

# **Stafford Municipal School District**

Annual Financial Report

For the Fiscal Year Ended August 31, 2019

**Stafford Municipal School District**  
 Annual Financial Report  
 For the Fiscal Year Ended August 31, 2019  
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**Certificate of the Board**

Stafford Municipal School District  
Name of School District

Fort Bend  
County

079-910  
Co.-Dist Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved \_\_\_\_\_ disapproved for the fiscal year ended August 31, 2019 at a meeting of the Board of Trustees of such school district on the 13<sup>th</sup> day of January, 2020.

  
\_\_\_\_\_  
Signature of Board Secretary

  
\_\_\_\_\_  
Signature of Board President

If the Board of Trustees disapproved the auditor's report, the reason(s) for disapproving it is/are (attach list as necessary):

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# Financial Section

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## Independent Auditor's Report

To the Board of Trustees of  
Stafford Municipal School District  
Stafford, Texas

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford Municipal School District (the District), as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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



### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Required Supplementary Information as listed in the table of contents, 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 and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information and Schedule of Required Responses to Selected School FIRST Indicators, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Supplementary Information and the Schedule of Expenditures of Federal Awards 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 Supplementary Information and the Schedule of Expenditures of Federal Awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Required Responses to Selected School FIRST Indicators has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

The Board of Trustees of  
Stafford Municipal School District

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
January 13, 2020

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## Management's Discussion and Analysis

As management of the Stafford Municipal School District (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2019.

### Financial Highlights

- The assets and deferred outflows of resources of the District were exceeded by its liabilities and deferred inflows of resources at the close of the most recent fiscal year by (\$6,802,430) (*net position*). Of this amount, (\$5,800,770) (*unrestricted net position*) was in a deficit due to the recording of pension and OPEB liabilities.
- The District's total net position increased by \$1,385,986 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,513,492, a decrease of \$12,462,104 mainly due to the use of bond funds.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,302,791, or 39 percent of total general fund expenditures.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District'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 required supplementary information and supplementary and other information in addition to the basic financial statements themselves.

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

The *Statement of Net Position (Exhibit A-1)* presents information on all of the District's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is changing.

The *Statement of Activities (Exhibit B-1)* presents information showing how the District's net position changed during the year. Changes in net position are reported upon occurrence of the underlying event giving rise to the change, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and incurred by unpaid workers' compensation benefits).

The government-wide financial statements of the District are principally supported by taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include *Instruction, Instructional Resources and Media Services, Curriculum and Instructional Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, and Evaluation Services, Health Services, Student Transportation, Food Services, Extracurricular Activities, General Administration, Plant Maintenance and Operations, Security and Monitoring Services, Data Processing Services, Community Services, Interest on Long-term Debt, Issuance Costs and Fees, Facilities Repair and Maintenance, Payments to Shared Services Arrangements, and Other Intergovernmental Charges*.

The government-wide financial statements can be found as noted in the table of contents of this report.

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, as do other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are grouped into the governmental funds category.

**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 District's near-term financing requirements.

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

The District maintains nineteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other sixteen governmental funds are combined into a single, aggregated presentation titled total nonmajor funds.

The District adopts an annual revenue and appropriations budget for its general fund, debt service fund and national school breakfast and lunch program special revenue fund. All other governmental funds adopt project length budgets. Subsequent to adoption, amendments approved by the governing body are reflected in a revised budget column. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with its budget.

The basic governmental fund financial statements can be found as noted in the table of contents of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of students. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The accounting used for fiduciary funds is the accrual basis of accounting for reporting its assets and liabilities.

The basic fiduciary fund financial statements can be found as noted in the table of contents of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found as noted in the table of contents of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information and supplementary and other information, including schedules required by the Texas Education Agency. Such information can be found as noted in the table of contents of this report.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a District's financial position. In the case of the District, assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by (\$6,802,430), an increase of \$1,385,986 over the preceding year.

### Stafford Municipal School District's Net Position

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 62,855,096	49	\$ 70,994,552	57	\$ (8,139,456)	(11)
Capital assets, net of depreciation	64,474,521	51	53,379,374	43	11,095,147	21
<b>Total assets</b>	<b>127,329,617</b>	<b>100</b>	<b>124,373,926</b>	<b>100</b>	<b>2,955,691</b>	
Total deferred outflows of resources	7,877,259	100	3,586,025	100	4,291,234	120
Other liabilities	6,551,843	5	3,723,368	3	2,828,475	76
Noncurrent liabilities outstanding	130,224,369	95	126,247,698	97	3,976,671	3
<b>Total liabilities</b>	<b>136,776,212</b>	<b>100</b>	<b>129,971,066</b>	<b>100</b>	<b>6,805,146</b>	
Total deferred inflows of resources	5,233,094	100	6,177,301	100	(944,207)	(15)
Net position						
Net investment in capital assets	(4,121,854)	61	(2,610,693)	32	(1,511,161)	58
Restricted	3,120,194	(46)	1,698,469	(21)	1,421,725	84
Unrestricted (deficit)	(5,800,770)	85	(7,276,192)	89	1,475,422	(20)
<b>Total net position (deficit)</b>	<b>\$ (6,802,430)</b>	<b>100</b>	<b>\$ (8,188,416)</b>	<b>100</b>	<b>\$ 1,385,986</b>	

Net investment in capital assets (\$4,121,854) reflects the District's investment of \$64.5 million in capital assets (e.g., land, construction in progress, buildings and improvements, and vehicles and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Restricted Net Position (\$3,120,194 or (46) percent of net position) is restricted for debt service and grants.

The remaining balance of the deficit *unrestricted net position* (\$5,800,770) (or 85 percent) resulted from the implementation of GASB 75 for other postemployment benefits (retiree health care provided through TRS-CARE).

**Governmental Activities.** Governmental activities increased the District's net position by \$1,385,986 from current operations. Key elements of this change are as follows:

**Stafford Municipal School District's Changes in Net Position**

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues						
Program revenues						
Charges for services	\$ 1,004,975	2	\$ 975,033	3	\$ 29,942	3
Operating grants and contributions	5,909,785	13	(901,729)	(3)	6,811,514	(755)
General revenues						
Property taxes, levied for general purpose	26,516,015	56	25,128,117	74	1,387,898	6
Property taxes, levied for debt service	6,797,807	14	4,587,847	13	2,209,960	48
Grants and contributions not restricted to specific programs	5,164,003	11	3,687,716	11	1,476,287	40
Investment earnings	1,762,236	4	795,241	2	966,995	122
Miscellaneous	117,913	-	98,298	-	19,615	20
<b>Total revenues</b>	<b>47,272,734</b>	<b>100</b>	<b>34,370,523</b>	<b>100</b>	<b>12,902,211</b>	
Expenses						
Instruction	22,263,490	50	14,961,900	45	7,301,590	49
Instructional resources and media services	825,993	2	284,951	1	541,042	190
Curriculum and instructional staff development	309,791	1	242,751	1	67,040	28
Instructional leadership	945,338	2	668,088	2	277,250	41
School leadership	2,521,445	5	1,483,446	4	1,037,999	70
Guidance, counseling and evaluation services	1,401,189	3	597,596	2	803,593	134
Health services	280,443	1	210,687	1	69,756	33
Student transportation	1,017,349	2	819,833	2	197,516	24
Food services	2,641,779	6	1,828,456	5	813,323	44
Extracurricular activities	1,548,800	3	1,137,757	3	411,043	36
General administration	2,495,744	5	1,924,629	6	571,115	30
Plant maintenance and operations	3,911,233	9	3,538,584	11	372,649	11
Security and monitoring services	723,135	2	286,050	1	437,085	153
Data processing services	1,352,914	3	788,380	2	564,534	72
Community services	36,559	-	35,225	-	1,334	4
Interest on long-term debt	3,287,434	6	3,859,686	11	(572,252)	(15)
Issuance cost and fees	3,500	-	541,897	2	(538,397)	(99)
Facilities repair and maintenance	101,834	-	12,661	-	89,173	704
Payments to shared services arrangements	-	-	12,300	-	(12,300)	(100)
Other intergovernmental charges	218,778	-	209,095	1	9,683	5
<b>Total expenses</b>	<b>45,886,748</b>	<b>100</b>	<b>33,443,972</b>	<b>100</b>	<b>12,442,776</b>	
<b>Change in net position</b>	<b>1,385,986</b>		<b>926,551</b>		<b>459,435</b>	
Net position - beginning, as originally reported	(8,188,416)		11,401,398		(19,589,814)	
Prior period adjustment - implement GASB 75 for OPEB (a)	-		(20,516,365)		20,516,365	
<b>Net position - beginning, as restated</b>	<b>(8,188,416)</b>		<b>(9,114,967)</b>		<b>926,551</b>	
<b>Net position - ending</b>	<b>\$ (6,802,430)</b>		<b>\$ (8,188,416)</b>		<b>\$ 1,385,986</b>	

a) The restatement of the beginning net position is the result of the District implementing GASB Statement No. 75 in fiscal year 2018. The implementation is discussed previously in the MD&A.

Revenues are generated primarily from two sources. Property taxes (\$33,313,822) represent 70 percent of total revenues, and grants and contributions (program and general revenues totaling (\$11,073,188) represent 24 percent of total revenues. The remaining 6 percent is generated from charges for services, investment earnings, and miscellaneous revenues.

The increase in net position resulted from the increase in revenues, mainly property tax revenues, due to an increase in assessed values.

The primary functional expenses of the District are instruction (\$22,280,735), which represents 50 percent of total expenses, plant maintenance and operations (\$3,911,233), which represents 9 percent of total expenses, interest on long-term debt (\$3,287,434), which represents 6 percent of total expenses, and food services (\$2,641,779), which represents 6 percent of total expenses. The remaining functional categories of expenses are individually less than 6 percent of total expenses.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,513,492, a decrease of \$12,462,104.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$12,302,791 and the total fund balance of the general fund was \$15,419,045. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 39 percent of total general fund expenditures, while total fund balance represents 48 percent of that same total. The increase in the general fund was \$2,506,618 mainly from the increase in tax revenues due to increased property values.

The debt service fund has a total fund balance of \$2,565,111, all of which is restricted for the payment of debt service. The net decrease in the debt service fund was \$150,402 and was primarily due to an increase in debt payments.

The capital projects fund has a total fund balance of \$36,749,567, all of which is restricted for capital acquisitions and contractual obligations. The decrease from the prior year is the result of capital project activities during the year.

### **General Fund Budgetary Highlights**

The District amends the budget as needed throughout the year. The most significant variation in the original budget to the final amended budget of the general fund was \$1.5 million in instruction.

There were no significant differences between the final amended budget and actual results of the general fund.



## Capital Asset and Long-term Liabilities Administration

**Capital Assets.** The District's investment in capital assets for its governmental type activities as of August 31, 2019, amounts to \$64,474,521 (net of accumulated depreciation). This investment in capital assets includes buildings and improvements, and vehicles and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$11,095,147.

