

CITY OF STAFFORD, TEXAS

ANNUAL FINANCIAL REPORT

**Year Ended September 30, 2023
with Report of Independent
Auditors**



**Prepared by:
City of Stafford
Finance Department**

Alka Shah, Chief Financial Officer

CITY OF STAFFORD, TEXAS

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THE CITY OF
STAFFORD

CITY OF STAFFORD, TEXAS

PRINCIPAL OFFICIALS

Elected Officials

Ken Mathew	Mayor
Xavier Herrera	Mayor Pro Tem, Position 5
Alice Chen	City Councilmember, Position 1
Virginia Rosas	City Councilmember, Position 2
William K. Bostic, Jr.	City Councilmember, Position 3
Christopher Caldwell	City Councilmember, Position 4
Tim Wood	City Councilmember, Position 6

Appointed Officials

Arthur L. Pertile, III	City Attorney
Alka Shah	Director of Finance
Roxanne Benitez	City Secretary
Richard Ramirez	Police Chief
Larry Di Camillo	Fire Chief
Jose Pastrana	Director of Public Works
Robert Frith	Director of Multimedia
Robert Young	Director of Information Technology
Susan Ricks	Director of Recreation
Nicole Nguyen	Court Director
Shanell Garcia	HR Director



THE CITY OF
STAFFORD

FINANCIAL SECTION



THE CITY OF
STAFFORD

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Stafford, Texas

Report on the Audit of the Financial Statements

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

To the Honorable Mayor and
Members of City Council
City of Stafford, Texas

Auditor’s Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

To the Honorable Mayor and
Members of City Council
City of Stafford, Texas

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 27, 2024 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

The image shows a handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, professional style.

Houston, Texas
February 27, 2024



THE CITY OF
STAFFORD

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Stafford (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2023.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the four 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.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, *regardless of timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., municipal court fines).

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 and administration, public safety, public works, and parks and recreation. The City currently does not have any business-type activities.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City's two discretely presented component units consist of the following: Stafford Economic Development Corporation and Stafford Municipal School District.

The government-wide financial statements can be found beginning on page 17 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. The City currently only has governmental funds.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 evaluating a government's near-term financing requirements.

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 funds balance sheet and the governmental funds 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 thirteen (13) 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, Hotel Occupancy Tax Special Revenue Fund and Capital Projects Fund which are considered to be major funds. Data for the other ten (10) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on beginning on page 20 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* – including Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for both the General Fund and Hotel Occupancy Tax Special Revenue Fund, Schedules of Changes in Net Pension Liability and Contributions, and a Schedule of Changes in Net OPEB Liability. Required supplementary information can be found beginning on page 50 of this report.

The *other supplemental information* is presented following the required supplementary information. These combining statements can be found beginning on page 59 of this report.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

The following table provides a summary of the City's net position at September 30, 2023 and 2022:

Condensed Schedule of Net Position
September 30, 2023 and 2022

	Governmental Activities		Change	
	2023	2022	Amount	Percent
Current and Other Assets	\$ 32,186,071	\$ 31,371,447	\$ 814,624	3%
Capital assets and other noncurrent assets	65,063,198	67,073,988	(2,010,790)	-3%
Total Assets	<u>97,249,269</u>	<u>98,445,435</u>	<u>(1,196,166)</u>	<u>-1%</u>
Deferred Outflows of Resources	<u>5,084,011</u>	<u>1,355,790</u>	<u>3,728,221</u>	<u>275%</u>
Current and Other Liabilities	7,488,115	8,325,845	(837,730)	-10%
Long-term liabilities	23,595,083	17,775,260	5,819,823	33%
Total Liabilities	<u>31,083,198</u>	<u>26,101,105</u>	<u>4,982,093</u>	<u>19%</u>
Deferred Inflows of Resources	<u>789,535</u>	<u>3,970,686</u>	<u>(3,181,151)</u>	<u>-80%</u>
Net Position:				
Net investment in capital assets	53,202,396	54,887,038	(1,684,642)	-3%
Restricted	9,070,157	8,006,908	1,063,249	13%
Unrestricted	8,187,994	6,835,488	1,352,506	20%
Total Net Position	<u>\$ 70,460,547</u>	<u>\$ 69,729,434</u>	<u>\$ 731,113</u>	<u>1%</u>

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Stafford, assets and deferred outflows exceeded liabilities and deferred inflows by \$70.5 million as of September 30, 2023.

By far the largest portion of the City's net position, 76 percent reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses 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 capital assets themselves cannot be used to liquidate these liabilities.

An additional 13 percent portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position carries a balance of \$8.2 million primarily due to long term pension and other post-employment benefits with a \$2.5 million downward impact on overall net position.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table provides a summary of the City's operations for the years ended September 30, 2023 and 2022:

Condensed Statement of Activities
For the Years Ended September 30, 2023 and 2022

	Governmental Activities		Change	
	2023	2022	Amount	Percent
Revenues				
Program revenue:				
Charges for services	\$ 5,804,433	\$ 5,728,184	\$ 76,249	1%
Operating grants and contributions	3,449,004	2,290,626	1,158,378	51%
Capital grants and contributions	-	70,250	(70,250)	-100%
General revenues:				
Sales and use taxes	18,187,434	19,367,409	(1,179,975)	-6%
Other taxes	2,758,147	2,744,342	13,805	1%
Unrestricted investment earnings	1,021,604	(221,800)	1,243,404	-561%
Miscellaneous	361,410	431,682	(70,272)	-16%
Total Revenues	31,582,032	30,410,693	1,171,339	4%
Expenses:				
Mayor and Council	89,230	83,105	6,125	7%
General Administration	4,183,191	3,899,294	283,897	7%
Development Services	781,842	655,608	126,234	19%
Judicial	412,591	1,202,205	(789,614)	-66%
Municipal Services	6,612,788	5,778,387	834,401	14%
Public Safety	14,570,517	11,954,078	2,616,439	22%
Recreation	1,210,451	1,284,293	(73,842)	-6%
Performing Arts Center	2,525,056	2,069,207	455,849	22%
Interest on long-term debt	465,253	490,173	(24,920)	-5%
Total Expenses	30,850,919	27,416,350	3,434,569	13%
Transfers	-	-	-	
Change in Net Position for the Year	731,113	2,994,343	(2,263,230)	76%
Net Position - Beginning	69,729,434	66,735,091	2,994,343	4%
Net Position - Ending	\$ 70,460,547	\$ 69,729,434	\$ 731,113	1%

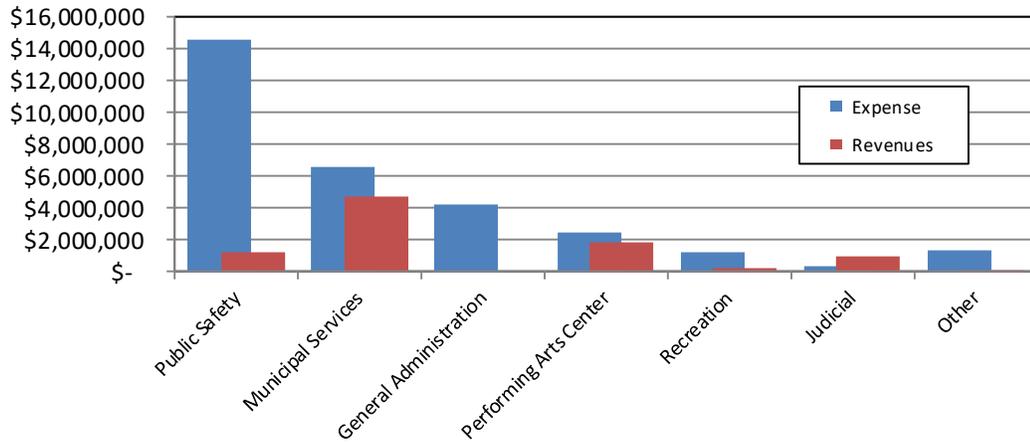
Governmental Activities

Governmental activities experienced the following significant changes in individual revenue and expense categories:

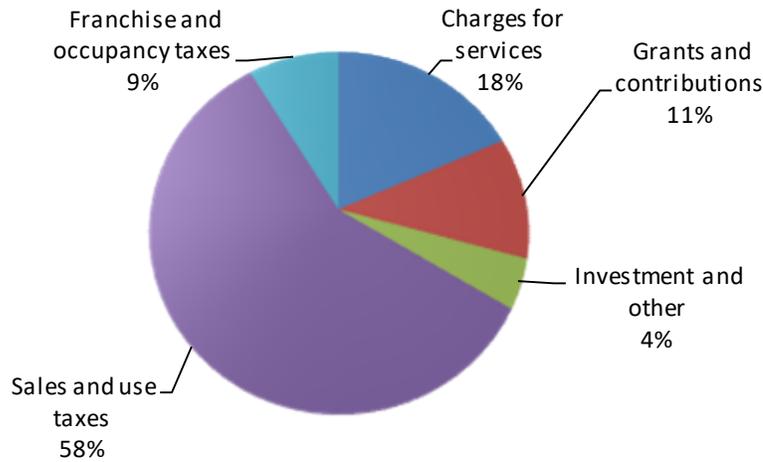
- Operating grants and contributions increased by \$1.2 million due to spending of ARPA funds and TIFMAS reimbursement.
- Sales and use taxes decreased by \$1.2 million due to a noticeable drop in revenue generated by the City's top commercial contributors, in addition to the closure/dissolutions of some other retail businesses.
- Total expenses increased by \$3.4 million primarily due to vacant positions being filled and implementation of a compensation study.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A comparison of program expenses to program revenues follows:



Revenue sources for governmental activities were distributed as follows:



Financial Analysis of the City's Funds

As noted earlier, the City of Stafford uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$24.1 million. A portion of the fund balance (\$11.1 million) is restricted by law or third-party agreements and is not available for general governmental expenditures. The remainder of the governmental fund balance of \$10.5 million is available for any lawful purpose. The General Fund balance increased by \$2.4 million in the current fiscal year.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$0.0 million decrease in appropriations.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental activities as of September 30, 2023, amounted to \$65.1 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment, infrastructure, and the intangible right-to-use lease/subscription assets.

