COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
SEPTEMBER 30, 2013

PREPARED BY

FINANCE DEPARTMENT
CITY OF STEPHENVILLE, TEXAS

CITY OF STEPHENVILLE, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2013

PREPARED BY

FINANCE DEPARTMENT

Walter G. Wood, CPA
Director of Finance/Administration

CITY OF STEPHENVILLE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

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Stephenville
298 West Washington Stephenville, Texas 76401 (254) 918-1220 Fax(254) 918-1207

January 3, 2014

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

The Finance Department and City Administrator's Office are pleased to submit the Comprehensive Annual Financial Report for the City of Stephenville, Texas for the fiscal year ended September 30, 2013.

This report provides the city council, city staff, our citizens, our bondholders and other interested parties with detailed information concerning the financial condition and activities of the city government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City.

To the best of our knowledge and belief the enclosed data is accurate in all material respects, and is organized in a manner designed to fairly present the financial position and results of operations of the City as measured by the financial activity of its various funds. We also believe that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included.

Rutledge, Crain & Co., PC, has issued an unqualified ("clean") opinion on the City's financial statements for the year ended September 30, 2013. The independent auditors' report is located at the front of the financial section of this report.

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

CITY PROFILE

Location

The City is a political subdivision and municipal corporation of the State of Texas, duly organized and existing under the laws of the state and the City's home rule charter. The City was incorporated in 1854 and chartered a home-rule city under Texas law in 1961. The City is located on the intersection of U.S. Highways 67, 281, and 377. The City occupies approximately 11.79 square miles and serves a population of about 18,290. The City is empowered by state statute to levy a tax on both real and business personal property located within its boundaries. The City also has the power by state statute to extend its corporate city limits by annexation, which is done periodically when deemed appropriate by the city council.

The City operates under the mayor-council form of government. Policy-making and legislative authority are vested in a governing council consisting of the mayor and eight (8) council members. The city council is responsible for, among other things, passing ordinances, adopting the budget, appointing committees, and hiring the city administrator. The city administrator is responsible for carrying out the policies and ordinances of the city council, for overseeing the day-to-day operations of the City, and appointing heads of various departments. The mayor and city council members each serve two-year terms, and are elected at large. The basic financial

statements of the City include all governmental activities, organizations and functions for which the City is financially accountable as defined by the Government Accounting Standards Board (GASB). Based on these criteria no other governmental organizations are included in this report.

Services Provided

The City provides a full range of services, including public safety (police, fire, and emergency medical), maintenance of streets and infrastructure, sanitation services, maintenance of the treated water distribution system and both sanitary and storm sewer collection and transmission systems, recreational activities and cultural events, landfill operations, airport facility maintenance as well as general administrative services.

Accounting System and Budgetary Control

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

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

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

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

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

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is at the departmental level; however, expenditures are monitored monthly at the department level to ensure financial accountability by department directors. Management control of budgets is further maintained at the line item level within the department. The City also maintains an encumbrance accounting system to further accomplish budgetary control. Under the City's financial policies, encumbered amounts in the General Fund at year's end lapse and balances flow forward as undesignated fund balances. For Capital Improvement Funds and Special Revenue Funds the encumbered amounts are reflected as a restriction of the fund balance at year's end.

Encumbrances are generally re-appropriated as a part of the following year's budget. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

ECONOMIC CONDITION

Local Economy

The City serves as the center of commerce and recreation to over 37,000 Erath County residents. The City is the county seat and the principal commercial, medical, retail, educational and industrial center of Erath County. The City currently enjoys a fairly stable and diversified economic environment, bolstered by the strength of both the Cross Timbers area and the State of Texas. Our economy is based on agriculture, manufacturing, and Tarleton State University. Agriculture has long been Erath County's leading industry with livestock, especially beef, dairy and other livestock production. Erath County was the State's 10th largest for cattle production in 2010. The City is fortunate to have several manufacturing industries in town. Local manufacturing includes coated abrasives, oilfield related products, cream cheese, fiber gratings and fasteners, metal processing of electrical products, trailer customization, and forged pipe unions. Tarleton State University, a member of the Texas A&M System, provides further economic stability as the largest employer. The student body includes representatives from 220 Texas counties, 45 states, and 34 foreign countries. Tarleton's 2013 fall enrollment was still in excess of 10,000 students.

Stephenville ranks high in the state for a quality of work environment. As of September 2013, with unemployment at 6.3% statewide, Stephenville's unemployment was 5.5%. The city has adequate—yet below-average—wealth and income. According to the U. S. Census Bureau's 2012 American Community Survey published in 2013, Stephenville's median household income is $34,370 compared to $46,969 for DFW and $51,563 for Texas. Also, according to the survey, the workforce is educated with 27.1% of the population having a bachelor's degree or higher, compared to 27.5% for DFW and 26.3% for Texas.

The stable property values, sales tax receipts and building activity reflect the area's positive economic climate. The City continues to have a low commercial vacancy rate coupled with new commercial and educational building construction. Tarleton State University continues to experience significant growth. New private student housing (Mustang Ranch is being constructed with 198 units at an estimate of $14,700,000) as well as new residence halls on campus are being constructed to accommodate this growth. Ranger College is expanding their presence in Stephenville with a new campus located on Lingleville Highway in the Piggly Wiggly building.

Long-Term Financial Planning

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

Users of this document are encouraged to read the City's Fiscal Year 2013-2014 Budget. The document details the City's long-term goals and financial policies, describes program accomplishments and initiatives, and outlines the City's capital improvement program. Also available for reference is the City of Stephenville's Comprehensive Plan which was adopted in 2006 and maps out the City's future strategies.

In addition, the City has recognized the long-term financial implications of its pension and retiree health benefits. Regarding pensions, we have adopted accelerated funding as proposed by the Texas Municipal Retirement System to ensure the long-term sustainability of the plan. The City does not provide for retiree health care. The City intends to provide a sustainable benefit to our employees without shifting costs to future tax payers.

Relevant Financial Policies

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

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

Major Initiatives

The City issued $4.0 million in Certificates of Obligation in October 2011 for the purpose of constructing a new Fire Station No. 2, and for major street reconstruction projects. Construction began on the fire station in July 2012 and was completed in November 2013. The City had designated $1.5 million of the issue to fund street reconstruction projects which were also completed in 2013. The City anticipates issuing $1 million in debt for wastewater line replacements in 2014.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Stephenville for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2012.

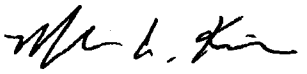
The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports. This award was the 28th consecutive year that the City of Stephenville has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

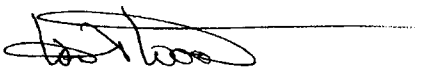
The preparation of this report on a timely basis could not be accomplished without the efficient and dedicated services of the entire city staff. We would like to express our appreciation to all staff members who assisted and

contributed to its preparation. We would also like to thank the Mayor and City Council Members for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully Submitted,



Mark A. Kaiser
City Administrator



Walter G. Wood
Director of Finance & Administration

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

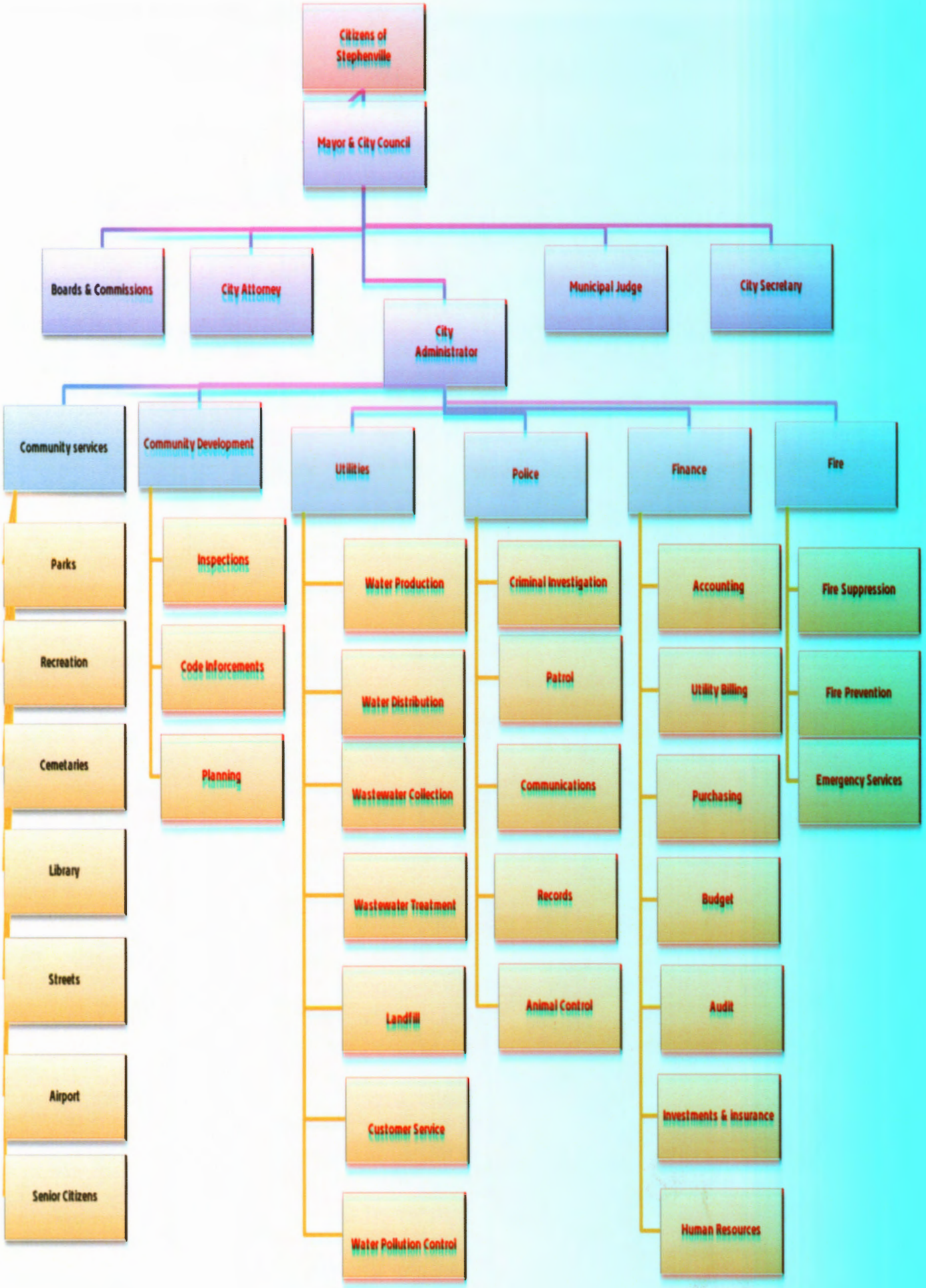
Presented to

City of Stephenville
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO


Citizens of Stephenville
Mayor & City Council
Boards & Commissions
City Attorney
City Administrator
Municipal Judge
City Secretary
Community services
Community Development
Utilities
Police
Finance
Fire
Parks
Recreation
Cemetaries
Library
Streets
Airport
Senior Citizens
Inspections
Code Inforcements
Planning
Water Production
Water Distribution
Wastewater Collection
Wastewater Treatment
Landfill
Customer Service
Water Pollution Control
Criminal Investigation
Patrol
Communications
Records
Animal Control
Accounting
Utility Billing
Purchasing
Budget
Audit
Investments & insurance
Human Resources
Fire Suppression
Fire Prevention
Emergency Services

Stephenville

City of Stephenville, Texas
298 W. Washington

Principal City Officials

City Council

Mayor: Kenny Weldon
Place 1: Casey Hogan
Place 2: Malcolm Cross
Place 3: Doug Svien
Place 4: Russ McDanel
Place 5: Brady Pendleton
Place 6: Alan Nix
Place 7: Vacant
Place 8: Scott Evans

Staff

City Administrator, Mark Kaiser
Director of Finance/Administration, Walter G. Wood
Director of Utilities, Nick Williams
Director of Community Development, Betty Chew
Police Chief, Patrick Bridges
Fire Chief, Jimmy Chew
Director of Community Services, Drew Wells
City Secretary, Cindy Stafford

Financial Section

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RUTLEDGE CRAIN & COMPANY, PC
CERTIFIED PUBLIC ACCOUNTANTS
2401 Garden Park Court, Suite B
Arlington, Texas 76013

INDEPENDENT AUDITORS' REPORT

To the City Council
City of Stephenville, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Stephenville, Texas, as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note V. G. to the financial statements, the City has adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Metro (817) 265-9989
Members:
American Institute of Certified Public Accountants
Texas Society of Certified Public Accountants
Fax (817) 861-9623

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5–13 and 50–51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Rutledge Crain & Company, PC

Arlington, Texas
January 3, 2014

Management's Discussion and Analysis

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CITY OF STEPHENVILLE, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Unaudited)

This section of the City of Stephenville's (City) annual financial report presents our discussion of the City's financial performance during the fiscal year ended September 30, 2013. Please read it in conjunction with the transmittal letter, which can be found preceding this narrative, and with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceed its liabilities as of September 30, 2013, by $62,011,082 (net position). Of this amount, $11,321,237 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.

- The City's total net assets increased by $1,854,359. The majority of this increase is attributable to capital grants and excess revenue over expenditures.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $9,283,731, a decrease of $2,572,139 over the prior year. The decrease in combined ending fund balances is attributable to revenues received being less budget and expenditures being higher than budgeted. Approximately 87% of this total amount, $8,062,616 is available for spending at the government's discretion (assigned and unassigned fund balance).

- As of September 30, 2013, unassigned fund balance for the General Fund was $5,246,245 or 44% of total General Fund expenditures.

- The City's total bond debt decreased by $2,420,000 (9.8%) during the current fiscal year as a result of principal retirement.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all of the City's assets, deferred resources outflow, liabilities and deferred resources inflows with the difference reported as net position. Over time, increases or decreases in net positions may serve as a useful indicator of whether the financial position of the City of Stephenville is improving or deteriorating. The government-wide financial statements can be found on pages 17 -19 of this report.

The Statement of Activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the 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., uncollected taxes and earned but unused compensation absences). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their cost through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, streets, library, cemetery, culture and recreation, and community development. The business-type activities of the City include water and wastewater, storm water drainage, solid waste, and airport operations.

Reporting the City's Most Significant Funds

Fund Financial Statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep tack of specific sources of funding and spending for particular purposes. Some funds are required by state laws or bond covenants. The Council establishes other funds to control and manage money for particular purposes or as evidence of meeting legal responsibilities for using certain taxes, grants and other money. The City has two types of funds: governmental funds and proprietary funds.

Governmental Funds. The majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the available balances at year-end. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader determine whether there has been an increase of decrease in financial resources that can be spent in the near future to finance the City's programs. By comparing information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements, readers may better understand the long-term impact of the government's near-term financing decisions. The relationship or differences between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statements. The basic governmental fund financial statements can be found on pages 20-23 of this report.

A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the annual appropriated budget. Data for the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining fund statements and schedules elsewhere in this report.

Proprietary Funds. The City charges customers for the services it provides through service delivery agreements to outside customers or through customer service agreements within the City. These services are generally reported in proprietary funds. Proprietary funds are reported in the same manner that all activities are reported in the Statement of Net Assets and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business-type activities that are reported in the government-wide statements, but with additional detail and information, such as cash flows. Individual proprietary fund data is found on pages 24 – 26 of this report.

The City maintains one type of proprietary fund-Enterprise Funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses the Enterprise Funds to account for water, wastewater, storm water drainage, solid waste, and airport operations. All activities associated with providing such services are accounted for in these funds, including administration, operation, maintenance, debt service, capital improvements, billing and collection. The City's intent is that costs of providing the services to the general public on a continuing basis is financed through user charges in a manner similar to a private enterprise.

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 funds financial statements. The notes to the financial statements can be found on pages 27 – 47 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information in the form of combining fund statements and schedules for nonmajor funds. These are presented immediately following the notes to the financial statements beginning on page 49 of this report.

THE CITY AS A WHOLE

GOVERNMENT WIDE FINANCIAL ANALYSIS

The City's combined net assets were $62,011,082 as of September 30, 2013, an increase of 3% compared to fiscal year ending 2012. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Analyzing the net assets and net expenses of governmental and business-type activities separately, the business-type activities net assets are $35,752,217, an increase of $1,227,584 over prior year. The governmental activities net positions are $26,258,865, an increase of $626,776 over prior year.

By far, the largest portion of the City's net assets (76 percent) reflects its investments in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, $3,577,191, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $11,321,237, may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2013, the City is able to report positive balances in all three categories of net position, both for government as a whole, as well as for its separate governmental and business-type activities. The same held true for the prior fiscal year. Overall, the City had an increase in net assets of $1,854,359.

