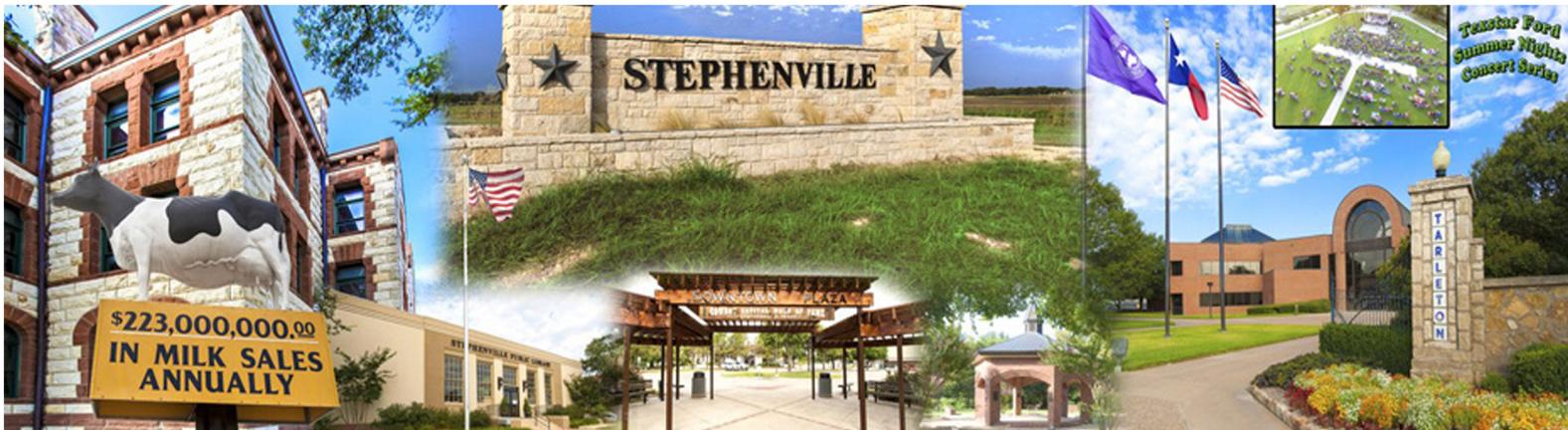


# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended September 30, 2018



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***COMPREHENSIVE  
ANNUAL FINANCIAL REPORT***

**of the**

**City of Stephenville, Texas**

**For the Year Ended  
September 30, 2018**

Prepared by:  
Finance Department

Monica Harris  
Director of Finance

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# City of Stephenville, Texas

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***INTRODUCTORY SECTION***

*Stephenville*  
TE★AS

March 18, 2019

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

The Finance Department and City Manager's Office are pleased to submit the Comprehensive Annual Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2018.

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, 2018. 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 22,280. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate city limits by annexation, which is done periodically when deemed appropriate by the city council.

The City operated under the mayor-council form of government until November 2018, when the citizen's voted to update the charter to a council-manager form of government. However, this change did not significantly change operations. 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 administrator. The city administrator, now titled 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, 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, and emergency medical), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm sewer collection and transmission systems, recreational activities and cultural events, landfill operations, airport facility maintenance as well as general administrative services.

### Accounting System and Budgetary Control

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

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

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

The annual budget serves as the foundation of the City's financial planning and control. The city council formally adopts the budget and legally appropriates available monies for activities of the General Fund, Special Revenue Funds, Capital Project Funds and Debt Service Fund.

No later than August 1<sup>st</sup> 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. As approved by the citizens in the November 2018 election, the date the proposed budget is submitted to city council is now August 15<sup>th</sup>. The budget includes proposed expenditures and means of financing them. The proposed budget is made available for public inspection, and a public hearing is held to allow for citizen comment. After the public hearing, council may make changes to any item in the budget, except those fixed by law. No later than September 23, the budget is legally enacted by ordinance which sets the limit on expenditures during the fiscal year. Additional expenditures may be authorized in the case of grave public necessity to meet unusual and unforeseen conditions which could not have reasonably been foreseen at the time the budget was adopted.

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level; however, expenditures are monitored monthly at the department level to ensure financial accountability by department directors. Management control of budgets is further maintained at

the line item level within the department. The City also maintains an encumbrance accounting system to further accomplish budgetary control. Appropriations not spent or legally encumbered lapse at year-end. Encumbrances are generally re-appropriated as a part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

## **ECONOMIC CONDITION**

### Local Economy

The City serves as the center of commerce and recreation to over 41,000 Erath County residents and has a commercial trade area of over 85,000. The City is the county seat and the principal commercial, medical, retail, educational and industrial center of Erath County. The City currently enjoys a fairly stable and diversified economic environment, bolstered by the strength of both the Cross Timbers area and the State of Texas. Our economy is based on agriculture, manufacturing, and Tarleton State University. Agriculture has long been Erath County's leading industry with livestock, especially beef, dairy and other livestock production. Erath County accounts for 9.85% of the state's total milk production. The City is fortunate to have several manufacturing industries in town. Local manufacturing includes coated abrasives, oilfield related products, cream cheese, fiber gratings and fasteners, metal processing of electrical products, trailer customization, and forged pipe unions. Tarleton State University, a member of the Texas A & M System, provides further economic stability as the largest employer. The Stephenville student body includes representatives from 219 Texas counties, 42 states, and 21 foreign countries. Tarleton's Stephenville Campus 2018 fall enrollment was in excess of 9,300 students with total enrollment across all Tarleton Campuses exceeding 13,000 students.

Stephenville ranks high in the state for a quality of work environment. As of September 2018, with unemployment at 3.8% statewide, Stephenville's unemployment was 3.2%. The city has adequate—yet below-average—wealth and income. According to the U. S. Census Bureau's 2017 American Community Survey published in 2018, Stephenville's median household income is \$44,204 compared to \$52,297 for DFW and \$57,051 for Texas. In addition, according to the survey, the workforce is educated with 30.2% of the population having a bachelor's degree or higher, compared to 30% for DFW and 28.7% for Texas.

The stable property values, sales tax receipts and building activity reflect the area's positive economic climate. The City continues to have new residential, commercial and educational building construction, adding twenty-one million dollars in new taxable value for the 2018 property tax rolls. Lakewood Estates and Elk Ridge Estates are still in the construction phase of additional residential units, and the Green Acres subdivision will start construction this year. A major apartment complex is nearing completion with another one to start construction this year. In addition, a private-owned major student-housing complex is nearing plan completion and anticipated to start construction this year too. Tarleton State University continues its growth and is currently constructing an engineering building and anticipating construction of an agriculture building. The City has completed over 10 miles of street preservation projects for fiscal year 2017-18 and plans to complete \$1,000,000 more for fiscal year 2018-19. Two major fast food restaurant franchises opened in FY 2017-18, and another one opened a few months after. The Stephenville Economic Development Authority (SEDA) continues to work on several major projects; recently announcing the anticipated construction of a 120 to 130-room select service level hotel with a 15,000 square feet attached conference center. Construction on the hotel is expected to be completed in approximately two to three years. SEDA continues to receive many new economic development inquiries from companies interested in locating their business in Stephenville.

## Long-Term Financial Planning

The City's ability to respond to on-going economic challenges will require careful long-range planning. The City has responded to the economy by fiscal conservatism and implementing operating budget efficiencies that have resulted in maintaining healthy fund balances in its general fund and water/wastewater funds.

Users of this document are encouraged to read the City's Fiscal Year 2018-2019 Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. Also available for reference is the City of Stephenville's Comprehensive Plan which maps out the City's future strategies.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, City eliminated the cost of living adjustment for retirees, resulting in a pension asset as opposed to the previous unfunded pension liability. This more than offsets the other post-employment benefits liability created by the supplemental death benefit offered to retirees, ensuring the long-term sustainability of the plan. The City does not provide for retiree health care. The City intends to provide a sustainable benefit to our employees without shifting costs to future tax payers.

## Relevant Financial Policies

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

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

## Major Initiatives

The City currently has two 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 are currently being performed. A significant portion of the land needed has been purchased. The Texas Water Development Board approved a loan of \$17,030,000 dollars to the City for the Eastside Sewer Line project. This project is a three-phase project to alleviate sanitary sewer overflow issues and expand servicing areas, affecting 80% of the City. The Bosque River Trail expansion is substantially complete. This project was in partnership TXDOT and required an 80/20 match.

## 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 Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017.

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

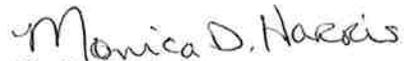
A Certificate of Achievement is valid for a period of one year only. We believe our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine its eligibility for another certificate.

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

Respectfully Submitted,



Allen L. Barnes  
City Manager



Monica D. Harris  
Director of Finance & Administration



Government Finance Officers Association

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

Presented to

**City of Stephenville  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**September 30, 2017**

*Christopher P. Morill*

Executive Director/CEO



Citizens of Stephenville

City Council

City Secretary

City Attorney

City Administrator

Boards and Commissions

Municipal Judge

Deputy City Administrator

Tourism

Finance Department

Fire Department

Police Department

Planning and Building

Public Works

Community Services

IT

Human Resources

Accounting

Utility Billing

Purchasing

Budget

Audit

Investment and Insurance

Fire Suppression

Fire Prevention

Emergency Services

Criminal Investigations

Patrol

Communications

Records

Animal Control

Code Compliance

Inspections

Planning

Water production

Water Distribution

Customer Service

Wastewater Collection

Wastewater Treatment

Storm water Drainage

Landfill

Streets

Parks

Cemeteries

Library

Airport

Recreation

GIS



## City Council

|         |                  |
|---------|------------------|
| Mayor   | Doug Svien       |
| Place 1 | Mark McClinton   |
| Place 2 | Carla Trussell   |
| Place 3 | Vacant           |
| Place 4 | Brady Pendleton  |
| Place 5 | Rhett Harrison   |
| Place 6 | Alan Nix         |
| Place 7 | Sherry Zachery   |
| Place 8 | Brandon Huckabee |

## Staff

|   |                  |
|---|------------------|
| City Administrator  | Allen L. Barnes  |
| Deputy City Administrator/Director of Community Development | Jeremy Allen     |
| Director of Finance & Administration                        | Monica D. Harris |
| Director of Utilities                                       | Nick Williams    |
| Police Chief  | Jason King       |
| Fire Chief  | Jimmy Chew       |
| Director of Parks & Leisure Services                        | Jennifer Basham  |
| City Secretary  | Staci L. King    |
| Tourism & Visitor Manager                                   | Julie Smith      |

***FINANCIAL SECTION***

*Stephenville*  
TE★AS



## *INDEPENDENT AUDITOR'S REPORT*

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas (the "City") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

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

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2018, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note V.F to the financial statements, due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities, business-type activities and the discretely presented component unit, to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. In addition, the City restated beginning net position and fund balance within business-type activities to correct a prior year accounting error. Our opinion is not modified with respect to these matters.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion, the general fund budgetary comparison information, the schedule of changes in net pension liabilities and related ratios, the schedule of employer contributions to pension plan, and schedule of changes in the other postemployment benefits liability and related ratios, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not

express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

A handwritten signature in black ink that reads "Brooks Watson & Co." in a cursive, slightly stylized font.

Brooks Watson & Co.  
Certified Public Accountants  
Houston, Texas  
March 18, 2019

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

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# City of Stephenville, Texas

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### September 30, 2018

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, 2018. 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 of the City exceeded its liabilities (net position) at September 30, 2018 by \$76,618,257.
- The City's total net position increased by \$7,924,685. 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 \$9,181,272 at September 30, 2018, an increase of \$308,539 from the prior fiscal year; this includes an increase of \$159,410 in the general fund and an increase of \$149,129 in the nonmajor governmental funds.
- At the end of the fiscal year, unassigned fund balance for the general fund was \$7,288,833 or 52% of total general fund expenditures.
- The City's outstanding bonds and certificates of obligation payable increased by \$14,726,173 from the prior year. This increase was mainly due to closing a \$17,030,000 certificate of obligation for a sewer project that will affect 80% of the City. The total bonds and certificates of obligation payable at the close of the fiscal year were \$30,545,000.
- The City's net pension asset totaled \$3,079,483 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, 2018

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 28-31 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, 2018**

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

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

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

The basic governmental fund financial statements can be found on pages 32-35 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 36-43 of this report.

**City of Stephenville, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2018**

**Component Units**

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

**Notes to Financial Statements**

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

The notes to the financial statements can be found on pages 45-82 of this report.

**Other Information**

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

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Stephenville, Texas, assets exceed liabilities by \$76,618,257 as of September 30, 2018, in the primary government.

The largest portion of the City's net position, \$58,213,647, 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, 2018**

**Statement of Net Position:**

The following table reflects the condensed Statement of Net Position:

|   | 2018                       |                             |                      | 2017                       |                             |                      |
|---|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
|   | Governmental<br>Activities | Business-Type<br>Activities | Total                | Governmental<br>Activities | Business-Type<br>Activities | Total                |
| Current and                               |                            |                             |                      |                            |                             |                      |
| other assets                              | \$ 10,321,373              | \$ 25,487,639               | \$ 35,809,012        | \$ 10,322,812              | \$ 8,430,796                | \$ 18,753,608        |
| Capital assets, net                       | 23,883,536                 | 50,944,792                  | 74,828,328           | 24,016,536                 | 52,479,874                  | 76,496,410           |
| Net pension asset                         | 2,623,412                  | 416,962                     | 3,040,374            | -                          | -                           | -                    |
| <b>Total Assets</b>                       | <b>36,828,321</b>          | <b>76,849,393</b>           | <b>113,677,714</b>   | <b>34,339,348</b>          | <b>60,910,670</b>           | <b>95,250,018</b>    |
| <b>Deferred Outflows of<br/>Resources</b> | <b>1,502,734</b>           | <b>285,737</b>              | <b>1,788,471</b>     | <b>2,388,034</b>           | <b>440,265</b>              | <b>2,828,299</b>     |
| Other liabilities                         | 1,998,051                  | 3,452,504                   | 5,450,555            | 1,205,512                  | 3,728,633                   | 4,934,145            |
| Long-term liabilities                     | 3,593,323                  | 27,545,763                  | 31,139,086           | 10,040,845                 | 14,225,717                  | 24,266,562           |
| <b>Total Liabilities</b>                  | <b>5,591,374</b>           | <b>30,998,267</b>           | <b>36,589,641</b>    | <b>11,246,357</b>          | <b>17,954,350</b>           | <b>29,200,707</b>    |
| <b>Deferred Inflows of<br/>Resources</b>  | <b>1,948,582</b>           | <b>309,705</b>              | <b>2,258,287</b>     | <b>160,032</b>             | <b>24,006</b>               | <b>184,038</b>       |
| Net Position:                             |                            |                             |                      |                            |                             |                      |
| Net investment                            |                            |                             |                      |                            |                             |                      |
| in capital assets                         | 20,176,273                 | 38,037,374                  | 58,213,647           | 19,963,872                 | 36,927,047                  | 56,890,919           |
| Restricted                                | 2,621,264                  | 2,477,403                   | 5,098,667            | 581,054                    | 1,456,900                   | 2,037,954            |
| Unrestricted                              | 7,993,562                  | 5,312,381                   | 13,305,943           | 4,776,067                  | 4,988,632                   | 9,764,699            |
| <b>Total Net Position</b>                 | <b>\$ 30,791,099</b>       | <b>\$ 45,827,158</b>        | <b>\$ 76,618,257</b> | <b>\$ 25,320,993</b>       | <b>\$ 43,372,579</b>        | <b>\$ 68,693,572</b> |

Current assets of business-type activities were \$25,487,639 and \$8,430,796 as of September 30, 2018 and September 30, 2017, respectively. The increase of \$17,056,843 was primarily attributable to more cash reserves at year end due to the \$17,030,000 issuance of Certificates of Obligation bonds and an overall positive change in net position of \$2,454,579. Long-term liabilities for governmental activities decreased by \$6,447,522 primarily as a result of the change in the actuarial estimate of the City's net pension obligation. The City recognized a net pension liability in the prior year and a net pension asset at the end of the current year. Long-term liabilities for business-type activities increased by \$10,782,364 primarily as a result of the aforementioned \$17,030,000 bond issuance.

**City of Stephenville, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2018**

**Statement of Activities:**

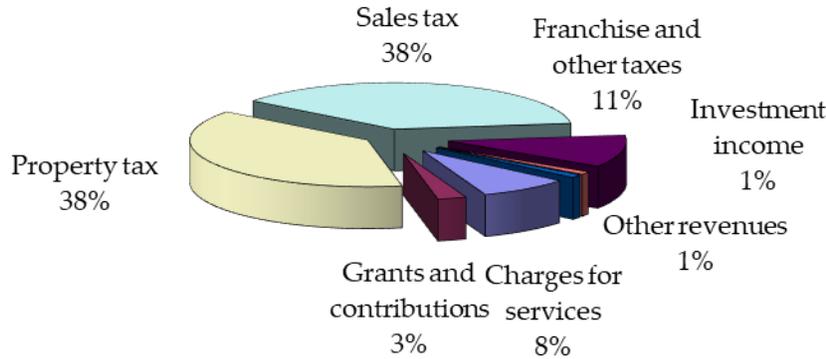
The following table provides a summary of the City's changes in net position:

|                               | For the Year Ended September 30, 2018 |                             |                                | For the Year Ended September 30, 2017 |                             |                                |
|-------------------------------|---------------------------------------|-----------------------------|--------------------------------|---------------------------------------|-----------------------------|--------------------------------|
|                               | Governmental<br>Activities            | Business-Type<br>Activities | Total<br>Primary<br>Government | Governmental<br>Activities            | Business-Type<br>Activities | Total<br>Primary<br>Government |
| <b>Revenues</b>               |                                       |                             |                                |                                       |                             |                                |
| Program revenues:             |                                       |                             |                                |                                       |                             |                                |
| Charges for services          | \$ 1,230,882                          | \$ 8,990,221                | \$ 10,221,103                  | \$ 1,305,502                          | \$ 8,667,317                | \$ 9,972,819                   |
| Grants and contributions      | 390,092                               | 175,274                     | 565,366                        | 564,104                               | 1,679,268                   | 2,243,372                      |
| General revenues:             |                                       |                             |                                |                                       |                             |                                |
| Property tax                  | 5,778,862                             | -                           | 5,778,862                      | 5,287,954                             | -                           | 5,287,954                      |
| Sales tax                     | 5,644,834                             | -                           | 5,644,834                      | 5,264,443                             | -                           | 5,264,443                      |
| Franchise and other taxes     | 1,674,089                             | -                           | 1,674,089                      | 1,635,233                             | -                           | 1,635,233                      |
| Investment income             | 139,025                               | 118,108                     | 257,133                        | 68,163                                | 49,082                      | 117,245                        |
| Other revenues                | 153,598                               | 106,639                     | 260,237                        | 184,041                               | 70,469                      | 254,510                        |
| <b>Total Revenues</b>         | <b>15,011,382</b>                     | <b>9,390,242</b>            | <b>24,401,624</b>              | <b>14,309,440</b>                     | <b>10,466,136</b>           | <b>24,775,576</b>              |
| <b>Expenses</b>               |                                       |                             |                                |                                       |                             |                                |
| General government            | 2,271,044                             | -                           | 2,271,044                      | 2,472,299                             | -                           | 2,472,299                      |
| Culture and recreation        | 2,467,345                             | -                           | 2,467,345                      | 2,491,386                             | -                           | 2,491,386                      |
| Community development         | 486,602                               | -                           | 486,602                        | 607,395                               | -                           | 607,395                        |
| Public safety                 | 8,561,797                             | -                           | 8,561,797                      | 8,861,310                             | -                           | 8,861,310                      |
| Streets                       | 1,507,920                             | -                           | 1,507,920                      | 1,580,345                             | -                           | 1,580,345                      |
| Interest and fiscal charges   | 107,588                               | 815,081                     | 922,669                        | 100,245                               | 407,776                     | 508,021                        |
| Water and wastewater          | -                                     | 4,430,699                   | 4,430,699                      | -                                     | 5,077,828                   | 5,077,828                      |
| Airport                       | -                                     | 193,349                     | 193,349                        | -                                     | 254,581                     | 254,581                        |
| Storm water drainage          | -                                     | 336,026                     | 336,026                        | -                                     | 330,565                     | 330,565                        |
| Sanitary landfill             | -                                     | 409,656                     | 409,656                        | -                                     | 446,216                     | 446,216                        |
| <b>Total Expenses</b>         | <b>15,402,296</b>                     | <b>6,184,811</b>            | <b>21,587,107</b>              | <b>16,112,980</b>                     | <b>6,516,966</b>            | <b>22,629,946</b>              |
| <b>Change in Net Position</b> |                                       |                             |                                |                                       |                             |                                |
| <b>Before Transfers</b>       | (390,914)                             | 3,205,431                   | 2,814,517                      | (1,803,540)                           | 3,949,170                   | 2,145,630                      |
| Special item                  | 5,110,168                             | -                           | 5,110,168                      | -                                     | -                           | -                              |
| Transfers                     | 750,852                               | (750,852)                   | -                              | 765,475                               | (765,475)                   | -                              |
| <b>Total</b>                  | <b>5,861,020</b>                      | <b>(750,852)</b>            | <b>5,110,168</b>               | <b>765,475</b>                        | <b>(765,475)</b>            | <b>-</b>                       |
| <b>Change in Net Position</b> | <b>5,470,106</b>                      | <b>2,454,579</b>            | <b>7,924,685</b>               | <b>(1,038,065)</b>                    | <b>3,183,695</b>            | <b>2,145,630</b>               |
| Beginning Net Position        | 25,320,993                            | 43,372,579                  | 68,693,572                     | 26,359,058                            | 40,188,884                  | 66,547,942                     |
| <b>Ending Net Position</b>    | <b>\$ 30,791,099</b>                  | <b>\$ 45,827,158</b>        | <b>\$ 76,618,257</b>           | <b>\$ 25,320,993</b>                  | <b>\$ 43,372,579</b>        | <b>\$ 68,693,572</b>           |

**City of Stephenville, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2018**

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

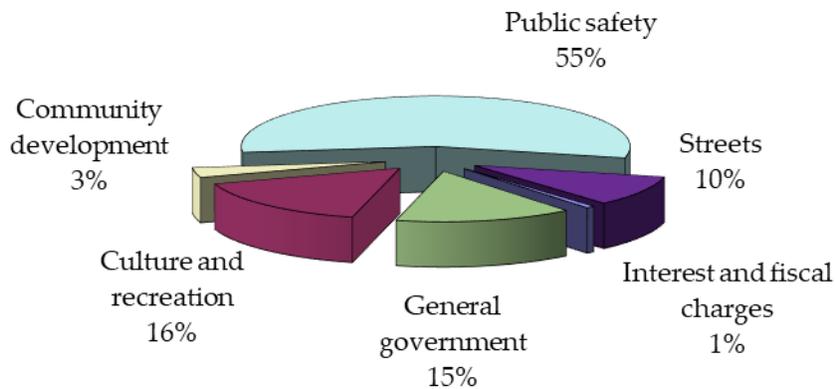
**Governmental Activities - Revenues**



For the year ended September 30, 2018, revenues from governmental activities totaled \$15,011,382. Property tax, franchise tax and sales tax are the City's largest general revenue sources. Overall revenue increased \$701,942 or 5% from the prior year. Property tax revenue increased \$490,908 or 9% due to an increase in appraised property values and a growing tax base. Sales tax increased \$380,391 or 7% due to a growing local economy. Grants and contributions decreased \$174,012 primarily as a result of nonrecurring public safety grants received in the prior year. Investment income increased by \$70,862 primarily as a result of an increase in interest-bearing cash accounts. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:

**Governmental Activities - Expenses**



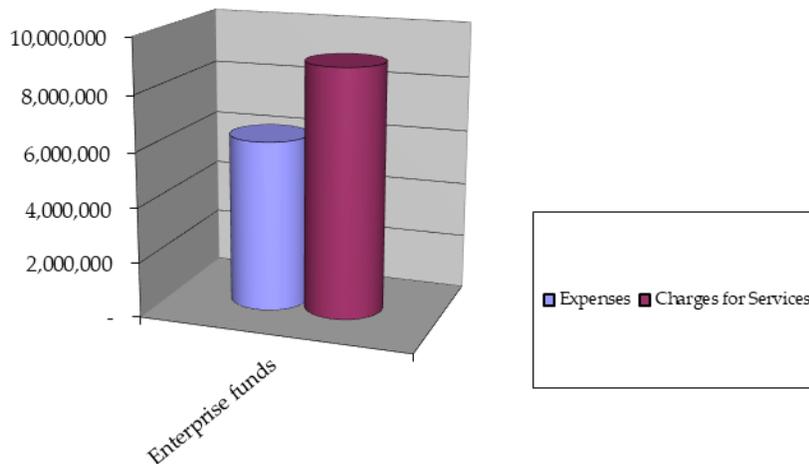
For the year ended September 30, 2018, expenses for governmental activities totaled \$15,402,296. This represents a decrease of \$710,684 or 4% from the prior year. The City's largest functional expense is public safety totaling \$8,561,797. Public safety decreased \$299,513 or 3% when compared to the prior year primarily due to an increase in the City's net pension liability in the prior year. General

**City of Stephenville, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2018**

government expenses decreased by \$201,255 or 8% due a reallocation of expenses. Community development expenses decreased \$120,793 or 20% due to lower salary and contract related costs. Streets expenses decreased by \$72,425 or 5% primarily as a result of less maintenance and utilities expenses. During the current year, the City changed employee retirement benefits resulting in an actuarial gain which the City recognized as a special item of \$5,110,168 in the current year.

