



STEPHENS COUNTY, TEXAS
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
December 31, 2023

STEPHENS COUNTY, TEXAS

CONTENTS

December 31, 2023

	<u>Page</u>
Independent Auditor's Report	1-3
Management's Discussion and Analysis (Required Supplemental Information)	4-11
Basic Financial Statements:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
Statement of Net Position	12
Statement of Activities	13
FUND FINANCIAL STATEMENTS:	
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	14
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	17
Proprietary Fund Financial Statements:	
Statement of Net Position – Proprietary Funds	18
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	19
Statement of Cash Flows – Proprietary Funds	20
Fiduciary Fund Financial Statements:	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
NOTES TO THE FINANCIAL STATEMENTS	23-39
REQUIRED SUPPLEMENTAL INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund	40-41
Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Road and Bridge Fund	42
Schedule of Changes in Net Pension Liability and Related Ratios - Pension Plan	43
Schedule of Contributions - Pension Plan	44

INTERNAL CONTROLS SECTION:

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Governmental Auditing Standards*

45-46

Schedule of Findings and Responses

47

May 24, 2024

**The Honorable County Judge and Commissioners
Comprising the Commissioner's Court of
Stephens County, Texas**

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Stephens County, Texas (the "County") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Stephens County, Texas as of December 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of 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.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 11, Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - General Fund on pages 40-41, Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget and Actual - Road and Bridge Fund on page 42, Schedule of Changes in Net Pension Liability and Related Ratios - Pension Plan on page 43, and Schedule of Contributions - Pension Plan on page 44 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 which 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2024 on our consideration of the Stephens County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Stephens County, Texas' internal control over financial reporting and compliance.

Condley and Company, L.L.P.

Certified Public Accountants

REQUIRED SUPPLEMENTARY INFORMATION –
MANAGEMENT'S DISCUSSION AND ANALYSIS

STEPHENS COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2023

Our discussion and analysis of the County's financial performance provides an overview of the County's financial activities for the fiscal year ended December 31, 2023. Please read it in conjunction with the County's financial statements that begin on page 12.

USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34.

Report Components

This annual report consists of four parts as follows:

Government-Wide Financial Statements

The statement of net position and the statement of activities (pages 12-13) provide information about the activities of the County government-wide (or "as a whole") and present a longer-term view of the County's finances.

Fund Financial Statements

Fund financial statements (pages 14-22) focus on the individual parts of the County government. Fund financial statements also report the County's operations in more detail than the government-wide statements by providing information about the County's most significant ("major") funds. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fiduciary funds are also reported to reflect changes in custodial funds.

Notes to the Financial Statements

The notes to the financial statements (pages 23-39) are an integral part of the government-wide and fund financial statements and provide expanded explanations and detail regarding the information reported in the statements.

Required Supplementary Information

Management's discussion and analysis (pages 4-11), budgetary comparison schedules (pages 40-42), and pension schedules (pages 43-44) represent financial information required by accounting principles generally accepted in the United States of America to be presented. Such information provides users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

Reporting the County as a Whole

The County's Reporting Entity Presentation

This annual report includes all activities for which the County is fiscally responsible.

The Government-Wide Statement of Net Position and the Statement of Activities

Our financial analysis of the County as a whole begins on page 12. The government-wide financial statements are presented on pages 12 through 13. One of the most important questions asked about the County's finances is, "Is the County as a whole better off or worse off as a result of the year's activities?" The statement of net position and the statement of activities report information about the County as a whole and about its activities in a way that helps answer this question.

These two statements report the County's net position and change in them. The statement of net position presents information on all of Stephens County's assets and liabilities, with the difference between the two being reported as net position. Deferred outflows and inflows of resources are also accounted for in this statement. Over time, increases or decreases in the County's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the County's tax base and the condition of the County's capital assets, to assess the overall health of the County. In the statement of activities, we present information showing how the

government's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

In the statement of net position and the statement of activities, we divide the County into two kinds of activities:

Governmental activities. Most of the County's basic services are reported here, including the sheriff, general administration, roads, and court. Property taxes, charges for services, fines, and state and federal grants finance the majority of these activities.

Business-type activities. The County charges a fee to customers to help it cover the cost of certain services it provides. The Airport fund is reported here.

Reporting the County's Most Significant Funds

The Fund Financial Statements

The fund financial statements begin on page 14 and provide detailed information about the most significant funds of the County as a whole, but do not portray the County as a whole. Some funds are required to be established by State law; however, the County establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The County's three kinds of funds - governmental, proprietary, and fiduciary - use different accounting approaches.

Governmental funds - Most of the County's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the County's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the County's programs. We describe the relationship (or differences) between governmental activities (reported in the statement of net position and the statement of activities) and governmental funds in reconciliations on pages 15 and 17. The County considers the general fund, the road and bridge fund, and the capital projects fund to be its significant or major governmental funds. All other governmental funds are aggregated in a single column entitled Other Nonmajor Governmental Funds.

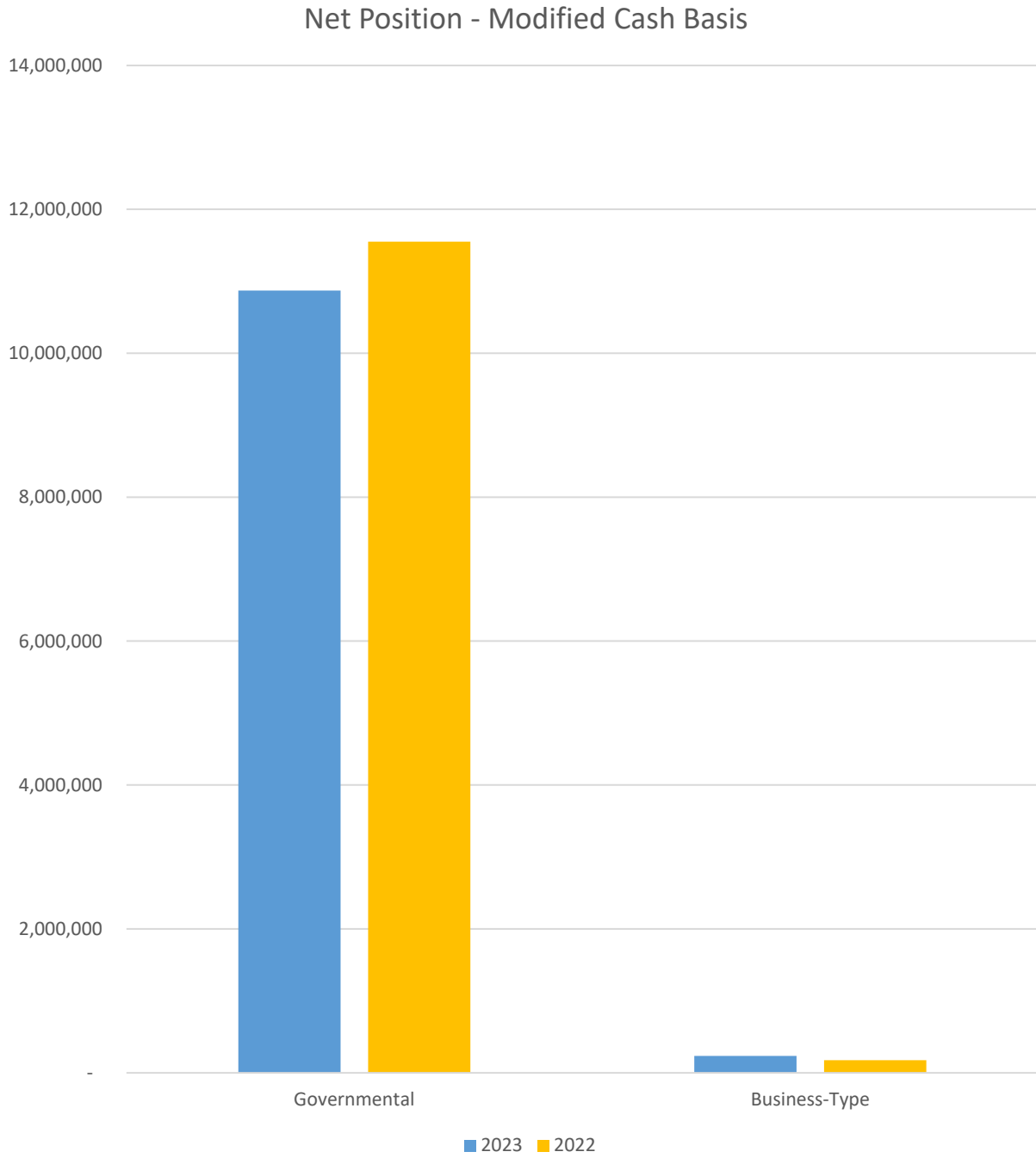
Proprietary funds - When the County charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the County's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements, but the fund statements provide more detail and additional information, such as cash flows. The County has one enterprise fund - Stephens County Airport.

Fiduciary funds - The County is the trustee, or fiduciary, for certain funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the County's fiduciary activities are reported in separate statements of fiduciary net position and changes in fiduciary net position on pages 21-22. Fiduciary funds are not reflected in the government-wide financial statements because the County cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

Net Position

Stephens County's combined net position decreased from \$11,725,424 to \$11,099,526.