CITY OF STEPHENVILLE'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Current and other assets	$ 11,127,740	$ 13,265,494	$ 6,762,381	$ 7,117,995	$ 17,890,121	$ 20,383,489
Capital assets	22,330,115	19,478,800	47,302,823	47,566,191	69,632,938	67,044,991
Total assets	33,457,855	32,744,294	54,065,204	54,684,186	87,523,059	87,428,480
Deferred Resources Outflow	21,811	-	65,592	-	87,403	-
Current liabilities	1,532,522	995,623	889,194	837,606	2,421,716	1,833,229
Non Current liabilities	5,681,751	6,047,237	17,475,305	19,307,227	23,157,056	25,354,464
Total liabilities	7,214,273	7,042,860	18,364,499	20,144,833	25,578,772	27,187,693
Deferred Resources Inflow	6,528	69,345	14,080	14,719	20,608	84,064
Net Position:						
Net investment in capital asset:	17,032,179	17,500,689	30,080,475	28,438,665	47,112,654	45,939,354
Restricted	870,780	450,527	2,706,411	842,224	3,577,191	1,292,751
Unrestricted	8,355,906	7,680,873	2,965,331	5,243,744	11,321,237	12,924,617
Total net assets	$ 26,258,865	$ 25,632,089	$ 35,752,217	$ 34,524,633	$ 62,011,082	$ 60,156,722

Governmental Activities. The table on the following page provides a summary of the City's operations for the year ended September 30, 2013, with comparative totals for the year ended September 30, 2012. Governmental activities increased the City's net position by $626,776, but when accounting for the prior period adjustment net position increased by $469,756 or 2% of the total growth in net assets.

The City's total revenues for governmental activities increased from the previous year by $219,320 or 1.6%. General revenues increased $329,209 or 3% compared to prior year.

The ad valorem tax revenue increased $258,251 or 6% compared to prior year. This increase was due to an increase in net assessed taxable value from $896 million in the prior fiscal year to $947 million in the current fiscal year.

Sales tax revenue increased $90,450 or 1.7% compared to the prior year. This increase was primarily due to the economic development incentives given to Tejas Tubular and FMC as well as the continued growth at Tarleton State University.

CITY OF STEPHENVILLE'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$ 1,967,697	$ 1,942,838	$ 7,471,596	$ 6,954,206	$ 9,439,293	$ 8,897,044
Operating grants	53,796	29,142		7,868	53,796	37,010
Capital grants and contributions		159,402	27,652	813,212	27,652	972,614
General revenues:						
Property taxes	4,639,622	4,381,371	-	-	4,639,622	4,381,371
Sales taxes	5,281,663	5,191,213	-	-	5,281,663	5,191,213
Franchise taxes	1,431,650	1,122,934	-	-	1,431,650	1,122,934
Other taxes	40,720	393,461	-	-	40,720	393,461
Gain on sale of capital assets	10,056	-	-	-	10,056	-
Investment earnings	11,546	14,651	6,780	7,716	18,326	22,367
Miscellaneous	35,902	18,320	1,172	-	37,074	18,320
Total revenues	13,472,652	13,253,332	7,507,200	7,783,002	20,979,852	21,036,334
Expenses:						
General government	2,076,100	1,518,207	-	-	2,076,100	1,518,207
Public safety	6,786,524	6,496,290	-	-	6,786,524	6,496,290
Streets	1,432,818	1,567,117	-	-	1,432,818	1,567,117
Culture and recreation	2,157,175	2,509,599	-	-	2,157,175	2,509,599
Community development	521,710	433,360	-	-	521,710	433,360
Interest on long-term debt	128,398	151,197	-	-	128,398	151,197
Water and wastewater	-	-	5,021,616	4,809,314	5,021,616	4,809,314
Storm water drainage	-	-	535,056	557,947	535,056	557,947
Sanitary landfill	-	-	282,952	313,978	282,952	313,978
Airport	-	-	183,145	181,904	183,145	181,904
Total expenses	13,102,725	12,675,770	6,022,769	5,863,143	19,125,494	18,538,913
Increases in net position before transfers	369,927	577,562	1,484,431	1,919,859	1,854,358	2,497,421
Transfers	256,849	21,161	(256,849)	(21,161)	-	-
Change in net position	626,776	598,723	1,227,584	1,898,698	1,854,358	2,497,421
Net position-beginning restated	25,632,089	25,033,366	34,524,633	32,625,935	60,156,722	57,985,258
Net position-ending	$ 26,258,865	25,632,089	35,752,217	34,524,633	62,011,082	60,156,722

Business-type Activities. Net position from business-type activities increased by $1,227,584, accounting for 66% of the total growth in net position. The change in net position of business-type activities remained relatively consistent with the prior year due to the offsetting effects of changes in revenues and transfers.

Revenues of the City's business-type activities were approximately $7.5 million for the fiscal year ended September 30, 2013. Revenues decreased approximately $275,802 or 3.5% compared to the prior fiscal year. The decrease was primarily due to the flow of resources between governmental activities and business-type activities through transfers reversed from the prior year because of a decrease in grant-matching requirements normally funded by governmental activities.

Expenses for the City's business-type activities increased approximately $159,626 or 2.7%. Net position from business-type activities increased by $1,227,584 or 3.5 percent, from $34,524,633 to $35,752,217, accounting for the other 97 percent of the total growth in net assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the City 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, unreserved 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 $9,283,731, a decrease of $2,572,139 from the prior year. Approximately 87% of this total amount, $8,062,616, constitutes assigned and unassigned fund balance, which is available for spending at the City's discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending. Refer to page 20 of this report for a more detailed presentation of governmental fund balances.

In the General Fund, the City budgeted for a decrease in the fund balance on a budget basis of $1,002,314, but due to actual revenues being more than budgeted and actual expenditures being less than budgeted, the fund balance actually increased by $545,331 during the current fiscal year. Sales tax collections increased by 2% from the previous year but the City collected $361,663 or 7% more than budgeted. Other actual revenues collected were also higher than budgeted: 1) current year and delinquent property taxes were collected at higher rates than projected to generate $258,251; 2) licenses and permit fees were $121,793 more than budgeted; and 3) service charges were also higher than budgeted by $107,083. Expenditures were lower than budgeted across all functions.

The fund balance of the Capital Projects Fund was $1,147,064 as of September 30, 2013, a decrease of $3,148,918 as compared to the fiscal year ended September 30, 2012. The decrease resulted from the completion of Fire Station #2 and the Alexander Road Street Project.

The Debt Service Fund has an ending fund balance of $131,088, an increase of 9 percent over the prior year, all of which is reserved for the repayment of debt.

The Special Revenue Funds have a fund balance of $339,917, an increase of 7 percent over the prior year, all of which is restricted for the special programs defined by revenue source.

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net positions of the City's Enterprise Funds at the end of the year amounted to $2,965,331. The increase in net assets was $1,227,584. Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

During the year there was a $649,439 increase in appropriations between the original budget and final amended budget. Following are the main components of the increase:

- $ 40,800 additional appropriation to replace city-wide outdoor warning system.
- $135,000 additional appropriation for an Ambulance.
- $206,000 additional appropriation for street reconstruction.
- $250,000 additional appropriation to complete construction of Fire Station #2.

Even with these increases in appropriations, the excess in revenues during the year was sufficient to fund these increases without reducing the budgeted General Fund fund balance.

Actual expenditures on a budgetary basis were $12,006,868 compared to the final budget expenditures of $12,694,788. The $687,920 variance was primarily attributable to capital projects not initiated during the year, due to close monitoring of expenditures by departments and performing better than anticipated. Actual revenues on a budgetary basis were $12,521,900 compared to the final budget of $11,716,474. The $805,426 variance was due primarily to increases in taxes (sales and property), ambulance revenue and licenses/permit fees.

Capital Assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2013, amounts to $69,642,037 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park facilities and infrastructure.

Major capital asset events occurring during the current fiscal year included the following:

- New Ambulance $135,000;
- Alexander Road Street Renovation Project $2,234,961 and
- Construction in Progress - Fire Station #2 $2,325,785.

CITY OF STEPHENVILLE'S CAPITAL ASSETS AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	$ 2,350,098	$ 2,323,057	$ 1,083,120	$ 1,083,120	$ 3,433,218	$ 3,406,177
Buildings and improvements	7,863,951	5,388,783	19,426,365	18,679,775	27,290,316	24,068,558
Equipment	7,250,269	6,997,564	3,087,670	2,949,971	10,337,939	9,947,535
Infrastructure	19,952,277	18,761,094	51,364,635	50,796,920	71,316,912	69,558,014
Construction in progress			132,641	72,368	132,641	72,368
Less: accumulated depreciation	(15,077,560)	(13,991,698)	(27,791,429)	(26,015,963)	(42,868,989)	(40,007,661)
Total Capital Assets	$ 22,339,035	$ 19,478,800	$ 47,303,002	$ 47,566,191	$ 69,642,037	$ 67,044,991

Additional information on the City's capital assets can be found on page 37 – 39 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had total bonded debt of $22,352,850. Of this amount, $5,300,000 represents bonded debt backed by the full faith and credit of the City, $9,855,000 represents utility revenue bonds secured by water and sewer revenues and $107,850 represents revenue bonds secured by airport revenues, and $7,090,000 secured by storm water drainage revenues.

OUTSTANDING DEBT AT YEAR-END

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Certificates of obligation	$ 5,300,000	$ 5,745,000	$ -	$ -	$ 5,300,000	$ 5,745,000
Revenue bonds payable	-	-	17,052,850	19,027,865	17,052,850	19,027,865
Total Debt	$ 5,300,000	$ 5,745,000	$ 17,052,850	$ 19,027,865	$ 22,352,850	$ 24,772,865

The City's General Obligation, Tax and Certificates of Obligation Bond ratings are listed below.

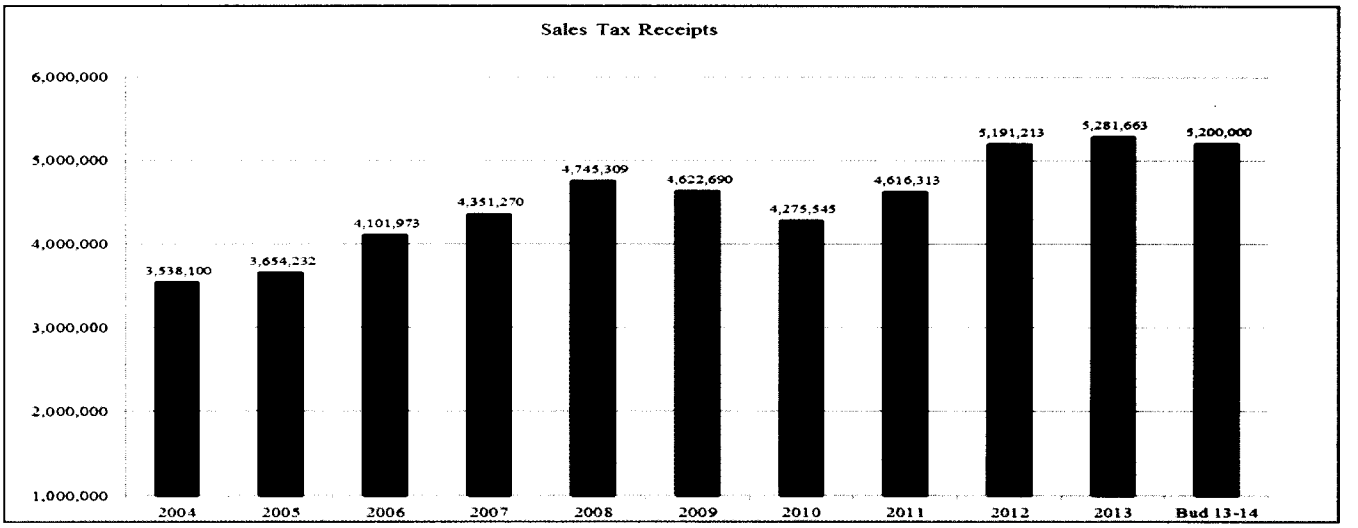
	Moody's Investors Service	Standard and Poor's
General Obligation Bonds	A3	A+

Additional information on the City's long term-debt can be found in pages 39 – 42 this report.

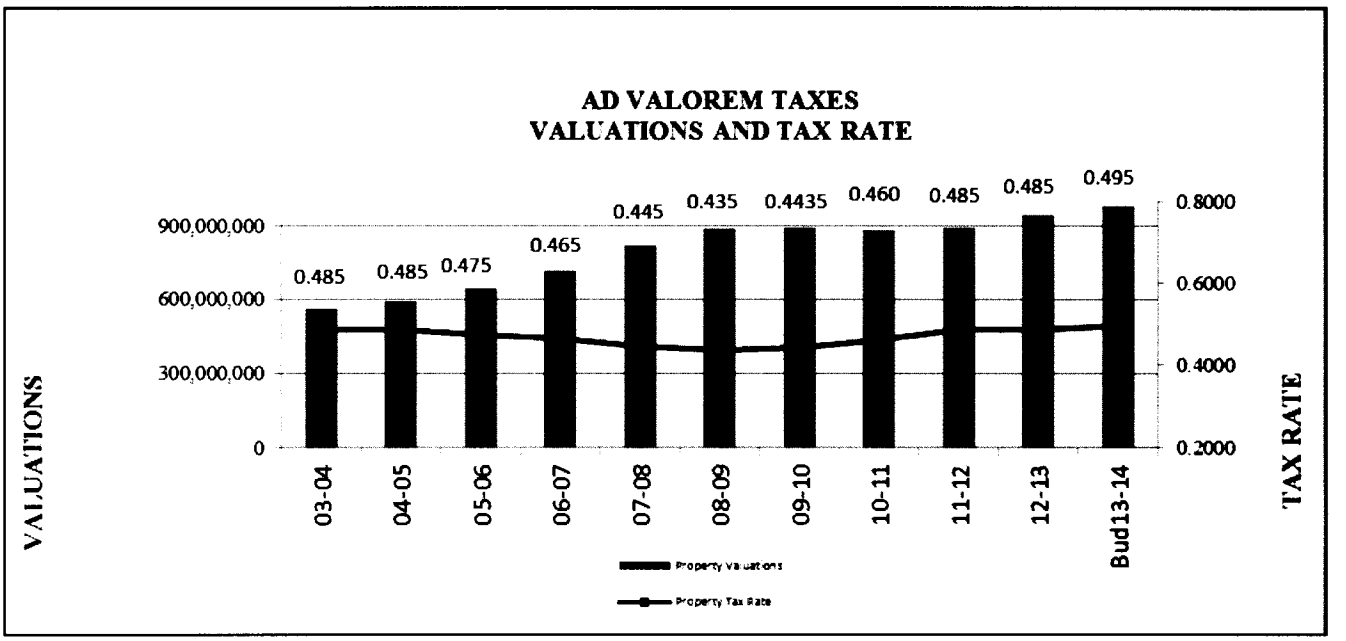
ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The unemployment rate for the City of Stephenville as of the fiscal year-end was 5.5% compared to the prior year rate of 5.2% which is an indication that the local economy has stabilized. This rate compares favorably with state and national unemployment levels.

Sales tax collections for 2012-2013 were up by 2% compared to the previous year and collections still exceeded budget by $361,663. Economy seems to be on a rebound but we are still taking a conservative approach in determining estimated collections for the upcoming budget year.



The above factors were considered in preparing the City of Stephenville's budget for the 2013-14 fiscal year. Accordingly, next years' budget incorporates a $.0100 increase in the property tax rate to $.49500 per $100 valuation. Certified taxable property value for 2013 is $983 million. This is a 4.102% increase over the last year's values, or $37 million. The largest portion of the increase, $15.2 million, is new property coming onto the tax rolls $7.6 million from new business personal property with the remainder of the increase due to the reevaluation of existing property.



The City uses reserves from the General Fund to supplement capital projects during the year as needs arise and where favorable unit pricing is received on such projects. Additionally, the City's Fiscal Management Practices call for the designation of any surplus of revenues over expenses at fiscal year-end as a means of providing resources for major capital projects. There are ample funds for transfers during 2013, should the City Council so desire, and still retain the minimum fund balance provisions established by the Fiscal Management Practices.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Walter G. Wood, Director of Finance, 298 West Washington, Stephenville, Texas 76401-4257 or call (254) 918-1211.

