses resulting from appreciation or depreciation by listing the cost and market value of securities over one-year duration that are not intended to be held until maturity (in accordance with Governmental Accounting Standards Board (GASB) requirements).
- Beginning and ending market value of the portfolio by market sector and total portfolio.
- Beginning and ending book value of the portfolio by market sector and total portfolio.
- Transactions that change market and book value.
- Average weighted return on investments as compared to average yield on 3-month US Treasury Bill.
- Total accrued interest for the period.
- Total earnings for the month and fiscal year-to-date.
- Overall current yield-to-maturity of the portfolio.
- Maximum maturities, by security, in the portfolio
- Overall weighted average maturity of the portfolio.
- Percentage of the total portfolio which each type of investment represents.
- A statement that the investment portfolio is in compliance with the investment policy and is meeting the investment policy objectives

2. *Performance Standards*

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates. A series of appropriate benchmarks shall be established against which portfolio performance shall be compared on a regular basis. The benchmarks shall be reflective of the actual securities being purchased and risks undertaken, and the benchmarks shall have a similar weighted average maturity as the portfolio.

3. *Marking to Market*

The market value of the portfolio shall be calculated at least monthly and a statement of the market value of the portfolio shall be issued at least quarterly. This will ensure that review of the investment portfolio, in terms of value and price volatility, has been performed consistent with the GFOA Recommended Practice on "Mark-to-Market Practices for State and Local Government Investment Portfolios and Investment Pools." In defining market value, considerations should be given to the GASB Statement 31 pronouncement. An independent source will be used to obtain accurate market prices for all securities in the portfolio in order to assure accurate reporting.

XI. Policy Considerations1. *Amendments*

This policy shall be reviewed on an annual basis. Any changes must be submitted by the investment officer(s) and approved by the City Manager, Finance Committee, and City Council.

XII. Approval of Investment Policy

The investment policy shall be formally approved and adopted by the governing body of the City of Stephenville and reviewed annually.

XIII. List of Attachments

The following documents, as applicable, are attached to this policy:

- Listing of authorized personnel;
- Listing of authorized broker/dealers and financial institutions;
- Broker/Dealer Certification Form;
- Public Funds Investment Act Texas Government Code Section 2256;
- Public Funds Collateral Act Texas Government Code Section 2257

EXHIBIT A
AUTHORIZED REPRESENTATIVES

Authorized Representatives of the Client

Name/Title	Phone	Fax	E-mail
Jason M. King City Manager	254-918-1265	254-918-1207	jking@stephenvilletx.gov
Monica D. Harris Director of Finance	254-918-1218	254-918-1207	mharris@stephenvilletx.gov
Rebecca L. Pingleton City Secretary	254-918-1281	254-918-1207	rpingleton@stephenvilletx.gov
Deanna Saucedo Accountant	254-918-1229	254-918-1207	dsaucedo@stephenvilletx.gov

DRAFT

EXHIBIT B

**APPROVED BROKER/DEALERS
as required by Texas Government Code 2256.025**

CITY OF STEPHENVILLE, TEXAS

Broker/Dealers:

Multi-Bank Securities, Inc.

DRAFT

EXHIBIT C

**BROKER/DEALER CERTIFICATION FORM
as required by Texas Government Code 2256.005(k)**

CITY OF STEPHENVILLE, TEXAS

I, as a registered principal for the firm does hereby certify that I, and the broker covering this account, _____, have received and both have thoroughly reviewed the investment policy of the City.

The firm has implemented reasonable internal procedures and controls in an effort to preclude investment transactions between this firm and the City, which do not comply with this policy.

Name: _____

Title: _____

Date: _____

DRAFT

TITLE 10. GENERAL GOVERNMENT

SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2256. PUBLIC FUNDS INVESTMENT

SUBCHAPTER A. AUTHORIZED INVESTMENTS FOR GOVERNMENTAL ENTITIES

Sec. 2256.001. SHORT TITLE. This chapter may be cited as the Public Funds Investment Act.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.002. DEFINITIONS. In this chapter:

- (1) "Bond proceeds" means the proceeds from the sale of bonds, notes, and other obligations issued by an entity, and reserves and funds maintained by an entity for debt service purposes.
- (2) "Book value" means the original acquisition cost of an investment plus or minus the accrued amortization or accretion.
- (3) "Funds" means public funds in the custody of a state agency or local government that:
 - (A) are not required by law to be deposited in the state treasury; and
 - (B) the investing entity has authority to invest.
- (4) "Institution of higher education" has the meaning assigned by Section 61.003, Education Code.
- (5) "Investing entity" and "entity" mean an entity subject to this chapter and described by Section 2256.003.
- (6) "Investment pool" means an entity created under this code to invest public funds jointly on behalf of the entities that participate in the pool and whose investment objectives in order of priority are:
 - (A) preservation and safety of principal;
 - (B) liquidity; and
 - (C) yield.

(7) "Local government" means a municipality, a county, a school district, a district or authority created under Section 52(b)(1) or (2), Article III, or Section 59, Article XVI, Texas Constitution, a fresh water supply district, a hospital district, and any political subdivision, authority, public corporation, body politic, or instrumentality of the State of Texas, and any nonprofit corporation acting on behalf of any of those entities.

(8) "Market value" means the current face or par value of an investment multiplied by the net selling price of the security as quoted by a recognized market pricing source quoted on the valuation date.

(9) "Pooled fund group" means an internally created fund of an investing entity in which one or more institutional accounts of the investing entity are invested.

(10) "Qualified representative" means a person who holds a position with a business organization, who is authorized to act on behalf of the business organization, and who is one of the following:

(A) for a business organization doing business that is regulated by or registered with a securities commission, a person who is registered under the rules of the National Association of Securities Dealers;

(B) for a state or federal bank, a savings bank, or a state or federal credit union, a member of the loan committee for the bank or branch of the bank or a person authorized by corporate resolution to act on behalf of and bind the banking institution;

(C) for an investment pool, the person authorized by the elected official or board with authority to administer the activities of the investment pool to sign the written instrument on behalf of the investment pool; or

(D) for an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or, if not subject to registration under that Act, registered with the State Securities Board, a person who is an officer or principal of the investment management firm.

(11) "School district" means a public school district.

(12) "Separately invested asset" means an account or fund of a state agency or local government that is not invested in a pooled fund group.

(13) "State agency" means an office, department, commission, board, or other agency that is part of any branch of state government, an institution of higher education, and any nonprofit corporation acting on behalf of any of those entities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 1, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 1, eff. Sept. 1, 1999.

Sec. 2256.003. AUTHORITY TO INVEST FUNDS; ENTITIES SUBJECT TO THIS CHAPTER. (a) Each governing body of the following entities may purchase, sell, and invest its funds and funds under its control in investments authorized under this subchapter in compliance with investment policies approved by the governing body and according to the standard of care prescribed by Section 2256.006:

- (1) a local government;
- (2) a state agency;
- (3) a nonprofit corporation acting on behalf of a local government or a state agency; or
- (4) an investment pool acting on behalf of two or more local governments, state agencies, or a combination of entities.

(b) In the exercise of its powers under Subsection (a), the governing body of an investing entity may contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its contract made under authority of this subsection may not be for a term longer than two years. A renewal or extension of the contract must be made by the governing body of the investing entity by order, ordinance, or resolution.

(c) This chapter does not prohibit an investing entity or investment officer from using the entity's employees or the services of a contractor of the entity to aid the investment officer in the execution of the officer's duties under this chapter.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 2, eff. Sept. 1, 1999.

Sec. 2256.004. APPLICABILITY. (a) This subchapter does not apply to:

- (1) a public retirement system as defined by Section 802.001;
- (2) state funds invested as authorized by Section 404.024;
- (3) an institution of higher education having total endowments of at least \$150 million in book value on September 1, 2017;
- (4) funds invested by the Veterans' Land Board as authorized by Chapter 161, 162, or 164, Natural Resources Code;
- (5) registry funds deposited with the county or district clerk under Chapter 117, Local Government Code; or
- (6) a deferred compensation plan that qualifies under either Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Section 1 et seq.), as amended.

(b) This subchapter does not apply to an investment donated to an investing entity for a particular purpose or under terms of use specified by the donor.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 505, Sec. 24, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 2, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 8.21, eff. Sept. 1, 1999; Acts 1999, 76th Leg., ch. 1454, Sec. 3, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 1, eff. June 14, 2017.

Sec. 2256.005. INVESTMENT POLICIES; INVESTMENT STRATEGIES; INVESTMENT OFFICER. (a) The governing body of an investing entity shall adopt by rule, order, ordinance, or resolution, as appropriate, a written investment policy regarding the investment of its funds and funds under its control.

(b) The investment policies must:

- (1) be written;
- (2) primarily emphasize safety of principal and liquidity;
- (3) address investment diversification, yield, and maturity and the quality and capability of investment management;

and

(4) include:

- (A) a list of the types of authorized investments in which the investing entity's funds may be invested;
- (B) the maximum allowable stated maturity of any individual investment owned by the entity;
- (C) for pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio;
- (D) methods to monitor the market price of investments acquired with public funds;
- (E) a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis; and
- (F) procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the provisions of Section 2256.021.

(c) The investment policies may provide that bids for certificates of deposit be solicited:

- (1) orally;
- (2) in writing;
- (3) electronically; or
- (4) in any combination of those methods.

