

STERLING COUNTY,  
TEXAS

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FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S  
REPORT

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YEAR ENDED

SEPTEMBER 30,2025



**Roberts & McGee CPA PLLC**

**STERLING COUNTY, TEXAS**  
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## INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court  
Sterling County, Texas:

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas (the County), as of and for the year ended September 30, 2025, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Sterling County, Texas, as of September 30, 2025, 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. 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 Sterling 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 Sterling County, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantially doubt shortly thereafter.

## **Auditor's Responsibility 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 Sterling County Texas' internal control. Accordingly, no such opinion is expressed.
- Evaluate the overall appropriateness of accounting policies used and the reasonableness of significant 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 Sterling County Texas' ability to continue as a going concern for a reasonable period of time.

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

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension information on pages 4-10 and 40-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

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

*Roberts & McGee, CPA, PLLC*  
Roberts & McGee, CPA PLLC

Abilene, Texas  
March 6, 2026

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

As management of Sterling County we offer readers of Sterling County, Texas' financial statements this narrative overview and analysis of the financial activities of Sterling County, Texas for the fiscal year ended September 30, 2025.

**Financial Highlights**

**Government-Wide Financial Statements**

- The assets of the governmental activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$17,608,841 (*net position*). Of this amount, \$2,702,715 (*unrestricted*) may be used to meet the government's ongoing obligations to citizens. \$8,719,066 of the County's equity is invested in capital assets, net of related debt; and \$2,422,614 of the County's equity is restricted for special revenue funds and debt service, and \$3,764,446 is restricted for capital projects.
- The assets of the business-type activities of Sterling County exceeded its liabilities at the close of the most recent fiscal year by \$3,954,930 (*net position*). Of this amount, \$1,736,981 (*unrestricted*) may be used to meet the government's ongoing obligations. \$2,217,949 of the County's equity is invested in capital assets.
- The net position (*equity*) of the governmental activities of the County increased by \$1,725,027 during the 2025 fiscal year, and net position (*equity*) of the business-type activities of the County increased by \$481,180 during the 2025 fiscal year.

**Fund Financial Statements**

- As of the close of the current fiscal year, Sterling County's general fund reported an ending fund balance of \$5,431,175. This fund balance reflects an increase of \$668,165 over the prior year fund balance.
- In the road & bridge fund, the fund balance increased \$98,190 for the current year.
- The proprietary fund which reports on the operations of the nursing home reflects an increase in net position for the current year of \$481,180.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements**

The *statement of net position* presents information on all of Sterling County's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Sterling County is improving or deteriorating.

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

The government-wide financial statements reflect functions of Sterling County that are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of Sterling County include general administration, judicial, legal, public facilities, road and

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

bridge, public safety, health and welfare, and other supported services. The government-wide financial statements can be found on pages 11-12 of this report.

***Fund Financial Statements***

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Sterling County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Sterling County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

***Governmental funds.*** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Sterling County has four governmental fund types which are the general fund, special revenue funds, capital projects fund, and debt service fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, road & bridge fund, capital projects fund, SB22 Grant fund, and debt service fund, which are considered to be major funds. Data from the other non-major governmental funds is combined into the aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements. The governmental fund financial statements can be found on pages 13-18 of this report.

Sterling County adopts an annual appropriated budget for the general fund, the road & bridge fund, and various other special revenue funds. Budgetary comparison schedules have been provided for the general fund and the road & bridge fund to demonstrate compliance with the budgets on pages 40-41.

***Proprietary funds.*** Sterling County maintains one proprietary fund which is the Nursing Home Fund. This fund charges for the services it provides to residents of the nursing home. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the County's proprietary fund is the same as the business-type activities reported in the government-wide statements, but it provides more detail and additional information, such as cash flows, for the proprietary fund. The proprietary fund financial statements can be found on pages 19-21 of this report.

***Fiduciary funds.*** Fiduciary funds are used to account for assets held by the County in a trustee capacity or as a custodian for other governmental units. The County's fiduciary funds are all reported as custodial funds. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's basic programs. The basic fiduciary fund financial statements can be found on pages 22-23.

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-39 of this report.

**Other information.** The combining statements referred to earlier in connection with the non-major governmental funds are presented immediately following the required supplementary information. These statements can be found on pages 46-49 of this report. Combining financial statements for the aggregated component units are also provided as other supplemental information and can be found on pages 50-51.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Sterling County, assets exceeded liabilities by \$17,608,841 in the governmental activities and \$3,954,930 in the business-type activities at the close of the most recent fiscal year.

\$10,937,015 of Sterling County's total net position (51 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), net of related debt. Sterling County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

**Sterling County's Net Position**

	Governmental Activities	
	2025	2024
Current assets	\$ 12,217,403	\$ 12,485,673
Non-current assets	16,744,670	11,523,975
Total Assets	28,962,073	24,009,648
Deferred Outflows - Pension	445,024	607,875
Total Assets and Deferred Outflows	29,407,097	24,617,523
Current liabilities	1,583,778	1,485,922
Long-term liabilities	9,475,139	6,343,276
Total Liabilities	11,058,917	7,829,198
Deferred Inflows	739,339	904,511
Total Liabilities and Deferred Inflows	11,798,256	8,733,709
Net investment in capital assets	8,719,066	8,048,172
Restricted	6,187,060	2,189,430
Unrestricted	2,702,715	5,646,212
Total Net Position	\$ 17,608,841	\$ 15,883,814

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

**Sterling County's Changes in Net Position**

	Governmental Activities	
	2025	2024
Revenues:		
Program Revenues:		
Charges for services	\$ 646,995	\$ 619,069
Operating grants & contributions	452,468	449,634
General Revenues		
Property taxes	6,262,160	5,923,981
Investment earnings	253,562	296,322
Other income	84,508	126,852
Transfers	(1,167,210)	(1,335,783)
Total Revenues	6,532,483	6,080,075
Expenses		
General government	995,410	1,004,672
Road and bridge	942,493	761,363
County judge	93,674	91,035
County and district clerk	162,048	168,346
Justice of the peace	100,166	100,906
County attorney	93,688	88,480
County treasurer	74,910	71,062
County tax collector	90,755	91,225
County building operations	232,434	315,515
County sheriff	761,408	632,477
County agent	74,134	74,451
Trapper	76,800	76,800
Senior citizens	53,017	45,979
Volunteer fire department	145,444	157,732
EMS	397,912	393,938
Clinic	291,233	256,805
Interest and debt issuance costs	221,930	120,770
Total expenses	4,807,456	4,451,556
Change in Net Position	1,725,027	1,628,519
Beginning Net Position	15,883,814	14,255,295
Ending Net Position	\$ 17,608,841	\$ 15,883,814

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

	Business-Type Activities	
	2025	2024
Current assets	\$ 733,872	\$ 881,284
Non-current assets	3,390,392	2,914,898
Total Assets	4,124,264	3,796,182
Deferred Outflows - Pension	526,646	719,364
Total Assets and Deferred Outflows	4,650,910	4,515,546
Current liabilities	135,229	187,730
Total Liabilities	135,229	187,730
Unearned grant revenue		79,512
Deferred Inflows - Pension	560,751	774,554
Total Liabilities and Deferred Inflows	695,980	1,041,796
Net investment in capital assets	2,217,949	1,963,951
Unrestricted	1,736,981	1,509,799
Total Net Position	\$ 3,954,930	\$ 3,473,750
	Business-Type Activities	
	2025	2024
Revenues:		
Program Revenues:		
Charges for services	\$ 2,671,046	\$ 2,391,772
Operating grants & contributions	238,933	298,870
General Revenues		
Other revenue	130,743	69,504
Transfers	1,167,210	1,335,783
Total Revenues	4,207,932	4,095,929
Expenses		
Nursing home	3,726,752	3,766,017
Total expenses	3,726,752	3,766,017
Change in Net Position	481,180	329,912
Beginning Net Position	3,473,750	3,143,838
Ending Net Position	\$ 3,954,930	\$ 3,473,750

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

***FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS***

As noted earlier, Sterling County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, Sterling County's governmental general fund reported an ending fund balance of \$5,431,175 which is mostly unassigned and available for spending at the County's discretion. The road and bridge fund reported an ending fund balance of \$1,621,775 which is restricted for road and bridge operations.

**Fund Budgetary Highlights**

The original budget for the general fund reflected a balanced budget. The budget was amended during the year and the amended budget reflected a balanced budget. The actual expenditures were \$71,222 less than the final budgeted amounts, and actual revenues were \$26,151 less than was budgeted.

The original and the final amended budgets for the road and bridge fund reflect a balanced budget. The actual expenditures were \$102,656 less than the final budgeted amounts, and actual revenues were \$4,466 less than was budgeted.

***CAPITAL ASSET AND DEBT ADMINISTRATION***

**Capital Assets**

Sterling County's investment in capital assets for its governmental activities amounts to \$15,753,934 (net of accumulated depreciation), and the investment in capital assets for its business-type activities amounts to \$2,217,949 (net of accumulated depreciation) as of September 30, 2025. This investment in capital assets includes land, buildings and improvements, infrastructure, and equipment.