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Basic Financial Statements

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CITY OF STEPHENVILLE, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 9,113,093	$ 4,435,391	$ 13,548,484
Receivables (net of allowances for uncollectibles):			
Taxes	1,143,543	--	1,143,543
Accounts	208,654	1,230,438	1,439,092
Fines	642,313	--	642,313
Intergovernmental	720	29,667	30,387
Inventories	19,417	--	19,417
Restricted assets:			
Cash and cash equivalents	--	1,066,885	1,066,885
Capital Assets (net of accumulated depreciation):			
Land	2,350,096	1,083,120	3,433,216
Buildings and improvements	7,863,951	19,426,365	27,290,316
Machinery and equipment	7,250,267	3,087,489	10,337,756
Infrastructure/water and wastewater distribution	19,952,277	51,424,908	71,377,185
Construction in progress	--	72,368	72,368
Accumulated depreciation	(15,086,476)	(27,791,427)	(42,877,903)
Total Assets	33,457,855	54,065,204	87,523,059
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges	21,811	65,592	87,403
Total Deferred Outflows of Resources	21,811	65,592	87,403
LIABILITIES:			
Accounts payable	878,057	480,355	1,358,412
Other payables and accrued liabilities	134,309	17,655	151,964
Accrued interest payable	15,463	159,281	174,744
Customer deposits	--	231,904	231,904
Due to other governments	504,693	--	504,693
Liabilities payable from restricted assets:			
Noncurrent liabilities:			
Due within one year	737,517	1,919,133	2,656,650
Due in more than one year	4,944,234	15,556,171	20,500,405
Total Liabilities	7,214,273	18,364,499	25,578,772
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	6,528	14,080	20,608
Total deferred inflow of resources	6,528	14,080	20,608
NET POSITION			
Net Investment in Capital Assets	17,032,179	30,080,475	47,112,654
Restricted For:			
Debt Service	140,087	938,702	1,078,789
Capital Projects	730,693	1,767,709	2,498,402
Unrestricted	8,355,906	2,965,331	11,321,237
Total Net Position	$ 26,258,865	$ 35,752,217	$ 62,011,082

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General government	$ 2,076,100	$ 217,686	$ --	$ --
Public safety	6,786,524	959,364	3,388	--
Streets	1,432,818	30,443	--	--
Culture and recreation	2,157,175	346,442	50,408	--
Community development	521,710	413,762	--	--
Interest on long-term debt	128,398	--	--	--
Total governmental activities	13,102,725	1,967,697	53,796	--
Business-type Activities:				
Water and Sewer Capital Projects	5,021,615	6,443,151	--	--
Sanitary Landfill Enterprise	282,952	297,650	--	--
Airport Enterprise	183,145	110,200	--	27,652
Storm Water Drainage	535,056	620,595	--	--
Total Business-type Activities	6,022,768	7,471,596	--	27,652
Total Primary Government	$ 19,125,493	$ 9,439,293	$ 53,796	$ 27,652

General Revenues:
Taxes:
Property - general purposes
Property - debt service
Sales
Franchise
Other
Alcoholic Beverage Taxes
Unrestricted Investment Earnings
Miscellaneous
Gain (loss) on Disposal of Capital Assets
Transfers
Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (1,858,414)		$ (1,858,414)
(5,823,772)		(5,823,772)
(1,402,375)		(1,402,375)
(1,760,325)		(1,760,325)
(107,948)		(107,948)
(128,398)		(128,398)
(11,081,232)		(11,081,232)
--	$ 1,421,536	1,421,536
--	14,698	14,698
--	(45,293)	(45,293)
--	85,539	85,539
--	1,476,480	1,476,480
(11,081,232)	1,476,480	(9,604,752)
4,049,755	--	4,049,755
589,867	--	589,867
5,281,663	--	5,281,663
1,097,564	--	1,097,564
334,086	--	334,086
40,720	--	40,720
11,546	6,780	18,326
35,902	1,172	37,074
10,056	--	10,056
256,849	(256,849)	--
11,708,008	(248,897)	11,459,111
626,776	1,227,583	1,854,359
25,632,089	34,524,634	60,156,723
$ 26,258,865	$ 35,752,217	$ 62,011,082

CITY OF STEPHENVILLE, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	$ 6,864,536	$ 1,770,477	$ 478,080	$ 9,113,093
Receivables (net of allowances for uncollectibles):				
Taxes	1,073,636	--	69,907	1,143,543
Fines	642,313	--	--	642,313
Accounts	208,654	--	--	208,654
Intergovernmental	--	--	720	720
Inventories	19,417	--	--	19,417
Total Assets	$ 8,808,556	$ 1,770,477	$ 548,707	$ 11,127,740
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 185,941	$ 623,413	$ 68,703	$ 878,057
Other payables and accrued liabilities	134,309	--	--	134,309
Due to other governments	504,693	--	--	504,693
Total Liabilities	824,943	623,413	68,703	1,517,059
Deferred Inflows of Resources:				
Deferred revenue	317,951	--	8,999	326,950
Total Deferred Inflows of Resources	317,951	--	8,999	326,950
Fund Balances:				
Nonspendable	19,417	--	--	19,417
Restricted	--	730,693	471,005	1,201,698
Assigned	2,400,000	416,371	--	2,816,371
Unassigned	5,246,245	--	--	5,246,245
Total fund balances	7,665,662	1,147,064	471,005	9,283,731
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 8,808,556	$ 1,770,477	$ 548,707	$ 11,127,740

CITY OF STEPHENVILLE, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2013

Total fund balances - governmental funds balance sheet	$	9,283,731
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		22,330,115
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		63,243
Payables for bond principal which are not due in the current period are not reported in the funds.		(5,319,746)
Payables for bond interest which are not due in the current period are not reported in the funds.		(15,463)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(362,005)
Deferred resource outflows not available to pay for current period expenditures are deferred in the funds.		21,811
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.		137,620
Ambulance receivables unavailable to pay for current period expenditures are deferred in the funds.		119,559
Net position of governmental activities - Statement of Net Position	$	26,258,865

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	General Fund	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenue:				
Taxes	$ 10,470,896	$ --	$ 923,475	$ 11,394,371
Service charges	1,198,408	--	--	1,198,408
Fines and forfeitures	329,473	--	31,763	361,236
Licenses and permits	398,093	--	--	398,093
Intergovernmental	65,465	--	--	65,465
Investment earnings	7,413	3,403	730	11,546
Miscellaneous	52,152	23,398	--	75,550
Total revenues	12,521,900	26,801	955,968	13,504,669
Expenditures:				
General government	1,657,778	--	339,897	1,997,675
Public Safety	6,405,438	--	5,500	6,410,938
Highways and streets	920,417	--	--	920,417
Culture and recreation	1,859,640	--	--	1,859,640
Community development	514,474	--	--	514,474
Capital outlay	649,121	3,427,219	--	4,076,340
Debt service:				
Principal	--	--	455,000	455,000
Interest and fiscal charges	--	--	126,693	126,693
Bond issue costs	--	--	5,312	5,312
Advance refunding escrow	--	--	382,370	382,370
Total expenditures	12,006,868	3,427,219	1,314,772	16,748,859
Excess (deficiency) of revenues (under) expenditures	515,032	(3,400,418)	(358,804)	(3,244,190)
Other financing sources (uses):				
Transfers in	255,349	251,500	--	506,849
Transfers out	(250,000)	--	--	(250,000)
Sale of fixed assets	24,950	--	--	24,950
Proceeds of long-term debt	--	--	370,000	370,000
Premium on bonds	--	--	22,904	22,904
Discount on bonds	--	--	(2,651)	(2,651)
Total other financing sources (uses)	30,299	251,500	390,253	672,052
Net change in fund balances	545,331	(3,148,918)	31,449	(2,572,138)
Fund balances, October 1	7,120,331	4,295,982	439,556	11,855,869
Fund balances, September 30	$ 7,665,662	$ 1,147,064	$ 471,005	$ 9,283,731

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2013

Net change in fund balances - total governmental funds	$ (2,572,138)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	4,086,725
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,221,799)
The gain or loss on the sale of capital assets is not reported in the funds.	(14,893)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(717)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	837,370
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	5,312
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,706)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(59,767)
Certain ambulance receivables are deferred in the funds. This is the change in these amounts this year.	(60,504)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	19,147
Proceeds of bonds do not provide revenue in the SOA, but are reported as current resources in the funds.	(370,000)
Bond premiums are reported in the funds but not in the SOA.	(22,904)
Bond discounts are reported in the funds but not in the SOA.	2,648
Change in net position of governmental activities - Statement of Activities	$ 626,776

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2013

	Enterprise Fund Water and Wastewater	Enterprise Fund Storm Water Drainage	Nonmajor Enterprise Funds	Total Enterprise Funds
ASSETS				
Current Assets:				
Cash and cash equivalents	$ 3,899,982	$ 483,337	$ 52,072	$ 4,435,391
Accounts receivable - net	1,142,181	73,086	15,171	1,230,438
Intergovernmental	--	--	29,667	29,667
Total Current Assets	5,042,163	556,423	96,910	5,695,496
Noncurrent assets::				
Restricted cash and cash equivalents	798,447	268,438	--	1,066,885
Capital assets:				
Land	163,721	--	919,399	1,083,120
Buildings and improvements	2,367,988	10,952,730	6,105,647	19,426,365
Machinery and equipment	1,813,099	--	1,274,390	3,087,489
Water and wastewater didtribution	51,424,908	--	--	51,424,908
Construction in progress	--	--	72,368	72,368
Less accumulated depreciation	(24,556,031)	(1,037,881)	(2,197,515)	(27,791,427)
Total capital assets	31,213,685	9,914,849	6,174,289	47,302,823
Total noncurrent assets	32,012,132	10,183,287	6,174,289	48,369,708
Total Assets	37,054,295	10,739,710	6,271,199	54,065,204
DEFERRED OUTFLOW OF RESOURCES				
Deferred charges	18,744	46,848	--	65,592
Total Deferred outlfow of resources	18,744	46,848	--	65,592
LIABILITIES				
Current Liabilities:				
Accounts payable	478,752	--	1,603	480,355
Accrued liabilities	15,268	--	2,387	17,655
Accrued interest payable	125,785	32,065	1,430	159,280
Customer deposits	230,604	--	1,300	231,904
Compensated absences payable	34,684	--	2,765	37,449
Bonds payable	1,601,574	251,013	21,000	1,873,587
Total Current Liabilities	2,486,667	283,078	30,485	2,800,230
Long-term Liabilities:				
Compensated absences payable	11,562	--	921	12,483
Revenue bonds payable	8,284,113	7,043,390	86,851	15,414,354
Liability for landfill closure	--	--	137,432	137,432
Total Long-term Liabilities	8,295,675	7,043,390	225,204	15,564,269
Total Liabilities	10,782,342	7,326,468	255,689	18,364,499
DEFERRED INFLOWS OF RESOURCES				
Unearned revenue	--	--	14,080	14,080
Total deferred inflow of resources	--	--	14,080	14,080
NET POSITION				
Net investment in capital assets	21,346,743	2,667,294	6,066,438	30,080,475
Restricted for debt service	672,663	236,372	29,667	938,702
Restricted for capital projects	1,767,709	--	--	1,767,709
Unrestricted	2,503,582	556,424	(94,675)	2,965,331
Total Net Position	$ 26,290,697	$ 3,460,090	$ 6,001,430	$ 35,752,217

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - ENTERPRISE FUNDS FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund	Enterprise Fund		
	Water and Wastewater	Storm Water Drainage	Nonmajor Enterprise Funds	Total Enterprise Funds
OPERATING REVENUES:				
Water sales	$ 3,590,582	$ --	$ --	$ 3,590,582
Wastewater charges	2,575,384	--	--	2,575,384
Tap and collection fees	188,963	--	--	188,963
Delinquent charges	36,760	4,650	--	41,410
Gate charges	--	--	291,503	291,503
Hanger rental	--	--	105,314	105,314
Storm water drainage fees	--	615,945	--	615,945
Other service charges	51,462	--	11,033	62,495
Total Operating Revenues	6,443,151	620,595	407,850	7,471,596
OPERATING EXPENSES:				
Personnel services	1,060,965	--	135,981	1,196,946
Contractual services	1,113,575	--	25,738	1,139,313
Utilities	429,915	--	27,341	457,256
Repairs and maintenance	438,322	5,610	18,140	462,072
Other	239,707	--	45,084	284,791
Depreciation	1,320,959	273,818	208,879	1,803,656
Total Operating Expenses	4,603,443	279,428	461,163	5,344,034
Operating Income (Loss)	1,839,708	341,167	(53,313)	2,127,562
NON-OPERATING REVENUES (EXPENSES):				
Interest revenue	5,570	1,190	20	6,780
Miscellaneous income	772	--	28,052	28,824
Gain on sale of assets	(2,675)	--	--	(2,675)
Interest expense	(407,502)	(200,637)	(4,934)	(613,073)
Bond issue cost	(8,736)	(54,991)	--	(63,727)
Amortization	787	--	--	787
Miscellaneous expense	(46)	--	--	(46)
Total Non-operating Revenues (Expenses)	(411,830)	(254,438)	23,138	(643,130)
Net Income (Loss) before Operating Transfers	1,427,878	86,729	(30,175)	1,484,432
TRANSFERS:				
Operating transfers out	(255,349)	(1,500)	--	(256,849)
Net income	1,172,529	85,229	(30,175)	1,227,583
Net position, October 1	25,118,168	3,374,861	6,031,605	34,524,634
Net position, September 30	$ 26,290,697	$ 3,460,090	$ 6,001,430	$ 35,752,217

The accompanying notes are an integral part of this statement.

CITY OF STEPHENVILLE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Funds			
	Water and Wastewater	Storm Water Drainage	Nonmajor Enterprise Funds	Total Enterprise Funds
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 6,399,490	$ 614,711	$ 417,841	$ 7,432,042
Cash Payments to Employees for Services	(1,055,557)	(5,610)	(134,893)	(1,196,060)
Cash Payments to Other Suppliers for Goods and Services	(2,159,767)	--	(118,402)	(2,278,169)
Net Cash Provided (Used) by Operating Activities	3,184,166	609,101	164,546	3,957,813
Cash Flows from Non-capital Financing Activities:				
Transfers From (To) Other Funds	(255,349)	(1,500)	--	(256,849)
Net Cash Provided (Used) by Non-capital Financing Activities	(255,349)	(1,500)	--	(256,849)
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(1,976,949)	(503,404)	(126,251)	(2,606,604)
Acquisition or Construction of Capital Assets	(789,584)	(739,708)	(10,994)	(1,540,286)
Net Cash Provided (Used) for Capital & Related Financing Activitie	(2,766,533)	(1,243,112)	(137,245)	(4,146,890)
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	5,570	1,190	20	6,780
Net Cash Provided (Used) for Investing Activities	5,570	1,190	20	6,780
Net Increase (Decrease) in Cash and Cash Equivalents	167,854	(634,321)	27,321	(439,146)
Cash and Cash Equivalents at Beginning of Year (reclassified)	4,530,575	1,386,096	24,751	5,941,422
Cash and Cash Equivalents at End of Year	$ 4,698,429	$ 751,775	$ 52,072	$ 5,502,276
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ 1,839,708	$ 341,167	$ (53,313)	$ 2,127,562
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	1,320,959	273,818	208,879	1,803,656
Miscellaneous income	772	--	400	1,172
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(60,128)	(5,884)	11,125	(54,887)
Increase (Decrease) in Accounts Payable	61,752		(2,099)	59,653
Increase (Decrease) in Accrued Liabilities	5,368		94	5,462
Increase (Decrease) in Customer Deposits	15,735		100	15,835
Increase (Decrease) in Unearned Revenue	--		(640)	(640)
Total Adjustments	1,344,458	267,934	217,859	1,830,251
Net Cash Provided (Used) by Operating Activities	$ 3,184,166	$ 609,101	$ 164,546	$ 3,957,813

The accompanying notes are an integral part of this statement.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Stephenville, Texas, was incorporated in 1854, and operates as a home rule City. The City operates under a mayor-council form of government and provides provides the following services as authorized by its charter, general government, public safety (police, fire, and EMS), highway and streets, culture and recreation, community development (planning and zoning, licensing, permitting and inspection), water and wastewater system, storm water drainage, airport and sanitary landfill.

The accounting policies of the City of Stephenville, Texas, conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The accompanying basic financial statements comply with the provisions of the GASB Statement No. 14 and 39, in that the financial statements include all organizations, activities, functions and component units for which the City (the "primary government") is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City. There are no component units which satisfy requirements for blending within the City's financial states or for discrete presentation.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary 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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

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 the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

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 general government, except those required to be accounted for in another fund.

The *Capital Projects Fund* was established to account for resources to be used for the acquisition or construction of general major capital facilities. Financing is provided primarily by the sale of general obligation bonds and developer contributions.