(d) As an integral part of an investment policy, the governing body shall adopt a separate written investment strategy for each of the funds or group of funds under its control. Each investment strategy must describe the investment objectives for the particular fund using the following priorities in order of importance:

- (1) understanding of the suitability of the investment to the financial requirements of the entity;
- (2) preservation and safety of principal;
- (3) liquidity;
- (4) marketability of the investment if the need arises to liquidate the investment before maturity;
- (5) diversification of the investment portfolio; and
- (6) yield.

(e) The governing body of an investing entity shall review its investment policy and investment strategies not less than annually. The governing body shall adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies.

(f) Each investing entity shall designate, by rule, order, ordinance, or resolution, as appropriate, one or more officers or employees of the state agency, local government, or investment pool as investment officer to be responsible for the investment of its funds consistent with the investment policy adopted by the entity. If the governing body of an investing entity has contracted with another investing entity to invest its funds, the investment officer of the other investing entity is considered to be the investment officer of the first investing entity for purposes of this chapter. Authority granted to a person to invest an entity's funds is effective until rescinded by the investing entity, until the expiration of the officer's term or the termination of the person's employment by the investing entity, or if an investment management firm, until the expiration of the contract with the investing entity. In the administration of the duties of an investment officer, the person designated as investment officer shall exercise the judgment and care, under prevailing circumstances, that a prudent person would exercise in the management of the person's own affairs, but the governing body of the investing entity retains ultimate responsibility as fiduciaries of the assets of the entity. Unless authorized by law, a person may not deposit, withdraw, transfer, or manage in any other manner the funds of the investing entity.

(g) Subsection (f) does not apply to a state agency, local government, or investment pool for which an officer of the entity is assigned by law the function of investing its funds.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 685, Sec. 1

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be an investment officer for the commission under Subsection (f) if the officer or employee is an investment officer designated under Subsection (f) for another local government.

Text of subsec. (h) as amended by Acts 1997, 75th Leg., ch. 1421, Sec. 3

(h) An officer or employee of a commission created under Chapter 391, Local Government Code, is ineligible to be designated as an investment officer under Subsection (f) for any investing entity other than for that commission.

(i) An investment officer of an entity who has a personal business relationship with a business organization offering to engage in an investment transaction with the entity shall file a statement disclosing that personal business interest. An investment officer who is related within the second degree by affinity or consanguinity, as determined under Chapter 573, to an individual seeking to sell an investment to the investment officer's entity shall file a statement disclosing that relationship. A statement required under this subsection must be filed with the Texas Ethics Commission and the governing body of the entity. For purposes of this subsection, an investment officer has a personal business relationship with a business organization if:

- (1) the investment officer owns 10 percent or more of the voting stock or shares of the business organization or owns \$5,000 or more of the fair market value of the business organization;
- (2) funds received by the investment officer from the business organization exceed 10 percent of the investment officer's gross income for the previous year; or
- (3) the investment officer has acquired from the business organization during the previous year investments with a book value of \$2,500 or more for the personal account of the investment officer.

(j) The governing body of an investing entity may specify in its investment policy that any investment authorized by this chapter is not suitable.

(k) A written copy of the investment policy shall be presented to any business organization offering to engage in an investment transaction with an investing entity. For purposes of this subsection and Subsection (l), "business organization" means an investment pool or investment management firm under contract with an investing entity to invest or manage the entity's investment portfolio that has accepted authority granted by the entity under the contract to exercise investment discretion in regard to the investing entity's funds. Nothing in this subsection relieves the investing entity of the responsibility for monitoring the investments made by the investing entity to determine that they are in compliance with the investment policy. The qualified representative of the business organization offering to engage in an investment transaction with an investing entity shall execute a written instrument in a form acceptable to the investing entity and the business organization substantially to the effect that the business organization has:

- (1) received and reviewed the investment policy of the entity; and
- (2) acknowledged that the business organization has implemented reasonable procedures and controls in an effort to preclude investment transactions conducted between the entity and the organization that are not authorized by the entity's investment policy, except to the extent that this authorization:
 - (A) is dependent on an analysis of the makeup of the entity's entire portfolio;
 - (B) requires an interpretation of subjective investment standards; or
 - (C) relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority.

(l) The investment officer of an entity may not acquire or otherwise obtain any authorized investment described in the investment policy of the investing entity from a business organization that has not delivered to the entity the instrument required by Subsection (k).

(m) An investing entity other than a state agency, in conjunction with its annual financial audit, shall perform a compliance audit of management controls on investments and adherence to the entity's established investment policies.

(n) Except as provided by Subsection (o), at least once every two years a state agency shall arrange for a compliance audit of management controls on investments and adherence to the agency's established investment policies. The compliance audit shall be performed by the agency's internal auditor or by a private auditor employed in the manner provided by Section 321.020. Not later than January 1 of each even-numbered year a state agency shall report the results of the most recent audit

performed under this subsection to the state auditor. Subject to a risk assessment and to the legislative audit committee's approval of including a review by the state auditor in the audit plan under Section 321.013, the state auditor may review information provided under this section. If review by the state auditor is approved by the legislative audit committee, the state auditor may, based on its review, require a state agency to also report to the state auditor other information the state auditor determines necessary to assess compliance with laws and policies applicable to state agency investments. A report under this subsection shall be prepared in a manner the state auditor prescribes.

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(o) The audit requirements of Subsection (n) do not apply to assets of a state agency that are invested by the comptroller under Section 404.024.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 685, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 3, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 4, eff. Sept. 1, 1999; Acts 2003, 78th Leg., ch. 785, Sec. 41, eff. Sept. 1, 2003.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 1, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 149 (H.B. 1701), Sec. 1, eff. September 1, 2017.

Sec. 2256.006. STANDARD OF CARE. (a) Investments shall be made with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived. Investment of funds shall be governed by the following investment objectives, in order of priority:

- (1) preservation and safety of principal;
- (2) liquidity; and
- (3) yield.

(b) In determining whether an investment officer has exercised prudence with respect to an investment decision, the determination shall be made taking into consideration:

- (1) the investment of all funds, or funds under the entity's control, over which the officer had responsibility rather than a consideration as to the prudence of a single investment; and
- (2) whether the investment decision was consistent with the written investment policy of the entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.007. INVESTMENT TRAINING; STATE AGENCY BOARD MEMBERS AND OFFICERS. (a) Each member of the governing board of a state agency and its investment officer shall attend at least one training session relating to the person's responsibilities under this chapter within six months after taking office or assuming duties.

(b) The Texas Higher Education Coordinating Board shall provide the training under this section.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) An investment officer shall attend a training session not less than once each state fiscal biennium and may receive training from any independent source approved by the governing body of the state agency. The investment officer shall prepare a report on this subchapter and deliver the report to the governing body of the state agency not later than the 180th day after the last day of each regular session of the legislature.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 73, Sec. 1, eff. May 9, 1997; Acts 1997, 75th Leg., ch. 1421, Sec. 4, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 5, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 2, eff. June 17, 2011.

Sec. 2256.008. INVESTMENT TRAINING; LOCAL GOVERNMENTS. (a) Except as provided by Subsections (a-1), (b), (b-1), (e), and (f), the treasurer, the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a local government shall:

(1) attend at least one training session from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government and containing at least 10 hours of instruction relating to the treasurer's or officer's responsibilities under this subchapter within 12 months after taking office or assuming duties; and

(2) attend an investment training session not less than once in a two-year period that begins on the first day of that local government's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than 10 hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the local government or a designated investment committee advising the investment officer as provided for in the investment policy of the local government.

(a-1) Except as provided by Subsection (g), the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, and the investment officer of a school district or a municipality, in addition to the requirements of Subsection (a)(1), shall attend an investment training session not less than once in a two-year period that begins on the first day of the school district's or municipality's fiscal year and consists of the two consecutive fiscal years after that date, and receive not less than eight hours of instruction relating to investment responsibilities under this subchapter from an independent source approved by the governing body of the school district or municipality, or by a designated investment committee advising the investment officer as provided for in the investment policy of the school district or municipality.

(b) An investing entity created under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, that has contracted with an investment management firm under Section 2256.003(b) and has fewer than five full-

time employees or an investing entity that has contracted with another investing entity to invest the entity's funds may satisfy the training requirement provided by Subsection (a) (2) by having an officer of the governing body attend four hours of appropriate instruction in a two-year period that begins on the first day of that local government's fiscal year and of the two consecutive fiscal years after that date. The treasurer or chief financial officer of an investing entity under authority of Section 52(b), Article III, or Section 59, Article XVI, Texas Constitution, and that has fewer than five full-time employees is not required to attend training required by this section unless the person is also the investment officer of the entity.

(b-1) A housing authority created under Chapter 392, Local Government Code, may satisfy the training requirement provided by Subsection (a) (2) by requiring the following person to attend, in each two-year period that begins on the first day of that housing authority's fiscal year and consists of the two consecutive fiscal years after that date, at least five hours of appropriate instruction:

(1) the treasurer, or the chief financial officer if the treasurer is not the chief financial officer, or the investment officer; or

(2) if the authority does not have an officer described by Subdivision (1), another officer of the authority.

(c) Training under this section must include education in investment controls, security risks, strategy risks, market risks, diversification of investment portfolio, and compliance with this chapter.

(d) Not later than December 31 each year, each individual, association, business, organization, governmental entity, or other person that provides training under this section shall report to the comptroller a list of the governmental entities for which the person provided required training under this section during that calendar year. An individual's reporting requirements under this subsection are satisfied by a report of the individual's employer or the sponsoring or organizing entity of a training program or seminar.

(e) This section does not apply to a district governed by Chapter 36 or 49, Water Code.

