



# *Annual* **FINANCIAL REPORT**



**FISCAL YEAR 2023-2024**



**CITY OF STAFFORD, TEXAS**

**ANNUAL FINANCIAL REPORT**

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## **INTRODUCTORY SECTION**

## **CITY OF STAFFORD, TEXAS**

### **CITY OFFICIALS**

#### **Elected Officials**

Ken Mathew  
Xavier Herrera  
Alice Chen  
Virginia Rosas  
William K. Bostic, Jr.  
Christopher Caldwell  
Tim Wood

Mayor  
Mayor Pro Tem, Position 5  
City Councilmember, Position 1  
City Councilmember, Position 2  
City Councilmember, Position 3  
City Councilmember, Position 4  
City Councilmember, Position 6

#### **Appointed Officials**

Bridgette Begle  
Alka Shah  
Roxanne Benitez  
Richard Ramirez  
Larry Di Camillo  
Jose Pastrana  
Robert Frith  
Robert Young  
Susan Ricks  
Nicole Nguyen  
Shanell Garcia

City Attorney  
Chief Financial Officer  
City Secretary  
Police Chief  
Fire Chief  
Director of Public Works  
Director of Multimedia  
Director of Information Technology  
Director of Recreation  
Court Director  
HR Director

## **FINANCIAL SECTION**

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## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Audit of the Financial Statements

#### **Opinions**

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Stafford, Texas, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Stafford, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Stafford, Texas as of September 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of the Stafford Municipal School District, which represents 85.3 percent and 73.8 percent, respectively, of the assets and net position of the aggregate discretely presented component units. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Stafford Municipal School District, is based solely on the report of the other auditors.

#### **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 of Stafford, Texas and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Responsibilities of Management for the Financial Statements**

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.

#### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

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 of Stafford, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 of Stafford, Texas' 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 of Stafford, Texas' ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information, as listed in the table of contents, to 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.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Stafford, Texas' basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

### **Other Information**

Management is responsible for the other information included in the annual financial report (AFR). The other information comprises the introductory section but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 1, 2025 on our consideration of the City of Stafford'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 of Stafford, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Stafford's internal control over financial reporting and compliance.

*Patillo, Brown & Hill, L.L.P.*

Waco, Texas  
October 9, 2025

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

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

As management of the City of Stafford, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2024.

### **FINANCIAL HIGHLIGHTS**

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.

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the 2024 fiscal year by \$72,309,213 (net position). Of this amount, \$10,784,406 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the close of fiscal year 2024, the City's governmental funds reported combined ending fund balances of \$25,856,564 , an increase of \$1,774,792 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$13,253,855 .

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

#### **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 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 11 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.

## **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 14 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Hotel Occupancy Tax Special Revenue Fund, which are considered to be major funds.

Data for the other 12 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 beginning on page 14 of this report.

## **Notes to the 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 financials statements can be found beginning on page 18 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 38 of this report.

The other supplemental information is presented following the required supplementary information. These combining statements can be found beginning on page 47 of this report.



## Government-Wide Financial Analysis

The following table provides a summary of the City's net position at September 30, 2024 and 2023:

### Condensed Schedule of Net Position September 30, 2024 and 2023

	Governmental Activities		Change	
	2024	2023	Amount	Percent
Current and other assets	\$ 31,685,635	\$ 32,186,071	\$ (500,436)	-2%
Capital assets	64,257,650	65,063,198	(805,548)	-1%
Total assets	95,943,285	97,249,269	(1,305,984)	-1%
Deferred outflows of resources	3,130,639	5,084,011	(1,953,372)	-38%
Long-term liabilities	20,627,329	23,595,083	(2,967,754)	-13%
Other liabilities	5,192,241	7,488,115	(2,295,874)	-31%
Total liabilities	25,819,570	31,083,198	(5,263,628)	-17%
Deferred inflows of resources	945,141	789,535	155,606	20%
Net position:				
Net investment				
in capital assets	53,113,257	53,202,396	(89,139)	0%
Restricted	8,411,550	9,070,157	(658,607)	-7%
Unrestricted	10,784,406	8,187,994	2,596,412	32%
Total net position	\$ 72,309,213	\$ 70,460,547	\$ 1,848,666	3%

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 \$72,309,213 as of September 30, 2024.

By far the largest portion of the City's net position, 73.45% 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 11.63% 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 \$10,784,406 primarily due to long term pension and other post-employment benefits with a \$1,848,666 upward impact on overall net position.

The following table provides a summary of the City's operations for the years ended September 30, 2024 and 2023:

**Condensed Statement of Activities  
For the Years Ended September 30, 2024 and 2023**

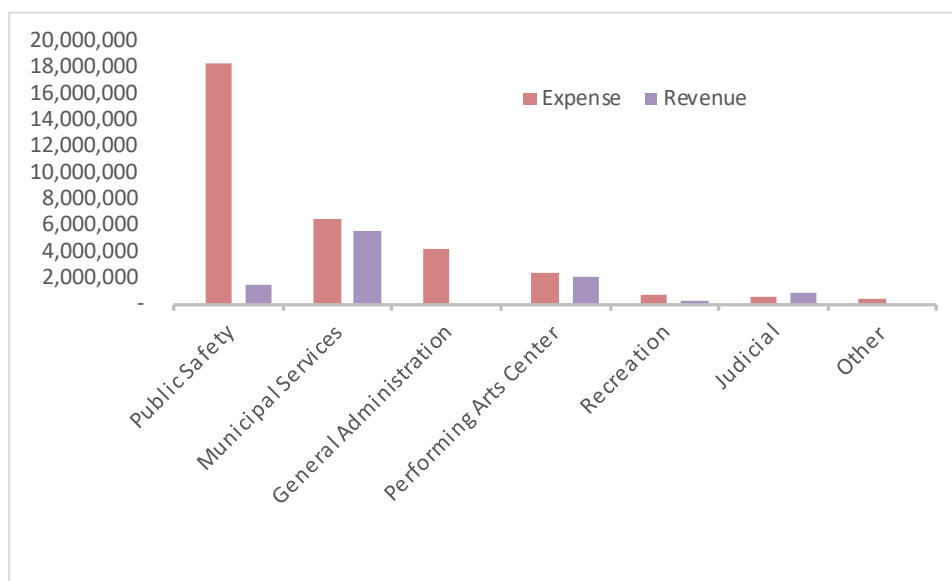
	Governmental Activities		Change	
	2024	2023	Amount	Percent
Revenues:				
Program revenues:				
Charges for services	\$ 5,964,740	\$ 5,804,433	\$ 160,307	3%
Operating grants and contributions	4,017,613	3,449,004	568,609	16%
Capital grants and contributions	1,191,482	-	1,191,482	100%
General revenues:				
Sales and use taxes	18,605,400	18,187,434	417,966	2%
Other taxes	3,319,895	2,758,147	561,748	20%
Investment earnings	1,452,655	1,021,604	431,051	42%
Miscellaneous	224,892	361,410	(136,518)	-38%
Total revenues	<u>34,776,677</u>	<u>31,582,032</u>	<u>3,194,645</u>	<u>10%</u>
Expenses:				
General administration	4,160,362	4,272,421	(112,059)	-3%
Judicial	540,450	412,591	127,859	31%
Municipal services	6,423,925	7,394,630	(970,705)	-13%
Public safety	18,280,673	14,570,517	3,710,156	25%
Recreation	688,191	1,210,451	(522,260)	-43%
Performing arts center	2,377,966	2,525,056	(147,090)	-6%
Interest on long-term debt	456,444	465,253	(8,809)	-2%
Total expenses	<u>32,928,011</u>	<u>30,850,919</u>	<u>2,077,092</u>	<u>7%</u>
Change in net position	1,848,666	731,113	1,117,553	153%
Net position, beginning	<u>70,460,547</u>	<u>69,729,434</u>	<u>731,113</u>	<u>1%</u>
Net position, ending	<u>\$ 72,309,213</u>	<u>\$ 70,460,547</u>	<u>\$ 1,848,666</u>	<u>3%</u>