The following table shows the balances at September 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Capital Assets Not being Depreciated		
Land	\$ 5,143,634	\$ 5,143,634
Construction in progress	389,544	314,941
Capital Assets, Net of Depreciation		
Buildings	20,664,187	21,634,501
Improvements other than buildings	1,508,490	1,612,802
Machinery and equipment	5,206,526	5,164,999
Infrastructure	31,929,926	32,115,168
Lease assets	75,742	-
Subscription assets	145,149	-
Total Capital Assets - Governmental Activities	<u>\$ 65,063,198</u>	<u>\$ 65,986,045</u>

Additional information on the City's capital assets can be found in Note 6 to the financial statements of this report.

Long-term liabilities

At the end of the current fiscal year, the City had a total long-term debt liability of \$16.8 million. A comparison of long-term debt at September 30, 2023 and 2022 follows:

	<u>2023</u>	<u>2022</u>
Certificates of obligation	\$ 13,635,000	\$ 13,990,000
Premiums on issuance	648,204	679,238
Sales Tax obligations	1,285,025	1,427,776
Compensated absences	1,073,209	1,035,274
Leases payable	71,874	-
SBITA payable	124,877	-
	<u>\$ 16,838,189</u>	<u>\$ 17,132,288</u>

Additional information on the City's long-term debt can be found in Note 7 to the financial statements of this report.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

In the 2023-24 Budget, General Fund revenues are budgeted to decrease by approximately \$0.6 million from the 2022-23 budget year primarily due to estimates in sales tax revenue. Appropriations are budgeted to decrease by approximately \$1.7 million from the 2022-23 budget year.

	<u>2023 Budget</u>	<u>2024 Budget</u>	<u>Change</u>
Revenues	\$ 30,705,064	\$ 30,089,067	\$ (615,997)
Expenditures	(31,105,720)	(32,788,236)	(1,682,516)
Other sources (uses)	<u>1,579,833</u>	<u>(238,435)</u>	<u>(1,818,268)</u>
Change in fund balance	1,179,177	(2,937,604)	(4,116,781)
Beginning Fund Balance	<u>10,641,135</u>	<u>11,826,347</u>	<u>1,185,212</u>
Ending Fund Balance	<u><u>\$ 11,820,312</u></u>	<u><u>\$ 8,888,743</u></u>	<u><u>\$ (2,931,569)</u></u>

In preparing the 2023-24 budget, management considered certain economic factors including:

- A 15% increase in salary for all employees in the Police Department except administrative staff effective 10.1.23.
- An increase of 22-24% for all employees in the Fire Department except administrative staff effective 1.1.24.
- An increase of 5% for all other employees Citywide effective 1.1.24.
- Fund one new position in the Fire Marshal's area effective 1.1.24.
- Release four frozen positions in the Police Department effective 10.1.23.
- Release one Mechanic Position in the Public Works Department effective 1.1.24.
- Approve one new Code Compliance Officer position effective 1.1.24.
- Increase City holiday from 12 to 13 including 2 personal holidays.
- Fund capital or one-time need from AARP grant and fund balance above policy requirements.
- Maintain Service levels to citizens and users.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of Stafford, 2610 South Main, Stafford, Texas, 77477.



THE CITY OF
STAFFORD

BASIC FINANCIAL STATEMENTS



THE CITY OF
STAFFORD

CITY OF STAFFORD, TEXAS
STATEMENT OF NET POSITION
September 30, 2023

	Primary		
	Government	Component Units	
	Governmental Activities	Stafford Economic Development Corporation	Stafford Municipal School District
Assets			
Current assets:			
Cash and cash equivalents	\$ 10,644,130	\$ 7,244,972	\$ 12,958,109
Investments	15,806,371	7,433,048	-
Accounts receivable	4,780,222	1,136,053	1,484,105
Interest receivable	105,626	35,983	-
Due from other governments	576,287	-	3,482,651
Due from City	-	514,375	-
Inventory	63,611	-	34,487
Prepaid expenses	1,344	-	9,797
Restricted cash	208,480	-	-
Noncurrent assets:			
Capital assets, not being depreciated	5,533,178	-	1,395,524
Capital assets, net of accumulated depreciation/amortization	59,530,020	-	89,047,898
Total Assets	97,249,269	16,364,431	108,412,571
Deferred Outflows of Resources			
Deferred charge on refunding	-	503,284	1,764,603
Pension related	4,933,858	-	6,602,682
OPEB related	150,153	-	2,550,396
Total Deferred Outflows of Resources	5,084,011	503,284	10,917,681
Liabilities			
Current liabilities:			
Accounts Payable	2,654,483	598,683	825,874
Accrued salaries and benefits	510,869	-	2,097,766
Interest payable	39,808	12,965	173,534
Deposits payable	55,637	-	-
Due to SEDC	514,375	-	-
Payroll liabilities	16,694	-	434,411
Unearned revenue	3,696,249	-	65,308
Tax anticipation note payable	-	-	6,000,000
Noncurrent liabilities:			
Due within one year: bonds, compensated absences, claims	1,273,183	1,562,409	3,318,730
Due in more than one year:			
Bonds, compensated absences, claims	15,565,006	9,779,360	101,691,188
Net Pension Liability	6,287,723	-	13,363,383
Net OPEB Liability	469,171	-	6,933,009
Total Liabilities	31,083,198	11,953,417	134,903,203
Deferred Inflows of Resources			
Pension related	524,243	-	1,113,480
OPEB related	265,292	-	10,592,461
Total Deferred Inflows of Resources	789,535	-	11,705,941
Net Position			
Net investment in capital assets	53,202,396	-	(12,606,336)
Restricted for:			
Grants	-	-	1,308,672
Debt service	-	-	3,849,419
Public safety	1,149,745	-	-
Tourism	7,920,412	-	-
Unrestricted	8,187,994	4,914,298	(19,830,647)
Total Net Position	\$ 70,460,547	\$ 4,914,298	\$ (27,278,892)

CITY OF STAFFORD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government			
Governmental Activities:			
Mayor and Council	\$ 89,230	\$ -	\$ -
General Administration	4,183,191	-	-
Development Services	781,842	-	-
Judicial	412,591	1,015,584	-
Municipal Services	6,612,788	2,210,805	2,541,604
Public Safety	14,570,517	494,917	791,669
Recreation	1,210,451	202,795	-
Performing Arts Center	2,525,056	1,880,332	-
Non-Departmental	-	-	115,731
Interest on long-term debt	465,253	-	-
Total Governmental Activities	30,850,919	5,804,433	3,449,004
Component Units			
Stafford Economic Development Corporation	1,982,790	-	-
Stafford Municipal School District	61,239,635	883,208	9,626,702
Total Component Units	63,222,425	883,208	9,626,702
Total	\$ 94,073,344	\$ 6,687,641	\$ 13,075,706

CITY OF STAFFORD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2023

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Primary		
	Government	Component Units	
	Governmental Activities	Stafford Economic Development Corporation	Stafford Municipal School District
Primary government			
Governmental Activities:			
Mayor and Council	\$ (89,230)	\$ -	\$ -
General Administration	(4,183,191)	-	-
Development Services	(781,842)	-	-
Judicial	602,993	-	-
Municipal Services	(1,860,379)	-	-
Public Safety	(13,283,931)	-	-
Recreation	(1,007,656)	-	-
Performing Arts Center	(644,724)	-	-
Non-Departmental	115,731	-	-
Interest on long-term debt	(465,253)	-	-
Total Governmental Activities	(21,597,482)	-	-
Component Units			
Stafford Economic Development Corporation	-	(1,982,790)	-
Stafford Municipal School District	-	-	(50,729,725)
Total Component Units	-	(1,982,790)	(50,729,725)
Total	\$ (21,597,482)	\$ (1,982,790)	\$ (50,729,725)
General revenues:			
Taxes:			
Sales and use tax	\$ 18,187,434	\$ 5,918,885	\$ -
Franchise taxes	1,580,427	-	-
Occupancy and other taxes	1,177,720	-	-
Property taxes	-	-	40,639,098
Unrestricted investment income (loss)	1,021,604	567,259	795,204
Grants and contributions not restricted	-	-	4,332,192
Gain on sale of capital assets	11,153	-	-
Miscellaneous	350,257	2,585	338,701
Total General Revenues	22,328,595	6,488,729	46,105,195
Change in net position	731,113	4,505,939	(4,624,530)
Net Position - Beginning	69,729,434	408,359	(22,654,362)
Net Position - Ending	\$ 70,460,547	\$ 4,914,298	\$ (27,278,892)