(f) Subsection (a) (2) does not apply to an officer of a municipality or housing authority if the municipality or housing authority:

(1) does not invest municipal or housing authority funds, as applicable; or

(2) only deposits those funds in:

(A) interest-bearing deposit accounts; or

(B) certificates of deposit as authorized by Section 2256.010.

(g) Subsection (a-1) does not apply to the treasurer, chief financial officer, or investment officer of a school district if:

(1) the district:

(A) does not invest district funds; or

(B) only deposits those funds in:

(i) interest-bearing deposit accounts; or

(ii) certificates of deposit as authorized by Section 2256.010; and

(2) the treasurer, chief financial officer, or investment officer annually submits to the agency a sworn affidavit identifying the applicable criteria under Subdivision (1) that apply to the district.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 5, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 6, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 69, Sec. 4, eff. May 14, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 3, eff. June 17, 2011.

Acts 2015, 84th Leg., R.S., Ch. 222 (H.B. 1148), Sec. 1, eff. September 1, 2015.

Acts 2015, 84th Leg., R.S., Ch. 1248 (H.B. 870), Sec. 1, eff. September 1, 2015.

Acts 2017, 85th Leg., R.S., Ch. 324 (S.B. 1488), Sec. 8.015, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 1, eff. September 1, 2017.

Acts 2017, 85th Leg., R.S., Ch. 1000 (H.B. 1238), Sec. 2, eff. September 1, 2017.

Acts 2019, 86th Leg., R.S., Ch. 477 (H.B. 293), Sec. 1, eff. June 7, 2019.

Sec. 2256.009. AUTHORIZED INVESTMENTS: OBLIGATIONS OF, OR GUARANTEED BY GOVERNMENTAL ENTITIES. (a) Except as provided by Subsection (b), the following are authorized investments under this subchapter:

(1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks;

(2) direct obligations of this state or its agencies and instrumentalities;

(3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States;

(4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, this state or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States;

(5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent;

(6) bonds issued, assumed, or guaranteed by the State of Israel;

(7) interest-bearing banking deposits that are guaranteed or insured by:

(A) the Federal Deposit Insurance Corporation or its successor; or

(B) the National Credit Union Share Insurance Fund or its successor; and

(8) interest-bearing banking deposits other than those described by Subdivision (7) if:

(A) the funds invested in the banking deposits are invested through:

(i) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or

(ii) a depository institution with a main office or branch office in this state that the investing

Item 3.

selects;

(B) the broker or depository institution selected as described by Paragraph (A) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account;

(C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and

(D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account:

(i) the depository institution selected as described by Paragraph (A);

(ii) an entity described by Section 2257.041(d); or

(iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3).

(b) The following are not authorized investments under this section:

(1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal;

(2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security collateral and bears no interest;

(3) collateralized mortgage obligations that have a stated final maturity date of greater than 10 years; and

(4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1999, 76th Leg., ch. 1454, Sec. 7, eff. Sept. 1, 1999; Acts 2001, 77th Leg., ch. 558, Sec. 1, eff. Sept. 1, 2001.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 4, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 2, eff. June 14, 2017.

Acts 2017, 85th Leg., R.S., Ch. 863 (H.B. 2647), Sec. 1, eff. June 15, 2017.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 1, eff. September 1, 2017.

Sec. 2256.010. AUTHORIZED INVESTMENTS: CERTIFICATES OF DEPOSIT AND SHARE CERTIFICATES. (a) A certificate of deposit or share certificate is an authorized investment under this subchapter if the certificate is issued by a depository institution that has its main office or a branch office in this state and is:

(1) guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor;

(2) secured by obligations that are described by Section 2256.009(a), including mortgage backed securities directly issued by a federal agency or instrumentality that have a market value of not less than the principal amount of the certificates, but excluding those mortgage backed securities of the nature described by Section 2256.009(b); or

(3) secured in accordance with Chapter 2257 or in any other manner and amount provided by law for deposits of the investing entity.

(b) In addition to the authority to invest funds in certificates of deposit under Subsection (a), an investment in certificates of deposit made in accordance with the following conditions is an authorized investment under this subchapter:

(1) the funds are invested by an investing entity through:

(A) a broker that has its main office or a branch office in this state and is selected from a list adopted by the investing entity as required by Section 2256.025; or

(B) a depository institution that has its main office or a branch office in this state and that is selected by the investing entity;

(2) the broker or the depository institution selected by the investing entity under Subdivision (1) arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the investing entity;

(3) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and

(4) the investing entity appoints the depository institution selected by the investing entity under Subdivision (1), an entity described by Section 2257.041(d), or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the investing entity with respect to the certificates of deposit issued for the account of the investing entity.

Amended by Acts 1995, 74th Leg., ch. 32, Sec. 1, eff. April 28, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 6, eff. Sept. 1, 1997.

Amended by:

Acts 2005, 79th Leg., Ch. 128 (H.B. 256), Sec. 1, eff. September 1, 2005.

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 5, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 874 (H.B. 2928), Sec. 2, eff. September 1, 2017.

- Sec. 2256.011. AUTHORIZED INVESTMENTS: REPURCHASE AGREEMENTS. (a) A fully collateralized repurchase agreement is an authorized investment under this subchapter if the repurchase agreement:
- (1) has a defined termination date;
 - (2) is secured by a combination of cash and obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204;
 - (3) requires the securities being purchased by the entity or cash held by the entity to be pledged to the entity, held in the entity's name, and deposited at the time the investment is made with the entity or with a third party selected and approved by the entity; and
 - (4) is placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in this state.
- (b) In this section, "repurchase agreement" means a simultaneous agreement to buy, hold for a specified time, and sell back at a future date obligations described by Section 2256.009(a)(1) or 2256.013 or, if applicable, Section 2256.0204, at a market value at the time the funds are disbursed of not less than the principal amount of the funds disbursed. The term includes a direct security repurchase agreement and a reverse security repurchase agreement.
- (c) Notwithstanding any other law, the term of any reverse security repurchase agreement may not exceed 90 days after the date the reverse security repurchase agreement is delivered.
- (d) Money received by an entity under the terms of a reverse security repurchase agreement shall be used to acquire additional authorized investments, but the term of the authorized investments acquired must mature not later than the expiration date stated in the reverse security repurchase agreement.
- (e) Section 1371.059(c) applies to the execution of a repurchase agreement by an investing entity.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

- Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 6, eff. June 17, 2011.
Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 3, eff. June 14, 2017.
Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 1, eff. September 1, 2019.

- Sec. 2256.0115. AUTHORIZED INVESTMENTS: SECURITIES LENDING PROGRAM. (a) A securities lending program is an authorized investment under this subchapter if it meets the conditions provided by this section.
- (b) To qualify as an authorized investment under this subchapter:
- (1) the value of securities loaned under the program must be not less than 100 percent collateralized, including accrued income;
 - (2) a loan made under the program must allow for termination at any time;
 - (3) a loan made under the program must be secured by:
 - (A) pledged securities described by Section 2256.009;
 - (B) pledged irrevocable letters of credit issued by a bank that is:
 - (i) organized and existing under the laws of the United States or any other state; and
 - (ii) continuously rated by at least one nationally recognized investment rating firm at not less than A or its equivalent; or
 - (C) cash invested in accordance with Section:
 - (i) 2256.009;
 - (ii) 2256.013;
 - (iii) 2256.014; or
 - (iv) 2256.016;
 - (4) the terms of a loan made under the program must require that the securities being held as collateral be:
 - (A) pledged to the investing entity;
 - (B) held in the investing entity's name; and
 - (C) deposited at the time the investment is made with the entity or with a third party selected by or approved by the investing entity;
 - (5) a loan made under the program must be placed through:
 - (A) a primary government securities dealer, as defined by 5 C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003; or
 - (B) a financial institution doing business in this state; and
 - (6) an agreement to lend securities that is executed under this section must have a term of one year or less.

Added by Acts 2003, 78th Leg., ch. 1227, Sec. 1, eff. Sept. 1, 2003.

- Sec. 2256.012. AUTHORIZED INVESTMENTS: BANKER'S ACCEPTANCES. A bankers' acceptance is an authorized investment under this subchapter if the bankers' acceptance:
- (1) has a stated maturity of 270 days or fewer from the date of its issuance;
 - (2) will be, in accordance with its terms, liquidated in full at maturity;
 - (3) is eligible for collateral for borrowing from a Federal Reserve Bank; and
 - (4) is accepted by a bank organized and existing under the laws of the United States or any state, if the securities obligations of the bank, or of a bank holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or an equivalent rating by at least one nationally recognized credit rating agency.

Sec. 2256.013. AUTHORIZED INVESTMENTS: COMMERCIAL PAPER. Commercial paper is an authorized investment under this subchapter if the commercial paper:

- (1) has a stated maturity of 365 days or fewer from the date of its issuance; and
- (2) is rated not less than A-1 or P-1 or an equivalent rating by at least:
 - (A) two nationally recognized credit rating agencies; or
 - (B) one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 2, eff. September 1, 2019.

Sec. 2256.014. AUTHORIZED INVESTMENTS: MUTUAL FUNDS.

(a) A no-load money market mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with and regulated by the Securities and Exchange Commission;
- (2) provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and
- (3) complies with federal Securities and Exchange Commission Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.).

(b) In addition to a no-load money market mutual fund permitted as an authorized investment in Subsection (a), a no-load mutual fund is an authorized investment under this subchapter if the mutual fund:

- (1) is registered with the Securities and Exchange Commission;
- (2) has an average weighted maturity of less than two years; and
- (3) either:
 - (A) has a duration of one year or more and is invested exclusively in obligations approved by this subchapter;

or

(B) has a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities.