### Stafford Municipal School District's Capital Assets (net of depreciation)

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 1,250,000	2	\$ -	-	1,250,000	100
Construction in progress	14,649,309	23	988,397	2	13,660,912	1,382
Buildings and improvements	47,531,177	73	51,625,983	97	(4,094,806)	(8)
Vehicles	404,522	1	108,597	-	295,925	272
Equipment	639,513	1	656,397	1	(16,884)	(3)
<b>Totals</b>	<b>\$ 64,474,521</b>	<b>100</b>	<b>\$ 53,379,374</b>	<b>100</b>	<b>\$ 11,095,147</b>	

Major capital asset additions during the current fiscal year included the following:

- \$13,660,912 Construction in Progress –2018 Bond project

Additional information on the District's capital assets can be found in notes to the financial statements as noted in the table of contents of this report.

**Long-term Liabilities.** At year-end, the District had the following long-term liabilities:

### Stafford Municipal School District's Outstanding Long-term Liabilities

	Governmental Activities					
	2019		2018		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds (net)	\$ 106,429,246	81	\$ 108,763,516	86	\$ (2,334,270)	(2)
Workers' compensation	75,354	-	75,280	-	74	-
Compensated absences	41,990	-	20,570	-	21,420	104
Net pension liability	9,928,805	8	5,688,055	5	4,240,750	75
Net OPEB liability	13,748,974	11	11,700,277	9	2,048,697	18
<b>Totals</b>	<b>\$ 130,224,369</b>	<b>100</b>	<b>\$ 126,247,698</b>	<b>100</b>	<b>\$ 3,976,671</b>	

The District's net bonded debt decreased by \$2,334,270 (2 percent) during the current fiscal year.

The District's general obligation debt is backed by the full faith and credit of the District and, when eligible, is further guaranteed by the Texas Permanent School Fund Bond Guarantee Program.

State statutes do not limit the tax rate or amount for the support of school districts' bonded indebtedness. However, approval by the Attorney General of the State of Texas is required prior to the sale of bonds

Additional information on the District's long-term debt, net pension liability, and OPEB liability can be found in the notes to the financial statements as indicated in the table of contents of this report.

## **Economic Factors and Next Year's Budget and Rates**

- Average daily attendance totals 3,475 compared to 3,513 from the prior year.
- District staff totals 463 employees, which includes 225 teachers and 40 teachers' aides, 141 auxiliary staff and 23 administrators.
- The District maintains 5 campuses for instruction.
- The unemployment rate for the County is currently 3.3 percent, which is a decrease from a rate of 3.8 percent a year ago. This compares favorably to the state's average unemployment rate of 3.4 percent, which is a decrease from a rate of 3.7 percent a year ago.
- Property values of the District are projected to increase 2% for the 2019-2020 year.
- A maintenance and operations (compressed as per HB3) tax rate of \$0.97005 and a debt service tax rate of \$0.28, a total of \$1.25005 were adopted for 2019-2020. Preceding year rates were \$1.05330, \$0.27175 and \$1.32505, respectively.

All of these factors were considered in preparing the District's budget for the 2019-2020 fiscal year.

## **Requests for Information**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in this information. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, Stafford Municipal School District, 1625 Staffordshire, Stafford, Texas 77477.

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# Basic Financial Statements

Stafford Municipal School District  
Statement of Net Position  
August 31, 2019

Exhibit A-1

<u>Data Control Codes</u>		<u>1 Primary Government Governmental Activities</u>
	<b>ASSETS</b>	
1110	Cash and cash equivalents	\$ 60,903,507
1220	Property taxes receivable	989,279
1230	Allowance for uncollectable taxes	(9,893)
1240	Due from other governments	929,559
1267	Receivable from fiduciary fund	102
1290	Other receivables	31,766
1410	Prepaid items	10,776
	Capital assets:	
1510	Land	1,250,000
1580	Construction in progress	14,649,309
1520	Buildings and improvements, net	47,531,177
1531	Vehicles, net	404,522
1539	Equipment, net	639,513
1000	Total assets	<u>127,329,617</u>
	<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705	Deferred outflows - pension	5,293,987
1706	Deferred outflows - OPEB	1,499,968
1710	Deferred charge on refunding	1,083,304
1700	Total deferred outflows of resources	<u>7,877,259</u>
	<b>LIABILITIES</b>	
2110	Accounts payable	4,202,275
2140	Interest payable	189,625
2160	Accrued wages payable	1,220,320
2200	Accrued expense	850,428
2300	Unearned revenue	89,195
	Noncurrent liabilities:	
2501	Due within one year	3,012,344
2502	Due in more than one year	103,534,246
2540	Net pension liabilities	9,928,805
2545	Net OPEB liabilities	13,748,974
2000	Total liabilities	<u>136,776,212</u>
	<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605	Deferred inflows - pension	885,337
2606	Deferred inflows - OPEB	4,347,757
2600	Total deferred inflows of resources	<u>5,233,094</u>
	<b>NET POSITION</b>	
3200	Net investment in capital assets	(4,121,854)
3820	Restricted for grants	597,800
3850	Restricted for debt service	2,522,394
3900	Unrestricted (deficit)	(5,800,770)
3000	<b>TOTAL NET POSITION (DEFICIT)</b>	<u><u>\$ (6,802,430)</u></u>

The Notes to the Financial Statements are an integral part of this statement.

Stafford Municipal School District  
Statement of Activities  
For the Fiscal Year Ended August 31, 2019

Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>PRIMARY GOVERNMENT:</b>					
Governmental activities:					
0011	Instruction	\$ 22,263,490	\$ 234,113	\$ 2,471,746	\$ (19,557,631)
0012	Intructional resources and media services	825,993	-	11,193	(814,800)
0013	Curriculum and instructional staff development	309,791	339	134,763	(174,689)
0021	Instructional leadership	945,338	-	107,968	(837,370)
0023	School leadership	2,521,445	4,954	188,037	(2,328,454)
0031	Guidance, counseling, and evaluation services	1,401,189	-	637,768	(763,421)
0033	Health services	280,443	-	18,907	(261,536)
0034	Student transportation	1,017,349	-	42,195	(975,154)
0035	Food services	2,641,779	417,684	1,855,170	(368,925)
0036	Extracurricular activities	1,548,800	134,293	71,625	(1,342,882)
0041	General administration	2,495,744	1,128	94,452	(2,400,164)
0051	Plant maintenance and operations	3,911,233	12,319	196,734	(3,702,180)
0052	Security and monitoring services	723,135	-	-	(723,135)
0053	Data processing services	1,352,914	-	37,417	(1,315,497)
0061	Community services	36,559	200,145	207	163,793
0072	Interest on long-term debt	3,287,434	-	41,603	(3,245,831)
0073	Issuance cost and fees	3,500	-	-	(3,500)
0081	Facilities repair and maintenance	101,834	-	-	(101,834)
0099	Other intergovernmental charges	218,778	-	-	(218,778)
TG	Total governmental activities	45,886,748	1,004,975	5,909,785	(38,971,988)
TP	<b>TOTAL PRIMARY GOVERNMENT</b>	<u>\$ 45,886,748</u>	<u>\$ 1,004,975</u>	<u>\$ 5,909,785</u>	<u>(38,971,988)</u>
General revenues:					
MT	Property taxes, levied for general purposes				26,516,015
DT	Property taxes, levied for debt service				6,797,807
GC	Grants and contributions not restricted to specific programs				5,164,003
IE	Investment earnings				1,762,236
MI	Miscellaneous				117,913
TR	Total general revenues				40,357,974
CN	Change in net position				1,385,986
	Net position - beginning				(8,188,416)
NE	<b>NET POSITION - ENDING</b>				<u>\$ (6,802,430)</u>

The Notes to the Financial Statements are an integral part of this statement.

**Stafford Municipal School District**  
 Balance Sheet - Governmental Funds  
 August 31, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
<b>ASSETS</b>			
1110	Cash and cash equivalents	\$ 16,315,687	\$ 2,563,607
1220	Property taxes receivable	840,887	148,392
1230	Allowance for uncollectable taxes	(8,409)	(1,484)
1240	Due from other governments	456,004	1,504
1260	Due from other funds	454,427	-
1290	Other receivables	13,846	-
1410	Prepaid items	10,776	-
1000	Total assets	18,083,218	2,712,019
1000a	<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<u>\$ 18,083,218</u>	<u>\$ 2,712,019</u>
<b>LIABILITIES</b>			
2110	Accounts payable	\$ 410,822	\$ -
2160	Accrued wages payable	1,161,841	-
2170	Due to other funds	64	-
2200	Accrued expenditures	258,968	-
2300	Unearned revenue	-	-
2000	Total liabilities	1,831,695	-
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2600	Unavailable revenue - property taxes	832,478	146,908
	Total deferred inflows of resources	832,478	146,908
<b>FUND BALANCES</b>			
Nonspendable:			
3430	Prepaid items	10,776	-
Restricted for:			
3450	Grants	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	2,565,111
Committed to:			
3530	Capital expenditures for equipment	1,750,000	-
3540	Self-insurance	350,000	-
3545	Other	326,377	-
Assigned to:			
3590	Purchases on order	679,101	-
3600	Unassigned	12,302,791	-
3000	Total fund balances	15,419,045	2,565,111
4000	<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 18,083,218</u>	<u>\$ 2,712,019</u>

The Notes to the Financial Statements are an integral part of this statement.

699 Capital Projects Funds	Total Nonmajor Funds	98 Total Governmental Funds
\$ 41,085,287	\$ 938,926	\$ 60,903,507
-	-	989,279
-	-	(9,893)
1,500	470,551	929,559
-	64	454,491
-	17,920	31,766
-	-	10,776
<hr/> 41,086,787	<hr/> 1,427,461	<hr/> 63,309,485
<hr/> <u>\$ 41,086,787</u>	<hr/> <u>\$ 1,427,461</u>	<hr/> <u>\$ 63,309,485</u>
\$ 3,747,016	\$ 44,437	\$ 4,202,275
-	58,479	1,220,320
-	454,325	454,389
590,204	1,256	850,428
-	89,195	89,195
<hr/> 4,337,220	<hr/> 647,692	<hr/> 6,816,607
-	-	979,386
<hr/> -	<hr/> -	<hr/> 979,386
-	-	10,776
-	597,800	597,800
36,749,567	-	36,749,567
-	-	2,565,111
-	-	1,750,000
-	-	350,000
-	181,969	508,346
-	-	679,101
-	-	12,302,791
<hr/> 36,749,567	<hr/> 779,769	<hr/> 55,513,492
<hr/> <u>\$ 41,086,787</u>	<hr/> <u>\$ 1,427,461</u>	<hr/> <u>\$ 63,309,485</u>



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**Stafford Municipal School District**  
 Reconciliation of the Governmental Funds Balance  
 Sheet to the Statement of Net Position  
 August 31, 2019

**Exhibit C-1R**

**TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1)** \$ 55,513,492

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 as assets in governmental funds. The governmental capital assets at year-end consist of:

Governmental capital assets costs	\$ 139,233,074	
Accumulated depreciation of governmental capital assets	<u>(74,758,553)</u>	64,474,521

Property taxes receivable, which will be collected subsequent to year-end, but are not available soon enough to pay expenditures and, therefore, are deferred in the funds. 979,386

Long-term liabilities, including bonds payable, compensated absences, workers' compensation and net pension and OPEB liabilities, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Liabilities at year-end related to such items, consist of:

Bonds payable, at original par	\$ (100,020,000)	
Premium on bonds payable	(6,409,246)	
Deferred charge on refunding	1,083,304	
Accrued interest on the bonds	(189,625)	
Compensated absences	(41,990)	
Workers' compensation	(75,354)	
Net pension liability	(9,928,805)	
Net OPEB liability	<u>(13,748,974)</u>	(129,330,690)

Deferred outflows of resources for pension represents a consumption of net position that applies to a future period(s) and will now be recognized as an outflow of resources (expense/expenditures) until then. 5,293,987

Deferred inflows of resources for pension represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (885,337)

Deferred outflows of resources for OPEB represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expenses/expenditures) until then. 1,499,968

Deferred inflows of resources for OPEB represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time. (4,347,757)

**TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT A-1)** \$ (6,802,430)

**Stafford Municipal School District**  
Statement of Revenues, Expenditures, and Changes  
in Fund Balances - Governmental Funds  
For the Fiscal Year Ended August 31, 2019

Data Control Codes		199	599
		General Fund	Debt Service Fund
<b>REVENUES</b>			
5700	Local and intermediate sources	\$ 27,526,800	\$ 6,921,605
5800	State program revenues	6,418,988	41,603
5900	Federal program revenues	354,294	-
5020	Total revenues	34,300,082	6,963,208
<b>EXPENDITURES</b>			
Current:			
0011	Instruction	17,750,621	-
0012	Instructional resources and media services	295,712	-
0013	Curriculum and instructional staff development	140,592	-
0021	Instructional leadership	757,357	-
0023	School leadership	2,116,365	-
0031	Guidance, counseling, and evaluation services	596,540	-
0033	Health services	239,068	-
0034	Student transportation	892,565	-
0035	Food services	62,430	-
0036	Extracurricular activities	1,244,141	-
0041	General administration	2,185,833	-
0051	Plant maintenance and operations	3,340,398	-
0052	Security and monitoring services	642,525	-
0053	Data processing services	1,278,262	-
0061	Community services	32,277	-
Debt service:			
0071	Principal on long-term debt	-	1,975,000
0072	Interest on long-term debt	-	5,135,110
0073	Issuance costs and fees	-	3,500
Capital outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0099	Other intergovernmental charges	218,778	-
6030	Total expenditures	31,793,464	7,113,610
1200	Net change in fund balances	2,506,618	(150,402)
0100	Fund balances - beginning	12,912,427	2,715,513
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ 15,419,045</b>	<b>\$ 2,565,111</b>

The Notes to the Financial Statements are an integral part of this statement.

699	Total	98
Capital Projects Funds	Nonmajor Funds	Total Governmental Funds
\$ 1,204,935	\$ 705,276	\$ 36,358,616
-	182,455	6,643,046
-	2,925,818	3,280,112
1,204,935	3,813,549	46,281,774
-	871,797	18,622,418
435,127	-	730,839
-	134,329	274,921
-	44,450	801,807
-	4,548	2,120,913
-	460,757	1,057,297
-	-	239,068
-	-	892,565
-	2,094,231	2,156,661
-	76,274	1,320,415
-	1,036	2,186,869
-	130,724	3,471,122
-	-	642,525
-	-	1,278,262
-	207	32,484
-	-	1,975,000
-	-	5,135,110
-	-	3,500
15,583,324	-	15,583,324
-	-	218,778
16,018,451	3,818,353	58,743,878
(14,813,516)	(4,804)	(12,462,104)
51,563,083	784,573	67,975,596
<u>\$ 36,749,567</u>	<u>\$ 779,769</u>	<u>\$ 55,513,492</u>

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**Stafford Municipal School District**  
 Reconciliation of the Statement of Revenues,  
 Expenditures, and Changes in Fund Balances of  
 Governmental Funds to the Statement of Activities  
 For the Fiscal Year Ended August 31, 2019

**Exhibit C-3**

**TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2)** \$ (12,462,104)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation expense.

Capital assets increased	\$ 15,597,694	
Depreciation expense	<u>(4,502,547)</u>	11,095,147

Because some property taxes will not be collected for several months after the District's fiscal year end, they are not considered "available" revenues and are deferred in the governmental funds. Deferred tax revenues increased (decreased) by this amount this year. (121,295)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,975,000

Accrued interest on current interest bonds payable (increased) decreased	\$ 1,615,468	
Amortization of bond premium	359,270	
Amortization of deferred charge on refunding	<u>(127,062)</u>	1,847,676

The (increase) decrease in compensated absences is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (21,420)

The (increase) decrease in workers' compensation is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. (74)

The net change in net pension liability, deferred outflows, and deferred inflows are reported in the statement of activities but does not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 3,110,261	
Deferred inflows (increased) decreased	397,716	
Net pension liability (increased) decreased	<u>(4,240,750)</u>	(732,773)

The net change in net OPEB liability, deferred outflows, and deferred inflows is reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in the governmental funds. The net change consists of the following:

Deferred outflows increased (decreased)	\$ 1,308,035	
Deferred inflows (increased) decreased	546,491	
Net OPEB liability (increased) decreased	<u>(2,048,697)</u>	(194,171)

**CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1)** \$ 1,385,986

**Stafford Municipal School District**  
 Statement of Assets and Liabilities  
 Fiduciary Fund  
 August 31, 2019

**Exhibit E-1**

<u>Data Control Codes</u>		<u>Agency Fund</u>
	<b>ASSETS</b>	
1110	Cash and cash equivalents	\$ 68,149
1000	<b>TOTAL ASSETS</b>	<u>\$ 68,149</u>
	<b>LIABILITIES</b>	
	Current liabilities:	
2170	Due to other funds	\$ 102
2190	Due to student groups	<u>68,047</u>
2000	<b>TOTAL LIABILITIES</b>	<u>\$ 68,149</u>

The Notes to the Financial Statements are an integral part of this statement.

# Stafford Municipal School District

## Notes to the Financial Statements

### Note 1. Summary of Significant Accounting Policies

#### A. Reporting Entity

The Stafford Municipal School District (the District) is governed by a seven-member board of trustees (the Board), which has governance responsibilities over all activities related to public, elementary and secondary education within the District. Members of the Board are elected by the public; have authority to make decisions; appoint management and significantly influence operations; and have primary accountability for fiscal matters. The District is included in the City of Stafford "reporting entity" as defined by the Government Accounting Standards Board (GASB) in its Statement No. 14, "The Financial Reporting Entity," as revised by GASB Statement No. 39 and 61, and there are no component units included within the reporting entity.

Effective September 1, 2003, Texas Education Code 11.303 was put into law, and it provided for the City Council to participate jointly with the Board of Trustees for the following actions:

- Hearings and work sessions on the budget and ad valorem tax rate
- Adopting of annual budget and ad valorem tax rates
- Authorization for bonded debt issuance

The accompanying financial statements present the District.

#### B. Description of Government-wide 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 (the District). All fiduciary activities are reported only in the fund financial statements. *Governmental activities* normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions.

#### C. Basis of Presentation – Government-wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

#### D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category—governmental and fiduciary—are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.



## Stafford Municipal School District

### Notes to the Financial Statements

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those accounted for in another fund.

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of governmental funds.

The *capital projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.

Additionally, the District reports the following fund types:

The *special revenue funds* are used to account for the proceeds of specific revenue sources (other than those identified as a major fund) that are restricted or committed to expenditures for specific purposes.

The *agency fund* accounts for assets held by the District for student organizations. The fund is custodial in nature (assets equal liabilities) and does not involve measurement or results of operations.

During the course of operations, the District has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the amount payable to or receivable from the agency fund is included in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds are eliminated in governmental activities.

#### **E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

## Stafford Municipal School District

### Notes to the Financial Statements

The 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 District 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 required under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and workers' compensation, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Interest associated with the current fiscal period is considered to be susceptible to accrual and has been recognized as revenues in the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items, including property taxes, are considered to be measurable and available only when cash is received by the District.

The fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

#### **F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

##### **1. Cash, Cash Equivalents and Investments**

The District's cash and cash equivalents are considered to be cash on hand, bank demand deposits, time deposits with original maturities of one year or less from the date of acquisition, and investments pools.

Investments for the District, except for certain investments pools, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost or fair value. Such investments are not required to be reported in the fair value hierarchy.

##### **2. Inventories and Prepaid Items**

Inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

##### **3. Capital Assets**

Capital assets, which include land and improvements, buildings and improvements, vehicles, and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. The District's infrastructure includes parking lots and sidewalks associated with various buildings. The cost of the infrastructure was initially capitalized with the building cost and is being depreciated over the same useful life as the building. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

# Stafford Municipal School District

## Notes to the Financial Statements

In the case of the initial capitalization of general infrastructure assets (i.e., those reported by governmental activities), the District chose to include all such items regardless of their acquisition date or amount. The District was able to estimate the historical cost for the initial reporting of these assets through back trending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year). As the District constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Land and improvements and construction in progress are not depreciated. The buildings and improvements and vehicles and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Asset Classes</u>	<u>Lives</u>
Buildings and improvements	10-30
Vehicles	5-9
Equipment	5-15

#### **4. *Deferred Outflows/Inflows of Resources***

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditures) until then. Deferred inflows of resources represents an acquisition of net position/fund balance that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension and OPEB activities are amortized over the weighted average remaining service life of all participants in the respective qualified pension plan and OPEB plan, except for projected and actual earnings differences on investments which are amortized on a closed basis over a 5-year period.
- District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- Property taxes are recognized in the period the amount becomes available.

#### **5. *Compensated Absences***

On retirement or death of certain employees, the District pays an accrued sick leave and vacation leave in a lump sum payment to such employee on his/her estate. Effective November 19, 2002, and thereafter, an employee who retires in accordance with Teacher Retirement System (TRS) guidelines after 20 or more years of service in the District shall be paid for up to 90 workdays of unused local leave as follows. A professional employee shall be paid at the rate of \$60 per day for each day of unused local leave. A paraprofessional or auxiliary employee shall be paid at the rate of 50% of the daily wage at the time of retirement, not to exceed \$40 per day, for each day of unused local leave.

## Stafford Municipal School District

### Notes to the Financial Statements

#### **6. Net Position Flow Assumption**

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### **7. Fund Balance Flow Assumptions**

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

#### **8. Fund Balance Policies**

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The District itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority. The board of trustees (the Board) is the highest level of decision-making authority for the District that can, by board action or adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by board action or the resolution remains in place until a similar action is taken (the board action or adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as committed. The Board has, by policy, authorized the superintendent or his designee to assign fund balance. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

#### **9. Pension**

The fiduciary net position of the Teacher Retirement System of Texas (TRS) Pension Plan 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 liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's Pension Plan 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.