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

**Business-Type Activities - Revenues and Expenses**



For the year ended September 30, 2018, charges for services by business-type activities totaled \$8,990,221. This is an increase of \$322,904, or 4%, from the previous year. This increase directly relates to an increase in the City's overall customer base, utility consumption, and an increase in the water and sewer billing rates. Grants and contributions decreased by \$1,503,994 primarily due to nonrecurring capital contributions received for the airport in the prior year.

Total expenses decreased \$332,155 or 5% to a total of \$6,184,811. Water and wastewater department expenses decreased by \$647,129 or 13% primarily due to a reduction in salaries and employee retirement expenditures. Airport department expenses decreased by \$61,232 or 24% primarily as a result of a decrease rental expenses. Interest and fiscal charges increased by \$407,305 as a direct result of the bond issuance costs related to the certificate of obligation bond issuance 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

**City of Stephenville, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2018**

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.

At September 30, 2018, the City's governmental funds reported combined fund balances of \$9,181,272, an increase of \$308,539 in comparison with the prior year. Approximately 79% of this amount, \$7,288,833, constitutes *unassigned fund balance*, which is available for spending at the government's discretion. Nonspendable fund balance totaled \$11,609 for inventories and committed fund balance totaled \$1,392,672. The remainder of the fund balance is restricted for particular purposes totaling \$488,158.

As of the end of the year the general fund reflected a total fund balance of \$8,251,051. General fund balance increased by \$159,410. This increase is a result of higher than anticipated sales tax as well as positive budgeted expenditure variances in several funds. Sales tax increased by \$380,391 when compared to the prior year. Property tax totaled \$5,277,928 and increased \$460,522 from the prior year.

As a measure of the general fund's liquidity, it may be useful to compare total unassigned fund balance to total fund expenditures. The unassigned (the amount available for spending) fund balance of the general fund of \$7,288,833 is 52% of total general fund operating expenditures.

Proprietary Funds - The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Net position in the City's largest proprietary fund, the water and wastewater fund, totaled \$33,716,384. Unrestricted net position at the close of the fiscal year amounted to \$4,173,469, a total increase of \$1,022,887 from the previous year. Total investment in capital assets, net of related debt of was \$27,379,771, and capital assets, net of depreciation totaled \$34,420,034.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Supplemental budget amendments were approved during the fiscal year increasing total budgeted expenditures by \$869,504 and increasing total revenues by \$407,055 resulting in a deficit in budgeted fund balance of \$934,575. The actual net change was an increase in fund balance of \$159,410. The primary reasons for the budget revision were due to higher than expected revenue from emergency services, contributions and donations, and other revenues. Total budgeted revenues of \$13,748,920 were less than actual revenues of \$14,096,674, resulting in a total positive revenue variance of \$347,754. Total budgeted expenditures of \$14,733,285 were greater than actual expenditures of \$14,010,910, resulting in a total positive expenditure variance of \$722,375. The positive variance in total expenditures was primarily due to the general government, culture and recreation, public safety, and public works departments spending less than budgeted.

**City of Stephenville, Texas**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**September 30, 2018**

**CAPITAL ASSETS**

As of the end of the year, the City's governmental activities funds had invested \$23,883,536 in a variety of capital assets and infrastructure. The City's business-type activities funds had invested \$50,944,792 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:

- Chip Seal project totaling \$221,509.
- Micro-surfacing and resurfacing street projects totaling \$555,982
- Tanglewood trail project for \$157,285.
- Purchase of new police vehicles and equipment for \$344,961.
- Investments in various waterline improvement and extension projects totaling \$197,251.
- Wastewater treatment plant improvements totaling \$82,665.

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 payable net of all premiums and discounts increased by \$14,713,105 or 92% from the prior year. The total bonds and certificates of obligation payable at the close of the fiscal year were \$30,733,482, net of all premiums and discounts. More detailed information about the City's long-term liabilities is presented in note IV. D to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The local economy has remained stable and is showing signs of growth as evidenced by new construction activity. The City continues to make infrastructure improvements throughout the City.

City of Stephenville is committed to maintaining and improving the overall wellbeing of the City and improving services provided to their public citizens, budgeting over \$20 million in capital improvements in fiscal year 2018/2019. The City is anticipating growth in the upcoming year with several major construction projects scheduled for completion, thus increasing taxable property values.

**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

September 30, 2018

|  | Primary Government         |                             |               |
|--|----------------------------|-----------------------------|---------------|
|  | Governmental<br>Activities | Business-Type<br>Activities | Total         |
| <b><u>Assets</u></b>                         |                            |                             |               |
| Cash and cash equivalents                    | \$ 5,630,780               | \$ 4,471,756                | \$ 10,102,536 |
| Restricted cash                              | -                          | 18,764,925                  | 18,764,925    |
| Investments                                  | 3,157,610                  | 150,000                     | 3,307,610     |
| Receivables, net                             | 1,908,808                  | 1,398,359                   | 3,307,167     |
| Prepaid items                                | -                          | 41,944                      | 41,944        |
| Internal balances                            | (387,434)                  | 387,434                     | -             |
| Due from component unit                      | -                          | 21,697                      | 21,697        |
| Inventories                                  | 11,609                     | 251,524                     | 263,133       |
|  | 10,321,373                 | 25,487,639                  | 35,809,012    |
| Net pension asset                            | 2,623,412                  | 416,962                     | 3,040,374     |
| Capital assets:                              |                            |                             |               |
| Non-depreciable                              | 2,709,849                  | 4,559,672                   | 7,269,521     |
| Net depreciable capital assets               | 21,173,687                 | 46,385,120                  | 67,558,807    |
|  | 26,506,948                 | 51,361,754                  | 77,868,702    |
| <b>Total Assets</b>                          | 36,828,321                 | 76,849,393                  | 113,677,714   |
| <b><u>Deferred Outflows of Resources</u></b> |                            |                             |               |
| Deferred charge on refunding                 | 16,218                     | 49,473                      | 65,691        |
| Deferred pension outflows                    | 1,458,276                  | 231,776                     | 1,690,052     |
| Deferred OPEB outflows                       | 28,240                     | 4,488                       | 32,728        |
| <b>Total Deferred Outflows of Resources</b>  | 1,502,734                  | 285,737                     | 1,788,471     |
| <b><u>Liabilities</u></b>                    |                            |                             |               |
| Accounts payable and accrued liabilities     | 972,975                    | 703,160                     | 1,676,135     |
| Customer deposits                            | -                          | 360,406                     | 360,406       |
| Accrued interest payable                     | 23,998                     | 73,597                      | 97,595        |
| Long-term debt due within one year           | 1,001,078                  | 2,304,461                   | 3,305,539     |
| Unearned revenue                             | -                          | 10,880                      | 10,880        |
| Due to primary government                    | -                          | -                           | -             |
|  | 1,998,051                  | 3,452,504                   | 5,450,555     |
| Noncurrent liabilities:                      |                            |                             |               |
| OPEB liability                               | 395,541                    | 62,866                      | 458,407       |
| Landfill closure costs                       | -                          | 146,518                     | 146,518       |
| Due in more than one year                    | 3,197,782                  | 27,336,379                  | 30,534,161    |
|  | 3,593,323                  | 27,545,763                  | 31,139,086    |
| <b>Total Liabilities</b>                     | 5,591,374                  | 30,998,267                  | 36,589,641    |
| <b><u>Deferred Inflows of Resources</u></b>  |                            |                             |               |
| Deferred pension inflows                     | 1,948,582                  | 309,705                     | 2,258,287     |
| <b><u>Net Position</u></b>                   |                            |                             |               |
| Net investment in capital assets             | 20,176,273                 | 38,037,374                  | 58,213,647    |
| Restricted for:                              |                            |                             |               |
| Tourism                                      | 221,288                    | -                           | 221,288       |
| Pensions                                     | 2,133,106                  | 339,033                     | 2,472,139     |
| Municipal court                              | 18,656                     | -                           | 18,656        |
| Public safety                                | 48,804                     | -                           | 48,804        |
| Debt service                                 | 199,410                    | 2,138,370                   | 2,337,780     |
| Economic development                         | -                          | -                           | -             |
| Unrestricted                                 | 7,993,562                  | 5,312,381                   | 13,305,943    |
| <b>Total Net Position</b>                    | \$ 30,791,099              | \$ 45,827,158               | \$ 76,618,257 |

See Notes to Financial Statements.

**Component Unit**  
**Stephenville**  
**EDA**

|    |                       |
|----|-----------------------|
| \$ | 654,898               |
|    | -                     |
|    | -                     |
|    | 95,546                |
|    | -                     |
|    | -                     |
|    | -                     |
|    | <u>750,444</u>        |
|    | 39,109                |
|    | -                     |
|    | -                     |
|    | <u>39,109</u>         |
|    | <u>789,553</u>        |
|    | -                     |
|    | 21,740                |
|    | 421                   |
|    | <u>22,161</u>         |
|    | 10,827                |
|    | -                     |
|    | -                     |
|    | 6,795                 |
|    | -                     |
|    | 21,697                |
|    | <u>39,319</u>         |
|    | 5,897                 |
|    | -                     |
|    | 755                   |
|    | <u>6,652</u>          |
|    | <u>45,971</u>         |
|    | 29,049                |
|    | -                     |
|    | -                     |
|    | -                     |
|    | -                     |
|    | -                     |
|    | 736,694               |
|    | -                     |
| \$ | <u><u>736,694</u></u> |

# City of Stephenville, Texas

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2018

| Functions/Programs                          | Expenses             | Program Revenues     |                                    |                                  |
|---|----------------------|----------------------|------------------------------------|----------------------------------|
|   |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary Government</b>                   |                      |                      |                                    |                                  |
| <b>Governmental Activities</b>              |                      |                      |                                    |                                  |
| General government                          | \$ 2,271,044         | \$ 11,141            | \$ 31,807                          | \$ 41,395                        |
| Culture and recreation                      | 2,467,345            | 289,065              | 25,606                             | 49,336                           |
| Community development                       | 486,602              | 245,391              | -                                  | -                                |
| Public safety                               | 8,561,797            | 664,449              | 162,440                            | 79,508                           |
| Streets                                     | 1,507,920            | 20,836               | -                                  | -                                |
| Interest and fiscal charges                 | 107,588              | -                    | -                                  | -                                |
| <b>Total Governmental Activities</b>        | <b>15,402,296</b>    | <b>1,230,882</b>     | <b>219,853</b>                     | <b>170,239</b>                   |
| <b>Business-Type Activities</b>             |                      |                      |                                    |                                  |
| Water and Wastewater                        | 5,032,780            | 7,596,037            | -                                  | 135,575                          |
| Storm Water Drainage                        | 542,252              | 628,731              | -                                  | -                                |
| Airport                                     | 194,000              | 108,097              | -                                  | 39,699                           |
| Sanitary Landfill                           | 415,779              | 657,356              | -                                  | -                                |
| <b>Total Business-Type Activities</b>       | <b>6,184,811</b>     | <b>8,990,221</b>     | <b>-</b>                           | <b>175,274</b>                   |
| <b>Total Primary Government</b>             | <b>\$ 21,587,107</b> | <b>\$ 10,221,103</b> | <b>\$ 219,853</b>                  | <b>\$ 345,513</b>                |
| <b>Component Unit</b>                       |                      |                      |                                    |                                  |
| Stephenville Economic Development Authority | \$ 217,161           | \$ -                 | \$ -                               | \$ -                             |
| <b>Total Component Unit</b>                 | <b>\$ 217,161</b>    | <b>\$ -</b>          | <b>\$ -</b>                        | <b>\$ -</b>                      |

**General Revenues:**

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

**Special item - change in employee benefits**

**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**

| <b>Primary Government</b>      |                                 |                      | <b>Component Unit</b>   |
|--------------------------------|---------------------------------|----------------------|-------------------------|
| <b>Governmental Activities</b> | <b>Business-Type Activities</b> | <b>Total</b>         | <b>Stephenville EDA</b> |
| \$ (2,186,701)                 | \$ -                            | \$ (2,186,701)       | \$ -                    |
| (2,103,338)                    | -                               | (2,103,338)          | -                       |
| (241,211)                      | -                               | (241,211)            | -                       |
| (7,655,400)                    | -                               | (7,655,400)          | -                       |
| (1,487,084)                    | -                               | (1,487,084)          | -                       |
| (107,588)                      | -                               | (107,588)            | -                       |
| <u>(13,781,322)</u>            | <u>-</u>                        | <u>(13,781,322)</u>  | <u>-</u>                |
| -                              | 2,698,832                       | 2,698,832            | -                       |
| -                              | 86,479                          | 86,479               | -                       |
| -                              | (46,204)                        | (46,204)             | -                       |
| -                              | 241,577                         | 241,577              | -                       |
| <u>-</u>                       | <u>2,980,684</u>                | <u>2,980,684</u>     | <u>-</u>                |
| <u>(13,781,322)</u>            | <u>2,980,684</u>                | <u>(10,800,638)</u>  | <u>-</u>                |
|                                |                                 |                      | <u>(217,161)</u>        |
|                                |                                 |                      | <u>(217,161)</u>        |
| 5,778,862                      | -                               | 5,778,862            | -                       |
| 5,644,834                      | -                               | 5,644,834            | 513,167                 |
| 1,199,890                      | -                               | 1,199,890            | -                       |
| 474,199                        | -                               | 474,199              | -                       |
| 139,025                        | 118,108                         | 257,133              | 8,582                   |
| 153,598                        | 106,639                         | 260,237              | -                       |
| 5,110,168                      | -                               | 5,110,168            | -                       |
| 750,852                        | (750,852)                       | -                    | -                       |
| <u>19,251,428</u>              | <u>(526,105)</u>                | <u>18,725,323</u>    | <u>521,749</u>          |
| 5,470,106                      | 2,454,579                       | 7,924,685            | 304,588                 |
| 25,320,993                     | 43,372,579                      | 68,693,572           | 432,106                 |
| <u>\$ 30,791,099</u>           | <u>\$ 45,827,158</u>            | <u>\$ 76,618,257</u> | <u>\$ 736,694</u>       |

# City of Stephenville, Texas

## BALANCE SHEET GOVERNMENTAL FUNDS September 30, 2018

|   | General             | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| <b><u>Assets</u></b>  |                     |                                   |                                |
| Cash and cash equivalents   | \$ 4,743,974        | \$ 886,806                        | \$ 5,630,780                   |
| Investments   | 3,157,610           | -                                 | 3,157,610                      |
| Receivables, net  | 1,823,471           | 85,337                            | 1,908,808                      |
| Inventory   | 11,609              | -                                 | 11,609                         |
| <b>Total Assets</b>   | <b>\$ 9,736,664</b> | <b>\$ 972,143</b>                 | <b>\$ 10,708,807</b>           |
| <br><b><u>Liabilities</u></b>   |                     |                                   |                                |
| Accounts payable and<br>accrued liabilities                                   | \$ 938,670          | \$ 34,305                         | \$ 972,975                     |
| Due to other funds  | 383,978             | 3,456                             | 387,434                        |
| <b>Total Liabilities</b>  | <b>1,322,648</b>    | <b>37,761</b>                     | <b>1,360,409</b>               |
| <br><b><u>Deferred Inflows of Resources</u></b>                               |                     |                                   |                                |
| Unavailable revenue - Fines and fees  | 78,894              | -                                 | 78,894                         |
| Unavailable revenue - EMS   | 35,745              | -                                 | 35,745                         |
| Unavailable revenue - property taxes  | 48,326              | 4,161                             | 52,487                         |
| <b>Total Deferred Inflows of Resources</b>                                    | <b>162,965</b>      | <b>4,161</b>                      | <b>167,126</b>                 |
| <br><b><u>Fund Balances</u></b>   |                     |                                   |                                |
| Nonspendable:   |                     |                                   |                                |
| Inventories   | 11,609              | -                                 | 11,609                         |
| Committed for:  |                     |                                   |                                |
| Capital projects  |                     | 442,063                           | 442,063                        |
| Airport improvement   | 800,609             | -                                 | 800,609                        |
| Grant match   | 150,000             | -                                 | 150,000                        |
| Restricted for:   |                     |                                   |                                |
| Tourism   | -                   | 221,288                           | 221,288                        |
| Municipal court   | -                   | 18,656                            | 18,656                         |
| Public safety   | -                   | 48,804                            | 48,804                         |
| Debt service  | -                   | 199,410                           | 199,410                        |
| Unassigned reported in:   |                     |                                   |                                |
| General fund  | 7,288,833           | -                                 | 7,288,833                      |
| <b>Total Fund Balances</b>  | <b>8,251,051</b>    | <b>930,221</b>                    | <b>9,181,272</b>               |
| <b>Total Liabilities, Deferred Inflows of Resources and<br/>Fund Balances</b> | <b>\$ 9,736,664</b> | <b>\$ 972,143</b>                 | <b>\$ 10,708,807</b>           |

See Notes to Financial Statements.

# City of Stephenville, Texas

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

September 30, 2018

|  |           |                   |
|--|-----------|-------------------|
| <b>Fund Balances - Total Governmental Funds</b>  |           | \$ 9,181,272      |
| <br><b>Adjustments for the Statement of Net Position:</b>  |           |                   |
| Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.   |           |                   |
| Capital assets - non-depreciable   |           | 2,709,849         |
| Capital assets - net depreciable   |           | 21,173,687        |
| <br>The net pension asset is not an available resource and, therefore, is not reported in the funds.   |           |                   |
| Net pension asset  |           | 2,623,412         |
| <br>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  |           | 78,894            |
| Property tax receivable  |           | 35,745            |
| EMS receivable   |           | 52,487            |
| <br>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.          |           |                   |
| Other long-term assets   |           | 16,218            |
| Deferred pension outflows  |           | 1,458,276         |
| Deferred OPEB outflows   |           | 28,240            |
| <br>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   |           | (1,948,582)       |
| <br>Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.   |           |                   |
| OPEB liability   |           | (395,541)         |
| Accrued interest   |           | (23,998)          |
| Bond premium   |           | (15,460)          |
| Bond discount  |           | 1,789             |
| Non-current liabilities due in one year  |           | (1,001,078)       |
| Non-current liabilities due in more than one year  |           | (3,184,111)       |
| <b>Net Position of Governmental Activities</b>   | <b>\$</b> | <b>30,791,099</b> |

See Notes to Financial Statements.

# City of Stephenville, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

|   | General             | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|---------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                     |                     |                                   |                                |
| Property tax  | \$ 5,277,928        | \$ 492,536                        | \$ 5,770,464                   |
| Sales tax   | 5,644,834           | -                                 | 5,644,834                      |
| Franchise and other taxes                           | 1,199,890           | -                                 | 1,199,890                      |
| Hotel occupancy taxes                               | -                   | 474,199                           | 474,199                        |
| License and permits                                 | 246,891             | -                                 | 246,891                        |
| Charges for services                                | 371,636             | -                                 | 371,636                        |
| Emergency services                                  | 607,337             | -                                 | 607,337                        |
| Fines and forfeitures                               | 137,184             | 10,414                            | 147,598                        |
| Intergovernmental                                   | 72,111              | 6,379                             | 78,490                         |
| Contributions and donations                         | 265,868             | -                                 | 265,868                        |
| Investment income                                   | 122,346             | 16,679                            | 139,025                        |
| Other revenues                                      | 150,649             | -                                 | 150,649                        |
| <b>Total Revenues</b>                               | <b>14,096,674</b>   | <b>1,000,207</b>                  | <b>15,096,881</b>              |
| <b>Expenditures</b>                                 |                     |                                   |                                |
| Current:  |                     |                                   |                                |
| General government                                  | 1,736,764           | 408,250                           | 2,145,014                      |
| Culture and recreation                              | 2,163,873           | -                                 | 2,163,873                      |
| Community development                               | 485,280             | -                                 | 485,280                        |
| Public safety                                       | 8,064,856           | 1,865                             | 8,066,721                      |
| Streets   | 768,153             | -                                 | 768,153                        |
| Debt service:                                       |                     |                                   |                                |
| Principal retirement                                | 195,879             | 365,000                           | 560,879                        |
| Interest and fiscal charges                         | 15,000              | 92,099                            | 107,099                        |
| Capital outlay:                                     |                     |                                   |                                |
| General government                                  | 40,182              | -                                 | 40,182                         |
| Culture and recreation                              | 97,392              | 24,080                            | 121,472                        |
| Public safety                                       | 368,768             | -                                 | 368,768                        |
| Streets   | 74,763              | 875,000                           | 949,763                        |
| <b>Total Expenditures</b>                           | <b>14,010,910</b>   | <b>1,766,294</b>                  | <b>15,777,204</b>              |
| <b>Excess of Revenues Over (Under) Expenditures</b> | 85,764              | (766,087)                         | (680,323)                      |
| <b>Other Financing Sources (Uses)</b>               |                     |                                   |                                |
| Transfers in  | 750,852             | 915,216                           | 1,666,068                      |
| Transfers (out)                                     | (915,216)           | -                                 | (915,216)                      |
| Capital lease proceeds                              | 215,371             | -                                 | 215,371                        |
| Proceeds from sale of assets                        | 22,639              | -                                 | 22,639                         |
| <b>Total Other Financing Sources (Uses)</b>         | <b>73,646</b>       | <b>915,216</b>                    | <b>988,862</b>                 |
| <b>Net Change in Fund Balances</b>                  | 159,410             | 149,129                           | 308,539                        |
| Beginning fund balances                             | 8,091,641           | 781,092                           | 8,872,733                      |
| <b>Ending Fund Balances</b>                         | <b>\$ 8,251,051</b> | <b>\$ 930,221</b>                 | <b>\$ 9,181,272</b>            |

See Notes to Financial Statements.

# 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, 2018**

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

|   |    |         |
|---|----|---------|
| Net changes in fund balances - total governmental funds | \$ | 308,539 |
|---|----|---------|

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

|                                       |  |             |
|---------------------------------------|--|-------------|
| Capital outlay                        |  | 1,480,185   |
| Depreciation expense                  |  | (1,593,496) |
| Adjustment for sale of capital assets |  | (19,690)    |

|  |  |          |
|--|--|----------|
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. |  | (88,448) |
|--|--|----------|

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

|   |  |           |
|---|--|-----------|
| Pension expense                               |  | 5,110,168 |
| Compensated absences                          |  | (44,350)  |
| Other post employment benefits                |  | (27,821)  |
| Accrued interest                              |  | (382)     |
| Amortization of deferred charges on refunding |  | (1,119)   |
| Amortization of bond premium and discounts    |  | 1,012     |

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

|                        |  |           |
|------------------------|--|-----------|
| Principal payments     |  | 560,879   |
| Capital lease issuance |  | (215,371) |

|  |    |   |
|--|----|---|
|  |    | <hr style="border: 1px solid black;"/> <b>Change in Net Position of Governmental Activities</b> |
|  | \$ | <hr style="border: 1px solid black;"/> <b>5,470,106</b> <hr style="border: 1px solid black;"/>  |

See Notes to Financial Statements.

# City of Stephenville, Texas

## STATEMENT OF NET POSITION

### PROPRIETARY FUNDS

September 30, 2018

|  | Business-Type Activities |                         |                     |
|--|--------------------------|-------------------------|---------------------|
|  | Enterprise Funds         |                         |                     |
|  | Water and<br>Wastewater  | Storm Water<br>Drainage | Nonmajor<br>Airport |
| <b>Assets</b>                                  |                          |                         |                     |
| <b>Current Assets</b>                          |                          |                         |                     |
| Cash and cash equivalents                      | \$ 3,246,413             | \$ 861,670              | \$ 51,287           |
| Restricted cash                                | 18,490,479               | 274,446                 | -                   |
| Investments                                    | 150,000                  | -                       | -                   |
| Receivables, net                               | 1,281,907                | 74,666                  | -                   |
| Prepaid items                                  | 6,972                    | -                       | 34,972              |
| Due from other funds                           | 387,434                  | -                       | -                   |
| Due from component unit                        | 21,697                   | -                       | -                   |
| Inventories                                    | 251,524                  | -                       | -                   |
| <b>Total Current Assets</b>                    | <b>23,836,426</b>        | <b>1,210,782</b>        | <b>86,259</b>       |
| <b>Noncurrent Assets</b>                       |                          |                         |                     |
| Net pension asset                              | 367,998                  | -                       | -                   |
| Capital assets:                                |                          |                         |                     |
| Non-depreciable                                | 1,963,895                | -                       | 2,555,777           |
| Net depreciable capital assets                 | 32,456,139               | 8,568,157               | 3,839,294           |
| <b>Total Noncurrent Assets</b>                 | <b>34,788,032</b>        | <b>8,568,157</b>        | <b>6,395,071</b>    |
| <b>Total Assets</b>                            | <b>58,624,458</b>        | <b>9,778,939</b>        | <b>6,481,330</b>    |
| <b>Deferred Outflows of Resources</b>          |                          |                         |                     |
| Deferred charge on refunding                   | 14,637                   | 34,836                  | -                   |
| Deferred pension outflows                      | 204,559                  | -                       | -                   |
| Deferred OPEB outflows                         | 3,961                    | -                       | -                   |
| <b>Total Deferred Outflows of Resources</b>    | <b>223,157</b>           | <b>34,836</b>           | <b>-</b>            |
| <b>Liabilities</b>                             |                          |                         |                     |
| <b>Current Liabilities</b>                     |                          |                         |                     |
| Accounts payable and accrued expenses          | 662,278                  | 1,994                   | 3,560               |
| Customer deposits                              | 357,606                  | -                       | -                   |
| Current maturities of<br>long-term liabilities | 2,006,229                | 295,000                 | -                   |
| Unearned revenue                               | -                        | -                       | 10,880              |
| Accrued interest                               | 47,269                   | 26,328                  | -                   |
| <b>Total Current Liabilities</b>               | <b>3,073,382</b>         | <b>323,322</b>          | <b>14,440</b>       |
| <b>Noncurrent Liabilities</b>                  |                          |                         |                     |
| Long-term liabilities                          | 21,729,028               | 5,606,992               | -                   |
| Landfill closure costs                         | -                        | -                       | -                   |
| OPEB liability                                 | 55,484                   | -                       | -                   |
| <b>Total Liabilities</b>                       | <b>24,857,894</b>        | <b>5,930,314</b>        | <b>14,440</b>       |
| <b>Deferred Inflows of Resources</b>           |                          |                         |                     |
| Deferred pension inflows                       | 273,337                  | -                       | -                   |
| <b>Net Position</b>                            |                          |                         |                     |
| Net investment in capital assets               | 27,379,771               | 2,701,002               | 6,395,071           |
| Restricted for:                                |                          |                         |                     |
| Pensions                                       | 299,220                  | -                       | -                   |
| Debt service                                   | 1,863,924                | 274,446                 | -                   |
| Unrestricted                                   | 4,173,469                | 908,013                 | 71,819              |
| <b>Total Net Position</b>                      | <b>\$ 33,716,384</b>     | <b>\$ 3,883,461</b>     | <b>\$ 6,466,890</b> |

See Notes to Financial Statements.