**Sterling County's Capital Assets  
(net of depreciation)**

	Governmental Activities	
	2025	2024
Land	\$ 6,238	\$ 6,238
Buildings and improvements	641,837	588,947
Infrastructure	12,797,309	3,412,759
Equipment	687,858	801,177
Vehicles	882,235	868,691
Right of use asset	280,136	83,234
Construction in progress	458,321	4,997,791
<b>Total</b>	<b>\$ 15,753,934</b>	<b>\$ 10,758,837</b>

**STERLING COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2025**

**Sterling County's Capital Assets  
(net of depreciation)**

	Business-Type Activities	
	2025	2024
Buildings and improvements	\$ 2,213,275	\$ 704,682
Furniture and equipment	4,674	34,015
Construction in progress		1,225,254
<b>Total</b>	<b>\$ 2,217,949</b>	<b>\$ 1,963,951</b>

Additional information on Sterling County's capital assets can be found in Note 6 on pages 31 and 32 of this report.

**Debt Administration**

Sterling County has long term debt in the form of general obligation bonds, tax notes, and right of use liabilities within the governmental activities of the County. As of September 30, 2025 the outstanding debt in the governmental activities totaled \$10,799,314.

Additional information on Sterling County's long-term debt can be found in Notes 7 and 8 on pages 33-34 of this report.

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

- Sterling County adopted a 2025 property tax rate effective for its 2026 fiscal year of \$0.735693 per \$100 property valuation. This is compared to the 2024 tax rate of \$0.615518 per \$100 property valuation. The 2025 tax rate includes a rate of \$0.564254 for maintenance and operations and \$0.171439 for debt services. The 2024 tax rate includes a rate of \$0.490921 for maintenance and operations and \$0.124597 for debt service.
- The 2026 fiscal year budget was approved by the County in September 2025. The General Fund budgeted revenues for FY 2026 are \$6,039,529 which is approximately 12% higher than the budget revenues from FY 2024 which were \$5,403,302.

**Requests for Information**

This financial report is designed to provide a general overview of Sterling County's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County Treasurer, Sterling County, Box 819, Sterling City, Texas 76951.

BASIC FINANCIAL STATEMENTS

**STERLING COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
 SEPTEMBER 30, 2025

	Primary Government		Total	Component Units
	Governmental Activities	Business-Type Activities		
<b>ASSETS</b>				
Current:				
Cash and cash investments	\$ 10,255,912	\$ 345,504	\$ 10,601,416	\$ 66,150
Investments	1,620,000		1,620,000	
Property tax receivable, net	74,071		74,071	
Accounts receivable, net	28,159	196,932	225,091	
Accrued interest receivable	5,189		5,189	
Grant receivable		103,304	103,304	
Other receivables	54,102		54,102	
Prepaid insurance	179,970	88,132	268,102	
Total current assets	<u>12,217,403</u>	<u>733,872</u>	<u>12,951,275</u>	<u>66,150</u>
Non-current:				
Capital assets				
Non-depreciable capital assets	464,559		464,559	
Depreciable capital assets, net	15,289,375	2,217,949	17,507,324	257,480
Net pension asset	990,736	1,172,443	2,163,179	
Total non-current assets	<u>16,744,670</u>	<u>3,390,392</u>	<u>20,135,062</u>	<u>257,480</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred outflows - pension	445,024	526,646	971,670	
Total Assets and Deferred Outflows of Resources	<u>29,407,097</u>	<u>4,650,910</u>	<u>34,058,007</u>	<u>323,630</u>
<b>LIABILITIES</b>				
Current:				
Accounts payable	152,932	79,453	232,385	793
Accrued payroll expenses		41,390	41,390	
Accrued interest expense	48,359		48,359	
Due to other governmental entities	58,312		58,312	
Due to others		14,386	14,386	
Long term liabilities:				
Due within one year	1,324,175		1,324,175	
Due after one year:				
Right of use liabilities	172,106		172,106	
Tax and general obligation bonds	9,303,033		9,303,033	
Total Liabilities	<u>11,058,917</u>	<u>135,229</u>	<u>11,194,146</u>	<u>793</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unearned grant revenue	265,494		265,494	
Deferred inflows - pension	473,845	560,751	1,034,596	
Total Deferred Inflows of Resources	<u>739,339</u>	<u>560,751</u>	<u>1,300,090</u>	
<b>NET POSITION</b>				
Net investment in capital assets	8,719,066	2,217,949	10,937,015	257,480
Restricted	6,187,060		6,187,060	
Unrestricted	2,702,715	1,736,981	4,439,696	65,357
Total Net Position	<u>\$ 17,608,841</u>	<u>\$ 3,954,930</u>	<u>\$ 21,563,771</u>	<u>322,837</u>

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

STERLING COUNTY, TEXAS

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Program Revenue				Primary Government		Component Units
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Primary Government:</b>							
Governmental Activities:							
General government	\$ 995,410	\$ 30,048	\$ 213,073	\$	\$ (752,289)		
Road and bridge	942,493	109,948			(832,545)		
County judge	93,674	19,853			(73,821)		
County and district clerk	162,048	25,221	4,888		(131,939)		
Justice of the peace	100,166	361,752			261,586		
County attorney	93,688				(93,688)		
County treasurer	74,910				(74,910)		
County tax collector	90,755	16,207			(74,548)		
County building operations	232,434				(232,434)		
County sheriff	761,408	501	234,507		(526,400)		
County agent	74,134				(74,134)		
Trapper	76,800				(76,800)		
Senior citizens	53,017				(53,017)		
Volunteer fire department	145,444				(145,444)		
EMS	397,912	83,465			(314,447)		
Clinic	291,233				(291,233)		
Interest costs	221,930				(221,930)		
Total governmental activities	<u>4,807,456</u>	<u>646,995</u>	<u>452,468</u>		<u>(3,707,993)</u>		
Business-type activities:							
Nursing home operations	<u>3,726,752</u>	<u>2,671,046</u>	<u>238,933</u>			\$ (816,773)	
Total business-type activities	<u>3,726,752</u>	<u>2,671,046</u>	<u>238,933</u>			<u>(816,773)</u>	
Total Primary Government	<u>\$ 8,534,208</u>	<u>\$ 3,318,041</u>	<u>\$ 691,401</u>	<u>\$</u>	<u>(3,707,993)</u>	<u>(816,773)</u>	
Component Units:							
Fire Department	\$ 111,618	\$	\$ 53,954	\$			\$ (57,664)
Senior Citizens	69,273	4,294	55,273				(9,706)
Total component units	<u>\$ 180,891</u>	<u>\$ 4,294</u>	<u>\$ 109,227</u>	<u>\$</u>			<u>(67,370)</u>
General revenues:							
					6,262,160		
					253,562	86,873	13
					84,508	43,870	357
					(1,167,210)	1,167,210	
					<u>5,433,020</u>	<u>1,297,953</u>	<u>370</u>
					1,725,027	481,180	(67,000)
					15,883,814	3,473,750	389,837
					<u>\$ 17,608,841</u>	<u>\$ 3,954,930</u>	<u>\$ 322,837</u>

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

**STERLING COUNTY, TEXAS**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2025

	General Fund	Road & Bridge Fund	SB 22 Grant Fund	Capital Projects Fund
<b>ASSETS</b>				
Cash and cash investments	\$ 4,240,042	\$ 1,624,061	\$ 23,336	\$ 3,883,499
Investments	1,300,000			
Due from agency funds	26,082			
Property tax receivable, net	58,688			
Accounts receivable, net	24,993	3,166		
Accrued interest receivable	4,869			
Other receivable	28,020			
Prepaid expenses	179,970			
 Total Assets	 \$ 5,862,664	 \$ 1,627,227	 \$ 23,336	 \$ 3,883,499
 <b>LIABILITIES</b>				
Liabilities:				
Accounts payable	\$ 64,489	\$ 5,452	\$	\$ 82,991
Accrued interest payable				36,062
Due to state	58,312			
Total liabilities	122,801	5,452	-	119,053
 <b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred revenue - property tax	58,688			
Deferred revenue - grant funds	250,000		15,494	
Total deferred inflows of resources	308,688	-	15,494	-
 <b>FUND BALANCE</b>				
Nonspendable for prepaids	179,970			
Restricted:				
Special revenue		1,621,775	7,842	
Capital projects				3,764,446
Debt service				
Unassigned	5,251,205			
Total fund balance	5,431,175	1,621,775	7,842	3,764,446
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 \$ 5,862,664	 \$ 1,627,227	 \$ 23,336	 \$ 3,883,499

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

**STERLING COUNTY, TEXAS**

**BALANCE SHEET - GOVERNMENTAL FUNDS**

SEPTEMBER 30, 2025

	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash investments	\$ 82,086	\$ 402,888	\$ 10,255,912
Investments		320,000	1,620,000
Due from agency funds		-	26,082
Property tax receivable, net	15,383		74,071
Accounts receivable, net			28,159
Accrued interest receivable		320	5,189
Other receivables			28,020
Prepaid insurance			179,970
Total Assets	\$ 97,469	\$ 723,208	\$ 12,217,403
 <b>LIABILITIES</b>			
Liabilities:			
Accounts payable	\$	\$ -	\$ 152,932
Accrued interest payable	12,297		48,359
Due to state			58,312
Total liabilities	12,297	-	259,603
 <b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred revenue - property tax	15,383		74,071
Deferred revenue - grant revenue		-	265,494
Total deferred inflows of resources	15,383	-	339,565
 <b>FUND BALANCE</b>			
Nonspendable for prepaids			179,970
Restricted:			
Special revenue		723,208	2,352,825
Capital projects			3,764,446
Debt service	69,789		69,789
Unassigned		-	5,251,205
Total fund balance	69,789	723,208	11,618,235
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 97,469	\$ 723,208	\$ 12,217,403