## Stafford Municipal School District

### Notes to the Financial Statements

#### **10. Other Postemployment Benefits**

The fiduciary net position of the Teacher Retirement System of Texas TRS-Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

#### **G. Revenues and Expenditures/Expenses**

##### **1. Program Revenues**

Amounts reported as *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. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

##### **2. Property Taxes**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On July 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

#### **H. Use of Estimates**

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

#### **I. Data Control Codes**

The Data Control Codes refer to the account code structure prescribed by Texas Education Agency (TEA) in the *Financial Accountability System Resource Guide*. TEA requires school districts to display these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

### **Note 2. Stewardship, Compliance, and Accountability**

#### **A. Budgetary Information**

The Board of Trustees and City Council adopts an appropriated budget for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund on a basis consistent with GAAP. Budgetary information for the general fund appears in the required supplementary information subsection where the District compares the final amended budget to actual revenues and expenditures.

# Stafford Municipal School District

## Notes to the Financial Statements

The following procedures are followed in establishing the budgetary data reflected in the financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board and Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is legally enacted and adopted by the Board and Council.

The appropriated budget is prepared by fund, function and campus/department. The District's campus/department heads may make transfers of appropriations within a campus/department. Transfers of appropriations between departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources requires the approval of the Board and Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund.

### B. Excess of Expenditures Over Appropriations

For the fiscal year ended August 31, 2019, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following fund:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	35	59,702	62,430	(2,728)

### C. Encumbrances

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restricted, committed, or assigned fund balance, as appropriate. The encumbrances do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

As of August 31, 2019, encumbrances included in governmental fund balances are as follows:

	Encumbrances Included in:		
	<u>Restricted Fund Balance</u>	<u>Committed Fund Balance</u>	<u>Assigned Fund Balance</u>
General fund	\$ -	\$ 326,377	\$ 679,101
Capital projects funds	26,323,086	-	-
Nonmajor governmental funds	21,422	15,071	-
<b>Total encumbrances</b>	<b>\$ 26,344,508</b>	<b>\$ 341,448</b>	<b>\$ 679,101</b>

## Stafford Municipal School District

### Notes to the Financial Statements

#### Note 3. Detailed Notes on All Funds

##### A. Deposits and Investments

###### Cash Deposits

The District's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas School Depository Act. The depository bank pledges securities which comply with state law, and these securities are held for safekeeping and trust with the District's and the depository bank's agent bank. The pledged securities shall be in an amount sufficient to protect District 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.

###### Investments

The District's investment policy is in accordance with the Public Funds Investment Act, the Public Funds Collateral Act, and federal and state laws. State law and District policy limits credit risk by allowing investing in 1) Obligations of the United States or its agencies which are backed by the full faith and credit of the United States, obligations of the State of Texas or its agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized statistical rating organization (NRSRO) not less than A or its equivalent; 2) Certificates of deposit issued by a broker or depository located in Texas which is insured by the FDIC or purchased through a broker who has an office located in Texas; 3) Repurchase agreements secured by obligations of the United States or its agencies not to exceed 90 days to maturity from the date of purchase; 4) Bankers' acceptances with a stated maturity of 270 days or fewer which are eligible for collateral for borrowing from a Federal Reserve Bank; 5) No-load money market mutual funds which shall be registered with the Securities and Exchange Commission which have an average weighted maturity of less than two years, investments comply with the Public Funds Investment Act and are continuously rated not less than AAA by at least one NRSRO; 6) A guaranteed investment contract (for bond proceeds only) which meets the criteria and eligibility requirements established by the Public Funds Investment Act; 7) Public funds investment pools which meets the requirements of the Public Funds Investment Act; 8) Commercial paper is an authorized investment if it has a stated maturity of 270 days or fewer from the date of its issuance and is rated not less than A-1 or P-1 or an equivalent rating by at least: two nationally recognized credit rating agencies; or one nationally recognized agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state; 9) Securities lending program as permitted by Government Code 2256.0115; 10) Fully collateralized repurchase agreements permitted by Government Code 2256.011.

## Stafford Municipal School District

### Notes to the Financial Statements

As of August 31, 2019, the District had the following cash and cash equivalents, weighted average maturity and credit risk of such items as follows:

Governmental Fund Investment Type	August 31, 2019	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost				
Investment pools				
TexPool Local Government Investment Pool	\$ 12,913,532	23%	36	AAAm
TexSTAR	2,597,092	4%	22	AAAm
Lone Star Government Overnight Fund	1,505	0%	27	AAAm
Investments measured at fair value				
Investment pools				
LOGIC	41,784,572	73%	47	AAAm
Total	57,296,701	100%		
Portfolio weighted average maturity				
Cash and checking accounts	3,606,806	N/A	43	N/A
<b>Total cash and cash equivalents</b>	<b>\$ 60,903,507</b>			
<hr/>				
Fiduciary Fund Investment Type				
Investments measured at amortized cost				
Investment pools				
TexPool Local Government Investment Pool	\$ 27,665	100%	36	AAAm
Total	27,665	100%		
Portfolio weighted average maturity				
Cash and checking accounts	40,484	N/A	36	N/A
<b>Total cash and cash equivalents</b>	<b>\$ 68,149</b>			

The TexPool, TexSTAR, and Lone Star Government Overnight investment pools are external investment pools measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, investment pools must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity and diversification requirements within the investment pool. The investment pools transact at a net asset value of \$1.00 per share, have weighted average maturity of 60 days or less and weighted average life of 120 days or less, investments held are highly rated by nationally recognized statistical rating organization, have no more than 5% of portfolio with on issuer (excluding US government securities), and can meet reasonably foreseeable redemptions. TexPool and Lone Star Overnight have a redemption notice period of one day and no maximum transactions amounts. The investment pools' authorities may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pools' liquidity.



## Stafford Municipal School District

### Notes to the Financial Statements

The LOGIC investment pool is an external investment pool measured at its net asset value. LOGIC's strategy is to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. The District has no unfunded commitments related to the investment pool. LOGIC has a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities market, general banking moratorium or national or state emergency that affects the pool's liquidity.

#### **Credit Risk**

For fiscal year 2019, the District invested in TexPool, Lone Star, TexSTAR, and LOGIC. TexPool is duly chartered and administered by the State Comptroller's Office. Lone Star Investment Pool is duly chartered by the State of Texas Interlocal Cooperation Act and is administered by First Public, LLC, formerly the Texas Association of School Boards Financial Services. TexSTAR and LOGIC are administered by First Southwest, Asset Management, Inc. and JP Morgan Chase. The credit rating for investments is noted in the preceding table.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates may adversely affect the value of the investments. The District monitors interest rate risk utilizing weighted average maturity analysis and specific identification. In accordance with its investment policy, the District reduces its exposure to declines in fair values by limiting the weighted average maturity of any internally created pool to no more than 180 days, and any individual investment not to exceed one year, unless specifically authorized by the Board of Trustees.

#### **Concentration of Credit Risk**

The District's investment policy does not limit an investment in any one issuer. 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 – Deposits**

In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of August 31, 2019, District's deposits were not exposed to custodial credit risk because such balances were insured and collateralized with securities held by the District's agent and in the District's name.

#### **Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. District policy requires investments to be in the District's name or held by the District's agent in the District's name. The District is not exposed to custodial risk due to the investments are insured or registered, or securities held by the District or its agent in the District's name.

# Stafford Municipal School District

## Notes to the Financial Statements

### B. Receivables

Tax revenues of the general and debt service funds are reported net of estimated uncollectible amounts. Total change in uncollectible amounts related to revenues of the current period increased (decreased) revenues as follows:

Change in uncollectibles related to general fund property taxes	\$	1,034
Change in uncollectibles related to debt service property taxes		<u>191</u>
<b>Total change in uncollectibles of the current fiscal year</b>	<b>\$</b>	<b><u>1,225</u></b>

Approximately 63% of the outstanding balance of property taxes is not anticipated to be collected within the next year.

### C. Interfund Receivables, Payables, and Transfers

#### Receivables/Payables

The composition of interfund balances as of August 31, 2019 is as follow:

Fund	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 454,427	\$ 64
Other governmental funds - nonmajor	64	454,325
Agency fund	-	<u>102</u>
<b>Totals</b>	<b><u>\$ 454,491</u></b>	<b><u>\$ 454,491</u></b>

Interfund balances consist of short-term lending/borrowing arrangements that generally result from payroll and other regularly occurring charges that are paid by one fund and then charged back to the appropriate other fund. Additionally, some lending/borrowing may occur between two or more nonmajor governmental funds.

# Stafford Municipal School District

## Notes to the Financial Statements

### D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ -	\$ 1,250,000	\$ -	\$ 1,250,000
Construction in progress	988,397	13,660,912	-	14,649,309
Total capital assets, not being depreciated	988,397	14,910,912	-	15,899,309
Capital assets, being depreciated:				
Buildings and improvements	113,938,944	-	-	113,938,944
Vehicles	3,686,038	412,486	-	4,098,524
Equipment	5,022,001	274,296	-	5,296,297
Total capital assets, being depreciated	122,646,983	686,782	-	123,333,765
Less accumulated depreciation for:				
Buildings and improvements	(62,312,961)	(4,094,806)	-	(66,407,767)
Vehicles	(3,577,441)	(116,561)	-	(3,694,002)
Equipment	(4,365,604)	(291,180)	-	(4,656,784)
Total accumulated depreciation	(70,256,006)	(4,502,547)	-	(74,758,553)
Total capital assets being depreciated, net	52,390,977	(3,815,765)	-	48,575,212
<b>Governmental activities capital assets, net</b>	<b>\$ 53,379,374</b>	<b>\$ 11,095,147</b>	<b>\$ -</b>	<b>\$ 64,474,521</b>

Depreciation was charged to functions as follows:

Governmental Activities:	
11 Instruction	\$ 2,343,954
12 Instructional resources and media services	91,689
13 Curriculum and instructional staff development	34,491
21 Instructional leadership	100,593
23 School leadership	266,085
31 Guidance, counseling, and evaluation services	132,646
33 Health services	29,993
34 Student transportation	111,979
35 Food services	286,879
36 Extracurricular activities	165,656
41 General administration	274,360
51 Plant maintenance and operations	419,169
52 Security and monitoring services	80,610
53 Data processing	160,368
61 Community services	4,075
<b>Total depreciation expense-governmental activities</b>	<b>\$ 4,502,547</b>

# Stafford Municipal School District

## Notes to the Financial Statements

### Construction Commitments

The District has active construction projects as of August 31, 2019. The projects include the construction and equipment of school facilities. At year-end, the District's commitments with contractors are as follows:

Project	Spent-to-Date	Remaining Commitment
New Administration Building	\$ 2,175,742	\$ 4,137,152
New Middle School	9,628,345	18,140,606
<b>Total</b>	<b>\$ 11,804,087</b>	<b>\$ 22,277,758</b>

The commitment for construction and equipment of school facilities is being financed by general obligation bonds secured by tax revenues and local funds.