**Business-Type Activities  
Enterprise Funds**

| <b>Nonmajor</b>          |           |                   |
|--------------------------|-----------|-------------------|
| <b>Sanitary Landfill</b> |           | <b>Total</b>      |
| \$ 312,386               | \$        | 4,471,756         |
| -                        |           | 18,764,925        |
| -                        |           | 150,000           |
| 41,786                   |           | 1,398,359         |
| -                        |           | 41,944            |
| -                        |           | 387,434           |
| -                        |           | 21,697            |
| -                        |           | 251,524           |
| <u>354,172</u>           |           | <u>25,487,639</u> |
| 48,964                   |           | 416,962           |
| 40,000                   |           | 4,559,672         |
| 1,521,530                |           | 46,385,120        |
| <u>1,610,494</u>         |           | <u>51,361,754</u> |
| <u>1,964,666</u>         |           | <u>76,849,393</u> |
| -                        |           | 49,473            |
| 27,217                   |           | 231,776           |
| 527                      |           | 4,488             |
| <u>27,744</u>            |           | <u>285,737</u>    |
| 35,328                   |           | 703,160           |
| 2,800                    |           | 360,406           |
| 3,232                    |           | 2,304,461         |
| -                        |           | 10,880            |
| -                        |           | 73,597            |
| <u>41,360</u>            |           | <u>3,452,504</u>  |
| 359                      |           | 27,336,379        |
| 146,518                  |           | 146,518           |
| 7,382                    |           | 62,866            |
| <u>195,619</u>           |           | <u>30,998,267</u> |
| <u>36,368</u>            |           | <u>309,705</u>    |
| 1,561,530                |           | 38,037,374        |
| 39,813                   |           | 339,033           |
| -                        |           | 2,138,370         |
| 159,080                  |           | 5,312,381         |
| <u>\$ 1,760,423</u>      | <u>\$</u> | <u>45,827,158</u> |

# City of Stephenville, Texas

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

For the Year Ended September 30, 2018

|   | Business-Type Activities<br>Enterprise Funds |                         |                     |
|---|--|-------------------------|---------------------|
|   | Water and<br>Wastewater                      | Storm Water<br>Drainage | Nonmajor<br>Airport |
|   | _____  | _____                   | _____               |
| <b><u>Operating Revenues</u></b>                  |  |                         |                     |
| Water revenue                                     | \$ 4,701,078                                 | \$ -                    | \$ -                |
| Sewer revenue                                     | 2,894,959                                    | -                       | -                   |
| Airport services                                  | -  | -                       | 108,097             |
| Storm drainage                                    | -  | 628,731                 | -                   |
| Sanitation landfill                               | -  | -                       | -                   |
| Other income                                      | 98,658                                       | -                       | 7,981               |
| <b>Total Operating Revenues</b>                   | <b>7,694,695</b>                             | <b>628,731</b>          | <b>116,078</b>      |
| <b><u>Operating Expenses</u></b>                  |  |                         |                     |
| Personnel services                                | -  | -                       | -                   |
| Contractual services                              | -  | -                       | -                   |
| Materials and supplies                            | -  | -                       | -                   |
| Utilities administration and customer service     | 324,925                                      | -                       | -                   |
| Water and production and distribution             | 1,154,496                                    | -                       | -                   |
| Wastewater collection and treatment               | 1,306,248                                    | -                       | -                   |
| Billing and collection                            | 236,782                                      | -                       | -                   |
| Stormwater  | -  | 61,568                  | -                   |
| Airport operations                                | -  | -                       | 71,788              |
| Depreciation                                      | 1,408,248                                    | 274,458                 | 121,561             |
| <b>Total Operating Expenses</b>                   | <b>4,430,699</b>                             | <b>336,026</b>          | <b>193,349</b>      |
| <b>Operating Income (Loss)</b>                    | <b>3,263,996</b>                             | <b>292,705</b>          | <b>(77,271)</b>     |
| <b><u>Nonoperating Revenues (Expenses)</u></b>    |  |                         |                     |
| Investment income                                 | 95,171                                       | 16,907                  | -                   |
| Interest expense                                  | (175,994)                                    | (206,226)               | (651)               |
| Bond issuance costs                               | (426,087)                                    | -                       | -                   |
| <b>Total Nonoperating Revenues (Expenses)</b>     | <b>(506,910)</b>                             | <b>(189,319)</b>        | <b>(651)</b>        |
| <b>Income Before Contributions and Transfers</b>  | <b>2,757,086</b>                             | <b>103,386</b>          | <b>(77,922)</b>     |
| <b><u>Capital Contributions and Transfers</u></b> |  |                         |                     |
| Capital grants and contributions                  | 135,575                                      | -                       | 39,699              |
| Transfers in                                      | 18,213                                       | -                       | -                   |
| Transfers (out)                                   | (672,130)                                    | (44,753)                | -                   |
| <b>Change in Net Position</b>                     | <b>2,238,744</b>                             | <b>58,633</b>           | <b>(38,223)</b>     |
| Beginning net position                            | 31,477,640                                   | 3,824,828               | 6,505,113           |
| <b>Ending Net Position</b>                        | <b>\$ 33,716,384</b>                         | <b>\$ 3,883,461</b>     | <b>\$ 6,466,890</b> |

See Notes to Financial Statements.

**Business-Type Activities  
Enterprise Funds**

| <b>Nonmajor</b>          |                      |
|--------------------------|----------------------|
| <b>Sanitary Landfill</b> | <b>Total</b>         |
| \$ -                     | \$ 4,701,078         |
| -                        | 2,894,959            |
| -                        | 108,097              |
| -                        | 628,731              |
| 657,356                  | 657,356              |
| -                        | 106,639              |
| <u>657,356</u>           | <u>9,096,860</u>     |
| 100,413                  | 100,413              |
| 73,886                   | 73,886               |
| 89,691                   | 89,691               |
| -                        | 324,925              |
| -                        | 1,154,496            |
| -                        | 1,306,248            |
| -                        | 236,782              |
| -                        | 61,568               |
| -                        | 71,788               |
| 145,666                  | 1,949,933            |
| <u>409,656</u>           | <u>5,369,730</u>     |
| 247,700                  | 3,727,130            |
| 6,030                    | 118,108              |
| (6,123)                  | (388,994)            |
| -                        | (426,087)            |
| <u>(93)</u>              | <u>(696,973)</u>     |
| 247,607                  | 3,030,157            |
| -                        | 175,274              |
| -                        | 18,213               |
| <u>(52,182)</u>          | <u>(769,065)</u>     |
| 195,425                  | 2,454,579            |
| 1,564,998                | 43,372,579           |
| <u>\$ 1,760,423</u>      | <u>\$ 45,827,158</u> |

# City of Stephenville, Texas

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 1 of 2)

For the Year Ended September 30, 2018

|  | Business-Type Activities |                         |                     |
|--|--------------------------|-------------------------|---------------------|
|  | Enterprise Funds         |                         |                     |
|  | Water and<br>Wastewater  | Storm Water<br>Drainage | Nonmajor<br>Airport |
| <b><u>Cash Flows from Operating Activities</u></b>                     |                          |                         |                     |
| Receipts from customers  | \$ 8,043,136             | \$ 637,476              | \$ 156,832          |
| Payments to suppliers and contractors                                  | (3,197,957)              | (57,171)                | (111,262)           |
| Payments to employees for salaries and benefits                        | (1,052,032)              | -                       | -                   |
| <b>Net Cash Provided (Used) by Operating Activities</b>                | <b>3,793,147</b>         | <b>580,305</b>          | <b>45,570</b>       |
| <b><u>Cash Flows from Noncapital Financing Activities</u></b>          |                          |                         |                     |
| Transfer in  | 18,213                   | -                       | -                   |
| Transfer (out)   | (672,130)                | (44,753)                | -                   |
| <b>Net Cash Provided (Used) by Noncapital Financing Activities</b>     | <b>(653,917)</b>         | <b>(44,753)</b>         | <b>-</b>            |
| <b><u>Cash Flows from Capital and Related Financing Activities</u></b> |                          |                         |                     |
| Purchases of capital assets  | (352,888)                | -                       | (55,500)            |
| Capital grant  | 135,575                  | -                       | 39,699              |
| Proceeds from capital debt   | 17,030,000               | -                       | -                   |
| Principal paid on capital debt   | (1,910,912)              | (285,000)               | (23,827)            |
| Change in landclosure costs  | -                        | -                       | -                   |
| Bond issuance costs  | (426,087)                | -                       | -                   |
| Interest paid on capital debt  | (165,006)                | (217,936)               | (966)               |
| <b>Net Cash (Used) by Capital and Related Financing Activities</b>     | <b>14,310,682</b>        | <b>(502,936)</b>        | <b>(40,594)</b>     |
| <b><u>Cash Flows from Investing Activities</u></b>                     |                          |                         |                     |
| Purchase of investments  | 95,000                   | -                       | -                   |
| Interest on investments  | 95,171                   | 16,907                  | -                   |
| <b>Net Cash Provided by Investing Activities</b>                       | <b>190,171</b>           | <b>16,907</b>           | <b>-</b>            |
| <b>Net Increase (Decrease) in Cash and Cash</b>                        | <b>17,640,083</b>        | <b>49,523</b>           | <b>4,976</b>        |
| Beginning cash and cash equivalents                                    | <b>4,096,809</b>         | <b>1,086,593</b>        | <b>46,311</b>       |
| <b>Ending Cash and Cash Equivalents</b>                                | <b>\$ 21,736,892</b>     | <b>\$ 1,136,116</b>     | <b>\$ 51,287</b>    |

See Notes to Financial Statements.

**Business-Type Activities**

**Enterprise Funds**

| <b>Nonmajor</b>          |                      |
|--------------------------|----------------------|
| <b>Sanitary Landfill</b> | <b>Total</b>         |
| \$ 649,654               | \$ 9,487,098         |
| (135,775)                | (3,502,165)          |
| (196,671)                | (1,248,703)          |
| <u>317,208</u>           | <u>4,736,230</u>     |
| -                        | 18,213               |
| <u>(52,182)</u>          | <u>(769,065)</u>     |
| <u>(52,182)</u>          | <u>(750,852)</u>     |
| (6,463)                  | (414,851)            |
| -                        | 175,274              |
| -                        | 17,030,000           |
| (821,822)                | (3,041,561)          |
| (30,692)                 | (30,692)             |
| -                        | (426,087)            |
| <u>(24,232)</u>          | <u>(408,140)</u>     |
| <u>(883,209)</u>         | <u>12,883,943</u>    |
| -                        | 95,000               |
| <u>6,030</u>             | <u>118,108</u>       |
| <u>6,030</u>             | <u>213,108</u>       |
| (612,153)                | 17,082,429           |
| <u>924,539</u>           | <u>6,154,252</u>     |
| <u>\$ 312,386</u>        | <u>\$ 23,236,681</u> |

# City of Stephenville, Texas

## STATEMENT OF CASH FLOWS

### PROPRIETARY FUNDS (Page 2 of 2)

For the Year Ended September 30, 2018

|   | Business-Type Activities |                         |                     |
|---|--------------------------|-------------------------|---------------------|
|   | Enterprise Funds         |                         |                     |
|   | Water and<br>Wastewater  | Storm Water<br>Drainage | Nonmajor<br>Airport |
| <b>Reconciliation of Operating Income (Loss)</b>                          |                          |                         |                     |
| <b>to Net Cash Provided (Used) by Operating Activities</b>                |                          |                         |                     |
| Operating Income (Loss)   | \$ 3,263,996             | \$ 292,705              | \$ (77,271)         |
| Adjustments to reconcile operating<br>income to net cash provided (used): |                          |                         |                     |
| Depreciation  | 1,408,248                | 274,458                 | 121,561             |
| <b>Changes in Operating Assets and Liabilities:</b>                       |                          |                         |                     |
| <b>(Increase) Decrease in:</b>  |                          |                         |                     |
| Accounts receivable   | 328,353                  | 8,745                   | 40,754              |
| Inventory   | (19,364)                 | 2,402                   | -                   |
| Prepaid items   | (6,972)                  | -                       | (3,797)             |
| Due from other funds  | (409,131)                | -                       | -                   |
| Deferred Outflows of Resources:   |                          |                         |                     |
| Deferred pension charges  | 157,888                  | -                       | -                   |
| OPEB charges  | (3,609)                  | -                       | -                   |
| <b>Increase (Decrease) in:</b>  |                          |                         |                     |
| Accounts payable and accrued expenses                                     | (64,964)                 | 1,995                   | (35,677)            |
| Customer deposits   | 20,088                   | -                       | -                   |
| Compensated absences  | (14,524)                 | -                       | -                   |
| OPEB liability  | 7,512                    | -                       | -                   |
| Net pension liability (asset)   | (1,126,206)              | -                       | -                   |
| Deferred Inflows of Resources:  |                          |                         |                     |
| Pension inflows   | 251,832                  | -                       | -                   |
| <b>Net Cash Provided (Used) by Operating Activities</b>                   | <b>\$ 3,793,147</b>      | <b>\$ 580,305</b>       | <b>\$ 45,570</b>    |

See Notes to Financial Statements.

**Business-Type Activities**

**Enterprise Funds**

| <b>Nonmajor</b>          |           |                  |
|--------------------------|-----------|------------------|
| <b>Sanitary Landfill</b> |           | <b>Total</b>     |
| \$ 247,700               | \$        | 3,727,130        |
| 145,666                  |           | 1,949,933        |
| (8,002)                  |           | 369,850          |
| -                        |           | (16,962)         |
| -                        |           | (10,769)         |
| -                        |           | (409,131)        |
| 12,964                   |           | 170,852          |
| (480)                    |           | (4,089)          |
| 27,802                   |           | (70,844)         |
| 300                      |           | 20,388           |
| (6,452)                  |           | (20,976)         |
| 999                      |           | 8,511            |
| (137,156)                |           | (1,263,362)      |
| 33,867                   |           | 285,699          |
| <u>\$ 317,208</u>        | <u>\$</u> | <u>4,736,230</u> |

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# City of Stephenville, Texas

## NOTES TO FINANCIAL STATEMENTS

September 30, 2018

### 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 mayor-council form of government and provides the following services as authorized by its charter: general government, public safety (police, fire, and EMS), highway and streets, culture and recreation, community development (planning and zoning, licensing, permitting, and inspection), water and wastewater system, storm water drainage, airport, and sanitary landfill.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The Stephenville Economic Development Authority (the "SEDA") although legally separate, is considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

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

**Discretely Presented Component Units**

Stephenville Economic Development Authority

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

Separate financial statements for SEDA as of and for the fiscal year ended September 30, 2018 are not prepared.

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

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

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

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

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

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.

The government reports the following major enterprise funds:

**Water and Wastewater Fund**

The water and wastewater fund accounts for the operation of the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

**Storm Water Drainage Fund**

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

Additionally, the government reports the following fund types:

**Special Revenue Funds**

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

**Debt Service Fund**

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**Capital Projects Fund**

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

**Airport Fund**

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

**Sanitary Landfill Fund**

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

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

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

**D. Measurement focus and basis of accounting**

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

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**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 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."

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
 September 30, 2018

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.

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

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

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

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

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**6. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The government only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

**7. Net Position Flow Assumption**

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

**8. Fund Balance Flow Assumptions**

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

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.

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

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 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

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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 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.

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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 ratios. 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. However, if the effective 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 eight percent, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than eight percent above the rate of the previous year.

**3. Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Employees can carry forward unused sick leave benefits, however, no liability is reported for unpaid accumulated sick leave. Vacation pay is accrued when incurred in the government-wide, and proprietary fund type statement of net position. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

**4. Proprietary Funds Operating and Nonoperating Revenues and Expenses**

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

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**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

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

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

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

**III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

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

**A. Restricted Fund Equity**

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

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

|                 | <b>Restricted</b> |
|-----------------|-------------------|
| Tourism         | \$ 221,288 *      |
| Municipal court | 18,656 *          |
| Public safety   | 48,804 *          |
| Debt service    | 199,410           |
| <b>Total</b>    | <b>\$ 488,158</b> |

\* Restricted by enabling legislation

**IV. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2018, the primary government had the following investments:

| <b>Investment Type</b>              | <b>Value</b>         | <b>Weighted<br/>Average Maturity<br/>(Years)</b> |
|-------------------------------------|----------------------|--|
| Certificates of deposits            | \$ 3,307,610         | 0.53   |
| External investment pools           | 28,284,477           | 0.10   |
| Total value                         | <u>\$ 31,592,087</u> |  |
| Portfolio weighted average maturity |                      | 0.15   |

As of September 30, 2018, the discretely presented component unit had the following investments:

| <b>Investment Type</b>              | <b>Value</b>      | <b>Weighted<br/>Average Maturity<br/>(Years)</b> |
|-------------------------------------|-------------------|--|
| External investment pools           | \$ 668,736        | 0.08   |
| Total value                         | <u>\$ 668,736</u> |  |
| Portfolio weighted average maturity |                   | 0.08   |

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

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*Credit risk:* The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service. As of September 30, 2018, the City's investment in investment pools were rated AAAM by Standard & Poor's.

*Custodial credit risk – deposits:* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2018, the market values of pledged securities and FDIC exceeded bank balances.

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

**TexPool**

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review. There were no limitations or restrictions on withdrawals.

**TexSTAR**

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

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

**B. Receivables**

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

|                              | <b>Governmental Activities</b> |              |              |
|------------------------------|--------------------------------|--------------|--------------|
|                              |                                | Nonmajor     |              |
|                              | General                        | Governmental | Total        |
| Property taxes               | \$ 115,617                     | \$ 12,683    | \$ 128,300   |
| Sales and mixed beverage tax | 1,067,296                      | -            | 1,067,296    |
| Franchise tax                | 30,127                         | -            | 30,127       |
| Hotel/motel taxes            | -                              | 79,264       | 79,264       |
| Court                        | 911,103                        | -            | 911,103      |
| Ambulance billing            | 1,256,338                      | -            | 1,256,338    |
| Accounts                     | 92,449                         | -            | 92,449       |
| Other                        | 13,032                         | 463          | 13,495       |
| Allowance                    | (1,662,491)                    | (7,073)      | (1,669,564)  |
|                              | \$ 1,823,471                   | \$ 85,337    | \$ 1,908,808 |

|           | <b>Business-Type Activities</b> |                         |                      | <b>Total</b> |
|-----------|---------------------------------|-------------------------|----------------------|--------------|
|           | Water and<br>Wastewater         | Storm Water<br>Drainage | Sanitary<br>Landfill |              |
| Accounts  | \$ 1,787,666                    | \$ 89,348               | \$ -                 | \$ 1,877,014 |
| Other     | 26,001                          | -                       | 41,786               | 67,787       |
| Allowance | (531,760)                       | (14,682)                | -                    | (546,442)    |
|           | \$ 1,281,907                    | \$ 74,666               | \$ 41,786            | \$ 1,398,359 |

The discretely presented component unit had receivables of \$95,546 as of yearend which consisted entirely of sales tax.

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**C. Capital Assets**

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

|  | <u>Beginning<br/>Balances</u> | <u>Additions</u>    | <u>Retirements/<br/>Reclassifications</u> | <u>Ending<br/>Balances</u> |
|--|-------------------------------|---------------------|---|----------------------------|
| Capital assets, not being depreciated:     |                               |                     |   |                            |
| Land                                       | \$ 2,676,079                  | \$ -                | \$ -                                      | \$ 2,676,079               |
| Construction in progress                   | 5,090                         | 28,680              | -   | 33,770                     |
| Total capital assets not being depreciated | <u>2,681,169</u>              | <u>28,680</u>       | <u>-</u>                                  | <u>2,709,849</u>           |
| Capital assets, being depreciated:         |                               |                     |   |                            |
| Buildings and improvements                 | 6,935,420                     | 28,081              | -   | 6,963,501                  |
| Machinery and equipment                    | 9,403,902                     | 441,308             | (196,902)                                 | 9,648,308                  |
| Infrastructure                             | 24,096,936                    | 982,116             | -   | 25,079,052                 |
| Total capital assets being depreciated     | <u>40,436,258</u>             | <u>1,451,505</u>    | <u>(196,902)</u>                          | <u>41,690,861</u>          |
| Less accumulated depreciation              |                               |                     |   |                            |
| Buildings and improvements                 | 1,956,322                     | 172,131             | -   | 2,128,453                  |
| Machinery and equipment                    | 6,019,751                     | 560,088             | (177,212)                                 | 6,402,627                  |
| Infrastructure                             | 11,124,817                    | 861,277             | -   | 11,986,094                 |
| Total accumulated depreciation             | <u>19,100,890</u>             | <u>1,593,496</u>    | <u>(177,212)</u>                          | <u>20,517,174</u>          |
| Net capital assets being depreciated       | <u>21,335,368</u>             | <u>(141,991)</u>    | <u>(19,690)</u>                           | <u>21,173,687</u>          |
| <b>Total Capital Assets</b>                | <u>\$ 24,016,537</u>          | <u>\$ (113,311)</u> | <u>\$ (19,690)</u>                        | <u>\$ 23,883,536</u>       |

Depreciation was charged to governmental functions as follows:

|   |                     |
|---|---------------------|
| General government  | \$ 79,054           |
| Public safety   | 475,068             |
| Streets   | 738,656             |
| Culture and recreation                                    | 300,718             |
| <b>Total Governmental Activities Depreciation Expense</b> | <u>\$ 1,593,496</u> |

**City of Stephenville, Texas**  
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**September 30, 2018**

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

|  | <u>Beginning<br/>Balances</u> | <u>Additions</u>             | <u>Retirements/<br/>Reclassifications</u> | <u>Ending<br/>Balances</u>  |
|--|-------------------------------|------------------------------|---|-----------------------------|
| Capital assets, not being depreciated:     |                               |                              |   |                             |
| Land                                       | \$ 3,891,522                  | \$ 11,391                    | \$ -                                      | \$ 3,902,913                |
| Construction in progress                   | 1,148,575                     | 85,584                       | (577,400)                                 | 656,759                     |
| Total capital assets not being depreciated | <u>5,040,097</u>              | <u>96,975</u>                | <u>(577,400)</u>                          | <u>4,559,672</u>            |
| Capital assets, being depreciated:         |                               |                              |   |                             |
| Buildings and improvements                 | 19,548,118                    | -                            | -   | 19,548,118                  |
| Machinery and equipment                    | 4,733,986                     | 89,127                       | -   | 4,823,113                   |
| Infrastructure                             | 58,458,073                    | 228,749                      | 577,400                                   | 59,264,222                  |
| Total capital assets being depreciated     | <u>82,740,177</u>             | <u>317,876</u>               | <u>577,400</u>                            | <u>83,635,453</u>           |
| Less accumulated depreciation              |                               |                              |   |                             |
| Buildings and improvements                 | 4,958,665                     | 443,811                      | -   | 5,402,476                   |
| Machinery and equipment                    | 2,737,740                     | 288,123                      | -   | 3,025,863                   |
| Infrastructure                             | 27,603,995                    | 1,217,999                    | -   | 28,821,994                  |
| Total accumulated depreciation             | <u>35,300,400</u>             | <u>1,949,933</u>             | <u>-</u>                                  | <u>37,250,333</u>           |
| Net capital assets being depreciated       | <u>47,439,777</u>             | <u>(1,632,057)</u>           | <u>577,400</u>                            | <u>46,385,120</u>           |
| <b>Total Capital Assets</b>                | <u><u>\$ 52,479,874</u></u>   | <u><u>\$ (1,535,082)</u></u> | <u><u>\$ -</u></u>                        | <u><u>\$ 50,944,792</u></u> |

