

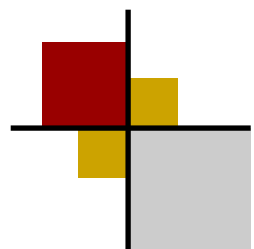


Year Ended August 31,

2020

CAFR

Comprehensive Annual Financial Report



Comprehensive Annual Financial Report For the Fiscal Year Ended August 31, 2020

Prepared by the Finance Department
Dedrea Norman, Chief Financial Officer

Stafford Municipal School District
1633 Staffordshire Road
Stafford, TX 77477
www.staffordmsd.org

Stafford Municipal School District
Comprehensive Annual Financial Report
For the Fiscal Year Ended August 31, 2020
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Introductory Section

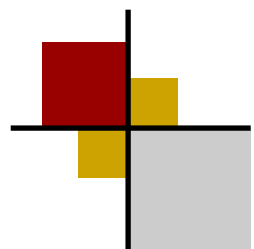


Year Ended August 31,

2020

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CERTIFICATE OF BOARD

Stafford Municipal School District
Name of School District

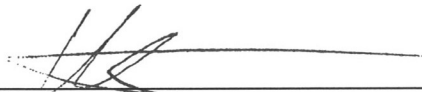
Fort Bend
County

079-910
County-District-Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and 5 approved 0 disapproved for the fiscal year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 19th day of January, 2021.



Signature of Board Secretary



Signature of Board President

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

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STAFFORD MUNICIPAL SCHOOL DISTRICT

1633 STAFFORDSHIRE ROAD
STAFFORD, TEXAS 77477
O: 281.261.9200 F: 281.261.9249

January 19, 2021

Board of Trustees
Stafford Municipal School District
1633 Staffordshire Road
Stafford, Texas 77477
Fort Bend and Harris Counties, Texas

Dear Board Members, Citizens, and Other Stakeholders:

INTRODUCTION

State law requires that all general-purpose local governments publish within 150 days of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the Stafford Municipal School District (SMSD) for the fiscal year ended August 31, 2020.

The CAFR is presented in three sections: introductory, financial, and statistical. The Introductory Section includes this transmittal letter, list of principal officials, list of consultants and advisors, and the District's organizational chart. The Financial Section includes the basic financial statements and the combining and individual fund financial statements and schedules, as well as the auditor's report on the basic financial statements and schedules. The Statistical Section includes selected financial and demographic information, generally presented on a multi-year basis.

GAAP also requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

This report consists of management's representations concerning the finances of the District. Consequently, responsibility for both the accuracy of the data and the completeness, reliability, and fairness of the presentation, including all disclosures, rests with the Superintendent of Schools, Chief Financial Officer, and the Business Office staff. In order to provide a reasonable basis for making those representations, management of SMSD has established a comprehensive internal control framework that is designed to protect the government's assets from loss, theft, or misuse. Additionally, the internal control framework is designed to compile enough reliable information for the preparation of the District's financial statements in conformity with GAAP. Since the costs of internal controls should not outweigh their benefits, the District's comprehensive framework of internal controls has been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. All disclosures necessary to enable the reader to gain an understanding of the District's activities have been included. To the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The financial statements of the Stafford Municipal School District have been audited by Weaver and Tidwell, L.L.P., a firm of licensed certified public accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the District for the fiscal year ended August 31, 2020 are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the District's financial statements for the fiscal year ended August 31, 2020 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements is part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards.

Copies of this report will be widely distributed throughout the Stafford Municipal School District. A copy will be sent to the City of Stafford, the city's Chamber of Commerce, Moody's and Standard and Poor's Financial Rating Services, the Municipal Advisory Council, the Single Audit Clearinghouse, and the Texas Education Agency.

INTERNAL CONTROLS

Internal controls have been established by the District's management to provide reasonable assurance that assets of the District are properly safeguarded, financial records are fairly, and accurately maintained, and governing statutes and policies are followed correctly. The internal control structure is designed to provide reasonable but not absolute assurance that these objectives are met. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits likely to be derived and the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of federal, state, and local financial assistance, the District is also responsible for ensuring that an adequate internal control structure is in place to guarantee and document compliance with applicable laws and regulations related to these programs. This internal control structure is subject to periodic evaluation by a management and services audit by the Texas Education Agency (TEA).