(c) An entity is not authorized by this section to:

- (1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, in mutual funds described in Subsection (b);
- (2) invest any portion of bond proceeds, reserves and funds held for debt service, in mutual funds described in Subsection (b); or
- (3) invest its funds or funds under its control, including bond proceeds and reserves and other funds held for debt service, in any one mutual fund described in Subsection (a) or (b) in an amount that exceeds 10 percent of the total assets of the mutual fund.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 7, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 1454, Sec. 8, eff. Sept. 1, 1999.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 4, eff. June 14, 2017.

Sec. 2256.015. AUTHORIZED INVESTMENTS: GUARANTEED INVESTMENT CONTRACTS. (a) A guaranteed investment contract is an authorized investment for bond proceeds under this subchapter if the guaranteed investment contract:

- (1) has a defined termination date;
- (2) is secured by obligations described by Section 2256.009(a)(1), excluding those obligations described by Section 2256.009(b), in an amount at least equal to the amount of bond proceeds invested under the contract; and
- (3) is pledged to the entity and deposited with the entity or with a third party selected and approved by the entity.

(b) Bond proceeds, other than bond proceeds representing reserves and funds maintained for debt service purposes, may not be invested under this subchapter in a guaranteed investment contract with a term of longer than five years from the date of issuance of the bonds.

(c) To be eligible as an authorized investment:

- (1) the governing body of the entity must specifically authorize guaranteed investment contracts as an eligible investment in the order, ordinance, or resolution authorizing the issuance of bonds;
- (2) the entity must receive bids from at least three separate providers with no material financial interest in the bonds from which proceeds were received;
- (3) the entity must purchase the highest yielding guaranteed investment contract for which a qualifying bid is received;
- (4) the price of the guaranteed investment contract must take into account the reasonably expected drawdown schedule for the bond proceeds to be invested; and
- (5) the provider must certify the administrative costs reasonably expected to be paid to third parties in connection with the guaranteed investment contract.

(d) Section 1371.059(c) applies to the execution of a guaranteed investment contract by an investing entity.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 5, eff. June 14, 2017.

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Sec. 2256.016. AUTHORIZED INVESTMENTS: INVESTMENT POOLS. (a) An entity may invest its funds and funds under its control through an eligible investment pool if the governing body of the entity by rule, order, ordinance, or resolution, as appropriate, authorizes investment in the particular pool. An investment pool shall invest the funds it receives from entities in authorized investments permitted by this subchapter. An investment pool may invest its funds in money market mutual funds to the extent permitted by and consistent with this subchapter and the investment policies and objectives adopted by the investment pool.

(b) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity an offering circular or other similar disclosure instrument that contains, at a minimum, the following information:

- (1) the types of investments in which money is allowed to be invested;
 - (2) the maximum average dollar-weighted maturity allowed, based on the stated maturity date, of the pool;
 - (3) the maximum stated maturity date any investment security within the portfolio has;
 - (4) the objectives of the pool;
 - (5) the size of the pool;
 - (6) the names of the members of the advisory board of the pool and the dates their terms expire;
 - (7) the custodian bank that will safekeep the pool's assets;
 - (8) whether the intent of the pool is to maintain a net asset value of one dollar and the risk of market price fluctuation;
 - (9) whether the only source of payment is the assets of the pool at market value or whether there is a secondary source of payment, such as insurance or guarantees, and a description of the secondary source of payment;
 - (10) the name and address of the independent auditor of the pool;
 - (11) the requirements to be satisfied for an entity to deposit funds in and withdraw funds from the pool and any deadlines or other operating policies required for the entity to invest funds in and withdraw funds from the pool;
 - (12) the performance history of the pool, including yield, average dollar-weighted maturities, and expense ratios;
- and
- (13) the pool's policy regarding holding deposits in cash.

(c) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must furnish to the investment officer or other authorized representative of the entity:

- (1) investment transaction confirmations; and
- (2) a monthly report that contains, at a minimum, the following information:
 - (A) the types and percentage breakdown of securities in which the pool is invested;
 - (B) the current average dollar-weighted maturity, based on the stated maturity date, of the pool;
 - (C) the current percentage of the pool's portfolio in investments that have stated maturities of more than one year;
 - (D) the book value versus the market value of the pool's portfolio, using amortized cost valuation;
 - (E) the size of the pool;
 - (F) the number of participants in the pool;
 - (G) the custodian bank that is safekeeping the assets of the pool;
 - (H) a listing of daily transaction activity of the entity participating in the pool;
 - (I) the yield and expense ratio of the pool, including a statement regarding how yield is calculated;
 - (J) the portfolio managers of the pool; and
 - (K) any changes or addenda to the offering circular.

(d) An entity by contract may delegate to an investment pool the authority to hold legal title as custodian of investments purchased with its local funds.

(e) In this section, for purposes of an investment pool for which a \$1.00 net asset value is maintained, "yield" shall be calculated in accordance with regulations governing the registration of open-end management investment companies under the Investment Company Act of 1940, as promulgated from time to time by the federal Securities and Exchange Commission.

(f) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter:

- (1) a public funds investment pool that uses amortized cost or fair value accounting must mark its portfolio to market daily; and
- (2) if the investment pool uses amortized cost:
 - (A) the investment pool must, to the extent reasonably possible, stabilize at a \$1.00 net asset value, when rounded and expressed to two decimal places;
 - (B) the governing body of the investment pool must, if the ratio of the market value of the portfolio divided by the book value of the portfolio is less than 0.995 or greater than 1.005, take action as the body determines necessary to eliminate or reduce to the extent reasonably practicable any dilution or unfair result to existing participants, including a sale of portfolio holdings to attempt to maintain the ratio between 0.995 and 1.005; and
 - (C) the investment pool must, in addition to the requirements of its investment policy and any other forms of reporting, report yield to its investors in accordance with regulations of the federal Securities and Exchange Commission applicable to reporting by money market funds.

(g) To be eligible to receive funds from and invest funds on behalf of an entity under this chapter, a public funds investment pool must have an advisory board composed:

(1) equally of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for a public funds investment pool created under Chapter 791 and managed by a state agency; or

(2) of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool, for other investment pools.

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(h) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

(i) If the investment pool operates an Internet website, the information in a disclosure instrument or report described in Subsections (b), (c) (2), and (f) must be posted on the website.

(j) To maintain eligibility to receive funds from and invest funds on behalf of an entity under this chapter, an investment pool must make available to the entity an annual audited financial statement of the investment pool in which the entity has funds invested.

(k) If an investment pool offers fee breakpoints based on fund balances invested, the investment pool in advertising investment rates must include either all levels of return based on the breakpoints provided or state the lowest possible level of return based on the smallest level of funds invested.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1421, Sec. 9, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 7, eff. June 17, 2011.

Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 6, eff. June 14, 2017.

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 3, eff. September 1, 2019.

Sec. 2256.017. EXISTING INVESTMENTS. Except as provided by Chapter 2270, an entity is not required to liquidate investments that were authorized investments at the time of purchase.

Added by Acts 1995, 74th Leg., ch. 76, Sec. 5.46(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 10, eff. Sept. 1, 1997.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 2, eff. May 23, 2017.

Sec. 2256.019. RATING OF CERTAIN INVESTMENT POOLS. A public funds investment pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating service.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 11, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 8, eff. June 17, 2011.

Sec. 2256.020. AUTHORIZED INVESTMENTS: INSTITUTIONS OF HIGHER EDUCATION. In addition to the authorized investments permitted by this subchapter, an institution of higher education may purchase, sell, and invest its funds and funds under its control in the following:

(1) cash management and fixed income funds sponsored by organizations exempt from federal income taxation under Section 501(f), Internal Revenue Code of 1986 (26 U.S.C. Section 501(f));

(2) negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency; and

(3) corporate bonds, debentures, or similar debt obligations rated by a nationally recognized investment rating firm in one of the two highest long-term rating categories, without regard to gradations within those categories.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.0201. AUTHORIZED INVESTMENTS; MUNICIPAL UTILITY. (a) A municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may enter into a hedging contract and related security and insurance agreements in relation to fuel oil, natural gas, coal, nuclear fuel, and electric energy to protect against loss due to price fluctuations. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the Securities and Exchange Commission. If there is a conflict between the municipal charter of the municipality and this chapter, this chapter prevails.

(b) A payment by a municipally owned electric or gas utility under a hedging contract or related agreement in relation to fuel supplies or fuel reserves is a fuel expense, and the utility may credit any amounts it receives under the contract or agreement against fuel expenses.

(c) The governing body of a municipally owned electric or gas utility or the body vested with power to manage and operate the municipally owned electric or gas utility may set policy regarding hedging transactions.

(d) In this section, "hedging" means the buying and selling of fuel oil, natural gas, coal, nuclear fuel, and electric energy futures or options or similar contracts on those commodities and related transportation costs as a protection against a loss due to price fluctuation.

Amended by:

Acts 2007, 80th Leg., R.S., Ch. 7 (S.B. 495), Sec. 1, eff. April 13, 2007.

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Sec. 2256.0202. AUTHORIZED INVESTMENTS: MUNICIPAL FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, a municipality may invest funds received by the municipality from a lease or contract for the management and development of land owned by the municipality and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by a municipality under this section shall be segregated and accounted for separately from other funds of the municipality.