Changes in Net Position

For the year ended December 31, 2023, net position of the primary government changed as follows:

Table 2	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 843,719	\$ 178,178	\$ 1,021,897
Operating grants and contributions	469,314	85	469,399
General revenues:			
Property taxes	4,938,446		4,938,446
Other taxes	19,306		19,306
Gain on sale of assets	158,865		158,865
Miscellaneous	344,967		344,967
Investment and royalty earnings	91,704		91,704
Total Revenues	<u>6,866,321</u>	<u>178,263</u>	<u>8,026,529</u>
Expenses:			
General government	2,638,690		2,638,676
Health and welfare	106,448		106,448
Judicial and legal	475,222		475,222
Public safety	2,345,598		2,345,598
Public facilities	99,322		99,322
Culture and recreation	97,597		97,597
Road and bridge	1,487,330		1,481,730
Airport		254,216	254,216
Interest on long-term debt	83,949		83,949
Total Expenses	<u>7,334,156</u>	<u>254,216</u>	<u>7,588,372</u>
Transfers in (out)	(277,994)	60,000	(217,994)
Change in Net Position	(745,829)	(15,953)	(761,782)
Net Position-Beginning	<u>11,549,765</u>	<u>175,659</u>	<u>11,725,424</u>
Prior period adjustment	60,884	75,000	135,884
Net Position – Beginning (as restated)	<u>11,610,649</u>	<u>250,659</u>	<u>11,861,308</u>
Net Position - Ending	<u>\$ 10,864,820</u>	<u>\$ 234,706</u>	<u>\$ 11,099,526</u>

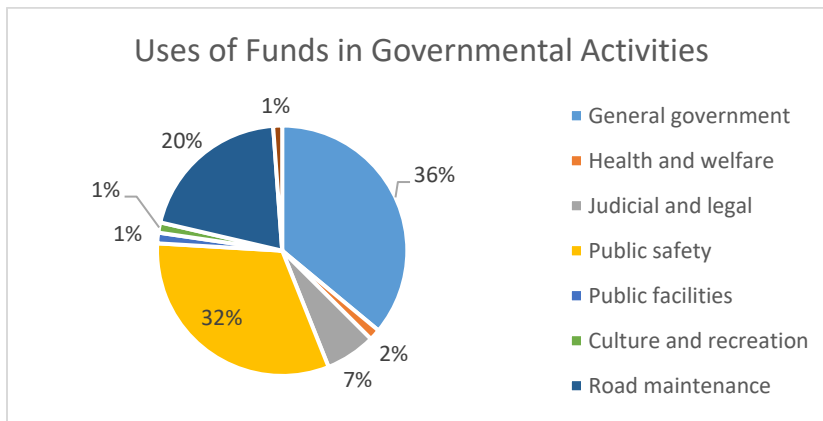
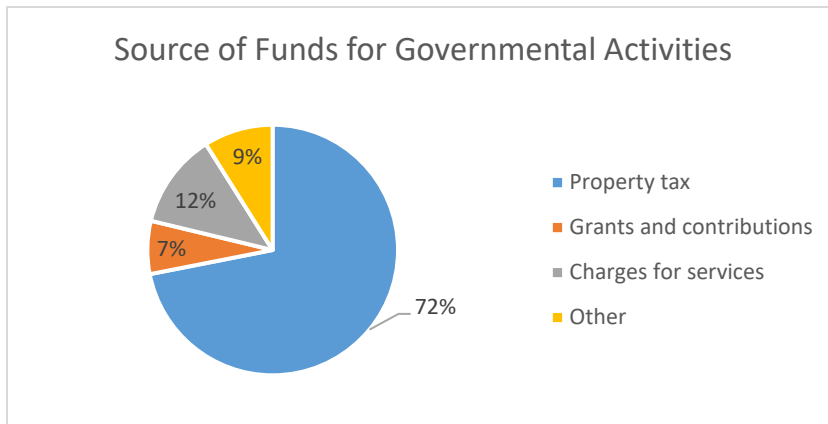
For the year ended December 31, 2022, net position of the primary government changed as follows:

Table 2	<u>Governmental</u>	<u>Business-Type</u>	<u>Total</u>
Revenues:			
Program revenues:			
Charges for services	\$ 1,102,017	\$ 167,533	\$ 1,269,550
Operating grants and contributions	1,137,825	8,818	1,146,643
General revenues:			
Property taxes	4,724,559		4,724,559
Other taxes	23,237		23,237
Miscellaneous	765,918	2,681	768,599
Investment and royalty earnings	93,941		93,941
Total Revenues	<u>7,847,497</u>	<u>179,032</u>	<u>8,026,529</u>
Expenses:			
General government	1,713,189		1,713,189
Health and welfare	76,997		76,997
Judicial and legal	646,595		646,595
Public safety	2,038,827		2,038,827
Public facilities	77,598		77,598
Culture and recreation	59,924		59,924
Road and bridge	1,597,984		1,597,984
Airport		249,350	
Interest on long-term debt	20,914		20,914
Total Expenses	<u>6,232,028</u>	<u>249,350</u>	<u>6,232,028</u>
Transfers in (out)	-	-	-
Change in Net Position	1,615,469	(70,318)	1,545,151
Net Position - Beginning	<u>9,934,296</u>	<u>245,977</u>	<u>10,180,273</u>
Net Position - Ending	<u>\$ 11,549,765</u>	<u>\$ 175,659</u>	<u>\$ 11,725,424</u>

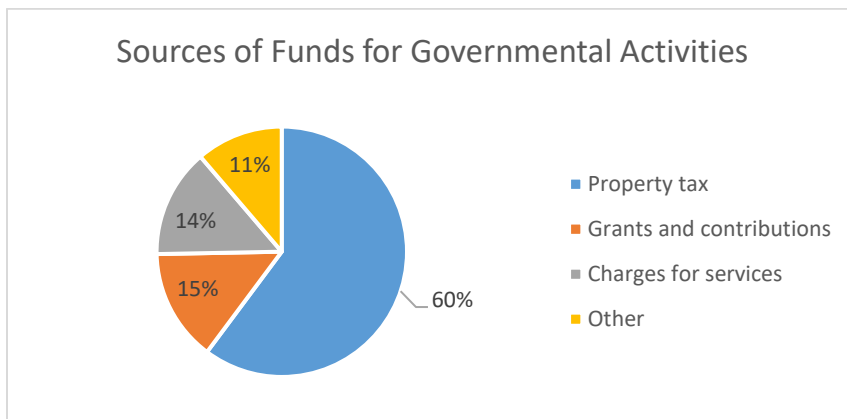
Governmental Activities

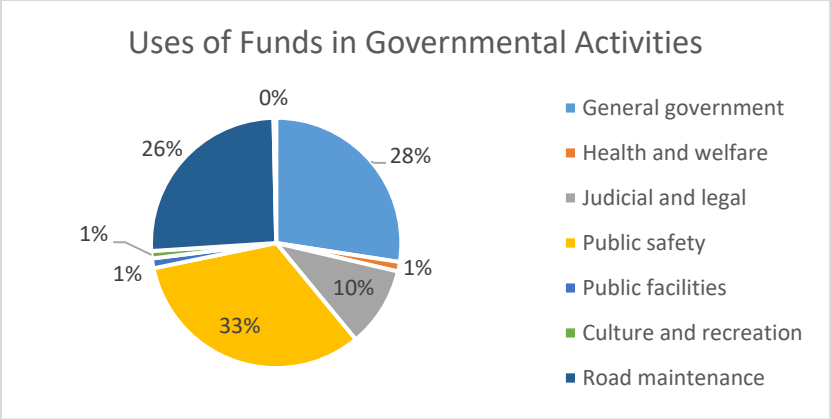
To aid in the understanding of the statement of activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical statement of revenues, expenses, and changes in fund balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a net (expense)/revenue. This type of format highlights the relative financial burden of each of the functions on the County's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

For the year ended December 31, 2023, the County's governmental activities were funded as follows:



For the year ended December 31, 2022, the County's governmental activities were funded as follows:





Total expenses for governmental activities amounted to \$7,334,156 during the year ended December 31, 2023. Of these total expenses, taxpayers and other general revenues funded \$6,021,123 while grants and contributions funded \$469,314, and \$843,719 was provided from charges for services for the year ended December 31, 2023.

A FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

Fund Financial Highlights

- As of the end of the fiscal year, Stephens County's governmental funds reported a combined fund balance of \$3,208,391, an increase of \$1,857,482 or 130% in comparison with the prior year.
- The General Fund is the chief operating fund of the County. At the end of the fiscal year, a deficit unassigned fund balance of (\$1,327,021) remained in the general fund.
- The County's total revenues exceeded total expenses by \$1,857,482 for the year.

General Fund Budgetary Highlights

Over the course of the year, the County revised the general fund budget at various times. With these adjustments, actual expenditures (including transfers) were \$4,996,171 higher than the final budgeted amounts. The most significant negative variance from budgeted expenses resulted from higher general government expenditures than anticipated. The actual revenues were \$3,775,848 higher than expected.