Depreciation was charged to business-type activities as follows:

|  |                            |
|--|----------------------------|
| Water and Wastewater                                       | \$ 1,408,248               |
| Storm Water Drainage                                       | 274,458                    |
| Airport  | 121,561                    |
| Sanitary Landfill  | 145,666                    |
| <b>Total Business-type Activities Depreciation Expense</b> | <u><u>\$ 1,949,933</u></u> |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**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, 2018. In general, the City uses the debt service fund and general fund to liquidate governmental long-term liabilities.

|   | <u>Beginning<br/>Balance</u> | <u>Additions</u>     | <u>Reductions</u>                                      | <u>Ending<br/>Balance</u> | <u>Amounts<br/>Due Within<br/>One Year</u> |
|---|------------------------------|----------------------|--|---------------------------|--|
| <b>Governmental Activities:</b>                 |                              |                      |  |                           |  |
| Bonds, notes and other payables:                |                              |                      |  |                           |  |
| General Obligation Bonds                        | \$ 610,000                   | \$ -                 | \$ (300,000)   | \$ 310,000                | \$ 310,000                                 |
| Certificates of Obligation                      | 2,920,000                    | -                    | (65,000)   | 2,855,000                 | 70,000                                     |
| Capital lease obligations                       | 525,318                      | 215,371              | (195,879)  | 544,810                   | 193,237                                    |
| Less deferred amounts:                          |                              |                      |  |                           |  |
| For discounts                                   | (1,922)                      | -                    | 133  | (1,789)                   | -  |
| For premiums                                    | 16,605                       | -                    | (1,145)  | 15,460                    | -  |
| <b>Total Bonds Payable</b>                      | <u>4,070,001</u>             | <u>215,371</u>       | <u>(561,891)</u>                                       | <u>3,723,481</u>          | <u>573,237</u>                             |
| Compensated Absences                            | 431,029                      | 401,913              | (357,563)  | 475,379                   | 427,841                                    |
| <b>Total Governmental Activities</b>            | <u>\$ 4,501,030</u>          | <u>\$ 617,284</u>    | <u>\$ (919,454)</u>                                    | <u>\$ 4,198,860</u>       | <u>\$ 1,001,078</u>                        |
|   |                              |                      | <b>Long-term liabilities due in more than one year</b> | <u>\$ 3,197,782</u>       |  |
| <b>Business-Type Activities:</b>                |                              |                      |  |                           |  |
| General Obligation Bonds                        | \$ 6,743,827                 | \$ -                 | \$ (1,703,827)   | \$ 5,040,000              | \$ 1,715,000                               |
| Certificates of Obligation                      | 5,545,000                    | 17,030,000           | (235,000)  | 22,340,000                | 240,000                                    |
| Capital lease obligations                       | 3,131,369                    | -                    | (1,102,734)  | 2,028,635                 | 297,806                                    |
| Less deferred amounts:                          |                              |                      |  |                           |  |
| For discounts                                   | (24,459)                     | -                    | 1,578  | (22,881)                  | -  |
| For premiums                                    | 211,326                      | -                    | (13,634)   | 197,692                   | -  |
| <b>Total Bonds Payable</b>                      | <u>15,607,063</u>            | <u>17,030,000</u>    | <u>(3,053,617)</u>                                     | <u>29,583,446</u>         | <u>2,252,806</u>                           |
| Estimated landfill closure and postclosure cost | 177,210                      | -                    | (30,692)   | 146,518                   | -  |
| Compensated Absences                            | 78,370                       | 57,315               | (78,291)   | 57,394                    | 51,655                                     |
| <b>Total Business-Type Activities</b>           | <u>\$ 15,862,643</u>         | <u>\$ 17,087,315</u> | <u>\$ (3,162,600)</u>                                  | <u>\$ 29,787,358</u>      | <u>\$ 2,304,461</u>                        |
|   |                              |                      | <b>Long-term liabilities due in more than one year</b> | <u>\$ 27,482,897</u>      |  |
| <b>Component Unit Activities:</b>               |                              |                      |  |                           |  |
| Compensated Absences                            | \$ 3,846                     | \$ 3,704             | \$ -   | \$ 7,550                  | \$ 6,795                                   |
| <b>Total Component Unit Activities</b>          | <u>\$ 3,846</u>              | <u>\$ 3,704</u>      | <u>\$ -</u>  | <u>\$ 7,550</u>           | <u>\$ 6,795</u>                            |
|   |                              |                      | <b>Long-term liabilities due in more than one year</b> | <u>\$ 755</u>             |  |

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

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

|   | <u>Governmental<br/>Activities</u> | <u>Business -<br/>Type<br/>Activities</u> | <u>Total</u>         |
|---|------------------------------------|---|----------------------|
| <b>Certificates of Obligation:</b>  |                                    |   |                      |
| \$4,000,000 Certificates of Obligation, Series 2011,<br>due in annual installments through 2031, interest at 1.75-4.25%                         | \$ 2,855,000                       | \$ -                                      | \$ 2,855,000         |
| \$4,300,000 Certificates of Obligation, Series 2006A,<br>due in annual installments through 2027, interest at 3.92% semi-annually               | -                                  | 2,350,000                                 | 2,350,000            |
| \$1,000,000 Certificates of Obligation, Series 2013<br>due in annual installments through 2024, interest at 2.49% semi-annually                 | -                                  | 920,000                                   | 920,000              |
| \$2,040,000 Certificates of Obligation Bonds, Series 2016<br>due in annual installments through 2027, interest at 1.84% semi-annually           | -                                  | 2,040,000                                 | 2,040,000            |
| \$17,030,000 Certificates of Obligation Bonds, Series 2018<br>due in annual installments through 2039, interest at 0.18% to 1.33% semi-annually | -                                  | 17,030,000                                | 17,030,000           |
| <b>Total Certificates of Obligation</b>   | <u>\$ 2,855,000</u>                | <u>\$ 22,340,000</u>                      | <u>\$ 25,195,000</u> |
| <b>General Obligation Bonds:</b>  |                                    |   |                      |
| \$6,490,000 Refunding & Improvement Bond, Series 2014,<br>due in installments through 2019, interest at 1.19%                                   | \$ 310,000                         | \$ 1,640,000                              | \$ 1,950,000         |
| \$4,775,000 General Obligation Refunding, Series 2013,<br>due in annual installments through 2033, interest at 2.0% to 4.0%                     | -                                  | 3,400,000                                 | 3,400,000            |
| <b>Total General Obligation Bonds</b>   | <u>\$ 310,000</u>                  | <u>\$ 5,040,000</u>                       | <u>\$ 5,350,000</u>  |
| Less deferred amounts:  |                                    |   |                      |
| Issuance premium  | \$ 15,460                          | \$ 197,692                                | \$ 213,152           |
| Issuance discounts  | (1,789)                            | (22,881)                                  | (24,670)             |
| Total deferred amounts  | <u>\$ 13,671</u>                   | <u>\$ 174,811</u>                         | <u>\$ 188,482</u>    |
| Capital lease obligations   | 544,810                            | 2,028,635                                 | 2,573,445            |
| Compensated absences  | 475,379                            | 57,394                                    | 532,773              |
| Landfill closure costs  | -                                  | 146,518                                   | 146,518              |
| <b>Total Long-Term Debt</b>   | <u>\$ 4,198,860</u>                | <u>\$ 29,787,358</u>                      | <u>\$ 33,986,218</u> |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

Combination Tax and Revenue Certificates of Obligations

| <u>Year ending</u><br><u>September 30,</u> | <u>Governmental Activites</u> |                   |                     |
|--|-------------------------------|-------------------|---------------------|
|  | <u>Principal</u>              | <u>Interest</u>   | <u>Total</u>        |
| 2019                                       | \$ 70,000                     | \$ 84,600         | \$ 154,600          |
| 2020                                       | 180,000                       | 80,850            | 260,850             |
| 2021                                       | 190,000                       | 75,300            | 265,300             |
| 2022                                       | 200,000                       | 83,294            | 283,294             |
| 2023                                       | 205,000                       | 89,781            | 294,781             |
| 2024                                       | 215,000                       | 80,856            | 295,856             |
| 2025                                       | 225,000                       | 71,506            | 296,506             |
| 2026                                       | 235,000                       | 61,731            | 296,731             |
| 2027                                       | 245,000                       | 51,531            | 296,531             |
| 2028                                       | 255,000                       | 40,906            | 295,906             |
| 2029                                       | 265,000                       | 29,856            | 294,856             |
| 2030                                       | 280,000                       | 18,275            | 298,275             |
| 2031                                       | 290,000                       | 6,163             | 296,163             |
|  | <u>\$ 2,855,000</u>           | <u>\$ 774,650</u> | <u>\$ 3,629,650</u> |

General Obligation Bonds

| <u>Year ending</u><br><u>September 30,</u> | <u>Governmental Activites</u> |                 |                   |
|--|-------------------------------|-----------------|-------------------|
|  | <u>Principal</u>              | <u>Interest</u> | <u>Total</u>      |
| 2019                                       | \$ 310,000                    | \$ 1,845        | \$ 311,845        |
|  | <u>\$ 310,000</u>             | <u>\$ 1,845</u> | <u>\$ 311,845</u> |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Combination Tax and Revenue Certificates of Obligations

| <u>Year ending</u><br><u>September 30,</u> | <u>Business-Type Activites</u> |                     |                      |
|--|--------------------------------|---------------------|----------------------|
|  | <u>Principal</u>               | <u>Interest</u>     | <u>Total</u>         |
| 2019                                       | \$ 240,000                     | \$ 323,252          | \$ 563,252           |
| 2020                                       | 1,240,000                      | 295,368             | 1,535,368            |
| 2021                                       | 1,250,000                      | 279,208             | 1,529,208            |
| 2022                                       | 1,280,000                      | 261,767             | 1,541,767            |
| 2023                                       | 1,265,000                      | 243,345             | 1,508,345            |
| 2024                                       | 1,285,000                      | 223,826             | 1,508,826            |
| 2025                                       | 1,695,000                      | 199,761             | 1,894,761            |
| 2026                                       | 1,730,000                      | 171,085             | 1,901,085            |
| 2027                                       | 1,755,000                      | 140,876             | 1,895,876            |
| 2028                                       | 830,000                        | 121,510             | 951,510              |
| 2029                                       | 840,000                        | 113,368             | 953,368              |
| 2030                                       | 845,000                        | 104,731             | 949,731              |
| 2031                                       | 855,000                        | 95,635              | 950,635              |
| 2032                                       | 865,000                        | 86,088              | 951,088              |
| 2033                                       | 875,000                        | 76,082              | 951,082              |
| 2034                                       | 885,000                        | 65,565              | 950,565              |
| 2035                                       | 895,000                        | 54,528              | 949,528              |
| 2036                                       | 910,000                        | 43,020              | 953,020              |
| 2037                                       | 920,000                        | 31,125              | 951,125              |
| 2038                                       | 935,000                        | 18,881              | 953,881              |
| 2039                                       | 945,000                        | 6,332               | 951,332              |
|  | <u>\$ 22,340,000</u>           | <u>\$ 2,955,352</u> | <u>\$ 25,295,352</u> |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

General Obligation Bonds

| <u>Year ending<br/>September 30,</u> | <u>Business-Type Activities</u> |                     |                     |
|--------------------------------------|---------------------------------|---------------------|---------------------|
|                                      | <u>Principal</u>                | <u>Interest</u>     | <u>Total</u>        |
| 2019                                 | \$ 1,715,000                    | \$ 127,508          | \$ 1,842,508        |
| 2020                                 | 75,000                          | 116,250             | 191,250             |
| 2021                                 | 75,000                          | 114,750             | 189,750             |
| 2022                                 | 80,000                          | 113,200             | 193,200             |
| 2023                                 | 80,000                          | 111,200             | 191,200             |
| 2024                                 | 80,000                          | 108,800             | 188,800             |
| 2025                                 | 85,000                          | 106,325             | 191,325             |
| 2026                                 | 85,000                          | 103,775             | 188,775             |
| 2027                                 | 90,000                          | 101,150             | 191,150             |
| 2028                                 | 405,000                         | 93,725              | 498,725             |
| 2029                                 | 420,000                         | 80,825              | 500,825             |
| 2030                                 | 440,000                         | 65,200              | 505,200             |
| 2031                                 | 450,000                         | 47,400              | 497,400             |
| 2032                                 | 470,000                         | 29,000              | 499,000             |
| 2033                                 | 490,000                         | 9,800               | 499,800             |
|                                      | <u>\$ 5,040,000</u>             | <u>\$ 1,328,908</u> | <u>\$ 6,368,908</u> |

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

| <u>Year ending<br/>September 30,</u> | <u>Governmental Activities</u> |                  |                   |
|--------------------------------------|--------------------------------|------------------|-------------------|
|                                      | <u>Principal</u>               | <u>Interest</u>  | <u>Total</u>      |
| 2019                                 | \$ 193,237                     | \$ 17,642        | \$ 210,879        |
| 2020                                 | 187,862                        | 11,332           | 199,195           |
| 2021                                 | 139,812                        | 5,697            | 145,510           |
| 2022                                 | 23,898                         | 989              | 24,888            |
| <b>Total</b>                         | <u>\$ 544,810</u>              | <u>\$ 35,660</u> | <u>\$ 580,470</u> |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

| Year ending<br>September 30, | Business-Type Activities |                   |                     |
|------------------------------|--------------------------|-------------------|---------------------|
|                              | Principal                | Interest          | Total               |
| 2019                         | \$ 297,806               | \$ 49,994         | \$ 347,800          |
| 2020                         | 315,811                  | 42,263            | 358,074             |
| 2021                         | 334,608                  | 34,066            | 368,674             |
| 2022                         | 328,729                  | 25,545            | 354,274             |
| 2023                         | 371,065                  | 16,868            | 387,934             |
| 2024                         | 380,615                  | 7,317             | 387,932             |
| <b>Total</b>                 | <b>\$ 2,028,635</b>      | <b>\$ 176,052</b> | <b>\$ 2,204,687</b> |

**E. Deferred Charges on Refunding**

Deferred charges resulting from the issuance of general obligation refunding bonds have been recorded as deferred outflows of resources and are being amortized to interest expense over the shorter of either the remaining term of the refunded debt or the refunding bonds. Current year balances for governmental and business-type activities totaled \$16,218 and \$49,473, respectively. Current year amortization expense for governmental and business-type activities totaled \$1,119 and \$4,764, respectively.

**G. Interfund Transactions**

Transfers between the primary government funds during the 2018 year were as follows:

| Transfer out:       | Transfer In:      |                          |                       | Total               |
|---------------------|-------------------|--------------------------|-----------------------|---------------------|
|                     | General           | Nonmajor<br>Governmental | Water &<br>Wastewater |                     |
| General             | \$ -              | \$ 915,216               | \$ -                  | \$ 915,216          |
| Water & Wastewater  | 672,130           | -                        | -                     | 672,130             |
| Sanitary Landfill   | 52,182            | -                        | -                     | 52,182              |
| Stormwater Drainage | 26,540            | -                        | 18,213                | 44,753              |
| <b>Total</b>        | <b>\$ 750,852</b> | <b>\$ 915,216</b>        | <b>\$ 18,213</b>      | <b>\$ 1,684,281</b> |

Transfers between funds were primarily to support capital projects and operation of funds.

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The compositions of interfund balances as of the year ended September 30, 2018 were as follows:

| <b>Payable:</b>                   | <b>Receivable:</b> |                   |
|-----------------------------------|--------------------|-------------------|
|                                   | <b>Water &amp;</b> |                   |
|                                   | <b>Wastewater</b>  | <b>Total</b>      |
| General                           | 383,978            | 383,978           |
| Nonmajor governmental             | 3,456              | 3,456             |
| Stephenville EDA (Component unit) | 21,697             | 21,697            |
| <b>Total</b>                      | <b>\$ 409,131</b>  | <b>\$ 409,131</b> |

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

**V. OTHER INFORMATION**

**A. Risk Management**

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

**B. Commitments and Contingent Liabilities**

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

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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. During the year, the City became aware of misuse of purchase cards by an employee. The exact amount of unapproved charges is unknown but is estimated to be approximately \$50,000 over the past 4 years. This matter is currently under investigation and charges have been filed against this former employee.

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

| <b><u>Project</u></b>       | <b><u>Spent to Date</u></b> | <b><u>Remaining<br/>Commitment</u></b> |
|-----------------------------|-----------------------------|--|
| Eastside Sewer Project      | \$ 448,500                  | \$ 252,500                             |
| Airport Extension           | 281,232                     | 13,721                                 |
| Primary Sludge Improvements | -                           | 105,906                                |
| 6" Pipe Burst Project       | -                           | 206,139                                |
|                             | <u>\$ 729,732</u>           | <u>\$ 578,265</u>                      |

**C. Municipal Solid Waste Landfill Closure and Post Closure Costs**

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

State and federal laws and regulation require the City to place a final cover on the landfill site when it stops accepting waste to perform certain maintenance and monitoring functions at the site for a period of five years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City will report a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used to date. Estimated closure and 5-year post closure costs are approximately \$424,852. 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 34,49% of the landfill was used at yearend. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**D. Defined Benefit Pension Plans**

**1. Plan Description**

The City of Stephenville, Texas participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

**2. Benefits Provided**

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

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

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

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, 2018**

Plan provisions for the City were as follows:

|  | <u>Plan Year 2017</u>    | <u>Plan Year 2016</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                | 70% of CPI               |
| Active Employees   | Yes                      | Yes                      |
| Supplemental Death Benefit to Retirees                               | Yes                      | Yes                      |

**Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

|  |                   |
|--|-------------------|
| Inactive employees or beneficiaries currently receiving benefits | 89                |
| Inactive employees entitled to but not yet receiving benefits    | 96                |
| Active employees   | <u>156</u>        |
| <b>Total</b>   | <b><u>341</u></b> |

**3. Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City of Stephenville, Texas were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Stephenville, Texas were 14.29% and 6.78% in calendar years 2017 and 2018, respectively. The City's contributions to TMRS for the year ended September 30, 2018, were \$746,654, and were equal to the required contributions.

**City of Stephenville, Texas**  
*NOTES TO FINANCIAL STATEMENTS, Continued*  
September 30, 2018

**4. Net Pension Liability (Asset)**

The City's Net Pension Liability (Asset) was measured as of December 31, 2017, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability (Asset) was determined by an actuarial valuation as of that date.

**Actuarial assumptions**

The Total Pension Liability (Asset) in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

|                           |   |
|---------------------------|---|
| Inflation                 | 2.5% per year   |
| Overall payroll growth    | 3.0%  |
| Investment Rate of Return | 6.75% net of pension plan investment expense, including inflation |

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2018 are summarized in the following table:

| <u>Asset Class</u>    | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return (Arithmetic)</u> |
|-----------------------|--------------------------|--|
| Domestic Equity       | 17.5%                    | 4.55%  |
| International Equity  | 17.5%                    | 6.35%  |
| Core Fixed Income     | 10.0%                    | 1.00%  |
| Non-Core Fixed Income | 20.0%                    | 3.90%  |
| Real Return           | 10.0%                    | 3.80%  |
| Real Estate           | 10.0%                    | 4.50%  |
| Absolute Return       | 10.0%                    | 3.75%  |
| Private Equity        | <u>5.0%</u>              | 7.50%  |
| <b>Total</b>          | <b>100.0%</b>            |  |

**Discount Rate**

The discount rate used to measure the Total Pension Liability (Asset) was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability (Asset).

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Changes in the Net Pension Liability (Asset)**

|  | <u>Total Pension<br/>Liability (a)</u> | <u>Plan Fiduciary<br/>Net Position (b)</u> | <u>Net Pension<br/>Liability (Asset)</u> | <u>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
|--|--|--|--|-------------------------------|---------------------------|
| <b>Balance at 12/31/16</b>                                   | \$ 42,312,797                          | \$ 36,188,342                              | \$ 6,124,455                             | \$ 6,046,674                  | \$ 77,781                 |
| Changes for the year:  |  |  |  |                               |                           |
| Service cost   | 1,250,973                              | -  | 1,250,973                                | 1,235,086                     | 15,887                    |
| Interest   | 2,424,723                              | -  | 2,424,723                                | 2,393,929                     | 30,794                    |
| Change in benefit terms                                      | (6,087,924)                            | -  | (6,087,924)                              | (6,010,607)                   | (77,317)                  |
| Difference between expected<br>and<br>actual experience      | (149,716)                              | -  | (149,716)                                | (147,815)                     | (1,901)                   |
| Changes of assumptions                                       | -                                      | -  | -  | -                             | -                         |
| Contributions – employer                                     | -                                      | 1,163,749                                  | (1,163,749)                              | (1,148,969)                   | (14,780)                  |
| Contributions – employee                                     | -                                      | 488,628                                    | (488,628)                                | (482,422)                     | (6,206)                   |
| Net investment income  | -                                      | 5,016,931                                  | (5,016,931)                              | (4,953,216)                   | (63,715)                  |
| Benefit payments, including<br>refunds of emp. contributions | (1,857,064)                            | (1,857,064)                                | -  | -                             | -                         |
| Administrative expense                                       | -                                      | (25,993)                                   | 25,993                                   | 25,663                        | 330                       |
| Other changes  | -                                      | (1,321)                                    | 1,321                                    | 1,304                         | 17                        |
| Net changes  | (4,419,008)                            | 4,784,930                                  | (9,203,938)                              | (9,087,048)                   | (116,890)                 |
| <b>Balance at 12/31/17</b>                                   | <u>\$ 37,893,789</u>                   | <u>\$ 40,973,272</u>                       | <u>\$ (3,079,483)</u>                    | <u>\$ (3,040,374)</u>         | <u>\$ (39,109)</u>        |

**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<br>5.75% | Current Single Rate<br>Assumption 6.75% | 1% Increase<br>7.75% |
|----------------------|---|----------------------|
| \$ 1,753,581         | \$ (3,040,374)                          | \$ (7,031,722)       |

**Component Unit**

| 1% Decrease<br>5.75% | Current Single Rate<br>Assumption 6.75% | 1% Increase<br>7.75% |
|----------------------|---|----------------------|
| \$ 22,557            | \$ (39,109)                             | \$ (90,452)          |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tMrs.com](http://www.tMrs.com).

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

For the year ended September 30, 2018, the City recognized a pension gain of \$5,265,076. Of this amount, \$5,198,210 is related to the primary government and \$66,866 is attributable to discretely presented component unit.

During the year, the City amended the TMRS retiree Cost of Living Adjustments from 70% to 0% of the Consumer Price Index (inflation adjustment). This resulted in a significant onetime adjustment to the net pension liability and resulted in a net pension asset. Due to the significance of this adjustment to governmental activities, the net effect of \$5,110,168 has been reported as a Special Item and reported separately from normal operations.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of Resources</b> | <b>Deferred<br/>Inflows of Resources</b> |
|---|---|--|
| <b>Primary Government:</b>                                  |   |  |
| Difference between projected and actual investment earnings | \$ 1,004,742                              | \$ (2,035,092)                           |
| Differences between expected and actual economic experience | 198,698                                   | (223,195)                                |
| Difference in assumption changes                            | 31,329                                    | -  |
| Contributions subsequent to the measurement date            | 455,283                                   | -  |
| <b>Component Unit:</b>                                      |   |  |
| Difference between projected and actual investment earnings | 12,925                                    | (26,178)                                 |
| Differences between expected and actual economic experience | 2,556                                     | (2,871)                                  |
| Difference in assumption changes                            | 403                                       | -  |
| Contributions subsequent to the measurement date            | 5,856                                     | -  |
| <b>Total</b>  | <b>\$ 1,711,792</b>                       | <b>\$ (2,287,336)</b>                    |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

The City reported \$461,139 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 (asset) for the year ending September 30, 2019.

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

| <b>Year ended December 31:</b> |           |                    |
|--------------------------------|-----------|--------------------|
| 2018                           | \$        | 27,803             |
| 2019                           |           | (37,982)           |
| 2020                           |           | (484,663)          |
| 2021                           |           | (541,841)          |
| 2022                           |           | -                  |
| Thereafter                     |           | -                  |
|                                | <u>\$</u> | <u>(1,036,683)</u> |

**Other Postemployment Benefits**

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

| The City offers supplemental death to: | Plan Year 2016 | Plan Year 2015 |
|--|----------------|----------------|
| Active employees (yes or no)           | Yes            | Yes            |
| Retirees (yes or no)                   | Yes            | Yes            |

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

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Employees covered by benefit terms**

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

|  |     |
|--|-----|
| Inactive employees or beneficiaries currently receiving benefits | 71  |
| Inactive employees entitled to but not yet receiving benefits    | 17  |
| Active employees   | 156 |
| Total  | 244 |

The City's contributions to the TMRS SDBF for the years ended 2018 and 2017 were \$4,263, and \$4,021, respectively, which equaled the required contributions each year.

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

| Plan/<br>Calendar Year | Annual Required<br>Contribution<br>(Rate) | Actual Contribution<br>Made<br>(Rate) | Percentage of ARC<br>Contributed |
|------------------------|---|---------------------------------------|----------------------------------|
| 2016                   | 0.05%                                     | 0.05%                                 | 100.0%                           |
| 2017                   | 0.05%                                     | 0.05%                                 | 100.0%                           |
| 2018                   | 0.05%                                     | 0.05%                                 | 100.0%                           |

**Total OPEB Liability**

The City's Postemployment Benefits Other Than Pensions Liability (OPEB) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

|  |   |
|--|---|
| Inflation                                | 2.5% per year   |
| Overall payroll growth                   | 3.5% to 10.5%, including inflation per year   |
| Discount rate                            | 3.31%   |
| 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 |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

**Discount Rate:**

The discount rate used to measure the Total OPEB Liability was 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.