CITY OF STAFFORD, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
September 30, 2023

	General Fund	Hotel Occupancy Tax	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 6,843,541	\$ 2,512,888	\$ 1,287,701	\$ 10,644,130
Investments	8,394,471	5,439,095	1,972,805	15,806,371
Accounts receivable	4,666,448	113,774	-	4,780,222
Interest receivable	75,522	22,186	7,918	105,626
Due from other governments	576,287	-	-	576,287
Due from other funds	167,531	-	-	167,531
Inventory	63,611	-	-	63,611
Prepaid expenses	1,344	-	-	1,344
Restricted cash	208,480	-	-	208,480
Total Assets	\$ 20,997,235	\$ 8,087,943	\$ 3,268,424	\$ 32,353,602
Liabilities				
Accounts Payable	\$ 2,530,718	\$ -	\$ 123,765	\$ 2,654,483
Accrued salaries and benefits	510,869	-	-	510,869
Deposits payable	55,637	-	-	55,637
Due to other funds	-	167,531	-	167,531
Due to SEDC	514,375	-	-	514,375
Payroll liabilities	16,694	-	-	16,694
Unearned revenue	3,696,249	-	-	3,696,249
Total Liabilities	7,324,542	167,531	123,765	7,615,838
Deferred Inflows of Resources				
Unavailable revenue - municipal court	655,992	-	-	655,992
Total Deferred Inflows of Resources	655,992	-	-	655,992
Fund balances				
Nonspendable:				
Inventory	63,611	-	-	63,611
Prepaid expenses	1,344	-	-	1,344
Restricted:				
Debt service	-	-	30,058	30,058
Capital Projects	-	-	2,619,153	2,619,153
Public safety programs	-	-	493,753	493,753
Tourism	-	7,920,412	-	7,920,412
Committed:				
Capital Projects	-	-	1,695	1,695
Assigned	2,418,459	-	-	2,418,459
Unassigned	10,533,287	-	-	10,533,287
Total Fund Balances	13,016,701	7,920,412	3,144,659	24,081,772
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 20,997,235	\$ 8,087,943	\$ 3,268,424	\$ 32,353,602

CITY OF STAFFORD, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
September 30, 2023

Total Fund Balance, Governmental Funds \$ 24,081,772

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 65,063,198

Uncollected fines, forfeitures, fees, and other assessments that are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 655,992

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds payable	(13,635,000)
Premium on bonds	(648,204)
Excess sales tax due to State	(1,285,025)
Accrued interest	(39,808)
Accrued compensated absences	(1,073,209)
Leases payable	(71,874)
SBITAs payable	(124,877)

Net pension liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.

Deferred outflows of resources	4,933,858
Net pension liability	(6,287,723)
Deferred inflows of resources	(524,243)

Net OPEB liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.

Deferred outflows of resources	150,153
Total OPEB liability	(469,171)
Deferred inflows of resources	(265,292)

Net Position of Governmental Activities in the Statement of Net Position \$ 70,460,547

CITY OF STAFFORD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023

	General Fund	Hotel Occupancy Tax	Non-Major Governmental Funds	Total Non-Major Governmental Funds
Revenues				
Taxes:				
Sales taxes	\$ 18,187,433	\$ -	\$ -	\$ 18,187,433
Franchise taxes	1,580,427	-	-	1,580,427
Hotel occupancy taxes	-	1,177,720	-	1,177,720
License and permits	1,951,623	-	-	1,951,623
Fines and forfeitures	958,599	-	97,534	1,056,133
Charges for services	2,818,532	-	-	2,818,532
Investment income	569,485	326,268	152,465	1,048,218
Intergovernmental	3,333,273	-	-	3,333,273
Miscellaneous	221,565	-	128,692	350,257
Total Revenues	29,620,937	1,503,988	378,691	31,503,616
Expenditures				
Current:				
Mayor and Council	89,230	-	-	89,230
General Administration	3,729,097	-	-	3,729,097
Development Services	753,098	-	-	753,098
Judicial	540,945	-	30,680	571,625
Municipal Services	5,742,286	-	419	5,742,705
Public Safety	12,627,075	-	79,595	12,706,670
Recreation	641,648	-	-	641,648
Performing Arts Center	2,306,734	-	-	2,306,734
Debt Service:				
Principal	232,591	-	356,764	589,355
Interest	827	-	495,438	496,265
Other debt service	-	-	1,500	1,500
Capital Outlay	1,393,178	-	1,104,742	2,497,920
Total Expenditures	28,056,709	-	2,069,138	30,125,847
Revenues over (under) expenditures	1,564,228	1,503,988	(1,690,447)	1,377,769
Other Financing Sources (Uses)				
Sale of real property	33,222	-	-	33,222
Proceeds from lease	73,089	-	11,068	84,157
Proceeds from SBITA	204,198	-	-	204,198
Operating Transfers In	1,352,767	-	857,983	2,210,750
Operating Transfers Out	(851,938)	(1,352,407)	(6,405)	(2,210,750)
Total Other Financing Sources (Uses)	811,338	(1,352,407)	862,646	321,577
Changes in Fund Balance	2,375,566	151,581	(827,801)	1,699,346
Fund Balances - Beginning of Year	10,641,135	7,768,831	3,972,460	22,382,426
Fund Balances - End of Year	\$ 13,016,701	\$ 7,920,412	\$ 3,144,659	\$ 24,081,772

CITY OF STAFFORD, 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, 2023

Net Change in Fund Balances - Total Governmental Funds: \$ 1,699,346

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$3,264,290 was exceeded by depreciation of \$4,280,801 in the current period. (1,016,511)

Contributions of capital assets by other governmental entities are not reported in the governmental fund financial statements as they do not represent a flow of current resources. 115,731

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and disposals). (22,067)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (48,470)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. 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.

Issuance of debt - leases	(84,157)
Issuance of debt - SBITAs	(204,198)
Principal paid on sales tax obligation	142,751
Principal paid on bonds	355,000
Principal paid on leases	12,283
Principal paid on SBITAs	79,321

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

Accrued interest on long-term debt	1,478
Amortization of bond premiums	31,034
Compensated absences	(37,935)
Changes in pension/OPEB liabilities and related deferred outflows and inflows of resources	(292,493)

Change in Net Position of Governmental Activities \$ 731,113



THE CITY OF
STAFFORD

CITY OF STAFFORD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Organization

The City of Stafford, Texas (the "City") is an independent political subdivision of the State of Texas governed by an elected six (6) member council and a mayor. The City provides services to the citizens of the City as authorized in its charter. Presently these services include police and fire protection, building and code inspection, planning, zoning, engineering, drainage, street repair and maintenance, park maintenance, recreation facilities, municipal court and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Stafford Economic Development Corporation ("SEDC")

In 1999, the City of Stafford formed the Stafford Economic Development Corporation (a 4B corporation), which was created by voters approving an additional sales tax to be used for economic development. State law (4B) allows the City to collect sales tax to assist in the promotion and development activities of the City. The Stafford Economic Development Corporation has been included as a discretely presented component unit in the City's financial statements in accordance with generally accepted accounting principles for governments. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City.

The Financial Statements for the Stafford Economic Development Corporation can be obtained from the Director of Finance, City of Stafford, Texas.

Stafford Municipal School District

The Stafford Municipal School District (SMSD) was created by the City of Stafford in 1977, SMSD has been included as a discretely presented component unit in the City's financial statements in accordance with generally accepted accounting principles for governments. SMSD has a separately elected Board of Trustees and is a separate legal entity. However, the City approves the District's tax rate and budget, and must approve any debt issuance made by SMSD. In 2003, the City received legislative authority from the state for the council to have voting authority with the SMSD Board over the adoption of SMSD's annual budget. Therefore, the City Council approval is required for annual budgets and for bonded debt issuance making the District a component unit of the City.

SMSD has a fiscal year end (August 31st) that differs from the City's fiscal year end (September 30th). However, the year ends are treated consistently each year. The Financial Statements of SMSD can be obtained from the Chief Financial Officer of Stafford Municipal School District, 1625 Staffordshire, Stafford, Texas 77477.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Stafford Municipal School District (continued)

The City has an agreement with SMSD concerning its share of construction, maintenance and operating costs of a maintenance facility, and the costs of routine maintenance operations as more fully described in Note 11 of the financial statements.

The component units identified are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will or a financial benefit/burden exists.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

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

B. Government-wide and Fund 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. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 that are restricted to meeting operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City does not have any proprietary funds or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements.

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes and franchise fees are recognized as revenues in the year that gives rise to the transaction. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

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

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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Sales taxes, franchise fees, licenses, municipal court revenues 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. All other revenue items are considered measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. The *General Fund* is made up of the City's General sub-fund and its Municipal Sales Tax sub-fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Hotel/Motel Occupancy Tax Fund* accounts for taxes collected from local hotels and motels and can only be used for special purposes as allowed by the State to promote tourism and benefit the City in attracting visitors to the City.

D. Cash and Cash Equivalents

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year remaining at the end of the fiscal year.