Road and Bridge Fund Budgetary Highlights

Over the course of the year, the County revised the road and bridge fund budget at various times. With these adjustments, actual expenditures were \$53,681 higher than the final budgeted amounts. Actual revenues (including transfers) were \$202,356 higher than the final budgeted amounts.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The County had \$11,865,196 and \$9,643,944 in capital assets, net of depreciation at December 31, 2023 and 2022, respectively (see table below). See **NOTE 5** in the notes to the financial statements for additional details.

Primary Government Capital Assets - (Net of accumulated depreciation)

	Government al Activities 2023	Business- Type Activities 2023	Totals 2023	Summarized Totals 2022
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Land	\$ 24,015	\$ 14,302	\$ 38,317	\$ 38,317
Buildings and improvements	6,843,460	29,533	6,872,993	6,434,078
Infrastructure	1,581,787	362,582	1,944,369	2,532,250
Furniture and equipment	2,850,751		2,850,751	659,229
ROU assets	<u>158,766</u>	<u>-</u>	<u>158,766</u>	<u>-</u>
 Total	 <u>\$ 11,458,779</u>	 <u>\$ 406,417</u>	 <u>\$ 11,865,196</u>	 <u>\$ 9,643,944</u>

Long-Term Debt

Long-term debt totaled \$5,118,000 and \$1,348,364 as of December 31, 2023 and 2022, respectively (see table below).

	<u>2023</u>	<u>2022</u>
<u>Governmental activities:</u>		
Certificates of obligation	\$ 5,738,000	\$ 1,275,000
Premium on certificates of obligation	-	3,364
ROU leases	21,499	-
ROU SBITAs	76,397	-
 <u>Business-type activities:</u>		
Note payable	<u>-</u>	<u>70,000</u>
 Total	 <u>\$ 5,835,896</u>	 <u>\$ 1,348,364</u>

See **NOTE 6** in the notes to the financial statements for additional information.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

For the upcoming fiscal year ending December 31, 2024, the County's budget is fairly consistent with this year. Budgeted expenditures for the next fiscal year are approximately the same as they were for 2023. The County's fund balance is projected to remain consistent.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of Stephens County's finances and to demonstrate the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the County Treasurer's office at Stephens County, Texas, 200 W. Walker Street, Breckenridge, Texas 76424.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STEPHENS COUNTY, TEXAS
STATEMENT OF NET POSITION
December 31, 2023

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS:			
Current Assets:			
Cash and cash equivalents	\$ 4,503,627	\$	\$ 4,503,627
Property taxes receivable	4,530,843		4,530,843
Allowance for uncollectible taxes	(245,352)		(245,352)
Leases receivable	21,576		21,576
Other accounts receivable	275,479		275,479
Noncurrent Assets:			
Net pension asset	1,498,635	26,229	1,524,864
Capital Assets:			
ROU Assets	217,378		217,378
Less: ROU accumulated amortization	(58,612)		(58,612)
Land	24,015	14,302	38,317
Buildings and improvements	10,258,124	69,504	10,327,628
Infrastructure	25,110,531	986,055	26,096,586
Furniture and equipment	6,909,787		6,909,787
Less: accumulated depreciation	(31,002,444)	(663,444)	(31,665,888)
TOTAL ASSETS	<u>22,043,587</u>	<u>432,646</u>	<u>22,476,233</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows of resources related to pensions	<u>1,614,718</u>	<u>28,261</u>	<u>1,642,979</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,614,718</u>	<u>28,261</u>	<u>1,642,979</u>
LIABILITIES:			
Current Liabilities:			
Accounts payable	24,082		24,082
Accrued interest payable	74,530		74,530
Cash overdraft	60,866		60,866
Other Liabilities	63	208,607	208,670
Certificates of obligation payable	748,000		748,000
ROU Leases payable	9,074		9,074
ROU SBITAs payable	21,219		21,219
Noncurrent Liabilities:			
Certificates of obligation payable	4,990,000		4,990,000
ROU Leases payable	12,425		12,425
ROU SBITAs payable	55,178		55,178
TOTAL LIABILITIES	<u>5,995,437</u>	<u>208,607</u>	<u>6,136,441</u>
DEFERRED INFLOWS OF RESOURCES:			
Unearned revenue - property taxes	5,771,195		5,771,195
Deferred inflows of resources related to leases	21,576		21,576
Deferred inflows of resources related to pensions	<u>1,005,277</u>	<u>17,594</u>	<u>1,022,871</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,798,048</u>	<u>17,594</u>	<u>6,815,642</u>
NET POSITION:			
Net investment in capital assets	5,622,883	406,417	6,029,300
Restricted for:			
Debt service	659,640		659,640
Unrestricted	<u>4,582,297</u>	<u>(171,711)</u>	<u>4,410,586</u>
TOTAL NET POSITION	<u>\$ 10,864,820</u>	<u>\$ 234,706</u>	<u>\$ 11,099,526</u>

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Function/Program Activities	Program Revenues			Net (Expense) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-type Activities	Total
Primary Government:						
Governmental Activities:						
General government	\$ 2,638,690	\$ 247,256	\$ 355,585	\$ (2,035,849)	\$	\$ (2,035,849)
Health and welfare	106,448	258		(106,190)		(106,190)
Judicial and legal	475,222	77,743	42,000	(355,479)		(355,479)
Public safety	2,345,598	85,118		(2,260,480)		(2,260,480)
Public facilities	99,322			(99,322)		(99,322)
Culture and recreation	97,597			(97,597)		(97,597)
Road maintenance	1,487,330	433,344	71,729	(982,257)		(982,257)
Interest on long-term debt	83,949			(83,949)		(83,949)
Total governmental activities	<u>7,334,156</u>	<u>843,719</u>	<u>469,314</u>	<u>(6,021,123)</u>	<u>-</u>	<u>(6,021,123)</u>
Business-type Activities:						
Airport		178,178	85		178,263	178,263
Depreciation expense	30,324				(30,324)	(30,324)
Operating expense	223,892				(223,892)	(223,892)
Total business-type activities	<u>254,216</u>	<u>178,178</u>	<u>85</u>	<u>-</u>	<u>(75,953)</u>	<u>(75,953)</u>
Total primary government	<u>\$ 7,588,372</u>	<u>\$ 1,021,897</u>	<u>\$ 469,399</u>	<u>(6,021,123)</u>	<u>(75,953)</u>	<u>(6,097,076)</u>
General Revenues and Transfers:						
Taxes:						
Property taxes, levied for general purposes,				4,938,446		4,938,446
Other taxes				19,306		19,306
Investment and royalty earnings				91,704		91,704
Gain/Loss on sale of assets				158,865		158,865
Miscellaneous				344,967		344,967
Transfer to agency				(217,994)		(217,994)
Transfers in (out)				(60,000)	60,000	-
Total General Revenues and Transfers				<u>5,275,294</u>	<u>60,000</u>	<u>5,335,294</u>
Change in Net Position				(745,829)	(15,953)	(761,782)
Net Position - Beginning				<u>11,549,765</u>	<u>175,659</u>	<u>11,725,424</u>
Prior period adjustment				60,884	75,000	135,884
Net Position- Beginning (as restated)				<u>11,610,649</u>	<u>250,659</u>	<u>11,861,308</u>
Net Position - Ending				<u>\$ 10,864,820</u>	<u>\$ 234,706</u>	<u>\$ 11,099,526</u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

STEPHENS COUNTY, TEXAS
BALANCE SHEET- GOVERNMENTAL FUNDS
December 31, 2023

	General	Road and Bridge	Capital Projects Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ -	\$ 986,239	\$ 2,848,106	\$ 669,282	\$ 4,503,627
Property taxes receivable	4,530,843				4,530,843
Allowance for uncollectible taxes	(245,352)				(245,352)
Accounts receivable	243,694	27,719		4,066	275,479
Total Assets	\$ 4,529,185	\$ 1,013,958	\$ 2,848,106	\$ 673,348	\$ 9,064,597
Liabilities:					
Accounts payable	\$ 24,082				\$ 24,082
Accrued expenses	63				63
Cash Overdraft	60,866				60,866
Total Liabilities	85,011	-	-	-	85,011
Deferred Inflows of Resources:					
Unavailable revenue - property taxes	5,771,195				5,771,195
Total Deferred Inflows of Resources	5,771,195	-	-	-	5,771,195
Fund balances:					
Restricted	659,640				659,640
Committed			2,848,106	673,348	3,521,454
Assigned		1,013,958			1,013,958
Unassigned	(1,986,661)				(1,986,661)
Total Fund Balance	(1,327,021)	1,013,958	2,848,106	673,348	3,208,391
Total Liabilities, Deferred Inflows of Resources, and Fund Balance	\$ 4,529,185	\$ 1,013,958	\$ 2,848,106	\$ 673,348	\$ 9,064,597