The City reports the following major proprietary funds:

The *Water and Wastewater Fund* operates the water distribution system and the wastewater treatment plants, wastewater pumping stations, and collection systems.

The *Storm Water Drainage Fund* is used to account for the activities necessary for the provisions of storm water drainage services..

Additionally, the City reports the following fund types:

Special Revenue Funds account for specific revenue sources that are legally restricted to expenditures for specified purposes (not including expendable trusts or major capital projects).

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

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and wastewater function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes, miscellaneous revenue, and interest income.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water and Sewer enterprise fund are charges to customers for sales and services. The enterprise utility fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the

system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, liabilities, and net assets or equity

1. Cash and Cash Equivalents

The City maintains various accounts for each fund at its depository. The City also has cash maintained by agents for debt payments and reserves, construction reserves and worker compensation claims. For purposes of the statement of cash flows, the City considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

The City investment policy authorizes the Director of Finance to invest in the following types of investments:

a. Obligations of the United States or its agencies and instrumentalities with finite maturity dates, with a maximum maturity of not greater than 5 years. Laddering of investments should be considered.

b. Direct obligations of the State of Texas or its agencies and instrumentalities, with stated finite maturity dates.

c. Other obligations, with finite maturity dates, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies or instrumentalities.

d. Obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent.

e. Certificates of deposit issued by a state or national bank domiciled in the state of Texas or a savings bank domiciled in the state of Texas provided that they are:

(1) Guaranteed or insured by the Federal Deposit Insurance Corporation or its successor,

(2) Secured by obligations outlined in items 1 – 4. The market value of all collateral must be marked to market on a daily basis and shall not be less than 102% of the principal amount of the certificate plus accrued interest, or

(3) Secured in any other manner in an amount provided by law for deposits of the City.

f. Repurchase agreements which are fully collateralized by obligations of the United States or its agencies and instrumentalities, marked to market on a daily basis with a market value of at least of the 102% of the principal invested, including accrued interest. The securities being purchased must be pledged to the City and held in the City's name by a third party selected and approved by the City. The repurchase agreement must have a defined termination date and be placed through a primary government securities dealer or a financial institution doing business in the state of Texas. The repurchase agreements should be secured by obligations approved in this policy.

g. Banker's acceptances having a stated maturity of 270 days or less, to be liquidated in full at maturity, which are rated not less than "A-1" or "P-1" (or an equivalent rating) by at least one nationally recognized credit rating agency provided that it is eligible for borrowing from a Federal Reserve Bank.

h. Commercial paper having a stated maturity of 270 days or less and rated not less than "A-1" or "P-1" (or an equivalent rating) by at least two nationally recognized rating agencies or one nationally recognized rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States.

i. No-load money market mutual fund registered with and regulated by the SEC, which has a dollar-weighted average stated maturity of 90 days or less. It must have included in its investment objectives its intent to maintain a stable net assets value of $1 for each share. The fund must provide the City with a prospectus and other information required by the SEC.

j. No-load mutual funds, registered with and regulated by the SEC, having weighted maturity of less than two years, and which invests exclusively in investments approved by this policy.

k. Investment pools which are approved by the City Council, provided they meet all the criteria for investment pools outlined in Chapter 2256, Texas Local Government Code, and maintain a continuous rating not lower than AAA or AAA-m (or an equivalent rating) from at least one nationally recognized rating service.

Investments having a maturity of 1 year or more, when purchased, are stated at fair value. Short term investments are stated at cost or amortized cost. All other investments are stated at fair value, which is based on quoted market prices.

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of inter fund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property taxes are levied on October 1 by the City based on the January 1 property values as assessed by the Stephenville County Central Appraisal District. Taxes are due without penalty until January 31, of the next calendar year. After January 31 the City has an enforceable lien with respect to both real and personal property. Under state law, property taxes levied on real property constitute a perpetual lien on the real property which cannot be forgiven without specific approval of the State Legislature. Taxes applicable to personal property can be deemed uncollectible by the City.

3. Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted assets

Certain proceeds of enterprise fund revenue bonds are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

5. Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the government are depreciated using the straight line method over the following estimated useful lives:

Airport improvements	40 years
Buildings	20 - 40 years
Waterworks and sanitation system	33 1/3 years
Infrastructure	20 years
Machinery and equipment	7 - 10 years

6. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation pay benefits up to specified limits. Certain employees previously covered by civil service policies also have carried forward unused sick leave benefits. No liability is reported for unpaid accumulated sick leave for the remaining employees. Vacation pay is accrued when incurred in the government-wide, and proprietary fund type statement of net assets. Compensated absences are reported in governmental funds only if they have matured for example, as a result of employee's resignation and retirement.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight line method which approximates the effective interest 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 during the current period. The face amount of debt issued is reported as other financing sources. 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.

8. 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 liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

9. Fund equity

Nonspendable Fund Balance Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact.

Restricted Fund Balance - Amounts that can be spent only for specific purposes because of constraints imposed by external providers, or imposed by constitutional provisions or enabling legislation.

Committed Fund Balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through legislation, resolution or ordinance, unless the City Council removes or changes the specified use by taking the same type of action used to commit the amounts.

Assigned Fund Balance - Amounts that are constrained by the City Council, or the City Manager or Director of Finance, based upon delegation of this authority by the City Council, that are to be used for specific purposes but are neither restricted nor committed.

Unassigned Fund Balance - Amounts that are available for any purpose; these amounts can be reported only in the City's General Fund.

Fund balance amounts represent the nature of the net resources that are reported in a governmental fund. The City fund balance classifications include non-spendable resources, restricted, and non-restricted (committed, assigned and unassigned) amounts. When the City incurs an expenditure and both restricted and unrestricted amounts are available, the City considers restricted amounts to have been spent first. When the City incurs an expenditure for an unrestricted amount, committed amounts are reduced first, followed by assigned amounts and then unassigned amounts for purposes in which any of those unrestricted fund balance classifications could be used.

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

	General Fund	Capital Projects	Other Funds	Total
Fund Balances				
Nonspendable for:				
Inventory	$19,417		$ --	$19,417
Restricted for:				
Debt service	--	--	131,088	131,088
Tourism	--	--	237,160	237,160
Child safety	--	--	26,553	26,553
Public safety	--	--	18,828	18,828
Court technology	--	--	57,376	57,376
Capital Projects	--	730,693	--	730,693
	--	730,693	471,005	1,201,698
Assigned:				
Right of way	1,000,000		--	1,000,000
Capital replacement	500,000		--	500,000
Grant matching	500,000		--	500,000
Facilities	400,000	416,371	--	816,371
	2,400,000	416,371	--	2,816,371
Unassigned	5,246,245	--	--	5,246,245
	$7,665,662	$1,147,064	$471,005	$9,283,731

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that "Deferred resource outflows not available to pay for current-period expenditures and are deferred in the funds." The details of this $21,811 difference are as follows:

Bonds issuance costs:	
City	$21,811

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary information

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for the General Fund, Special Revenue Funds, and the Debt Service Fund. All annual appropriations lapse at the end of each fiscal year. Budgets are adopted for the proprietary funds annually only as a management tool. There are no legally mandated budgetary constraints for the proprietary funds. Capital Project funds were not budgeted since project length financial plans usually extend into two or more fiscal years, this makes comparisons confusing and misleading.

In May of each year, budget preparation packages are distributed to all City agencies. The agencies of the City submit requests for appropriation to the City Administrator before June 15 so that a budget may be prepared. The budget is prepared by department and includes information on the past year, current year estimates and requested appropriations for the next fiscal year. During August, the proposed budget is presented to the City Council for review. The City Council holds one public hearing before August 31 and may add to, subtract from, or change appropriations. Any changes in the budget must be within the revenue and reserves estimated as available by the City Administrator, or the revenue estimates must be changed by an affirmative vote of a majority of the City Council.

The appropriated budget is prepared by fund, function and department. The City's management may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the City Council. The legal level of budgetary control is the department level. The City Council made several supplementary budget appropriations during the year.

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.

B. Expenditures over Appropriations

Expenditures exceeded appropriations in the General Fund in various departments. The following overruns were funded by unexpected revenues.

General government	
Legal counsel	$5,036
Public safety	
Police reserve	1,631
Fire suppression	4,081
Criminal investigation	590
Highways and streets	
Street maintenance	960

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. At

September 30, 2013, the City's deposits were entirely insured or collateralized with securities held by the pledging financial institution's trust department or agent in the City's name; as a result, the City's deposits were not exposed to custodial credit risk.

Investments

At September 30, 2013, the City had the following investments which are considered cash equivalents:

	Fair Value	Weighted Average Maturity (Days)
Investment Type		
TexPool	$6,658,685	78
TexStar	6,895,040	64
	13,553,725	
Cash	1,061,644	
	$14,615,369	

Cash and cash equivalents are reported in the Statement of net assets as follows:	
Governmental activities unrestricted	$9,113,093
Business-type activities unrestricted	4,435,391
Business-type activities restricted	1,066,885
	$14,615,369

The City's investment pools are 2a7-like pools. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Under the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, Inc. and Federated Investors, Inc. through an agreement with the State of Texas Comptroller of Public Accountants. The State Comptroller is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company authorized to operate TexPool. The fund is rated AAAm by Standard & Poor's.

TexSTAR is a local government investment pool created under the Interlocal Cooperation Act. The fund is rated AAAm by Standard & Poor's and maintains a maturity of 60 days or less, with a maximum maturity of 13 months for any individual security. The fund fulfills all requirements of the Texas Public Funds Investment Act for local government investment pools. TexSTAR is administered by First Southwest Asset Management, Inc. and JP Morgan Chase.

The fair value of the City's position in these pools is the same as the value of the pool shares.

Interest Rate Risk. In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the weighted average maturity of its investment portfolios to a maximum of 180 days.

Custodial Credit Risk. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statues require that all deposits in financial institutions be fully

collateralized by U. S. Government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2013, the City's entire deposit balance was collateralized with securities held by the pledging financial institution or covered by FDIC insurance.

Credit Risk. It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization.

B. Receivables

Receivables as of year-end for the government's individual major funds and nonmajor, and proprietary funds, including the applicable allowances for uncollectible accounts, are as follows:

	General	Capital Projects	Nonmajor and Other	Water and Wastewater	Storm Water	Nonmajor Enterprise
Taxes receivable - delinquent	$1,109,160	$ --	$74,760	$ --	$ --	$ --
Allowance for uncollectibles	(35,524)	--	(4,853)	--	--	--
	$1,073,636	$ --	$69,907	$ --	$ --	$ --
Fines receivable	$1,261,732	$ –	$ --	$ --	$ --	$ --
Allowance for uncollectibles	(619,419)	--	--	--	--	--
	$642,313	$ --	$ --	$ --	$ --	$ --
Accounts receivable	$1,004,445	$ --	$ --	$1,565,206	$83,355	$15,171
Allowance for uncollectibles	(795,791)	--	--	(423,025)	(10,269)	--
Net other receivables	$208,654	$ --	$ --	$1,142,181	$73,086	$15,171

Deferred/Unearned Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General Fund)	$54,245	$ --
Delinquent property taxes receivable (Debt Service Fund)	8,999	--
Ambulance charges for services	119,559	--
Fines receivable (General Fund)	137,619	--
Other (General Fund)	6,528	6,528
Other (Airport Enterprise Fund)	--	14,080
Total deferred/unearned revenue for governmental funds	$326,950	$20,608

C. Capital assets

Capital asset activity for the year ended September 30, 2013:

	Balance 9/30/12	Additions	Retirements	Completed Construction	Balance 9/30/13
GOVERNMENTAL ACTIVITIES:					
Capital assets, not being depreciated:					
Land	$2,323,057	$27,039	$ --	--	$2,350,096
Total capital assets not being depreciated	2,323,057	27,039	--	--	2,350,096
Capital assets, being depreciated:					
Buildings and improvements	5,388,783	2,475,168	--	--	7,863,951
Machinery and equipment	6,997,564	393,334	(140,629)	--	7,250,269
Infrastructure	18,761,094	1,191,183	--	--	19,952,277
Total capital assets being depreciated	31,147,441	4,059,685	(140,629)	--	35,066,497
Less accumulated depreciation for:					
Buildings and improvements	(1,365,640)	(177,290)	--	--	(1,542,930)
Machinery and equipment	(4,763,894)	(426,286)	125,735	--	(5,064,445)
Infrastructure	(7,862,164)	(608,021)	--	--	(8,470,185)
Total accumulated depreciation	(13,991,698)	(1,211,597)	125,735	--	(15,077,560)
Total capital assets being depreciated, net	17,155,743	2,848,088	(14,894)	--	19,988,937
Governmental activities capital assets, net	$19,478,800	$2,875,127	($14,894)	$ --	$22,339,033

	Balance 9/30/12	Additions	Retirements	Completed Construction	Balance 9/30/13
BUSINESS-TYPE ACTIVITIES:					
Capital assets, not being depreciated:					
Land	$1,083,120	$ --	$ --	$ --	$1,083,120
Construction in progress	72,368	--	--	--	72,368
Total capital assets not being depreciated	1,155,488	--	--	--	1,155,488
Capital assets, being depreciated:					
Buildings and improvements	18,679,775	746,590	--	--	19,426,365
Machinery and equipment	2,949,971	164,271	(26,572)	--	3,087,670
Water and wastewater system	50,796,920	627,988	--	--	51,424,908
Total capital assets being depreciated	72,426,666	1,538,849	(26,572)	--	73,938,943
Less accumulated depreciation for:					
Buildings and improvements	(2,617,739)	(456,273)	--	--	(3,074,012)
Machinery and equipment	(1,699,048)	(196,214)	24,077	--	(1,871,185)
Water and wastewater system	(21,699,176)	(1,147,054)	--	--	(22,846,230)
Total accumulated depreciation	(26,015,963)	(1,799,541)	24,077	--	(27,791,427)
Capital assets being depreciated, net	46,410,703	(260,692)	(2,495)	--	46,147,516
Business type activities capital assets, net	$47,566,191	($260,692)	($2,495)	$ --	$47,303,004

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

Governmental activities:	
General government	$75,527
Public safety	330,393
Streets	510,310
Culture and recreation	287,849
Community development	7,518
Total depreciation expense - governmental activities	$1,211,597
Business-type activities:	
Water and sewer	$1,320,957
Storm Water Drainage	273,818
Nonmajor Enterprise Funds	204,766
Total depreciation expense - business-type activities	$1,799,541

Construction commitments

The City has active construction projects as of September 30, 2013. The projects include street construction, parking improvements, water system improvements, and sewer system improvements.

Project	Spent to Date	Remaining Commitment
Street improvements	$2,330,461	$257,458
Fire station #2	2,918,983	308,300
Sewer line rehabilitation	44,290	757,139
Garfield storage tank rehabilitation	15,983	572,300
	$5,309,717	$1,895,197

The street improvements and fire station #2 improvments are being financed by general obligation bond proceeds and a transfer from the General Fund. The sewer line rehabilitation and Garfield storage tank rehabilitation are being financed by revenue bond proceeds.

D. Interfund receivables, payables, and transfers

The composition of interfund transfers for the year ended September 30, 2013, is as follows:

Fund	Transfer In	Transfer Out
Major Governmental Funds		
General Fund	$255,349	$250,000
Capital Projects	251,500	--
Major Business-type Funds		
Water and Wastewater Enterprise Fund	--	255,349
Storm Water Drainage	--	1,500
Totals	$506,849	$506,849

The transfer from the Water and Wastewater Fund to the General Fund was for payments in lieu of taxes. The transfer from the General Fund to the Capital Projects Fund was for construction of fire station #2. The transfer from the Storm Water Drainage Fund to the Capital Project Fund was for drainage in the Street Improvement Project.

E. Long-term debt

The City issues general obligation debt (in the form of general obligation bonds, certificates of obligation, contractual obligations, and notes payable) to provide funds for the acquisition and construction of major capital facilities. General obligation debt has been issued for both governmental and business-type activities. These issues are direct obligations and pledge the full faith and credit of the City.