**Governmental activities**

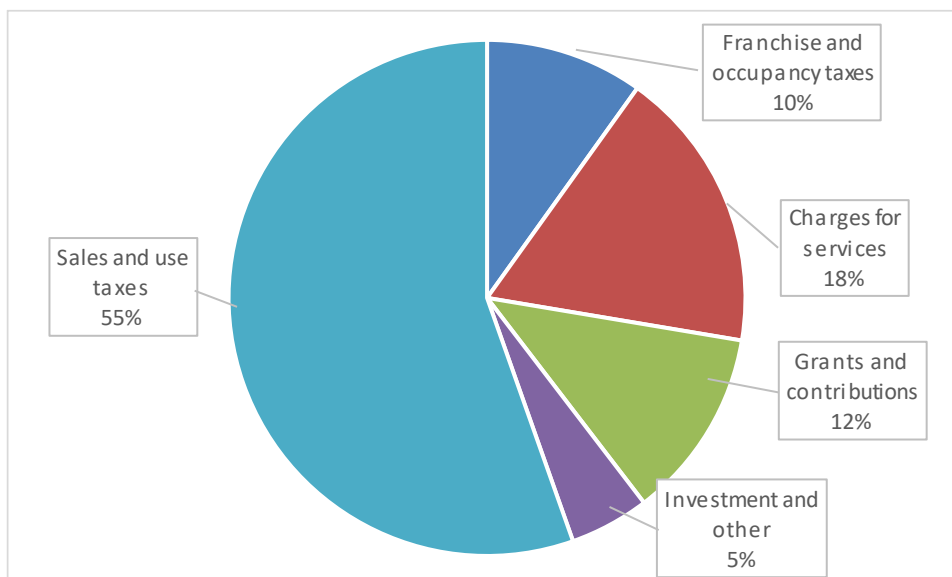
Governmental activities experienced the following significant changes in individual revenue and expense categories:

- Operating grants and contributions increased by \$568,609 primarily as a result of vehicle purchases and road repairs funded through the ARPA grant.
- Capital grants and contributions increased by \$1.2 million due to various capital improvement projects for the Stafford Centre funded by the Stafford Economic Development Corporation.
- Total expenses increased by \$2 million primarily due to the addition of 6 new positions in the fire department due to reorganization as well as the unfreezing of 4 positions in the police department.

A comparison of program expenses to program revenues follows:



Revenue sources for governmental activities were distributed as follows:



## Financial Analysis of City 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 \$25,856,564 . A portion of the fund balance (\$11,389,587 ) is restricted by law or third-party agreements and is not available for general governmental expenditures. The unassigned portion of the governmental fund balance of \$13,253,855 is available for any lawful purpose. The General Fund balance increased by \$1,692,164 in the current fiscal year.

## General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$2,336,337 increase in appropriations.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

The City's investment in capital assets for its governmental activities as of September 30, 2024, amounted to \$64,257,650 (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, 2024 and 2023:

	Governmental Activities		Totals	
	2024	2023	Change	Percent
Land	\$ 5,143,634	\$ 5,143,634	\$ -	0%
Construction in progress	1,445,491	389,544	1,055,947	271%
Buildings	39,304,907	39,219,862	85,045	0%
Improvements other than buildings	6,132,664	6,132,664	-	0%
Machinery and equipment	25,325,708	24,548,927	776,781	3%
Infrastructure	82,908,112	81,938,078	970,034	1%
Right to use - equipment	208,477	84,157	124,320	148%
Right to use - subscriptions	257,000	204,198	52,802	26%
Accumulated depreciation	(96,468,343)	(92,597,866)	(3,870,477)	4%
Total	\$ 64,257,650	\$ 65,063,198	\$ (805,548)	-1%

Additional information on the City's capital assets can be found in Note IV 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 \$16,459,127. A comparison of long-term debt at September 30, 2024 and 2023 follows:

	Governmental Activities		Totals	
	2024	2023	Change	Percent
Certificates of obligation	\$ 13,265,000	\$ 13,635,000	\$ (370,000)	-3%
Premiums	617,170	648,204	(31,034)	-5%
Tax notes	1,142,274	1,285,025	(142,751)	-11%
Lease payable	155,420	71,874	83,546	116%
Subscription payable	97,450	124,877	(27,427)	-22%
Compensated absences	1,181,813	1,073,209	108,604	10%
Total	\$ 16,459,127	\$ 16,838,189	\$ (379,062)	-2%

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In the 2024-25 Budget General Fund revenues are projected to decline by approximately \$1.5 million, primarily due to the depletion of ARPA funds and a reduction in violation fee collections resulting from patrol officer vacancies.

This budget included the following items to be funded with current resources:

- Transfer from Hotel Occupancy Fund to Stafford Centre is budgeted at one million and two hundred dollars to cover operating expenses
- Transfer from Hotel Occupancy Fund to General Fund is budgeted at 293,771 to cover 50% of operating expenses of the Civic Center and any corresponding community events
- Transfer from SEDC to Stafford Centre is budgeted at \$285K of which \$50K is for the performance grant and the remaining amount is for capital needs
- Transfer from SEDC to General Fund is budgeted at \$200K to cover the personnel cost of the Economic Development Administrator position
- All authorized positions in FY23-24 are budgeted to receive a 3% increase in cost-of-living adjustment effective 1.1.25.
- Operating expenses are budgeted based on historical trends of the prior three years
- Contingency is set for \$200,000 to cover the cost of increased health insurance, property insurance and retirement contributions
- One million dollars is allocated for street repair project and three hundred twelve thousand dollars (the remaining certificate of obligation series 2021 funds) is allocated for facility maintenance

## **REQUESTS 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.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF STAFFORD, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2024

	Primary Government	Component Units	
	Governmental Activities	Stafford Economic Development Corporation	Stafford Municipal School District
<b>ASSETS</b>			
Cash and cash equivalents	\$ 16,567,391	\$ 15,353,213	\$ 9,324,210
Investments	9,398,108	3,176,396	-
Accounts receivable (net)	4,831,337	1,165,440	1,676,962
Interest receivable	124,958	42,273	-
Due from other governments	467,160	-	3,084,735
Inventory	51,298	-	15,539
Prepays	1,555	-	28,387
Restricted assets:			
Cash	243,828	-	-
Capital assets, net of accumulated depreciation:			
Non-depreciable	6,589,125	-	1,250,000
Depreciable	57,668,525	-	84,392,375
Total Assets	<u>95,943,285</u>	<u>19,737,322</u>	<u>99,772,208</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charge on refunding	-	431,387	1,638,560
Pension related	2,994,351	-	9,739,945
OPEB related	136,288	-	5,198,531
Total Deferred Outflows of Resources	<u>3,130,639</u>	<u>431,387</u>	<u>16,577,036</u>
<b>LIABILITIES</b>			
Accounts payable	2,261,955	1,533,137	1,208,684
Accrued liabilities	839,214	-	2,581,711
Accrued interest payable	38,266	12,005	165,344
Customer deposits	48,725	-	-
Due to other governments	-	198,005	262,077
Unearned revenue	2,004,081	-	8,258
Noncurrent liabilities:			
Due within one year			
Long-term debt	927,157	1,572,409	3,472,186
Total OPEB liability	17,066	-	-
Due in more than one year			
Long-term debt	15,531,970	8,206,951	93,743,430
Net pension liability	3,658,250	-	19,357,063
Total OPEB liability	492,886	-	7,688,149
Total Liabilities	<u>25,819,570</u>	<u>11,522,507</u>	<u>128,486,902</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension related	722,812	-	798,743
OPEB related	222,329	-	11,175,779
Total Deferred Inflows of Resources	<u>945,141</u>	<u>-</u>	<u>11,974,522</u>
<b>NET POSITION</b>			
Net investment in capital assets	53,113,257	-	(10,093,261)
Restricted for:			
Grants	-	-	1,052,139
Debt service	39,539	-	3,725,996
Public safety	563,757	-	-
Tourism	7,795,644	-	-
Employee benefits	12,610	-	-
Unrestricted	10,784,406	8,646,202	(18,797,054)
Total Net Position	<u>\$ 72,309,213</u>	<u>\$ 8,646,202</u>	<u>\$ (24,112,180)</u>

The notes to the financial statements are an integral part of these financial statements.