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
December 31, 2023

Fund Balances - Total governmental funds	\$	3,208,391
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.</p>		
Governmental capital assets	\$ 42,519,835	
Less accumulated depreciation	<u>(31,061,056)</u>	11,458,779
<p>Lease receivables for governmental activities are not reported in the governmental funds.</p>		
		21,576
<p>Deferred outflows of resources related to pensions are not reported in the governmental funds.</p>		
		1,614,718
<p>Debt obligations are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
Accrued interest payable	(74,530)	
ROU Leases	(21,499)	
ROU SBITAs	(76,397)	
Certificates of obligation	<u>(5,738,000)</u>	(5,910,426)
<p>Net pension asset is not reported in the governmental funds.</p>		
		1,498,635
<p>Deferred inflows of resources are not reported in the governmental funds.</p>		
Pensions	(1,005,277)	
Leases	<u>(21,576)</u>	<u>(1,026,853)</u>
Net position of governmental activities	\$	<u><u>10,864,820</u></u>

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS

For the Year Ended December 31, 2023

	General Fund	Road and Bridge	Capital Projects Funds	Other Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
Property taxes	\$ 4,328,775	\$ 592,829	\$	\$	\$ 4,921,604
License and fees	278,958	433,344		131,417	843,719
Other taxes	19,306				19,306
State and federal grants and contracts	131,893	71,729		265,692	469,314
Interest	27,983				27,983
Royalties	63,721				63,721
Other	178,997	35,389		7,488	221,874
Total Revenues	5,029,633	1,133,291	-	404,597	6,567,521
EXPENDITURES:					
Current:					
General government	2,949,880		88,559	9,212	3,047,651
Health and welfare	107,118				107,118
Judicial and legal	471,811			6,402	478,213
Public safety	1,974,524			52,380	2,026,904
Public facilities	99,432		515		99,947
Culture and recreation	50,899				50,899
Road maintenance		1,025,119			1,025,119
Capital outlay			2,357,280		2,357,280
Debt Service:					
Principal retired	877,000				877,000
Interest	24,189				24,189
Total Expenditures	6,554,853	1,025,119	2,446,354	67,994	10,094,320
Excess (Deficit) Revenues Over Expenditures	(1,525,220)	108,172	(2,446,354)	336,603	(3,526,799)
OTHER FINANCING SOURCES (USES):					
In-kind contribution	36,760				36,760
Insurance proceeds	88,473	34,620			123,093
Transfers in	3,339,090	184,388			3,523,478
Transfers out	(3,006,294)	(266,493)	(60,000)	(250,691)	(3,583,478)
Transfer from (to) agency	79,486			(297,480)	(217,994)
Sale of fixed assets	34,238	128,184			162,422
Bond proceeds			5,340,000		5,340,000
Total Other Financing Sources (Uses)	571,753	80,699	5,280,000	(548,171)	5,384,281
Excess (Deficit) Revenues and Other Financing Sources Over Expenditures and Financing Uses	(953,467)	188,871	2,833,646	(211,568)	1,857,482
Fund Balance, Beginning of Year	(373,554)	825,087	14,460	884,916	1,350,909
Fund Balance, End of Year	\$ (1,327,021)	\$ 1,013,958	\$ 2,848,106	\$ 673,348	\$ 3,208,391

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2023

Net change in fund balances - total governmental funds \$ 1,857,482

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

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate these expenditures over their estimated useful lives.

Capital asset purchases capitalized	\$ 2,962,685	
Depreciation expense	<u>(1,062,522)</u>	1,900,163

Governmental funds report proceeds for the sale of assets as revenues while governmental activities report the gain or loss on disposals based on the net book value of the asset. (3,557)

Notes payable obligations provide current financial resources to governmental funds, but the obligation increases liabilities in the statement of net position. Repayment of notes or bond principal is an expenditure in the governmental funds, but reduces the liability in the statement of net position. Bond discounts and premiums are amortized over the life of the bond for the statement of activities and expensed in the fund statements. In-kind payments are made on behalf of the County but not paid from County funds.

Principal payments on bonds payable		845,000
Bond amortization		839
Bond proceeds		(5,340,000)

The change in net pension liability / asset and the related deferred outflows and inflows of resources reported in the statement of activities do not require the use of current financial resources and, therefore are not reported as an expenditure in the governmental funds. 42,761

Governmental funds report property taxes that are not available as deferred inflows of resources but governmental activities report property taxes when they are assessed. 16,842

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

Adjustments to accrued interest payable		<u>(65,359)</u>
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Change in net position of governmental activities \$ (745,829)

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
December 31, 2023

	<u>Stephens County Airport</u>
ASSETS:	
Noncurrent assets:	
Net pension asset	\$ 26,229
Capital assets:	
Property, plant and equipment	1,069,861
Less: accumulated depreciation	<u>(663,444)</u>
Total Noncurrent Assets	<u>432,646</u>
TOTAL ASSETS	<u>432,646</u>
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred outflows of resources related to pensions	<u>28,261</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>28,261</u>
LIABILITIES:	
Current liabilities:	
Other liabilities	<u>208,607</u>
Total Current Liabilities	<u>208,607</u>
TOTAL LIABILITIES	<u>208,607</u>
DEFERRED INFLOWS OF RESOURCES:	
Deferred inflows of resources related to pensions	<u>17,594</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>17,594</u>
NET POSITION:	
Net investment in capital assets	406,417
Unrestricted	<u>(171,711)</u>
TOTAL NET POSITION	<u>\$ 234,706</u>

The accompanying notes are an integral part of the financial statements.

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

For the Year Ended December 31, 2023

	<u>Stephens County Airport</u>
OPERATING REVENUES:	
Hangar rental	\$ 44,573
Fuel sales	133,605
Total Operating Revenues	<u>178,178</u>
OPERATING EXPENSES:	
Wages and benefits	55,228
Repairs and maintenance	33,519
Fuel	120,475
Depreciation	30,324
Other	14,670
Total Operating Expenses	<u>254,216</u>
Operating Loss	<u>(76,038)</u>
NON-OPERATING REVENUES :	
Miscellaneous income	85
Transfer in	60,000
Change in Net Position	(15,953)
Net Position - Beginning	<u>175,659</u>
Prior period adjustment	75,000
Net Positions- Beginning (restated)	<u>250,659</u>
Net Position - Ending	<u>\$ 234,706</u>

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2023

		<u>Stephens</u>
		<u>County Airport</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$	178,178
Cash paid to employees		(52,883)
Cash paid to suppliers		<u>(115,380)</u>
Net Cash Provided by Operating Activities		<u>9,915</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Payment on note payable		(70,000)
Grant income		85
Miscellaneous receipts		<u>60,000</u>
Net Cash Used in Noncapital and Related Financing Activities		<u>(9,915)</u>
Net Increase (Decrease) in Cash and Cash Equivalents		<u>-</u>
Cash and Cash Equivalents at Beginning of Year		<u>-</u>
Cash and Cash Equivalents at End of Year	\$	<u><u>-</u></u>
Reconciliation of Operating Loss to Net Cash Used in Operating Activities:		
Operating Loss	\$	(76,038)
Adjustments Not Affecting Cash:		
Depreciation and amortization		30,324
Increase in pension asset		34,577
Increase in deferred outflows		(19,059)
Increase in other liabilities		53,284
Increase in deferred inflows		<u>(13,173)</u>
Net Cash Provided by Operating Activities	\$	<u><u>9,915</u></u>

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION -
FIDUCIARY FUNDS
December 31, 2023

	<u>Total Custodial Funds</u>
ASSETS:	
Cash and cash equivalents	\$ <u>1,268,108</u>
Total Assets	<u>1,268,108</u>
NET POSITION:	
Restricted net position	\$ <u><u>1,268,108</u></u>

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION -
FIDUCIARY FUNDS

For the Year Ended December 31, 2023

	<u>Total Custodial Funds</u>
ADDITIONS:	
Private contributions	\$ 14,122,811
Interest income	875
Transfer in from general	<u>297,480</u>
Total Additions	<u>14,421,166</u>
DEDUCTIONS:	
Administrative expenses	16,332,763
Recipient payments	1,305
Transfer to general	<u>79,486</u>
Total Deductions	<u>16,413,554</u>
Net Change	<u>(1,992,388)</u>
Net Position - Beginning of Year	<u>3,257,040</u>
Prior period adjustment	3,456
Net Position - Beginning of Year (restated)	<u>3,260,496</u>
Net Position - End of Year	<u><u>\$ 1,268,108</u></u>

The accompanying notes are an integral part of the financial statements.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 1: REPORTING ENTITY

The authority of county governments and their specific functions and responsibilities are created by and dependent upon laws and legal regulations of the Texas State Constitution. Stephens County (the "County") operates under a county judge/commissioners court type of government as provided by state statute. The financial and reporting policies of the County conform to generally accepted accounting principles ("GAAP") applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB"), which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants Audit and Accounting Guide entitled *State and Local Governments*.

In accordance with the Codification of Governmental Accounting and Financial Reporting Standards, the basic financial statements include all funds, organizations, agencies, boards, commissions, and authorities for which the County is financially accountable. The County has also considered all other potential organizations for which the nature and significance of their relationships with the County are such that exclusion would cause the County's financial statements to be misleading or incomplete. GASB has set forth criteria to be considered in determining financial accountability. These criteria include appointing a majority of an organization's governing body, 1) the ability of the County to impose its will on that organization, or 2) the potential for that organization to provide specific benefits to or impose specific financial burdens on the County. Based on these criteria, there are no other organizations or agencies which should be included in these basic financial statements.