Governmental Activities

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities of governmental activities and to refund previous issues. General obligation bonded debt of the City is as follows:

$360,000 Combination Tax and Revenue Certificates of Obligation - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.00% - 4.00%	$ 360,000
$1,500,000 Combination Tax and Revenue Certificates ofObligation - Series 2009, principal due annually in series through 2019, interest due semi-annually at 3.85%	1,375,000
$4,000,000 Combination Tax and Revenue Certificates ofObligation - Series 2011, principal due annually in series through 2031, interest due semi-annually at 1.75% - 4.25%.	3,565,000
	$ 5,300,000

Business-type Activities

The City also issues revenue bonds to finance business-type activities, where it pledges net income from service revenue to repay debt. Revenue bonds outstanding as of September 30, 2013, are as follows:

$5,500,000 Combination Tax and Revenue Certificates of Obligation - Series 2001, principal due annually in series through 2016, interest due semi-annually at 4.59%	$ 3,130,000
$575,000 Combination Tax and Revenue Certificates of Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.0% to 4.0%	570,000
$275,000 Combination Tax and Revenue Certificates of Obligation - Series 2003A, principal due annually in series through 2018, interest due semi-annually at 4.15%	107,850
$7,160,000 Combination Tax and Revenue Certificates ofObligation - Series 2004, principal due annually in series through 2019, interest due semi-annually at 3.41%	5,465,000
$2,000,000 Combination Tax and Revenue Certificates of Obligation - Series 2006, principal due annually in series through 2016, interest due semi-annually at 3.77%	690,000
$4,300,000 Combination Tax and Revenue Certificates of Obligation - Series 2006A, principal due annually in series through 2027, interest due semi-annually at 3.92%	3,345,000
$3,830,000 Combination Tax and Revenue Certificates of Obligation Refunding Bonds - Series 2013, principal due annually in series through 2033, interest due semi-annually at 2.00% to 4.00%	3,745,000
Total Revenue Bonds	$ 17,052,850

Annual debt service requirements to maturity for general debt:

	Governmental Activities		Business Type Activities		
Year	Principal	Interest	Principal	Interest	Total
2014	$465,000	$118,283	$1,871,000	$619,453	$3,073,736
2015	405,000	108,874	1,946,000	543,245	3,003,119
2016	425,000	97,967	2,032,000	463,789	3,018,756
2017	410,000	120,978	1,868,000	383,520	2,782,498
2018	395,000	142,679	1,915,850	322,673	2,776,202
2019-2023	1,190,000	536,020	3,255,000	977,017	5,958,037
2024-2028	1,175,000	306,531	1,895,000	606,287	3,982,818
2029-2033	835,000	54,294	2,270,000	232,225	3,391,519
Total	$5,300,000	$1,485,626	$17,052,850	$4,148,209	$27,986,685

CHANGES IN LONG-TERM LIABILITIES

During the year ended September 30, 2013, the following changes occurred in liabilities reported in the capital long-term debt:

	Balance 9/30/12	Additions	Retirements	Balance 9/30/13	Due Within One Year
Governmental activities:					
General obligation bonds	$5,745,000	$370,000	($815,000)	$5,300,000	$465,000
Deferred amounts:					
Unamortized premium	--	22,904	(573)	22,331	1,145
Unamortized Discount	--	(2,651)	66	(2,585)	(133)
Total bonds payable	5,745,000	390,253	(815,507)	5,319,746	466,012
Compensated absences	302,237	301,828	(242,060)	362,005	271,505
Governmental activity Long-Term Liabilities	$6,047,237	$692,081	($1,057,567)	$5,681,751	$737,517

	Balance 9/30/12	Additions	Retirements	Balance 9/30/13	Due Within One Year
Business-type activities:					
Revenue Combo Bonds	$19,027,850	$4,405,000	($6,380,000)	$17,052,850	$1,871,000
Deferred amounts:					
Unamortized premium	--	272,678	(6,817)	265,861	12,262
Unamortized (discount)	--	(31,560)	789	(30,771)	(1,578)
Total bonds payable	19,027,850	4,646,118	(6,386,028)	17,287,940	1,881,684
Capital lease obligations	99,661	--	(99,661)	--	--
Estimated landfill closure and Postclosure cost	133,319	4,113	--	137,432	--
Compensated absences	46,382	38,583	(35,033)	49,932	37,449
Business-type activities	$19,307,212	$4,688,814	($6,520,722)	$17,475,304	$1,919,133

For the governmental activities, claims and judgements and compensated absences are generally liquidated by the general fund.

Authorized and Unissued Debt

The following tables detail the status of all authorized general obligation and revenue bonded debt as of September 30, 2013:

	Revenue Bonds		Balance
Year Authorized	Amount Authorized	Amount Issued	Unissued 9/30/13
2013	$1,000,000	--	$1,000,000

Current Refundings

The City of Stephenville, Texas issued $4,775,000 of General Obligation Bonds for a current refunding of the City's Series 2003B and Series 2008 bond obligations. The refunding was undertaken to reduce total future debt service payments. The transaction resulted in an economic gain of $434,353 and a reduction of $581,264 in future debt service payments.

Contingent Arbitrage Liabilities

The City has invested a portion of revenue bond proceeds as a reserve for the retirement of the bonds. Any excess of interest revenue earned on invested proceeds over interest paid on the bonds must be rebated to the federal government every five years.

V. OTHER INFORMATION

A. Risk management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of

various nature. The City participates in the Texas Municipal League Intergovernmental Risk Pool. As an insured, the City is not obligated to reimburse the pool for losses. The City has not had any significant reductions in insurance coverage, nor have insurance settlements for the last three fiscal years exceeded insurance coverage. Any losses reported but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements. The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures.

B. Contingent Liabilities and Commitments

Amounts received or receivable from grantor agencies are subject to audit and adjustment by such agencies. Any disallowed claims, including amounts already collected may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

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

C. Municipal Solid Waste Landfill Closure and Post Closure Costs

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

State and federal laws and regulations require the City to place a final cover on the landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for a period of five years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City will report a portion of these closure and post closure costs as an operating expense in each period based on landfill capacity used to date. Estimated closure and 5-year post closure costs are approximately $440,746. The landfill site has an estimated net capacity of 584,974 cubic yards and is expected to be closed within the next 10 years; approximately 46.4% of the landfill was used at year- end. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

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

D. Employee retirement systems and pension plans

1. Plan Description

The City provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the city are within the options available within the options available in the governing state statutes of TMRS.

TMRS issues a publically available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the system. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year 2011	Plan Year 2012	Plan Year 2013
Employee deposit rate	6.0%	6.0%	6.0%
Matching ratio (city to employee)	2 to 1	2 to 1	2 to 1
Years required for vesting	5	5	5
Service retirement eligibility (Expressed as age/years of service)	60/5,0/20	60/5,0/20	60/5,0/20
Updated service credit	100% repeating, transfers	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retiree)	70% of CPI repeating	70% of CPI repeating	70% of CPI repeating

Contributions

Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. The annual pension cost and net pension obligation/(asset) are as follows:

Accounting Year Ending	Annual Pension Cost (APC)	Actual Contribution Made	Percentage of APC Contributed	Net Pension Obligation
9/30/11	$1,102,965	$1,102,965	100%	--
9/30/12	1,013,729	1,013,729	100%	--
9/30/13	1,046,563	1,046,563	100%	--

The required contribution rates for fiscal year 2013 were determined as part of the December 31, 2010 and 2011 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2012, also follows:

Actuarial Valuation Date	12/31/10	12/31/11	12/31/12
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level percent of payroll	Level percent of payroll	Level percent of payroll
GASB 25 equivalent single amortization period	27 years; closed period	26 years; closed period	25 years; closed period
Amortization period for new gains/losses	30 years	30 years	30 years
Asset valuation method	10 year smoothed market	10 year smoothed market	10 year smoothed market
Actuarial Assumptions			
Investment rate of return*	7.0%	7.0%	7.0%
Projected salary increases*	Varies by age and service	Varies by age and service	Varies by age and service
*Includes inflation at	3.0%	3.0%	3.0%
Cost of living adjustments	2.1%	2.1%	2.1%

Funded Status and Funding Progress

The funded status as of December 31, 2012, the most recent actuarial valuation date, is presented as follows:

Actuarial accrued liability (AAL)	$32,045,179
Actuarial value of plan assets	27,767,415
Unfunded actuarial accrued liability (UAAL)	$ 4,277,764
Funded ratio (actuarial value of plan assets/ALL)	86.7%
Covered payroll (annual payroll of active employees covered by the plan)	$6,310,948
UAAL as a percentage of covered payroll	67.8%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

E. Other Postemployment Benefits

Supplemental Death Benefits Fund (SDBF)

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

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

Contributions

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

The City's contributions to the TMRS SDBF for the years ended 2013, 2012 and 2011 were $12,003, $11,407, and $13,447, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

(Retiree-only portion of the rate)

Plan/ Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2011	0.23%	0.23%	100%
2012	0.17%	0.17%	100%
2013	0.18%	0.18%	100%

F. Subsequent Events

On December 18, 2013, the City issued bonds in the amount of $1,000,000 previously approved to fund a sanitary sewer project.

G. Implementation of new GASB Accounting Standards/Reclassification/Restatement of Prior Year Amounts

The City has implemented new GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Under GASB-63, amounts previously reported as deferred charges as a part of total assets and deferred amounts from refunded debt have been reported in a separate section as deferred outflows of resources and amounts previously reported as deferred revenue as a part of total liabilities have been reported in a separate section as deferred inflows of resources. Under GASB-65, bond issue costs (excluding bond insurance) are recognized as expenses in the period incurred rather than as assets to be amortized.

GASB 63 resulted in the reclassification of $417,121 (deferred ad valorem tax revenue, deferred ambulance revenue, and deferred fine revenue, which use is restricted to a subsequent fiscal year) to deferred inflows of resources for governmental funds. The nonmajor enterprise funds reclassified $14,720 in prepaid lease income to deferred inflows of resources.

Prior year financial statements have been restated to apply GASB Statement No. 65 with respect to nonrecognition of deferred bond issue costs. Additionally, an adjustment was made to correctly reflect the components of municipal court fines receivable. The effect of the restatements was, as follows:

	Governmental Funds	Enterprise Funds
Net assets as reported 9/30/12	$25,789,109	$34,671,625
Correction of municipal court fine balances	(78,982)	--
Implementation of GASB 65	(62,500)	(146,992)
Other	(15,538)	--
Net assets as restated 9/30/12	$25,632,089	$34,524,633

H. Reclassifications

Certain items from the prior year have been reclassified to conform to current year classifications. Additionally, a receivable from TXDOT reported in the airport fund was misclassified as restricted cash in the prior year financial statements. This amount has been reclassified as accounts receivable, which reduced the beginning cash on the combining cash flow statement by $23,785.

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Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF STEPHENVILLE, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Taxes	$ 9,706,749	$ 9,956,749	$ 10,470,896	$ 514,147
Service charges	1,029,725	1,091,325	1,198,408	107,083
Fines and forfeitures	250,000	300,000	329,473	29,473
Licenses and permits	146,300	276,300	398,093	121,793
Intergovernmental	65,000	65,000	65,465	465
Investment earnings	5,500	5,500	7,413	1,913
Miscellaneous	11,200	21,600	52,152	30,552
Total revenues	11,214,474	11,716,474	12,521,900	805,426
Expenditures:				
Current:				
General Government				
City council	60,200	60,200	57,151	3,049
City administrator	139,688	139,688	136,297	3,391
City secretary	96,018	96,018	92,504	3,514
Emergency management	9,250	57,550	11,473	46,077
Municipal buildings	124,201	124,201	109,411	14,790
Municipal service center	90,711	90,711	75,166	15,545
Financial administration and accounting	430,988	446,988	441,066	5,922
Purchasing	62,710	62,710	59,111	3,599
Tax assessment and collection	129,000	129,000	127,594	1,406
Legal counsel	92,157	106,157	111,193	(5,036)
Municipal court	147,500	167,500	158,330	9,170
Human resources	104,955	104,955	99,387	5,568
Administrative	196,879	196,879	179,095	17,784
Total General Government	1,684,257	1,782,557	1,657,778	124,779
Public Safety				
Fire and ambulance administration	223,054	223,054	217,448	5,606
Fire prevention and investigation	169,703	169,703	134,751	34,952
Fire suppression	1,213,678	1,213,678	1,129,345	84,333
Emergency medical services	1,115,869	1,115,869	1,111,690	4,179
Volunteer	32,341	32,341	17,042	15,299
Police administration	317,707	322,707	315,127	7,580
Police patrol	1,941,914	1,948,514	1,902,207	46,307
Police communications	448,964	496,964	470,890	26,074
Police records	149,003	149,003	146,970	2,033
Criminal investigation	596,494	605,494	600,071	5,423
Police reserve	242,612	242,612	244,243	(1,631)
Animal control	128,503	128,503	115,654	12,849
Total Public Safety	6,579,842	6,648,442	6,405,438	243,004
Streets				
Street Maintenance	1,044,715	1,047,215	920,417	126,798
Total Streets	1,044,715	1,047,215	920,417	126,798

CITY OF STEPHENVILLE, TEXAS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Culture and Recreation				
Recreation administration	$ 710,026	$ 740,026	$ 722,711	$ 17,315
Park maintenance	489,404	493,404	442,372	51,032
Cemeteries	143,109	143,109	134,389	8,720
Library	218,162	221,162	216,633	4,529
Senior citizens center	134,900	153,400	145,107	8,293
Aquatic center	210,600	210,600	198,428	12,172
Total Culture and Recreation	1,906,201	1,961,701	1,859,640	102,061
Community Development				
Community development planning	194,599	194,599	171,365	23,234
Community development inspection	209,659	293,159	271,667	21,492
Code enforcement	82,576	82,576	71,442	11,134
Total Community Development	486,834	570,334	514,474	55,860
Total Current	11,701,849	12,010,249	11,357,747	652,502
Capital outlay				
Public Safety				
Fire suppression	--	--	4,081	(4,081)
Emergency medical services	--	135,000	134,935	65
Police patrol	110,000	110,000	109,805	195
Criminal investigation	27,500	27,500	28,090	(590)
Total Public Safety	137,500	272,500	276,911	(4,411)
Highways and Streets				
Street Maintenance	20,000	226,039	226,999	(960)
Total Highways and Streets	20,000	226,039	226,999	(960)
Culture and Recreation				
Park maintenance	151,000	151,000	121,606	29,394
Cemeteries	10,000	10,000	7,378	2,622
Library	7,500	7,500	5,939	1,561
Senior citizens center	10,000	10,000	7,068	2,932
Aquatic center	7,500	7,500	3,220	4,280
Total Culture and Recreation	186,000	186,000	145,211	40,789
Total Capital Outlay	343,500	684,539	649,121	35,418
Total expenditures	12,045,349	12,694,788	12,006,868	687,920
Excess (deficiency) of revenues (under) expenditures	(830,875)	(978,314)	515,032	1,493,346
Other financing sources (uses):				
Transfers in	206,000	206,000	255,349	49,349
Transfers out	--	(250,000)	(250,000)	--
Sale of fixed assets	20,000	20,000	24,950	4,950
Total other financing sources (uses)	226,000	(24,000)	30,299	54,299
Net change in fund balances	(604,875)	(1,002,314)	545,331	1,547,645
Fund balances, October 1	7,120,331	7,120,331	7,120,331	--
Fund balances, September 30	$ 6,515,456	$ 6,118,017	$ 7,665,662	$ 1,547,645

CITY OF STEPHENVILLE, TEXAS

EXHIBIT B-2

SCHEDULE OF FUNDING PROGRESS
September 30, 2013
(Unaudited)

Acturial Valuation Date	Acturial Value of Assets	Acturial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1)/(2)	(2)-(1)		(4)/(5)
12/31/2010	$23,356,321	$28,698,942	81.4%	$5,342,621	$6,150,305	86.9%
12/31/2011	25,554,817	30,467,484	83.9%	4,912,667	5,949,603	82.6%
12/31/2012	27,767,415	32,045,179	86.7%	4,277,764	6,310,948	67.8%

Combining Statements and Budget Comparisons as Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenue that is legally restricted to expenditures for particular purposes.

Hotel/Motel Occupancy Tax – This fund is used to account for hotel/motel occupancy tax revenue to be used for enhancing and promoting tourism and convention activity for the benefit of the hotel industry.

Child Safety – This fund is used to account for court costs used to operate a City school crossing guard program, or programs designated to enhance child safety, health, or nutrition; including child abuse prevention and intervention and drug and alcohol abuse prevention.

Public Safety – This fund is used to account for court costs used to promote various public safety programs.

Court Technology – This fund is used to account for court costs used to maintain technological enhancements for the municipal court.