**CITY OF STAFFORD, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2024

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General administration	\$ 4,160,362	\$ -	\$ -	\$ -
Judicial	540,450	788,936	-	-
Municipal services	6,423,925	2,457,218	3,044,291	1,191,482
Public safety	18,280,673	507,741	973,322	-
Recreation	688,191	194,449	-	-
Performing arts center	2,377,966	2,016,396	-	-
Interest and fiscal charges	456,444	-	-	-
Total governmental activities	<u>32,928,011</u>	<u>5,964,740</u>	<u>4,017,613</u>	<u>1,191,482</u>
Component units:				
Stafford Economic Development Corporation	3,301,806	-	-	-
Stafford Municipal School District	<u>56,632,146</u>	<u>1,092,512</u>	<u>10,612,580</u>	<u>-</u>
Total component units	<u>59,933,952</u>	<u>1,092,512</u>	<u>10,612,580</u>	<u>-</u>
 Total	 <u>\$ 92,861,963</u>	 <u>\$ 7,057,252</u>	 <u>\$ 14,630,193</u>	 <u>\$ 1,191,482</u>

General revenues:

Taxes:

  Sales and use tax

  Franchise tax

  Occupancy and other taxes

  Property taxes

Investment earnings

Grants and contributions not restricted

Miscellaneous

  Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position		
Primary Government	Component Units	
Governmental Activities	Stafford Economic Development Corporation	Stafford Municipal School District
\$ (4,160,362)	\$ -	\$ -
248,486	-	-
269,066	-	-
(16,799,610)	-	-
(493,742)	-	-
(361,570)	-	-
(456,444)	-	-
<u>(21,754,176)</u>	<u>-</u>	<u>-</u>
-	(3,301,806)	-
<u>-</u>	<u>-</u>	<u>(44,927,054)</u>
<u>-</u>	<u>(3,301,806)</u>	<u>(44,927,054)</u>
<u>(21,754,176)</u>	<u>(3,301,806)</u>	<u>(44,927,054)</u>
18,605,400	6,081,696	-
1,725,601	-	-
1,594,294	-	-
-	-	38,477,069
1,452,655	936,696	865,162
-	-	6,438,909
<u>224,892</u>	<u>15,318</u>	<u>673,790</u>
<u>23,602,842</u>	<u>7,033,710</u>	<u>46,454,930</u>
1,848,666	3,731,904	1,527,876
<u>70,460,547</u>	<u>4,914,298</u>	<u>(25,640,056)</u>
<u>\$ 72,309,213</u>	<u>\$ 8,646,202</u>	<u>\$ (24,112,180)</u>

**CITY OF STAFFORD, TEXAS**

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2024

	General Fund	Hotel Occupancy Tax	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,819,337	\$ 6,156,185	\$ 1,591,869	\$ 16,567,391
Investments	5,652,881	1,994,565	1,750,662	9,398,108
Accounts receivable	4,654,427	174,310	2,600	4,831,337
Interest receivable	74,617	27,248	23,093	124,958
Due from other governments	467,160	-	-	467,160
Due from other funds	556,664	-	-	556,664
Inventory	51,298	-	-	51,298
Prepays	1,555	-	-	1,555
Restricted assets:				
Cash and cash equivalents	<u>243,828</u>	<u>-</u>	<u>-</u>	<u>243,828</u>
Total assets	<u>20,521,767</u>	<u>8,352,308</u>	<u>3,368,224</u>	<u>32,242,299</u>
<b>LIABILITIES</b>				
Accounts payable	2,245,786	-	16,169	2,261,955
Accrued liabilities	839,214	-	-	839,214
Customer deposits	48,725	-	-	48,725
Due to other funds	-	556,664	-	556,664
Unearned revenue	<u>2,004,081</u>	<u>-</u>	<u>-</u>	<u>2,004,081</u>
Total liabilities	<u>5,137,806</u>	<u>556,664</u>	<u>16,169</u>	<u>5,710,639</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenue - municipal court	<u>675,096</u>	<u>-</u>	<u>-</u>	<u>675,096</u>
Total deferred inflows of resources	<u>675,096</u>	<u>-</u>	<u>-</u>	<u>675,096</u>
<b>FUND BALANCES</b>				
Nonspendable:				
Inventory	51,298	-	-	51,298
Prepays	1,555	-	-	1,555
Restricted:				
Debt service	-	-	39,539	39,539
Capital projects	218,068	-	2,772,579	2,990,647
Public safety programs	25,671	-	538,086	563,757
Tourism	-	7,795,644	-	7,795,644
Employee benefits	12,610	-	-	12,610
Committed:				
Capital projects	-	-	1,851	1,851
Assigned	1,145,808	-	-	1,145,808
Unassigned	<u>13,253,855</u>	<u>-</u>	<u>-</u>	<u>13,253,855</u>
Total fund balances	<u>14,708,865</u>	<u>7,795,644</u>	<u>3,352,055</u>	<u>25,856,564</u>
 Total liabilities, deferred inflows and fund balances	 <u>\$ 20,521,767</u>	 <u>\$ 8,352,308</u>	 <u>\$ 3,368,224</u>	 <u>\$ 32,242,299</u>

The notes to the financial statements are an integral part of these financial statements.

**CITY OF STAFFORD, TEXAS**

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

SEPTEMBER 30, 2024

Total Fund Balances - Governmental Funds \$ 25,856,564

Amount reported for governmental activities in the statement of net position are different because:

Capital assets, net of accumulated depreciation, used in governmental activities are not financial resources and, therefore, are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

64,257,650

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.

675,096

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	(13,265,000)
Premium on bonds	(617,170)
Excess sales tax due to State	(1,142,274)
Accrued interest	(38,266)
Accrued compensated absences	(1,181,813)
Leases payable	(155,420)
Subscriptions payable	(97,450)

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	2,994,351
Net pension liability	(3,658,250)
Deferred inflows of resources	(722,812)

Total 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	136,288
Total OPEB liability	(509,952)
Deferred inflows of resources	<u>(222,329)</u>

Net Position of Governmental Activities \$ 72,309,213

**CITY OF STAFFORD, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	General Fund	Hotel Occupancy Tax	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Sales taxes	\$ 18,605,400	\$ -	\$ -	\$ 18,605,400
Franchise tax	1,725,601	-	-	1,725,601
Hotel occupancy taxes	-	1,594,294	-	1,594,294
License and permits	2,157,731	-	-	2,157,731
Fines and forfeitures	723,264	-	119,959	843,223
Charges for services	2,997,852	-	-	2,997,852
Investment earnings	815,491	436,349	200,815	1,452,655
Intergovernmental	4,016,013	-	3,900	4,019,913
Miscellaneous	169,422	-	-	169,422
Total revenues	<u>31,210,774</u>	<u>2,030,643</u>	<u>324,674</u>	<u>33,566,091</u>
<b>EXPENDITURES</b>				
Current:				
General administration	4,156,601	-	8,682	4,165,283
Judicial	534,320	-	29,330	563,650
Municipal services	6,538,769	-	2,850	6,541,619
Public safety	14,753,395	-	76,268	14,829,663
Recreation	629,096	-	-	629,096
Performing arts center	3,486,019	21,690	-	3,507,709
Debt service:				
Principal	238,778	-	370,000	608,778
Interest and fiscal charges	9,682	-	479,338	489,020
Capital outlay	830,999	-	-	830,999
Total expenditures	<u>31,177,659</u>	<u>21,690</u>	<u>966,468</u>	<u>32,165,817</u>
Excess (deficiency) of revenues over (under) expenditures	<u>33,115</u>	<u>2,008,953</u>	<u>(641,794)</u>	<u>1,400,274</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of leases	99,320	-	-	99,320
Issuance of subscriptions	52,802	-	-	52,802
Transfers in	2,133,721	-	849,190	2,982,911
Transfers out	(849,190)	(2,133,721)	-	(2,982,911)
Sale of capital assets	50,511	-	-	50,511
Insurance recovery	171,885	-	-	171,885
Total other financing sources (uses)	<u>1,659,049</u>	<u>(2,133,721)</u>	<u>849,190</u>	<u>374,518</u>
<b>CHANGE IN FUND BALANCE</b>	1,692,164	(124,768)	207,396	1,774,792
<b>FUND BALANCE - BEGINNING</b>	<u>13,016,701</u>	<u>7,920,412</u>	<u>3,144,659</u>	<u>24,081,772</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 14,708,865</u>	<u>\$ 7,795,644</u>	<u>\$ 3,352,055</u>	<u>\$ 25,856,564</u>

The notes to the financial statements are an integral part of these financial statements.