NOTE 2: GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the County. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. 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; and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not included among program revenues are reported as general revenues.

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the County or meets the following criteria:

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund

The general fund is the primary operating fund of the County and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund

Special revenue funds are used to account for the proceeds of specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the County. The following special revenue funds are reported as major funds:

Road and Bridge Fund – established to account for the resources devoted to maintaining the County's roads and bridges.

Capital Projects Fund

The capital projects fund accounts for resources accumulated and payments made for the acquisition and improvement of sites, construction, and remodeling of facilities, and procurement of equipment necessary for providing adequate services within the County. The capital projects fund is considered a major fund.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

Non-spendable, such as fund balance associated with inventories, prepaid expenditures, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).

Restricted fund balance category includes amounts that can be spent for only the specific purposes stipulated by the constitution, external resources providers, or through enabling legislation.

Committed fund balance classification includes amounts that can be used only for the specific purposes determined by formal action of the Commissioners' Court (the County's highest level of decision-making authority).

Assigned fund balance classification includes amounts intended to be used by the County for specific purposes but does not meet the criteria to be classified as restricted or committed.

Unassigned fund balance is the residual classification for the County's general fund and includes all spendable amounts not contained in the other classifications.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Restricted Fund Balance

The County's restricted fund balance as of December 31, 2023, which relates to the use of external resources and resources created by enabling legislation for the purpose of the legislation, is comprised of the interest and sinking accounts restricted for debt totaling \$659,640.

Assigned Fund Balance

The County's management has the authority to assign funds in accordance with various internal programs. The County's assigned fund balance as of December 31, 2023 is comprised of the Road and Bridge fund totaling \$1,013,958.

Committed Fund Balance

The County's committed fund balance is the portion of the fund balance that may only be established and modified by a formal action of the Commissioners' Court. The County's committed fund balance as of December 31, 2023, is comprised of the following:

<u>Commitment</u>	<u>Amount</u>
Capital projects	\$ 2,848,106
Other nonmajor commitments	<u>673,348</u>
Total Committed Fund Balance	<u>\$ 3,521,454</u>

Order of Fund Balance Spending Policy

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: 1) Restricted, 2) Committed, 3) Assigned, and 4) Unassigned.

Minimum Fund Balance Policy

The County does not utilize a minimum fund balance policy.

Proprietary Funds

Enterprise Funds

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurements similar to the private sector.

Stephens County Airport Fund – operating revenue results from hangar charges and the sale of fuel.

Fiduciary Funds

The County reports the following fiduciary fund types:

Custodial Funds – accounts for assets the County holds on behalf of others as their agent. They are custodial in nature (assets equal liabilities), and the County is responsible for administering or disbursing the funds in accordance with legal requirements, agreements, or court orders.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Measurement Focus/Basis of Accounting

In the government-wide financial statements, both governmental and business-type activities are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the 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 County 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.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the County; therefore, revenues are recognized based on the expenditures recorded and the availability criteria. On the other, monies are virtually unrestricted as to the purpose of expenditure and are usually revocable only for failure to comply with prescribed requirements. These resources are reflected as revenues at the time of receipt, or earlier if the susceptible to accrual criteria are met.

Licenses and permits, fines and forfeitures, charges for sales and services (other than utility), and miscellaneous revenues are generally recorded as revenue when received in cash because they are generally not measurable until actually received. In the category of use of money and property, property rentals are recorded as revenue when received in cash, but investment earnings are recorded as earned, since they are measurable and available.

Budget

The County's annual budget is a management tool that assists its users in analyzing financial activity for its fiscal year ending December 31.

The County Treasurer submits an annual budget to the County Commissioners in accordance with the County Charter. In September, the County Commissioners adopted annual fiscal year budgets for specified County funds. Budgets for the general fund are adopted on a basis consistent with U.S. generally accepted accounting principles.

Budgeted amounts are as originally adopted, or as amended during the fiscal year by the Commissioners' Court.

Cash and Cash Equivalents

Cash and cash equivalents reflected in the financial statements include petty cash, cash in banks, and state investment pools. Petty cash amounts are maintained in various County offices for the purposes of collections of payments made to the County.

For the purpose of reporting cash flows, all highly liquid investments with an original maturity of three months or less are considered to be cash equivalents.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Property Tax Calendar

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the County in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

Capital Assets

In government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the statement of net position. In business-type activities, capital assets are accounted for as assets in the fund financial statements. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. The estimated historical cost was used to value the assets. Donated fixed assets are recorded at their estimated fair value at the date of donation. The County's infrastructure network is valued at historical cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$5,000 and an estimated life for more the 2 years is used to report capital assets.

The range of estimated useful lives by type of asset is as follows:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-40
Building improvements	10-40
Vehicles	5
Equipment	10
Technology equipment	5
Infrastructure	40

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as a liability in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Equity Classification

Government-Wide Statements

Equity is classified as net position and displayed in two components:

Net invested in capital assets – consists of capital assets including restricted capital assets, net of accumulated depreciation, and reduced by the outstanding balance of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted net position – consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation. Restricted net position as of December 31, 2023, represents funds restricted for debt service.

Unrestricted net position – all other net positions that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

It is the County’s policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund Financial Statements

Governmental fund equity is classified as fund balance.

Recent Accounting Pronouncements

Adopted

GASB Statement No. 96

In May 2021, the GASB issued *Statement No. 96, Subscription-Based Information Technology Arrangements*, which improves accounting and financial reporting for subscription-based information technology arrangements for government end users. The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and was adopted by the County in 2023.

Not Adopted

GASB Statement No. 100

In June 2022, the GASB issued *Statement No. 100, Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*, which enhances accounting and financial reporting requirements and accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The requirements of this statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The County will fully analyze the impact of this new Statement prior to the effective date.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Use of Estimates

The preparation of financial statements by the County requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

Subsequent Events

Management has evaluated subsequent events through May 24, 2024, the date the financial statements were available to be issued.

NOTE 3: LEGAL COMPLIANCE - BUDGETS

The County's budgetary process requires that expending agencies of the County submit appropriation requests by mid-May of each year. After review by the budget officer and department heads, the requests are combined and submitted to the Commissioners' Court. In August, the proposed budget is filed with the County Clerk for public inspection at least fifteen days prior to hearings, which are open to the public. A final budget must be adopted prior to October 1. At the fund level, actual expenditures cannot exceed budgeted appropriations.

NOTE 4: CASH AND INVESTMENTS

Cash deposits at December 31, 2023, totaling \$6,509,882 (all funds), were in checking accounts during the year which are allowable types of deposits. In addition to the \$250,000 insurance on accounts provided by Federal Deposit Insurance Corporation ("FDIC") regulations, securities in the amount of \$6,499,661 were pledged by the depository bank to secure all bank deposits and investments.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. On the date of the largest cash balance of the fiscal year, pledged securities were not sufficient to cover the total bank balance of \$6,754,916 of which, \$60,846 was not covered. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Demand Deposit Accounts	Bank Balance
Insured	\$ 250,000
Pledged securities	6,444,071
Uninsured and uncollateralized	60,846
Total Deposits	\$ <u>6,754,916</u>

Investments

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area, conducted as a part of the audit of the general-purpose financial statements, disclosed that in the areas of investment practices, management reports, and establishment of appropriate policies, the County adhered to the requirements of the Act. Additionally, the investment practices of the County were in accordance with local policies.

As of December 31, 2023, the County had no investments.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Investment Policy

The County has adopted the provisions of GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Pools" ("Statement"). Those provisions require that certain investments be reported at fair value, rather than at cost or amortized cost and that the changes in the fair value of investments be recognized as investment revenue. The Statement further provides that the County has the option of continuing to report certain investments at cost or amortized cost but must disclose its policy in that regard.

In accordance with the Statement, the County's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report non-participating interest-earning investment contracts using the cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists that guarantees a higher value. The term "short-term" refers to investments that have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

Public Funds Investments Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Inter-local Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to (1) have an advisory board composed of participants in the Pool and other persons who do not have a business relationship with the Pool and are qualified to advise the Pool; (2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and (3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its share.

The County's investments in Pools are reported at an amount determined by the fair value per share of the Pool's underlying portfolio, unless the Pool is 2a7-like, in which case they are reported at share value. 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.

Investment Risks

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. As of December 31, 2023, the County was not exposed to credit risk.

Custodial credit risk relates to deposits that are exposed to the risk that they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities, held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the County's name. As of December 31, 2023, the County was not exposed to custodial credit risk.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of December 31, 2023, the County was not exposed to a concentration of credit risk.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. As of December 31, 2023, the County was not exposed to interest rate risk.