### E. Long-term Obligations

The District's long-term liabilities consist of bond indebtedness, workers' compensation claims, compensated absences and net pension and OPEB liability. The current requirements for general obligation bonds principal and interest expenditures are accounted for in the debt service fund. Other long-term liabilities are generally liquidated with resources of the general fund.

### Changes in Long-term Liabilities

Long-term liability activity for the fiscal year ended August 31, 2019, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 101,995,000	\$ -	\$ (1,975,000)	\$ 100,020,000	\$ 2,895,000
Premiums/discounts (CIB's)	6,768,516	-	(359,270)	6,409,246	-
Total bonds payable, net	108,763,516	-	(2,334,270)	106,429,246	2,895,000
Workers' compensation	75,280	89,893	(89,819)	75,354	75,354
Compensated absences	20,570	27,100	(5,680)	41,990	41,990
Net pension liability	5,688,055	4,848,420	(607,670)	9,928,805	-
Net OPEB liability	11,700,277	2,238,656	(189,959)	13,748,974	-
<b>Governmental activities long-term liabilities</b>	<b>\$ 126,247,698</b>	<b>\$ 7,204,069</b>	<b>\$ (3,227,398)</b>	<b>\$ 130,224,369</b>	<b>\$ 3,012,344</b>

# Stafford Municipal School District

## Notes to the Financial Statements

### General Obligation Bonds

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (BLDG) and to refund general obligation bonds (REF).

General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 3-30 year current interest (CIB) or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable.

The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Beginning Balance	Additions	Reductions	Ending Balance
2011 BLDG	2.0% - 5.0%	49,900,000	8/15/2041	\$ 39,885,000	\$ -	\$ (990,000)	\$ 38,895,000
2014 REF	2.0% - 4.0%	7,015,000	8/15/2026	5,955,000	-	(665,000)	5,290,000
2016A REF A	2.0% - 3.0%	3,050,000	8/15/2025	2,425,000	-	(320,000)	2,105,000
2016B REF B	2.0% - 4.0%	5,540,000	8/15/2029	5,520,000	-	-	5,520,000
2018 BLDG	3.0% - 5.0%	48,210,000	8/15/2048	48,210,000	-	-	48,210,000
<b>Totals</b>				<u>\$ 101,995,000</u>	<u>\$ -</u>	<u>\$ (1,975,000)</u>	<u>\$ 100,020,000</u>

Debt service requirements on general obligation bonds debt at August 31, 2019, are as follows:

Year Ending August 31,	Governmental Activities - Bonds		
	Principal	Interest	Total
2020	\$ 2,895,000	\$ 4,266,575	\$ 7,161,575
2021	2,440,000	4,153,925	6,593,925
2022	2,745,000	4,062,475	6,807,475
2023	2,775,000	3,960,975	6,735,975
2024	2,885,000	3,854,125	6,739,125
2025	3,000,000	3,742,775	6,742,775
2026	3,110,000	3,629,375	6,739,375
2027	2,895,000	3,498,875	6,393,875
2028	3,000,000	3,394,875	6,394,875
2029	3,130,000	3,262,725	6,392,725
2030	3,270,000	3,124,775	6,394,775
2031	3,410,000	2,981,175	6,391,175
2032	3,555,000	2,839,600	6,394,600
2033	3,700,000	2,692,013	6,392,013
2034	3,855,000	2,535,575	6,390,575
2035	4,020,000	2,372,563	6,392,563
2036	4,190,000	2,202,575	6,392,575
2037	4,385,000	2,009,075	6,394,075
2038	3,695,000	1,803,175	5,498,175
2039	3,865,000	1,632,375	5,497,375
2040	4,045,000	1,453,700	5,498,700
2041	4,230,000	1,266,675	5,496,675
2042	3,615,000	1,071,100	4,686,100
2043	3,795,000	890,350	4,685,350
2044	3,985,000	700,600	4,685,600
2045	4,145,000	541,200	4,686,200
2046	4,310,000	375,400	4,685,400
2047	4,485,000	203,000	4,688,000
2048	590,000	23,600	613,600
<b>Totals</b>	<u>\$ 100,020,000</u>	<u>\$ 68,545,226</u>	<u>\$ 168,565,226</u>

## Stafford Municipal School District

### Notes to the Financial Statements

In prior years, the District defeased certain outstanding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. At August 31, 2019, the District had \$5,590,000 outstanding bonds that are considered defeased, which may be called on August 15, 2021.

As of August 31, 2019, the District has \$10,000,000 in authorized but unissued unlimited tax bonds.

#### F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General fund - utility services	\$	161,621
General fund - security services		62,849
General fund - contracted security upgrades		101,907
Other governmental fund - campus activity		181,969
		<u>181,969</u>
<b>Total other committed fund balance</b>	<b>\$</b>	<b><u>508,346</u></b>

#### G. Revenues from Local and Intermediate Sources

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Property taxes	\$ 26,618,425	\$ 6,816,692	\$ -	\$ -	\$ 33,435,117
Charges for services	347,238	-	-	657,737	1,004,975
Investment earnings	443,224	104,913	1,204,935	9,164	1,762,236
Other	117,913	-	-	38,375	156,288
	<u>117,913</u>	<u>-</u>	<u>-</u>	<u>38,375</u>	<u>156,288</u>
<b>Totals</b>	<b><u>\$ 27,526,800</u></b>	<b><u>\$ 6,921,605</u></b>	<b><u>\$ 1,204,935</u></b>	<b><u>\$ 705,276</u></b>	<b><u>\$ 36,358,616</u></b>

#### Note 4. Other Information

##### A. Risk Management

###### Property/Liability

The District participates in the Property Casualty Alliance of Texas (the Fund). The Fund was created to formulate, develop and administer a program of modified self-funding for the Fund's membership, obtain competitive costs for property and liability coverage and develop a comprehensive loss control program. The District pays a required contribution to the Fund for its property and liabilities coverage and transfers the risk of loss to the Fund. The District's agreement with the Fund provides that the Fund will be self-sustaining through member contributions. In the event that the Fund was to discontinue operations, the member political subdivisions would be responsible for any eligible claims not funded by the Fund. In addition, 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 fiscal years.

# Stafford Municipal School District

## Notes to the Financial Statements

### Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

### Worker's Compensation

The District established a limited risk management program for workers' compensation by participating as a self-funded member of the Texas Public Schools Workers' Compensation Project (Pool). The Pool was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and Chapter 504, Texas Labor Code. As a self-funded member of the Pool, the District is solely responsible for all claims costs, both reported and unreported. A third party administrator provides administrative services to its self-funded members including claims administration and customer service.

Premiums are paid into the general fund by the other funds and are available to pay claims, claim reserves, and administrative costs of the program.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities also include an estimated amount for claims that have been incurred but not reported (IBNR). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from stop-loss or subrogation, are another component of the claims liability estimate. The Texas Public Schools Workers' Compensation Project limits the Pool's liability to \$350,000 per occurrence with a maximum aggregate exposure of \$5,000,000. There were no significant reductions in insurance coverage from the prior year. Settlements have not exceeded coverages for each of the past two fiscal years. Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 8/31/2019	Year Ended 8/31/2018
Unpaid claims, beginning of fiscal year	\$ 75,280	\$ 74,274
Incurred claims (including IBNRs and changes in provisions)	89,893	116,094
Claim payments	(89,819)	(115,088)
<b>Unpaid claims, end of fiscal year</b>	<b>\$ 75,354</b>	<b>\$ 75,280</b>

## Stafford Municipal School District

### Notes to the Financial Statements

#### **B. Litigation and Contingencies**

The District was notified by the Internal Revenue Service (IRS) proposing that the District owes \$1.4 million in an Employer Shared Responsibility Payment (ESRP) pursuant to Section 4980 H(a) of the Affordable Care Act. The District anticipates that the IRS will either significantly reduce the ESRP or find that the District does not owe an ESRP based on the corrected information and supporting documentation submitted.

The District participates in a number of federal and state financial assistance programs. Although the District's grant programs have been audited in accordance with the provisions of the Single Audit Act through August 31, 2019, these programs are subject to financial and compliance audits by the grantor agencies. The District is also subject to audit by the TEA of the attendance data upon which payments from the agency are based. These audits could result in questioned costs or refunds to be paid back to the granting agencies.

#### **C. Defined Benefit Pension Plan**

##### **Plan Description**

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

##### **Pension Plan Fiduciary Net Position**

Detailed information about the TRS's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report (CAFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafra.aspx](http://www.trs.texas.gov/Pages/about_archive_cafra.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6597.

##### **Benefits Provided**

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic postemployment benefit changes; including automatic cost of living adjustments. Ad hoc postemployment benefit changes, including ad hoc cost of living adjustments can be granted by the Texas Legislature as noted in the Plan Description above.



# Stafford Municipal School District

## Notes to the Financial Statements

### Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for plan fiscal years 2018 and 2019 would remain the same. Rates for such Plan fiscal years are as follows:

	2019	2018	2017
Member	7.7%	7.7%	7.7%
Non-employer contributing entity (state)	6.8%	6.8%	6.8%
Employers/district	6.8%	6.8%	6.8%
Employers/district OASDI	1.5%	1.5%	1.5%

The contribution amounts for the District's fiscal year 2019 are as follows:

District contributions	\$ 667,044
Member contributions	1,746,895
NECE on-behalf contributions (state)	1,181,506

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the GAA.

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (public school, junior college, other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

## Stafford Municipal School District

### Notes to the Financial Statements

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

#### Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation date	August 31, 2017 rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Asset valuation method	Market Value
Single discount rate	6.907%
Long-term expected rate	7.25%
Municipal bond rate as of August 2018	3.69%. Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."
Last year ending August 31 in projection period (100 years)	2116
Inflation	2.30%
Salary increases	3.05% to 9.05% including inflation
Ad hoc postemployment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

# Stafford Municipal School District

## Notes to the Financial Statements

### Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in TRS's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return	Long-term Expected Portfolio Real Rate of Return
Global equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. developed	13.00%	6.90%	0.90%
Emerging markets	9.00%	8.95%	0.80%
Directional hedge funds	4.00%	3.53%	0.14%
Private equity	13.00%	10.18%	1.32%
Stable value:			
U.S. treasuries	11.00%	1.11%	0.12%
Absolute return	0.00%	0.00%	0.00%
Stable value hedge funds	4.00%	3.09%	0.12%
Cash	1.00%	(0.30%)	0.00%
Real Return:			
Global inflation linked bonds	3.00%	0.70%	0.02%
Real assets	14.00%	5.21%	0.73%
Energy and natural resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk parity:			
Risk parity	5.00%	3.70%	0.18%
Inflation expectation			2.30%
Volatility drag**			(0.79%)
<b>Totals</b>	100.00%		7.25%

\* Target allocations are based on the FY2016 policy model

\*\* The Expected Contribution to Long-term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

# Stafford Municipal School District

## Notes to the Financial Statements

### Discount Rate Sensitivity Analysis

The following table presents the District's proportionate share of net pension liability for TRS calculated using the discount rate of 6.907%, as well as the District's proportionate share of the respective net pension liability if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

1% Decrease (5.907%)	Current Discount Rate (6.907%)	1% Increase (7.907%)
\$ 14,984,947	\$ 9,928,805	\$ 5,835,558

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

At August 31, 2019, the District reported a liability of \$9,928,805 for its proportionate share of the TRS's net pension liability. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District are as follows:

District's proportionate share of the net pension liability	\$ 9,928,805
State's proportionate share of the net pension liability associated with the District	<u>19,020,219</u>
<b>Total</b>	<b><u>\$ 28,949,024</u></b>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018, the employer's proportion of the collective net pension liability was 0.0180385% which was an increase of 0.0002492% from its proportion measured as of August 31, 2017.

### Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

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

## Stafford Municipal School District

### Notes to the Financial Statements

For the fiscal year ended August 31, 2019, the District recognized pension expense of \$3,282,312 which includes pension expense and revenue of \$1,882,495 for support provided by the State.

At August 31, 2019, the District reported deferred outflows of resources for contribution made after the measurement date and its proportionate share of the TRS'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 experience	\$ 61,888	\$ 243,614
Changes of assumptions	3,579,812	111,869
Net difference between projected and actual earnings on pension plan investments	-	188,392
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	985,243	341,462
District contributions paid after measurement date	667,044	-
<b>Totals</b>	<b>\$ 5,293,987</b>	<b>\$ 885,337</b>

\$667,044 reported as deferred outflows of resources related to pensions resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to pensions will be recognized in pension expense as follows:

Year Ending August 31,	
2020	\$ 1,039,066
2021	642,610
2022	528,477
2023	577,994
2024	552,522
Thereafter	400,937
<b>Total</b>	<b>\$ 3,741,606</b>

#### D. Defined Other Postemployment Benefit Plan

##### Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Postemployment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

# Stafford Municipal School District

## Notes to the Financial Statements

### OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at [http://www.trs.texas.gov/Pages/about\\_archive\\_cafr.aspx](http://www.trs.texas.gov/Pages/about_archive_cafr.aspx); by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6597.

### Benefits Provided

TRS-Care provides a basic health insurance coverage, at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in optional insurance plans with more comprehensive benefits. Eligible retirees and dependents enrolled in Medicare may elect to participate in Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic postemployment benefit changes; including automatic cost of living adjustments.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly Plan Premium Rates  
Effective December 1, 2018-December 31, 2018

	Medicare	Non-medicare
Retiree*	\$ 135	\$ 200
Retiree and spouse	529	689
Retiree* and children	468	408
Retiree and family	1,020	999

\* or surviving spouse

### Change of Benefit Terms since the Prior Measurement Date

The 85<sup>th</sup> Legislature, Regular Session, passed several statutory changes effective September 1, 2017 that affected TRS plans. These changes include:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retirees reach 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month towards their health insurance premiums.

# Stafford Municipal School District

## Notes to the Financial Statements

### Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the State’s contribution rate which is 1.25% of the employee’s salary. Section 1575.203 establishes the active employee’s rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2019	2018	2017
Active employee	0.65%	0.65%	0.65%
Non-employer contribution entity (state)	1.25%	1.25%	1.00%
Employers/District	0.75%	0.75%	0.55%
Federal/private funding remitted by employers	1.25%	1.25%	1.00%

The contribution amounts for the District’s fiscal year 2019 are as follows:

District contributions	\$	193,224
Member contributions		147,465
NECE on-behalf contributions (state)		266,862

In addition, the State of Texas contributed \$84,252, \$62,968 and \$60,239 in 2019, 2018, and 2017, respectively, for on-behalf payments for Medicare Part D.

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When hiring a TRS retiree, employers are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

### Actuarial Assumptions

A change was made in the measurement date of the total OPEB liability for this fiscal year. The actuarial valuation was performed as of August 31, 2017. Update procedures were used to roll forward the total OPEB liability to August 31, 2018. This is the first year using the roll forward procedures.

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality and most of the economic assumptions used in this OPEB valuation were identical to those used in the respective TRS pension valuation.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

## Stafford Municipal School District

### Notes to the Financial Statements

The following assumptions used for members of TRS-Care are identical to the assumptions employed in the August 31, 2017 TRS annual pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability	

#### Additional Actuarial Methods and Assumptions:

Valuation date	August 31, 2017, rolled forward to August 31, 2018
Actuarial cost method	Individual Entry Age Normal
Inflation	2.30%
Single Discount rate	3.69%. Sourced from fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20- Year Municipal GO AA Index" as of August 31, 2018.
Aging factors	Based on plan specific experience
Election rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected annual salary increases**	3.05% to 9.05%, including inflation
Healthcare trend rates	Initial medical trend rates of 107.74 percent and 9.00 percent for Medicare retirees and an initial medical trend rate of 6.75 percent for non-Medicare retirees. Initial prescription drug trend rate of 11.00 percent for all retirees. The first year trend increase for the Medicare Advantage (medical) premiums reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Ad hoc postemployment benefit changes	None

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.



## Stafford Municipal School District

### Notes to the Financial Statements

#### Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### Sensitivity of the Net OPEB Liability

##### Discount Rate

The following table presents the District’s proportionate share of the net OPEB liability for TRS-Care if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%).

Sensitivity of the Net OPEB Liability  
to the Single Discount Rate Assumptions

1% Decrease (2.69%)	Current Single Discount Rate (3.69%)	1% Increase (4.69%)
\$ 16,366,003	\$ 13,748,974	\$ 11,678,735

##### Healthcare Cost Trend Rates

The following table presents the District’s proportionate share of net OPEB liability using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% lower or 1% higher than the assumed health-care cost trend rate:

Sensitivity of the Net OPEB Liability to  
the Healthcare Cost Trend Rate Assumptions

1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ 11,418,747	\$ 13,748,974	\$ 16,817,933

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

At August 31, 2019, the District reported a liability of \$13,748,974 for its proportionate share of the TRS’s net OPEB liability. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District’s proportionate share of the net OPEB liability	\$ 13,748,974
State’s proportionate share of the net OPEB liability associated with the District	18,643,241
<b>Total</b>	<b>\$ 32,392,215</b>

## Stafford Municipal School District

### Notes to the Financial Statements

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB Liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0275360% which was an increase of 0.0006303% from its proportion measured as of August 31, 2017.

#### Changes Since the Prior Actuarial Valuation

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

- Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.
- Change of benefit terms since the prior measurement date made effective September 1, 2017 by the 85th Texas Legislature.

For the year ended August 31, 2019, the District recognized OPEB expense of \$1,065,525, which includes OPEB expense and revenue of \$678,129 for support provided by the State.

At August 31, 2019, the District reported the District's contributions paid after the measurement date and its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other postemployment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<hr/>	<hr/>
Differences between expected and actual economic experience	\$ 729,607	\$ 216,979
Changes of assumptions	229,433	4,130,778
Net difference between projected and actual earnings on OPEB investments	2,405	-
Changes in proportion and differences between District contributions and proportionate share of contributions (cost-sharing plan)	345,299	-
District contributions paid after measurement date	193,224	-
	<hr/>	<hr/>
<b>Totals</b>	<b>\$ 1,499,968</b>	<b>\$ 4,347,757</b>
	<hr/>	<hr/>

## Stafford Municipal School District

### Notes to the Financial Statements

\$193,224 reported as deferred outflows of resources related to OPEB resulting from District contributions paid subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the fiscal year ended August 31, 2020. Other amounts reported as deferred outflows of resources (deferred inflows of resources) related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31,		
2020	\$	(498,171)
2021		(498,171)
2022		(498,171)
2023		(498,626)
2024		(498,886)
Thereafter		(548,988)
<b>Total</b>	<b>\$</b>	<b>(3,041,013)</b>

#### E. Shared Services Arrangements

##### The Brazoria-Fort Bend Regional Day School Program for the Deaf

The District participates in the Regional Day School for the Deaf with Fort Bend Independent School District acting as the fiscal agent and the District as a member district.

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

#### F. Nonmonetary Transactions

During 2019, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$21,013. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$21,013 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

#### G. Net Position Deficit

The statement of net position reported a deficit unrestricted net position of \$5,800,770 at August 31, 2019 and an overall deficit net position of \$6,802,430 due to the implementation of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, in 2018.

## Stafford Municipal School District

### Notes to the Financial Statements

#### H. Subsequent Event

On November 1, 2019, the District issued Unlimited Tax School Building Bonds, Series 2019A in the amount of \$8,815,000 million which is remaining authorized bonds from the 2016 bond program. The proceeds with the additional \$1,185,000 of premium will total \$10,000,000 which will be used for the school improvements. The effective interest rate is 3.077950% with maturities ranging from 2021 to 2049.

In addition, the District issued \$35,975,000 of Unlimited Tax Refunding Bonds, Taxable Series 2019B. The refunded bonds were the Unlimited Tax Bond Series, 2011 for maturities from 2022 to 2041 to the call date of August 15, 2021. The net present value savings were \$4,192,234 or 11.653188% of the refunding bonds.

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## **Required Supplementary Information**

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**Stafford Municipal School District**  
Schedule of Revenues, Expenditures, and Changes in  
Fund Balance – Budget and Actual  
General Fund  
For the Fiscal Year Ended August 31, 2019

**Exhibit G-1**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 26,746,863	\$ 27,204,363	\$ 27,526,800	\$ 322,437
5800	State program revenues	4,842,958	4,951,834	6,418,988	1,467,154
5900	Federal program revenues	545,000	545,000	354,294	(190,706)
5020	Total revenues	32,134,821	32,701,197	34,300,082	1,598,885
<b>EXPENDITURES</b>					
Current:					
0011	Instruction	17,398,972	18,912,069	17,750,621	1,161,448
0012	Instructional resources and media services	286,775	334,939	295,712	39,227
0013	Curriculum and instructional staff development	281,075	277,276	140,592	136,684
0021	Instructional leadership	818,684	794,253	757,357	36,896
0023	School leadership	2,324,061	2,146,698	2,116,365	30,333
0031	Guidance, counseling, and evaluation services	751,006	646,589	596,540	50,049
0033	Health services	326,030	265,407	239,068	26,339
0034	Student transportation	936,073	937,672	892,565	45,107
0035	Food services	-	59,702	62,430	(2,728)
0036	Extracurricular activities	1,187,118	1,277,793	1,244,141	33,652
0041	General administration	2,096,551	2,263,283	2,185,833	77,450
0051	Plant maintenance and operations	3,661,708	3,595,861	3,340,398	255,463
0052	Security and monitoring services	508,189	662,755	642,525	20,230
0053	Data processing services	1,067,078	1,334,187	1,278,262	55,925
Community service:					
0061	Community services	46,454	56,454	32,277	24,177
Intergovernmental:					
0091	Contracted instructional services between public schools	165,047	450,047	-	450,047
0093	Payments to shared services arrangements	35,000	35,000	-	35,000
0095	Payments to juvenile justice alternative education programs	25,000	25,000	-	25,000
0099	Other intergovernmental charges	220,000	220,000	218,778	1,222
6030	Total expenditures	32,134,821	34,294,985	31,793,464	2,501,521
1200	Net change in fund balance	-	(1,593,788)	2,506,618	4,100,406
0100	Fund balance - beginning	12,912,427	12,912,427	12,912,427	-
3000	<b>FUND BALANCE - ENDING</b>	<b>\$ 12,912,427</b>	<b>\$ 11,318,639</b>	<b>\$ 15,419,045</b>	<b>\$ 4,100,406</b>

The Notes to the Required Supplementary Information are an integral part of this schedule.