**CITY OF STAFFORD, TEXAS**

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

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Total net change in Fund Balances - Governmental Funds \$ 1,774,792

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 on 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.

Capital asset additions	4,204,284
Capital asset disposals	(533,178)
Depreciation	(4,476,654)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. 19,080

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statements of Net Position. Repayment of bond and other debt principal is an expenditures 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 leases	(99,320)
Issuance of subscriptions	(52,802)
Principal paid on sales tax obligation	142,751
Principal paid on bonds	370,000
Principal paid on leases	15,798
Principal paid on subscriptions	80,229

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	1,542
Amortization of bond premiums	31,034
Compensated absences	(108,604)
Changes in pension/OPEB liabilities and related deferred outflows and inflows of resources.	<u>479,714</u>

Total change in net position of Governmental Activities \$ 1,848,666

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## **CITY OF STAFFORD, TEXAS**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

#### **I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

##### **A. Reporting Entity**

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.

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.

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.

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 governmentwide 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.

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, Deposits and Investments**

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.

#### **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:

Asset Type	Number of Years
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 unlimited 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 a maximum of 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.

## **J. Deferred Outflows/Inflows 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.

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.

## **K. 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.

## **L. 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.

## **M. 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.

## **N. 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.

## **O. Leases**

The City is a lessee for noncancellable leases of equipment. The City recognizes a lease liability and an intangible right-to-use lease assets in the government-wide financial statements. The City recognizes lease liabilities with an initial, individual value of \$5,000 or more.

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

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

#### **P. Subscription-Based Information Technology Arrangements**

The City is a lessee for subscription-based IT arrangements (SBITAs). The City recognizes liability and an intangible right-to-use asset in the government-wide financial statements.

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

Key estimates and judgments related to SBITAs include how the City determines (1) the discount rate it uses to discount the expected payments to present value, (2) agreement term, and (3) agreed upon payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate.
- The agreement term includes the noncancellable period of the SBITA.
- The agreed upon payments included in the measurement of the liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the liability. These right to use assets are reported with other capital assets and liabilities are reported with long - term debt on the statement of net position.

#### **Q. Fund Equity**

As of September 30, 2024, 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.

*Assigned* - amounts that have been designated for specific purposes by management of the City.

*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.

## **R. 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 is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

## **II. DEPOSITS 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.

### **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.

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:

Fund/Description	Fair Value	Percentage of Portfolio	Weighted Average Maturity	Moody Rating	S&P Rating
Cash and Cash Equivalents:					
Bank deposits and petty cash	\$ 1,769,555	4%	1	N/A	N/A
LOGIC investment pool	<u>30,394,877</u>	68%	47	N/A	AAAm
Total Cash and Cash Equivalents	<u>32,164,432</u>				
Investments:					
Certificates of deposit	5,556,179	12%	76	N/A	N/A
Federal Home Loan Bank	4,001,325	9%	124	Aaa	AA+
Federal Home Loan Mortgage Corporation	1,000,065	2%	25	Aaa	AA+
Federal Farm Credit Bank	1,516,400	3%	67	Aaa	AA+
U.S. Treasury Notes	<u>500,535</u>	1%	4	N/A	AA+
Total Investments	<u>12,574,504</u>				
Total Cash and Investments	<u>\$ 44,738,936</u>	100%	49		

### III. RECEIVABLES

The City's receivables as of September 30, 2024 consisted of the following:

	General Fund	Hotel Occupancy Tax Fund	Nonmajor Governmental Funds	Total
Taxes:				
Sales and use taxes	\$ 3,496,318	\$ 174,310	\$ -	\$ 3,670,628
Accrued interest	74,617	27,248	23,093	124,958
Courts	675,096	-	-	675,096
Stafford Centre	286,667	-	-	286,667
Other	<u>196,346</u>	<u>-</u>	<u>2,600</u>	<u>198,946</u>
Net receivables	<u>\$ 4,729,044</u>	<u>\$ 201,558</u>	<u>\$ 25,693</u>	<u>\$ 4,956,295</u>



#### IV. CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2024 was as follows:

	Beginning Balance	Additions	Transfers/ Retirements	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,143,634	\$ -	\$ -	\$ 5,143,634
Construction in progress	389,544	2,025,981	(970,034)	1,445,491
Total capital assets not being depreciated	5,533,178	2,025,981	(970,034)	6,589,125
Capital assets being depreciated:				
Buildings	39,219,862	85,045	-	39,304,907
Improvements other than buildings	6,132,664	-	-	6,132,664
Machinery and equipment	24,548,927	1,916,119	(1,139,338)	25,325,708
Infrastructure	81,938,078	-	970,034	82,908,112
Right to use - equipment	84,157	124,337	(17)	208,477
Right to use - subscription	204,198	52,802	-	257,000
Total assets being depreciated	152,127,886	2,178,303	(169,321)	154,136,868
Less accumulated depreciation for:				
Buildings	(18,555,675)	(939,391)	-	(19,495,066)
Improvements other than buildings	(4,624,174)	(255,736)	-	(4,879,910)
Machinery and equipment	(19,342,401)	(1,355,905)	611,913	(20,086,393)
Infrastructure	(50,008,152)	(1,812,223)	-	(51,820,375)
Right to use - equipment	(8,415)	(30,774)	(5,736)	(44,925)
Right to use - subscription	(59,049)	(82,625)	-	(141,674)
Total accumulated depreciation	(92,597,866)	(4,476,654)	606,177	(96,468,343)
Total capital assets being depreciated, net	59,530,020	(2,298,351)	436,856	57,668,525
Governmental activities capital assets, net	\$ 65,063,198	\$ (272,370)	\$ (533,178)	\$ 64,257,650

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

<u>Governmental activities:</u>	
General Admin	\$ 117,042
Judicial	1,295
Municipal Services	156,279
Public Safety	4,123,221
Recreation	78,817
Total	<u>\$ 4,476,654</u>

Construction in progress for various projects as of September 30, 2024, is as follows:

Governmental Activities	Authorized Budget	Total in Progress	Remaining Commitment
Security Camera/Wi-Fi Project	\$ 12,300	\$ 6,750	\$ 5,550
Drainage Rehab.	6,950,000	150,809	6,799,191
Pike Road	4,010,000	1,148,436	2,861,564
Meadows Trail	470,000	23,496	446,504
Landscape Improvement	128,500	116,000	12,500
Total Governmental Activities	<u>\$ 11,570,800</u>	<u>\$ 1,445,491</u>	<u>\$ 10,125,309</u>

## V. 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, 2024, the City's Hotel Occupancy Tax fund had an outstanding amount due to the General Fund in the amount of \$556,664.