**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 3.31%, 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 (2.31%) or 1-percentage-point higher (4.31%) than the current rate:

**Primary Government**

| 1% Decrease<br>(2.31%) | Current Single Rate<br>Assumption 3.31% | 1% Increase<br>(4.31%) |
|------------------------|---|------------------------|
| \$ 547,219             | \$ 458,407                              | \$ 388,801             |

**Component Unit**

| 1% Decrease<br>(2.31%) | Current Single Rate<br>Assumption 3.31% | 1% Increase<br>(4.31%) |
|------------------------|---|------------------------|
| \$ 7,039               | \$ 5,897                                | \$ 5,001               |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

**Changes in the Total OPEB Liability:**

|                            | <u>Total OPEB<br/>Liability</u> | <u>Primary<br/>Government</u> | <u>Component<br/>Unit</u> |
|----------------------------|---------------------------------|-------------------------------|---------------------------|
| <b>Balance at 12/31/16</b> | \$ 401,442                      | \$ 396,344                    | \$ 5,098                  |
| Changes for the year:      |                                 |                               |                           |
| Service Cost               | 16,268                          | 16,061                        | 207                       |
| Interest                   | 15,405                          | 15,209                        | 196                       |
| Change in benefit terms    | -                               | -                             | -                         |
| Changes of assumptions     | 35,257                          | 34,809                        | 448                       |
| Contributions – employer   | -                               | -                             | -                         |
| Contributions – employee   | -                               | -                             | -                         |
| Net investment income      | -                               | -                             | -                         |
| Benefit payments           | (4,068)                         | (4,016)                       | (52)                      |
| Administrative expense     | -                               | -                             | -                         |
| Other changes              | -                               | -                             | -                         |
| Net changes                | <u>62,862</u>                   | <u>62,064</u>                 | <u>798</u>                |
| <b>Balance at 12/31/17</b> | <u>\$ 464,304</u>               | <u>\$ 458,407</u>             | <u>\$ 5,897</u>           |

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

For the year ended September 30, 2018, the City recognized OPEB expense of \$36,920. Of this amount, \$36,451 is related to the primary government and \$469 is attributable to discretely presented component unit.

At September 30, 2018, 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<br/>of Resources</u> |
|---|---|
| Differences between expected and actual economic experience | \$ 29,628                                 |
| Contributions subsequent to measurement date                | 3,100                                     |
| <b>Total</b>  | <u>\$ 32,728</u>                          |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

| <u>Component Unit</u>                                       | <u>Deferred Outflows<br/>of Resources</u> |
|---|---|
| Differences between expected and actual economic experience | \$ 381                                    |
| Contributions subsequent to measurement date                | 40  |
| <b>Total</b>  | <b>\$ 421</b>                             |

The City reported \$3,140 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, 2019.

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

| <b>Year ended December 31:</b> |                  |
|--------------------------------|------------------|
| 2018                           | \$ 5,247         |
| 2019                           | 5,247            |
| 2020                           | 5,247            |
| 2021                           | 5,247            |
| 2022                           | 5,247            |
| Thereafter                     | 3,774            |
|                                | <u>\$ 30,009</u> |

**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, 2018:

| <u>Purpose</u>   | <u>Percentage of Taxes<br/>Abated during<br/>the Fiscal Year</u> | <u>Amount of Taxes Abated<br/>during the Fiscal Year<br/>Property Tax</u> | <u>Amount of Taxes Abated<br/>during the Fiscal Year<br/>Sales Tax</u> |
|--|--|---|--|
| Construction of a well service pump facility by F.M.C. Technologies, Inc. for commercial or industrial purposes.   | 50%  | \$ 30,000   | \$ -   |
| 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. | 60%  | 43,200  | -  |
| <b>Total</b>   |  | <u>\$ 73,200</u>  | <u>\$ -</u>  |

**City of Stephenville, Texas**  
**NOTES TO FINANCIAL STATEMENTS, Continued**  
**September 30, 2018**

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

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

**F. Restatement**

Due to the implementation of GASB No. 75, the City restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and related deferred outflows and inflows of resources, as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government-wide level for both governmental and business-type activities. In addition, the City restated beginning net position and fund balance within business-type activities in order to correct the prior year inventory balance in the water and wastewater fund.

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

|   | <u>Governmental<br/>Activities</u> | <u>Business-Type<br/>Activities</u> | <u>Water &amp;<br/>Wastewater</u> | <u>Sanitary<br/>Landfill</u> | <u>Discretely<br/>Presented<br/>Component Unit</u> |
|---|------------------------------------|-------------------------------------|-----------------------------------|------------------------------|--|
| Prior year ending net position/<br>fund balance as reported | \$ 25,660,473                      | \$ 43,194,375                       | \$ 31,293,100                     | \$ 1,571,334                 | \$ 437,166   |
| Implementation of GASB 75                                   | (339,480)                          | (53,956)                            | (47,620)                          | (6,336)                      | (5,060)  |
| Correction to inventory                                     | -                                  | 232,160                             | 232,160                           | -                            | -  |
| Restated beginning net position/<br>fund balance            | <u>\$ 25,320,993</u>               | <u>\$ 43,372,579</u>                | <u>\$ 31,477,640</u>              | <u>\$ 1,564,998</u>          | <u>\$ 432,106</u>                                  |

**G. Subsequent Events**

There were no material subsequent events through March 18, 2019, the date the financial statements were issued.

***REQUIRED SUPPLEMENTARY INFORMATION***

**City of Stephenville, Texas**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND (Page 1 of 2)**  
**For the Year Ended September 30, 2018**

|                              | Original<br>Budget | Final Budget      | Actual            | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|------------------------------|--------------------|-------------------|-------------------|---|
| <b>Revenues</b>              |                    |                   |                   |   |
| Property tax                 | \$ 5,254,270       | \$ 5,254,270      | \$ 5,277,928      | \$ 23,658   |
| Sales tax                    | 5,300,000          | 5,300,000         | 5,644,834         | 344,834   |
| Franchise and other taxes    | 1,202,000          | 1,202,000         | 1,199,890         | (2,110)   |
| License and permits          | 211,620            | 211,620           | 246,891           | 35,271  |
| Charges for services         | 346,900            | 349,064           | 371,636           | 22,572  |
| Emergency services           | 571,750            | 752,016           | 607,337           | (144,679)   |
| Fines and forfeitures        | 170,200            | 170,200           | 137,184           | (33,016)  |
| Intergovernmental            | 72,000             | 94,035            | 72,111            | (21,924)  |
| Contributions and donations  | 105,525            | 300,704           | 265,868           | (34,836)  |
| Investment income            | 37,500             | 37,500            | 122,346           | 84,846  |
| Other revenues               | 70,100             | 77,511            | 150,649           | 73,138  |
| <b>Total Revenues</b>        | <b>13,341,865</b>  | <b>13,748,920</b> | <b>14,096,674</b> | <b>347,754</b>  |
| <b>Expenditures</b>          |                    |                   |                   |   |
| Current:                     |                    |                   |                   |   |
| General government           |                    |                   |                   |   |
| City council                 | 68,918             | 80,282            | 79,644            | 638   |
| City administrator           | 247,618            | 253,318           | 248,947           | 4,371   |
| City secretary               | 111,815            | 111,815           | 111,427           | 388   |
| Emergency management         | 20,576             | 20,576            | 19,903            | 673   |
| Financial services           | 427,502            | 417,607           | 378,638           | 38,969  |
| Municipal building           | 162,789            | 168,589           | 152,132           | 16,457  |
| Municipal services center    | 91,995             | 91,995            | 89,961            | 2,034   |
| Purchasing                   | 74,476             | 74,476            | 71,075            | 3,401   |
| Information technology       | 272,130            | 272,130           | 241,507           | 30,623  |
| Legal counsel                | 132,097            | 132,097           | 107,695           | 24,402  |
| Human resources              | 108,714            | 132,914           | 121,872           | 11,042  |
| Tax                          | 155,926            | 155,926           | 154,145           | 1,781   |
| Total general government     | 1,874,556          | 1,911,725         | 1,776,946         | 134,779   |
| Culture and recreation       |                    |                   |                   |   |
| Cemeteries                   | 166,940            | 166,940           | 131,521           | 35,419  |
| Library                      | 243,526            | 256,114           | 256,524           | (410)   |
| Parks and recreation         | 549,310            | 610,840           | 586,584           | 24,256  |
| Parks maintenance            | 729,076            | 852,422           | 695,600           | 156,822   |
| Senior citizens              | 128,138            | 138,446           | 137,955           | 491   |
| Community services           | 153,988            | 153,988           | 152,743           | 1,245   |
| Aquatic                      | 275,430            | 304,371           | 300,338           | 4,033   |
| Total culture and recreation | 2,246,408          | 2,483,121         | 2,261,265         | 221,856   |

# City of Stephenville, Texas

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

### IN FUND BALANCE - BUDGET AND ACTUAL

#### GENERAL FUND (Page 2 of 2)

For the Year Ended September 30, 2018

|   | Original<br>Budget | Final Budget | Actual       | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|---|--------------------|--------------|--------------|---|
| Community development                       |                    |              |              |   |
| Inspections                                 | \$ 262,562         | \$ 262,562   | \$ 257,883   | \$ 4,679  |
| Code enforcement                            | 68,834             | 68,834       | 60,172       | 8,662   |
| Planning and development                    | 144,357            | 207,051      | 167,225      | 39,826  |
| Total community development                 | 475,753            | 538,447      | 485,280      | 53,167  |
| Public safety                               |                    |              |              |   |
| Municipal court                             | 166,000            | 166,000      | 155,032      | 10,968  |
| Animal control                              | 138,846            | 138,846      | 128,388      | 10,458  |
| Fire department                             | 1,597,012          | 1,641,424    | 1,597,748    | 43,676  |
| Fire prevention/investigation               | 203,741            | 210,241      | 205,393      | 4,848   |
| Volunteer fire                              | 20,338             | 20,338       | 17,010       | 3,328   |
| Emergency medical services                  | 1,244,473          | 1,359,334    | 1,354,405    | 4,929   |
| Public safety                               | 155,539            | 155,539      | 146,714      | 8,825   |
| Professional standards                      | 274,622            | 219,622      | 207,713      | 11,909  |
| Communications                              | 729,139            | 669,139      | 662,460      | 6,679   |
| Support services                            | 84,571             | 83,371       | 78,118       | 5,253   |
| Police department                           | 3,506,992          | 3,938,728    | 3,880,643    | 58,085  |
| Total public safety                         | 8,121,273          | 8,602,582    | 8,433,624    | 168,958   |
| Public works                                |                    |              |              |   |
| Street maintenance                          | 986,531            | 986,531      | 842,916      | 143,615   |
| Total public works                          | 986,531            | 986,531      | 842,916      | 143,615   |
| Debt service:                               |                    |              |              |   |
| Principal retirement                        | 159,260            | 195,879      | 195,879      | -   |
| Interest and fiscal charges                 | -                  | 15,000       | 15,000       | -   |
| Total debt service                          | 159,260            | 210,879      | 210,879      | -   |
| <b>Total Expenditures</b>                   | 13,863,781         | 14,733,285   | 14,010,910   | 722,375   |
| <b>Revenues Over (Under) Expenditures</b>   | (521,916)          | (984,365)    | 85,764       | 1,070,129   |
| <b>Other Financing Sources (Uses)</b>       |                    |              |              |   |
| Transfers in                                | 729,635            | 729,635      | 750,852      | 21,217  |
| Transfers (out)                             | (875,000)          | (915,216)    | (915,216)    | -   |
| Capital lease proceeds                      | -                  | 215,371      | 215,371      | -   |
| Proceeds from sale of assets                | 20,000             | 20,000       | 22,639       | 2,639   |
| <b>Total Other Financing Sources (Uses)</b> | (125,365)          | 49,790       | 73,646       | 23,856  |
| <b>Net Change in Fund Balance</b>           | \$ (647,281)       | \$ (934,575) | 159,410      | \$ 1,093,985  |
| Beginning fund balance                      |                    |              | 8,091,641    |   |
| <b>Ending Fund Balance</b>                  |                    |              | \$ 8,251,051 |   |

Notes to Required Supplementary Information

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

See Notes to Financial Statements

# 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           | 12/31/2017 <sup>1</sup>  |
|---|----------------------|----------------------|----------------------|--------------------------|
| Total pension liability   |                      |                      |                      |                          |
| Service cost  | \$ 992,735           | \$ 1,076,600         | \$ 1,240,408         | \$ 1,250,973             |
| Interest  | 2,494,034            | 2,637,868            | 2,673,757            | 2,424,723                |
| Changes in benefit terms  | -                    | -                    | -                    | (6,087,924) <sup>2</sup> |
| Differences between expected and actual experience  | (36,585)             | (270,060)            | 341,014              | (149,716)                |
| Changes of assumptions  | -                    | 86,443               | -                    | -                        |
| Benefit payments, including refunds of participant contributions                              | (1,370,731)          | (1,503,966)          | (1,866,778)          | (1,857,064)              |
| <b>Net change in total pension liability</b>  | <b>2,079,453</b>     | <b>2,026,885</b>     | <b>2,388,401</b>     | <b>(4,419,008)</b>       |
| <b>Total pension liability - beginning</b>  | <b>35,818,058</b>    | <b>37,897,511</b>    | <b>39,924,396</b>    | <b>42,312,797</b>        |
| <b>Total pension liability - ending (a)</b>   | <b>37,897,511</b>    | <b>39,924,396</b>    | <b>42,312,797</b>    | <b>37,893,789</b>        |
| <b>Plan fiduciary net position</b>  |                      |                      |                      |                          |
| Contributions - employer  | \$ 1,060,235         | \$ 1,056,595         | \$ 1,152,678         | \$ 1,163,749             |
| Contributions - members   | 436,423              | 439,450              | 487,390              | 488,628                  |
| Net investment income   | 1,840,969            | 50,357               | 2,307,288            | 5,016,931                |
| Benefit payments, including refunds of participant contributions                              | (1,370,731)          | (1,503,966)          | (1,866,778)          | (1,857,064)              |
| Administrative expenses   | (19,219)             | (30,670)             | (26,054)             | (25,993)                 |
| Other   | (1,580)              | (1,514)              | (1,403)              | (1,321)                  |
| <b>Net change in plan fiduciary net position</b>  | <b>1,946,097</b>     | <b>10,252</b>        | <b>2,053,121</b>     | <b>4,784,930</b>         |
| <b>Plan fiduciary net position - beginning</b>  | <b>32,178,872</b>    | <b>34,124,969</b>    | <b>34,135,221</b>    | <b>36,188,342</b>        |
| <b>Plan fiduciary net position - ending (b)</b>   | <b>\$ 34,124,969</b> | <b>\$ 34,135,221</b> | <b>\$ 36,188,342</b> | <b>\$ 40,973,272</b>     |
| <b>Fund's net pension liability(asset) - ending (a) - (b)</b>                                 | <b>\$ 3,772,542</b>  | <b>\$ 5,789,175</b>  | <b>\$ 6,124,455</b>  | <b>\$ (3,079,483)</b>    |
| <br><b>Plan fiduciary net position as a percentage of the total pension liability (asset)</b> | <br>90.05%           | <br>85.50%           | <br>85.53%           | <br>108.13%              |
| <b>Covered payroll</b>  | \$ 6,901,589         | \$ 7,215,815         | \$ 8,123,168         | \$ 8,133,762             |
| <b>Fund's net pension liability as a percentage of covered payroll</b>                        | 54.66%               | 80.23%               | 75.39%               | -37.86%                  |

**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.

2) During the year, the City amended the retiree Cost of Living Adjustments from 70% to 0% of the Consumer Price Index.

# City of Stephenville, Texas

## SCHEDULE OF EMPLOYER CONTRIBUTIONS TO PENSION PLAN

Years Ended:

|  | 9/30/2018    | 9/30/2017    | 9/30/2016    | 9/30/2015 <sup>1</sup> |
|--|--------------|--------------|--------------|------------------------|
| Actuarially determined employer contributions                        | \$ 746,654   | \$ 1,147,185 | \$ 1,105,140 | \$ 1,050,537           |
| Contributions in relation to the actuarially determined contribution | \$ 746,654   | \$ 1,147,185 | \$ 1,105,140 | \$ 1,050,537           |
| Contribution deficiency (excess)                                     | \$ -         | \$ -         | \$ -         | \$ -                   |
| Annual covered payroll   | \$ 8,525,408 | \$ 8,042,962 | \$ 7,752,867 | \$ 7,179,688           |
| Employer contributions as a percentage of covered payroll            | 8.76%        | 14.26%       | 14.25%       | 14.63%                 |

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 | 25 years   |
| Asset Valuation Method        | 10 Year smoothed market; 15% soft corridor   |
| Inflation                     | 2.5%   |
| Salary Increases              | 3.50% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010 - 2014              |
| Mortality                     | RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 109% and projected on a fully generational basis with scale BB |

**Other Information:**

Notes Rescinded 70% repeating COLA

# City of Stephenville, Texas

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

Years Ended:

|   | 12/31/2017 <sup>1</sup>        |
|---|--------------------------------|
| Total OPEB liability  |                                |
| Service cost  | \$ 16,268                      |
| Interest  | 15,405                         |
| Changes in benefit terms  | -                              |
| Differences between expected and actual experience                    | -                              |
| Changes of assumptions  | 35,257                         |
| Benefit payments, including refunds of participant contributions      | (4,068)                        |
| <b>Net change in total OPEB liability</b>                             | <b>62,862</b>                  |
| <b>Total OPEB liability - beginning</b>                               | <b>401,442</b>                 |
| <b>Total OPEB liability - ending (a)</b>                              | <b>\$ 464,304 <sup>2</sup></b> |
| <br>  |                                |
| <b>Covered payroll</b>  | <b>\$ 8,133,762</b>            |
| <b>City's total OPEB liability as a percentage of covered payroll</b> | <b>5.71%</b>                   |

**Notes to schedule:**

<sup>1</sup> 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.

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

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

# City of Stephenville, Texas

## COMBINING BALANCE SHEET

### NONMAJOR GOVERNMENTAL FUNDS

September 30, 2018

|  | Hotel/<br>Motel Tax | Child<br>Safety | Public Safety    | Municipal<br>Court<br>Technology |
|--|---------------------|-----------------|------------------|----------------------------------|
| <b><u>Assets</u></b>                           |                     |                 |                  |                                  |
| Cash and cash equivalents                      | \$ 175,871          | \$ 9,611        | \$ 42,858        | \$ 18,905                        |
| Accounts receivable, net                       | 79,264              | -               | -                | -                                |
| <b>Total Assets</b>                            | <b>\$ 255,135</b>   | <b>\$ 9,611</b> | <b>\$ 42,858</b> | <b>\$ 18,905</b>                 |
| <b><u>Liabilities</u></b>                      |                     |                 |                  |                                  |
| Accounts payable                               | \$ 33,847           | \$ -            | \$ 209           | \$ 249                           |
| Due to other funds                             | -                   | -               | 3,456            | -                                |
| <b>Total Liabilities</b>                       | <b>33,847</b>       | <b>-</b>        | <b>3,665</b>     | <b>249</b>                       |
| <b><u>Deferred Inflows of Resources</u></b>    |                     |                 |                  |                                  |
| Unavailable revenue - property tax             | -                   | -               | -                | -                                |
| <b><u>Fund Balances</u></b>                    |                     |                 |                  |                                  |
| Committed for:                                 |                     |                 |                  |                                  |
| Capital projects                               | -                   | -               | -                | -                                |
| Restricted for:                                |                     |                 |                  |                                  |
| Tourism  | 221,288             | -               | -                | -                                |
| Municipal court                                | -                   | -               | -                | 18,656                           |
| Public safety                                  | -                   | 9,611           | 39,193           | -                                |
| Debt service                                   | -                   | -               | -                | -                                |
| <b>Total Fund Balances</b>                     | <b>221,288</b>      | <b>9,611</b>    | <b>39,193</b>    | <b>18,656</b>                    |
| <b>Total Liabilities and Fund<br/>Balances</b> | <b>\$ 255,135</b>   | <b>\$ 9,611</b> | <b>\$ 42,858</b> | <b>\$ 18,905</b>                 |

| <u>Total<br/>Nonmajor<br/>Special Revenue</u> | <u>Debt Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|---|---------------------|-----------------------------|--|
| \$ 247,245                                    | \$ 197,498          | \$ 442,063                  | \$ 886,806                                 |
| 79,264  | 6,073               | -                           | 85,337                                     |
| <u>\$ 326,509</u>                             | <u>\$ 203,571</u>   | <u>\$ 442,063</u>           | <u>\$ 972,143</u>                          |
| <br>  |                     |                             |  |
| \$ 34,305                                     | \$ -                | \$ -                        | \$ 34,305                                  |
| 3,456   | -                   | -                           | 3,456                                      |
| <u>37,761</u>                                 | <u>-</u>            | <u>-</u>                    | <u>37,761</u>                              |
| <br>  |                     |                             |  |
| -   | 4,161               | -                           | 4,161                                      |
| <br>  |                     |                             |  |
| -   | -                   | 442,063                     | 442,063                                    |
| <br>  |                     |                             |  |
| 221,288                                       | -                   | -                           | 221,288                                    |
| 18,656  | -                   | -                           | 18,656                                     |
| 48,804  | -                   | -                           | 48,804                                     |
| -   | 199,410             | -                           | 199,410                                    |
| <u>288,748</u>                                | <u>199,410</u>      | <u>442,063</u>              | <u>930,221</u>                             |
| <br>  |                     |                             |  |
| <u>\$ 326,509</u>                             | <u>\$ 203,571</u>   | <u>\$ 442,063</u>           | <u>\$ 972,143</u>                          |

# City of Stephenville, Texas

## COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2018

|   | Hotel/<br>Motel Tax | Child<br>Safety | Public Safety | Municipal<br>Court<br>Technology |
|---|---------------------|-----------------|---------------|----------------------------------|
| <b>Revenues</b>                                 |                     |                 |               |                                  |
| Hotel occupancy tax                             | \$ 474,199          | \$ -            | \$ -          | \$ -                             |
| Property taxes                                  | -                   | -               | -             | -                                |
| Fines and fees                                  | -                   | 5,582           | -             | 4,832                            |
| Intergovernmental                               | -                   | -               | 6,379         | -                                |
| Investment income                               | 2,350               | 94              | 637           | 271                              |
| <b>Total Revenues</b>                           | 476,549             | 5,676           | 7,016         | 5,103                            |
| <b>Expenditures</b>                             |                     |                 |               |                                  |
| General government                              | 397,246             | -               | -             | 11,004                           |
| Public safety                                   | -                   | -               | 1,865         | -                                |
| Debt service:                                   |                     |                 |               |                                  |
| Principal retirement                            | -                   | -               | -             | -                                |
| Interest  | -                   | -               | -             | -                                |
| Capital outlay                                  | -                   | -               | -             | -                                |
| <b>Total Expenditures</b>                       | 397,246             | -               | 1,865         | 11,004                           |
| <b>Revenues Over (Under)<br/>Expenditures</b>   | 79,303              | 5,676           | 5,151         | (5,901)                          |
| <b>Other Financing Sources</b>                  |                     |                 |               |                                  |
| Transfers in                                    | 216                 | -               | -             | -                                |
| <b>Total Other Financing<br/>Sources (Uses)</b> | 216                 | -               | -             | -                                |
| <b>Net Change in Fund<br/>Balances</b>          | 79,519              | 5,676           | 5,151         | (5,901)                          |
| Beginning fund balances                         | 141,769             | 3,935           | 34,042        | 24,557                           |
| <b>Ending Fund Balances</b>                     | \$ 221,288          | \$ 9,611        | \$ 39,193     | \$ 18,656                        |

| <u>Total<br/>Nonmajor<br/>Special Revenue</u> | <u>Debt Service</u> | <u>Capital<br/>Projects</u> | <u>Total<br/>Nonmajor<br/>Governmental</u> |
|---|---------------------|-----------------------------|--|
| \$ 474,199                                    | \$ -                | \$ -                        | \$ 474,199                                 |
| -   | 492,536             | -                           | 492,536                                    |
| 10,414  | -                   | -                           | 10,414                                     |
| 6,379   | -                   | -                           | 6,379                                      |
| 3,352   | 2,927               | 10,400                      | 16,679                                     |
| <u>494,344</u>                                | <u>495,463</u>      | <u>10,400</u>               | <u>1,000,207</u>                           |
| 408,250                                       | -                   | -                           | 408,250                                    |
| 1,865   | -                   | -                           | 1,865                                      |
| -   | 365,000             | -                           | 365,000                                    |
| -   | 92,099              | -                           | 92,099                                     |
| -   | -                   | 899,080                     | 899,080                                    |
| <u>410,115</u>                                | <u>457,099</u>      | <u>899,080</u>              | <u>1,766,294</u>                           |
| <u>84,229</u>                                 | <u>38,364</u>       | <u>(888,680)</u>            | <u>(766,087)</u>                           |
| 216   | -                   | 915,000                     | 915,216                                    |
| 216   | -                   | 915,000                     | 915,216                                    |
| 84,445  | 38,364              | 26,320                      | 149,129                                    |
| 204,303                                       | 161,046             | 415,743                     | 781,092                                    |
| <u>\$ 288,748</u>                             | <u>\$ 199,410</u>   | <u>\$ 442,063</u>           | <u>\$ 930,221</u>                          |