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

STERLING COUNTY, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2025

Total fund balances - governmental funds	\$	11,618,235
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds balance sheet. At the beginning of the year, the cost of these assets was \$16,724,350 and the accumulated depreciation was \$5,965,513.		10,758,837
Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.		5,878,818
Net book value of current year disposals is a decrease to net position.		(34,996)
Depreciation expense decreases net position, but is not recorded in the fund financial statements.		(848,725)
Long term debt is not due and payable in the current period and, therefore, it is not reported in governmental funds. Long term debt is recognized in the government-wide statements which decreases net position.		(10,799,314)
Deferred revenues are recorded in the fund financial statements, but the revenue is recognized in the governmental-wide financial statements.		74,071
Included on the government-wide financial statements is the recognition of the County's proportionate share of the net pension asset of 990,736, and a deferred outflow of resources of \$445,024, and a deferred inflow of \$473,845. The net effect is to increase net position.		<u>961,915</u>
Net position of governmental activities - statement of net position	\$	<u><u>17,608,841</u></u>

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

**STERLING COUNTY, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Road & Bridge Fund	SB 22 Grant Fund	Capital Projects Fund
<b>REVENUES</b>				
Property taxes	\$ 4,374,592	\$ 569,919	\$	\$
Licenses and permits		108,865		
Fees	63,219	1,083		
Fines and forfeitures	354,156			
Investment earnings	166,831	60,399	4,054	1,385
Rental revenues	2,400			
Intergovernmental	197,139		234,507	
EMS revenue	83,465			
Miscellaneous	90,349	18,192		
Total revenues	5,332,151	758,458	238,561	1,385
<b>EXPENDITURES</b>				
Current:				
General government	808,479			9,261
Road and bridge		590,336		
County judge	105,517			
County and district clerk	181,531			
Justice of the peace	112,633			
County attorney	105,130			
County treasurer	82,900			
County tax collector	101,498			
County building operations	244,188			
County sheriff	516,001		90,244	
County agent	69,320			
Trapper	76,800			
Senior citizens	53,017			
Volunteer fire department	49,704			
Clinic	278,832			
EMS	386,827			
Capital outlay	513,760	69,932	154,004	5,141,120
Debt service	134,543			36,062
Total expenditures	3,820,680	660,268	244,248	5,186,443
Excess (deficiency) of revenues over expenditures	1,511,471	98,190	(5,687)	(5,185,058)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of bonds/leases	323,904			4,320,000
Bond issuance costs				(81,352)
Transfers in (out)	(1,167,210)			
Total other financing sources (uses)	(843,306)			4,238,648
Net Change in Fund Balance	668,165	98,190	(5,687)	(946,410)
Fund Balance - Beginning	4,763,010	1,523,585	13,529	4,710,856
Fund Balance - Ending	\$ 5,431,175	\$ 1,621,775	\$ 7,842	\$ 3,764,446

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

**STERLING COUNTY, TEXAS**

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Debt Service</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
<b>REVENUES</b>			
Property taxes	\$ 1,258,247	\$ 40,053	\$ 6,242,811
Licenses and permits			108,865
Fees		33,807	98,109
Fines and forfeitures			354,156
Investment earnings	5,080	15,813	253,562
Rental revenues			2,400
Intergovernmental		20,822	452,468
EMS revenue			83,465
Miscellaneous			108,541
Total revenues	<u>1,263,327</u>	<u>110,495</u>	<u>7,704,377</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,300	78,270	897,310
Road and bridge			590,336
County judge			105,517
County and district clerk			181,531
Justice of the peace			112,633
County attorney			105,130
County treasurer			82,900
County tax collector			101,498
County building operations			244,188
County sheriff			606,245
County agent			69,320
Trapper			76,800
Senior citizens			53,017
Volunteer fire department			49,704
Clinic			278,832
EMS			386,827
Capital outlay		-	5,878,816
Debt service	1,225,130		1,395,735
Total expenditures	<u>1,226,430</u>	<u>78,270</u>	<u>11,216,339</u>
Excess (deficiency) of revenues over expenditures	<u>36,897</u>	<u>32,225</u>	<u>(3,511,962)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from issuance of debt			4,643,904
Bond issuance costs			(81,352)
Transfers in (out)		-	(1,167,210)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,395,342</u>
 Net Change in Fund Balance	 36,897	 32,225	 (116,620)
 Fund Balance - Beginning	 32,892	 690,983	 11,734,855
Fund Balance - Ending	<u>\$ 69,789</u>	<u>\$ 723,208</u>	<u>\$ 11,618,235</u>

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

**STERLING COUNTY, TEXAS**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

Net change in fund balance - governmental funds	\$	(116,620)
<p>Amounts reported for governmental activities in the statement of activities (SOA) are different because:</p>		
<p>Current year capital outlays are expenditures in the fund financial statements, but are shown as increases to capital assets in statement of net position.</p>		5,878,818
<p>Gain or loss on disposal of assets are not shown on governmental financial statements, but are included on the government wide statements. The disposals of assets creates a loss on the government wide financial statements.</p>		(34,996)
<p>Depreciation expense is not reflected in the governmental funds, but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of the current year depreciation expense of \$848,725 is to decrease net position.</p>		(848,725)
<p>The current year issuance of long term debt provides current financial resources to governmental funds, while repayment of the principal of long term debt consumes the current financial resources of governmental funds. The net effect of recognizing current issuance and payments on long term debt in the government-wide financial statements is a net decrease to the change in net position of \$3,337,784.</p>		(3,377,784)
<p>Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the governmental funds. The current year adjustment to revenue recognized in the government-wide financial statements is \$19,349. This results in an increase in net position.</p>		19,349
<p>Certain expenditures for pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. The County's share of the unrecognized deferred inflows and outflows for TCDRS as of the measurement date must be amortized and the County's proportionate share of the pension expense must be recognized. These cause the change in net position to increase in the amount of \$204,985.</p>		204,985
Net position of governmental activities - statement of net position	\$	1,725,027

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

**STERLING COUNTY, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUND  
 SEPTEMBER 30, 2025

	<u>Nursing Home</u>
<b>ASSETS:</b>	
Current Assets:	
Cash and cash investments	\$ 345,504
Accounts receivable, net	196,932
Grant receivable	103,304
Prepaid expense	<u>88,132</u>
Total Current Assets	<u>733,872</u>
Noncurrent Assets:	
Depreciable capital assets, net	2,217,949
Net pension asset	<u>1,172,443</u>
Total Noncurrent Assets	<u>3,390,392</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>526,646</u>
Deferred outflows - pension related	
Total Assets and Deferred Outflows of Resources	<u>4,650,910</u>
<b>LIABILITIES:</b>	
Accounts payable	79,453
Accrued payroll expenses	41,390
Due to others	<u>14,386</u>
Total Liabilities	<u>135,229</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - grants	
Deferred inflows - pension related	<u>560,751</u>
<b>NET POSITION:</b>	
Net investment in capital assets	2,217,949
Unrestricted	<u>1,736,981</u>
Total Net Position	<u>\$ 3,954,930</u>

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

**STERLING COUNTY, TEXAS**

STATEMENT OF REVENUE, EXPENSES AND CHANGES IN  
NET POSITION - PROPRIETARY FUND  
 YEAR ENDED SEPTEMBER 30, 2025

	<u>Nursing Home</u>
<b>OPERATING REVENUE:</b>	
Resident revenue	\$ 2,670,046
State QIPP Funds, net	159,421
Other operating revenue	43,870
Donations	<u>1,000</u>
Total Operating Revenue	<u>2,874,337</u>
<b>OPERATING EXPENSES:</b>	
Nursing care staff	1,173,948
Nursing care supplies	48,947
Nursing consultants	26,108
Resident care	37,617
Therapy	556,564
Activities	28,471
Medical records	39,734
Dietary	359,740
Environmental services	168,547
Facility costs	236,034
Depreciation expense	105,528
Administration	466,221
Employee benefits	295,799
Management fee	180,000
Other operating costs	<u>3,494</u>
Total Operating Expenses	<u>3,726,752</u>
Operating Income	<u>(852,415)</u>
<b>NON-OPERATING REVENUE (EXPENSES)</b>	
Grant revenue	79,512
Interest earnings	86,873
Transfers in	<u>1,167,210</u>
Total Non-operating Revenue (Expenses)	<u>1,333,595</u>
<b>CHANGE IN NET POSITION</b>	481,180
<b>NET POSITION - BEGINNING</b>	<u>3,473,750</u>
<b>NET POSITION - ENDING</b>	<u><u>\$ 3,954,930</u></u>