Transfer From	Transfer In		Totals
	General Fund	Nonmajor Governmental Funds	
General Fund	\$ -	\$ 849,190	\$ 849,190
Hotel Occupancy Fund	2,133,721	-	2,133,721
Total	<u>\$ 2,133,721</u>	<u>\$ 849,190</u>	<u>\$ 2,982,911</u>

## VI. 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.

Long-term debt activity for the year ended September 30, 2024, was as follows:

	Beginning Balance	Issued	Refunded/ Retired	Ending Balance	Amount Due Within One Year
Governmental activities:					
Certificates of obligation	\$ 13,635,000	\$ -	\$ 370,000	\$ 13,265,000	\$ 390,000
Premiums on issuance	648,204	-	31,034	617,170	-
Sales tax obligations	1,285,025	-	142,751	1,142,274	142,751
Lease payable	71,881	99,337	15,798	155,420	34,514
Subscription payable	124,877	52,802	80,229	97,450	64,439
Compensated absences	1,073,209	1,006,779	898,175	1,181,813	295,453
Total governmental activities	<u>\$ 16,838,196</u>	<u>\$ 1,158,918</u>	<u>\$ 1,537,987</u>	<u>\$ 16,459,127</u>	<u>\$ 927,157</u>

### 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	\$ 7,415,000
Series 2021 Certificates of Obligation	2.375% - 5.000%	6,065,000	2046	5,850,000
				<u>\$13,265,000</u>

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

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2025	\$ 390,000	\$ 459,187	\$ 849,187
2026	410,000	439,687	849,687
2027	425,000	419,187	844,187
2028	450,000	398,937	848,937
2029	475,000	376,437	851,437
2030-2034	2,635,000	1,592,181	4,227,181
2035-2039	3,135,000	1,090,512	4,225,512
2040-2044	3,715,000	507,813	4,222,813
2045-2046	1,630,000	58,306	1,688,306
Total	<u>\$13,265,000</u>	<u>\$ 5,342,247</u>	<u>\$ 18,607,247</u>

### 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 are as follows:

Year Ended September 30,	Governmental Activities		
	Principal	Interest	Total Requirements
2025	\$ 142,751	\$ -	\$ 142,751
2026	142,751	-	142,751
2027	142,751	-	142,751
2028	142,751	-	142,751
2029	142,751	-	142,751
2030-2032	428,519	-	428,519
Total	<u>\$ 1,142,274</u>	<u>\$ -</u>	<u>\$ 1,142,274</u>

### 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, 2024, are as follows:

Description	Start Date	End Date	Interest Rate	Lease Liability	
				Original Amount	Outstanding Balance
Copiers	11/1/2022	10/31/2027	6.65%	\$ 76,244	\$ 49,977
Copiers - Fire	9/1/2023	8/31/2027	11.19%	7,913	6,106
Turnout Gear - Fire	3/15/2024	3/14/2029	6.24%	99,337	99,337
				<u>\$ 183,494</u>	<u>\$ 155,420</u>

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:

Year Ended September 30,	Principal	Interest	Total Requirements
2025	\$ 34,514	\$ 9,654	\$ 44,168
2026	36,879	7,289	44,168
2027	39,176	4,786	43,962
2028	22,511	2,721	25,232
2029	22,340	1,394	23,734
Total	<u>\$ 155,420</u>	<u>\$ 25,844</u>	<u>\$ 181,264</u>

### Subscriptions

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, 2024, are as follows:

Description	Start Date	End Date	Interest Rate	SBITA Liability	
				Original Amount	Outstanding Balance
Microsoft Enterprise	1/31/2023	12/31/2025	4.39%	\$ 165,849	\$ 55,249
Timeclock Plus	11/15/2023	11/14/2028	4.60%	52,802	42,201
				<u>\$ 218,651</u>	<u>\$ 97,450</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:

Year Ended September 30,	Principal	Interest	Total Requirements
2025	\$ 64,439	\$ 4,367	\$ 68,806
2026	10,169	1,519	11,688
2027	10,988	1,051	12,039
2028	11,854	545	12,399
Total	<u>\$ 97,450</u>	<u>\$ 7,482</u>	<u>\$ 104,932</u>

## VII. DEFINED BENEFIT PENSION PLAN

### Plan Description

The City of Stafford participates as one of 909 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 annual comprehensive financial report (ACFR) that can be obtained at [www.tmr.com](http://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 Member's benefit is calculated based on the sum of the Member's contributions, with interest, and the city-financed monetary credits with interest. The retiring Member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total Member contributions and interest.

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, transfers
Annuity increase to retirees	70% of CPI repeating

### **Employees Covered by Benefit Terms**

At the December 31, 2023 valuation and measurement date, the following numbers of employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	98
Inactive employees entitled to but not yet receiving benefits	122
Active employees	<u>181</u>
Total	<u><u>401</u></u>

### **Contributions**

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

Employees of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.13% and 14.09% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024, were \$1,831,360, and were equal to the required contributions.

### **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75% net of pension plan investment expense, expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 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 expenses 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 arithmetic real rates return for each major asset class in fiscal year 2024 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
		(Arithmetic)
Global Public Equity	35%	6.7%
Core Fixed Income	6%	4.7%
Non-Core Fixed Income	20%	8.0%
Other Public and Private Markets	12%	8.0%
Real Estate	12%	7.6%
Hedge Funds	5%	6.4%
Private Equity	10%	11.6%
Total	100%	

### 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 and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

## Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2022	\$ 55,063,732	\$ 48,776,009	\$ 6,287,723
Changes for the year:			
Service cost	2,257,591	-	2,257,591
Interest	3,726,504	-	3,726,504
Difference between expected and actual experience	(146,591)	-	(146,591)
Change in assumptions	(400,991)	-	(400,991)
Contributions - employer	-	1,600,550	(1,600,550)
Contributions - employee	-	853,301	(853,301)
Net investment income	-	5,648,300	(5,648,300)
Benefit payments, including refunds of employee contributions	(1,970,107)	(1,970,107)	-
Administrative expense	-	(35,914)	35,914
Other changes	-	(251)	251
Net changes	<u>3,466,406</u>	<u>6,095,879</u>	<u>(2,629,473)</u>
Balance at 12/31/2023	<u>\$ 58,530,138</u>	<u>\$ 54,871,888</u>	<u>\$ 3,658,250</u>

## Discount Rate Sensitivity Analysis

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 Single Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	\$ 12,001,521	\$ 3,658,250	\$ (3,144,848)

## 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 electronically at [www.TMRS.org](http://www.TMRS.org).

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

For the year ended September 30, 2024, the City recognized pension expense in the governmental activities of \$1,339,964.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 204,706	\$ 407,686
Changes in actuarial assumptions	27,255	315,126
Difference between projected and actual investment earnings	1,313,550	-
Contributions subsequent to the measurement date	1,448,840	-
Total	<u>\$ 2,994,351</u>	<u>\$ 722,812</u>

\$1,448,840 reported as 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 year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ 163,713
2026	280,807
2027	926,569
2028	(548,390)

#### **VIII. DEFINED OTHER POST-EMPLOYMENT BENEFIT (OPEB) PLAN – TMRS SUPPLEMENTAL DEATH BENEFITS FUND**

##### **Plan Description**

The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

##### **Benefits Provided**

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	77
Inactive employees entitled to but not yet receiving benefits	29
Active employees	<u>181</u>
Total	<u><u>287</u></u>

##### **Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.36% for 2023 and 0.37% for 2024, of which 0.14% and 0.15%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2024 and 2023 were \$17,066 and \$12,787, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

##### **Total OPEB Liability**

The City's Net OPEB Liability (TOL) was measured as of December 31, 2023 and was determined by an actuarial valuation as of that date.



## Actuarial assumptions

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation rate	2.50%
Salary increases	3.6% to 11.85% including inflation
Discount rate	3.77%

Mortality rates for active members, retirees, and beneficiaries were based on the 2019 Municipal Retirees of Texas Mortality Tables, with male rates multiplied by 103% and female rates multiplied by 105%. The rates are projected on a fully generational basis by scale MP-2021 to account for future mortality improvements. For disabled annuitants, the 2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females is used. 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 the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

## Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 3.77% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2023.

## Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2022	\$ 469,171
Changes for the year:	
Service cost	23,161
Interest	19,125
Difference between expected and actual experience	(9,334)
Changes of assumptions	24,895
Benefit payments	(17,066)
Net changes	40,781
Balance at 12/31/2023	\$ 509,952

## Discount Rate Sensitivity Analysis

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (2.77%) or 1 percentage-point higher (4.77%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Total OPEB Liability	\$ 608,945	\$ 509,952	\$ 432,993

## **OPEB Expense, Deferred Outflows, and Deferred Inflows of Resources Related to OPEB**

For the year ended September 30, 2024, the City recognized OPEB expense in the governmental activities of \$31,186.

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 22,981	\$ 49,491
Changes in actuarial assumptions	97,883	172,838
Contributions subsequent to the measurement date	15,424	-
Total	<u>\$ 136,288</u>	<u>\$ 222,329</u>

\$15,424 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date which will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30,	
2025	\$ (12,923)
2026	(16,117)
2027	(18,823)
2028	(27,101)
2029	(27,698)
Thereafter	1,197

## **IX. 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, and the 457 Plan is not reported in the City's basic financial statements.

## **X. 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 2023-2024 annual billing to the SMSD for these City provided services was \$331,991, with \$63,550 recorded as a receivable as of September 30, 2024, in the General Fund. The City also provides SMSD the use of the Civic Center at no charge.

**XI. 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.

**XII. 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.

**XIII. 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 2024, the City provided tax abatements through two programs: (i) Texas Instruments Redevelopment Property project and (ii) Stafford Retail Sales Center III project.

***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 October 1, 2019 and expires on September 30, 2034.

The amounts rebated for the project during fiscal year 2024 are as follows:

	Sales Tax Revenue	Rebated Amount	Administrative Fee	Net Sales Tax Revenue
City	\$ 1,066,695	\$ (836,288)	\$ 17,068	\$ 247,475
SEDC	355,564	(278,763)	5,688	82,489
Total	<u>\$ 1,422,259</u>	<u>\$ (1,115,051)</u>	<u>\$ 22,756</u>	<u>\$ 329,964</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 April 11, 2018, and expires on April 11, 2030.

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

Additional Sales Tax Generated on Project (Less Administrative Fees)				
\$	-	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 2024 are as follows:

	Sales Tax Revenue	Rebated Amount	Administrative Fee	Net Sales Tax Revenue
City	\$ 893,432	\$ (412,838)	\$ 17,869	\$ 498,463
SEDC	<u>297,811</u>	<u>(137,613)</u>	<u>5,956</u>	<u>166,154</u>
Total	<u>\$ 1,191,243</u>	<u>\$ (550,451)</u>	<u>\$ 23,825</u>	<u>\$ 664,617</u>

Additionally, the City and SEDC accrued amounts related to the agreements which will be paid after September 30, 2024 as follows:

	General Fund	SEDC	Total
Stafford Retail Sales Center III Project	\$ 836,288	\$ 278,763	\$ 1,115,051
Texas Instruments Redevelopment Property Project	<u>318,561</u>	<u>106,187</u>	<u>424,748</u>
	<u>\$ 1,154,849</u>	<u>\$ 384,950</u>	<u>\$ 1,539,799</u>

#### XIV. NEW ACCOUNTING GUIDANCE

Significant new accounting guidance issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

GASB Statement No. 101, *Compensated Absences* - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for reporting periods beginning after December 15, 2023, and the impact has not yet been determined.

GASB Statement No. 102, *Certain Risk Disclosures* - The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. This Statement will become effective for reporting periods beginning after June 15, 2024, and the impact has not yet been determined.

GASB Statement No. 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* - The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be presented separately in the note disclosures, including right-to-use assets related to leases, Subscription-Based Information Technology Arrangements, and public-private or public-public partnerships. Other intangible assets are also required to be presented separately by major class. Additional disclosures have also been required for capital assets held for sale. This Statement will become effective for reporting periods beginning after June 15, 2025, and the impact has not yet been determined.

**REQUIRED SUPPLEMENTARY  
INFORMATION**

**CITY OF STAFFORD, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
GENERAL FUND**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Sales taxes	\$ 17,544,842	\$ 18,233,500	\$ 18,605,400	\$ 371,900
Franchise taxes	1,750,000	1,645,000	1,725,601	80,601
Licenses and permits	1,638,520	2,055,380	2,157,731	102,351
Fines and forfeitures	1,005,000	800,000	723,264	(76,736)
Charges for services	2,807,500	3,063,801	2,997,852	(65,949)
Investment earnings	471,000	642,500	815,491	172,991
Intergovernmental	4,032,745	5,883,574	4,016,013	(1,867,561)
Miscellaneous	24,000	158,450	169,422	10,972
Total revenues	<u>29,273,607</u>	<u>32,482,205</u>	<u>31,210,774</u>	<u>(1,271,431)</u>
<b>EXPENDITURES</b>				
Current:				
General administration	6,763,351	5,219,821	4,156,601	1,063,220
Judicial	605,389	564,322	534,320	30,002
Municipal services	7,978,375	8,140,687	6,538,769	1,601,918
Public safety	13,544,341	15,117,817	14,753,395	364,422
Recreation	741,528	684,563	629,096	55,467
Perfroming arts center	3,012,503	3,967,867	3,486,019	481,848
Debt service:				
Principal	142,752	142,752	238,778	(96,026)
Interest	-	-	9,682	(9,682)
Capital outlay	-	1,286,747	830,999	455,748
Total expenditures	<u>32,788,239</u>	<u>35,124,576</u>	<u>31,177,659</u>	<u>3,946,917</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,514,632)</u>	<u>(2,642,371)</u>	<u>33,115</u>	<u>2,675,486</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Issuance of leases	-	-	99,320	99,320
Issuance of subscriptions	-	-	52,802	52,802
Transfers in	1,291,215	2,178,879	2,133,721	(45,158)
Transfers out	(849,190)	(849,190)	(849,190)	-
Sale of capital assets	10,000	45,000	50,511	5,511
Insurance recovery	125,000	150,000	171,885	21,885
Total other financing sources (uses)	<u>577,025</u>	<u>1,524,689</u>	<u>1,659,049</u>	<u>134,360</u>
<b>CHANGE IN FUND BALANCE</b>	<u>(2,937,607)</u>	<u>(1,117,682)</u>	<u>1,692,164</u>	<u>2,809,846</u>
<b>FUND BALANCE - BEGINNING</b>	<u>13,016,701</u>	<u>13,016,701</u>	<u>13,016,701</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 10,079,094</u>	<u>\$ 11,899,019</u>	<u>\$ 14,708,865</u>	<u>\$ 2,809,846</u>

**CITY OF STAFFORD, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCE - BUDGET (BUDGET BASIS) AND ACTUAL  
HOTEL OCCUPANCY TAX**

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>				
Taxes:				
Hotel occupancy taxes	\$ 1,100,000	\$ 1,450,000	\$ 1,594,294	\$ 144,294
Investment earnings	<u>200,000</u>	<u>365,000</u>	<u>436,349</u>	<u>71,349</u>
Total revenues	<u>1,300,000</u>	<u>1,815,000</u>	<u>2,030,643</u>	<u>215,643</u>
<b>EXPENDITURES</b>				
Current:				
Performing arts center	<u>-</u>	<u>25,000</u>	<u>21,690</u>	<u>3,310</u>
Total revenues	<u>-</u>	<u>25,000</u>	<u>21,690</u>	<u>3,310</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,300,000</u>	<u>1,790,000</u>	<u>2,008,953</u>	<u>218,953</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	<u>(1,291,215)</u>	<u>(2,178,879)</u>	<u>(2,133,721)</u>	<u>45,158</u>
Total other financing sources (uses)	<u>(1,291,215)</u>	<u>(2,178,879)</u>	<u>(2,133,721)</u>	<u>45,158</u>
<b>CHANGE IN FUND BALANCE</b>	8,785	(388,879)	(124,768)	264,111
<b>FUND BALANCE - BEGINNING</b>	<u>7,920,412</u>	<u>7,920,412</u>	<u>7,920,412</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 7,929,197</u>	<u>\$ 7,531,533</u>	<u>\$ 7,795,644</u>	<u>\$ 264,111</u>