The City categorizes fair value measurements of its investments based on the hierarchy established by GAAP. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's local government investment pools are valued and recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

F. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as "due from other funds" or "due to other funds" in the fund financial statements.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

G. Inventory

Inventory is valued at cost and consists primarily of fuel and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

H. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, construction in progress, and the intangible right-to-use lease and subscription assets are reported in the applicable governmental type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not included as part of the capitalized value of the assets constructed.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset</u>	
Buildings	50 Years
Improvements other than buildings	20 Years
Machinery and equipment	4-20 Years
Infrastructure	20-65 Years
Lease assets	Shorter of useful life or lease term
Subscription assets	Subscription term

I. Compensated Absences

The City's sick leave policy provides ten sick leave days per year. Employees may accumulate up to 180 sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for a maximum of 30 days accumulated sick leave at their base salary in effect at date of termination.

Nonexempt employees are allowed to take compensation time off for hours worked in excess of 40 hours during a week. The City has established limits of 40 hours of compensation time that can be accumulated which must be taken (or paid to the employee as compensation) before the end of the fiscal year.

Employees are allowed to earn up to 20 vacation leave days per year based on their length of employment with the City. No payment in lieu of taking vacation leave days is available for continuing employees. However, in the case of termination due to voluntary termination, discharge, retirement, or death of an employee, the employee or their estate shall be paid for the accrued but unused vacation leave as of the effective date of termination. The maximum amount of vacation leave paid upon termination, regardless of the amount accrued but unused, shall not exceed the total of vacation hours the employee is eligible to earn during the year in which termination occurs.

The compensated absences are funded from the General Fund when due and payable.

Note 2 - Summary of Significant Accounting Policies (continued)

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between 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. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

K. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from municipal court fines and assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to pension and deferred amounts related to OPEB.

L. Pensions

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

M. Other Post-Employment Benefits

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

N. Use of 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 disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

O. 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. 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.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

P. Fund Equity

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City of Stafford has not adopted a minimum fund balance policy for the General Fund.

Q. Net Position

Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. Current GASB Pronouncements

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* was effective in fiscal year 2023. The City has incorporated such subscription assets into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Investments

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more as of fiscal year-end.

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of all balances.

Under Texas state law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities (or letters of credit) with the City or an independent third-party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance.

At September 30, 2023, in addition to petty cash, the carrying amount of the City's cash, savings, and time deposits was \$2.7 million, with a deposit balance of \$4.1 million which was entirely covered by federal depository insurance and collateral pledged in the City's name. The collateral was held in the safekeeping department of another bank, which acts as the pledging bank's agent.

Investment Policy

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition, it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City holds investments (cash equivalents) in the Local Government Investment Cooperative (LOGIC), which is a "Constant Dollar" net asset value pool and is administered by First Southwest and JP Morgan Chase. LOGIC maintains three primary goals for investing public funds: safety, liquidity and yield. The City's amortized cost in Logic is the same as the value of the pool shares. In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the LOGIC does not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. LOGIC also does not impose any liquidity fees or redemption gates.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Cash and Investments

Investment Policy (continued)

The City’s Investment Officer submits an investment report each quarter to the Council. The report details the investment positions of the City and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker’s acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations and in order to meet anticipated cash flow requirements, the Investment Policy requires that unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.

The City’s investments in U.S. Agency Securities (FHLB, FHLMC, FFCB, Treasury Notes) and certificates of deposits are valued using quoted prices for identical assets in active markets (Level 1 inputs). Additional information regarding the City’s portfolio is as follows:

<u>Fund/Description</u>	<u>Fair Value</u>	<u>Percentage of Portfolio</u>	<u>Weighted Average Maturity</u>	<u>Moody Rating</u>	<u>S&P Rating</u>
Cash and Cash Equivalents:					
Bank deposits	\$ 2,728,492	11%	1	N/A	N/A
LOGIC investment pool	<u>8,124,118</u>	30%	39	N/A	N/A
Total Cash and Cash Equivalents	<u>10,852,610</u>				
Investments:					
Certificates of deposit	1,443,947	5%	188	N/A	N/A
Federal Home Loan Bank	8,407,574	32%	269	Aaa	AA+
Federal Home Loan Mortgage Corporation	1,980,390	7%	413	Aaa	AA+
Federal Farm Credit Bank	3,480,165	13%	285	Aaa	AA+
U.S. Treasury Notes	<u>494,295</u>	2%	92	N/A	AA+
Total Investments	<u>15,806,371</u>				
Total Cash and Investments	<u>\$ 26,658,981</u>	100%	175		

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Receivables and Allowance for Uncollectible Accounts

Receivables are evaluated and an allowance for uncollectible accounts is set up when the collections are doubtful. Receivables as of September 30, 2023, are as follows:

	<u>General Fund</u>	<u>Hotel Occupancy Tax Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables:				
Taxes:				
Sales and use taxes	\$ 3,408,160	\$ 113,774	\$ -	\$ 3,521,934
Accrued interest	75,522	22,186	7,918	105,626
Courts	655,992	-	-	655,992
Stafford Centre	403,962	-	-	403,962
Grants	417,159	-	-	417,159
Stafford MSD	159,128	-	-	159,128
Other	198,334	-	-	198,334
Gross Receivables	<u>\$ 5,318,257</u>	<u>\$ 135,960</u>	<u>\$ 7,918</u>	<u>\$ 5,462,135</u>

The City did not consider reporting an allowance for uncollectible accounts necessary as of September 30, 2023.

The City completed special work in a subdivision within the City which was financed by general obligation bonds. The City financed the project out of the capital projects fund and has assessed the owners of the property \$481,000 to be reimbursed to the City over seven years. The impact fees are recorded in the capital project fund as revenue when the payments are received from homeowners.

Note 5 - Interfund Receivables, Payables and Transfers

Amounts reported as interfund receivables/payables are considered temporary loans needed for normal operations and will be repaid during the following fiscal year. As of September 30, 2023, the City's Hotel Occupancy Tax fund had an outstanding amount due to the General Fund in the amount of \$167,531.

<u>Transfer Out</u>	<u>Transfer In</u>		<u>Totals</u>
	<u>General Fund</u>	<u>Non-major Governmental Funds</u>	
General Fund	\$ -	\$ 851,938	\$ 851,938
Hotel Occupancy Fund	1,352,407	-	1,352,407
Non-Major Governmental Funds	360	6,045	6,405
Total	<u>\$ 1,352,767</u>	<u>\$ 857,983</u>	<u>\$ 2,210,750</u>

During the year ended September 30, 2023, the general fund transferred \$851,938 to the debt service fund to meet the debt service requirements for the 2018 Series Certificates of Obligation. Additionally, the Hotel Tax Occupancy Fund transferred \$1,352,407 to the general fund to fund the operating loss of the Stafford Centre and to support the Convention Center.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Balance 9/30/2022	Additions	Retirements	Transfers	Balance 9/30/2023
Governmental Activities					
Capital Assets, Not being Depreciated:					
Land	\$ 5,143,634	\$ -	\$ -	\$ -	\$ 5,143,634
Construction in progress	314,941	1,656,236	-	(1,581,633)	389,544
Total Capital Assets, Not being Depreciated	5,458,575	1,656,236	-	(1,581,633)	5,533,178
Capital Assets being Depreciated:					
Buildings	39,219,862	-	-	-	39,219,862
Improvements other than buildings	5,984,438	148,226	-	-	6,132,664
Machinery and equipment	23,327,986	1,287,204	(66,263)	-	24,548,927
Infrastructure	80,356,445	-	-	1,581,633	81,938,078
Lease assets	-	84,157	-	-	84,157
Subscription assets	-	204,198	-	-	204,198
Total Capital Assets being Depreciated	148,888,731	1,723,785	(66,263)	1,581,633	152,127,886
Less Accumulated Depreciation for:					
Buildings	(17,585,361)	(970,314)	-	-	(18,555,675)
Improvements other than buildings	(4,371,636)	(252,538)	-	-	(4,624,174)
Machinery and equipment	(18,162,987)	(1,223,610)	44,196	-	(19,342,401)
Infrastructure	(48,241,277)	(1,766,875)	-	-	(50,008,152)
Lease assets	-	(8,415)	-	-	(8,415)
Subscription assets	-	(59,049)	-	-	(59,049)
Total Accumulated Depreciation	(88,361,261)	(4,280,801)	44,196	-	(92,597,866)
Total Capital Assets being Depreciated, Net	60,527,470	(2,557,016)	(22,067)	1,581,633	59,530,020
Total Governmental Activities Capital Assets	\$ 65,986,045	\$ (900,780)	\$ (22,067)	\$ -	\$ 65,063,198

Depreciation/amortization expense was charged to functions/programs of the primary government as follows:

Governmental Activities	
General Administration	\$ 350,272
Development Services	17,889
Judicial	31,742
Municipal Services	2,024,582
Public Safety	1,061,245
Recreation	795,071
Total Governmental Activities	\$ 4,280,801

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets (continued)

Construction in progress for various projects as of September 30, 2023, is as follows:

Governmental Activities	Authorized Budget	Total in Progress	Remaining Commitment
Meadows Trail	\$ 470,000	\$ 23,495	\$ 446,505
Drainage Rehab.	632,000	127,164	504,836
Pike Road	10,000	4,350	5,650
Street Rehab	1,019,230	139,035	880,195
Landscape Improvement	128,500	95,500	33,000
Total Governmental Activities	\$ 2,259,730	\$ 389,544	\$ 1,870,186

Note 7 - Long-Term Debt

The City issues general obligation bonds, certificates of obligation, permanent improvement bonds and permanent improvement refunding bonds. Payments of principal and interest on the debt are provided primarily from sales taxes. The sales tax for debt payments (0.5 percent) was specifically approved by voters for servicing debt to lower the property taxes required for debt service. According to state law, when a City has sales taxes approved to be used for debt payment and the City does not levy property taxes for debt service, the City is allowed to use sales tax deposits that exceed the amount of revenue needed to pay the current year debt service requirements of the City for municipal purposes consistent with the municipal budget. For the year ended September 30, 2023, the City's sales taxes collected exceeded sales tax obligation debt requirements. These amounts have been recorded in the General Fund to be used as approved by City Council.