## Stafford Municipal School District

Schedule of the District's Proportionate Share of the Net Pension Liability of a Cost-Sharing Multiple-Employer Pension Plan Teacher Retirement System of Texas For the Last Five Fiscal Years\*

	<u>2019</u>
District's proportion of the net pension liability	0.0180385%
District's proportionate share of the net pension liability	\$ 9,928,805
State's proportionate share of the net pension liability associated with the District	<u>19,020,219</u>
<b>TOTALS</b>	<u><u>\$ 28,949,024</u></u>
District's covered payroll	\$ 21,938,980
District's proportionate share of the net pension liability as a percentage of its covered payroll	45.26%
Plan fiduciary net position as a percentage of The total pension liability	73.74%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0177893%	0.0191661%	0.0194790%	0.0123698%
\$ 5,688,055	\$ 7,242,566	\$ 6,885,567	\$ 3,304,145
<u>10,491,633</u>	<u>12,847,271</u>	<u>12,143,198</u>	<u>10,416,152</u>
<u>\$ 16,179,688</u>	<u>\$ 20,089,837</u>	<u>\$ 19,028,765</u>	<u>\$ 13,720,297</u>
\$ 20,124,614	\$ 20,408,255	\$ 19,433,586	\$ 18,730,371
28.26%	35.49%	35.43%	17.64%
82.17%	78.00%	78.43%	83.25%

**Stafford Municipal School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas Pension Plan  
 For the Last Five Fiscal Years\*

	<u>2019</u>
Contractually required contributions	\$ 667,044
Contributions in relation to the contractually required contributions	<u>(667,044)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>
District's covered payroll	\$ 22,686,951
Contributions as a percentage of covered payroll	2.94%

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 621,642	\$ 583,029	\$ 608,576	\$ 575,781
<u>(621,642)</u>	<u>(583,029)</u>	<u>(608,576)</u>	<u>(575,781)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 21,938,980	\$ 20,124,614	\$ 20,408,255	\$ 19,433,586
2.83%	2.90%	2.98%	2.96%

**Stafford Municipal School District****Exhibit G-4**

Schedule of the District's Proportionate Share of the Net OPEB Liability of a Cost-Sharing Multiple-Employer OPEB Plan Teacher Retirement System of Texas Last Two Fiscal Years\*

	<u>2019</u>	<u>2018</u>
District's proportion of the net OPEB liability	0.0275360%	0.0269057%
District's proportionate share of the net OPEB liability	\$ 13,748,974	\$ 11,700,277
State's proportionate share of the net pension liability associated with the District	<u>18,643,241</u>	<u>15,829,896</u>
<b>TOTALS</b>	<u>\$ 32,392,215</u>	<u>\$ 27,530,173</u>
District's covered payroll	\$ 21,938,980	\$ 20,124,614
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	62.67%	58.14%
Plan fiduciary net position as a percentage of The total OPEB liability	1.57%	0.91%

\* The amounts presented for the fiscal years were determined as of the Plan's fiscal year end, August 31 of the prior year. Ten years of data is not available.

**Stafford Municipal School District**  
 Schedule of the District's Contributions to the  
 Teacher Retirement System of Texas OPEB Plan  
 Last Two Fiscal Years\*

**Exhibit G-5**

	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 193,224	\$ 190,103
Contributions in relation to the contractually required contributions	<u>(193,224)</u>	<u>(190,103)</u>
<b>CONTRIBUTION DEFICIENCY (EXCESS)</b>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 22,686,951	\$ 21,938,980
Contributions as a percentage of covered payroll	0.85%	0.87%

\*The amounts presented for the fiscal years were determined as of the District's fiscal year end August 31.  
 Ten years of data is not available.

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**Stafford Municipal School District**  
 Notes to the Required Supplementary Information

**Note 1. Budget**

**A. Budgetary Information**

Each school district in Texas is required by law to prepare annually a budget of anticipated revenues and expenditures for the general fund, debt service fund, and the National School Breakfast and Lunch Program special revenue fund. The Texas Education Code requires the budget to be prepared not later than August 20 and adopted by August 31 of each year. The budgets are prepared on a basis of accounting that is used for reporting in accordance with generally accepted accounting principles.

The following procedures are followed in establishing the budgetary data reflected in the fund financial schedules:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
3. Prior to September 1, the budget is formally approved and adopted by the Board.

The appropriated budget is prepared by fund and function. The District's campus/department heads may make transfers of appropriations within a campus or department. Transfers of appropriations between campuses or departments require the approval of the District's management. Increasing any one of the functional spending categories, or revenues object accounts and other resources require the approval of the Board. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level within a fund. All annual appropriations lapse at fiscal year end.

**B. Excess of Expenditures Over Appropriations**

For the fiscal year ended August 31, 2019, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

Fund	Function	Final Budget	Actual	Variance
General fund	35	59,702	62,430	(2,728)



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## Supplementary Information

**Stafford Municipal School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds  
 August 31, 2019

	211	224	225
<u>Data Control Codes</u>	<u>ESSA Title I Part A Improving Basic Programs</u>	<u>IDEA-B Formula</u>	<u>IDEA-B Preschool</u>
<b>ASSETS</b>			
1110	\$ -	\$ -	\$ -
1240	126,294	143,360	500
1260	-	-	-
1290	-	-	-
	<hr/>	<hr/>	<hr/>
1000	<u>\$ 126,294</u>	<u>\$ 143,360</u>	<u>\$ 500</u>
<b>LIABILITIES</b>			
2110	\$ 7,500	\$ 1,463	\$ -
2160	-	-	-
2170	118,794	141,897	500
2200	-	-	-
2300	-	-	-
	<hr/>	<hr/>	<hr/>
2000	126,294	143,360	500
<b>FUND BALANCES</b>			
3450	-	-	-
3545	-	-	-
	<hr/>	<hr/>	<hr/>
3000	-	-	-
	<hr/>	<hr/>	<hr/>
4000	<u>\$ 126,294</u>	<u>\$ 143,360</u>	<u>\$ 500</u>

240	244	255	263	289	397
National School Breakfast and Lunch Program	Career and Technical Basic Grant	ESSA Title II Part A Training and Recruiting	ESSA Title III Part A English Language Acquisition and Enhancement	Summer School LEP	Advanced Placement Incentives
\$ 602,693	\$ -	\$ -	\$ -	\$ -	\$ 5,270
139,694	14,829	26,088	19,786	-	-
64	-	-	-	-	-
4,137	-	-	-	-	-
<u>\$ 746,588</u>	<u>\$ 14,829</u>	<u>\$ 26,088</u>	<u>\$ 19,786</u>	<u>\$ -</u>	<u>\$ 5,270</u>
\$ 27,171	\$ -	\$ 600	\$ 2,073	\$ -	\$ -
58,479	-	-	-	-	-
135,099	14,829	25,488	17,713	-	-
1,256	-	-	-	-	-
-	-	-	-	-	5,270
222,005	14,829	26,088	19,786	-	5,270
524,583	-	-	-	-	-
-	-	-	-	-	-
<u>524,583</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 746,588</u>	<u>\$ 14,829</u>	<u>\$ 26,088</u>	<u>\$ 19,786</u>	<u>\$ -</u>	<u>\$ 5,270</u>

**Stafford Municipal School District**  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 Special Revenue Funds - Continued  
 August 31, 2019

	410	429	461
<u>Data Control Codes</u>	<u>Instructional Materials Fund</u>	<u>Miscellaneous State Grants</u>	<u>Campus Activity Funds</u>
<b>ASSETS</b>			
1110	\$ 80,597	\$ 654	\$ 176,495
1240	-	-	-
1260	-	-	-
1290	-	8,309	5,474
1000	<u>\$ 80,597</u>	<u>\$ 8,963</u>	<u>\$ 181,969</u>
<b>LIABILITIES</b>			
2110	\$ 5,630	\$ -	\$ -
2160	-	-	-
2170	-	5	-
2200	-	-	-
2300	74,967	8,958	-
2000	80,597	8,963	-
<b>FUND BALANCES</b>			
3450	-	-	-
3545	-	-	181,969
3000	-	-	181,969
4000	<u>\$ 80,597</u>	<u>\$ 8,963</u>	<u>\$ 181,969</u>

496	497	498	499	
Donation H. Dave	George Foundation Robotics	Tech Library Fund	Student Motivation	Total Nonmajor Funds (See Exhibit C-1)
\$ 1	\$ 23,619	\$ 7,187	\$ 42,410	\$ 938,926
-	-	-	-	470,551
-	-	-	-	64
-	-	-	-	17,920
<u>\$ 1</u>	<u>\$ 23,619</u>	<u>\$ 7,187</u>	<u>\$ 42,410</u>	<u>\$ 1,427,461</u>
\$ -	\$ -	\$ -	\$ -	\$ 44,437
-	-	-	-	58,479
-	-	-	-	454,325
-	-	-	-	1,256
-	-	-	-	89,195
-	-	-	-	647,692
1	23,619	7,187	42,410	597,800
-	-	-	-	181,969
<u>1</u>	<u>23,619</u>	<u>7,187</u>	<u>42,410</u>	<u>779,769</u>
<u>\$ 1</u>	<u>\$ 23,619</u>	<u>\$ 7,187</u>	<u>\$ 42,410</u>	<u>\$ 1,427,461</u>

**Stafford Municipal School District**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds  
For the Fiscal Year Ended August 31, 2019

		211	224	225
<u>Data Control Codes</u>		<u>ESSA Title I Part A Improving Basic Programs</u>	<u>IDEA-B Formula</u>	<u>IDEA-B Preschool</u>
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	413,323	574,936	4,664
5020	Total revenues	413,323	574,936	4,664
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	349,875	112,519	4,664
0013	Curriculum and instructional staff development	63,241	660	-
0021	Instructional leadership	-	1,000	-
0031	Guidance, counseling, and evaluation services	-	460,757	-
0035	Food services	-	-	-
0051	Plant maintenance and operations	-	-	-
0061	Community services	207	-	-
6030	Total expenditures	413,323	574,936	4,664
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	<b>FUND BALANCES - ending</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