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

**STERLING COUNTY, TEXAS**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND**  
**YEAR ENDED SEPTEMBER 30, 2025**

	<u>Nursing Home</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>	
Receipts from resident services	\$ 2,781,489
Receipts from State QIPP Program	159,421
Payments to employees and related taxes and benefits	(2,933,221)
Payments to consultants and management company	(298,162)
Payments to suppliers	(193,112)
Payments to others	(484,694)
Net cash provided (used) by operating activities	<u>(968,279)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Grant funding	292,514
Operating transfers in	1,167,210
Net cash provided (used) by noncapital financing activities	<u>1,459,724</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>	
Acquisition and construction of capital assets	(359,526)
Net cash provided (used) by capital and related financing activities	<u>(359,526)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>	
Interest Income	86,873
Net cash provided (used) by investing activities	<u>86,873</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	218,792
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>126,712</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u><u>\$ 345,504</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>	
Operating income (loss)	\$ (852,415)
Adjustments to reconcile operating income to net cash used by operating activities:	
Depreciation	105,528
(Increase) decrease in accounts receivable	63,134
(Increase) decrease in prepaid assets	10,556
(Increase) decrease in pension related assets	(242,581)
Increase (decrease) in accounts payable	11,763
Increase (decrease) in accrued payroll	(67,703)
Increase (Decrease) in due to others	3,439
Net cash used by operating activities	<u><u>\$ (968,279)</u></u>

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

STERLING COUNTY, TEXAS

STATEMENT OF FIDUCIARY NET POSITION

SEPTEMBER 30, 2025

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ <u>2,503,984</u>
Total Assets	\$ <u><u>2,503,984</u></u>
 NET POSITION	
Restricted for other individuals and governments	\$ 2,469,774
Restricted for the county	<u>34,210</u>
Total Net Position	\$ <u><u>2,503,984</u></u>

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

STERLING COUNTY, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Agency Funds</u>
<b>ADDITIONS</b>	
Tax, fines, and fee collections for other governments	\$ 14,641,417
Bond collections	7,421
Inmate funds	2,321
Interest income	723
Other collections	\$
Total Additions	<u>14,651,882</u>
<b>DEDUCTIONS</b>	
Payments of tax, fines, and fees to others	\$ 14,640,002
Community services	2,252
Distribution of escrow funds	154
Distribution of bond payments	
Total Deductions	<u>14,642,408</u>
Change in Net Position	9,474
Net Position - beginning of year	<u>2,494,510</u>
Net Position - end of year	<u>\$ 2,503,984</u>

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

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

#### **NOTE 1: REPORTING ENTITY**

##### Primary Government

Sterling County, Texas (the County) is a public corporation and political subdivision of the State of Texas. The Commissioners Court, which is made up of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. The County provides the following services as authorized by the statutes of the State of Texas: general government, road and bridge, County judge, County and District clerk, Justice of the Peace, County attorney, County treasurer, County tax collector, County building operations, nursing home operations, County sheriff, County agent, and trapper.

The accompanying basic financial statements present the government and its discretely presented component units defined according to criteria in GASB Statement No. 14, *The Financial Reporting Entity*.

##### Discretely Presented Component Units

The Senior Citizens Center is a non-profit entity which is subsidized by the County with operational funds and is utilizing county owned buildings to conduct services to the County. The Center is governed by a separate board which is not appointed by the County Commissioners but reports monthly to them.

The Sterling Volunteer Fire Department was organized in 1963 and is governed by a nine-person Board of Directors. The Fire Department is subsidized annually by the County. The principal functions of the Fire Department are to save lives and to protect property endangered by fire or other disasters in Sterling County, Texas.

#### **NOTE 2: GOVERNMENT WIDE AND FUND FINANCIAL STATEMENTS**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by the program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenue.

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

#### **NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund 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 by the provider have been met.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. All other revenue items are considered to be measurable and available only when cash is received by the government.

The County reports the following major governmental funds:

General Fund - The General Fund is the government's primary operating fund. It accounts for all financial resources of the County, except those required to be accounted for in another fund.

Road & Bridge Fund - The Road & Bridge Fund accounts for financial resources restricted for the purpose of repairing roads and bridges and related expenditures.

Debt Service Fund - The Debt Service Fund is used to collect the property taxes to fund the County's debt payments and the expenditures related to debt service.

SB22 Grant Fund - The SB22 Grant Fund is a special revenue fund that is used to track the revenues and expenses from this grant program.

Capital Projects Fund - The Capital Projects Fund is used to spend the proceeds from issued debt to provide improvements to the County roads.

The County reports the following major proprietary fund:

Nursing Home Fund - This fund is used to account for the activities of the County's Nursing Home which is operated in a manner similar to a private business enterprise. The Nursing Home is supported by resident charges, state revenues, and subsidies from the County when needed to cover operational expenses.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

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

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted resources.

Agency Funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments, and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement or results of operations. Formal budgetary accounting is not required for fiduciary funds. Since by definition, these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

#### Budget Policies

The County follows the following procedures in establishing budgetary data reflected in the financial statements:

Public hearings are conducted to obtain taxpayer comments. Prior to October 1, the budget is legally enacted through adoption of an order by the Commissioners' Court. Budgets are adopted for all funds, and budget amendments are approved by the Commissioners' Court. All appropriations lapse at year end.

#### Property Taxes

Property tax revenues are considered available when collected within the current period. The County levies property taxes prior to September 30 and become due on October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by January 31 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to the property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The County is permitted by the Municipal Finance Law of the State to levy taxes up to \$1.20 per \$100 of appraised valuation for general services, permanent improvements, lateral road, and jury fund purposes other than the payment of principal established by the Attorney General of the State of Texas. The tax rate for the year ended September 30, 2025 was \$.615518 per \$100 valuation.

Allowance for uncollectible tax receivables within the General Fund and Debt Service Fund is based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g., roads and bridges) are reported in the government-wide financial statements. Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The County capitalizes all capital outlay expenditures over \$5,000.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and improvements	50
Furniture and equipment	5-15
Infrastructure	20

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County has deferred outflows of resources for the differences between projected and actual earnings for its pension plan and contributions made to the pension plan after the measurement date, but before the end of the fiscal year.

In addition to liabilities, the statement of net position will report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. In the government-wide financial statements, the County has deferred inflows of resources for the differences between expected and actual experience related to the valuation of the County's net pension asset. In the governmental fund financial statements, the County has deferred inflows of resources related to the timing of the receipts from property taxes.

Long-Term Debt

In the government-wide financial statements, long-term debt is reported as a liability in the governmental activities. The long-term debt of the County includes bonds payable and right of use liabilities for leases and subscription based IT contracts.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Transfers to component units are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

Statement of Cash Flows

For purposes of the statement of cash flows, all cash and cash investments with a maturity of three months or less are considered to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reported period. Actual results could differ from those estimates.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the County is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

*Nonspendable* – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The County had \$179,970 classified as nonspendable at September 30, 2025.

*Restricted* – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Federal or state funds are restricted for use only for a specific use. The County had \$1,621,775 restricted for road and bridge repairs, \$3,764,446 restricted for capital improvements, \$731,050 for special revenue projects, and \$69,789 for future debt service requirements at year end.

*Committed* – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Trustees. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

*Assigned* – This classification includes amounts that are constrained by the County Commissioners' intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Commissioners or through the Commissioners delegating this responsibility to management through the budgetary process. The County has no funds classified as assigned at September 30, 2025.

*Unassigned* – This classification includes the residual fund balance for the General Fund. The unassigned also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

**NOTE 3: MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION - continued**

The County would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources first to defer the use of these other classified funds.

#### Pensions

The fiduciary net position of the Texas County & District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension asset, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE 4: DEPOSITS AND INVESTMENTS**

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. 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.

#### Cash Deposits

Primary Government - At September 30, 2025, the carrying amount of the County's deposits and certificates of deposit was \$12,221,416. The County's cash deposits and certificates of deposit at September 30, 2025, were entirely covered by FDIC insurance and by pledged collateral held by the County's agent bank in the County's name.

#### Investments

The County is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owed by the entity.

Statutes authorize the County to invest in 1) obligations of the U.S. Treasury or the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) money market savings accounts, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) common trust funds. The County is required by Governmental Code Chapter 2256, Public Funds Investment Act (PFIA), to adopt, implement, and publicize an investment policy. That policy must address the following areas: 1) safety or principal and liquidity, 2) portfolio diversification, 3) allowable investments, 4) acceptable risk levels, 5) expected rates of return, 6) maximum allowable stated maturity of portfolio investments, 7) maximum average dollar weighted maturity allowed based on the stated maturity date for the portfolio, 8) investment staff quality and capabilities, and 9) bid solicitation preferences for certificates of deposit.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 4: DEPOSITS AND INVESTMENTS – continued**

The County’s investments at September 30, 2025 are as follows:

	Cost Basis	Fair Value
Governmental Activities:		
General Fund		
Certificates of Deposit	\$ 1,300,000	\$ 1,300,000
Special Revenue Fund		
Certificates of Deposit	320,000	320,000
Total Investments	\$ 1,620,000	\$ 1,620,000

Analysis of Specific Deposit and Investment Risk

*Interest rate risk:* In accordance with its investment policy, the county manages its exposure to declines in fair values by limiting the weighted average maturity portfolio to 180 days. The maximum allowable stated maturity of any individual investment owned by the county shall not exceed three years from the time of purchase. The commissioners may specifically authorize a longer maturity for a given investment within legal limits.