Added by Acts 2009, 81st Leg., R.S., Ch. 1371 (S.B. 894), Sec. 1, eff. September 1, 2009.

Sec. 2256.0203. AUTHORIZED INVESTMENTS: PORTS AND NAVIGATION DISTRICTS. (a) In this section, "district" means a navigation district organized under Section 52, Article III, or Section 59, Article XVI, Texas Constitution.

(b) In addition to the authorized investments permitted by this subchapter, a port or district may purchase, sell, and invest its funds and funds under its control in negotiable certificates of deposit issued by a bank that has a certificate of deposit rating of at least 1 or the equivalent by a nationally recognized credit rating agency or that is associated with a holding company having a commercial paper rating of at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency.

Added by Acts 2011, 82nd Leg., R.S., Ch. 804 (H.B. 2346), Sec. 1, eff. September 1, 2011.

Sec. 2256.0204. AUTHORIZED INVESTMENTS: INDEPENDENT SCHOOL DISTRICTS. (a) In this section, "corporate bond" means a senior secured debt obligation issued by a domestic business entity and rated not lower than "AA-" or the equivalent by a nationally recognized investment rating firm. The term does not include a debt obligation that:

(1) on conversion, would result in the holder becoming a stockholder or shareholder in the entity, or any affiliate or subsidiary of the entity, that issued the debt obligation; or

(2) is an unsecured debt obligation.

(b) This section applies only to an independent school district that qualifies as an issuer as defined by Section 1371.001.

(c) In addition to authorized investments permitted by this subchapter, an independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds that, at the time of purchase, are rated by a nationally recognized investment rating firm "AA-" or the equivalent and have a stated final maturity that is not later than the third anniversary of the date the corporate bonds were purchased.

(d) An independent school district subject to this section is not authorized by this section to:

(1) invest in the aggregate more than 15 percent of its monthly average fund balance, excluding bond proceeds, reserves, and other funds held for the payment of debt service, in corporate bonds; or

(2) invest more than 25 percent of the funds invested in corporate bonds in any one domestic business entity, including subsidiaries and affiliates of the entity.

(e) An independent school district subject to this section may purchase, sell, and invest its funds and funds under its control in corporate bonds if the governing body of the district:

(1) amends its investment policy to authorize corporate bonds as an eligible investment;

(2) adopts procedures to provide for:

(A) monitoring rating changes in corporate bonds acquired with public funds; and

(B) liquidating the investment in corporate bonds; and

(3) identifies the funds eligible to be invested in corporate bonds.

(f) The investment officer of an independent school district, acting on behalf of the district, shall sell corporate bonds in which the district has invested its funds not later than the seventh day after the date a nationally recognized investment rating firm:

(1) issues a release that places the corporate bonds or the domestic business entity that issued the corporate bonds on negative credit watch or the equivalent, if the corporate bonds are rated "AA-" or the equivalent at the time the release is issued; or

(2) changes the rating on the corporate bonds to a rating lower than "AA-" or the equivalent.

(g) Repealed by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Added by Acts 2011, 82nd Leg., R.S., Ch. 1347 (S.B. 1543), Sec. 1, eff. June 17, 2011.

Amended by:

Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 5, eff. September 1, 2019.

Sec. 2256.0205. AUTHORIZED INVESTMENTS; DECOMMISSIONING TRUST. (a) In this section:

(1) "Decommissioning trust" means a trust created to provide the Nuclear Regulatory Commission assurance that funds will be available for decommissioning purposes as required under 10 C.F.R. Part 50 or other similar regulation.

(2) "Funds" includes any money held in a decommissioning trust regardless of whether the money is considered public funds under this subchapter.

(b) In addition to other investments authorized under this subchapter, a municipality that owns a municipal electric utility that is engaged in the distribution and sale of electric energy or natural gas to the public may invest funds held in a decommissioning trust in any investment authorized by Subtitle B, Title 9, Property Code.

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Added by Acts 2005, 79th Leg., Ch. 121 (S.B. 1464), Sec. 1, eff. September 1, 2005.

Sec. 2256.0206. AUTHORIZED INVESTMENTS: HEDGING TRANSACTIONS. (a) In this section:

(1) "Eligible entity" means a political subdivision that has:

(A) a principal amount of at least \$250 million in:

- (i) outstanding long-term indebtedness;
- (ii) long-term indebtedness proposed to be issued; or
- (iii) a combination of outstanding long-term indebtedness and long-term indebtedness proposed to be issued;

and

(B) outstanding long-term indebtedness that is rated in one of the four highest rating categories for long-term debt instruments by a nationally recognized rating agency for municipal securities, without regard to the effect of any credit agreement or other form of credit enhancement entered into in connection with the obligation.

(2) "Eligible project" has the meaning assigned by Section 1371.001.

(3) "Hedging" means acting to protect against economic loss due to price fluctuation of a commodity or related investment by entering into an offsetting position or using a financial agreement or producer price agreement in a correlated security, index, or other commodity.

(b) This section prevails to the extent of any conflict between this section and:

- (1) another law; or
- (2) an eligible entity's municipal charter, if applicable.

(c) The governing body of an eligible entity shall establish the entity's policy regarding hedging transactions.

(d) An eligible entity may enter into hedging transactions, including hedging contracts, and related security, credit, and insurance agreements in connection with commodities used by an eligible entity in the entity's general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the federal Commodity Futures Trading Commission and the federal Securities and Exchange Commission.

(e) An eligible entity may pledge as security for and to the payment of a hedging contract or a security, credit, or insurance agreement any general or special revenues or funds the entity is authorized by law to pledge to the payment of any other obligation.

(f) Section 1371.059(c) applies to the execution by an eligible entity of a hedging contract and any related security, credit, or insurance agreement.

(g) An eligible entity may credit any amount the entity receives under a hedging contract against expenses associated with a commodity purchase.

(h) An eligible entity's cost of or payment under a hedging contract or agreement may be considered:

- (1) an operation and maintenance expense of the eligible entity;
- (2) an acquisition expense of the eligible entity;
- (3) a project cost of an eligible project; or
- (4) a construction expense of the eligible entity.

Added by Acts 2017, 85th Leg., R.S., Ch. 773 (H.B. 1003), Sec. 7, eff. June 14, 2017.

Sec. 2256.0207. AUTHORIZED INVESTMENTS: PUBLIC JUNIOR COLLEGE DISTRICT FUNDS FROM MANAGEMENT AND DEVELOPMENT OF MINERAL RIGHTS. (a) In addition to other investments authorized under this subchapter, the governing board of a public junior college district may invest funds received by the district from a lease or contract for the management and development of land owned by the district and leased for oil, gas, or other mineral development in any investment authorized to be made by a trustee under Subtitle B, Title 9, Property Code (Texas Trust Code).

(b) Funds invested by the governing board of a public junior college district under this section shall be segregated and accounted for separately from other funds of the district.

Added by Acts 2017, 85th Leg., R.S., Ch. 344 (H.B. 1472), Sec. 1, eff. September 1, 2017.

Redesignated from Government Code, Section 2256.0206 by Acts 2019, 86th Leg., R.S., Ch. 467 (H.B. 4170), Sec. 21.001(34), eff. September 1, 2019.

Sec. 2256.0208. LOCAL GOVERNMENT INVESTMENT OF BOND PROCEEDS AND PLEDGED REVENUE. (a) In this section, "pledged revenue" means money pledged to the payment of or as security for:

- (1) bonds or other indebtedness issued by a local government;
- (2) obligations under a lease, installment sale, or other agreement of a local government; or
- (3) certificates of participation in a debt or obligation described by Subdivision (1) or (2).

(b) The investment officer of a local government may invest bond proceeds or pledged revenue only to the extent permitted by this chapter, in accordance with:

- (1) statutory provisions governing the debt issuance or the agreement, as applicable; and
- (2) the local government's investment policy regarding the debt issuance or the agreement, as applicable.

Added by Acts 2019, 86th Leg., R.S., Ch. 1133 (H.B. 2706), Sec. 4, eff. September 1, 2019.

Sec. 2256.021. EFFECT OF LOSS OF REQUIRED RATING. An investment that requires a minimum rating under this subchapter does not qualify as an authorized investment during the period the investment does not have the minimum rating. An entity shall take all prudent measures that are consistent with its investment policy to liquidate an investment that does not have the minimum rating.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.022. EXPANSION OF INVESTMENT AUTHORITY. Expansion of investment authority granted by this chapter shall require a risk assessment by the state auditor or performed at the direction of the state auditor, subject to the legislative audit committee's approval of including the review in the audit plan under Section 321.013.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 2003, 78th Leg., ch. 785, Sec. 42, eff. Sept. 1, 2003.

Sec. 2256.023. INTERNAL MANAGEMENT REPORTS. (a) Not less than quarterly, the investment officer shall prepare and submit to the governing body of the entity a written report of investment transactions for all funds covered by this chapter for the preceding reporting period.

(b) The report must:

- (1) describe in detail the investment position of the entity on the date of the report;
- (2) be prepared jointly by all investment officers of the entity;
- (3) be signed by each investment officer of the entity;
- (4) contain a summary statement of each pooled fund group that states the:

- (A) beginning market value for the reporting period;
- (B) ending market value for the period; and
- (C) fully accrued interest for the reporting period;

(5) state the book value and market value of each separately invested asset at the end of the reporting period by the type of asset and fund type invested;

(6) state the maturity date of each separately invested asset that has a maturity date;

(7) state the account or fund or pooled group fund in the state agency or local government for which each individual investment was acquired; and

(8) state the compliance of the investment portfolio of the state agency or local government as it relates to:

- (A) the investment strategy expressed in the agency's or local government's investment policy; and
- (B) relevant provisions of this chapter.