Summary of Long-Term Debt Transactions

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2023:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Certificates of obligation	\$ 13,990,000	\$ -	\$ (355,000)	\$ 13,635,000	\$ 370,000
Premiums on issuance	679,238	-	(31,034)	648,204	-
Sales Tax obligations	1,427,776	-	(142,751)	1,285,025	142,751
Compensated absences	1,035,274	37,935	-	1,073,209	675,000
Leases payable	-	84,157	(12,283)	71,874	15,804
SBITA payable	-	204,198	(79,321)	124,877	69,628
Total Long-term Liabilities	\$ 17,132,288	\$ 326,290	\$ (620,389)	\$ 16,838,189	\$ 1,273,183

Certificates of Obligation

Outstanding debt for the primary government consists of the following certificates of obligation:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
Series 2018 Certificates of Obligation	3.125% - 5.000%	\$ 8,930,000	2042	\$ 7,705,000
Series 2021 Certificates of Obligation	2.375% - 5.000%	6,065,000	2046	5,930,000
				\$ 13,635,000

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

Certificates of Obligation (continued)

Future debt service payments on certificates of obligation to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2024	\$ 370,000	\$ 477,688	\$ 847,688
2025	390,000	459,188	849,188
2026	410,000	439,688	849,688
2027	425,000	419,188	844,188
2028	450,000	398,937	848,937
2029 - 2033	2,545,000	1,686,619	4,231,619
2034 - 2038	3,030,000	1,199,300	4,229,300
2039 - 2043	3,600,000	623,550	4,223,550
2044 - 2047	2,415,000	115,781	2,530,781
	<u>\$ 13,635,000</u>	<u>\$ 5,819,939</u>	<u>\$ 19,454,939</u>

On or about June 16, 2023, Moody’s Investors Service upgraded the underlying rating for the City from “A3” to “A2.”

Excess Sales Tax Liability

The City negotiated a long-term payout of excess sales tax received in prior years in the amount of approximately \$3.6 million, with the State Comptroller. This amount was collected by the City and the Stafford Economic Development Corporation (SEDC) during the fiscal year periods 2000 through 2007. The total negotiated payout calls for a twenty-five-year period with equal prorate amounts deducted each month from City’s and the SEDC’s sales tax receipts beginning with October 2007. No interest is associated with this long-term liability.

During the 2015 fiscal year, the City negotiated a long-term payout of excess sales tax received in prior years in the amount of \$422,023, with the State Comptroller. The total negotiated payout calls for an eighteen-year period with equal amounts deducted each month from the City’s sales tax receipts beginning with May 2015. No interest is associated with this long-term liability.

The annual requirements on the City’s portion of the Excess Sales Tax liability, as of September 30, 2023, are \$142,751 through 2031 and \$143,023 in fiscal year 2032, for a total of \$1.3 million.

Leases Payable

The City is under contract for noncancellable leases that convey control of the right to use assets. The lease liabilities outstanding as of September 30, 2023, are as follows:

Description	Start Date	End Date	Interest Rate	Lease Liability		Right-to-use Lease Asset		
				Original Amount	Outstanding Balance	Original Amount	Accumulated Amortization	Net
Copiers	11/01/22	10/31/27	6.65%	\$ 76,244	\$ 64,092	\$ 76,244	\$ (8,415)	\$ 67,829
Copiers - Fire	09/01/23	08/31/27	11.19%	7,913	7,782	7,913	-	7,913
				<u>\$ 84,157</u>	<u>\$ 71,874</u>	<u>\$ 84,157</u>	<u>\$ (8,415)</u>	<u>\$ 75,742</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

Leases Payable (continued)

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets. Principal and interest payments remaining on the leases are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 15,804	\$ 4,629	\$ 20,433
2025	16,972	3,461	20,433
2026	18,229	2,204	20,433
2027	19,379	849	20,228
2028	1,490	8	1,498
	<u>\$ 71,874</u>	<u>\$ 11,151</u>	<u>\$ 83,025</u>

SBITA Payable

The City is under contract for noncancellable SBITAs that convey control of the right to use software. The SBITA liabilities outstanding as of September 30, 2023, are as follows:

<u>Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Interest Rate</u>	<u>SBITA Liability</u>		<u>SBITA Asset</u>		
				<u>Original Amount</u>	<u>Outstanding Balance</u>	<u>Original Amount</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Dark Web Monitoring Services	10/01/22	12/31/24	3.38%	\$ 7,043	\$ 3,095	\$ 7,043	\$ (3,130)	\$ 3,913
Microsoft Enterprise	01/31/23	12/31/25	4.39%	165,849	108,175	165,849	(38,030)	127,819
My Government Online	10/01/22	06/30/24	3.40%	31,306	13,607	31,306	(17,889)	13,417
				<u>\$ 204,198</u>	<u>\$ 124,877</u>	<u>\$ 204,198</u>	<u>\$ (59,049)</u>	<u>\$ 145,149</u>

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets. Principal and interest payments remaining on the SBITAs are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 69,628	\$ 5,047	\$ 74,675
2025	55,249	2,425	57,674
	<u>\$ 124,877</u>	<u>\$ 7,472</u>	<u>\$ 132,349</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 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.tmr.com.

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

Benefits Provided

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

At retirement, the 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 actuarially equivalent 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.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

Beginning in 2005, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2005, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Benefits Provided (continued)

The following employees were covered by the benefit terms as of the December 31 valuate dates below:

	December 31,	December 31,
	<u>2022</u>	<u>2021</u>
Membership:		
Retirees or beneficiaries currently receiving benefits	97	90
Inactive employees entitled to but not yet receiving benefits	110	103
Active employees	<u>176</u>	<u>175</u>
	<u>383</u>	<u>368</u>

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 consulting 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 were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2023, the City made contributions of 13.84% for the months in 2022 and 13.13% for the months in 2023.

Net Pension Liability

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

Actuarial Assumptions

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. 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 20x2 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Public Equity	35%	7.55%
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Other Public and Private Markets	12%	7.22%
Real Estate	12%	6.85%
Hedge Funds	5%	5.35%
Private Equity	10%	10.00%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% 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 plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (a) - (b)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 51,549,892	\$ 52,637,835	\$ (1,087,943)
Changes for the Year:			
Service Cost	1,925,491	-	1,925,491
Interest	3,469,626	-	3,469,626
Difference between expected and actual experience	340,274	-	340,274
Contributions - employer	-	1,451,311	(1,451,311)
Contributions - employee	-	745,901	(745,901)
Net Investment income	-	(3,843,916)	3,843,916
Benefit payments, including refunds, of employee contributions	(2,221,551)	(2,221,551)	-
Administrative expense	-	(33,250)	33,250
Other changes	-	39,679	(39,679)
Net Changes	3,513,840	(3,861,826)	7,375,666
Balance at 12/31/2022	\$ 55,063,732	\$ 48,776,009	\$ 6,287,723

Sensitivity of the net pension liability to changes in the discount rate

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

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 14,259,852	\$ 6,287,723	\$ (210,727)

Pension Plan Fiduciary Net Position

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

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

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

For the year ended September 30, 2023, the City recognized pension expense of \$1,851,312.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between actual and expected actuarial experience	\$ 272,490	\$ (524,243)
Differences in assumption changes	65,642	-
Differences between projects and actual investment earnings	3,377,699	-
Contributions subsequent to the measurement date	1,218,027	-
Total	<u>\$ 4,933,858</u>	<u>\$ (524,243)</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the subsequent fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending</u>	<u>Net Deferred Outflows (Inflows) of Resources</u>
2024	\$ 53,826
2025	752,146
2026	869,249
2027	1,515,013
2028	1,354
Total	<u>\$ 3,191,588</u>

Deferred Compensation Plan

The City also offers its employees a deferred compensation plan (457 Plan) created in accordance with Internal Revenue Code Section 457. The 457 Plan is administered by Nationwide Retirement Solutions, Inc. and is available to all full-time employees over the age of eighteen (18) immediately upon becoming employed by the City. The 457 Plan functions for the benefit of the employees and their beneficiaries. Participants may contribute up to the amount allowable under the provisions of the Internal Revenue Code. The City does not match participant contributions. The 457 Plan is not reported in the City's basic financial statements.