*Credit risk:* State law and County policy limit investments in public funds investment pools to those rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. As of September 30, 2025, the County had \$1,620,000 in investments.

*Concentration of credit risk:* The County’s investment policy does not limit investments in any one issuer except that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce risk of loss resulting from over-concentration of assets in a specific class of investments, specific maturity, or specific issuer.

*Custodial Credit Risk:* Custodial credit risk is the risk that deposits are exposed to if 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. At September 30, 2025, the County was not exposed to custodial credit risk.

**NOTE 5: FINANCIAL INSTRUMENTS**

The County has estimated that the fair value of all financial instruments (none of which is held for trading purposes) at September 30, 2025, does not differ materially from their aggregate carrying values recorded in the accompanying statement of financial position. The estimate is based on the assumption that fair value approximates carrying values due to short initial maturities. Financial instruments consist of cash, accounts receivables, prepaid expenses, accounts payable, and payroll liabilities.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 6: CAPITAL ASSETS**

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 6,238	\$	\$	\$ 6,238
Construction in progress	4,997,791	5,141,120	(9,680,590)	458,321
Total capital assets not being depreciated	5,004,029	5,141,120	(9,680,590)	464,559
Capital assets being depreciated				
Buildings and improvements	1,723,887	116,005		1,839,892
Furniture and equipment	3,029,048	82,293	(32,772)	3,078,569
Vehicles	2,132,009	215,494	(115,365)	2,232,138
Infrastructure	4,678,189	9,680,592		14,358,781
Right of use assets - leases	79,853	149,938		229,791
Right of use assets - SBITA	77,335	173,966	(31,642)	219,659
Total capital assets being depreciated	11,720,321	10,418,288	(179,779)	21,958,830
Less accumulated depreciation for:				
Buildings and improvements	(1,134,940)	(63,115)		(1,198,055)
Furniture and equipment	(2,227,871)	(195,612)	32,772	(2,390,711)
Vehicles	(1,263,318)	(177,501)	90,916	(1,349,903)
Infrastructure	(1,265,430)	(296,042)		(1,561,472)
Right of use assets - leases	(35,804)	(47,785)		(83,589)
Right of use assets - SBITA	(38,150)	(68,670)	21,095	(85,725)
	(5,965,513)	(848,725)	144,783	(6,669,455)
Governmental activities capital assets, net	\$ 10,758,837	\$ 14,710,683	\$ (9,715,586)	\$ 15,753,934

Depreciation was charged to the functions as follows:

Road and bridge	\$ 385,974
County agent	6,684
County sheriff	201,031
General government	75,805
Volunteer fire department	95,740
Family clinic	12,401
Elections	22,938
EMS	48,152
Total depreciation expense - governmental activities	\$ 848,725

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 6: CAPITAL ASSETS – continued**

	Beginning Balance	Additions	Disposals	Ending Balance
Business type activities				
Capital assets not being depreciated				
Construction in progress	\$ 1,225,254	\$ 359,527	\$ (1,584,781)	\$ -
Total capital assets not being depreciated	1,225,254	359,527	(1,584,781)	-
Capital assets being depreciated				
Buildings and improvements	2,083,211	1,584,781		3,667,992
Furniture and equipment	368,630			368,630
Total capital assets being depreciated	2,451,841	1,584,781	-	4,036,622
Less accumulated depreciation for:				
Buildings and improvements	(1,378,530)	(76,187)		(1,454,717)
Furniture and equipment	(334,615)	(29,341)		(363,956)
	(1,713,145)	(105,528)	-	(1,818,673)
Business-type activities capital assets, net	\$ 1,963,950	\$ 1,838,780	\$ (1,584,781)	\$ 2,217,949

	Beginning Balance	Additions	Disposals	Ending Balance
Discretely Presented Component Units:				
Capital assets being depreciated				
Buildings and improvements	\$ 468,429	\$ -	\$ -	\$ 468,429
Furniture and equipment	421,467			421,467
Total capital assets being depreciated	889,896	-	-	889,896
Less accumulated depreciation for:				
Buildings and improvements	(252,939)	(12,984)		(265,923)
Furniture and equipment	(333,473)	(33,020)		(366,493)
	(586,412)	(46,004)	-	(632,416)
Discretely Presented Component Units				
Capital assets, net	\$ 303,484	\$ (46,004)	\$ -	\$ 257,480

Depreciation was charged to the functions as follows:

Sterling County Senior Center	\$ 11,625
Sterling Volunteer Fire Department	34,379
	\$ 46,004

**STERLING COUNTY, TEXAS**

**NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025**

**NOTE 7: LONG TERM OBLIGATIONS**

A summary of changes in long term debt are as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Tax Notes				
Series 2021	\$ 203,000		\$ (203,000)	\$ -
Series 2025		4,320,000		4,320,000
Certificates of Obligation				
Series 2021	6,360,000		(825,000)	5,535,000
Reoffering premium	773,539		(110,504)	663,035
ROU liabilities - Leases	44,647	149,937	(47,703)	146,881
ROU liabilities - SBITA	40,343	173,966	(79,911)	134,398
	<u>\$ 7,421,529</u>	<u>\$ 4,643,903</u>	<u>\$ (1,266,118)</u>	<u>\$ 10,799,314</u>

The county issued Tax Note Series 2021 on May 1, 2021 in the amount of \$1,250,000. The tax note has interest and principal payments due in February and August each year with a maturity date of August 15, 2028. The County also issued General Obligation Bonds of \$8,715,000 with a net reoffering premium of \$1,105,055 on July 12, 2021. The bonds were issued to provide funds for major road improvements within the County. The bonds call for interest and principal payments in February and August each year with a maturity on February 15, 2031. The County issued Tax Notes 2025 on June 5, 2025 in the amount of \$4,320,000. These tax notes have interest and principal payments due in February and August of each year with a maturity date of February 2032.

The annual aggregate maturities for the governmental activities at September 30, 2025 are as follows:

Year Ended September 30	Principal	Interest	Total
2026	\$ 1,324,175	371,374	1,695,549
2027	1,353,386	298,067	1,651,453
2028	1,385,426	255,116	1,640,542
2029	1,613,292	202,866	1,816,158
2030	1,625,000	140,519	1,765,519
2031-2032	2,835,000	97,356	2,932,356
	<u>\$ 10,136,279</u>	<u>1,365,298</u>	<u>11,501,577</u>

**NOTE 8: LEASE AND SUBSCRIPTION BASED IT ARRANGEMENTS**

The County is a lessee in noncancelable operating leases for the right to use radio, camera and other office equipment. In addition the County is a participant in a long-term subscription based information technology arrangements for the use of software. The county has recorded a right to use asset and right to use liability at the contract commencement dates based on the present value of the future lease and subscription payments over the expected contract terms. The right of use asset is amortized on a straight-line basis over the life of the contract, and the asset is recognized on the statement of net position with depreciable capital assets. The right of use liability is calculated based on the present value of the non-cancelable payments over the term of the contract and is recognized as a right to use liability on the statement of net position. The lease and subscription contracts call for monthly, quarterly or yearly non-cancelable payments that have terms from two to five years.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 8: LEASE AND SUBSCRIPTION BASED IT ARRANGEMENTS – continued**

The details of the right of use lease and subscription liabilities are as follows:

Description	Date	Payment Terms	Payment Amount	Imputed Interest Rate	Balance at September 30, 2025
<u>Lease Liabilities</u>					
Radar Units	4/15/2023	36 Months	\$ 580	3.83%	\$ 3,442
Telephone Equip	7/24/2024	36 Months	\$ 74	4.24%	1,485
Office Equipment	4/15/2021	60 Months	\$ 161	0.81%	964
Body Cameras	2/1/2025	5 Years	\$ 5,128	4.35%	20,328
Car Cameras	2/1/2024	5 Years	\$ 6,993	3.80%	20,847
Radio Tower	9/1/2025	5 Years	\$ 25,150	3.77%	99,815
<u>SBITA Liabilities</u>					
VGI Technology	12/5/2022	60 Months	\$ 160	0.42%	4,140
Pritchard & Abbott	1/1/2024	8 Quarters	\$ 4,728	5.55%	4,833
Peacemaker Tech	6/11/2025	5 Years	\$ 13,176	4.04%	52,263
Snider Technology	1/1/2025	24 Months	\$ 3,658	4.25%	53,346
Flock Safety	12/23/2024	5 Years	\$ 5,000	4.44%	19,816
					\$ <u>281,279</u>

Annual requirements to amortize long-term lease and subscription obligations and related interest are as follows:

Year Ending September 30	Principal	Interest	Total
2026	\$ 109,175	\$ 2,318	111,493
2027	68,386	917	69,303
2028	55,426	341	55,767
2029	48,292	160	48,452
	\$ <u>281,279</u>	\$ <u>3,736</u>	\$ <u>285,015</u>

**NOTE 9: RETIREMENT PLAN**

Plan Description

The County provides retirement, 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 (the TCDRS). The Commissioners are responsible for the administration of the statewide agent multi-employer public employee retirement system consisting of over 800 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

Benefits Provided

The plan provisions are adopted by the governing body of the employer, within the options available in the state statutes governing the TCDRS (TCDRS Act). Members employed by Sterling County can retire at age 60 and above with eight or more years of service, with 30 years of service, regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of employment but must leave their accumulated contributions in the plan to receive any employer-financed benefits.