**CITY OF STAFFORD, TEXAS**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Measurement year December 31,	2014	2015	2016	2017
Total pension liability				
Service cost	\$ 1,047,608	\$ 1,318,015	\$ 1,523,293	\$ 1,810,024
Interest (on the total pension liability)	2,225,384	2,358,232	2,436,031	2,572,565
Difference between expected and actual experience	(12,479)	260,796	(417,968)	(130,043)
Changes in assumptions	-	85,075	-	-
Benefit payments, including refunds of employee contributions	<u>(1,330,942)</u>	<u>(1,664,816)</u>	<u>(1,784,051)</u>	<u>(1,539,949)</u>
Net change in total pension liability	1,929,571	2,357,302	1,757,305	2,712,597
Total pension liability - beginning	<u>31,932,860</u>	<u>33,862,431</u>	<u>36,219,733</u>	<u>37,977,038</u>
Total pension liability - ending (a)	<u>\$ 33,862,431</u>	<u>\$ 36,219,733</u>	<u>\$ 37,977,038</u>	<u>\$ 40,689,635</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,007,242	\$ 1,129,513	\$ 1,223,185	\$ 1,485,955
Contributions - employee	478,662	527,809	590,097	691,603
Net investment income	1,643,366	45,017	2,062,493	4,516,431
Benefit payments, including refunds of employee contributions	(1,330,942)	(1,664,816)	(1,784,051)	(1,539,949)
Administrative expenses	(17,158)	(27,419)	(23,292)	(23,404)
Other	<u>(1,411)</u>	<u>(1,354)</u>	<u>(1,255)</u>	<u>(1,186)</u>
Net change in plan fiduciary net position	1,779,759	8,750	2,067,177	5,129,450
Plan fiduciary net position - beginning	<u>28,727,904</u>	<u>30,507,663</u>	<u>30,516,413</u>	<u>32,583,590</u>
Plan fiduciary net position - ending (b)	<u>\$ 30,507,663</u>	<u>\$ 30,516,413</u>	<u>\$ 32,583,590</u>	<u>\$ 37,713,040</u>
Net Pension Liability (a) - (b)	<u>\$ 3,354,768</u>	<u>\$ 5,703,320</u>	<u>\$ 5,393,448</u>	<u>\$ 2,976,595</u>
Plan fiduciary net position as a percentage of total pension liability	90.09%	84.25%	85.80%	92.68%
Covered payroll	\$ 6,802,638	\$ 7,540,134	\$ 8,429,955	\$ 9,880,041
Net pension liability as a percentage of covered payroll	49.32%	75.64%	63.98%	30.13%



2018	2019	2020	2021	2022	2023
\$ 1,868,367 2,748,825	\$ 1,878,510 2,912,579	\$ 1,984,652 3,097,158	\$ 1,836,687 3,283,349	\$ 1,925,491 3,469,626	\$ 2,257,591 3,726,504
(308,403) -	(369,204) 219,194	(324,689) -	(341,495) -	340,274 -	(146,591) (400,991)
<u>(1,800,978)</u>	<u>(1,974,775)</u>	<u>(1,944,500)</u>	<u>(1,905,020)</u>	<u>(2,221,551)</u>	<u>(1,970,107)</u>
2,507,811	2,666,304	2,812,621	2,873,521	3,513,840	3,466,406
<u>40,689,635</u>	<u>43,197,446</u>	<u>45,863,750</u>	<u>48,676,371</u>	<u>51,549,892</u>	<u>55,063,732</u>
<u>\$ 43,197,446</u>	<u>\$ 45,863,750</u>	<u>\$ 48,676,371</u>	<u>\$ 51,549,892</u>	<u>\$ 55,063,732</u>	<u>\$ 58,530,138</u>
\$ 1,481,176 705,805 (1,129,835)	\$ 1,475,020 715,039 5,713,748	\$ 1,524,080 755,031 3,252,408	\$ 1,409,363 702,174 6,051,942	\$ 1,451,311 745,901 (3,843,916)	\$ 1,600,550 853,301 5,648,300
(1,800,978) (21,833) <u>(1,141)</u>	(1,974,775) (32,274) <u>(970)</u>	(1,944,500) (21,043) <u>(821)</u>	(1,905,020) (27,992) <u>191</u>	(2,221,551) (33,250) <u>39,679</u>	(1,970,107) (35,914) <u>(251)</u>
(766,806)	5,895,788	3,565,155	6,230,658	(3,861,826)	6,095,879
<u>37,713,040</u>	<u>36,946,234</u>	<u>42,842,022</u>	<u>46,407,177</u>	<u>52,637,835</u>	<u>48,776,009</u>
<u>\$ 36,946,234</u>	<u>\$ 42,842,022</u>	<u>\$ 46,407,177</u>	<u>\$ 52,637,835</u>	<u>\$ 48,776,009</u>	<u>\$ 54,871,888</u>
<u>\$ 6,251,212</u>	<u>\$ 3,021,728</u>	<u>\$ 2,269,194</u>	<u>\$ (1,087,943)</u>	<u>\$ 6,287,723</u>	<u>\$ 3,658,250</u>
85.53%	93.41%	95.34%	102.11%	88.58%	93.75%
\$ 10,082,930	\$ 10,214,846	\$ 10,786,128	\$ 10,031,051	\$ 10,655,732	\$ 12,190,018
62.00%	29.58%	21.04%	-10.85%	59.01%	30.01%

FOR THE YEAR ENDED SEPTEMBER 30, 2024

<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
\$ 1,506,395	\$ 1,519,432	\$ 1,475,512	\$ 1,457,276	\$ 1,581,684	\$ 1,831,360
<u>1,506,395</u>	<u>1,519,432</u>	<u>1,475,512</u>	<u>1,457,276</u>	<u>1,581,684</u>	<u>1,831,360</u>
-	-	-	-	-	-
\$ 10,273,748	\$ 10,691,116	\$ 10,326,571	\$ 10,616,478	\$ 11,946,692	\$ 13,196,085
14.66%	14.21%	14.29%	13.73%	13.24%	13.88%

**CITY OF STAFFORD, TEXAS**

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)**

**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Measurement year December 31,	2017	2018	2019
Total OPEB liability			
Service cost	\$ 17,784	\$ 21,174	\$ 20,430
Interest (on the total OPEB liability)	13,619	13,979	17,259
Difference between expected and actual experience	-	41,848	(54,018)
Changes in assumptions	32,929	(29,689)	82,523
Benefit payments, including refunds of employee contributions	<u>(3,952)</u>	<u>(4,033)</u>	<u>(4,086)</u>
Net change in total OPEB liability	60,380	43,279	62,108
Total OPEB liability - beginning	<u>353,368</u>	<u>413,748</u>	<u>457,027</u>
Total OPEB liability - ending (a)	<u>\$ 413,748</u>	<u>\$ 457,027</u>	<u>\$ 519,135</u>
Covered-employee payroll	\$ 9,880,041	\$ 10,082,930	\$ 10,214,846
Total OPEB liability as a percentage of covered-employee payroll	4.19%	4.53%	5.08%

**Notes to OPEB Schedule**

**Summary of actuarial assumptions:**

Inflation	2.50%
Salary increases	3.60% to 11.85% including inflation
Discount rate*	3.77%
Retirees'share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirement under GASB Statement No. 68.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates	2019 Municipal Retirees of Texas Mortality Tablbes 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 MP-2021 (with immediate convergence) 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, 2023.

Note: The actuarial assumptions used in the December 31,2023 valuation were based on the results of an actuarial experience study for the period December 31, 2022.