(c) The report shall be presented not less than quarterly to the governing body and the chief executive officer of the entity within a reasonable time after the end of the period.

(d) If an entity invests in other than money market mutual funds, investment pools or accounts offered by its depository bank in the form of certificates of deposit, or money market accounts or similar accounts, the reports prepared by the investment officers under this section shall be formally reviewed at least annually by an independent auditor, and the result of the review shall be reported to the governing body by that auditor.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995. Amended by Acts 1997, 75th Leg., ch. 1421, Sec. 12, eff. Sept. 1, 1997.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 1004 (H.B. 2226), Sec. 9, eff. June 17, 2011.

Sec. 2256.024. SUBCHAPTER CUMULATIVE. (a) The authority granted by this subchapter is in addition to that granted by other law. Except as provided by Subsection (b) and Section 2256.017, this subchapter does not:

- (1) prohibit an investment specifically authorized by other law; or
- (2) authorize an investment specifically prohibited by other law.

(b) Except with respect to those investing entities described in Subsection (c), a security described in Section 2256.009(b) is not an authorized investment for a state agency, a local government, or another investing entity, notwithstanding any other provision of this chapter or other law to the contrary.

(c) Mortgage pass-through certificates and individual mortgage loans that may constitute an investment described in Section 2256.009(b) are authorized investments with respect to the housing bond programs operated by:

- (1) the Texas Department of Housing and Community Affairs or a nonprofit corporation created to act on its behalf;
- (2) an entity created under Chapter 392, Local Government Code; or
- (3) an entity created under Chapter 394, Local Government Code.

Added by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Amended by:

Acts 2017, 85th Leg., R.S., Ch. 96 (S.B. 253), Sec. 3, eff. May 23, 2017.

Sec. 2256.025. SELECTION OF AUTHORIZED BROKERS. The governing body of an entity subject to this subchapter or the designated investment committee of the entity shall, at least annually, review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the entity.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

Sec. 2256.026. STATUTORY COMPLIANCE. All investments made by entities must comply with this subchapter and all federal, state, and local statutes, rules, or regulations.

Added by Acts 1997, 75th Leg., ch. 1421, Sec. 13, eff. Sept. 1, 1997.

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SUBCHAPTER B. MISCELLANEOUS PROVISIONS

Sec. 2256.051. ELECTRONIC FUNDS TRANSFER. Any local government may use electronic means to transfer or invest all funds collected or controlled by the local government.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.052. PRIVATE AUDITOR. Notwithstanding any other law, a state agency shall employ a private auditor if authorized by the legislative audit committee either on the committee's initiative or on request of the governing body of the agency.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995.

Sec. 2256.053. PAYMENT FOR SECURITIES PURCHASED BY STATE. The comptroller or the disbursing officer of an agency that has the power to invest assets directly may pay for authorized securities purchased from or through a member in good standing of the National Association of Securities Dealers or from or through a national or state bank on receiving an invoice from the seller of the securities showing that the securities have been purchased by the board or agency and that the amount to be paid for the securities is just, due, and unpaid. A purchase of securities may not be made at a price that exceeds the existing market value of the securities.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.67, eff. Sept. 1, 1997.

Sec. 2256.054. DELIVERY OF SECURITIES PURCHASED BY STATE. A security purchased under this chapter may be delivered to the comptroller, a bank, or the board or agency investing its funds. The delivery shall be made under normal and recognized practices in the securities and banking industries, including the book entry procedure of the Federal Reserve Bank.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.68, eff. Sept. 1, 1997.

Sec. 2256.055. DEPOSIT OF SECURITIES PURCHASED BY STATE. At the direction of the comptroller or the agency, a security purchased under this chapter may be deposited in trust with a bank or federal reserve bank or branch designated by the comptroller, whether in or outside the state. The deposit shall be held in the entity's name as evidenced by a trust receipt of the bank with which the securities are deposited.

Amended by Acts 1995, 74th Leg., ch. 402, Sec. 1, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 1423, Sec. 8.69, eff. Sept. 1, 1997.

TITLE 10. GENERAL GOVERNMENT

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SUBTITLE F. STATE AND LOCAL CONTRACTS AND FUND MANAGEMENT

CHAPTER 2257. COLLATERAL FOR PUBLIC FUNDS

SUBCHAPTER A. GENERAL PROVISIONS

Sec. 2257.001. SHORT TITLE. This chapter may be cited as the Public Funds Collateral Act.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.002. DEFINITIONS. In this chapter:

(1) "Bank holding company" has the meaning assigned by Section 31.002(a), Finance Code.

(2) "Control" has the meaning assigned by Section 31.002(a), Finance Code.

(3) "Deposit of public funds" means public funds of a public entity that:

(A) the comptroller does not manage under Chapter 404; and

(B) are held as a demand or time deposit by a depository institution expressly authorized by law to accept a

public entity's demand or time deposit.

(4) "Eligible security" means:

(A) a surety bond;

(B) an investment security;

(C) an ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;

(D) a fixed-rate collateralized mortgage obligation that has an expected weighted average life of 10 years or less and does not constitute a high-risk mortgage security;

(E) a floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security;

or

(F) a letter of credit issued by a federal home loan bank.

(5) "Investment security" means:

(A) an obligation that in the opinion of the attorney general of the United States is a general obligation of the United States and backed by its full faith and credit;

(B) a general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues; or

(C) a security in which a public entity may invest under Subchapter A, Chapter 2256.

(6) "Permitted institution" means:

(A) a Federal Reserve Bank;

(B) a clearing corporation, as defined by Section 8.102, Business & Commerce Code;

(C) a bank eligible to be a custodian under Section 2257.041; or

(D) a state or nationally chartered bank that is controlled by a bank holding company that controls a bank eligible to be a custodian under Section 2257.041.

(7) "Public agency" means a state or a political or governmental entity, agency, instrumentality, or subdivision of a state, including a municipality, an institution of higher education, as defined by Section 61.003, Education Code, a junior college, a district created under Article XVI, Section 59, of the Texas Constitution, and a public hospital.

(8) "Public entity" means a public agency in this state, but does not include an institution of higher education, as defined by Section 61.003, Education Code.

(9) "State entity" means a public entity that:

(A) has authority that is not limited to a geographic portion of the state; and

(B) was created by the constitution or a statute.

(10) "Trust receipt" means evidence of receipt, identification, and recording, including:

(A) a physical controlled trust receipt; or

(B) a written or electronically transmitted advice of transaction.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1995, 74th Leg., ch. 76, Sec. 5.48(a), eff. Sept. 1, 1995; Acts 1995, 74th Leg., ch. 914, Sec. 5, eff. Sept. 1, 1995; Acts 1997, 75th Leg., ch. 254, Sec. 1, eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 891, Sec. 3.22(4), eff. Sept. 1, 1997; Acts 1997, 75th Leg., ch. 1423, Sec. 8.70, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 62, Sec. 7.63, eff. Sept. 1, 1999.

Amended by:

Acts 2011, 82nd Leg., R.S., Ch. 783 (H.B. 2103), Sec. 1, eff. June 17, 2011.

Sec. 2257.0025. HIGH-RISK MORTGAGE SECURITY. (a) For purposes of this chapter, a fixed-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

(1) has an average life sensitivity with a weighted average life that:

(A) extends by more than four years, assuming an immediate and sustained parallel shift in the yield curve

plus 300 basis points; or

(B) shortens by more than six years, assuming an immediate and sustained parallel shift in the yield curve of

minus 300 basis points; and

(2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points

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(b) For purposes of this chapter, a floating-rate collateralized mortgage obligation is a high-risk mortgage security if the security:

(1) bears an interest rate that is equal to the contractual cap on the instrument; or

(2) is price sensitive; that is, the estimated change in the price of the mortgage derivative product is more than 17 percent, because of an immediate and sustained parallel shift in the yield curve of plus or minus 300 basis points.

Added by Acts 1997, 75th Leg., ch. 254, Sec. 2, eff. Sept. 1, 1997.

Sec. 2257.003. CHAPTER NOT APPLICABLE TO DEFERRED COMPENSATION PLANS. This chapter does not apply to funds that a public entity maintains or administers under a deferred compensation plan, the federal income tax treatment of which is governed by Section 401(k) or 457 of the Internal Revenue Code of 1986 (26 U.S.C. Sections 401(k) and 457).

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.004. CONFLICT WITH OTHER LAW. This chapter prevails over any other law relating to security for a deposit of public funds to the extent of any conflict.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.005. CONTRACT GOVERNS LEGAL ACTION. A legal action brought by or against a public entity that arises out of or in connection with the duties of a depository, custodian, or permitted institution under this chapter must be brought and maintained as provided by the contract with the public entity.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER B. DEPOSITORY; SECURITY FOR DEPOSIT OF PUBLIC FUNDS

Sec. 2257.021. COLLATERAL REQUIRED. A deposit of public funds shall be secured by eligible security to the extent and in the manner required by this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.022. AMOUNT OF COLLATERAL. (a) Except as provided by Subsection (b), the total value of eligible security to secure a deposit of public funds must be in an amount not less than the amount of the deposit of public funds:

(1) increased by the amount of any accrued interest; and

(2) reduced to the extent that the United States or an instrumentality of the United States insures the deposit.

(b) The total value of eligible security described by Section 45.201(4)(D), Education Code, to secure a deposit of public funds of a school district must be in an amount not less than 110 percent of the amount of the deposit as determined under Subsection (a). The total market value of the eligible security must be reported at least once each month to the school district.