As part of the District's single audit, tests were made of its internal control structure and its compliance with applicable laws and regulations, including those related to federal financial assistance programs. Although this testing was not enough to support an opinion on the District's internal control system or its compliance with laws and regulations related to non-major federal financial assistance programs, the audit for the year ended August 31, 2020, disclosed no material internal control weaknesses or material violations of laws and regulations.

As demonstrated by the statements and schedules included in the financial and the federal awards sections of this report, the District continues to meet its responsibility for sound financial management.

INDEPENDENT AUDIT

Texas Education Code (TEC) Section 8.102 requires an annual audit by independent certified public accountants. The firm of Weaver and Tidwell, L.L.P., was selected by the District's Board of Trustees ("the Board"). In addition to meeting the requirements set forth in state statutes, the audit was also designed to meet the requirements of the federal Single Audit Act Amendments of 1996 and Title 2 U.S. Code of Federal Regulations Part 200. Generally accepted auditing standards and the standards set forth in the U.S. General Accountability Office's *Government Auditing Standards* were used by the auditors in conducting the audit engagement. Furthermore, the audit is performed in accordance with the TEA's *Financial Accountability System Resource Guide*.

The audit is made on a district-wide basis and involves all funds of the reporting entity. The independent auditors' report on the financial statements is included in the financial section of this report. The independent auditors' report on internal controls and compliance with requirements applicable to each major program can be found in the federal awards section of this report.

PROFILE OF THE DISTRICT

In 1977, following a disannexation election, Stafford Municipal School District was created out of the 181-square-mile Fort Bend ISD and Houston ISD. The disannexation was the result of a grass roots movement to return to a small, city-based school system.

After passage of the election creating the district, the City of Stafford spent five years in federal and state courts in the pursuit of creating the school district. The Fifth Circuit Court of Appeals ruled in favor of the City of Stafford and the district became a reality. Becoming a municipal school district instead of an independent school district, the school partnered with the city in ways that increased the efficiency of the tax dollar for Stafford residents and businesses.

In the fall of 1982, the elementary school opened to the district's first 547 students in a leased warehouse. Grades six through eleven were added the following year, bringing the total student enrollment to 1,057. Seniors were added the next year. In 2000, the new Intermediate School was added to the district facilities on Staffordshire Drive, joining Primary, Elementary, Middle, and High Schools.

The Stafford Municipal School District is an independent public educational governmental unit operating under applicable laws, and regulations of the State of Texas which provides a full range of educational services appropriate to grade levels pre-kindergarten through twelfth grade. These include regular and enriched academic education, special education for handicapped students, occupational education, and educational services for those with limited English proficiency. These basic programs are supplemented by a wide variety of offerings in fine arts, athletics, and other extracurricular programs.

Enrollment in the District's five campuses for the 2019-2020 school year was at 3,512 while the Average Daily Attendance (ADA) was 3,295.

A seven-member Board of Trustees, serving staggered three-year terms that elect their own officers, including a President, Vice President, and Secretary, governs the school district. Additionally, 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

The District receives funding from local, state and federal funding sources. The District is included in the City of Stafford's governmental "reporting entity" as defined by the Governmental Accounting Standards Board (GASB) in its Statement Number 14, "The Financial Reporting Entity," as revised by GASB Statement Number 39. There are no component units included within the District's reporting entity. Management of the District is independent of other state and local governments. The Fort Bend County Tax Assessor-Collector collects taxes for the District but exercises no control over its expenditures.

The vision statement of the District is "for every student to graduate college or career ready, without remediation."

The District is committed to excellence that is reflected in the following District goals set forth by the Board of Trustees:

Promote student achievement by attracting, retaining and continuously developing highly effective individuals.

Encourage learning and inspire critical thinking by involving students in hands-on activities and exposing them to real-world experiences.

Stimulate unencumbered learning for all students by removing barriers and utilizing flexible communication between all stakeholders.

Increase learning and behavioral expectations by establishing an optimal student-teacher ratio and a district-wide discipline system.

Improve academic performance and overall learning potential by providing students and teachers with state-of-the-art facilities and industry-standard equipment.

Help students discover new opportunities and establish impactful, long-term relationships within the community, through immersion and reflection programs.

During the 2019-2020 fiscal year, the District's enrollment decreased due to the impact of the COVID-19 pandemic with an October 2019 PEIMS enrollment of 3,512.