Participant contributions for the year ended September 30, 2023, were \$173,578. The trustee of the plan distributes any benefits provided by the plan from net position available for plan benefits. Contributions made by participants vest immediately in their accounts. Contributions made by the City vest in the participants' accounts at the time such contribution is made. When a participant retires, terminates employment or becomes disabled, he/she is entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic payment by fixed amount, periodic payment by fixed time period, partial lump sum payment, or purchased annuity contract.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

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 another postemployment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2022 was as follows:

Inactive plan members or beneficiaries currently receiving benefits	76
Inactive plan members entitled to but not yet receiving benefits	23
Active employees	<u>176</u>
Total plan members	<u>275</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.36% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 4.05% based on the Fidelity Index’s “20 Year Municipal GO AA Index” as of December 31, 2022.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Actuarial Assumptions

The City’s Total OPEB Liability was measured at December 31, 2022 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2022

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate:	4.05%
Retirees’ share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees:	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2021	\$ 642,972
Changes for the Year:	
Service Cost	40,492
Interest	12,086
Difference between expected and actual experience	19,986
Changes in assumptions	(233,578)
Benefit payments, including refunds, of employee	(12,787)
Net Changes	<u>(173,801)</u>
Balance at 12/31/2022	<u><u>\$ 469,171</u></u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Actuarial Assumptions (continued)

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 4.05%, 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 or 1 percentage point higher than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (3.05%)	Current Discount Rate (4.05%)	1% Increase in Discount Rate (5.05%)
City’s net OPEB liability	\$ 558,299	\$ 469,171	\$ 399,853

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

For the year ended September 30, 2023, the City recognized OPEB expense of \$39,084 relating to the SBFD plan. As of September 30, 2023, the City reported deferred outflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected actuarial experience	\$ 31,365	\$ (55,074)
Change in assumptions	105,799	(210,218)
Contributions subsequent to the measurement date	12,989	-
Total	\$ 150,153	\$ (265,292)

Deferred Outflows of Resources

The \$12,989 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year Ending	Net Deferred Outflows (Inflows) of Resources
2024	\$ (13,494)
2025	(15,317)
2026	(18,511)
2027	(21,217)
2028	(29,495)
Thereafter	(30,094)
Total	\$ (128,128)

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Agreement with Stafford Municipal School District (“SMSD”) Regarding Maintenance Facility and Routine Maintenance Operations

Under the terms of an agreement, the SMSD paid approximately \$200,000 in a prior year for the construction of a maintenance facility to jointly benefit the City and the SMSD. The facility is owned and operated by the City, and the SMSD’s costs for the facility’s construction, under the terms of the agreement, were recorded by the City as a donation and capitalized as a capital asset.

The agreement provides for the SMSD’s portion of operating costs of the facility, as well as the costs of routine maintenance operations and police officers provided to the SMSD by the City, to be paid by the SMSD. The City accumulates these costs and bills the SMSD periodically during the year. The routine maintenance activities provided by the City include all vehicle maintenance and operations and all grounds maintenance and operations. The 2022-2023 annual billing to the SMSD for these City provided services was \$238,094, with \$159,128 recorded as a receivable as of September 30, 2023, in the General Fund. The City also provides SMSD the use of the Civic Center at no charge.

Note 11 - Participation Agreements

The City has cost participation agreements with various developers pertaining to the purchase and operating costs of street lighting facilities and the construction of street and drainage facilities. Unexpended amounts from participation contributions for use under the terms of these agreements at September 30, 2023, are as follows:

Street lighting participation	\$ 26,364
Street and drainage participation	182,116
Total	<u><u>\$ 208,480</u></u>

Note 12 - 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. The City’s risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The City has not had any significant reductions in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. At year-end, the City did not have any significant claims.

Note 13 - Litigation

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

Note 14 – Chapter 380 Agreement

The City enters into sales tax abatement agreements with local businesses under Chapter 380 of the Texas Local Government Code which authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity. For fiscal year 2023, the City provided tax abatements through two programs: (i) Texas Instruments Redevelopment Property project and (ii) Stafford Retail Sales Center III project.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Chapter 380 Agreement (continued)

Stafford Retail Sales Center III Project

The Stafford Retail Sales Center III project provides sales tax abatements to a business in order to operate a Retail Sales Center and attract businesses contracted with the developer. Under the agreement the developer receives an 80% rebate of the combined City and SEDC 2.0% sales tax revenues generated solely by the activity of this business. The threshold to trigger the rebate is new net taxable revenues in excess of \$50 million in a 12-month period. The agreement was effective April 11, 2018, and expires on April 11, 2030.

The amounts rebated for the project during fiscal year 2023 are as follows:

	<u>Sales Tax Revenue</u>	<u>Rebated Amount</u>	<u>Administrative Fee</u>	<u>Net Sales Tax Revenue</u>
City	\$ 1,358,676	\$ (1,086,941)	21,739	\$ 293,474
SEDC	452,891	(362,313)	7,246	97,824
	<u>\$ 1,811,567</u>	<u>\$ (1,449,254)</u>	<u>\$ 28,985</u>	<u>\$ 391,298</u>

Texas Instruments Redevelopment Property Project

The Texas Instruments Redevelopment Property project provides sales tax abatements to develop a mixed-use, commercial, retail, and residential development to be known as the TI Redevelopment Property. The project’s developer will pay all costs of the development project and the City and SEDC will make payments to the project’s developer in a combined total amount not to exceed \$8,400,000 plus developer interest calculated at an annual rate of 4.5% for a term not to exceed 10 years. The annual payments are based on the sales tax generated directly by the project on a calendar year, minus administrative fees deducted by the State Comptroller. The agreement was effective October 1, 2019, and expires on September 30, 2034.

The percentage applied to the additional sales tax generated by the project is as follows:

Additional Sales Tax Generated on Project			
(Less Administrative Fees)			%
\$0	to	\$250,000	0%
\$250,001	to	\$1,000,000	50%
\$1,000,001	to	\$1,500,000	60%
\$1,500,001	to	\$2,000,000	70%
\$2,000,001	to	N/A	80%

The amounts rebated for the project during fiscal year 2023 are as follows:

	<u>Sales Tax Revenue</u>	<u>Rebated Amount</u>	<u>Administrative Fee</u>	<u>Net Sales Tax Revenue</u>
City	\$ 583,194	\$ (466,555)	9,331	\$ 125,970
SEDC	194,398	(155,518)	3,110	41,990
	<u>\$ 777,592</u>	<u>\$ (622,073)</u>	<u>\$ 12,441</u>	<u>\$ 167,960</u>

Additionally, the City and SEDC accrued amounts related to the agreements which will be paid after September 30, 2023 as follows:

	<u>General Fund</u>	<u>SEDC</u>	<u>Total</u>
Stafford Retail Sales Center III Project	\$ 1,065,201	\$ 355,067	\$ 1,420,268
Texas Instruments Redevelopment Property Project	286,676	95,559	382,235
	<u>\$ 1,351,877</u>	<u>\$ 450,626</u>	<u>\$ 1,802,503</u>



THE CITY OF
STAFFORD

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF STAFFORD, TEXAS
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
Sales taxes	\$ 18,532,800	\$ 17,544,842	\$ 18,187,433	\$ 642,591
Franchise taxes	1,750,000	1,750,000	1,580,427	(169,573)
License and permits	2,114,500	1,891,870	1,951,623	59,753
Fines and forfeitures	1,105,050	1,010,000	958,599	(51,401)
Charges for services	2,443,960	2,794,250	2,818,532	24,282
Investment income	31,200	518,700	569,485	50,785
Intergovernmental	4,481,003	4,872,252	3,333,273	(1,538,979)
Miscellaneous	149,500	323,150	221,565	(101,585)
Total Revenues	<u>30,608,013</u>	<u>30,705,064</u>	<u>29,620,937</u>	<u>(1,084,127)</u>
Expenditures				
Current:				
Mayor and Council	94,327	83,864	89,230	(5,366)
General Administration	4,800,561	3,991,861	3,729,097	262,764
Development Services	826,642	800,997	753,098	47,899
Judicial	568,076	548,979	540,945	8,034
Municipal Services	7,114,573	6,942,659	5,742,286	1,200,373
Public Safety	13,316,363	12,659,300	12,627,075	32,225
Recreation	634,725	700,056	641,648	58,408
Performing Arts Center	2,305,392	2,314,827	2,306,734	8,093
Debt Service:				
Principal	142,752	142,752	232,591	(89,839)
Interest	-	-	827	(827)
Capital Outlay	2,426,212	2,920,425	1,393,178	1,527,247
Total Expenditures	<u>32,229,623</u>	<u>31,105,720</u>	<u>28,056,709</u>	<u>3,049,011</u>
Revenues over (under) expenditures	<u>(1,621,610)</u>	<u>(400,656)</u>	<u>1,564,228</u>	<u>1,964,884</u>
Other Financing Sources (Uses)				
Sale of real and Personal Property	75,000	-	33,222	33,222
Proceeds from lease	-	-	73,089	73,089
Proceeds from SBITA	-	-	204,198	204,198
Operating Transfers In	2,494,860	2,431,771	1,352,767	(1,079,004)
Operating Transfers Out	(851,938)	(851,938)	(851,938)	-
Total Other Financing Sources (Uses)	<u>1,717,922</u>	<u>1,579,833</u>	<u>811,338</u>	<u>(768,495)</u>
Changes in Fund Balance	96,312	1,179,177	2,375,566	1,196,389
Fund Balances - Beginning of Year	<u>10,641,135</u>	<u>10,641,135</u>	<u>10,641,135</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 10,737,447</u>	<u>\$ 11,820,312</u>	<u>\$ 13,016,701</u>	<u>\$ 1,196,389</u>