(c) The value of a surety bond is its face value.

(d) The value of an investment security is its market value.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 2003, 78th Leg., ch. 201, Sec. 46, eff. Sept. 1, 2003.

Sec. 2257.023. COLLATERAL POLICY. (a) In accordance with a written policy approved by the governing body of the public entity, a public entity shall determine if an investment security is eligible to secure deposits of public funds.

(b) The written policy may include:

(1) the security of the institution that obtains or holds an investment security;

(2) the substitution or release of an investment security; and

(3) the method by which an investment security used to secure a deposit of public funds is valued.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.024. CONTRACT FOR SECURING DEPOSIT OF PUBLIC FUNDS. (a) A public entity may contract with a bank that has its main office or a branch office in this state to secure a deposit of public funds.

(b) The contract may contain a term or condition relating to an investment security used as security for a deposit of public funds, including a term or condition relating to the:

(1) possession of the collateral;

(2) substitution or release of an investment security;

(3) ownership of the investment securities of the bank used to secure a deposit of public funds; and

(4) method by which an investment security used to secure a deposit of public funds is valued.

Sec. 2257.025. RECORDS OF DEPOSITORY. (a) A public entity's depository shall maintain a separate, accurate, complete record relating to a pledged investment security, a deposit of public funds, and a transaction related to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a depository maintains under this section.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.16, eff. Sept. 1, 1997.

Sec. 2257.026. CHANGE IN AMOUNT OR ACTIVITY OF DEPOSITS OF PUBLIC FUNDS. A public entity shall inform the depository for the public entity's deposit of public funds of a significant change in the amount or activity of those deposits within a reasonable time before the change occurs.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER C. CUSTODIAN; PERMITTED INSTITUTION

Sec. 2257.041. DEPOSIT OF SECURITIES WITH CUSTODIAN. (a) In addition to other authority granted by law, a depository for a public entity other than a state agency may deposit with a custodian a security pledged to secure a deposit of public funds.

(b) At the request of the public entity, a depository for a public entity other than a state agency shall deposit with a custodian a security pledged to secure a deposit of public funds.

(c) A depository for a state agency shall deposit with a custodian a security pledged to secure a deposit of public funds. The custodian and the state agency shall agree in writing on the terms and conditions for securing a deposit of public funds.

(d) A custodian must be approved by the public entity and be:

(1) a state or national bank that:

(A) is designated by the comptroller as a state depository;

(B) has its main office or a branch office in this state; and

(C) has a capital stock and permanent surplus of \$5 million or more;

(2) the Texas Treasury Safekeeping Trust Company;

(3) a Federal Reserve Bank or a branch of a Federal Reserve Bank;

(4) a federal home loan bank; or

(5) a financial institution authorized to exercise fiduciary powers that is designated by the comptroller as a custodian pursuant to Section 404.031(e).

(e) A custodian holds in trust the securities to secure the deposit of public funds of the public entity in the depository pledging the securities.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1995, 74th Leg., ch. 1010, Sec. 1, eff. June 17, 1995; Acts 1997, 75th Leg., ch. 891, Sec. 3.17, eff. Sept. 1, 1997; Acts 1999, 76th Leg., ch. 344, Sec. 5.007, eff. Sept. 1, 1999.

Amended by:

Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 3, eff. September 1, 2009.

Sec. 2257.042. DEPOSIT OF SECURITIES WITH PERMITTED INSTITUTION. (a) A custodian may deposit with a permitted institution an investment security the custodian holds under Section 2257.041.

(b) If a deposit is made under Subsection (a):

(1) the permitted institution shall hold the investment security to secure funds the public entity deposits in the depository that pledges the investment security;

(2) the trust receipt the custodian issues under Section 2257.045 shall show that the custodian has deposited the security in a permitted institution; and

(3) the permitted institution, on receipt of the investment security, shall immediately issue to the custodian an advice of transaction or other document that is evidence that the custodian deposited the security in the permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.043. DEPOSITORY AS CUSTODIAN OR PERMITTED INSTITUTION. (a) A public entity other than a state agency may prohibit a depository or an entity of which the depository is a branch from being the custodian of or permitted institution for a security the depository pledges to secure a deposit of public funds.

(b) A depository or an entity of which the depository is a branch may not be the custodian of or permitted institution for a security the depository pledges to secure a deposit of public funds by a state agency.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.044. CUSTODIAN AS BAILEE. (a) A custodian under this chapter or a custodian of a security pledged to an institution of higher education, as defined by Section 61.003, Education Code, whether acting alone or through a permitted institution, is for all purposes the bailee or agent of the public entity or institution depositing the public funds depository.

(b) To the extent of any conflict, Subsection (a) prevails over Chapter 8 or 9, Business & Commerce Code.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.045. RECEIPT OF SECURITY BY CUSTODIAN. (a) On receipt of an investment security, a custodian shall immediately identify on its books and records, by book entry or another method, the pledge of the security to the public entity.

(b) For a deposit of public funds under Subchapter F, the custodian shall issue and deliver to the comptroller a trust receipt for the pledged security.

(c) For any other deposit of public funds under this chapter, at the written direction of the appropriate public entity officer, the custodian shall:

(1) issue and deliver to the appropriate public entity officer a trust receipt for the pledged security; or

(2) issue and deliver a trust receipt for the pledged security to the public entity's depository and instruct the depository to deliver the trust receipt to the public entity officer immediately.

(d) The custodian shall issue and deliver the trust receipt as soon as practicable on the same business day on which the investment security is received.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 434 (S.B. 581), Sec. 1, eff. June 14, 2013.

Sec. 2257.046. BOOKS AND RECORDS OF CUSTODIAN; INSPECTION. (a) A public entity's custodian shall maintain a separate, accurate, and complete record relating to each pledged investment security and each transaction relating to a pledged investment security.

(b) The comptroller or the public entity may examine and verify at any reasonable time a pledged investment security or a record a custodian maintains under this section. The public entity or its agent may inspect at any time an investment security evidenced by a trust receipt.

(c) The public entity's custodian shall file a collateral report with the comptroller in the manner and on the dates prescribed by the comptroller.

(d) At the request of the appropriate public entity officer, the public entity's custodian shall provide a current list of all pledged investment securities. The list must include, for each pledged investment security:

- (1) the name of the public entity;
- (2) the date the security was pledged to secure the public entity's deposit;
- (3) the Committee on Uniform Security Identification Procedures (CUSIP) number of the security;
- (4) the face value and maturity date of the security; and
- (5) the confirmation number on the trust receipt issued by the custodian.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.18, eff. Sept. 1, 1997.

Amended by:

Acts 2013, 83rd Leg., R.S., Ch. 434 (S.B. 581), Sec. 2, eff. June 14, 2013.

Sec. 2257.047. BOOKS AND RECORDS OF PERMITTED INSTITUTION. (a) A permitted institution may apply book entry procedures when an investment security held by a custodian is deposited under Section 2257.042.

(b) A permitted institution's records must at all times state the name of the custodian that deposits an investment security in the permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.048. ATTACHMENT AND PERFECTION OF SECURITY INTEREST. (a) A security interest that arises out of a depository's pledge of a security to secure a deposit of public funds by a public entity or an institution of higher education, as defined by Section 61.003, Education Code, is created, attaches, and is perfected for all purposes under state law from the time that the custodian identifies the pledge of the security on the custodian's books and records and issues the trust receipt.

(b) A security interest in a pledged security remains perfected in the hands of a subsequent custodian or permitted institution.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

SUBCHAPTER D. AUDITS AND EXAMINATIONS; PENALTIES

Sec. 2257.061. AUDITS AND EXAMINATIONS. As part of an audit or regulatory examination of a public entity's depository or custodian, the auditor or examiner shall:

- (1) examine and verify pledged investment securities and records maintained under Section 2257.025 or 2257.046; and

(2) report any significant or material noncompliance with this chapter to the comptroller.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

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Sec. 2257.062. PENALTIES. (a) The comptroller may revoke a depository's designation as a state depository for one year if, after notice and a hearing, the comptroller makes a written finding that the depository, while acting as either a depository or a custodian:

- (1) did not maintain reasonable compliance with this chapter; and
- (2) failed to remedy a violation of this chapter within a reasonable time after receiving written notice of the violation.

(b) The comptroller may permanently revoke a depository's designation as a state depository if the comptroller makes a written finding that the depository:

- (1) has not maintained reasonable compliance with this chapter; and
- (2) has acted in bad faith by not remedying a violation of this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.063. MITIGATING CIRCUMSTANCES. (a) The comptroller shall consider the total circumstances relating to the performance of a depository or custodian when the comptroller makes a finding required by Section 2257.062, including the extent to which the noncompliance is minor, isolated, temporary, or nonrecurrent.

(b) The comptroller may not find that a depository or custodian did not maintain reasonable compliance with this chapter if the noncompliance results from the public entity's failure to comply with Section 2257.026.

(c) This section does not relieve a depository or custodian of the obligation to secure a deposit of public funds with eligible security in the amount and manner required by this chapter within a reasonable time after the public entity deposits the deposit of public funds with the depository.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

Sec. 2257.064. REINSTATEMENT. The comptroller may reinstate a depository's designation as a state depository if:

- (1) the comptroller determines that the depository has remedied all violations of this chapter; and
- (2) the depository assures the comptroller to the comptroller's satisfaction that the depository will maintain reasonable compliance with this chapter.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 891, Sec. 3.19, eff. Sept. 1, 1997.