The District continued the Limited Open Enrollment (LOE) program in 2019-2020. The LOE program allows for non-Stafford students to attend the Stafford Municipal School District tuition free if they have met our stringent criteria. This program brought in well over 700 students and these students are doing well academically.

LOCAL ECONOMY

Stafford sits along the U.S. 90-A corridor and offers desirable access to U.S. 59 and Beltway 8.

The District occupies seven square miles within Fort Bend and Harris Counties with diverse geographic areas that include the residential communities of Promenade, Kingsway, Dove Country, Stafford Run, and other neighborhoods.

The local economy is based predominantly on commercial and industrial activities. Cardinal Health 110 LLC, our largest taxpayer, is situated in the north-western portion of the District.

Stafford has a population of approximately 21,900 that continues to grow as construction continues on the Grid, a creative mixed-use reinvention of a landmark Texas Instrument's campus in Stafford. The Grid offers a new destination in Fort Bend County, with inviting public space and walkable streets connecting shops, restaurants, offices, hotels, and urban residences. While most people are licking their chops over the recently opened In-N-Out Burger, other big-name businesses have opened in the new complex as well (i.e., Whiskey Cake Café' and Drive Shack). A movie theater and brewery are also in the blueprints for the 192-acre development. Stafford holds the distinction of being the largest city in Texas with no city property taxes.

The median market value of a residence in Stafford is \$197,840 and those taxpayers enjoy a 20% local homestead exemption, a low school district tax rate, and no city property tax.

RELEVANT FINANCIAL POLICIES

The District's Business Office is responsible for providing all District financial services including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management budgeting, procurement, and special financial and policy analyses to District management. The Chief Financial Officer, appointed by the Superintendent, has oversight responsibility for the division's operations. The District utilizes the TxEIS suite of financial and human resources software, which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss, misuse, or theft and the reliability of financial records for preparing financial statements and maintaining accountability over the District's assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework and are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. Accounting records for governmental fund types are maintained on a modified accrual basis with revenues recorded when services or goods are received, and the liabilities are incurred. Accounting records for fiduciary funds are maintained on the accrual basis.

Budgetary Control

The annual expenditure budget serves as the foundation for the District's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual expenditure budget. Stafford MSD has a diverse student population and the instructional methods that will best suit the needs of each student is given significant consideration by all parties involved in the budget process.

Budget-to-actual comparisons are provided in this report for the General Fund. This comparison is presented as required supplementary information.

The annual budget serves as the foundation for the District's financial planning and control. The budget process begins in January. The enrollment projections contained in this plan form the basis for significant budgetary decisions including per pupil allocations to each campus, instructional staffing allocations, and other required service levels. Once the Long-Range Plan is approved, the SMSD Board of Trustees and City of Stafford City Council can begin discussions concerning budget strategies and priorities and establish the budget calendar. Personnel units are allocated to each campus based on projected student enrollment following state mandated ratios, as applicable. Each campus receives a basic allotment per student to be used for supplies, materials, equipment, staff development and other appropriate instructional costs. Decisions concerning utilization of this allocation are made by the site-based decision-making teams. Budgets for non-campus units are developed by department heads and reviewed by the Superintendent and Chief Financial Officer. Following the budget development process, consolidated budgetary information is presented to the Board of Trustees and City Council in workshops and regular meetings. The proposed budget must be prepared by August 20th for a September 1st fiscal year start date. The Board President must call a special joint meeting for the purpose of discussing and adopting the budget and the tax rate. A notice of this meeting is required to be published at least ten days, but not more than 30 days before the public meeting.

Budget-to-actual comparisons are provided in this report for each individual governmental fund or program for which an appropriated annual budget has been adopted.

The budget may be amended during the year to address unanticipated or changing needs of the District. Changes to functional expenditure categories require Board of Trustee approval.

However, budget changes not requiring an increase in total appropriations and within functional categories may be approved by management without Board approval.

LONG-TERM PLANNING ACTIVITIES

In November 2017, the voters in the Stafford Municipal School District approved a \$62 million bond referendum.

The bond package addresses new construction and facility issues identified as top priorities by the District's Bond Oversight Committee, campus and district personnel, and architects and engineers. It also prepares for anticipated enrollment growth. In addition to addressing enrollment growth issues by building the new middle school (completed Summer 2020) and building the first ever STEM Magnet in Fort Bend County (scheduled to be completed in Fall 2021), the bond package includes the building of a new administration building, safety and security needs throughout the district, technology needs, and campus renovations. The District has issued all the \$62 million bonds as of November 2019.