The Debt Service Fund is used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

CITY OF STEPHENVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS			
Cash and cash equivalents	$ 349,353	$ 128,727	$ 478,080
Receivables (net of allowances for uncollectibles):			
Taxes	59,267	10,640	69,907
Intergovernmental	--	720	720
Total Assets	$ 408,620	$ 140,087	$ 548,707
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	$ 68,703	$ --	$ 68,703
Total Liabilities	68,703	--	68,703
Deferred Inflows of Resources:			
Deferred revenue	--	8,999	8,999
Total Deferred Inflows of Resources	--	8,999	8,999
Fund Balances:			
Restricted	339,917	131,088	471,005
Total fund balances	339,917	131,088	471,005
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 408,620	$ 140,087	$ 548,707

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Taxes	$ 334,086	$ 589,389	$ 923,475
Fines and forfeitures	31,763	--	31,763
Investment earnings	313	417	730
Total revenues	366,162	589,806	955,968
Expenditures:			
General government	339,897	--	339,897
Public safety	5,500	--	5,500
Debt service:			
Principal	--	455,000	455,000
Interest and fiscal charges	--	126,693	126,693
Bond issue costs	--	5,312	5,312
Advance refunding escrow	--	382,370	382,370
Total expenditures	345,397	969,375	1,314,772
Excess (deficiency) of revenues (under) expenditures	20,765	(379,569)	(358,804)
Other financing sources (uses):			
Proceeds of long-term debt	--	370,000	370,000
Premium on bonds	--	22,904	22,904
Discount on bonds	--	(2,651)	(2,651)
Total other financing sources (uses)	--	390,253	390,253
Excess of revenues and other financing sources over (under) expenditures and other financing uses	20,765	10,684	31,449
Fund balances, October 1	319,152	120,404	439,556
Fund balances, September 30	$ 339,917	$ 131,088	$ 471,005

CITY OF STEPHENVILLE, TEXAS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2013

	Hotel/Motel Occupancy Tax Fund	Child Safety
ASSETS		
Cash and cash equivalents	$ 244,382	$ 26,553
Receivables (net of allowances for uncollectibles):		
Taxes	59,267	--
Total Assets	$ 303,649	$ 26,553
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
Liabilities:		
Accounts payable	$ 66,489	$ --
Total Liabilities	66,489	--
Fund Balances:		
Restricted	237,160	26,553
Total fund balances	237,160	26,553
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 303,649	$ 26,553

Public Safety	Court Technology	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
$ 21,042	$ 57,376	$ 349,353
--	--	59,267
$ 21,042	$ 57,376	$ 408,620
$ 2,214	$ --	$ 68,703
2,214	--	68,703
18,828	57,376	339,917
18,828	57,376	339,917
$ 21,042	$ 57,376	$ 408,620

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Hotel/Motel Occupancy Tax Fund	Child Safety
Revenue:		
Taxes	$ 334,086	$ --
Fines and forfeitures	--	18,048
Investment earnings	313	--
Total revenues	334,399	18,048
Expenditures:		
General government	329,708	4,500
Public safety	--	5,500
Total expenditures	329,708	10,000
Net change in fund balances	4,691	8,048
Fund balances, October 1	232,469	18,505
Fund balances, September 30	$ 237,160	$ 26,553

Public Safety	Court Technology	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
$ --	$ --	$ 334,086
986	12,729	31,763
--	--	313
986	12,729	366,162
5,689	--	339,897
--	--	5,500
5,689	--	345,397
(4,703)	12,729	20,765
23,531	44,647	319,152
$ 18,828	$ 57,376	$ 339,917

CITY OF STEPHENVILLE, TEXAS

EXHIBIT C-5

HOTEL/MOTEL OCCUPANCY TAX FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes	$ 301,000	$ 334,086	$ 33,086
Investment earnings	--	313	313
Total revenues	301,000	334,399	33,399
Expenditures:			
Current:			
General Government			
Administrative	366,000	329,708	36,292
Total General Government	366,000	329,708	36,292
Total Current	366,000	329,708	36,292
Total expenditures	366,000	329,708	36,292
Net change in fund balances	(65,000)	4,691	69,691
Fund balances, October 1	232,469	232,469	--
Fund balances, September 30	$ 167,469	$ 237,160	$ 69,691

CITY OF STEPHENVILLE, TEXAS

EXHIBIT C-6

CHILD SAFETY SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Fines and forfeitures	$ 7,500	$ 18,048	$ 10,548
Total revenues	7,500	18,048	10,548
Expenditures:			
Current:			
General Government			
Administrative	4,500	4,500	--
Total General Government	4,500	4,500	--
Public Safety			
Child safety	5,500	5,500	--
Total Public Safety	5,500	5,500	--
Total Current	10,000	10,000	--
Total expenditures	10,000	10,000	--
Net change in fund balances	(2,500)	8,048	10,548
Fund balances, October 1	18,505	18,505	--
Fund balances, September 30	$ 16,005	$ 26,553	$ 10,548

CITY OF STEPHENVILLE, TEXAS

EXHIBIT C-7

PUBLIC SAFETY SPECIAL REVENUE FUND
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Fines and forfeitures	$ --	$ 986	$ 986
Intergovernmental	3,700	--	(3,700)
Total revenues	3,700	986	(2,714)
Expenditures:			
Current:			
General Government			
Administrative	8,600	5,689	2,911
Total General Government	8,600	5,689	2,911
Total Current	8,600	5,689	2,911
Total expenditures	8,600	5,689	2,911
Net change in fund balances	(4,900)	(4,703)	197
Fund balances, October 1	23,531	23,531	--
Fund balances, September 30	$ 18,631	$ 18,828	$ 197

CITY OF STEPHENVILLE, TEXAS

EXHIBIT C-8

COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Fines and forfeitures	$ 4,000	$ 12,729	$ 8,729
Total revenues	4,000	12,729	8,729
Net change in fund balances	4,000	12,729	8,729
Fund balances, October 1	44,647	44,647	--
Fund balances, September 30	$ 48,647	$ 57,376	$ 8,729

CITY OF STEPHENVILLE, TEXAS

EXHIBIT C-9

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Budget	Actual	Variance Positive (Negative)
Revenue:			
Taxes	$ 582,189	$ 589,389	$ 7,200
Investment earnings	100	417	317
Total revenues	582,289	589,806	7,517
Expenditures:			
Debt Service:			
Principal	445,000	455,000	(10,000)
Interest and fiscal charges	137,289	126,693	10,596
Bond issue costs	--	5,312	(5,312)
Advance refunding escrow	--	382,370	(382,370)
Total Debt Service:	582,289	969,375	(387,086)
Total expenditures	582,289	969,375	(387,086)
Excess (deficiency) of revenues (under) expenditures	--	(379,569)	(379,569)
Other financing sources (uses):			
Proceeds of long-term debt	--	370,000	370,000
Premium on bonds	--	22,904	22,904
Discount on bonds	--	(2,651)	(2,651)
Total other financing sources (uses)	--	390,253	(390,253)
Net change in fund balances	--	10,684	10,684
Fund balances, October 1	120,404	120,404	--
Fund balances, September 30	$ 120,404	$ 131,088	$ 10,684

NONMAJOR ENTERPRISE FUNDS

Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises – where the intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the City has decided that periodic determination of net income is appropriate for accountability purposes.

Sanitary Landfill – This fund is used to account for solid waste collection and disposal services provided to the residents of the City.

Airport – This fund is used to account for municipal airport services and to support air transportation and charter services.

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
SEPTEMBER 30, 2013

	Enterprise Fund Sanitary Landfill	Enterprise Fund Airport	Total Nonmajor Enterprise Funds (See Exhibit A-7)
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 15,277	$ 36,795	$ 52,072
Accounts receivable - net	4,531	10,640	15,171
Intergovernmental	--	29,667	29,667
Total Current Assets	19,808	77,102	96,910
Noncurrent assets:			
Capital assets:			
Land	40,000	879,399	919,399
Buildings and improvements	915,135	5,190,512	6,105,647
Machinery and equipment	1,111,834	162,556	1,274,390
Construction in progress	--	72,368	72,368
Less accumulated depreciation	(1,187,336)	(1,010,179)	(2,197,515)
Total capital assets	879,633	5,294,656	6,174,289
Total noncurrent assets	879,633	5,294,656	6,174,289
Total Assets	899,441	5,371,758	6,271,199
LIABILITIES			
Current Liabilities:			
Accounts payable	659	944	1,603
Accrued liabilities	2,387	--	2,387
Accrued interest payable	--	1,430	1,430
Customer deposits	1,300	--	1,300
Compensated absences payable	2,765	--	2,765
Bonds payable	--	21,000	21,000
Total Current Liabilities	7,111	23,374	30,485
Long-term Liabilities:			
Compensated absences payable	921	--	921
Revenue bonds payable	--	86,851	86,851
Liability for landfill closure	137,432	--	137,432
Total Long-term Liabilities	138,353	86,851	225,204
Total Liabilities	145,464	110,225	255,689
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	--	14,080	14,080
Total deferred inflow of resources	--	14,080	14,080
NET POSITION			
Net investment in capital assets	879,633	5,186,805	6,066,438
Restricted for debt service	--	29,667	29,667
Unrestricted	(125,656)	30,981	(94,675)
Total Net Position	$ 753,977	$ 5,247,453	$ 6,001,430

CITY OF STEPHENVILLE, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Enterprise Fund Sanitary Landfill	Enterprise Fund Airport	Total Nonmajor Enterprise Funds (See Exhibit A-8)
OPERATING REVENUES:			
Gate charges	$ 291,503	$ --	$ 291,503
Hanger rental	--	105,314	105,314
Other service charges	6,147	4,886	11,033
Total Operating Revenues	297,650	110,200	407,850
OPERATING EXPENSES:			
Personnel services	135,981	--	135,981
Contractual services	20,691	5,047	25,738
Utilities	384	26,957	27,341
Repairs and maintenance	3,030	15,110	18,140
Other	34,559	10,525	45,084
Depreciation	88,307	120,572	208,879
Total Operating Expenses	282,952	178,211	461,163
Operating Income (Loss)	14,698	(68,011)	(53,313)
NON-OPERATING REVENUES (EXPENSES):			
Interest revenue	20	--	20
Miscellaneous income	400	27,652	28,052
Interest expense	--	(4,934)	(4,934)
Total Non-operating Revenues (Expenses)	420	22,718	23,138
Net income	15,118	(45,293)	(30,175)
Net position, October 1	738,859	5,292,746	6,031,605
Net position, September 30	$ 753,977	$ 5,247,453	$ 6,001,430

CITY OF STEPHENVILLE, TEXAS
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2013

	Sanitary Landfill	Airport	Total Nonmajor Enterprise Funds (See Exhibit A-9)
Cash Flows from Operating Activities:			
Cash Received from Customers	$ 294,972	$ 122,889	$ 417,861
Cash Payments to Employees	(134,893)	--	(134,893)
Cash Payments to Suppliers for Goods and Services	(60,265)	(58,137)	(118,402)
Net Cash Provided (Used) by Operating Activities	99,814	64,752	164,566
Cash Flows from Capital and Related Financing Activities:			
Principal and Interest Paid	(101,051)	(25,200)	(126,251)
Acquisition or Construction of Capital Assets	(4,113)	(6,881)	(10,994)
Net Cash Provided (Used) for Capital and Related Financing Activities	(105,164)	(32,081)	(137,245)
Cash Flows from Investing Activities:			
Interest on Investments	--	--	--
Net Cash Provided (Used) for Investing Activities	--	--	--
Net Increase (Decrease) in Cash and Cash Equivalents	(5,350)	32,671	27,321
Cash and Cash Equivalents at Beginning of Year (reclassified)	20,627	4,124	24,751
Cash and Cash Equivalents at End of Year	$ 15,277	$ 36,795	$ 52,072
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ 14,698	$ (68,011)	$ (53,313)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	88,307	120,572	208,879
Provision for Uncollectible Accounts	400	--	400
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(3,198)	14,323	11,125
Increase (Decrease) in Accounts Payable	(1,601)	(498)	(2,099)
Increase (Decrease) in Accrued Liabilities	1,088	(994)	94
Increase (Decrease) in Customer Deposits	100	--	100
Increase (Decrease) in Unearned Revenue	--	(640)	(640)
Total Adjustments	$ 99,794	$ 64,752	$ 164,546
Net Cash Provided (Used) by Operating Activities			

STATISTICAL SECTION

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

Contents **Page**

Financial Trends 72

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

Revenue Capacity 80

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales taxes.

Debt Capacity 84

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

Demographic and Economic Information 89

These schedules offer demographic and economic indicators to help the reader understand how the City's financial activities take place and to help make comparisons over time and with other governments.

Operating Information 91

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF STEPHENVILLE, TEXAS

NET ASSETS BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2004	2005	2006	2007	2008
Governmental Activities					
Net Investment in					
Capital assets	$ 8,877,241	$ 9,070,652	$ 9,734,777	10,157,475	$ 10,513,386
Restricted	620,104	295,721	381,849	366,934	397,365
Unrestricted	8,181,076	9,548,977	10,237,660	11,232,319	12,162,240
Total Governmental Activities Net Assets	$ 17,678,421	$ 18,915,350	$ 20,354,286	21,756,728	$ 23,072,991
Business-type Activities					
Net Investment in					
Capital assets	$ 14,229,406	$ 16,190,916	$ 17,432,394	16,564,217	$ 21,231,388
Restricted	470,750	514,842	599,910	665,099	554,647
Unrestricted	4,134,841	5,301,524	6,516,830	9,087,784	7,178,489
Total Business-type Activities Net Assets	$ 18,834,997	$ 22,007,282	$ 24,549,134	26,317,100	$ 28,964,524
Primary Government					
Net Investment in					
Capital assets	$ 23,106,647	$ 25,261,568	$ 27,167,171	26,721,692	$ 31,744,774
Restricted	1,090,854	810,563	981,759	1,032,033	952,012
Unrestricted	12,315,917	14,850,501	16,754,490	20,320,103	19,340,729
Total Primary Government Net Assets	$ 36,513,418	$ 40,922,632	$ 44,903,420	48,073,828	$ 52,037,515

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

2009	2010	2011	2012	2013
$ 18,471,335	$ 16,763,870	$ 16,605,859	$ 17,500,689	$ 17,032,179
434,394	405,640	420,877	450,527	870,780
5,252,462	7,952,264	8,156,696	7,680,873	8,355,906
$ 24,158,191	$ 25,121,774	$ 25,183,432	$ 25,632,089	$ 26,258,865
$ 23,495,495	$ 25,323,978	$ 26,538,623	$ 28,438,665	$ 30,080,475
710,870	690,998	714,547	842,224	2,706,411
5,974,684	4,566,114	5,548,656	5,243,744	2,965,331
$ 30,181,049	$ 30,581,090	$ 32,801,826	$ 34,524,633	$ 35,752,217
$ 41,966,830	$ 42,087,848	$ 43,144,482	$ 45,939,354	$ 47,112,654
1,145,264	1,096,638	1,135,424	1,292,751	3,577,191
11,227,146	12,518,378	13,705,352	12,924,617	11,321,237
$ 54,339,240	$ 55,702,864	$ 57,985,258	$ 60,156,722	$ 62,011,082

CITY OF STEPHENVILLE, TEXAS

EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2004	2005	2006	2007	2008
Expenses					
Governmental Activities:					
General Government	$ 1,421,563	$ 1,453,986	$ 1,441,939	$ 1,591,258	$ 1,331,583
Public Safety	4,026,402	4,345,846	4,689,443	5,187,628	5,504,975
Streets	995,046	979,051	1,098,979	1,144,681	1,183,435
Culture and recreation	1,574,032	1,582,864	1,646,017	1,733,627	2,166,545
Community development	296,244	348,177	343,135	381,091	395,182
Interest on Long-Term Debt	130,388	109,153	91,817	65,926	103,490
Total Governmental Activities Expenses	$ 8,443,675	$ 8,819,077	$ 9,311,330	$ 10,104,211	$ 10,685,210
Business-type Activities					
Water and Wastewater	4,582,690	4,367,671	4,681,174	4,776,359	4,526,893
Sanitary landfill	151,309	99,078	119,832	272,010	290,349
Airport	101,082	8,633	18,075	130,169	127,018
Storm Water Drainage	35,462	166,346	232,955	141,516	245,371
Total Business-type Activities Expenses	4,870,543	4,641,728	5,052,036	5,320,054	5,189,631
Total Primary Government Expenses	$ 13,314,218	$ 13,460,805	$ 14,363,366	$ 15,424,265	$ 15,874,841
Program Revenues					
Governmental Activities:					
Charges for Services:					
General Government	$ 195,176	$ 172,292	$ 177,636	$ 243,929	$ 219,353
Public Safety	524,561	488,292	600,332	687,567	906,131
Streets	28,748	17,213	17,444	27,425	24,046
Culture and recreation	147,563	135,607	132,125	171,931	145,225
Community development	165,803	163,490	180,304	160,745	272,729
Operating Grants and Contributions	189,805	125,068	172,884	115,859	57,969
Capital Grants and Contributions	366,478	556,425	177,503	115,556	148
Total Governmental Activities Program Revenues	$ 1,618,134	$ 1,658,387	$ 1,458,228	$ 1,523,012	$ 1,625,601
Business-type Activities:					
Charges for Services:					
Water and Wastewater	4,564,193	5,245,901	5,628,658	5,092,578	5,469,932
Sanitary landfill	174,152	174,845	162,306	170,814	275,915
Airport	31,077	39,088	51,037	61,916	68,186
Storm Water Drainage	478,143	485,600	485,314	500,779	577,766
Operating Grants and Contributions	--	--	--	--	--
Capital Grants and Contributions	411,474	1,513,020	599,393	169,370	870,718
Total Business-type Activities Program Revenues	5,659,039	7,458,454	6,926,708	5,995,457	7,262,517
Total Primary Government Program Revenues	$ 7,277,173	$ 9,116,841	$ 8,384,936	$ 7,518,469	$ 8,888,118
Net (Expense)/Revenue					
Governmental Activities	$ (6,825,541)	$ (7,160,690)	$ (7,853,102)	$ (8,581,199)	$ (9,059,609)
Business-type Activities	788,496	2,816,726	1,874,672	675,403	2,072,886
Total Primary Government Net Expense	$ (6,037,045)	$ (4,343,964)	$ (5,978,430)	$ (7,905,796)	$ (6,986,723)