STERLING COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 9: RETIREMENT PLAN - continued**

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer’s commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act. There are no automatic post-employment benefit changes; including automatic COLA’s. Ad hoc post-employment benefit changes, including ad hoc COLA’s, can be granted by the County Commissioners within certain guidelines.

Membership

County membership in the TCDRS plan at December 31, 2024 consisted of the following:

Inactive employees receiving benefits	47
Inactive employees not yet receiving benefits	220
Active employees	110

Contributions

The County has elected the annually determined contribution rate (Variable-Rate) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the county is actuarially determined annually. The employee contribution rate and the employer contribution rate may be changed by the governing body of the County within the options available in the TCDRS Act.

The rate the County contributed for the months of the accounting year in 2024 and 2025 were 8.91% and 8.38% respectively. The deposit rate payable by the employee members for the calendar year 2024 and 2025 is the rate of 7.00% as adopted by the governing body of the County. The total retirement contributions made by the County for the fiscal year ended September 30, 2025 were \$314,611.

Actuarial Assumptions

The total pension asset at December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age
Amortization Method	Straight line amortization over Expected Working Life
Remaining Amortization Period	0.0 Years (based on contribution rate calculated in 12/31/24 valuation)
Inflation Rate	2.50%
Asset Valuation Method	5 year smoothed market
Discount Rate	7.60%
Long-term expected Investment Rate of Return	7.50%, net of investment expenses
Salary increases	4.7% average over career including inflation

## STERLING COUNTY, TEXAS

### NOTES TO FINANCIAL STATEMENTS SEPTEMBER 30, 2025

**NOTE 9: RETIREMENT PLAN – continued**

The demographic assumptions were developed from an actuarial investigation by TCDRS over the years 2017-2020. They were recommended by Milliman and adopted by the TCDRS Board of Trustees in December 2021. All economic assumptions were recommended by Milliman and adopted by the TCDRS Board of Trustees in March of 2021. These assumptions, except where required to be different by GASB 68, are used to determine the total pension liability as of December 31, 2024. The assumptions are reviewed annually for continued compliance with the relevant actuarial standards of practice.

There were no changes in assumptions or methods reflected in the December 31, 2024 actuarial valuation. There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period. Refer to the most recent CAFR issued by TCDRS for a complete discussion of all assumptions.

#### Discount Rate

The discount rate used to measure the total pension asset was 7.60%. This discount rate is the same as the rate that was used in the prior year's calculation.

The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payment for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. The funding requirements under the employer's funding policy and the legal requirements under the TCDRS Act are such that a depletion is not projected to occur.

Since the fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and the net pension liability of the employer is equal to the long-term assumed rate of return on investments. For GASB 68 this long-term assumed rate of return and is net of investment expenses, but gross of administrative expenses. Therefore, we have used a discount rate of 7.60% which reflects the long-term assumed rate of return on assets for funding purposes of 7.50%, net of all expenses, increased by 0.10% to be gross of administrative expenses.

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 9: RETIREMENT PLAN – continued**

Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS’s investment consultant, Cliffwater LLC. The numbers shown are based on January 2024 information for a 10 year time horizon.

Note that the valuation assumptions for long-term expected return is re-assessed at a minimum of every four years and is based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 Meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with the relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

Best estimates of geometric real rates of return for each major asset class included in the target asset allocation are summarized below:

Asset Class	Benchmark	Target Allocation	Geometric Real Rate of Return (Expected minus inflation)
US Equities	Dow Jones US Total Stock Market Index	13.00%	5.35%
Global Equities	MSCI World (net) Index	4.00%	5.15%
Int'l Equities-Developed	MSCI World Ex USA (net) Index	6.00%	4.75%
Int'l Equities-Emerging	MSCI Emerging Markets (net) Index	0.00%	4.75%
Investment Grade Bonds	Bloomberg US Aggregate Bond Index	3.00%	2.55%
Strategic Credit	FTSE High-Yield Cash-Pay Index	9.00%	3.70%
Direct Lending	Morningstar LSTA US Leveraged Loan TR USD Index	16.00%	6.85%
Distressed Debt	Cambridge Associates Distressed Securities Index	4.00%	6.80%
REIT Equities	67% FTSE NAREIT All Equity REIT's Index		
Master Limited Partnerships (MLP's)	+33% S&P Global REIT (net) Index	2.00%	3.95%
Partnerships (MLP's)	Alerian MLP Index	2.00%	4.95%
Commodities	Bloomberg Commodities Index	2.00%	1.00%
Private Real Estate			
Partnerships	Cambridge Associates Real Estate Index	6.00%	5.75%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	8.15%
Hedge Funds	HFR, Inc. Fund of Funds Composite Index	6.00%	3.60%
Cash Equivalents	90-Day U.S. Treasury	2.00%	1.10%

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

At September 30, 2025, the County reported a net pension asset of \$2,163,179 for its proportionate share of the TCDRS’s net pension liability measured at December 31, 2024. For the year ended September 30, 2025, the County recognized pension expense (benefit) of (133,271).

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 9: RETIREMENT PLAN - continued**

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes in the net pension asset for the measurement year ended December 31, 2024 are as follows:

Changes in Net Pension Liability (Asset)	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balances At December 31, 2023	\$ 11,936,003	\$ 13,690,516	\$ (1,754,513)
Changes for the Year:			-
Service cost	604,417		604,417
Interest on total pension liability	924,051		924,051
Effect of plan changes			-
Effect of economic/demographic gains or losses	23,347		23,347
Effect of assumption changes or inputs	-		-
Refund of contributions	(74,070)	(74,070)	-
Benefit payments	(703,887)	(703,887)	-
Administrative expenses		(8,096)	8,096
Member contributions		256,862	(256,862)
Net investment income		1,391,398	(1,391,398)
Employer contributions		326,948	(326,948)
Other		(6,631)	6,631
Balances at December 31, 2024	\$ <u>12,709,861</u>	\$ <u>14,873,040</u>	\$ <u>(2,163,179)</u>

Discount Rate Sensitivity Analysis

The following presents the net pension liability/(asset) of the County, calculated using the discount rate of 7.60%, as well as what the County's net pension asset would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate.

	1% Decrease in Discount Rate (6.6%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
Total Pension Liability	\$ 14,362,169	12,709,861	11,333,038
Fiduciary Net Position	14,873,040	14,873,040	14,873,040
Net Pension Liability (Asset)	\$ <u>(510,871)</u>	\$ <u>(2,163,179)</u>	\$ <u>(3,540,002)</u>

**STERLING COUNTY, TEXAS**

NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2025

**NOTE 9: RETIREMENT PLAN - continued**

At September 30, 2025 the County reported its share of the TCDRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 17,510	\$ 163,577
Changes in actuarial assumptions		
Difference between projected and actual investment earnings	720,854	871,019
Contributions subsequent to measurement date	233,306	
Total	\$ 971,670	\$ 1,034,596

\$233,306 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ended December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	
2025	\$ (198,010)
2026	126,081
2027	(152,560)
2028	(71,743)
2029	
Thereafter	\$ (296,232)

**NOTE 10: RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the County purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

REQUIRED SUPPLEMENTARY INFORMATION

**STERLING COUNTY, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - GENERAL FUND  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 4,400,886	\$ 4,400,886	\$ 4,374,592	\$ (26,294)
Fees	67,800	67,800	63,219	(4,581)
Fines and forfeitures	354,000	354,000	354,156	156
Investment earnings	150,000	150,000	166,831	16,831
Rental revenues	2,400	2,400	2,400	-
Intergovernmental	63,866	63,866	197,139	133,273
EMS revenue	80,000	80,000	83,465	3,465
Miscellaneous	239,350	239,350	90,349	(149,001)
Total Revenues	<u>5,358,302</u>	<u>5,358,302</u>	<u>5,332,151</u>	<u>(26,151)</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	1,043,213	1,026,979	808,479	218,500
County judge	104,798	105,723	105,517	206
County and district clerk	197,304	198,858	181,531	17,327
Justice of the peace	123,007	123,007	112,633	10,374
County attorney	104,514	105,514	105,130	384
County treasurer	85,524	85,524	82,900	2,624
County tax collector	130,897	130,897	101,498	29,399
County building operations	277,978	277,978	244,188	33,790
County sheriff	633,669	635,451	516,001	119,450
County agent	77,504	77,504	69,320	8,184
Trapper	76,800	76,800	76,800	-
Senior citizens	53,017	55,396	53,017	2,379
Volunteer fire department	50,000	50,000	49,704	296
Clinic	278,400	278,840	278,832	8
EMS	398,826	408,762	386,827	21,935
Debt Service - lease liability			134,543	(134,543)
Capital outlay	256,451	254,669	513,760	(259,091)
Total Expenditures	<u>3,891,902</u>	<u>3,891,902</u>	<u>3,820,680</u>	<u>71,222</u>
Excess (deficiency) of revenues over expenditures	<u>1,466,400</u>	<u>1,466,400</u>	<u>1,511,471</u>	<u>45,071</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Financing proceeds			323,904	323,904
Transfers in (out)	(1,466,400)	(1,466,400)	(1,167,210)	299,190
Total other financing sources (uses)	<u>(1,466,400)</u>	<u>(1,466,400)</u>	<u>(843,306)</u>	<u>623,094</u>
Net Change in Fund Balance			668,165	668,165
Fund Balance - Beginning	<u>4,763,010</u>	<u>4,763,010</u>	<u>4,763,010</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 4,763,010</u>	<u>\$ 4,763,010</u>	<u>\$ 5,431,175</u>	<u>\$ 668,165</u>