Foreign currency risk is the risk that exchange rates will adversely affect the fair value of an investment. As of December 31, 2023, the County was not exposed to foreign currency risk.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, follows:

	<u>Beginning</u> <u>Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balances</u>
Governmental activities:				
Non-depreciable assets:				
Land	\$ 24,015	\$ -	\$ -	\$ 24,015
Depreciable assets:				
Buildings and improvements	9,563,493	694,631	-	10,258,124
Infrastructure	25,110,531	-	-	25,110,531
Furniture and equipment	4,798,679	2,464,258	(353,150)	6,909,787
Right of use assets- leases	-	45,615	-	45,615
Right of use assets- SBITAs	-	171,763	-	171,763
Total at historical cost	<u>39,472,703</u>	<u>3,376,267</u>	<u>(353,150)</u>	<u>42,495,821</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,160,686)	(253,978)	-	(3,414,664)
Infrastructure – roads and bridges	(22,969,449)	(559,295)	-	(23,528,744)
Furniture and equipment	(4,159,380)	(249,250)	349,594	(4,059,036)
Right of use assets- leases	-	(24,130)	-	(24,130)
Right of use assets- SBITAs	-	(34,482)	-	(34,482)
Total accumulated depreciation	<u>(30,289,515)</u>	<u>(1,121,135)</u>	<u>349,594</u>	<u>(31,061,056)</u>
Governmental activity capital assets, net	<u>\$ 9,207,203</u>	<u>\$ 2,255,132</u>	<u>\$ (3,556)</u>	<u>\$ 11,458,779</u>
Business-type activities:				
Non-depreciable assets:				
Land	\$ 14,302	\$ -	\$ -	\$ 14,302
Depreciable assets:				
Buildings and improvements	69,504	-	-	69,504
Infrastructure	986,055	-	-	986,055
Total at historical cost	<u>1,069,861</u>	<u>-</u>	<u>-</u>	<u>1,069,861</u>
Less accumulated depreciation for:				
Buildings and improvements	(38,233)	(1,738)	-	(39,971)
Infrastructure	(594,887)	(28,586)	-	(623,473)
Total accumulated depreciation	<u>(633,120)</u>	<u>(30,324)</u>	<u>-</u>	<u>(663,444)</u>
Business-type activity capital assets, net	<u>\$ 436,741</u>	<u>\$ (30,324)</u>	<u>\$ -</u>	<u>\$ 406,417</u>

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Depreciation and amortization expense was charged to functions as follows:

General government	\$ 164,359
Public recreation	47,016
Public safety	334,156
Road and bridge	575,604
Airport	30,324
	<u>\$ 1,151,459</u>

NOTE 6: LONG-TERM OBLIGATIONS

Long-term obligations consisted of the following as of December 31, 2023:

Governmental activities:

Certificates of obligation:

Hospital Revenue bonds, Certificates of Obligation (series 2011) bearing interest at 4.0% due incrementally on June 1 and December 1 of each year until June 1, 2026.	\$ 103,000
Certification of Obligation (series 2023) bearing interest at 6.175% due incrementally on February 15 of each year until February 2030.	5,340,000
Tax note (series 2019) bearing interest at 2.35% due incrementally on February 15 and August 15 of each year until February 15, 2026.	<u>295,000</u>
Total certificates of obligation	<u><u>\$ 5,738,000</u></u>

Changes in long-term obligations for the year ended December 31, 2023, are as follows:

	<u>January 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>December 31, 2023</u>	<u>Amount Due Within One Year</u>
Note payable	\$ 70,000	\$ -	\$ (70,000)	\$ -	\$ -
ROU Leases	-	21,499	-	21,499	9,074
ROU SBITAs	-	76,397	-	76,397	21,219
Certificates					
of obligation	<u>1,275,000</u>	<u>5,340,000</u>	<u>(877,000)</u>	<u>5,738,000</u>	<u>748,000</u>
Total	<u><u>\$ 1,345,000</u></u>	<u><u>\$ 5,407,602</u></u>	<u><u>\$ (947,000)</u></u>	<u><u>\$ 5,835,896</u></u>	<u><u>\$ 778,293</u></u>

Interest expense on long-term obligations during the year ended December 31, 2023 totaled \$83,949.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Long-term debt arising from cash transactions and payable from governmental fund resources consisted of the following at December 31, 2023:

Leases payable:

The County has multiple copier leases with Hilliard Office Solutions, payable in monthly installments ranging from \$70 to \$600 including interest of 0.05% secured by equipment, and final payments due between August 31, 2025 and October 16, 2026.

\$ 21,499

Total finance leases payable

\$ 21,499

Maturities of the leases payable are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total Requirement
2024	\$ 9,074	\$ 8	\$ 9,082
2025	8,729	4	8,733
2026+	3,696	1	3,697
	<u>\$ 21,499</u>	<u>\$ 13</u>	<u>\$ 21,512</u>

Subscription-based information technology arrangements (SBITAs) payable:

The County entered into an arrangement with Tyler Technologies for \$152,002 dated October 1, 2023 for software, payable in payments due quarterly every year with an interest rate of 3.98%, final payment due December 31, 2027.

\$ 65,368

The County entered into an agreement with Hyper-Reach for \$15,588 dated October 1, 2023 for emergency notification services, payable in annual payments due October 1 of every year with an interest rate of 4.86%, final payment due October 1, 2025.

\$ 10,138

The County entered into an agreement with Kologik for \$1,774 dated October 1, 2022 for software, payable in annual payments due October 1 of every year with an interest rate of .97%, final payment due October 1, 2024.

891

Total SBITAs payable

\$ 76,397

Maturities of the SBITAs payable are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total Requirement
2024	\$ 21,219	\$ 2,894	\$ 24,113
2025	21,197	2,016	23,213
2026	16,653	1,110	17,763
2027+	17,328	435	17,763
	<u>\$ 76,397</u>	<u>\$ 6,455</u>	<u>\$ 82,852</u>

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Maturities of the certificates of obligation are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total Requirement
2024	\$ 748,000	\$ 47,561	\$ 795,561
2025	734,000	42,695	776,695
2026	781,000	41,724	822,724
2027	790,000	48,782	838,782
2028+	2,685,000	165,799	2,850,799
	<u>\$ 5,738,000</u>	<u>\$ 346,561</u>	<u>\$ 6,084,561</u>

Net amortization was \$3,364 for the year ended December 31, 2023.

NOTE 7: LEASE RECEIVABLE

The County leases a building and land with interests rates equal to the market rate at the time of the lease renewals. The County recognizes lease revenues of \$14,088 in the current fiscal year. Leases payments receivable from leases where the County is the lessor include the following:

Fiscal Year Ending December 31,	Principal	Interest	Total Requirement
2024	\$ 13,106	\$ 982	\$ 14,088
2025+	7,132	356	7,488
	<u>\$ 21,576</u>	<u>\$ 1,338</u>	<u>\$ 21,576</u>

NOTE 8: FEDERAL/STATE SOURCE REVENUES

The majority of the federal grant funds received are for the U.S. Department of the Treasury related to coronavirus relief and community development block grants from the U.S. Department of Housing and Urban Development. State grant funds received and recorded in the general fund are primarily for salary supplements and additional law enforcement personnel. These grant funds have been awarded and accounted for by the County.

NOTE 9: DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. See **NOTE 10** below for a description of deferred outflows of resources related to pension plans as of December 31, 2023.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. See **NOTE 10** below for a description of deferred inflows of resources related to pension plans as of December 31, 2023. Unavailable property taxes are also included as a deferred inflow on the fund statements as of December 31, 2023.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 10: PENSION PLANS

Pension Plan Description

The County provides pension, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system serving over participating counties and districts throughout Texas. TCDRS in the aggregate issues an annual comprehensive financial report (ACFR) on a calendar year basis. The ACFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034, or by calling (800) 823-7782. TCDRS's ACFR is also available online at www.tcdrs.org.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members have flexibility and local control to adjust benefits annually and pay for these benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plan are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. All employees (except temporary staff) of a participating employer must be enrolled in the plan.

Benefits Provided

At retirement, the employee's account balance is combined with employer matching and converted into a lifetime monthly benefit. Employees receive a month of service for each month that they make a deposit into their account. Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer. Retirees elect to receive their lifetime benefit by choosing one of seven actuarially equivalent payment options.

As of the most recent measurement date, which was December 31, 2022, membership data for the pension plan was as follows:

Retirees and beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	32
Active employees	60
Total participants	<u>126</u>

Funding Policy

The employer has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer, based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 12.0% for fiscal year 2023. The contribution rate payable by the employee members is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

The annual pension cost for the TCDRS plan for its employees was \$281,037 and the actual contributions were \$281,037 for the year ended December 31, 2023.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Net Pension Asset

The net pension asset (NPA) is the difference between the total pension liability (TPL) and the plan's fiduciary net position. The TPL is the present value of pension benefits that are allocated to current members due to past service by entry age normal actuarial cost method. The TPL includes benefits related to projected salary and service. The fiduciary net position is determined on the same basis used by the pension plans. The County's NPA was measured as of December 31, 2022, and the TPL used to calculate the NPA was determined by an actuarial valuation as of that date.