<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
\$ 28,044	\$ 33,103	\$ 40,492	\$ 23,161
14,603	12,462	12,086	19,125
(23,583)	(22,061)	19,986	(9,334)
79,203	19,420	(233,578)	24,895
<u>(4,314)</u>	<u>(13,040)</u>	<u>(12,787)</u>	<u>(17,066)</u>
93,953	29,884	(173,801)	40,781
<u>519,135</u>	<u>613,088</u>	<u>642,972</u>	<u>469,171</u>
<u>\$ 613,088</u>	<u>\$ 642,972</u>	<u>\$ 469,171</u>	<u>\$ 509,952</u>
\$ 10,786,128	\$ 10,031,051	\$ 10,655,732	\$ 12,190,018
5.68%	6.41%	4.40%	4.18%

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## **CITY OF STAFFORD, TEXAS**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**SEPTEMBER 30, 2024**

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.

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## **SUPPLEMENTARY INFORMATION**

**CITY OF STAFFORD, TEXAS****COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2024

	Judicial Efficiency	Court Security	Court Technology
<b>ASSETS</b>			
Cash and cash equivalents	\$ 27,877	\$ 110,774	\$ 22,002
Investments	-	-	-
Accounts receivable	-	-	-
Interest receivable	-	-	-
Total assets	<u>27,877</u>	<u>110,774</u>	<u>22,002</u>
<b>LIABILITIES</b>			
Accounts payable	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Restricted:			
Debt service	-	-	-
Capital projects	-	-	-
Public safety programs	27,877	110,774	22,002
Committed:			
Capital projects	-	-	-
Total fund balances	<u>27,877</u>	<u>110,774</u>	<u>22,002</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 27,877</u>	<u>\$ 110,774</u>	<u>\$ 22,002</u>

Local Truancy Prevention	Municipal Jury	Federal Seizure	State Seizure	Child Safety	Police Donation	Debt Service
\$ 123,502	\$ 515	\$ 154,378	\$ 35,966	\$ 55,557	\$ 18,234	\$ 39,539
-	-	-	-	-	-	-
-	-	-	2,600	-	-	-
-	-	-	-	-	-	-
<u>123,502</u>	<u>515</u>	<u>154,378</u>	<u>38,566</u>	<u>55,557</u>	<u>18,234</u>	<u>39,539</u>
-	110	11,393	1,816	-	-	-
-	110	11,393	1,816	-	-	-
-	-	-	-	-	-	39,539
-	-	-	-	-	-	-
123,502	405	142,985	36,750	55,557	18,234	-
-	-	-	-	-	-	-
<u>123,502</u>	<u>405</u>	<u>142,985</u>	<u>36,750</u>	<u>55,557</u>	<u>18,234</u>	<u>39,539</u>
<u>\$ 123,502</u>	<u>\$ 515</u>	<u>\$ 154,378</u>	<u>\$ 38,566</u>	<u>\$ 55,557</u>	<u>\$ 18,234</u>	<u>\$ 39,539</u>

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**CITY OF STAFFORD, TEXAS****COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2024

	Capital Projects Fund	Local Street Assessment	Total Nonmajor Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,001,674	\$ 1,851	\$ 1,591,869
Investments	1,750,662	-	1,750,662
Accounts receivable	-	-	2,600
Interest receivable	23,093	-	23,093
Total assets	<u>2,775,429</u>	<u>1,851</u>	<u>3,368,224</u>
<b>LIABILITIES</b>			
Accounts payable	2,850	-	16,169
Total liabilities	<u>2,850</u>	<u>-</u>	<u>16,169</u>
<b>FUND BALANCES</b>			
Restricted:			
Debt service	-	-	39,539
Capital projects	2,772,579	-	2,772,579
Public safety programs	-	-	538,086
Committed:			
Capital projects	-	1,851	1,851
Total fund balances	<u>2,772,579</u>	<u>1,851</u>	<u>3,352,055</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,775,429</u>	<u>\$ 1,851</u>	<u>\$ 3,368,224</u>

**CITY OF STAFFORD, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	<u>Judicial Efficiency</u>	<u>Court Security</u>	<u>Court Technology</u>
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ -
Fines and forfeitures	5,166	15,660	13,469
Investment earnings	<u>2,274</u>	<u>5,329</u>	<u>1,382</u>
Total revenues	<u>7,440</u>	<u>20,989</u>	<u>14,851</u>
<b>EXPENDITURES</b>			
Current:			
General administration	-	-	-
Judicial	2,250	1,903	23,680
Municipal services	-	-	-
Public safety	-	-	-
Debt service:			
Principal	-	-	-
Interest and fiscal charges	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>2,250</u>	<u>1,903</u>	<u>23,680</u>
Excess (deficiency) of revenues over expenditures	<u>5,190</u>	<u>19,086</u>	<u>(8,829)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>5,190</u>	<u>19,086</u>	<u>(8,829)</u>
<b>FUND BALANCE - BEGINNING</b>	<u>22,687</u>	<u>91,688</u>	<u>30,831</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 27,877</u>	<u>\$ 110,774</u>	<u>\$ 22,002</u>

Local Truancy Prevention	Municipal Jury	Federal Seizure	State Seizure	Child Safety	Police Donation	Debt Service
\$ -	\$ -	\$ -	\$ 3,900	\$ -	\$ -	\$ -
11,982	291	46,226	9,094	18,071	-	-
6,039	97	5,720	1,865	2,063	1,303	9,629
<u>18,021</u>	<u>388</u>	<u>51,946</u>	<u>14,859</u>	<u>20,134</u>	<u>1,303</u>	<u>9,629</u>
-	-	-	-	-	-	-
-	1,497	-	-	-	-	-
-	-	-	-	-	-	-
-	-	65,175	11,093	-	-	-
-	-	-	-	-	-	370,000
-	-	-	-	-	-	479,338
<u>-</u>	<u>1,497</u>	<u>65,175</u>	<u>11,093</u>	<u>-</u>	<u>-</u>	<u>849,338</u>
<u>18,021</u>	<u>(1,109)</u>	<u>(13,229)</u>	<u>3,766</u>	<u>20,134</u>	<u>1,303</u>	<u>(839,709)</u>
-	-	-	-	-	-	849,190
-	-	-	-	-	-	849,190
<u>18,021</u>	<u>(1,109)</u>	<u>(13,229)</u>	<u>3,766</u>	<u>20,134</u>	<u>1,303</u>	<u>9,481</u>
<u>105,481</u>	<u>1,514</u>	<u>156,214</u>	<u>32,984</u>	<u>35,423</u>	<u>16,931</u>	<u>30,058</u>
<u>\$ 123,502</u>	<u>\$ 405</u>	<u>\$ 142,985</u>	<u>\$ 36,750</u>	<u>\$ 55,557</u>	<u>\$ 18,234</u>	<u>\$ 39,539</u>

**CITY OF STAFFORD, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Capital Projects Fund	Local Street Assessment	Total Nonmajor Governmental Funds
<b>REVENUES</b>			
Intergovernmental	\$ -	\$ -	\$ 3,900
Fines and forfeitures	-	-	119,959
Investment earnings	164,958	156	200,815
Total revenues	<u>164,958</u>	<u>156</u>	<u>324,674</u>
<b>EXPENDITURES</b>			
Current:			
General administration	8,682	-	8,682
Judicial	-	-	29,330
Municipal services	2,850	-	2,850
Public safety	-	-	76,268
Debt service:			
Principal	-	-	370,000
Interest and fiscal charges	-	-	479,338
Total expenditures	<u>11,532</u>	<u>-</u>	<u>966,468</u>
Excess (deficiency) of revenues over expenditures	<u>153,426</u>	<u>156</u>	<u>(641,794)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	849,190
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>849,190</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>153,426</u>	<u>156</u>	<u>207,396</u>
<b>FUND BALANCE - BEGINNING</b>	<u>2,619,153</u>	<u>1,695</u>	<u>3,144,659</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 2,772,579</u>	<u>\$ 1,851</u>	<u>\$ 3,352,055</u>