SUBCHAPTER E. EXEMPT INSTITUTIONS

Sec. 2257.081. DEFINITION. In this subchapter, "exempt institution" means:

- (1) a public retirement system, as defined by Section 802.001; or
- (2) the permanent school fund, as described by Section 43.001, Education Code.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993. Amended by Acts 1997, 75th Leg., ch. 165, Sec. 6.31, eff. Sept. 1, 1997.

Sec. 2257.082. FUNDS OF EXEMPT INSTITUTION. An exempt institution is not required to have its funds fully insured or collateralized at all times if:

- (1) the funds are held by:
 - (A) a custodian of the institution's assets under a trust agreement; or
 - (B) a person in connection with a transaction related to an investment; and
- (2) the governing body of the institution, in exercising its fiduciary responsibility, determines that the institution is adequately protected by using a trust agreement, special deposit, surety bond, substantial deposit insurance, or other method an exempt institution commonly uses to protect itself from liability.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.083. INVESTMENT; SELECTION OF DEPOSITORY. This chapter does not:

- (1) prohibit an exempt institution from prudently investing in a certificate of deposit; or
- (2) restrict the selection of a depository by the governing body of an exempt institution in accordance with its fiduciary duty.

Added by Acts 1993, 73rd Leg., ch. 268, Sec. 1, eff. Sept. 1, 1993.

Sec. 2257.101. DEFINITION. In this subchapter, "participating institution" means a financial institution that holds one or more deposits of public funds and that participates in the pooled collateral program under this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.102. POOLED COLLATERAL PROGRAM. (a) As an alternative to collateralization under Subchapter B, the comptroller by rule shall establish a program for centralized pooled collateralization of deposits of public funds and for monitoring collateral maintained by participating institutions. The rules must provide that deposits of public funds of a county are not eligible for collateralization under the program. The comptroller shall provide for a separate collateral pool for any single participating institution's deposits of public funds.

(b) Under the pooled collateral program, the collateral of a participating institution pledged for a public deposit may not be combined with, cross-collateralized with, aggregated with, or pledged to another participating institution's collateral pools for pledging purposes.

(c) A participating institution may pledge its pooled securities to more than one participating depositor under contract with that participating institution.

(d) The pooled collateral program must provide for:

- (1) participation in the program by a participating institution and each affected public entity to be voluntary;
- (2) uniform procedures for processing all collateral transactions that are subject to an approved security agreement described by Section 2257.103; and
- (3) the pledging of a participating institution's collateral securities using a single custodial account instead of an account for each depositor of public funds.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.103. PARTICIPATION IN POOLED COLLATERAL PROGRAM. A financial institution may participate in the pooled collateral program only if:

- (1) the institution has entered into a binding collateral security agreement with a public agency for a deposit of public funds and the agreement permits the institution's participation in the program;
- (2) the comptroller has approved the institution's participation in the program; and
- (3) the comptroller has approved or provided the collateral security agreement form used.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.104. COLLATERAL REQUIRED; CUSTODIAN TRUSTEE. (a) Each participating institution shall secure its deposits of public funds with eligible securities the total value of which equals at least 102 percent of the amount of the deposits of public funds covered by a security agreement described by Section 2257.103 and deposited with the participating institution, reduced to the extent that the United States or an instrumentality of the United States insures the deposits. For purposes of determining whether collateral is sufficient to secure a deposit of public funds, Section 2257.022(b) does not apply to a deposit of public funds held by the participating institution and collateralized under this subchapter.

(b) A participating institution shall provide for the collateral securities to be held by a custodian trustee, on behalf of the participating institution, in trust for the benefit of the pooled collateral program. A custodian trustee must qualify as a custodian under Section 2257.041.

(c) The comptroller by rule shall regulate a custodian trustee under the pooled collateral program in the manner provided by Subchapter C to the extent practicable. The rules must ensure that a custodian trustee depository does not own, is not owned by, and is independent of the financial institution or institutions for which it holds the securities in trust, except that the rules must allow the following to be a custodian trustee:

- (1) a federal reserve bank;
- (2) a banker's bank, as defined by Section 34.105, Finance Code; and
- (3) a federal home loan bank.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.105. MONITORING COLLATERAL. (a) Each participating institution shall file the following reports with the comptroller electronically and as prescribed by rules of the comptroller:

- (1) a daily report of the aggregate ledger balance of deposits of public agencies participating in the pooled collateral program that are held by the institution, with each public entity's funds held itemized;
- (2) a weekly summary report of the total market value of securities held by a custodian trustee on behalf of the participating institution;
- (3) a monthly report listing the collateral securities held by a custodian trustee on behalf of the participating institution, together with the value of the securities; and
- (4) as applicable, a participating institution's annual report that includes the participating institution's financial statements.

(b) The comptroller shall provide the participating institution an acknowledgment of each report received.

(c) The comptroller shall provide a daily report of the market value of the securities held in each pool.

(d) The comptroller shall post each report on the comptroller's Internet website.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.106. ANNUAL ASSESSMENT. (a) Once each state fiscal year, the comptroller shall impose against each participating institution an assessment in an amount sufficient to pay the costs of administering this subchapter. of an assessment must be based on factors that include the number of public entity accounts a participating institution maintains, the number of transactions a participating institution conducts, and the aggregate average weekly deposit amounts during that state fiscal year of each participating institution's deposits of public funds collateralized under this subchapter. The comptroller by rule shall establish the formula for determining the amount of the assessments imposed under this subsection.

(b) The comptroller shall provide to each participating institution a notice of the amount of the assessment against the institution.

(c) A participating institution shall remit to the comptroller the amount assessed against it under this section not later than the 45th day after the date the institution receives the notice under Subsection (b).

(d) Money remitted to the comptroller under this section may be appropriated only for the purposes of administering this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.107. PENALTY FOR REPORTING VIOLATION. The comptroller may impose an administrative penalty against a participating institution that does not timely file a report required by Section 2257.105.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.108. NOTICE OF COLLATERAL VIOLATION; ADMINISTRATIVE PENALTY. (a) The comptroller may issue a notice to a participating institution that the institution appears to be in violation of collateral requirements under Section 2257.104 and rules of the comptroller.

(b) The comptroller may impose an administrative penalty against a participating institution that does not maintain collateral in an amount and in the manner required by Section 2257.104 and rules of the comptroller if the participating institution has not remedied the violation before the third business day after the date a notice is issued under Subsection (a).

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.109. PENALTY FOR FAILURE TO PAY ASSESSMENT. The comptroller may impose an administrative penalty against a participating institution that does not pay an assessment against it in the time provided by Section 2257.106(c).

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.110. PENALTY AMOUNT; PENALTIES NOT EXCLUSIVE. (a) The comptroller by rule shall adopt a formula for determining the amount of a penalty under this subchapter. For each violation and for each day of a continuing violation, a penalty must be at least \$100 per day and not more than \$1,000 per day. The penalty must be based on factors that include:

- (1) the aggregate average weekly deposit amounts during the state fiscal year of the institution's deposits of public funds;
- (2) the number of violations by the institution during the state fiscal year;
- (3) the number of days of a continuing violation; and
- (4) the average asset base of the institution as reported on the institution's year-end report of condition.

(b) The penalties provided by Sections 2257.107-2257.109 are in addition to those provided by Subchapter D or other law.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.111. PENALTY PROCEEDING CONTESTED CASE. A proceeding to impose a penalty under Section 2257.107, 2257.108, or 2257.109 is a contested case under Chapter 2001.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.112. SUIT TO COLLECT PENALTY. The attorney general may sue to collect a penalty imposed under Section 2257.107, 2257.108, or 2257.109.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.113. ENFORCEMENT STAYED PENDING REVIEW. Enforcement of a penalty imposed under Section 2257.107, 2257.108, or 2257.109 may be stayed during the time the order is under judicial review if the participating institution pays the penalty to the clerk of the court or files a supersedeas bond with the court in the amount of the penalty. A participating institution that cannot afford to pay the penalty or file the bond may stay the enforcement by filing an affidavit in the manner required by the Texas Rules of Civil Procedure for a party who cannot afford to file security for costs, subject to the right of the comptroller to contest the affidavit as provided by those rules.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Sec. 2257.114. USE OF COLLECTED PENALTIES. Money collected as penalties under this subchapter may be appropriated only for the purposes of administering this subchapter.

Added by Acts 2009, 81st Leg., R.S., Ch. 486 (S.B. 638), Sec. 1, eff. September 1, 2009.

Item 3.

RESOLUTION NO. 2023-R-XX

**A RESOLUTION APPROVING INVESTMENT POLICY, APPROVING
BROKER/DEALERS, AND INVESTMENT STRATEGIES**

WHEREAS, The Public Funds Act of Texas (the “Act”) as amended, requires the City Council of the City of Stephenville to annually review the investment policy, broker/dealers list, and investment strategies of the City and that the written instrument so adopted shall record any changes made to either the investment policy, broker/dealers list, or investment strategies.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Stephenville, after reviewing the investment policy, broker/dealers list, and investment strategies of the City, hereby adopts the revised/updated policy, broker/dealers list, and investment strategies of the City. The City Council hereby directs that the adopted written document be made a part of these minutes.

APPROVED and ADOPTED by the City Council of the City of Stephenville held on this 5th day of September 2023.

Doug Svien, Mayor

ATTEST:

Sarah Lockenour, City Secretary

Reviewed by Jason M. King,
City Manager

Approved as to form and content by
Randy Thomas, City Attorney