**STERLING COUNTY, TEXAS**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -  
BUDGET (GAAP BASIS) AND ACTUAL - ROAD & BRIDGE FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Budgeted Amounts		Actual	Variance
	Original	Final		Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 573,382	\$ 573,382	\$ 569,919	\$ (3,463)
Licenses and permits	106,900	106,900	108,865	1,965
Fees	1,100	1,100	1,083	(17)
Investment earnings	60,000	60,000	60,399	399
Miscellaneous	21,542	21,542	18,192	(3,350)
<b>Total Revenues</b>	<u>762,924</u>	<u>762,924</u>	<u>758,458</u>	<u>(4,466)</u>
<b>Expenditures</b>				
Commissioner's salary	82,320	82,320	82,320	
Road foreman salary	58,375	58,375	58,375	
Landfill salary	10,300	10,300	5,372	4,928
Cell phone allowance	1,800	1,800	1,800	
Road salary	102,988	102,988	103,566	(578)
Social security	19,431	19,431	19,235	196
Group hospital insurance	104,358	104,358	99,299	5,059
Retirement	21,665	21,665	21,404	261
Permit and landfill fees	20,000	20,000	20,915	(915)
Fuel and oil	42,000	42,000	37,821	4,179
Supplies	4,500	4,600	2,368	2,232
County barn maintenance	5,000	5,000	348	4,652
Travel expenses	5,000	5,000	3,150	1,850
Utilities	8,600	8,600	4,486	4,114
Machine parts and repairs	70,000	82,000	84,988	(2,988)
Road materials and repairs	155,000	142,900	33,245	109,655
Lateral road funds	6,880	6,880	6,880	
Miscellaneous expense	5,265	5,265	323	4,942
Professional fees	15,000	15,000		15,000
Insurance	4,442	4,442	4,441	1
Capital outlay	20,000	20,000	69,932	(49,932)
<b>Total Expenditures</b>	<u>762,924</u>	<u>762,924</u>	<u>660,268</u>	<u>102,656</u>
<b>Excess (deficiency) of revenues over expenditures</b>			<u>98,190</u>	<u>98,190</u>
<b>Fund Balance - Beginning</b>	<u>1,523,585</u>	<u>1,523,585</u>	<u>1,523,585</u>	
<b>Fund Balance - Ending</b>	<u>\$ 1,523,585</u>	<u>\$ 1,523,585</u>	<u>\$ 1,621,775</u>	<u>\$ 98,190</u>

**STERLING COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS**  
**Last 10 Years**  
**YEARS ENDED DECEMBER 31**

	<u>2015</u>	<u>2016</u>	<u>2017</u>
<b>Total Pension Liability</b>			
Service cost	\$ 348,418	\$ 470,366	\$ 416,856
Interest (on the Total Pension Liability)	623,188	653,432	681,611
Effect of plan Changes	(70,584)	-	-
Effect of economic/demographic (gains)	(89,476)	(306,213)	(201,131)
Change of assumptions	103,678	-	45,961
Benefit payments, including refunds	<u>(553,159)</u>	<u>(618,930)</u>	<u>(694,438)</u>
<b>Net Change in Total Pension Liability</b>	362,065	198,655	248,859
<b>Total Pension Liability - Beginning</b>	<u>7,777,830</u>	<u>8,139,895</u>	<u>8,338,550</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 8,139,895</u>	<u>\$ 8,338,550</u>	<u>\$ 8,587,409</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	186,747	183,790	203,229
Contributions - Employee	172,458	179,182	172,228
Net Investment Income	(140,407)	633,338	1,290,932
Benefit payments, including refunds	(553,159)	(618,930)	(694,438)
Administrative Expense	(6,257)	(6,877)	(6,544)
Other	<u>49,291</u>	<u>(40,041)</u>	<u>(4,347)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	(291,327)	330,462	961,060
<b>Plan Fiduciary Net Position - Beginning</b>	<u>8,840,128</u>	<u>8,548,802</u>	<u>8,879,264</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 8,548,801</u>	<u>\$ 8,879,264</u>	<u>\$ 9,840,324</u>
<b>Net Pension Liability - Ending (a)-(b)</b>	<u>\$ (408,906)</u>	<u>\$ (540,714)</u>	<u>\$ (1,252,915)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	105.02%	106.48%	114.59%
 Covered Employee Payroll	\$ 2,463,681	\$ 2,559,748	\$ 2,460,401
 Net Pension Liability as a Percentage of Covered Employee Payroll	-16.60%	-21.12%	-50.92%

**STERLING COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - continued**  
Last 10 Years (will ultimately be displayed)  
**YEARS ENDED DECEMBER 31**

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
<b>Total Pension Liability</b>				
Service cost	\$ 408,170	\$ 457,483	\$ 452,606	\$ 504,988
Interest (on the Total Pension Liability)	703,994	746,009	789,137	832,211
Effect of plan changes	-	-	-	-
Effect of economic/demographic (gains)	(14,093)	(3,762)	44,434	(79,915)
Change of assumptions	-	-	564,534	(33,252)
Benefit payments, including refunds	<u>(620,663)</u>	<u>(637,031)</u>	<u>(688,787)</u>	<u>(701,407)</u>
<b>Net Change in Total Pension Liability</b>	<u>477,408</u>	<u>562,699</u>	<u>1,161,924</u>	<u>522,625</u>
<b>Total Pension Liability - Beginning</b>	<u>8,587,409</u>	<u>9,064,817</u>	<u>9,627,517</u>	<u>10,789,441</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 9,064,817</u>	<u>\$ 9,627,516</u>	<u>\$ 10,789,441</u>	<u>\$ 11,312,066</u>
<b>Plan Fiduciary Net Position</b>				
Contributions - Employer	200,824	188,593	202,796	206,443
Contributions - Employee	179,079	183,609	183,170	184,089
Net Investment Income	(186,012)	1,543,906	1,100,960	2,478,184
Benefit payments, including refunds	(620,663)	(637,031)	(688,787)	(701,407)
Administrative Expense	(7,550)	(8,126)	(8,375)	(7,357)
Other	<u>(6,186)</u>	<u>(7,582)</u>	<u>(7,895)</u>	<u>(5,655)</u>
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(440,508)</u>	<u>1,263,369</u>	<u>781,869</u>	<u>2,154,297</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>9,840,324</u>	<u>9,399,817</u>	<u>10,663,186</u>	<u>11,445,055</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 9,399,816</u>	<u>\$ 10,663,186</u>	<u>\$ 11,445,055</u>	<u>\$ 13,599,352</u>
<b>Net Pension Liability - Ending (a)-(b)</b>	<u>\$ (334,999)</u>	<u>\$ (1,035,670)</u>	<u>\$ (655,614)</u>	<u>\$ (2,287,286)</u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	103.70%	110.76%	106.08%	120.22%
Covered Employee Payroll	\$ 2,558,266	\$ 2,622,990	\$ 2,616,713	\$ 2,629,849
Net Pension Liability as a Percentage of Covered Employee Payroll	-13.09%	-39.48%	-25.05%	-86.97%

**STERLING COUNTY, TEXAS**  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS - continued  
Last 10 Years  
YEARS ENDED DECEMBER 31

	<u>2022</u>	<u>2023</u>	<u>2024</u>
<b>Total Pension Liability</b>			
Service cost	\$ 476,500	\$ 568,487	\$ 604,417
Interest (on the Total Pension Liability)	870,309	893,282	924,051
Effect of plan changes	-	-	-
Effect of economic/demographic (gains)	(416,789)	(327,153)	23,346
Change of assumptions	-	-	-
Benefit payments, including refunds	(686,830)	(753,870)	(777,957)
<b>Net Change in Total Pension Liability</b>	<u>243,190</u>	<u>380,746</u>	<u>773,857</u>
<b>Total Pension Liability - Beginning</b>	<u>11,312,066</u>	<u>11,555,257</u>	<u>11,936,004</u>
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 11,555,256</u>	<u>\$ 11,936,003</u>	<u>\$ 12,709,861</u>
 <b>Plan Fiduciary Net Position</b>			
Contributions - Employer	279,386	296,024	326,948
Contributions - Employee	183,290	220,443	256,862
Net Investment Income	(778,014)	1,378,889	1,391,398
Benefit payments, including refunds	(686,830)	(753,870)	(777,957)
Administrative Expense	(7,365)	(7,149)	(8,096)
Other	(21,336)	(12,304)	(6,631)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(1,030,869)</u>	<u>1,122,033</u>	<u>1,182,524</u>
<b>Plan Fiduciary Net Position - Beginning</b>	<u>13,599,352</u>	<u>12,568,483</u>	<u>13,690,516</u>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 12,568,483</u>	<u>\$ 13,690,516</u>	<u>\$ 14,873,040</u>
<b>Net Pension Liability - Ending (a)-(b)</b>	<u>\$ (1,013,227)</u>	<u>\$ (1,754,513)</u>	<u>\$ (2,163,179)</u>
 Plan Fiduciary Net Position as a Percentage of Total Pension Liability	108.77%	114.70%	117.02%
 Covered Employee Payroll	\$ 2,618,426	\$ 3,149,190	\$ 3,669,455
 Net Pension Liability as a Percentage of Covered Employee Payroll	-38.70%	-55.71%	-58.95%