CITY OF STAFFORD, TEXAS
BUDGETARY COMPARISON SCHEDULE
HOTEL OCCUPANCY TAX – SPECIAL REVENUE FUND
For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Revenues				
Taxes:				
Hotel occupancy taxes	\$ 1,000,000	\$ 1,100,000	\$ 1,177,720	\$ 77,720
Investment income	55,000	170,000	326,268	156,268
Total Revenues	<u>1,055,000</u>	<u>1,270,000</u>	<u>1,503,988</u>	<u>233,988</u>
Expenditures				
Current:				
Recreation	-	2,346	-	2,346
Total Expenditures	<u>-</u>	<u>2,346</u>	<u>-</u>	<u>2,346</u>
Revenues over (under) expenditures	<u>1,055,000</u>	<u>1,267,654</u>	<u>1,503,988</u>	<u>236,334</u>
Other Financing Sources (Uses)				
Operating Transfers Out	(2,269,860)	(2,431,411)	(1,352,407)	1,079,004
Total Other Financing Sources (Uses)	<u>(2,269,860)</u>	<u>(2,431,411)</u>	<u>(1,352,407)</u>	<u>1,079,004</u>
Changes in Fund Balance	(1,214,860)	(1,163,757)	151,581	1,315,338
Fund Balances - Beginning of Year	<u>7,768,831</u>	<u>7,768,831</u>	<u>7,768,831</u>	<u>-</u>
Fund Balances - End of Year	<u>\$ 6,553,971</u>	<u>\$ 6,605,074</u>	<u>\$ 7,920,412</u>	<u>\$ 1,315,338</u>

CITY OF STAFFORD, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

All departments of the City submit requests for appropriations to the Mayor so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

Annually, the City adopts budgets for all governmental fund types. Capital Project Fund budgets are adopted on a project basis and are updated and modified annually. Special Revenue Fund budgets are prepared in aggregate and not on a fund by fund or project by project basis.

The General Fund, and Hotel Motel Occupancy Tax Fund budgets are annual appropriations style budgets prepared and typically presented on a GAAP (generally accepted accounting principles) basis.

CITY OF STAFFORD, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST NINE MEASUREMENT YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:									
Service cost	\$ 1,925,491	\$ 1,836,687	\$ 1,984,652	\$ 1,878,510	\$ 1,868,367	\$ 1,810,024	\$ 1,523,293	\$ 1,318,015	\$ 1,047,608
Interest	3,469,626	3,283,349	3,097,158	2,912,579	2,748,825	2,572,565	2,436,031	2,358,232	2,225,384
Difference between expected and actual experience	340,274	(341,495)	(324,689)	(369,204)	(308,403)	(130,043)	(417,968)	260,796	(12,479)
Change in assumptions	-	-	-	219,194	-	-	-	85,075	-
Benefit payments, including refunds of employee contributions	(2,221,551)	(1,905,020)	(1,944,500)	(1,974,775)	(1,800,978)	(1,539,949)	(1,784,051)	(1,664,816)	(1,330,942)
Net Change in Total Pension Liability	3,513,840	2,873,521	2,812,621	2,666,304	2,507,811	2,712,597	1,757,305	2,357,302	1,929,571
Total Pension Liability - Beginning	51,549,892	48,676,371	45,863,750	43,197,446	40,689,635	37,977,038	36,219,733	33,862,431	31,932,860
Total Pension Liability - Ending (a)	\$ 55,063,732	\$ 51,549,892	\$ 48,676,371	\$ 45,863,750	\$ 43,197,446	\$ 40,689,635	\$ 37,977,038	\$ 36,219,733	\$ 33,862,431
Plan Fiduciary Net Position:									
Contributions - employer	\$ 1,451,311	\$ 1,409,363	\$ 1,524,080	\$ 1,475,020	\$ 1,481,176	\$ 1,485,955	\$ 1,223,185	\$ 1,129,513	\$ 1,007,242
Contributions - employee	745,901	702,174	755,031	715,039	705,805	691,603	590,097	527,809	478,662
Net investment income	(3,843,916)	6,051,942	3,252,408	5,713,748	(1,129,835)	4,516,431	2,062,493	45,017	1,643,366
Benefit payments, including refunds of employee contributions	(2,221,551)	(1,905,020)	(1,944,500)	(1,974,775)	(1,800,978)	(1,539,949)	(1,784,051)	(1,664,816)	(1,330,942)
Administrative expense	(33,250)	(27,992)	(21,043)	(32,274)	(21,833)	(23,404)	(23,292)	(27,419)	(17,158)
Other	39,679	191	(821)	(970)	(1,141)	(1,186)	(1,255)	(1,354)	(1,411)
Net Change in Plan Fiduciary Net Position	(3,861,826)	6,230,658	3,565,155	5,895,788	(766,806)	5,129,450	2,067,177	8,750	1,779,759
Plan Fiduciary Net Position - Beginning	52,637,835	46,407,177	42,842,022	36,946,234	37,713,040	32,583,590	30,516,413	30,507,663	28,727,904
Plan Fiduciary Net Position - Ending (b)	48,776,009	52,637,835	46,407,177	42,842,022	36,946,234	37,713,040	32,583,590	30,516,413	30,507,663
Net Pension Liability (Asset) - Ending (a) - (b)	\$ 6,287,723	\$ (1,087,943)	\$ 2,269,194	\$ 3,021,728	\$ 6,251,212	\$ 2,976,595	\$ 5,393,448	\$ 5,703,320	\$ 3,354,768
Plan fiduciary net position as a percentage of total pension liability	88.58%	102.11%	95.34%	93.41%	85.53%	92.68%	85.80%	84.25%	90.09%
Covered payroll (measurement year)	\$ 10,655,732	\$ 10,031,051	\$ 10,786,128	\$ 10,214,846	\$ 10,082,930	\$ 9,880,041	\$ 8,429,955	\$ 7,540,134	\$ 6,802,638
Net pension liability (asset) as a percentage of covered payroll	59.01%	-10.85%	21.04%	29.58%	62.00%	30.13%	63.98%	75.64%	49.32%

CITY OF STAFFORD, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 1,581,684	\$ 1,457,276	\$ 1,475,512	\$ 1,519,432	\$ 1,506,395
Contribution in relation of the actuarially determined contribution	<u>1,581,684</u>	<u>1,457,276</u>	<u>1,475,512</u>	<u>1,519,432</u>	<u>1,506,395</u>
Contribution deficiency (excess)	<u>\$ -</u>				
Covered payroll (fiscal year)	\$ 11,946,691	\$ 10,616,478	\$ 10,326,571	\$ 10,691,116	\$ 10,273,748
Contributions as a percentage of covered payroll	13.24%	13.73%	14.29%	14.21%	14.66%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,443,390	\$ 1,436,970	\$ 1,193,121	\$ 1,057,340	\$ 1,042,715
Contribution in relation of the actuarially determined contribution	<u>1,443,390</u>	<u>1,436,970</u>	<u>1,193,121</u>	<u>1,057,340</u>	<u>985,363</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,352</u>
Covered payroll (fiscal year)	\$ 9,745,166	\$ 9,642,541	\$ 8,046,812	\$ 7,110,532	\$ 6,725,305
Contributions as a percentage of covered payroll	14.81%	14.90%	14.83%	14.87%	14.65%

CITY OF STAFFORD, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

LAST SIX MEASUREMENT YEARS

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability:						
Service cost	\$ 40,492	\$ 33,103	\$ 28,044	\$ 20,430	\$ 21,174	\$ 17,784
Interest	12,086	12,462	14,603	17,259	13,979	13,619
Difference between expected and actual experience	19,986	(22,061)	(23,583)	(54,018)	41,848	-
Change in assumptions	(233,578)	19,420	79,203	82,523	(29,689)	32,929
Benefit payments, including refunds of employee contributions	(12,787)	(13,040)	(4,314)	(4,086)	(4,033)	(3,952)
Net change in Total OPEB Liability	<u>(173,801)</u>	<u>29,884</u>	<u>93,953</u>	<u>62,108</u>	<u>43,279</u>	<u>60,380</u>
Total OPEB Liability - Beginning	<u>642,972</u>	<u>613,088</u>	<u>519,135</u>	<u>457,027</u>	<u>413,748</u>	<u>353,368</u>
Total OPEB Liability - Ending (a)	<u><u>\$ 469,171</u></u>	<u><u>\$ 642,972</u></u>	<u><u>\$ 613,088</u></u>	<u><u>\$ 519,135</u></u>	<u><u>\$ 457,027</u></u>	<u><u>\$ 413,748</u></u>
Covered payroll (measurement year)	\$ 10,655,732	\$ 10,031,051	\$ 10,786,128	\$ 10,214,846	\$ 10,082,930	\$ 9,880,041
Net OPEB liability as a percentage of covered employee payroll	4.40%	6.41%	5.68%	5.08%	4.53%	4.19%

CITY OF STAFFORD, TEXAS
NOTES TO PENSION AND OPEB SCHEDULES

Notes to Pension Schedules

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day 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:	23 years (longest amortization ladder)
Asset Valuation Method:	10 Year smoothed market; 12% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 11.50% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP
Other Information	There were no benefit changes during the year

Notes to OPEB Schedule

Summary of Actuarial Assumptions:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	4.05%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2021.