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

2009	2010	2011	2012	2013
$ 1,309,902	$ 1,412,441	$ 1,374,221	$ 1,518,207	$ 2,076,100
6,043,653	6,252,861	6,274,700	6,496,290	6,786,524
1,210,135	1,426,590	1,479,381	1,567,117	1,432,818
2,340,312	2,438,756	2,522,284	2,509,599	2,157,175
408,144	427,769	374,335	433,360	521,710
72,220	141,220	97,809	151,197	128,398
$ 11,384,366	$ 12,099,637	$ 12,122,730	$ 12,675,770	$ 13,102,725
4,819,886	5,054,152	4,846,996	4,833,953	5,018,940
527,255	294,407	313,982	313,978	282,952
170,287	158,085	160,803	181,904	183,145
346,159	580,590	600,859	562,207	535,056
5,863,587	6,087,234	5,922,640	5,892,042	6,020,093
$ 17,247,953	$ 18,186,871	$ 18,045,370	$ 18,567,812	$ 19,122,818
$ 231,122	$ 215,757	$ 216,870	$ 219,082	$ 217,686
677,662	834,180	893,207	1,077,514	959,364
21,472	24,713	24,419	95,954	30,443
221,589	317,917	338,662	363,650	346,442
126,186	177,401	249,501	193,592	413,762
109,861	43,417	40,015	29,142	53,796
740,974	1,602,301	258,933	159,402	--
$ 2,128,866	$ 3,215,686	$ 2,021,607	$ 2,138,336	$ 2,021,493
5,492,233	5,396,349	6,147,606	6,055,936	6,443,152
414,503	175,153	277,985	200,546	297,650
73,180	72,408	76,015	93,493	110,200
584,439	588,141	591,326	604,231	620,595
20,062	17,808	5,184	7,868	--
249,253	402,702	528,471	813,212	27,652
6,833,670	6,652,561	7,626,587	7,775,286	7,499,249
$ 8,962,536	$ 9,868,247	$ 9,648,194	$ 9,913,622	$ 9,520,742
$ (9,255,500)	$ (8,883,951)	$ (10,101,123)	$ (10,537,434)	$ (11,081,232)
970,083	565,327	1,703,947	1,883,244	1,479,156
$ (8,285,417)	$ (8,318,624)	$ (8,397,176)	$ (8,654,190)	$ (9,602,076)

CITY OF STEPHENVILLE, TEXAS

GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	2004	2005	2006	2007	2008
Net (Expense)/Revenue					
Governmental Activities	$ (6,825,541)	(7,160,690)	$ (7,853,102)	$ (8,581,199)	$ (9,059,609)
Business-type Activities	788,496	2,816,726	1,874,672	675,403	2,072,886
Total Primary Government Net Expense	$ (6,037,045)	(4,343,964)	$ (5,978,430)	$ (7,905,796)	$ (6,986,723)
General Revenues and Other Changes in Net Assets					
Governmental Activities:					
Taxes					
Property Taxes - General Purposes	$ 2,249,922	2,447,610	$ 2,657,106	$ 2,913,521	$ 3,131,702
Property Taxes - Debt Service	540,467	448,663	437,146	476,117	527,921
Sales Taxes	3,538,100	3,654,232	4,101,973	4,351,269	4,745,309
Franchise Taxes	1,209,036	1,264,298	1,423,615	1,370,838	1,169,858
Other Taxes	262,467	292,447	312,528	388,013	434,498
Gain on Sale of Capital Assets	--	--	--	--	--
Investment Earnings	87,990	286,301	441,986	623,810	454,269
Miscellaneous	12,158	54,068	34,663	75,994	17,186
Transfers	--	(50,000)	(116,979)	(215,921)	(107,871)
Total Governmental Activities	$ 7,900,140	8,397,619	$ 9,292,038	$ 9,983,641	$ 10,372,872
Business-type Activities:					
Investment Earnings	100,773	305,559	518,164	876,642	469,667
Miscellaneous	26,429	--	32,037	--	--
Transfers	--	50,000	116,979	215,921	104,871
Total Business-type Activities	127,202	355,559	667,180	1,092,563	574,538
Total Primary Government	$ 8,027,342	8,753,178	$ 9,959,218	$ 11,076,204	$ 10,947,410
Change in Net Assets					
Governmental Activities	$ 1,074,599	1,236,929	$ 1,438,936	$ 1,402,442	$ 1,313,263
Business-type Activities	915,698	3,172,285	2,541,852	1,767,966	2,647,424
Total Primary Government	$ 1,990,297	4,409,214	$ 3,980,788	$ 3,170,408	$ 3,960,687

Note: The city began to report accrual information when it implemented GASB Statement 34 in fiscal year 2004.

Fiscal years ended 2012 and 2013 restated for the effect of GASB 65.

TABLE D-3

2009	2010	2011	2012	2013
$ (9,255,500)	$ (8,883,951)	$ (10,101,123)	$ (10,537,434)	$ (11,081,232)
970,083	565,327	1,703,947	1,883,244	1,479,156
$ (8,285,417)	$ (8,318,624)	$ (8,397,176)	$ (8,654,190)	$ (9,602,076)
$ 3,382,272	$ 3,371,138	$ 3,595,948	$ 3,787,828	$ 4,049,755
536,671	608,404	526,519	593,543	589,867
4,622,690	4,275,545	4,616,312	5,191,213	5,281,663
1,186,650	1,018,036	1,120,678	1,122,934	1,097,564
372,815	341,456	363,645	393,461	374,806
--	323,641	12,159	--	10,056
108,218	32,294	13,517	14,651	11,546
124,613	14,190	26,870	18,320	35,902
6,771	(112,834)	(137,203)	21,161	256,849
$ 10,340,700	$ 9,871,870	$ 10,138,445	$ 11,143,111	$ 11,708,008
68,079	6,714	5,151	7,716	6,780
7,888	--	--	--	(1,504)
(6,771)	112,834	137,203	(21,161)	(256,849)
69,196	119,548	142,354	(13,445)	(251,573)
$ 10,409,896	$ 9,991,418	$ 10,280,799	$ 11,129,666	$ 11,456,435
$ 1,085,200	$ 987,919	$ 37,322	$ 605,677	$ 626,776
1,039,279	684,875	1,846,301	1,869,799	1,227,583
$ 2,124,479	$ 1,672,794	$ 1,883,623	$ 2,475,476	$ 1,854,359

TABLE D-4

CITY OF STEPHENVILLE, TEXAS

FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	$ 4,072	$ 13,349	$ 10,352	$ 15,224	$ 8,653	$ 12,680	$ 9,148	$ --	$ --	$ --
Unreserved	8,017,965	8,361,416	9,045,429	10,039,416	9,555,553	7,358,831	7,196,152	--	--	--
Nonspendable	--	--	--	--	--	--	--	18,836	17,399	19,417
Assigned	--	--	--	--	--	--	--	3,750,000	1,989,442	2,400,000
Unassigned	--	--	--	--	--	--	--	3,779,268	5,113,489	5,246,245
Total General Fund	$ 8,022,037	$ 8,374,765	$ 9,055,781	$ 10,054,640	$ 9,564,206	$ 7,371,511	$ 7,205,300	$ 7,548,104	$ 7,120,330	$ 7,665,662
All Other Governmental Funds										
Reserved										
Debt Service Funds	$ 41,285	$ 50,563	$ 69,443	$ 82,233	$ 89,253	$ 96,071	$ 93,267	$ --	$ --	$ --
Unreserved, Reported In:										
Special Revenue Funds	211,765	247,743	318,028	280,798	350,750	332,799	337,679	--	--	--
Capital Projects Funds	735,191	1,063,030	1,051,972	1,069,303	2,429,680	1,676,876	1,155,196	--	--	--
Restricted	--	--	--	--	--	--	--	424,194	4,206,447	1,201,698
Assigned	--	--	--	--	--	--	--	486,235	529,093	416,371
Total All Other Governmental Funds	$ 988,241	$ 1,361,336	$ 1,439,443	$ 1,432,334	$ 2,869,683	$ 2,105,746	$ 1,586,142	$ 910,429	$ 4,735,540	$ 1,618,069

Note:

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

TABLE D-5

CITY OF STEPHENVILLE, TEXAS

CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)
(UNAUDITED)

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	$ 7,804,900	$ 8,103,134	$ 8,942,235	$ 9,506,528	$ 10,004,265	$ 10,104,779	$ 9,570,777	$ 10,251,019	$ 11,062,514	$ 11,394,371
Charges for Services	697,355	651,021	640,935	738,526	839,684	948,049	1,178,800	1,076,971	1,291,337	1,198,408
Fines and Forfeitures	229,922	207,407	279,716	353,889	361,027	226,083	229,357	295,075	318,899	361,236
Licenses, Fees and Permits	168,519	168,523	183,839	164,071	275,887	131,341	138,675	255,269	182,517	398,093
Intergovernmental	306,510	104,228	188,096	111,889	87,730	124,581	1,366,544	147,510	233,670	65,465
Investment Earnings	87,991	286,300	441,986	623,810	454,269	108,218	32,294	13,517	14,651	11,546
Miscellaneous	52,734	108,222	60,110	119,731	19,734	35,189	19,269	37,977	18,189	75,550
Special Assessments	--	402,789	28,122	--	--	--	--	--	--	--
Total Revenues	9,347,931	10,031,624	10,765,039	11,618,444	12,042,596	11,678,240	12,535,716	12,077,338	13,121,777	13,504,669
Expenditures										
General Government	1,274,807	1,231,709	1,349,248	1,491,202	1,293,925	1,355,822	1,359,012	1,319,243	1,504,855	1,997,675
Public Safety	3,874,454	4,140,738	4,562,217	4,955,771	5,459,268	5,827,418	6,048,150	6,084,813	6,210,892	6,410,938
Streets	630,057	578,126	699,290	735,614	824,764	845,429	850,428	937,367	968,236	920,417
Culture and Recreation	1,336,974	1,412,305	1,466,261	1,518,938	1,931,846	2,006,999	2,072,331	2,189,768	2,268,386	1,859,640
Community Development	295,036	346,969	337,659	375,614	394,833	407,208	420,982	367,228	414,769	514,474
Capital Outlay	661,419	1,014,372	952,446	807,528	1,902,168	5,265,493	2,099,912	889,326	1,793,507	4,076,340
Debt Service										
Principal	500,000	420,000	430,000	455,000	475,000	425,000	460,000	420,000	440,000	455,000
Interest	133,441	111,582	91,817	71,105	49,195	99,652	144,279	98,117	139,305	126,693
Bond Issuance Cost	--	--	--	--	12,725	25,000	--	--	45,000	5,312
Advance Refunding Escrow	--	--	--	--	--	--	--	--	--	382,370
Total Expenditures	8,706,188	9,255,801	9,888,938	10,410,772	12,343,724	16,258,021	13,455,094	12,305,862	13,784,950	16,748,859
Excess of Revenues Over (Under) Expenditures	641,743	775,823	876,101	1,207,672	(301,128)	(4,579,781)	(919,378)	(228,524)	(663,173)	(3,244,190)
Other Financing Sources (Uses)										
Bonds Issued	--	--	--	--	1,325,000	1,500,000	--	--	4,000,000	370,000
Premium on Bonds	--	--	--	--	--	--	--	--	--	22,904
Discount on Bonds	--	--	--	--	--	--	--	--	--	(2,651)
Proceeds from Capital Assets	--	--	--	--	27,914	21,881	338,054	27,316	27,851	24,950
Proceeds from Insurance	--	--	--	--	--	94,497	8,343	5,502	11,498	--
Transfers In	90,000	90,000	94,500	55,000	207,629	2,461,037	204,320	292,052	741,161	506,849
Transfers Out	(90,000)	(140,000)	(211,479)	(270,921)	(312,500)	(2,454,266)	(317,154)	(429,255)	(720,000)	(250,000)
Total Other Financing Sources (Uses)	--	(50,000)	(116,979)	(215,921)	1,248,043	1,623,149	233,563	(104,385)	4,060,510	672,052
Net Change in Fund Balances	$ 641,743	$ 725,823	$ 759,122	$ 991,751	$ 946,915	$ (2,956,632)	$ (685,815)	$ (332,909)	$ 3,397,337	$ (2,572,138)
Debt Service As A Percentage Of Noncapital Expenditures	8.5%	6.9%	6.2%	5.8%	5.3%	5.0%	5.6%	4.8%	5.0%	5.1%

TABLE D-6

CITY OF STEPHENVILLE, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Residential Property	Commercial Property	Industrial Property	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2004	$ 332,268,337	$ 380,965,905	$ 111,273,080	$ 249,575,629	$ 574,931,693	$ 0.4850	$ 586,664,993	98.000%
2005	352,795,683	386,744,845	105,901,750	253,232,383	592,209,895	0.4850	604,295,811	98.000%
2006	387,312,400	403,019,380	113,971,870	260,321,554	643,982,096	0.4750	657,124,588	98.000%
2007	436,191,340	446,012,320	124,665,270	287,207,489	719,661,441	0.4650	734,348,409	98.000%
2008	473,515,020	493,287,390	139,045,430	287,501,749	818,346,091	0.4450	835,047,032	98.000%
2009	530,504,500	521,967,390	134,864,860	296,981,931	890,354,819	0.4350	908,525,326	98.000%
2010	541,059,730	514,106,150	145,588,370	305,171,070	895,583,180	0.4435	913,860,388	98.000%
2011	546,372,660	514,213,740	127,553,350	302,938,397	885,201,353	0.4600	903,266,687	98.000%
2012	555,032,740	511,780,800	148,096,980	317,517,724	897,392,796	0.4850	915,706,935	98.000%
2013	561,570,020	546,842,640	225,183,450	384,611,442	948,984,668	0.4850	968,351,702	98.000%

Source: Erath County Appraisal District.

Note: Property in Erath County is reassessed once every three years on average. The County assesses property at approximately 95 percent of actual value for commercial, industrial and residential property. Estimated actual taxable value is calculated by dividing taxable assessed value by those percentages. Tax rates are per $100 of assessed value.

TABLE D-7

CITY OF STEPHENVILLE, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(UNAUDITED)

	City Direct Rates			Overlapping Rates			
Fiscal Year	Basic Rate	General Obligation Debt Service	Total Direct Rate	Stephenvile School District	Middle Trinity Water District	Erath County	Total Direct and Overlapping Rates
2004	$ 0.3913	$ 0.0937	$ 0.4850	$ 1.6700	$ 0.0150	$ 0.4512	$ 2.6212
2005	0.4107	0.0743	0.4850	1.6700	0.0150	0.4625	2.6325
2006	0.4079	0.0671	0.4750	1.6600	0.0150	0.4410	2.5910
2007	0.3996	0.0654	0.4650	1.5199	0.0150	0.4352	2.4351
2008	0.3811	0.0639	0.4450	1.1920	0.0150	0.4187	2.0707
2009	0.3762	0.0588	0.4350	1.1470	0.0150	0.3915	1.9885
2010	0.3762	0.0673	0.4435	1.1470	0.0150	0.3900	1.9955
2011	0.4015	0.0585	0.4600	1.1470	0.0150	0.4500	2.0720
2012	0.4194	0.0656	0.4850	1.1700	0.0150	0.4700	2.1400
2013	0.4235	0.0615	0.4850	1.1940	0.0145	0.4700	2.1635

Source: Erath County Appraisal District.

Notes: The City's basic property tax rate may be increased only by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

Overlapping rates are those of local and county governments that apply to property owners within the City of Stephenville, Texas.