240	244	255	263	289	397
National School Breakfast and Lunch Program	Career and Technical Basic Grant	ESSA Title II Part A Training and Recruiting	ESSA Title III Part A English Language Acquisition and Enhancement	Summer School LEP	Advanced Placement Incentives
\$ 426,848	\$ -	\$ -	\$ -	\$ -	\$ -
10,282	-	-	-	-	900
1,758,215	38,977	78,557	53,391	3,755	-
2,195,345	38,977	78,557	53,391	3,755	900
-	34,714	-	41,645	3,755	4,320
-	-	40,972	10,144	-	-
-	4,263	37,585	1,602	-	-
-	-	-	-	-	-
2,094,231	-	-	-	-	-
130,000	-	-	-	-	-
-	-	-	-	-	-
2,224,231	38,977	78,557	53,391	3,755	4,320
(28,886)	-	-	-	-	(3,420)
553,469	-	-	-	-	3,420
<u>\$ 524,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**Stafford Municipal School District**  
Combining Statement of Revenues, Expenditures,  
and Changes in Fund Balances  
Nonmajor Governmental Funds  
Special Revenue Funds - Continued  
For the Fiscal Year Ended August 31, 2019

		410	429	461
<u>Data Control Codes</u>		<u>Instructional Materials Fund</u>	<u>Miscellaneous State Grants</u>	<u>Campus Activity Funds</u>
<b>REVENUES</b>				
5700	Local and intermediate sources	\$ -	\$ -	\$ 240,053
5800	State program revenues	151,168	20,105	-
5900	Federal program revenues	-	-	-
5020	Total revenues	151,168	20,105	240,053
<b>EXPENDITURES</b>				
Current:				
0011	Instruction	151,168	1,104	137,508
0013	Curriculum and instructional staff development	-	19,001	311
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	4,548
0031	Guidance, counseling, and evaluation services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	76,274
0041	General administration	-	-	1,036
0051	Plant maintenance and operations	-	-	724
0061	Community services	-	-	-
6030	Total expenditures	151,168	20,105	220,401
1200	Net change in fund balances	-	-	19,652
0100	Fund balances - beginning	-	-	162,317
3000	<b>FUND BALANCES - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 181,969</b>

496	497	498	499	Total Nonmajor Funds (See Exhibit C-2)
Donation H. Dave	George Foundation Robotics	Tech Library Fund	Student Motivation	
\$ -	\$ -	\$ -	\$ 38,375	\$ 705,276
-	-	-	-	182,455
-	-	-	-	2,925,818
-	-	-	38,375	3,813,549
-	-	-	30,525	871,797
-	-	-	-	134,329
-	-	-	-	44,450
-	-	-	-	4,548
-	-	-	-	460,757
-	-	-	-	2,094,231
-	-	-	-	76,274
-	-	-	-	1,036
-	-	-	-	130,724
-	-	-	-	207
-	-	-	30,525	3,818,353
-	-	-	7,850	(4,804)
1	23,619	7,187	34,560	784,573
<u>\$ 1</u>	<u>\$ 23,619</u>	<u>\$ 7,187</u>	<u>\$ 42,410</u>	<u>\$ 779,769</u>

**Stafford Municipal School District**  
 Schedule of Delinquent Taxes Receivable  
 For the Fiscal Year Ended August 31, 2019

Year Ended August 31,	1		2		3	
	Tax Rates				Net Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2010 and prior years	\$	Various	\$	Various	\$	Various
2011		1.04010		.07000		1,957,890,535
2012		1.04010		.17995		1,956,978,859
2013		1.04010		.20995		1,921,839,446
2014		1.04005		.20995		2,002,970,000
2015		1.04005		.20000		2,027,751,704
2016		1.04005		.190000		2,183,465,388
2017		1.04005		.190000		2,229,686,598
2018		1.04005		.190000		2,411,451,567
2019		1.05330		.271750		2,454,481,038

**1000 TOTALS**

Exhibit J-1

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 127,148	\$ -	\$ 969	\$ 182	\$ (58,611)	\$ 67,386
71,121	-	1,064	72	1	69,986
65,606	-	975	169	-	64,462
72,311	-	31,911	6,442	2,403	36,361
69,640	-	31,479	6,354	3,113	34,920
74,824	-	31,740	6,103	4,970	41,951
100,406	-	33,975	6,207	1,251	61,475
184,801	-	20,886	3,815	(18,617)	141,483
345,942	-	67,551	12,341	(86,716)	179,334
-	32,523,101	26,091,912	6,731,678	592,410	291,921
<u>\$ 1,111,799</u>	<u>\$ 32,523,101</u>	<u>\$ 26,312,462</u>	<u>\$ 6,773,363</u>	<u>\$ 440,204</u>	<u>\$ 989,279</u>

**Stafford Municipal School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 National School Breakfast and Lunch Program  
 For the Fiscal Year Ended August 31, 2019

**Exhibit J-2**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 482,244	\$ 482,244	\$ 426,848	\$ (55,396)
5800	State program revenues	12,000	12,000	10,282	(1,718)
5900	Federal program revenues	1,761,434	1,761,434	1,758,215	(3,219)
5020	Total revenues	2,255,678	2,255,678	2,195,345	(60,333)
<b>EXPENDITURES</b>					
Current:					
0035	Food services	2,185,678	2,185,678	2,094,231	91,447
0051	Plant maintenance and operations	130,000	130,000	130,000	-
6030	Total expenditures	2,315,678	2,315,678	2,224,231	91,447
1200	Net change in fund balance	(60,000)	(60,000)	(28,886)	31,114
0100	Fund balance - beginning	553,469	553,469	553,469	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 493,469</u>	<u>\$ 493,469</u>	<u>\$ 524,583</u>	<u>\$ 31,114</u>

**Stafford Municipal School District**  
 Schedule of Revenues, Expenditures, and Changes  
 in Fund Balance – Budget and Actual  
 Debt Service Fund  
 For the Fiscal Year Ended August 31, 2019

**Exhibit J-3**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
<b>REVENUES</b>					
5700	Local and intermediate sources	\$ 6,653,810	\$ 6,653,810	\$ 6,921,605	\$ 267,795
5800	State program revenues	-	-	41,603	41,603
5020	Total revenues	6,653,810	6,653,810	6,963,208	309,398
<b>EXPENDITURES</b>					
Debt service:					
0071	Principal on long-term debt	1,975,000	1,975,000	1,975,000	-
0072	Interest on long-term debt	5,135,110	5,135,110	5,135,110	-
0073	Issuance costs and fees	5,000	5,000	3,500	1,500
6030	Total expenditures	7,115,110	7,115,110	7,113,610	1,500
1200	Net change in fund balances	(461,300)	(461,300)	(150,402)	310,898
0100	Fund balance - beginning	2,715,513	2,715,513	2,715,513	-
3000	<b>FUND BALANCE - ENDING</b>	<u>\$ 2,254,213</u>	<u>\$ 2,254,213</u>	<u>\$ 2,565,111</u>	<u>\$ 310,898</u>

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# **Overall Compliance, Internal Control Section and Federal Awards**



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

To the Board of Trustees of  
Stafford Municipal School District  
Stafford, Texas

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Stafford Municipal School District (the District) as of and for the fiscal year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2020.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Board of Trustees of  
Stafford Municipal School District

**Purpose of this Report**

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

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
January 13, 2020

**Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance**

To the Board of Trustees of  
Stafford Municipal School District  
Stafford, Texas

**Report on Compliance for Each Major Federal Program**

We have audited Stafford Municipal School District's (the District) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the fiscal year ended August 31, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the fiscal year ended August 31, 2019.

## Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Weaver and Tidwell, L.L.P.*

WEAVER AND TIDWELL, L.L.P.

Conroe, Texas  
January 13, 2020

**Stafford Municipal School District**  
 Schedule of Findings and Questioned Costs  
 For the Fiscal Year Ended August 31, 2019

**Section 1. Summary of Auditor’s Results**

**Financial Statements**

- 1. Type of auditor’s report issued Unmodified
- 2. Internal control over financial reporting:
  - a. Material weakness(es) identified? No
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- 3. Noncompliance material to financial statements noted? No

**Federal Awards**

- 4. Internal control over major programs:
  - a. Material weakness(es) identified? No
  - b. Significant deficiency(ies) identified that are not considered to be material weaknesses? None reported
- 5. Type of auditor’s report issued on compliance with major programs Unmodified
- 6. Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance? No
- 7. Identification of major programs 10.553 and 10.555  
Child Nutrition Cluster
- 8. Dollar threshold used to distinguish between Type A and Type B federal programs \$750,000
- 9. Auditee qualified as a low-risk auditee? No

**Section 2. Financial Statement Findings**

None reported

**Section 3. Federal Award Findings and Questioned Costs**

None reported

**Stafford Municipal School District**  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended August 31, 2019

**Prior Year Findings**

None noted

**Stafford Municipal School District**  
**Schedule Expenditures of Federal Awards**  
**For the Fiscal Year Ended August 31, 2019**

**Exhibit K-1**

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	19610101079910	\$ 413,323
Total 84.010A			413,323
Special Education Cluster (IDEA):			
IDEA-B Formula	84.027A	196600010799106600	574,936
Total 84.027A			574,936
IDEA-B Preschool	84.173A	196610010799106610	4,664
Total 84.173A			4,664
Total Special Education Cluster (IDEA)			579,600
Career and Technology - Basic Grant	84.048A	19420006079910	38,977
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	19671001079910	53,391
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	19694501079910	78,557
Summer School LEP	84.369A	69551802	3,755
Total U.S. Department of Education			1,167,603
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed Through Texas Department of Health and Human Services:			
Medicaid Cluster:			
Medical Assistance Program	93.778	529	11,008
Total Medicaid Cluster			11,008
Total U.S. Department of Health and Human Services			11,008
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Child Nutrition Cluster:			
Passed Through State Department of Education - Cash Assistance:			
National School Breakfast Program	10.553	71401901	422,609
Total 10.553			422,609
National School Lunch Program	10.555	71301901	1,188,181
Passed Through State Department of Agriculture - Non Cash Assistance:			
National School Lunch Program	10.555	00388	147,425
Total 10.555			1,335,606
Total Child Nutrition Cluster			1,758,215
Total U.S. Department of Agriculture			1,758,215
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,936,826</b>

The Notes to Schedule of Expenditures of Federal Awards are an integral part of this schedule.



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# Stafford Municipal School District

## Notes to the Schedule of Expenditures of Federal Awards

### Basic of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Stafford Municipal School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Single Audit Act Amendments of 1996 and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

National School Lunch Program non-cash commodities are recorded at their estimated market value at the time of donation. The District elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 2,936,826
General Fund - federal revenue	
School health and related services	266,627
Reserve officers' training corps	76,659
	<hr/>
<b>Total federal revenues per Exhibit C-2</b>	<b>\$ 3,280,112</b>

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**Stafford Municipal School District**  
 Schedule of Required Responses to Selected  
 School FIRST Indicators (Unaudited)  
 For the Fiscal Year Ended August 31, 2019

**Exhibit L-1**

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end?	\$ -
SF11	Net pension assets (1920) at fiscal year-end.	\$ -
SF12	Net pension liabilities (2540) at fiscal year-end.	\$ 9,928,805