Note: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

OTHER SUPPLEMENTAL INFORMATION



THE CITY OF
STAFFORD

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2023

	<u>Judicial Efficiency</u>	<u>Court Security</u>	<u>Couty Technology</u>	<u>Local Truancy Prevention</u>	<u>Municipal Jury</u>
Assets					
Cash and cash equivalents	\$ 22,687	\$ 91,688	\$ 33,564	\$ 105,481	\$ 1,825
Investments	-	-	-	-	-
Interest receivable	-	-	-	-	-
Total Assets	<u>\$ 22,687</u>	<u>\$ 91,688</u>	<u>\$ 33,564</u>	<u>\$ 105,481</u>	<u>\$ 1,825</u>
Liabilities					
Accounts Payable	\$ -	\$ -	\$ 2,733	\$ -	\$ 311
Total Liabilities	<u>-</u>	<u>-</u>	<u>2,733</u>	<u>-</u>	<u>311</u>
Fund balances					
Restricted:					
Debt service	-	-	-	-	-
Capital Projects	-	-	-	-	-
Public safety programs	22,687	91,688	30,831	105,481	1,514
Committed:					
Capital Projects	-	-	-	-	-
Total Fund Balances	<u>22,687</u>	<u>91,688</u>	<u>30,831</u>	<u>105,481</u>	<u>1,514</u>
Total Liabilities and Fund Balances	<u>\$ 22,687</u>	<u>\$ 91,688</u>	<u>\$ 33,564</u>	<u>\$ 105,481</u>	<u>\$ 1,825</u>

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2023

	<u>Federal Seizure</u>	<u>State Seizure</u>	<u>Child Safety</u>	<u>Police Donation</u>	<u>Debt Service</u>
Assets					
Cash and cash equivalents	\$ 156,214	\$ 32,984	\$ 35,423	\$ 16,931	\$ 30,058
Investments	-	-	-	-	-
Interest receivable	-	-	-	-	-
Total Assets	<u>\$ 156,214</u>	<u>\$ 32,984</u>	<u>\$ 35,423</u>	<u>\$ 16,931</u>	<u>\$ 30,058</u>
Liabilities					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances					
Restricted:					
Debt service	-	-	-	-	30,058
Capital Projects	-	-	-	-	-
Public safety programs	156,214	32,984	35,423	16,931	-
Committed:					
Capital Projects	-	-	-	-	-
Total Fund Balances	<u>156,214</u>	<u>32,984</u>	<u>35,423</u>	<u>16,931</u>	<u>30,058</u>
Total Liabilities and Fund Balances	<u>\$ 156,214</u>	<u>\$ 32,984</u>	<u>\$ 35,423</u>	<u>\$ 16,931</u>	<u>\$ 30,058</u>

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2023

	<u>Capital Projects Fund</u>	<u>Local Street Assessment</u>	<u>Total Non-Major Governmental Funds</u>
Assets			
Cash and cash equivalents	\$ 759,151	\$ 1,695	\$ 1,287,701
Investments	1,972,805	-	1,972,805
Interest receivable	7,918	-	7,918
Total Assets	<u>\$ 2,739,874</u>	<u>\$ 1,695</u>	<u>\$ 3,268,424</u>
Liabilities			
Accounts Payable	\$ 120,721	\$ -	\$ 123,765
Total Liabilities	<u>120,721</u>	<u>-</u>	<u>123,765</u>
Fund balances			
Restricted:			
Debt service	-	-	30,058
Capital Projects	2,619,153	-	2,619,153
Public safety programs	-	-	493,753
Committed:			
Capital Projects	-	1,695	1,695
Total Fund Balances	<u>2,619,153</u>	<u>1,695</u>	<u>3,144,659</u>
Total Liabilities and Fund Balances	<u>\$ 2,739,874</u>	<u>\$ 1,695</u>	<u>\$ 3,268,424</u>

CITY OF STAFFORD, TEXAS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023**

	<u>Judicial Efficiency</u>	<u>Court Security</u>	<u>Couty Technology</u>	<u>Local Truancy Prevention</u>	<u>Municipal Jury</u>
Revenues					
Fines and forfeitures	\$ 6,443	\$ 25,545	\$ 21,709	\$ 24,478	\$ 665
Investment income	663	3,407	1,260	3,542	72
Miscellaneous	-	-	-	-	-
Total Revenues	<u>7,106</u>	<u>28,952</u>	<u>22,969</u>	<u>28,020</u>	<u>737</u>
Expenditures					
Current:					
Judicial	2,416	-	26,399	-	1,865
Municipal Services	-	-	-	-	-
Public Safety	-	-	-	-	-
Debt Service:					
Principal	-	-	1,764	-	-
Interest	-	-	-	-	-
Other debt service	-	-	-	-	-
Capital Outlay	-	11,388	11,068	-	-
Total Expenditures	<u>2,416</u>	<u>11,388</u>	<u>39,231</u>	<u>-</u>	<u>1,865</u>
Revenues over (under) expenditures	<u>4,690</u>	<u>17,564</u>	<u>(16,262)</u>	<u>28,020</u>	<u>(1,128)</u>
Other Financing Sources (Uses)					
Proceeds from lease	-	-	11,068	-	-
Operating Transfers In	-	-	-	-	-
Operating Transfers Out	(360)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(360)</u>	<u>-</u>	<u>11,068</u>	<u>-</u>	<u>-</u>
Changes in Fund Balance	4,330	17,564	(5,194)	28,020	(1,128)
Fund Balances - Beginning of Year	<u>18,357</u>	<u>74,124</u>	<u>36,025</u>	<u>77,461</u>	<u>2,642</u>
Fund Balances - End of Year	<u>\$ 22,687</u>	<u>\$ 91,688</u>	<u>\$ 30,831</u>	<u>\$ 105,481</u>	<u>\$ 1,514</u>

CITY OF STAFFORD, TEXAS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023**

	<u>Federal Seizure</u>	<u>State Seizure</u>	<u>Child Safety</u>	<u>Police Donation</u>	<u>Debt Service</u>
Revenues					
Fines and forfeitures	\$ -	\$ -	\$ 18,694	\$ -	\$ -
Investment income	2,648	1,127	973	546	4,905
Miscellaneous	117,636	11,056	-	-	-
Total Revenues	<u>120,284</u>	<u>12,183</u>	<u>19,667</u>	<u>546</u>	<u>4,905</u>
Expenditures					
Current:					
Judicial	-	-	-	-	-
Municipal Services	-	-	-	-	-
Public Safety	51,840	27,755	-	-	-
Debt Service:					
Principal	-	-	-	-	355,000
Interest	-	-	-	-	495,438
Other debt service	-	-	-	-	1,500
Capital Outlay	-	-	-	-	-
Total Expenditures	<u>51,840</u>	<u>27,755</u>	<u>-</u>	<u>-</u>	<u>851,938</u>
Revenues over (under) expenditures	<u>68,444</u>	<u>(15,572)</u>	<u>19,667</u>	<u>546</u>	<u>(847,033)</u>
Other Financing Sources (Uses)					
Proceeds from lease	-	-	-	-	-
Operating Transfers In	-	6,045	-	-	851,938
Operating Transfers Out	(6,045)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(6,045)</u>	<u>6,045</u>	<u>-</u>	<u>-</u>	<u>851,938</u>
Changes in Fund Balance	62,399	(9,527)	19,667	546	4,905
Fund Balances - Beginning of Year	<u>93,815</u>	<u>42,511</u>	<u>15,756</u>	<u>16,385</u>	<u>25,153</u>
Fund Balances - End of Year	<u>\$ 156,214</u>	<u>\$ 32,984</u>	<u>\$ 35,423</u>	<u>\$ 16,931</u>	<u>\$ 30,058</u>

CITY OF STAFFORD, TEXAS

**COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended September 30, 2023**

	Capital Projects Fund	Local Street Assessment	Total Non-Major Governmental Funds
Revenues			
Fines and forfeitures	\$ -	\$ -	\$ 97,534
Investment income	133,267	55	152,465
Miscellaneous	-	-	128,692
Total Revenues	133,267	55	378,691
Expenditures			
Current:			
Judicial	-	-	30,680
Municipal Services	-	419	419
Public Safety	-	-	79,595
Debt Service:			
Principal	-	-	356,764
Interest	-	-	495,438
Other debt service	-	-	1,500
Capital Outlay	1,082,286	-	1,104,742
Total Expenditures	1,082,286	419	2,069,138
Revenues over (under) expenditures	(949,019)	(364)	(1,690,447)
Other Financing Sources (Uses)			
Proceeds from lease	-	-	11,068
Operating Transfers In	-	-	857,983
Operating Transfers Out	-	-	(6,405)
Total Other Financing Sources (Uses)	-	-	862,646
Changes in Fund Balance	(949,019)	(364)	(827,801)
Fund Balances - Beginning of Year	3,568,172	2,059	3,972,460
Fund Balances - End of Year	\$ 2,619,153	\$ 1,695	\$ 3,144,659