Total pension liability	\$ 14,147,180
Fiduciary net position	<u>(15,672,044)</u>
Net pension asset	<u>\$ (1,524,864)</u>

Actuarial Assumptions

The demographic assumptions used in the December 31, 2022 valuation were developed from an actuarial experience investigation of TCDRS over the years 2017-2021. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December of 2022. All economic assumptions were reviewed at the March 2021 TCDRS Board of Trustees meeting and revised assumptions were adopted. These revisions included reductions in the investment return, wage growth, and maximum payroll growth assumptions. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2022. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

The total pension liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%	
Overall payroll growth	3.00%	
Investment rate of return	7.60%	This rate reflects the long-term rate of return funding valuation assumption of 7.50%, plus 0.10% adjustment to be gross of administrative expenses as required by GASB Statement No. 68

Salary increases were based on a service-related table. Regarding mortality rates, for depositing members - 135% of the Pub-2010 General Employee Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Employee Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010; for service retirees, beneficiaries, and non-depositing members – 135% of the PUB-2010 General Retirees Amount-Weighted Mortality Table for males and 120% of the Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010; for disabled retirees – 160% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% of the Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.

The long-term expected rate of return on pension plan investments is 7.60%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TCDRS Board of Trustees. The valuation assumption for the long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The most recent analysis was performed in March 2021.

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized below:

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Asset Class	Target Allocation	Geometric Real Rate of Return (expected minus inflation)
US equities	11.50%	3.80%
Private equity	25.00%	6.80%
Global equities	2.50%	4.10%
International equities - developed	5.00%	3.80%
International equities - emerging	6.00%	4.30%
Investment-grade bonds	3.00%	-0.85%
Strategic credit	9.00%	1.77%
Direct lending	16.00%	6.25%
Distressed debt	4.00%	4.50%
REIT equities	2.00%	3.10%
Master limited partnerships	2.00%	3.85%
Private real estate partnerships	6.00%	5.10%
Hedge funds	6.00%	1.55%

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in the statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of currently active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Schedule of Changes in the Net Pension Liability

Changes in the County's net pension liability presented below is calculated on the same basis as the plan.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension (Liability) Asset (a)-(b)
Balances as of December 31, 2021	\$ 13,967,746	\$ 17,168,053	\$ (3,200,307)
Changes for the year:			
Service cost	273,381	-	273,381
Interest on total pension liability	1,048,139	-	1,048,139
Effect of economic / demographic gains or losses	(225,658)	-	-
Effect of assumption changes or inputs	-	-	-
Refund of contributions	(56,134)	(56,134)	-
Benefit payments	(860,294)	(860,294)	-
Administrative expenses	-	(9,184)	9,184
Member contributions	-	164,940	(164,940)
Net investment income	-	(966,445)	964,445
Employer contributions	-	282,754	(282,754)
Other	-	(51,647)	51,647
Balances as of December 31, 2022	\$ 14,147,180	\$ 15,672,044	\$ (1,524,864)

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the County calculated using the discount rate of 7.60% as well as what the County net pension liability would have been if it were calculated using a discount rate that is 1% lower and 1% higher than the current rate:

	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
	<u>(6.60%)</u>	<u>(7.60%)</u>	<u>(8.60%)</u>
Total pension liability	\$ 15,672,901	\$ 14,147,180	\$ 12,841,647
Fiduciary net position	<u>15,672,044</u>	<u>15,672,044</u>	<u>15,672,044</u>
Net pension liability (asset)	<u>\$ 857</u>	<u>\$ (1,524,864)</u>	<u>\$ (2,830,397)</u>

Pension Income and Deferred Outflows and Inflows of Resources Related to Pensions

For the year ended December 31, 2023, the County recognized total pension expense of \$238,276.

As of December 31, 2023, the County reported on the statement of net position deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred</u> <u>(Inflows) of</u> <u>Resources</u>	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ (25,418)	\$ 108,588
Difference between projected and actual investment earnings	(900,663)	1,224,894
Changes in assumptions and other Inputs	(96,790)	28,460
Contributions made subsequent to measurement date	<u>-</u>	<u>281,037</u>
Total	<u>\$ (1,022,871)</u>	<u>\$ 1,642,979</u>

Deferred outflows of resources related to contributions subsequent to the measurement date of \$281,037 will be recognized as an increase in the net pension asset for the year ending December 31, 2023. Remaining net deferred outflows (inflows) of resources related to pensions totaling \$339,071 will be recognized in pension expense (income) for the years ending December 31, 2024, 2025, and 2026 in the amounts of (\$93,803), (\$17,415), and 450,289 respectively.

NOTE 11: RISK MANAGEMENT AND UNCERTAINTIES

The County's risks of significant losses from auto and property damage and general, law enforcement, and public official liability are covered by participation in the Texas Association of counties (TAC) Risk Management Pool. Coverage with TAC is handled like commercial insurance by both parties. There have been no significant reductions in insurance coverage for the current year.

STEPHENS COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
December 31, 2023

NOTE 12: INTERFUND TRANSACTIONS

Transfers:

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations, and re-allocations of special revenues. The following schedule briefly summarizes the County's transfer activity:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
Other nonmajor funds	Road and bridge fund	\$ 184,388
Other nonmajor funds	General fund	3,072,597
Road and bridge fund	General fund	266,493
Capital Projects Fund	Airport Fund	60,000
		<u>\$ 3,583,478</u>

NOTE 13: TAX ABATEMENTS

Stephens County negotiates property tax abatement agreements with local businesses on an individual basis. All agreements are negotiated under state law (Chapter 312 of the Texas Tax Code, "Property Redevelopment and Tax Abatement Act"), which allows the County to abate property taxes to any business located inside or outside Stephens County to promote the development/redevelopment of certain contiguous geographic areas within its jurisdiction. Stephens County may grant abatements of up to 100 percent of annual property tax values.

As of December 31, 2023, Stephens County did not have any tax abatement agreements.

NOTE 14: DEFICIT FUND EQUITY

The general fund ended with a deficit balance of (\$1,327,021) as of December 31, 2023. Transfers from the other funds could potentially be made available to reduce or eliminate the general fund deficit balance.

NOTE 15: PRIOR PERIOD ADJUSTMENTS

A prior period adjustment totaling \$75,000 was recorded to properly reflect the fuel farm asset at the Stephens County Airport proprietary fund level.

A prior period adjustment totaling \$60,884 was recorded to reflect implementation of the subscription-based information technology arrangements.

A prior period adjustment totaling \$3,456 was recorded to reflect custodial funds not previously reported by the County.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

STEPHENS COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance (as restated)	\$ (231,498)	\$ (841,541)	\$ (373,554)	\$ 467,897
Resources (Inflows):				
Taxes:				
Property tax	3,901,518	3,901,518	4,328,775	427,257
Other tax	14,700	14,700	19,306	4,606
Total taxes	3,916,218	3,916,218	4,348,081	431,863
Grant Revenue	879,200	879,200	131,893	(747,307)
License and fees	279,350	279,350	278,958	(392)
Miscellaneous:				
Interest income	20,960	20,960	27,983	7,023
Royalty income	60,000	60,000	63,721	3,721
Miscellaneous	144,000	144,000	338,467	194,467
Total miscellaneous	224,960	224,960	430,171	205,211
Transfers In	-	-	3,418,576	3,418,576
Amounts available for appropriation	5,299,728	5,299,728	8,607,679	3,775,848
Charges to Appropriations (Outflows):				
General government	1,752,825	1,752,825	3,525,922	(1,773,097)
County judge	131,181	131,181	138,461	(7,280)
County clerk	98,725	98,725	104,741	(6,016)
Veteran service office	12,841	12,841	14,132	(1,291)
District clerk	80,915	80,915	91,029	(10,114)
Justice of the peace	88,514	88,514	87,063	1,451
Elections	60,144	60,144	40,328	19,816
County attorney	137,904	137,904	137,037	867
Treasurer	92,932	92,932	90,999	1,933
Tax collector	93,912	93,912	99,597	(5,685)
Building maintenance	54,900	54,900	99,432	(44,532)
Constable	105,600	105,600	90,291	15,309
Sheriff	1,510,016	1,510,016	1,628,776	(118,760)
Juvenile probation	79,780	79,780	58,700	21,080
Mental health	43,880	43,880	82,119	(38,239)
County agents	56,960	56,960	78,957	(21,997)
Jury	21,896	21,896	22,255	(359)
District judge	38,430	38,430	32,678	5,752
Court reporter	36,560	36,560	39,272	(2,712)
District attorney	67,060	67,060	93,063	(26,003)
Transfers Out	-	-	3,006,294	(3,006,294)
Total charges to appropriations	4,564,975	4,564,975	9,561,146	(4,996,171)
Ending Budgetary Fund Balance	\$ 503,255	\$ (106,788)	\$ (1,327,021)	\$ (1,220,323)

Notes to Budgetary Comparison Schedule - General Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues are recognized as soon as they are both measurable and available and expenditures are recorded when a liability is incurred, as under accrual accounting.