**City of Stephenville, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL/MOTEL TAX FUND**  
**For the Year Ended September 30, 2018**

|   | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|------------------------|---------------------|-------------------|---|
| <b><u>Revenues</u></b>                                  |                        |                     |                   |   |
| Hotel occupancy tax                                     | \$ 400,000             | \$ 400,000          | \$ 474,199        | \$ 74,199   |
| Investment income                                       | -                      | -                   | 2,350             | 2,350   |
| <b>Total Revenues</b>                                   | <u>400,000</u>         | <u>400,000</u>      | <u>476,549</u>    | <u>76,549</u>   |
| <b><u>Expenditures</u></b>                              |                        |                     |                   |   |
| General government                                      | 460,000                | 460,000             | 397,246           | 62,754  |
| <b>Total Expenditures</b>                               | <u>460,000</u>         | <u>460,000</u>      | <u>397,246</u>    | <u>62,754</u>   |
| <b>Excess of Revenues<br/>Over (Under) Expenditures</b> | <u>(60,000)</u>        | <u>(60,000)</u>     | <u>79,303</u>     | <u>139,303</u>  |
| <b><u>Other Financing Sources (Uses)</u></b>            |                        |                     |                   |   |
| Transfers in  | -                      | 216                 | 216               | -   |
| <b>Total Other Financing Sources (Uses)</b>             | <u>-</u>               | <u>216</u>          | <u>216</u>        | <u>-</u>  |
| <b>Net Change in Fund Balance</b>                       | <u>\$ (60,000)</u>     | <u>\$ (59,784)</u>  | <u>79,519</u>     | <u>\$ 139,303</u>   |
| Beginning fund balance                                  |                        |                     | 141,769           |   |
| <b>Ending Fund Balance</b>                              |                        |                     | <u>\$ 221,288</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, 2018**

|   | <u>Original Budget</u> | <u>Original &amp; Final<br/>Budget</u> | <u>Actual</u>   | <u>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</u> |
|---|------------------------|--|-----------------|---|
| <b>Revenues</b>   |                        |  |                 |   |
| Fines and forfeitures                                   | \$ 3,500               | \$ 3,500                               | \$ 5,582        | \$ 2,082  |
| Investment income                                       | -                      | -                                      | 94              | 94  |
| <b>Total Revenues</b>                                   | <u>3,500</u>           | <u>3,500</u>                           | <u>5,676</u>    | <u>2,176</u>  |
| <b>Excess of Revenues<br/>Over (Under) Expenditures</b> |                        |  |                 |   |
|   | <u>3,500</u>           | <u>3,500</u>                           | <u>5,676</u>    | <u>2,176</u>  |
| <b>Net Change in Fund Balance</b>                       | <u>\$ 3,500</u>        | <u>\$ 3,500</u>                        | 5,676           | <u>\$ 2,176</u>   |
| Beginning fund balance                                  |                        |  | <u>3,935</u>    |   |
| <b>Ending Fund Balance</b>                              |                        |  | <u>\$ 9,611</u> |   |

Notes to Supplementary Information

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

**City of Stephenville, Texas**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCE - BUDGET AND ACTUAL**  
**PUBLIC SAFETY**  
**For the Year Ended September 30, 2018**

|   | <b>Original Budget</b> | <b>Final Budget</b> | <b>Actual</b>    | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|------------------------|---------------------|------------------|---|
| <b>Revenues</b>   |                        |                     |                  |   |
| Intergovernmental                                       | \$ 3,700               | \$ 3,700            | \$ 6,379         | \$ 2,679  |
| Interest income   | -                      | -                   | 637              | 637   |
| <b>Total Revenues</b>                                   | 3,700                  | 3,700               | 7,016            | 3,316   |
| <b>Expenditures</b>                                     |                        |                     |                  |   |
| General government                                      | 3,700                  | 7,299               | 1,865            | 5,434   |
| <b>Total Expenditures</b>                               | 3,700                  | 7,299               | 1,865            | 5,434   |
| <b>Excess of Revenues<br/>Over (Under) Expenditures</b> | -                      | (3,599)             | 5,151            | 8,750   |
| <b>Net Change in Fund Balance</b>                       | \$ -                   | \$ (3,599)          | 5,151            | \$ 8,750  |
| Beginning fund balance                                  |                        |                     | 34,042           |   |
| <b>Ending Fund Balance</b>                              |                        |                     | <b>\$ 39,193</b> |   |

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, 2018**

|                                   | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>    | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|-----------------------------------|------------------------|---------------------|------------------|---|
| <b><u>Revenues</u></b>            |                        |                     |                  |   |
| Fines and forfeitures             | \$ 4,000               | \$ 4,000            | \$ 4,832         | \$ 832  |
| Interest income                   | -                      | -                   | 271              | 271   |
| <b>Total Revenues</b>             | <u>4,000</u>           | <u>4,000</u>        | <u>5,103</u>     | <u>1,103</u>  |
| <b><u>Expenditures</u></b>        |                        |                     |                  |   |
| General government                | -                      | 11,122              | 11,004           | 118   |
| Capital outlay                    | -                      | 8,000               | -                | 8,000   |
| <b>Total Expenditures</b>         | <u>-</u>               | <u>19,122</u>       | <u>11,004</u>    | <u>8,118</u>  |
| <b>Net Change in Fund Balance</b> | <u>\$ 4,000</u>        | <u>\$ (15,122)</u>  | <u>(5,901)</u>   | <u>\$ 9,221</u>   |
| Beginning fund balance            |                        |                     | <u>24,557</u>    |   |
| <b>Ending Fund Balance</b>        |                        |                     | <u>\$ 18,656</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 FUND**  
**For the Year Ended September 30, 2018**

|   | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|------------------------|---------------------|-------------------|---|
| <b><u>Revenues</u></b>                                  |                        |                     |                   |   |
| Property taxes  | \$ 491,993             | \$ 491,993          | \$ 492,536        | \$ 543  |
| Interest income   | 500                    | 500                 | 2,927             | 2,427   |
| <b>Total Revenues</b>                                   | <u>492,493</u>         | <u>492,493</u>      | <u>495,463</u>    | <u>2,970</u>  |
| <b><u>Expenditures</u></b>                              |                        |                     |                   |   |
| General government                                      | 1,000                  | 1,000               | -                 | 1,000   |
| Debt service  |                        |                     |                   |   |
| Principal   | 365,000                | 365,000             | 365,000           | -   |
| Interest  | 128,193                | 128,193             | 92,099            | 36,094  |
| <b>Total Expenditures</b>                               | <u>494,193</u>         | <u>494,193</u>      | <u>457,099</u>    | <u>37,094</u>   |
| <b>Excess of Revenues<br/>Over (Under) Expenditures</b> | <u>(1,700)</u>         | <u>(1,700)</u>      | <u>38,364</u>     | <u>40,064</u>   |
| <b>Net Change in Fund Balance</b>                       | <u>\$ (1,700)</u>      | <u>\$ (1,700)</u>   | <u>38,364</u>     | <u>\$ 40,064</u>  |
| Beginning fund balance                                  |                        |                     | 161,046           |   |
| <b>Ending Fund Balance</b>                              |                        |                     | <u>\$ 199,410</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**  
**CAPITAL PROJECTS FUND**  
**For the Year Ended September 30, 2018**

|   | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|------------------------|---------------------|-------------------|---|
| <b><u>Revenues</u></b>                                  |                        |                     |                   |   |
| Interest income   | \$ 1,000               | \$ 1,000            | \$ 10,400         | \$ 9,400  |
| <b>Total Revenues</b>                                   | <u>1,000</u>           | <u>1,000</u>        | <u>10,400</u>     | <u>9,400</u>  |
| <b><u>Expenditures</u></b>                              |                        |                     |                   |   |
| Capital outlay  | 1,296,627              | 1,336,627           | 899,080           | 437,547   |
| <b>Total Expenditures</b>                               | <u>1,296,627</u>       | <u>1,336,627</u>    | <u>899,080</u>    | <u>437,547</u>  |
| <b>Excess of Revenues<br/>Over (Under) Expenditures</b> | <u>(1,295,627)</u>     | <u>(1,335,627)</u>  | <u>(888,680)</u>  | <u>446,947</u>  |
| <b><u>Other Financing Sources (Uses)</u></b>            |                        |                     |                   |   |
| Transfers in  | 875,000                | 915,000             | 915,000           | -   |
| <b>Total Other Financing Sources (Uses)</b>             | <u>875,000</u>         | <u>915,000</u>      | <u>915,000</u>    | <u>-</u>  |
| <b>Net Change in Fund Balance</b>                       | <u>\$ (420,627)</u>    | <u>\$ (420,627)</u> | 26,320            | <u>\$ 446,947</u>   |
| Beginning fund balance                                  |                        |                     | 415,743           |   |
| <b>Ending Fund Balance</b>                              |                        |                     | <u>\$ 442,063</u> |   |

Notes to Supplementary Information

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

**City of Stephenville, Texas**  
**BALANCE SHEET**  
**DISCRETELY PRESENTED COMPONENT UNIT**  
**September 30, 2018**

|   |    | <b>Stephenville<br/>Economic<br/>Development<br/>Authority</b> |
|---|----|--|
| <b><u>Assets</u></b>                        |    |  |
| Cash and cash equivalents                   | \$ | 654,898  |
| Receivables, net                            |    | 95,546   |
| <b>Total Assets</b>                         |    | <b><u>750,444</u></b>  |
| <br><b><u>Liabilities</u></b>               |    |  |
| Accounts payable and<br>accrued liabilities | \$ | 10,827   |
| Due to primary government                   |    | 21,697   |
| <b>Total Liabilities</b>                    |    | <b><u>32,524</u></b>   |
| <br><b><u>Fund Balances</u></b>             |    |  |
| Restricted for:                             |    |  |
| Economic development                        |    | 717,920  |
| <b>Total Fund Balance</b>                   |    | <b><u>717,920</u></b>  |
| <b>Total Liabilities and Fund Balance</b>   | \$ | <b><u>750,444</u></b>  |

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, 2018

|  |                   |
|--|-------------------|
| <b>Fund Balance</b>  | \$ 717,920        |
| Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.  |                   |
| Net pension asset  | 39,109            |
| 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  | 21,740            |
| Deferred OPEB outflows   | 421               |
| 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   | (29,049)          |
| Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.   |                   |
| OPEB Liability   | (5,897)           |
| Non-current liabilities due in one year  | (6,795)           |
| Non-current liabilities due in more than one year  | (755)             |
| <b>Net Position of the Discretely Presented Component Unit</b>   | <u>\$ 736,694</u> |

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, 2017

|                                   | <b>Stephenville<br/>Economic<br/>Development<br/>Authority</b> |
|-----------------------------------|--|
| <b><u>Revenues</u></b>            |  |
| Sales tax                         | \$ 513,167   |
| Investment income                 | 8,582  |
| <b>Total Revenues</b>             | <u>521,749</u>   |
| <b><u>Expenditures</u></b>        |  |
| Current:                          |  |
| Economic development              | 290,794  |
| <b>Total Expenditures</b>         | <u>290,794</u>   |
| <b>Net Change in Fund Balance</b> | 230,955  |
| Beginning fund balance            | 486,965  |
| <b>Ending Fund Balance</b>        | <u><u>\$ 717,920</u></u>                                       |

See Notes to Financial Statements.

**City of Stephenville, Texas**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF THE DISCRETELY PRESENTED**  
**COMPONENT UNIT TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2018**

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

|                             |    |         |
|-----------------------------|----|---------|
| Net changes in fund balance | \$ | 230,955 |
|-----------------------------|----|---------|

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  |           | 77,752                |
| Other post employment benefits   |           | (415)                 |
| Compensated absences   |           | (3,704)               |
| <b>Change in Net Position of the Discretely Presented Component Unit</b> | <b>\$</b> | <b><u>304,588</u></b> |

See Notes to Financial Statements.

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## STATISTICAL SECTION

This part of the City's comprehensive annual financial report presents detailed information as a

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| Financial Trends | 107 |
|------------------|-----|

*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 | 117 |
|------------------|-----|

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

|               |     |
|---------------|-----|
| Debt Capacity | 124 |
|---------------|-----|

*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 | 131 |
|--------------------------------------|-----|

*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 | 133 |
|-----------------------|-----|

*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>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          | <u>2014</u>          | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Governmental activities:                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 18,471,335        | \$ 16,763,870        | \$ 16,605,859        | \$ 17,500,689        | \$ 17,032,179        | \$ 18,024,389        | \$ 18,038,284        | \$ 19,789,241        | \$ 19,963,873        | 20,176,273           |
| Restricted                                      | 434,394              | 405,640              | 420,877              | 450,527              | 870,780              | 523,019              | 427,493              | 593,600              | 581,054              | 2,621,264            |
| Unrestricted                                    | <u>5,252,462</u>     | <u>7,952,264</u>     | <u>8,156,696</u>     | <u>7,680,873</u>     | <u>8,355,906</u>     | <u>9,150,340</u>     | <u>8,142,434</u>     | <u>5,976,217</u>     | <u>5,115,547</u>     | <u>7,993,562</u>     |
| Total governmental activities net position      | <u>\$ 24,158,191</u> | <u>\$ 25,121,774</u> | <u>\$ 25,183,432</u> | <u>\$ 25,632,089</u> | <u>\$ 26,258,865</u> | <u>\$ 27,697,748</u> | <u>\$ 26,608,211</u> | <u>\$ 26,359,058</u> | <u>\$ 25,660,474</u> | <u>\$ 30,791,099</u> |
| Business-type activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 23,495,495        | \$ 25,323,978        | \$ 26,538,623        | \$ 28,438,665        | \$ 30,014,882        | \$ 32,099,918        | \$ 33,151,854        | \$ 34,339,443        | \$ 36,926,841        | \$ 38,037,374        |
| Restricted                                      | 710,870              | 690,998              | 714,547              | 842,224              | 2,706,411            | 1,023,271            | 1,019,719            | 1,054,111            | 1,456,900            | 2,477,403            |
| Unrestricted                                    | <u>5,974,684</u>     | <u>4,566,114</u>     | <u>5,548,656</u>     | <u>5,243,744</u>     | <u>3,030,924</u>     | <u>4,112,342</u>     | <u>4,382,362</u>     | <u>4,795,330</u>     | <u>4,810,634</u>     | <u>5,312,381</u>     |
| Total business-type activities net position     | <u>\$ 30,181,049</u> | <u>\$ 30,581,090</u> | <u>\$ 32,801,826</u> | <u>\$ 34,524,633</u> | <u>\$ 35,752,217</u> | <u>\$ 37,235,531</u> | <u>\$ 38,553,935</u> | <u>\$ 40,188,884</u> | <u>\$ 43,194,375</u> | <u>\$ 45,827,158</u> |
| Primary government:                             |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Invested in capital assets, net of related debt | \$ 41,966,830        | \$ 42,087,848        | \$ 43,144,482        | \$ 45,939,354        | \$ 47,047,061        | \$ 50,124,307        | \$ 51,190,138        | \$ 54,128,684        | \$ 56,890,714        | \$ 58,213,647        |
| Restricted                                      | 1,145,264            | 1,096,638            | 1,135,424            | 1,292,751            | 3,577,191            | 1,546,290            | 1,447,212            | 1,647,711            | 2,037,954            | 5,098,667            |
| Unrestricted                                    | <u>11,227,146</u>    | <u>12,518,378</u>    | <u>13,705,352</u>    | <u>12,924,617</u>    | <u>11,386,830</u>    | <u>13,262,682</u>    | <u>12,524,796</u>    | <u>10,771,547</u>    | <u>9,926,181</u>     | <u>13,305,943</u>    |
| Total primary government net position           | <u>\$ 54,339,240</u> | <u>\$ 55,702,864</u> | <u>\$ 57,985,258</u> | <u>\$ 60,156,722</u> | <u>\$ 62,011,082</u> | <u>\$ 64,933,279</u> | <u>\$ 65,162,146</u> | <u>\$ 66,547,942</u> | <u>\$ 68,854,849</u> | <u>\$ 76,618,257</u> |

Source: City Audited Financials.

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# City of Stephenville, Texas

## CHANGES IN NET POSITION

Last Ten Fiscal Years (Unaudited)

(accrual basis of accounting)

|  | <u>2009</u>          | <u>2010</u>          | <u>2011</u>          | <u>2012</u>          | <u>2013</u>          | <u>2014</u>          | <u>2015</u>          | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| <b>EXPENSES</b>                                |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General government                             | \$ 1,309,902         | \$ 1,412,441         | \$ 1,374,221         | \$ 1,518,207         | \$ 2,076,100         | \$ 2,353,191         | \$ 1,922,897         | \$ 2,004,366         | \$ 1,999,694         | \$ 2,271,044         |
| Public Safety                                  | 6,043,653            | 6,252,861            | 6,274,700            | 6,496,290            | 6,786,524            | 6,948,549            | 7,879,067            | 7,929,307            | 8,617,164            | 2,467,345            |
| Streets  | 1,210,135            | 1,426,590            | 1,479,381            | 1,567,117            | 1,432,818            | 1,274,173            | 1,462,172            | 1,604,054            | 1,566,786            | 486,602              |
| Culture and recreation                         | 2,340,312            | 2,438,756            | 2,522,284            | 2,509,599            | 2,157,175            | 2,037,539            | 1,705,654            | 2,254,963            | 2,457,781            | 8,561,797            |
| Community development                          | 408,144              | 427,769              | 374,335              | 433,360              | 521,710              | 444,401              | 471,855              | 980,992              | 1,031,830            | 1,507,920            |
| Interest on long-term debt                     | 72,220               | 141,220              | 97,809               | 151,197              | 128,398              | 108,289              | 77,063               | 68,008               | 100,245              | 107,588              |
| Total governmental activities expenses         | <u>11,384,366</u>    | <u>12,099,637</u>    | <u>12,122,730</u>    | <u>12,675,770</u>    | <u>13,102,725</u>    | <u>13,166,142</u>    | <u>13,518,708</u>    | <u>14,841,690</u>    | <u>15,773,500</u>    | <u>15,402,296</u>    |
| Business-type activities:                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water & Wastewater                             | 4,819,886            | 5,054,152            | 4,846,996            | 4,833,953            | 5,018,940            | 5,237,160            | 5,326,721            | 5,690,857            | 5,688,473            | 5,032,780            |
| Airport  | 346,159              | 580,590              | 313,982              | 313,978              | 282,952              | 305,179              | 395,474              | 442,822              | 465,063              | 542,252              |
| Sanitary landfill                              | 527,255              | 294,407              | 160,803              | 181,904              | 183,145              | 193,368              | 207,538              | 224,233              | 256,121              | 194,000              |
| Storm water drainage                           | 170,287              | 158,085              | 600,859              | 562,207              | 535,056              | 528,208              | 558,501              | 505,829              | 546,509              | 415,779              |
| Total business-type activities expenses        | <u>5,863,587</u>     | <u>6,087,234</u>     | <u>5,922,640</u>     | <u>5,892,042</u>     | <u>6,020,093</u>     | <u>6,263,915</u>     | <u>6,488,234</u>     | <u>6,863,741</u>     | <u>6,956,166</u>     | <u>6,184,811</u>     |
| Total primary government program revenues      | <u>\$ 17,247,953</u> | <u>\$ 18,186,871</u> | <u>\$ 18,045,370</u> | <u>\$ 18,567,812</u> | <u>\$ 19,122,818</u> | <u>\$ 19,430,057</u> | <u>\$ 20,006,942</u> | <u>\$ 21,705,431</u> | <u>\$ 22,729,666</u> | <u>\$ 21,587,107</u> |
| <b>PROGRAM REVENUES</b>                        |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Governmental activities:                       |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| General Government                             | \$ 231,122           | \$ 215,757           | \$ 216,870           | \$ 219,082           | \$ 217,686           | \$ 205,782           | \$ 22,648            | \$ 8,274             | \$ 5,704             | \$ 11,141            |
| Public Safety                                  | 677,662              | 834,180              | 893,207              | 1,077,514            | 959,364              | 1,073,838            | 989,630              | 817,156              | 721,112              | 289,065              |
| Streets  | 21,472               | 24,713               | 24,419               | 95,954               | 30,443               | 28,170               | 42,749               | 15,567               | 15,352               | 245,391              |
| Culture and recreation                         | 221,589              | 317,917              | 338,662              | 363,650              | 346,442              | 288,540              | 321,565              | 377,192              | 347,603              | 664,449              |
| Community development                          | 126,186              | 177,401              | 249,501              | 193,592              | 413,762              | 265,863              | 217,805              | 320,353              | 215,731              | 20,836               |
| Operating grants and contributions             | 109,861              | 43,417               | 40,015               | 29,142               | 53,796               | 63,038               | 147,200              | 160,504              | 514,199              | 219,853              |
| Capital grants and contributions               | 740,974              | 1,602,301            | 258,933              | 159,402              | -                    | 188,262              | 3,654                | 3,596                | 49,905               | 170,239              |
| Total governmental activities program revenue  | <u>2,128,866</u>     | <u>3,215,686</u>     | <u>2,021,607</u>     | <u>2,138,336</u>     | <u>2,021,493</u>     | <u>2,113,493</u>     | <u>1,745,251</u>     | <u>1,702,642</u>     | <u>1,869,606</u>     | <u>1,620,974</u>     |
| Business-type activities:                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Charges for services:                          |                      |                      |                      |                      |                      |                      |                      |                      |                      |                      |
| Water and Wastewater                           | 5,492,233            | 5,396,349            | \$ 6,147,606         | \$ 6,055,936         | \$ 6,443,152         | \$ 6,708,108         | \$ 6,485,177         | \$ 7,014,095         | \$ 7,264,479         | \$ 7,596,037         |
| Sanitary landfill                              | 414,503              | 175,153              | 277,985              | 200,546              | 297,650              | 457,086              | 955,391              | 856,649              | 665,681              | 628,731              |
| Municipal airport                              | 73,180               | 72,408               | 76,015               | 93,493               | 110,200              | 104,440              | 107,544              | 111,088              | 107,484              | 108,097              |
| Storm water drainage                           | 584,439              | 588,141              | 591,326              | 604,231              | 620,595              | 618,993              | 611,827              | 632,583              | 629,673              | 657,356              |
| Operating grants and contributions             | 20,062               | 17,808               | 5,184                | 7,868                | -                    | -                    | 17,857               | -                    | 7,086                | -                    |
| Capital grants and contributions               | 249,253              | 402,702              | 528,471              | 813,212              | 27,652               | 109,614              | 175,651              | 48,054               | 1,672,182            | 175,274              |
| Total business-type activities program revenue | <u>6,833,670</u>     | <u>6,652,561</u>     | <u>7,626,587</u>     | <u>7,775,286</u>     | <u>7,499,249</u>     | <u>7,998,241</u>     | <u>8,335,590</u>     | <u>8,680,326</u>     | <u>10,346,585</u>    | <u>9,165,495</u>     |
| Total primary government program revenues      | <u>\$ 8,962,536</u>  | <u>\$ 9,868,247</u>  | <u>\$ 9,648,194</u>  | <u>\$ 9,913,622</u>  | <u>\$ 9,520,742</u>  | <u>\$ 10,111,734</u> | <u>\$ 10,080,841</u> | <u>\$ 10,382,968</u> | <u>\$ 12,216,191</u> | <u>\$ 10,786,469</u> |

Source: City Audited Financials.