**STERLING COUNTY, TEXAS**  
Schedule of Employer Contributions  
Texas County & District Retirement System  
For Fiscal Year 2025

Year Ending December 31,	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
2015	186,747	186,747	-	2,463,681	7.6%
2016	183,790	183,790	-	2,559,748	7.2%
2017	203,229	203,229	-	2,460,401	8.3%
2018	200,824	200,824	-	2,558,266	7.9%
2019	188,593	188,593	-	2,622,990	7.2%
2020	202,796	202,796	-	2,616,713	7.8%
2021	206,443	206,443	-	2,629,849	7.8%
2022	279,386	279,386	-	2,618,426	10.7%
2023	296,024	296,024	-	3,149,190	9.4%
2024	326,948	326,948	-	3,669,455	8.9%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates (Dec 31, 2022 valuation for 2024 contributions):

Actuarial Cost Method	Entry Age
Amortization Method	Level of percentage of payroll, closed
Remaining Amortization Period	0.0 years (based on contribution rate calculated at 12/31/2024 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.5%, net of 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% of the Pub-2010 General Retirees Table for males and 120% 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 investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule	2016, 2018 through 2024: No changes in plan provisions were reflected 2017: New Annuity purchase Rates were reflected for benefits earned after 2017

OTHER SUPPLEMENTARY INFORMATION

**STERLING COUNTY, TEXAS**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2025

	Jury Fund	Records Management	Courthouse Security	Technology Fund	ARPA Grant Fund
<b>ASSETS</b>					
Cash and cash investments	\$ 176,739	\$ 44,644	\$ 88,029	\$ 27,411	\$ 2,000
Investments	300,000		20,000		
Due from agency funds					
Accrued interest receivable	256	_____	64	_____	_____
Total Assets	\$ 476,995	\$ 44,644	\$ 108,093	\$ 27,411	\$ 2,000
<b>LIABILITIES</b>					
Accounts Payable	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue	_____	_____	_____	_____	_____
Total Liabilities and deferred inflows of resources	_____	_____	_____	_____	_____
<b>FUND BALANCE</b>					
Restricted	476,995	44,644	108,093	27,411	2,000
Unassigned	_____	_____	_____	_____	_____
Total Fund Balance	476,995	44,644	108,093	27,411	2,000
Total Liabilities and Fund Balance	\$ 476,995	\$ 44,644	\$ 108,093	\$ 27,411	\$ 2,000

**STERLING COUNTY, TEXAS**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2025

	Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
<b>ASSETS</b>					
Cash and cash investments	\$ 6,944	\$ 3,124	\$ 4,694	\$ 49,303	\$ 402,888
Investments					320,000
Due from agency funds					
Accrued interest receivable					320
Total Assets	\$ 6,944	\$ 3,124	\$ 4,694	\$ 49,303	\$ 723,208
<b>LIABILITIES</b>					
Accounts Payable	\$ _____	\$ _____	\$ _____	\$ _____	\$ _____
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Deferred Revenue	_____	_____	_____	_____	_____
Total Liabilities and deferred inflows of resources					
<b>FUND BALANCE</b>					
Restricted	6,944	3,124	4,694	49,303	723,208
Unassigned					
Total Fund Balance	6,944	3,124	4,694	49,303	723,208
Total Liabilities and Fund Balance	\$ 6,944	\$ 3,124	\$ 4,694	\$ 49,303	\$ 723,208

**STERLING COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Jury Fund	Records Management	Courthouse Security	Technology Fund	ARPA Grant Fund
<b>REVENUES:</b>					
Property taxes	\$ 40,053	\$	\$	\$	\$
Fees	4,414	340	14,038	10,882	
Intergovernmental	15,934	4,888			
Investment earnings	7,527	1,579	3,561	976	73
Total Revenues	67,928	6,807	17,599	11,858	73
<b>EXPENDITURES:</b>					
Current:					
Salaries and benefits	2,813		237		
Other operating	32,426	6,360	20,176	9,245	
Capital Outlay					
Total Expenditures	35,239	6,360	20,413	9,245	-
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>					
	32,689	447	(2,814)	2,613	73
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds	-				
Total Other Financing Sources	-	-	-	-	-
Net Change in Fund Balance	32,689	447	(2,814)	2,613	73
Fund Balance - Beginning	444,306	44,197	110,907	24,798	1,927
Fund Balance - Ending	\$ 476,995	\$ 44,644	\$ 108,093	\$ 27,411	\$ 2,000

**STERLING COUNTY, TEXAS**

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Court Technology	District Records Archive	Sheriff Special Revenue Fund	Clerk Records Archive	Total Nonmajor Governmental Funds
<b>REVENUES:</b>					
Property taxes	\$	\$	\$	\$	\$ 40,053
Fees		170		3,963	33,807
Intergovernmental					20,822
Investment earnings		250	114	1,733	15,813
		420	114	-	5,696
Total Revenues		420	114	-	5,696
<b>EXPENDITURES:</b>					
Current:					
Salaries and benefits					3,050
Other operating			7,013		75,220
Capital Outlay					-
		-	-	7,013	-
Total Expenditures		-	-	7,013	-
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>					
		420	114	(7,013)	5,696
<b>OTHER FINANCING SOURCES:</b>					
Transfers from other funds					-
Total Other Financing Sources		-	-	-	-
Net Change in Fund Balance		420	114	(7,013)	5,696
Fund Balance - Beginning		6,524	3,010	11,707	43,607
Fund Balance - Ending	\$	6,944	\$ 3,124	\$ 4,694	\$ 49,303
	\$	723,208		\$	\$

**STERLING COUNTY, TEXAS**

COMBINING STATEMENT OF NET POSITION - COMPONENT UNITS

SEPTEMBER 30, 2025

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
<b>ASSETS</b>			
Current:			
Cash and investments	\$ 51,803	\$ 14,347	\$ 66,150
Total current assets	<u>51,803</u>	<u>14,347</u>	<u>66,150</u>
Noncurrent assets:			
Property and equipment, net	<u>81,428</u>	<u>176,052</u>	<u>257,480</u>
Total noncurrent assets	<u>81,428</u>	<u>176,052</u>	<u>257,480</u>
<b>TOTAL ASSETS</b>	<u>133,231</u>	<u>190,399</u>	<u>323,630</u>
<b>LIABILITIES</b>			
Accounts Payable	<u>793</u>	<u></u>	<u>793</u>
Total Liabilities	<u>793</u>	<u></u>	<u>793</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned grant revenue	<u></u>	<u></u>	<u></u>
<b>NET POSITION</b>			
Net investment in capital assets	81,428	176,052	257,480
Unrestricted	<u>51,010</u>	<u>14,347</u>	<u>65,357</u>
<b>TOTAL NET POSITION</b>	<u>\$ 132,438</u>	<u>\$ 190,399</u>	<u>\$ 322,837</u>

**STERLING COUNTY, TEXAS**

COMBINING STATEMENT OF ACTIVITIES - COMPONENT UNITS  
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	<u>Sterling Volunteer Fire Department</u>	<u>Sterling County Senior Citizens</u>	<u>Total Component Units</u>
<b>REVENUES:</b>			
Fees and charges for services	\$	\$ 4,294	\$ 4,294
Donations	2,785	1,656	4,441
Intergovernmental	51,169	53,617	104,786
Investment earnings	13		13
Miscellaneous	357		357
	<hr/>	<hr/>	<hr/>
Total Revenues	54,324	59,567	113,891
	<hr/>	<hr/>	<hr/>
<b>EXPENDITURES:</b>			
Current:			
Salaries and benefits		20,025	20,025
Occupancy costs	8,316	9,541	17,857
Repairs and supplies	59,741	21,627	81,368
Depreciation	34,379	11,625	46,004
Other operating	9,182	6,455	15,637
	<hr/>	<hr/>	<hr/>
Total Expenditures	111,618	69,273	180,891
	<hr/>	<hr/>	<hr/>
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES</b>	(57,294)	(9,706)	(67,000)
<b>NET POSITION - BEGINNING OF YEAR</b>	<hr/>	<hr/>	<hr/>
	189,732	200,105	389,837
	<hr/>	<hr/>	<hr/>
<b>NET POSITION - END OF YEAR</b>	\$ <u>132,438</u>	\$ <u>190,399</u>	\$ <u>322,837</u>