STEPHENS COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - ROAD AND BRIDGE FUND
For the Year Ended December 31, 2023

	Budgeted Amounts		Actual Amount	Variance with Final Budget Positive/ (Negative)
	Original	Final		
Beginning Budgetary Fund Balance	\$ 1,030,916	\$ 828,075	\$ 825,087	\$ (2,988)
Resources (Inflows):				
Property taxes	702,707	724,574	592,829	(131,745)
License and fees	478,065	478,065	433,344	(44,721)
Grants	-	-	71,729	71,729
Miscellaneous revenue	<u>72,500</u>	<u>72,500</u>	<u>198,193</u>	<u>125,693</u>
Transfers In	<u>-</u>	<u>-</u>	<u>184,388</u>	<u>184,388</u>
Total available for appropriation	<u>1,253,272</u>	<u>1,275,139</u>	<u>1,480,483</u>	<u>202,356</u>
Charges to Appropriations (Outflows):				
Combined precincts	<u>1,237,931</u>	<u>1,237,931</u>	<u>1,025,119</u>	<u>212,812</u>
Transfers Out	<u>-</u>	<u>-</u>	<u>266,493</u>	<u>(266,493)</u>
Total charges to appropriations	<u>1,237,931</u>	<u>1,237,931</u>	<u>1,291,612</u>	<u>(53,681)</u>
Ending Budgetary Fund Balance	<u>\$ 1,046,257</u>	<u>\$ 865,283</u>	<u>\$ 1,013,958</u>	<u>\$ 148,675</u>

Notes to Budgetary Comparison Schedule - Road and Bridge Fund

Note 1: Basis of Accounting

The budget is prepared on the same modified accrual basis of accounting as applied to the governmental fund in the basic financial statements. Revenues are recognized as soon as they are both measurable and available and expenditures are recorded when a liability is incurred, as under accrual accounting.

STEPHENS COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - PENSION PLAN
For the Last Ten Fiscal Years *

	Measurement Date 12/31/2022	Measurement Date 12/31/2021	Measurement Date 12/31/2020	Measurement Date 12/31/2019	Measurement Date 12/31/2018	Measurement Date 12/31/2017	Measurement Date 12/31/2016	Measurement Date 12/31/2015
Total Pension Liability:								
Service cost	\$ 273,381	\$ 276,698	\$ 276,076	\$ 251,174	\$ 267,918	\$ 282,282	\$ 284,960	\$ 288,396
Interest on total pension liability	1,048,139	1,024,324	1,008,554	979,988	990,468	954,773	902,308	858,733
Effect of plan changes	-	-	-	-	-	-	-	(23,872)
Effect of assumption or plan changes	-	(88,890)	638,707	51,843	(525,337)	(162,451)	11,204	(81,608)
Effect of economic / demographic (gains) or losses	(225,658)	44,268	37,396	-	-	104,739	-	121,979
Benefit payments / refunds of contributions	(916,428)	(962,190)	(907,149)	(1,001,490)	(695,839)	(751,679)	(637,209)	(516,906)
Net change in total pension liability	179,434	294,210	1,053,584	281,515	37,210	427,664	561,263	646,722
Total pension liability, beginning	13,967,746	13,673,536	12,619,952	12,338,437	12,301,227	11,873,563	11,312,300	10,665,578
Total pension liability, ending (a)	14,147,180	13,967,746	13,673,536	12,619,952	12,338,437	12,301,227	11,873,563	11,312,300
Fiduciary Net Position:								
Employer contributions	282,754	242,299	256,012	250,913	254,009	253,328	266,134	283,909
Member contributions	164,940	141,342	149,340	146,366	148,170	147,774	155,241	165,614
Investment income net of investment expenses	(966,445)	3,145,420	1,417,511	2,026,759	(243,464)	1,683,590	806,459	(70,234)
Benefit payments / refunds of contributions	(916,428)	(962,190)	(907,149)	(1,001,490)	(695,839)	(751,679)	(637,209)	(516,906)
Administrative expenses	(9,184)	(9,288)	(10,700)	(10,464)	(9,910)	(8,574)	(8,758)	(7,884)
Other	(51,646)	(12,364)	(13,489)	(18,774)	(7,454)	(4,779)	83,280	12,513
Net change in fiduciary net position	(1,496,009)	2,545,219	891,525	1,393,310	(554,488)	1,319,660	665,147	(132,988)
Fiduciary net position, beginning	17,168,053	14,622,834	13,731,309	12,337,999	12,892,487	11,572,827	10,907,680	11,040,668
Fiduciary net position, ending (b)	15,672,044	17,168,053	14,622,834	13,731,309	12,337,999	12,892,487	11,572,827	10,907,680
Net pension liability (asset), ending ((a) - (b))	\$ (1,524,864)	\$ (3,200,307)	\$ (949,298)	\$ (1,111,357)	\$ 438	\$ (591,260)	\$ 300,736	\$ 404,620
Fiduciary net position as a % of total pension liability	110.78%	122.91%	106.94%	108.81%	100.00%	104.81%	97.47%	96.42%
Pensionable covered payroll	\$ 2,356,291	\$ 2,019,166	\$ 2,133,432	\$ 2,090,937	\$ 2,116,713	\$ 2,111,060	\$ 2,217,727	\$ 2,365,911
Net pension liability / (asset) as a % of covered payroll	-64.71%	-158.50%	-44.50%	-53.15%	0.02%	-28.01%	13.56%	17.10%

* A full 10-year schedule will be displayed as it becomes available

STEPHENS COUNTY, TEXAS
SCHEDULE OF CONTRIBUTIONS - PENSION PLAN
For the Last Ten Fiscal Years

Period Ending December 31, (Measurement Date)	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2013	\$ 205,229	\$ 267,027	\$ (61,798)	\$ 2,225,912	12.00%
2014	220,660	278,142	(57,482)	2,317,852	12.00%
2015	199,919	283,909	(83,990)	2,365,911	12.00%
2016	176,975	266,134	(89,159)	2,217,727	12.00%
2017	162,340	253,328	(90,988)	2,111,060	12.00%
2018	155,578	254,009	(98,431)	2,116,713	12.00%
2019	136,120	250,913	(114,793)	2,090,937	12.00%
2020	99,845	256,012	(156,167)	2,133,432	12.00%
2021	87,632	242,299	(154,667)	2,019,166	12.00%
2022	145,148	282,754	(137,606)	2,356,285	12.00%

Notes to Schedule of Contributions:

Valuation date: Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry age normal
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated in 12/31/22 valuation)
Asset Valuation Method	5 year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service with a 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% pf the Pub-2010 General Retirees Table for males and 102% of the Pub-2010 General Retirees Table for females both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected 2019: New inflation, mortality and other assumptions were reflected. 2022: New inflation, return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule 2020: No changes in plan provisions were reflected in the Schedule 2021: No changes in plan provisions were reflected in the Schedule 2022: No changes in plan provisions were reflected in the Schedule

** Payroll is calculated based on contributions as reported to TCDRS

INTERNAL CONTROL SECTION

May 24, 2024

**The Honorable County Judge and Commissioners
Comprising the Commissioners' Court of
Stephens County, Texas**

Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Stephens County, Texas as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise Stephens County, Texas' basic financial statements, and have issued our report thereon dated May 24, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Stephens County, Texas' internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Stephens County, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of Stephens County, Texas' internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. Given these limitations, during our audit, we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Stephens County, Texas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item 2023-001.

Stephen's County, Texas' Response to Findings

Government Auditing Standards require the auditor to perform limited procedures on the County's response to the findings identified in our audit as described in the accompanying schedule of findings and questioned costs. The County's response was not subject to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Stephens County, Texas' internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Conolly and Company, L.L.P.".

Certified Public Accountants

STEPHENS COUNTY, TEXAS
SCHEDULE OF FINDINGS AND RESPONSES
December 31, 2023

SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

A. Type of Report Issued on the Financial Statements

The Independent Auditor's Report on the financial statements of Stephens County, Texas as of and for the year ended December 31, 2023, was an unmodified opinion.

B. Material weakness in Internal Control Disclosed by the Audit of the Financial Statements.

The audit of the financial statements of Stephens County, Texas as of and for the year ended December 31, 2023, disclosed no material weakness in internal control.

C. Noncompliance Material to the Financial Statements

The audit disclosed one instance of noncompliance which is material to the financial statements of Stephens County, Texas as of and for the year ended December 31, 2023.

II. FINDINGS RELATING TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS

A. Compliance Findings

2023-001

Criteria: In accordance with Texas Government Code Title 10, Subtitle F, Chapter 2257, a deposit of public funds shall be secured by eligible security to the extent and in the manner required by Government Code.

Condition: During the 2023 audit of cash balances, instances of uncollateralized deposits were discovered as stated in Note 4 of the Notes to Financial Statements. Upon inquiry of management and during the confirmation process, it was discovered that the County did not have sufficient pledged securities to cover all bank deposits.

Effect: Public funds are not collateralized due to County funds exceeding FDIC insurance coverage and pledged securities were not sufficient to cover the remaining balance.

Cause: A large deposit outside the normal course of business caused the cash balance on the date of the largest balance to exceed the pledged securities balance.

Recommendation: We recommend the County monitor cash balanced daily to ensure the bank is aware if a deposit could cause the daily balance to exceed the pledged amounts.

Views of responsible official and planned corrective actions:

The County will monitor daily cash balances to ensure deposits are in compliance with the County's investment policy and the Public Funds Investment Act.