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

|   | <u>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>          | <u>2017</u>          | <u>2018</u>          |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|----------------------|----------------------|----------------------|
| <b>NET (EXPENSE) REVENUES</b>                             |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Governmental activities                                   | \$( 9,255,500)      | \$( 8,883,951)      | \$( 10,101,123)     | \$( 10,537,434)     | \$( 11,081,232)     | \$( 11,052,649)     | \$( 11,773,457)     | \$( 13,139,048)      | \$( 13,903,894)      | \$( 13,781,322)      |
| Business-type activities                                  | <u>970,083</u>      | <u>565,327</u>      | <u>1,703,947</u>    | <u>1,883,244</u>    | <u>1,479,156</u>    | <u>1,734,326</u>    | <u>1,847,356</u>    | <u>1,816,585</u>     | <u>3,390,419</u>     | <u>2,980,684</u>     |
| Total primary government net expense                      | <u>( 8,285,417)</u> | <u>( 8,318,624)</u> | <u>( 8,397,176)</u> | <u>( 8,654,190)</u> | <u>( 9,602,076)</u> | <u>( 9,318,323)</u> | <u>( 9,926,101)</u> | <u>( 11,322,463)</u> | <u>( 10,513,475)</u> | <u>( 10,800,638)</u> |
| <b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION</b> |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Governmental activities:                                  |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Taxes   |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Property -general purposes                                | 3,382,272           | 3,371,138           | 3,595,948           | 3,787,828           | 4,049,755           | 4,321,370           | 4,386,134           | 4,715,959            | 4,806,351            | 5,286,326            |
| Property -debt services                                   | 536,671             | 608,404             | 526,519             | 593,543             | 589,867             | 595,444             | 576,847             | 484,490              | 481,603              | 492,536              |
| Sales   | 4,622,690           | 4,275,545           | 4,616,312           | 5,191,213           | 5,281,663           | 5,485,705           | 5,718,579           | 5,285,142            | 5,264,443            | 5,644,834            |
| Franchise   | 1,186,650           | 1,018,036           | 1,120,678           | 1,122,934           | 1,097,564           | 1,166,503           | 1,525,602           | 1,501,457            | 1,381,186            | 1,199,890            |
| Other   | 372,815             | 341,456             | 363,645             | 393,461             | 374,806             | 450,456             | 502,017             | 480,036              | 515,043              | 474,199              |
| Gain on sale of capital assets                            |                     | 323,641             | 12,159              |                     | 10,056              | 110,122             |                     | 16,162               | 30,274               | -                    |
| Investment earnings                                       | 108,218             | 32,294              | 13,517              | 14,651              | 11,546              | 6,157               | 5,990               | 52,123               | 68,163               | 139,025              |
| Insurance Proceeds  |                     |                     |                     |                     |                     |                     | 63,740              | 58,576               | 18,537               | -                    |
| Miscellaneous   | 124,613             | 14,190              | 26,870              | 18,320              | 35,902              | 100,731             | 164,842             | 37,080               | 135,230              | 153,598              |
| Transfers   | 6,771               | ( 112,834)          | ( 137,203)          | 21,161              | 256,849             | 255,044             | 208,824             | 258,870              | 504,479              | 750,852              |
| Special item - change in employee benefits                | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                    | -                    | 5,110,168            |
| Total governmental activities                             | <u>10,340,700</u>   | <u>9,871,870</u>    | <u>10,138,445</u>   | <u>11,143,111</u>   | <u>11,708,008</u>   | <u>12,491,532</u>   | <u>13,152,575</u>   | <u>12,889,895</u>    | <u>13,205,309</u>    | <u>19,251,428</u>    |
| Business-type activities:                                 |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Investment earnings                                       | 68,079              | 6,714               | 5,151               | 7,716               | 6,780               | 4,032               | 4,891               | 23,477               | 49,082               | 118,108              |
| Gain on Sale of Capital Assets                            |                     |                     |                     |                     |                     |                     | 17,106              | 8,630                | ( 1,600)             | -                    |
| Miscellaneous   | 7,888               | -                   | -                   | -                   | ( 1,504)            |                     | 33,292              | 45,127               | 72,069               | 106,639              |
| Transfers   | ( 6,771)            | 112,834             | 137,203             | ( 21,161)           | ( 256,849)          | ( 255,044)          | ( 208,824)          | ( 258,870)           | ( 504,479)           | ( 750,852)           |
| Total business-type activities                            | <u>69,196</u>       | <u>119,548</u>      | <u>142,354</u>      | <u>( 13,445)</u>    | <u>( 251,573)</u>   | <u>( 251,012)</u>   | <u>( 153,535)</u>   | <u>( 181,636)</u>    | <u>( 384,928)</u>    | <u>( 526,105)</u>    |
| Total primary government                                  | <u>10,409,896</u>   | <u>9,991,418</u>    | <u>10,280,799</u>   | <u>11,129,666</u>   | <u>11,456,435</u>   | <u>12,240,520</u>   | <u>12,999,040</u>   | <u>12,708,259</u>    | <u>12,820,381</u>    | <u>18,725,323</u>    |
| <b>CHANGE IN NET POSITION</b>                             |                     |                     |                     |                     |                     |                     |                     |                      |                      |                      |
| Governmental activities                                   | 1,085,200           | 987,919             | 37,322              | 605,677             | 626,776             | 1,438,883           | 1,379,118           | ( 249,153)           | ( 698,585)           | 5,470,106            |
| Business-type activities                                  | <u>1,039,279</u>    | <u>684,875</u>      | <u>1,846,301</u>    | <u>1,869,799</u>    | <u>1,227,583</u>    | <u>1,483,314</u>    | <u>1,693,821</u>    | <u>1,634,949</u>     | <u>3,005,491</u>     | <u>2,454,579</u>     |
| Total primary government                                  | <u>\$ 2,124,479</u> | <u>\$ 1,672,794</u> | <u>\$ 1,883,623</u> | <u>\$ 2,475,476</u> | <u>\$ 1,854,359</u> | <u>\$ 2,922,197</u> | <u>\$ 3,072,939</u> | <u>\$ 1,385,796</u>  | <u>\$ 2,306,906</u>  | <u>\$ 7,924,685</u>  |

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>2009</u>         | <u>2010</u>         | <u>2011</u>         | <u>2012</u>         | <u>2013</u>         | <u>2014</u>         | <u>2015</u>         | <u>2016</u>         | <u>2017</u>         | <u>2018</u>         |
|------------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| General fund                       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                           | \$ 12,680           | \$ 9,148            | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Unreserved                         | \$ 7,358,831        | \$ 7,196,152        | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Nonspendable                       | -                   | -                   | 18,836              | 17,399              | 19,417              | 10,995              | 7,016               | 20,955              | 8,760               | 11,609              |
| Assigned/committed                 | -                   | -                   | 3,750,000           | 1,989,442           | 2,400,000           | 3,000,000           | 3,000,000           | 1,150,000           | 950,609             | 950,609             |
| Unassigned                         | -                   | -                   | <u>3,779,268</u>    | <u>5,113,489</u>    | <u>5,246,245</u>    | <u>5,868,872</u>    | <u>6,786,574</u>    | <u>7,154,643</u>    | <u>7,132,272</u>    | <u>7,288,833</u>    |
| Total general fund                 | <u>\$ 7,371,511</u> | <u>\$ 7,205,300</u> | <u>\$ 7,548,104</u> | <u>\$ 7,120,330</u> | <u>\$ 7,665,662</u> | <u>\$ 8,879,867</u> | <u>\$ 9,793,590</u> | <u>\$ 8,325,598</u> | <u>\$ 8,091,641</u> | <u>\$ 8,251,051</u> |
| All other governmental funds       |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Reserved                           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Debt service funds                 | \$ 96,071           | \$ 93,267           | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                | \$ -                |
| Unreserved, reported in:           |                     |                     |                     |                     |                     |                     |                     |                     |                     |                     |
| Special revenue funds              | 332,799             | 337,679             | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Capital projects funds             | 1,676,876           | 1,155,196           | -                   | -                   | -                   | -                   | -                   | -                   | -                   | -                   |
| Restricted                         | -                   | -                   | 424,194             | 4,206,447           | 1,201,698           | 824,262             | 702,559             | 434,914             | 365,349             | 488,158             |
| Assigned/committed                 | -                   | -                   | <u>486,235</u>      | <u>529,093</u>      | <u>416,371</u>      | <u>416,371</u>      | <u>416,727</u>      | <u>417,929</u>      | <u>415,743</u>      | <u>442,063</u>      |
| Total all other governmental funds | <u>\$ 2,105,746</u> | <u>\$ 1,586,142</u> | <u>\$ 910,429</u>   | <u>\$ 4,735,540</u> | <u>\$ 1,618,069</u> | <u>\$ 1,240,633</u> | <u>\$ 1,119,286</u> | <u>\$ 852,843</u>   | <u>\$ 781,092</u>   | <u>\$ 930,221</u>   |

Note:

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

Source: City Audited Financials.

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

|  | 2009                  | 2010                | 2011                | 2012                | 2013                  | 2014                | 2015              | 2016                  | 2017                  | 2018                |
|--|-----------------------|---------------------|---------------------|---------------------|-----------------------|---------------------|-------------------|-----------------------|-----------------------|---------------------|
| <b>REVENUES</b>  |                       |                     |                     |                     |                       |                     |                   |                       |                       |                     |
| Taxes  | \$ 10,104,779         | \$ 9,570,777        | \$ 10,251,019       | \$ 11,062,514       | \$ 11,394,371         | \$ 12,014,282       | \$ 12,733,241     | \$ 12,455,045         | \$ 12,460,952         | \$ 13,089,387       |
| Charges for services   | 948,049               | 1,178,800           | 1,076,971           | 1,291,337           | 1,198,408             | 1,131,850           | 1,111,193         | 1,022,624             | 958,249               | 978,973             |
| Licenses, fees and permits                                     | 131,341               | 138,675             | 295,075             | 318,899             | 361,236               | 294,084             | 258,384           | 186,925               | 143,903               | 246,891             |
| Fines and penalties  | 226,083               | 229,357             | 255,269             | 182,517             | 398,093               | 261,126             | 227,979           | 316,343               | 210,015               | 147,598             |
| Intergovernmental  | 124,581               | 1,366,544           | 147,510             | 233,670             | 65,465                | 127,751             | 200,634           | 218,054               | 613,744               | 344,358             |
| Investment earnings  | 108,218               | 32,294              | 13,517              | 14,651              | 11,546                | 6,157               | 5,990             | 52,123                | 68,163                | 139,025             |
| Miscellaneous  | 35,189                | 19,269              | 37,977              | 18,189              | 75,550                | 103,838             | 167,941           | 40,054                | 135,230               | 150,649             |
| Total revenues   | <u>11,678,240</u>     | <u>12,535,716</u>   | <u>12,077,338</u>   | <u>13,121,777</u>   | <u>13,504,669</u>     | <u>13,939,088</u>   | <u>14,705,362</u> | <u>14,291,168</u>     | <u>14,590,256</u>     | <u>15,096,881</u>   |
| <b>EXPENDITURES</b>  |                       |                     |                     |                     |                       |                     |                   |                       |                       |                     |
| General government   | 1,355,822             | 1,359,012           | 1,319,243           | 1,504,855           | 1,997,675             | 2,289,098           | 1,922,184         | 1,904,340             | 1,870,697             | 2,145,014           |
| Public Safety  | 5,827,418             | 6,048,150           | 6,084,813           | 6,210,892           | 6,410,938             | 6,725,152           | 7,668,000         | 7,428,899             | 7,820,377             | 8,066,721           |
| Streets  | 845,429               | 850,428             | 937,367             | 968,236             | 920,417               | 780,006             | 968,092           | 997,520               | 818,913               | 768,153             |
| Parks and recreation   | 2,006,999             | 2,072,331           | 2,189,768           | 2,268,386           | 1,859,640             | 1,795,809           | 1,853,439         | 1,936,112             | 2,104,892             | 2,163,873           |
| Community development  | 407,208               | 420,982             | 367,228             | 414,769             | 514,474               | 419,054             | 456,196           | 968,197               | 1,003,655             | 485,280             |
| Capital outlay   | 5,265,493             | 2,099,912           | 889,326             | 1,793,507           | 4,076,340             | 985,179             | 859,897           | 3,053,778             | 1,532,290             | 1,480,185           |
| Debt service   |                       |                     |                     |                     |                       |                     |                   |                       |                       |                     |
| Principal  | 425,000               | 460,000             | 420,000             | 440,000             | 455,000               | 465,000             | 505,000           | 415,000               | 469,243               | 560,879             |
| Interest   | 99,652                | 144,279             | 98,117              | 139,305             | 126,693               | 120,261             | 77,845            | 66,375                | 85,322                | 107,099             |
| Bond Issuance Costs  | 25,000                | -                   | -                   | 45,000              | 5,312                 | 11,027              | -                 | -                     | -                     | -                   |
| Advance Refunding Escrow                                       | -                     | -                   | -                   | -                   | 382,370               | 1,323,441           | -                 | -                     | -                     | -                   |
| Total expenditures   | <u>16,258,021</u>     | <u>13,455,094</u>   | <u>12,305,862</u>   | <u>13,784,950</u>   | <u>16,748,859</u>     | <u>14,914,027</u>   | <u>14,310,653</u> | <u>16,770,221</u>     | <u>15,705,389</u>     | <u>15,777,204</u>   |
| <b>EXCESS OF REVENUES</b>                                      |                       |                     |                     |                     |                       |                     |                   |                       |                       |                     |
| OVER (UNDER) EXPENDITURES                                      | <u>\$( 4,579,781)</u> | <u>\$( 919,378)</u> | <u>\$( 228,524)</u> | <u>\$( 663,173)</u> | <u>\$( 3,244,190)</u> | <u>\$( 974,939)</u> | <u>\$ 394,709</u> | <u>\$( 2,479,053)</u> | <u>\$( 1,115,133)</u> | <u>\$( 680,323)</u> |
| <b>OTHER FINANCING SOURCES (USES)</b>                          |                       |                     |                     |                     |                       |                     |                   |                       |                       |                     |
| Debt issued  | 1,500,000             | -                   | -                   | 4,000,000           | 370,000               | 1,336,841           | -                 | -                     | -                     | 215,371             |
| Premium on Bonds   | -                     | -                   | -                   | -                   | 22,904                | -                   | -                 | -                     | -                     | -                   |
| Discount on Bonds  | -                     | -                   | -                   | -                   | ( 2,651)              | -                   | 113,938           | 349,833               | 168,051               | -                   |
| Sale of Fixed Assets   | 21,881                | 338,054             | 27,316              | 27,851              | 24,950                | 219,822             | 11,165            | 77,340                | 118,358               | 22,639              |
| Proceeds from insurance  | 94,497                | 8,343               | 5,502               | 11,498              | -                     | -                   | 63,740            | 58,576                | 18,537                | -                   |
| Transfers in   | 2,461,037             | 204,320             | 292,052             | 741,161             | 506,849               | 1,196,840           | 208,824           | 633,870               | 729,968               | 1,666,068           |
| Transfers out  | ( 2,454,266)          | ( 317,154)          | ( 429,255)          | ( 720,000)          | ( 250,000)            | ( 941,796)          | -                 | ( 375,000)            | ( 225,489)            | ( 915,216)          |
| Total other financing sources (uses)                           | <u>1,623,149</u>      | <u>233,563</u>      | <u>( 104,385)</u>   | <u>4,060,510</u>    | <u>672,052</u>        | <u>1,811,707</u>    | <u>397,667</u>    | <u>744,619</u>        | <u>809,425</u>        | <u>988,862</u>      |
| <b>NET CHANGE IN FUND BALANCES</b>                             | <u>\$( 2,956,632)</u> | <u>\$( 685,815)</u> | <u>\$( 332,909)</u> | <u>\$ 3,397,337</u> | <u>\$( 2,572,138)</u> | <u>\$ 836,768</u>   | <u>\$ 792,376</u> | <u>\$( 1,734,434)</u> | <u>\$( 305,708)</u>   | <u>\$ 308,539</u>   |
| <b>DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES</b> | <u>5.0%</u>           | <u>5.3%</u>         | <u>4.5%</u>         | <u>5.2%</u>         | <u>7.6%</u>           | <u>13.8%</u>        | <u>4.3%</u>       | <u>3.5%</u>           | <u>3.9%</u>           | <u>4.7%</u>         |

Source: City Audited Financials.

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

| <b>Tax Year</b> | <b>Fiscal Year</b> | <b>Residential Property</b> | <b>Commercial Property</b> | <b>Industrial Property</b> | <b>Less: Tax-exempt Property</b> | <b>Total Taxable Assessed Value</b> | <b>Total Direct Tax Rate</b> | <b>Estimated Actual Taxable Value</b> | <b>Taxable Assessed Value as a Percentage of Actual Taxable Value</b> |
|-----------------|--------------------|-----------------------------|----------------------------|----------------------------|----------------------------------|-------------------------------------|------------------------------|---------------------------------------|---|
| 2008            | 2008-2009          | \$ 530,504,500              | \$ 521,967,390             | \$ 134,864,860             | \$ 296,981,931                   | \$ 890,354,819                      | \$ 0.4350                    | \$ 890,354,819                        | 100%  |
| 2009            | 2009-2010          | 541,059,730                 | 514,106,150                | 145,588,370                | 305,171,070                      | 895,583,180                         | 0.4435                       | 895,583,180                           | 100%  |
| 2010            | 2010-2011          | 546,372,660                 | 514,213,740                | 127,553,350                | 302,938,397                      | 885,201,353                         | 0.4600                       | 885,201,353                           | 100%  |
| 2011            | 2011-2012          | 555,032,740                 | 511,780,800                | 148,096,980                | 317,517,724                      | 897,392,796                         | 0.4850                       | 897,392,796                           | 100%  |
| 2012            | 2012-2013          | 561,570,020                 | 546,842,640                | 225,183,450                | 384,611,442                      | 948,984,668                         | 0.4850                       | 948,984,668                           | 100%  |
| 2013            | 2013-2014          | 567,670,640                 | 562,727,447                | 297,556,973                | 441,606,152                      | 986,348,908                         | 0.4950                       | 986,348,908                           | 100%  |
| 2014            | 2014-2015          | 601,105,080                 | 750,961,010                | 245,239,590                | 590,694,529                      | 1,006,611,151                       | 0.4900                       | 1,006,611,151                         | 100%  |
| 2015            | 2015-2016          | 636,597,500                 | 768,186,520                | 268,319,490                | 609,847,714                      | 1,063,255,796                       | 0.4900                       | 1,063,255,796                         | 100%  |
| 2016            | 2016-2017          | 657,717,227                 | 785,853,463                | 259,118,010                | 627,870,983                      | 1,074,817,717                       | 0.4900                       | 1,074,817,717                         | 100%  |
| 2017            | 2017-2018          | 753,358,500                 | 824,711,040                | 245,604,310                | 617,069,492                      | 1,206,604,358                       | 0.4800                       | 1,206,604,358                         | 100%  |

Source: Erath County Appraisal District.

Source: TaxCollection FY17-18 State Report

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

| Tax Year | Fiscal Year | City Direct Rates |                                 |                   | Overlapping Rates            |                               |              | Total Direct and Overlapping Rates |
|----------|-------------|-------------------|---------------------------------|-------------------|------------------------------|-------------------------------|--------------|------------------------------------|
|          |             | Basic Rate        | General Obligation Debt Service | Total Direct Rate | Stephenville School District | Middle Trinity Water District | Erath County |                                    |
| 2008     | 2008-2009   | 0.3762            | 0.0588                          | 0.4350            | 1.1470                       | 0.0150                        | 0.3915       | 1.9885                             |
| 2009     | 2009-2010   | 0.3762            | 0.0673                          | 0.4435            | 1.1470                       | 0.0150                        | 0.3900       | 1.9955                             |
| 2010     | 2010-2011   | 0.4015            | 0.0585                          | 0.4600            | 1.1470                       | 0.0150                        | 0.4500       | 2.0720                             |
| 2011     | 2011-2012   | 0.4194            | 0.0656                          | 0.4850            | 1.1700                       | 0.0150                        | 0.4700       | 2.1400                             |
| 2012     | 2012-2013   | 0.4235            | 0.0615                          | 0.4850            | 1.1940                       | 0.0145                        | 0.4700       | 2.1635                             |
| 2013     | 2013-2014   | 0.4357            | 0.0593                          | 0.4950            | 1.2170                       | 0.0125                        | 0.4700       | 2.1945                             |
| 2014     | 2014-2015   | 0.4330            | 0.0570                          | 0.4900            | 1.2349                       | 0.0120                        | 0.4700       | 2.2069                             |
| 2015     | 2015-2016   | 0.4450            | 0.0450                          | 0.4900            | 1.2349                       | 0.0115                        | 0.4700       | 2.2064                             |
| 2016     | 2016-2017   | 0.4454            | 0.0446                          | 0.4900            | 1.2349                       | 0.0112                        | 0.4700       | 2.2061                             |
| 2017     | 2017-2018   | 0.4391            | 0.0409                          | 0.4800            | 1.2349                       | 0.0103                        | 0.4700       | 2.1952                             |

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 2017                |   | Tax Year 2009                |   |                |
|--|------------------------------|---|------------------------------|---|----------------|
|  | Taxable<br>Assessed<br>Value | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Value | Taxable<br>Assessed<br>Value | Percentage<br>of Total City<br>Taxable<br>Assessed<br>Value | Rank           |
| FMC Company                                | \$ 65,934,085                | 5.46%   | \$ 32,311,337                | 1   | 3.95%          |
| Stephenville Campus Crest                  | 24,028,820                   | 1.99%   | -                            |   | -              |
| Mustang Ranch                              | 20,406,420                   | 1.69%   | -                            |   | -              |
| FMC Technologies                           | 14,937,880                   | 1.24%   | -                            |   | -              |
| DB Bosque LLC                              | 14,208,940                   | 1.18%   | -                            |   | -              |
| Oncor Electric Delivery                    | 11,318,840                   | 0.94%   | -                            |   | -              |
| Tejas Tubular Inc.                         | 10,324,763                   | 0.86%   | -                            |   | -              |
| MIMG LXI Oak Tree Sub LLC                  | 9,825,560                    | 0.81%   | -                            |   | -              |
| NJH Investment Corp                        | 9,629,810                    | 0.80%   | -                            |   | -              |
| Wal-Mart Stores, Inc. #1                   | 8,245,470                    | 0.68%   | 7,926,540                    | 6   | 0.97%          |
| Saint Gobain Abrasives #1                  | -                            | -   | 12,599,041                   | 2   | 1.54%          |
| Rayloc Genaut                              | -                            | -   | 9,453,949                    | 3   | 1.16%          |
| Bosque River Associates                    | -                            | -   | 9,349,200                    | 4   | 1.14%          |
| TXU Electric Delivery                      | -                            | -   | 8,519,590                    | 5   | 1.04%          |
| Saint Gobain Abrasives #2                  | -                            | -   | 7,047,610                    | 7   | 0.86%          |
| United Telephone Company<br>(Century Link) | -                            | -   | 6,850,950                    | 8   | 0.84%          |
| Wilmington Trust (Wal-Mart #2)             | -                            | -   | 6,307,740                    | 9   | 0.77%          |
| Stam LTD                                   | -                            | -   | 5,536,000                    | 10  | 0.68%          |
| Subtotal                                   | <u>\$ 188,860,588</u>        | <u>15.65%</u>   | <u>\$ 105,901,957</u>        |   | <u>12.95%</u>  |
| Remaining Roll                             | <u>1,017,743,770</u>         | <u>84.35%</u>   | <u>712,444,134</u>           |   | <u>87.05%</u>  |
| Total                                      | <u>\$ 1,206,604,358</u>      | <u>100.00%</u>  | <u>\$ 818,346,091</u>        |   | <u>100.00%</u> |

Source: Erath County Appraisal District State Property Tax Board Report

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

| Tax Year | Fiscal Year | Taxes Levied for the Fiscal Year | Collected With the Fiscal Year of the Levy |                    | Collections in Subsequent Years | Total Collections to Date |                    | Outstanding as of 9/30/18 |
|----------|-------------|----------------------------------|--|--------------------|---------------------------------|---------------------------|--------------------|---------------------------|
|          |             |                                  | Amount                                     | Percentage of Levy |                                 | Amount                    | Percentage of Levy |                           |
| 2008     | 2008-2009   | \$ 3,874,843                     | \$ 3,822,492                               | 98.65%             | \$ 50,839                       | \$ 3,873,331              | 99.96%             | \$ 1,512                  |
| 2009     | 2009-2010   | 3,965,938                        | 3,887,038                                  | 98.01%             | 74,904                          | 3,961,942                 | 99.90%             | 3,996                     |
| 2010     | 2010-2011   | 4,059,655                        | 4,007,449                                  | 98.71%             | 49,228                          | 4,056,677                 | 99.93%             | 2,978                     |
| 2011     | 2011-2012   | 4,343,596                        | 4,302,513                                  | 99.05%             | 38,217                          | 4,340,730                 | 99.93%             | 2,866                     |
| 2012     | 2012-2013   | 4,594,127                        | 4,554,491                                  | 99.14%             | 36,616                          | 4,591,107                 | 99.93%             | 3,020                     |
| 2013     | 2013-2014   | 4,868,772                        | 4,820,901                                  | 99.02%             | 42,363                          | 4,863,264                 | 99.89%             | 5,508                     |
| 2014     | 2014-2015   | 4,914,157                        | 4,889,253                                  | 99.49%             | 16,955                          | 4,906,208                 | 99.84%             | 7,949                     |
| 2015     | 2015-2016   | 5,173,332                        | 5,130,875                                  | 99.18%             | 24,810                          | 5,155,685                 | 99.66%             | 17,647                    |
| 2016     | 2016-2017   | 5,250,713                        | 5,204,383                                  | 99.12%             | 28,160                          | 5,232,543                 | 99.65%             | 18,170                    |
| 2017     | 2017-2018   | 5,774,003                        | 5,718,051                                  | 99.03%             | -                               | 5,718,051                 | 99.03%             | 55,952                    |

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

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## City of Stephenville, Texas