CITY OF STEPHENVILLE, TEXAS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
(UNAUDITED)

	2013			2004		
Taxpayer	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
FMC Company	$ 72,906,199	1	7.68%	$ 22,566,189	1	4.58%
Tejas Tubuler, Inc	24,013,180	2	2.53%	--	--	--
Stephenville Campus Crest	11,401,270	3	1.20%	--	--	--
Saint Gobain Abrasives	8,840,598	4	0.93%	16,322,241	2	3.31%
Stephenville Student Housing LP	8,738,130	5	0.92%	--	--	--
Wal-Mart Stores, Inc. #1	8,730,140	6	0.92%	8,284,090	--	1.68%
Bosque River Associates	8,221,950	7	0.87%	9,543,390	--	1.94%
Oncor Electric Delivery	7,617,870	8	0.80%	7,240,170	--	1.47%
United Telephone Company	6,759,830	9	0.71%	5,496,420	--	1.12%
Bruner Motels	--	--	--	3,469,480	--	0.70%
Wilmington Trust	--	--	--	6,793,140	--	1.38%
Rayloc Genaut	--	--	--	4,485,122	--	0.91%
Emerson Electric Company	--	--	--	4,672,463	--	0.95%
Subtotal	$ 157,229,167		16.57%	$ 88,872,705		18.04%
Remaining Roll	791,755,501		83.43%	403,671,265		81.96%
Total	948,984,668		100.00%	$ 492,543,970		100.00%

Source: Erath County Appraisal District.

TABLE D-9

CITY OF STEPHENVILLE, TEXAS

PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	Taxes Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date		Outstanding As of 09/30/13
		Amount	Percentage of Levy		Amount	Percentage of Levy	
2004	$ 2,788,419	$ 2,726,244	97.77%	$ 60,699	$ 2,786,943	99.95%	$ 1,476
2005	2,832,529	2,808,747	99.16%	20,452	2,829,199	99.88%	3,330
2006	3,066,225	3,018,008	98.43%	45,423	3,063,431	99.91%	2,794
2007	3,344,539	3,307,083	98.88%	34,144	3,341,227	99.90%	3,312
2008	3,641,808	3,602,598	98.92%	34,970	3,637,568	99.88%	4,240
2009	3,874,843	3,822,492	98.65%	46,752	3,869,244	99.86%	5,599
2010	3,965,938	3,887,038	98.01%	68,920	3,955,958	99.75%	9,980
2011	4,059,655	4,007,449	98.71%	40,441	4,047,890	99.71%	11,765
2012	4,343,596	4,302,513	99.05%	23,427	4,325,940	99.59%	17,656
2013	4,594,127	4,554,491	99.14%	--	4,554,491	99.14%	39,636

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

CITY OF STEPHENVILLE, TEXAS

RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
(UNAUDITED)

	Governmental Activities		Business-type Activities						
Fiscal Year	General Obligation Bonds	Certificates of Participation	Water Revenue Bonds	Certificates of Participation	Capital Leases	Capital Leases	Total Primary Government	Percentage of Personal Income	Per Capita
2004	$ 1,235,000	$ 1,210,000	$ 6,295,000	$ 14,174,233	$ --	$ --	$ 22,914,233	6.09%	$ 1,443
2005	945,000	1,080,000	5,910,000	13,250,233	--	--	21,185,233	5.19%	1,300
2006	645,000	950,000	5,500,000	14,305,233	259,184	--	21,659,417	5.03%	1,283
2007	330,000	810,000	5,210,000	17,660,134	219,920	--	24,230,054	5.02%	1,421
2008	1,325,000	665,000	4,905,000	20,644,155	177,337	--	27,716,492	5.56%	1,607
2009	2,550,000	515,000	4,585,000	19,456,865	499,724	--	27,606,589	N/A	1,538
2010	2,255,000	350,000	4,250,000	18,179,865	364,740	--	25,399,605	N/A	1,483
2011	2,185,000	--	3,895,000	16,866,865	194,121	--	23,140,986	N/A	1,324
2012	5,745,000	--	3,520,000	15,507,865	99,661	--	24,872,526	N/A	1,360
2013	5,300,000	--	3,130,000	13,922,865	--	--	22,352,865	N/A	1,222

See Table 14 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

CITY OF STEPHENVILLE, TEXAS

RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS
(UNAUDITED)

Fiscal Year	General Bonded Debt Outstanding			Percentage of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Certificates of Obligation	Total		
2004	$ 1,235,000	$ 1,210,000	$ 2,445,000	0.43%	$ 154
2005	945,000	1,080,000	2,025,000	0.34%	124
2006	645,000	950,000	1,595,000	0.25%	94
2007	330,000	810,000	1,140,000	0.16%	67
2008	1,325,000	665,000	1,990,000	0.24%	115
2009	2,550,000	515,000	3,065,000	0.34%	171
2010	2,255,000	350,000	2,605,000	0.29%	152
2011	2,185,000	--	2,185,000	0.25%	125
2012	5,745,000	--	5,745,000	0.64%	314
2013	5,300,000	--	5,300,000	0.56%	290

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

See Table D-5 for property value data.

Population cata can be found in Table D-14.

CITY OF STEPHENVILLE, TEXAS

DIRECT AND OVERLAPPING
GOVERNMENTAL ACTIVITIES DEBT
(UNAUDITED)

Governmental Unit	Debt Outstanding	Estimated Percentage Applicable	Estimated Share of Direct and Overlapping Debt
Debt Repaid With Property Taxes			
Stephenville Independent School District	$ 29,790,000	69.260%	$ 20,632,554
Erath County	5,599,000	39.390%	2,205,446
Subtotal, Overlapping Debt			22,838,000
City Direct Debt	5,300,000	100.000%	5,300,000
Total Direct and Overlapping Debt			$ 28,138,000

Sources:
Assessed value data used to estimate applicable percentages provided by the Erath County Appraisal District and debt outstanding data provided by each governmental unit.

Notes:
Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City of Stephenville. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident--and therefore responsible for repaying the debt--of each overlapping government.

CITY OF STEPHENVILLE, TEXAS

LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS
(UNAUDITED)

As a home rule city, the City of Stephenville is not limited by law in the amount of debt it may issue.

Under Article XI, Section 5 of the Texas Constitution, no tax for any purpose shall ever be lawful for any one year, which shall exceed two and one-half percent of the taxable property of 'the City.

All taxable property within the City is subject to assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal and interest on the bonds within the limits prescribed by law. Under rules promulgated by the Office of the Attorney General of Texas, such office will not approve tax bonds of the City unless the City can demonstrate its ability to pay debt service requirements on all outstanding City tax bonds, including the issue to be approved.

Tax Rate Limitation Calculation for Fiscal Year 2013

Taxable assessed valuation	$948,984,668
Constitutional tax rate limit	2.50% of assessed valuation
Maximum constitutional revenue available	$23,724,617
Tax rate to achieve maximum tax revenue	$2.50 per $100 of valuation
Tax rate for FY 2012-2013	$0.4850 per $100 of valuation
Available unused constitutional max tax rate	$020150 per $100 ov valuation
Debt applicable to limit:	
General obligation debt	$5,300,000

DEBT TAX RATE ADEQUACY

2013 Principal and Interest Requirements	$583,284
$0.0662 Tax Rate at 98% Collection Produces	583,299
Average Annual Principal and Interest Requirement, 2013-2031	276,979
$0.044139 Tax Rate at 98% Collection Produces	377,024
Maximum Principal and Interest Requirements	583,284
$0.0662 Tax Rate at 98% Collection Produces	583,299

DEBT SERVICE FUND BUDGET PROJECTION

Tax Obligation Debt Service Requirements, Fiscal Year Ending 9-30-2013		583,284
Debt Service Fund, 9-30-13	$131,088	
Debt Service Fund Tax Levy @ 98% Collection	583,299	$714,387

CITY OF STEPHENVILLE, TEXAS

PLEDGED-REVENUE COVERAGE
LAST TEN FISCAL YEARS
(UNAUDITED)

	Water Revenue Bonds					
				Debt Service		
Fiscal Year	Utility Service Charges	Less: Operating Expenses	Net Available Revenue	Principal	Interest	Coverage
2004	$ 4,556,045	$ 2,569,643	$ 1,986,402	$ 1,240,000	$ 559,001	1.10
2005	5,511,586	2,553,909	2,957,677	1,331,000	712,056	1.45
2006	5,628,658	2,931,743	2,696,915	1,355,000	752,077	1.28
2007	5,092,578	2,946,356	2,146,222	1,220,000	819,564	1.05
2008	5,469,932	2,851,562	2,618,370	1,290,000	650,238	1.35
2009	5,492,233	3,060,691	2,431,542	1,340,000	652,120	1.22
2010	5,396,349	3,283,861	2,112,488	1,390,000	600,240	1.06
2011	6,147,606	3,106,016	3,041,590	143,500	543,289	1.54
2012	6,055,936	3,106,535	2,949,401	1,490,000	487,963	1.49
2013	6,443,151	3,282,484	3,160,667	1,555,000	407,502	1.61

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

TABLE D-15

CITY OF STEPHENVILLE, TEXAS

DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN CALENDAR YEARS
(UNAUDITED)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Population	15,884	16,300	16,882	17,050	17,250	17,950	17,123	17,480	18,290	18,290
Personal Income (000's)	$ 376,387	$ 407,859	$ 430,930	$ 483,044	$ 498,232	$ 535,449	$ 511,550	$ N/A	$ N/A	$ N/A
Per Capita Personal Income	$ 23,696	$ 25,022	$ 25,526	$ 28,331	$ 28,883	$ 29,830	$ 29,875	$ N/A	$ N/A	$ N/A
School Enrollment	3,417	3,512	3,550	3,521	3,496	3,553	3,794	3,584	3,702	3,731
College Enrollment	7,347	7,589	7,776	7,840	7,763	8,242	8,896	9,575	10,227	10,903
Unemployment	2.7%	3.9%	3.9%	3.8%	4.0%	7.1%	7.0%	6.5%	5.2%	5.5%

Sources:

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

Note:

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

Personal income is not available for 2011 - 2013.

CITY OF STEPHENVILLE, TEXAS

PRINCIPAL EMPLOYERS
CURRENT YEAR
(UNAUDITED)

	2013		
Employer	Employees	Rank	Percentage of Total City Employment
Tarleton State University	1,250	1	6.98%
FMC Company	705	2	3.94%
Saint Gobanin Abrasives	464	3	2.59%
Wal-Mart Stores, Inc.	450	4	2.51%
Texas Health Harris Methodist	285	5	1.59%
Scheiber Foods	284	6	1.59%
Tejas Tubular	261	7	1.46%
Stephenville ISD	241	8	1.35%
Western Dairy Transport	175	9	0.98%
Erath County	172	10	0.96%
HEB	156	11	0.87%
Emerson Electric Company	150	12	0.84%
Bruner Moters	140	13	0.78%
Fibergrate Composite Structures	126	14	0.70%
Stephenville Medical & Surgical	125	15	0.70%
Outlaw Conversions	115	16	0.64%
PalCon	56	17	0.31%
United Cooperative Services	50	18	0.28%
Southwestern Linen	40	19	0.22%
Interbank	39	20	0.22%
Texstar Ford	37	21	0.21%
Reynolds Nationwide Transport	36	22	0.20%
Prime Buildings	34	23	0.19%
FFNB	31	24	0.17%
USTRA (USTRC)	21	25	0.12%
Subtotal	5,443		30.39%
Remaining Employers	12,466		69.61%
Total	17,909		100.00%

Source:
City Community Development Division. Total employee data is provided by the State Department of Commerce and labor.

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

Data for the period nine years prior to the current period is not available.

CITY OF STEPHENVILLE, TEXAS

FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Full-Time-Equivalent Employees as of Year End									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Management Services	4	4	4	4	4	4	4	4	4	4
Finance	7	7	7	7	7	7	7	7	7	7
Planning	2	2	2	2	2	2	2	2	2	2
Building	1	1	2	2	2	2	2	2	2	2
Other	1	1	1	1	1	1	1	1	2	2
Police										
Officers	31	31	31	34	38	38	38	38	38	39
Civilians	11	13	13	12	12	12	12	12	12	12
Fire										
Firefighters and Officers	26	26	27	28	31	31	31	31	31	31
Parks and Recreation	13	13	13	13	13	13	13	13	14	13
Library	4	4	4	3	3	3	3	3	3	3
Streets	7	7	7	7	7	7	7	7	7	7
Water	9	9	10	13	13	13	13	13	13	13
Wastewater	8	8	8	5	5	5	5	5	5	5
Landfill	2	2	2	2	2	2	2	2	2	2
Total	126	128	131	133	140	140	140	140	142	142

Source:
City Human Resources Office

Notes:
A fulltime employee is scheduled to work 2080 hours per year (including vacation and sick leave). Fulltime equivalent employment is calculated by dividing total labor hours by 2080.

CITY OF STEPHENVILLE, TEXAS

OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

Function/Program	Fiscal Year 2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Building Permits Issued	140	172	125	153	135	109	90	148	96	113
Building Permits Value (000's)	$21,515	$18,442	$12,263	$16,145	$27,821	$11,978	$8,456	$29,365	$11,175	$49,204
Police										
Calls for Service	10,483	10,358	11,234	11,730	11,739	12,730	13,424	17,278	11,166	10,566
Physical Arrests	825	959	999	1,447	1,023	953	916	717	882	1,123
Parking Violations	324	386	334	498	171	206	346	401	417	520
Traffic Violations	5,350	3,588	3,066	4,469	2,473	1,634	1,478	4,639	2,035	5,357
Fire										
Ambulance Responses	1,183	1,291	1,255	1,537	1,472	1,502	1,442	1,524	1,517	1,555
Fire Responses	185	235	305	235	219	230	241	282	229	276
Inspections	132	109	105	313	280	326	359	316	289	551
Refuse Collection										
Refuse Collected (tons)	--	--	--	--	--	--	15,984	15,538	16,930	18,393
Other Public Works										
Street Resurfacing (miles)	1.35	1.14	1.52	2.70	2.23	2.68	1.25	0.90	1.30	1.32
Library										
Volumes in Collection	46,938	48,548	47,510	43,737	43,827	44,200	39,333	33,709	32,504	33,316
Total Volumes Borrowed	138	155	114	116	94	227	129	132	161	25
Water										
New Connections	5,521	5,253	5,550	5,660	5,670	5,700	5,624	5,698	5,920	6,181
Water Main Breaks	54	50	48	49	44	61	62	70	80	47
Average Daily Consumption (thousands of gallons)	1,971,990	2,042,000	2,254,000	1,828,000	2,080,000	2,004,000	1,970,000	2,447,000	2,115,000	2,107,000
Peak Daily Consumption (thousands of gallons)	3,598,000	3,499,000	4,397,000	3,091,000	3,848,000	3,663,000	3,666,000	4,765,000	3,937,000	3,937,000
Wastewater										
Average Daily Sewage Treatment (thousands of gallons)	1,456,000	1,334,000	1,414,000	1,691,000	1,548,000	1,518,000	1,745,000	1,395,000	1,610,000	1,453,000
WW Peak	--	--	--	--	--	--	--	2,716,000	4,494,000	3,158,000

Source:
Various City Departments

CITY OF STEPHENVILLE, TEXAS

CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
(UNAUDITED)

	Fiscal Year									
Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol Units	10	10	10	10	10	10	10	10	10	10
Fire										
Stations	2	2	2	2	2	2	2	2	2	2
Other Public Works										
Streets (miles)	92	92	92	96	96	96	91	91	91	92
Highways (miles)	19	19	19	21	21	21	23	23	23	23
Streetlights	1,013	1,013	1,013	1,070	1,080	1,096	1,119	1,121	1,125	1,127
Parks and Recreation										
Acreage	134	134	134	134	130	130	130	130	130	130
Playgrounds	4	4	4	4	4	4	4	4	4	4
Baseball/Softball Diamonds	9	9	9	9	9	9	11	11	11	11
Soccer/Football Fields	1	1	1	1	1	1	1	1	1	1
Community Centers	2	2	2	2	2	2	2	2	2	2
Water										
Water Mains (miles)	117	117	120	122	124	125	125	126	126	126
Fire Hydrants	670	670	680	692	720	735	771	788	798	798
Storage Capacity (thousands of gallons)	5,500,000	5,500,000	5,500,000	5,500,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000	5,750,000
Wastewater										
Sanitary Sewers (miles)	105	110	110	113	114	115	115	116	116	116
Storm Sewers (miles)	10.0	10.0	10.0	10.0	10.5	10.5	10.5	10.5	10.5	10.5
Treatment Capacity (thousands of gallons)	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000	9,000,000

Sources:
Various City Departments

Note:
No capital asset indicators are available for the general government function.

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