### TAXABLE SALES BY CATEGORY

Last Ten Calendar Years (Unaudited)

| Category                               | 2008                  | 2009                  | 2010                  | 2011                  | 2012                  | 2013                  | 2014                  | 2015                  | 2016                  | 2017                  |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Services                               | \$ 49,193,540         | \$ 86,982,895         | \$ 82,499,237         | \$ 80,715,109         | \$ 80,104,182         | \$ 82,376,390         | \$ 85,032,661         | \$ 84,604,921         | \$ 87,831,034         | \$ 81,276,073         |
| Misc Retail                            | 44,489,869            | 48,279,279            | 50,223,257            | 57,031,030            | 51,246,891            | 52,221,686            | 54,975,621            | 54,751,164            | 54,321,288            | 50,773,645            |
| Eat/Drink Places                       | 42,711,764            | 48,849,862            | 45,659,353            | 48,634,297            | 51,945,376            | 55,015,006            | 60,296,991            | 57,700,419            | 68,762,227            | 70,136,317            |
| HomeFurnishings                        | 16,871,237            | 13,568,590            | 13,494,549            | 13,893,238            | 7,144,077             | 7,209,200             | 7,246,403             | 6,660,673             | 6,162,365             | 7,046,159             |
| Apparel Stores                         | 10,484,097            | 9,075,222             | 8,174,834             | 8,341,058             | 8,639,294             | 8,799,575             | 10,578,892            | 10,324,254            | 10,257,542            | 9,645,246             |
| Automotive Stores                      | 81,500,893            | 66,976,599            | 83,707,882            | 92,836,643            | 115,540,159           | 113,933,329           | 123,712,193           | 115,703,501           | 107,067,897           | 144,126,333           |
| Food Stores                            | 95,208,346            | 87,040,250            | 49,273,894            | 57,733,375            | 56,734,012            | 57,179,417            | 59,377,144            | 63,577,869            | 59,091,905            | 59,400,532            |
| General Merchandise<br>Building/Garden | 111,619,423           | 112,954,176           | 114,441,489           | 121,061,076           | 120,479,906           | 120,780,721           | 123,134,874           | 126,719,228           | 121,170,557           | 123,107,302           |
| Supplies                               | 34,620,369            | 25,243,662            | 27,131,515            | 28,142,214            | 27,030,238            | 28,455,504            | 31,727,307            | 37,693,956            | 35,695,603            | 36,386,966            |
| Wholesale Trade                        | 60,058,266            | 45,407,615            | 53,330,189            | 54,781,219            | 53,509,172            | 47,091,948            | 45,902,673            | 48,009,817            | 46,967,803            | 51,525,032            |
| Manufacturing                          | 44,918,121            | 27,630,740            | 24,080,368            | 20,743,984            | 23,103,447            | 27,220,571            | 51,074,808            | 44,597,329            | 36,916,496            | 41,376,240            |
| Construction                           | 23,019,467            | 22,107,859            | 26,360,348            | 24,673,453            | 20,487,172            | 23,399,150            | 29,565,160            | 39,838,703            | 36,567,165            | 32,516,125            |
| Other                                  | 19,568,861            | 17,355,540            | 18,688,413            | 20,498,610            | 24,770,674            | 31,521,635            | 29,361,821            | 42,437,131            | 32,920,411            | 37,214,389            |
| Agriculture                            | 445,684               | 497,983               | 192,638               | 310,294               | 227,301               | 346,309               | 157,377               | 131,950               | 87,089                | -                     |
| <b>Total</b>                           | <b>\$ 634,709,937</b> | <b>\$ 611,970,272</b> | <b>\$ 597,257,966</b> | <b>\$ 629,395,600</b> | <b>\$ 640,961,901</b> | <b>\$ 655,550,441</b> | <b>\$ 712,143,925</b> | <b>\$ 732,750,915</b> | <b>\$ 703,819,382</b> | <b>\$ 744,530,359</b> |
| 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)**

|      | <b>General<br/>Municipal<br/>Sales Tax</b> | <b>Sales Tax<br/>for Property<br/>Tax Relief</b> | <b>Sales Tax<br/>for Economic/<br/>Industrial Dev<br/>Sec 4B</b> |
|------|--|--|--|
| 2009 | 1.00%                                      | 0.50%  | -  |
| 2010 | 1.00%                                      | 0.50%  | -  |
| 2011 | 1.00%                                      | 0.50%  | -  |
| 2012 | 1.00%                                      | 0.50%  | -  |
| 2013 | 1.00%                                      | 0.50%  | -  |
| 2014 | 1.00%                                      | 0.50%  | -  |
| 2015 | 1.00%                                      | 0.50%  | -  |
| 2016 | 1.000%                                     | 0.375%   | 0.125%   |
| 2017 | 1.000%                                     | 0.375%   | 0.125%   |
| 2018 | 1.000%                                     | 0.375%   | 0.125%   |

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 Participation | Unamortized Premiums (Discounts) | Capital Leases | Water Revenue Bonds      | Certificates of Participation | Unamortized Premiums (Discounts) | Capital Leases |                          |                               |            |
| 2009        | \$ 2,550,000             | \$ 515,000                    | \$ -                             | \$ -           | \$ 4,585,000             | \$ 19,456,865                 | \$ -                             | \$ 499,724     | \$ 27,606,589            | 5.96%                         | \$ 1,538   |
| 2010        | 2,255,000                | 350,000                       | -                                | -              | 4,250,000                | 18,179,865                    | -                                | 364,740        | 25,399,605               | 5.21%                         | 1,483      |
| 2011        | 2,185,000                | -                             | -                                | -              | 3,895,000                | 16,866,865                    | -                                | 194,121        | 23,140,986               | 4.39%                         | 1,324      |
| 2012        | 5,745,000                | -                             | -                                | -              | 3,520,000                | 15,507,865                    | -                                | 99,661         | 24,872,526               | 4.42%                         | 1,360      |
| 2013        | 5,300,000                | -                             | 19,746                           | -              | 3,130,000                | 13,922,865                    | 239,090                          | -              | 22,611,701               | 3.73%                         | 1,157      |
| 2014        | 4,840,000                | -                             | 18,734                           | -              | 2,135,000                | 14,101,827                    | 220,290                          | -              | 21,315,851               | 3.17%                         | 1,098      |
| 2015        | 4,335,000                | -                             | 17,721                           | 113,938        | 1,095,000                | 13,150,827                    | 210,978                          | 3,161,834      | 22,085,298               | 3.22%                         | 1,129      |
| 2016        | 3,920,000                | -                             | 16,709                           | 436,510        | -                        | 12,164,827                    | 198,922                          | 2,833,134      | 19,570,101               | 2.52%                         | 904        |
| 2017        | 610,000                  | 2,920,000                     | 14,683                           | 525,318        | -                        | 12,288,827                    | 186,866                          | 3,131,370      | 19,677,064               | 2.38%                         | 896        |
| 2018        | 310,000                  | 2,855,000                     | 13,671                           | 544,810        | -                        | 27,380,000                    | 174,811                          | 2,028,635      | 33,306,927               | N/A                           | 1,495      |

Notes: See page 131 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        |  |            |
| 2009        | \$ 2,550,000                    | \$ 515,000                  | \$ 3,065,000 | 0.34%  | 171        |
| 2010        | 2,255,000                       | 350,000                     | 2,605,000    | 0.29%  | 152        |
| 2011        | 2,185,000                       | -                           | 2,185,000    | 0.25%  | 125        |
| 2012        | 5,745,000                       | -                           | 5,745,000    | 0.64%  | 314        |
| 2013        | 5,300,000                       | -                           | 5,300,000    | 0.56%  | 274        |
| 2014        | 4,840,000                       | -                           | 4,840,000    | 0.49%  | 249        |
| 2015        | 4,335,000                       | -                           | 4,335,000    | 0.43%  | 222        |
| 2016        | 3,920,000                       | -                           | 3,920,000    | 0.37%  | 181        |
| 2017        | 624,683                         | 2,920,000                   | 3,544,683    | 0.33%  | 161        |
| 2018        | 323,671                         | 2,855,000                   | 3,178,671    | 0.26%  | 143        |

Notes:

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

See page 120 for property value data.

Population data can be found on page 131.

**City of Stephenville, Texas**  
**DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT**  
**As of September 30, 2018 (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 | \$ 22,510,000           | 69.31%                                 | \$ 15,601,681   |
| Erath County                             | \$ 3,264,000            | 39.87%                                 | <u>1,301,357</u>                                      |
| Subtotal, overlapping debt               |                         |  | 16,903,038  |
| Direct                                   |                         |  |   |
| City of Stephenville                     | \$ 3,723,481            | 100.00%                                | <u>3,723,481</u>                                      |
| Total Direct and Overlapping Debt        |                         |  | <u>\$ 20,626,519</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

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<br>Fiscal year   | 2017<br><u>2017-2018</u> | 2016<br><u>2016-2017</u> | 2015<br><u>2015-2016</u> | 2014<br><u>2014-2015</u> | 2013<br><u>2013-2014</u> | 2012<br><u>2012-2013</u> | 2011<br><u>2011-2012</u> | 2010<br><u>2010-2011</u> | 2009<br><u>2009-2010</u> | 2008<br><u>2008-2009</u> |
|---|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Debt limit  | \$ 135,754               | \$ 124,250               | \$ 122,554               | \$ 116,345               | \$ 116,885               | \$ 107,470               | \$ 98,743                | \$ 96,046                | \$ 98,833                | \$ 97,101                |
| Total net debt applicable to limit                                  | <u>2,981</u>             | <u>3,389</u>             | <u>3,793</u>             | <u>4,213</u>             | <u>4,718</u>             | <u>5,191</u>             | <u>5,627</u>             | <u>2,083</u>             | <u>2,516</u>             | <u>2,972</u>             |
| Legal debt margin   | <u>\$ 132,773</u>        | <u>\$ 120,861</u>        | <u>\$ 118,762</u>        | <u>\$ 112,132</u>        | <u>\$ 112,167</u>        | <u>\$ 102,279</u>        | <u>\$ 93,116</u>         | <u>\$ 93,963</u>         | <u>\$ 96,317</u>         | <u>\$ 94,129</u>         |
| Total net debt applicable to limit<br>as a percentage of debt limit | 2.20%                    | 2.73%                    | 3.09%                    | 3.62%                    | 4.04%                    | 4.83%                    | 5.70%                    | 2.17%                    | 2.55%                    | 3.06%                    |

### Legal Debt Margin Calculation for Fiscal Year 2018

|  |                   |
|--|-------------------|
| Assessed value   | \$ 1,206,604      |
| Add back: exempt real property                                     | <u>150,934</u>    |
| Total assessed value   | <u>1,357,538</u>  |
| Debt limit (10% of total assessed value)                           | 135,754           |
| Debt applicable to limit:  |                   |
| General obligation   | 3,179             |
| Less: Amount set aside for repayment of<br>general obligation debt | <u>(197)</u>      |
| Total net debt applicable to limit                                 | <u>2,981</u>      |
| Legal debt margin  | <u>\$ 132,773</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

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<br>Year | Utility            | Less:                 | Net                  | Debt Service |            | Coverage |
|----------------|--------------------|-----------------------|----------------------|--------------|------------|----------|
|                | Service<br>Charges | Operating<br>Expenses | Available<br>Revenue | Principal    | Interest   |          |
| 2009           | \$ 5,492,233       | \$ 3,060,691          | \$ 2,431,542         | \$ 1,340,000 | \$ 652,120 | 1.22     |
| 2010           | 5,396,349          | 3,283,861             | 2,112,488            | 1,390,000    | 600,240    | 1.06     |
| 2011           | 6,147,606          | 3,106,016             | 3,041,590            | 1,435,000    | 543,290    | 1.54     |
| 2012           | 6,055,936          | 3,106,535             | 2,949,401            | 1,490,000    | 487,964    | 1.49     |
| 2013           | 6,443,151          | 3,282,484             | 3,160,667            | 1,555,000    | 407,502    | 1.61     |
| 2014           | 6,700,902          | 3,491,792             | 3,209,110            | 1,600,000    | 364,559    | 1.63     |
| 2015           | 6,485,177          | 3,631,614             | 2,853,563            | 1,715,000    | 218,597    | 1.48     |
| 2016           | 7,014,095          | 4,115,398             | 2,898,697            | 1,790,000    | 123,036    | 1.52     |
| 2017           | 7,264,479          | 4,095,335             | 3,169,144            | 1,615,000    | 102,321    | 1.85     |
| 2018           | 7,694,695          | 3,022,451             | 4,672,244            | 1,630,000    | 124,371    | 2.66     |

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

Source City CAFR.

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

| <b>Calendar Year</b> | <b>Population</b> | <b>Personal Income</b> | <b>Per Capita Personal Income</b> | <b>School Enrollment</b> | <b>College Enrollment</b> | <b>Unemployment Rate</b> |
|----------------------|-------------------|------------------------|-----------------------------------|--------------------------|---------------------------|--------------------------|
| 2009                 | 17,950            | \$ 463,433,100         | \$ 25,818                         | 3,553                    | 8,242                     | 7.1%                     |
| 2010                 | 17,123            | 487,286,334            | 28,458                            | 3,794                    | 8,896                     | 7.0%                     |
| 2011                 | 17,480            | 527,616,320            | 30,184                            | 3,584                    | 9,575                     | 6.5%                     |
| 2012                 | 18,290            | 562,600,400            | 30,760                            | 3,702                    | 10,227                    | 5.2%                     |
| 2013                 | 19,320            | 605,701,320            | 31,351                            | 3,731                    | 10,903                    | 5.5%                     |
| 2014                 | 19,410            | 673,022,340            | 34,674                            | 3,656                    | 11,681                    | 4.7%                     |
| 2015                 | 19,560            | 686,556,000            | 35,100                            | 3,702                    | 12,396                    | 3.8%                     |
| 2016                 | 21,640            | 777,417,000            | 35,925                            | 3,614                    | 12,333                    | 4.7%                     |
| 2017                 | 21,950            | 825,846,800            | 37,624                            | 3,671                    | 13,052                    | 3.9%                     |
| 2018                 | 22,280            | N/A                    | N/A                               | 3,711                    | 13,019                    | 3.2%                     |

Sources: Population, median age, and education level information provided by the State Department of Planning. Personal income and unemployment data provided by the State Department of Commerce and Labor. School enrollment data provided by the Stephenville Independent School District and Tarleton State University.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

Note: Personal income is not available for 2018.

# City of Stephenville, Texas

## PRINCIPAL EMPLOYERS

Current and Nine Years Ago (Unaudited)

| Employer                                   | 2018      |      |                                     | 2008      |      |                                     |
|--|-----------|------|-------------------------------------|-----------|------|-------------------------------------|
|  | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Tarleton State University                  | 1,285     | 1    | 6.31%                               | 895       | 1    | 4.91%                               |
| FMC Company                                | 719       | 2    | 3.53%                               | 630       | 2    | 3.46%                               |
| Stephenville Independent School District   | 490       | 3    | 2.41%                               | 468       | 4    | 2.57%                               |
| Saint Gobain Abrasives                     | 480       | 4    | 2.36%                               | 575       | 3    | 3.16%                               |
| Scheiber Foods                             | 460       | 5    | 2.26%                               | 446       | 6    | 2.45%                               |
| Wal-Mart Stores, Inc.                      | 325       | 6    | 1.60%                               | 450       | 5    | 2.47%                               |
| Texas Health Harris Methodist Stephenville | 260       | 7    | 1.28%                               | 255       | 7    | 1.40%                               |
| Erath County                               | 215       | 8    | 1.06%                               | 179       | 10   | 0.98%                               |
| HEB  | 208       | 9    | 1.02%                               |           |      |                                     |
| The Rock House                             | 204       | 10   | 1.00%                               |           |      |                                     |
| Western Dairy Transport                    | 200       | *    | 0.98%                               | 197       | 8    | 1.08%                               |
| Tejas Tubular (Caporal Forging)            | 155       | 12   | 0.76%                               |           |      |                                     |
| Appleton Electric Co.                      | 153       | 13   | 0.75%                               | 150       | 11   | 0.82%                               |
| City of Stephenville                       | 150       | 14   | 0.74%                               |           |      |                                     |
| Outlaw Conversions                         | 145       | 15   | 0.71%                               | 190       | 9    | 1.04%                               |
| Fibergrate Composite Structures            | 140       | 16   | 0.69%                               | 115       | 15   | 0.63%                               |
| Stephenville Medical & Surgical Clinic     | 121       | 17   | 0.59%                               | 148       | 13   | 0.81%                               |
| Bruner Motors                              | 108       | 18   | 0.53%                               | 101       | 17   | 0.55%                               |
| Prime Buildings                            | 86        | 19   | 0.42%                               |           |      |                                     |
| Mulberry Manor                             | 80        | 20   | 0.39%                               |           |      |                                     |
| PalCon                                     | 75        | 21   | 0.37%                               |           |      |                                     |
| Senior Care at Stephenville                | 71        | 22   | 0.35%                               |           |      |                                     |
| Texstar Ford                               | 60        | 23   | 0.29%                               | 35        | 19   | 0.19%                               |
| Wolfe Nursery Direct                       | 40        | 24   | 0.20%                               |           |      |                                     |
| United Cooperative Services                | 39        | 25   | 0.19%                               | 150       | 12   | 0.82%                               |
| Caporal Forging                            |           |      |                                     | 120       | 14   | 0.66%                               |
| Associated Milk Producers                  |           |      |                                     | 110       | 16   | 0.60%                               |
| Southwestern Linen                         |           |      |                                     | 38        | 18   | 0.21%                               |
| USTRA                                      |           |      |                                     | 18        | 20   | 0.10%                               |
| Subtotal                                   | 6,269     |      | 30.80%                              | 5,270     |      | 28.92%                              |
| Remaining Employers (County)               | 14,088    |      | 69.20%                              | 12,950    |      | 71.08%                              |
| Total                                      | 20,357    |      | 100.00%                             | 18,220    |      | 100.00%                             |

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

Notes:

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

\*Number of employees are for 2017 as 2018 numbers were unavailable.

# City of Stephenville, Texas

## FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years (Unaudited)

| Function/Program          | 2009       | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | 2016       | 2017       | 2018       |
|---------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| General government        |            |            |            |            |            |            |            |            |            |            |
| Management services       | 4          | 4          | 4          | 4          | 4          | 4          | 4          | 5          | 5          | 5          |
| Finance                   | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Planning                  | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 3          | 3          |
| Building                  | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          | 2          |
| Other                     | 1          | 1          | 1          | 2          | 2          | 2          | 2          | 2          | 2          | 3          |
| Police                    |            |            |            |            |            |            |            |            |            |            |
| Officers                  | 38         | 38         | 38         | 39         | 39         | 39         | 39         | 39         | 39         | 39         |
| Civilians                 | 12         | 12         | 12         | 12         | 12         | 16         | 16         | 15         | 17         | 17         |
| Fire                      |            |            |            |            |            |            |            |            |            |            |
| Firefighters and officers | 31         | 31         | 31         | 31         | 31         | 31         | 31         | 31         | 31         | 31         |
| Civilians                 | -          | -          | -          | -          | -          | -          | -          | 1          | 1          | 1          |
| Parks and recreation      | 13         | 13         | 13         | 13         | 13         | 13         | 13         | 12         | 14         | 14         |
| Library                   | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 3          | 4          |
| Streets                   | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          | 7          |
| Water                     | 13         | 13         | 13         | 13         | 13         | 13         | 13         | 16         | 15         | 15         |
| Wastewater                | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 5          | 6          | 6          |
| Landfill                  | 2          | 2          | 2          | 2          | 2          | 2          | 3          | 3          | 3          | 3          |
| <b>Total</b>              | <b>140</b> | <b>140</b> | <b>140</b> | <b>142</b> | <b>142</b> | <b>146</b> | <b>147</b> | <b>150</b> | <b>155</b> | <b>157</b> |

Source: Current Year Approved Budget

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)**

| <b>Function/Program</b>                                  | <b>2009</b>  | <b>2010</b> | <b>2011</b>  | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  | <b>2016</b>  | <b>2017</b>  | <b>2018</b>  |
|--|--------------|-------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| General government                                       |              |             |              |              |              |              |              |              |              |              |
| Building permits issued                                  | 109          | 90          | 148          | 96           | 113          | 90           | 93           | 146          | 127          | 197          |
| Building permits value                                   | \$11,978,341 | \$8,456,287 | \$29,365,010 | \$11,174,610 | \$49,204,311 | \$19,061,275 | \$10,829,426 | \$41,143,042 | \$22,331,535 | \$24,569,365 |
| Building inspections conducted                           |              |             |              |              |              |              |              |              |              |              |
| Police   |              |             |              |              |              |              |              |              |              |              |
| Calls for service  | 12,730       | 13,424      | 17,278       | 11,166       | 10,566       | 9,836        | 14,631       | 12,378       | 12,044       | 13,785       |
| Physical arrests   | 953          | 916         | 717          | 882          | 1,123        | 846          | 806          | 643          | 696          | 742          |
| Parking violations (1)                                   | 206          | 346         | 401          | 417          | 520          | 258          | 467          | 858          | 830          | 177          |
| Traffic violations                                       | 1,634        | 1,478       | 4,639        | 2,035        | 5,357        | 7,338        | 5,665        | 3,816        | 3,470        | 3,767        |
| Fire   |              |             |              |              |              |              |              |              |              |              |
| Ambulance responses                                      | 1,502        | 1,442       | 1,524        | 1,517        | 1,555        | 1,592        | 1,733        | 1,897        | 1,767        | 1,842        |
| Fires responses  | 230          | 241         | 282          | 229          | 276          | 251          | 294          | 303          | 313          | 385          |
| Inspections  | 326          | 359         | 316          | 289          | 551          | 456          | 444          | 400          | 393          | 392          |
| Refuse collection  |              |             |              |              |              |              |              |              |              |              |
| Refuse collected (tons)                                  |              | 15,984      | 15,538       | 16,930       | 18,393       | 21,729       | 22,494       | 21,676       | 19,229       | 19,689       |
| Recyclables collected (tons per day)                     |              |             |              |              |              |              |              |              |              |              |
| Other public works                                       |              |             |              |              |              |              |              |              |              |              |
| Street resurfacing (miles)                               | 2.68         | 1.25        | 0.90         | 1.30         | 1.32         | -            | -            | 17.90        | 8.77         | 10.62        |
| Library  |              |             |              |              |              |              |              |              |              |              |
| Volumes in collection                                    | 44,200       | 39,333      | 33,709       | 32,504       | 33,316       | 35,171       | 36,759       | 37,416       | 38,685       | 40,041       |
| Total volumes borrowed                                   | 227          | 129         | 132          | 161          | 25           | 6            | 12           | 37           | 199          | 138          |
| Water  |              |             |              |              |              |              |              |              |              |              |
| Active connections                                       | 5,700        | 5,624       | 5,698        | 5,920        | 6,181        | 6,000        | 6,442        | 6,495        | 6,625        | 6,813        |
| Water main breaks  | 61           | 62          | 70           | 80           | 47           | 59           | 57           | 39           | 30           | 23           |
| Average daily consumption<br>(thousands of gallons)      | 2,004,000    | 1,970,000   | 2,447,000    | 2,115,000    | 2,107,000    | 1,983,000    | 1,945,000    | 1,997,000    | 1,932,000    | 2,117,000    |
| Peak daily consumption<br>(thousands of gallons)         | 3,663,000    | 3,666,000   | 4,765,000    | 3,937,000    | 3,937,000    | 3,176,000    | 3,505,000    | 3,872,000    | 2,985,000    | 3,703,000    |
| Wastewater   |              |             |              |              |              |              |              |              |              |              |
| Average daily sewage treatment<br>(thousands of gallons) | 1,518,000    | 1,745,000   | 1,395,000    | 1,610,000    | 1,453,000    | 1,433,000    | 1,444,000    | 1,720,000    | 1,380,000    | 1,310,000    |
| WW Peak  |              |             | 2,716,000    | 4,494,000    | 3,158,000    | 2,737,000    | 7,106,000    | 9,350,000    | 6,597,000    | 6,800,000    |
| Airport  |              |             |              |              |              |              |              |              |              |              |
| Landings   | 2,986        | 3,235       | 3,655        | 3,637        | 3,574        | 3,384        | 3,233        | 3,008        | 2,862        | 2,765        |
| Take-offs  | 2,988        | 3,234       | 3,657        | 3,631        | 3,572        | 3,383        | 3,239        | 3,010        | 2,862        | 2,765        |

(1) 2009 through 2017 represents the calls for parking violations, which could be significantly higher than actual citations issued. Due to new software, 2018 represents the actual citations issued for parking violations.

Source: Various City departments

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

| <b>Function/Program</b>                      | <b>2009</b> | <b>2010</b> | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> | <b>2016</b> | <b>2017</b> | <b>2018</b> |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Police                                       |             |             |             |             |             |             |             |             |             |             |
| Stations                                     | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           | 1           |
| Patrol units                                 | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 10          | 11          | 11          |
| Fire   |             |             |             |             |             |             |             |             |             |             |
| Stations                                     | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           | 2           |
| Other public works                           |             |             |             |             |             |             |             |             |             |             |
| Streets (miles)                              | 92          | 92          | 92          | 92          | 92          | 92          | 92          | 93          | 93          | 93          |
| Highways (miles)                             | 21          | 23          | 23          | 23          | 23          | 23          | 23          | 23          | 23          | 23          |
| Streetlights                                 | 1,096       | 1,119       | 1,121       | 1,125       | 1,127       | 1,139       | 1,145       | 1,149       | 1,156       | 1,164       |
| Parks and recreation                         |             |             |             |             |             |             |             |             |             |             |
| Acreage                                      | 130         | 130         | 130         | 130         | 130         | 130         | 130         | 142         | 142         | 142         |
| Playgrounds                                  | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           | 4           |
| Baseball/softball diamonds                   | 9           | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          | 11          |
| Soccer/football fields                       | 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)                          | 125         | 125         | 126         | 126         | 126         | 126         | 126         | 126         | 128         | 131         |
| Fire hydrants                                | 735         | 771         | 788         | 798         | 798         | 798         | 798         | 801         | 816         | 816         |
| Storage capacity<br>(thousands of gallons)   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   | 5,750,000   |
| Wastewater                                   |             |             |             |             |             |             |             |             |             |             |
| Sanitary sewers (miles)                      | 115         | 115         | 116         | 116         | 116         | 116         | 116         | 116         | 116         | 117         |
| Storm sewers (miles)                         | 10.5        | 10.5        | 10.5        | 10.5        | 10.5        | 10.5        | 10.5        | 10.5        | 10.5        | 10.5        |
| Treatment capacity<br>(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