The District continues to aggressively focus on its Long-Range Technology Plan that demonstrates the District's effort to enable children to experience hands on learning by the utilization of leading-edge technologies. Computer labs were updated to improve academic success through computer-assisted learning. The issuance of one-to-one Apple devices were approved by the Board of Trustee. The success of these and many other programs is evident in the continued improvement in student performance on the Texas Assessment of Academic Readiness (STAAR) Test.

It is the responsibility of the Business Office to oversee all finance related issues, including the investment of construction funds and other funds for maximization of interest earnings, and to provide financial status reports to the Board with the objective of assisting in the accountability and decision-making process.

AWARDS

A Fifth Consecutive Schools FIRST Superior Rating

The Stafford Municipal School District received a rating of “Superior Achievement” under the School Financial Integrity Rating System of Texas (FIRST), which is the highest rating possible, for the 5th consecutive year (2019-2020 Rating Based on School Year 2018-2019) and seventeen years in total.

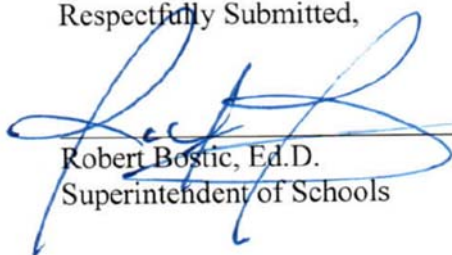
The FIRST rating system is a financial accountability system for Texas school districts developed by the Texas Education Agency (TEA) in response to Senate Bill 875 of the 76th Texas Legislature in 1999. The primary goal of Schools FIRST is to achieve quality performance in the management of school districts' financial resources, a goal made more significant due to the complexity of accounting associated with Texas' school finance system.

The FIRST accountability rating system assigns one of four financial accountability ratings to Texas school districts, with the highest being "Superior Achievement," followed by "Above- Standard Achievement," "Standard Achievement" and "Substandard Achievement." Districts with serious data quality problems may receive the additional rating of "Suspended-Data Quality." Districts that receive the "Substandard Achievement" or "Suspended-Data Quality" ratings under Schools FIRST must file a corrective action plan with TEA.

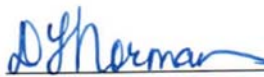
ACKNOWLEDGEMENTS

The financial management staff of the Stafford Municipal School District wishes to express its gratitude to the Board of Trustees for their contribution in providing fiscal accountability to the patrons of the District. The preparation of this report on a timely basis could not have been accomplished without the dedicated services of the District's Business Office as well as the technical support provided by the independent auditing firm of Weaver and Tidwell, L.L. P.

Respectfully Submitted,



Robert Bostic, Ed.D.
Superintendent of Schools



Dedrea L. Norman, CPA, RTSBA
Chief Financial Officer

STAFFORD MUNICIPAL SCHOOL DISTRICT
FOR THE FISCAL YEAR ENDED AUGUST 31, 2020

BOARD OF TRUSTEES

Name	Title	Length of Service	Term Expires	Employer
Christopher Caldwell	President	6 years	2020	HCC
Xavier Herrera	Vice-President	5 years	2021	Fort Bend Co
Alicia Lacy-Castille	Secretary	5 years	2022	HISD
Greg Holsapple	Trustee	23 years	2022	Retired
Manuel Hinojosa	Trustee	4 years	2021	Houston Methodist
Jacqueline Jean-Baptiste	Trustee	3 years	2020	Millar, Inc
Ashish Hamirani	Trustee	>1 years	2022	CivicCap

ADMINISTRATIVE OFFICIALS

Name	Position
Robert Bostic, Ed.D.	Superintendent of Schools
Dedrea Norman, CPA, RTSBA	Chief Financial Officer
Kadir Almus, Ed.D.	Chief Academic Officer
Dawn DuBose, Ed.D.	Chief of Schools
Marva Rasberry, M.Ed.	Chief Operations/Innovations Officer

CONSULTANTS AND ADVISORS

Attorneys

Thompson & Horton, L.L.P.
711 Louisiana, Suite 2100
Houston, Texas 77002

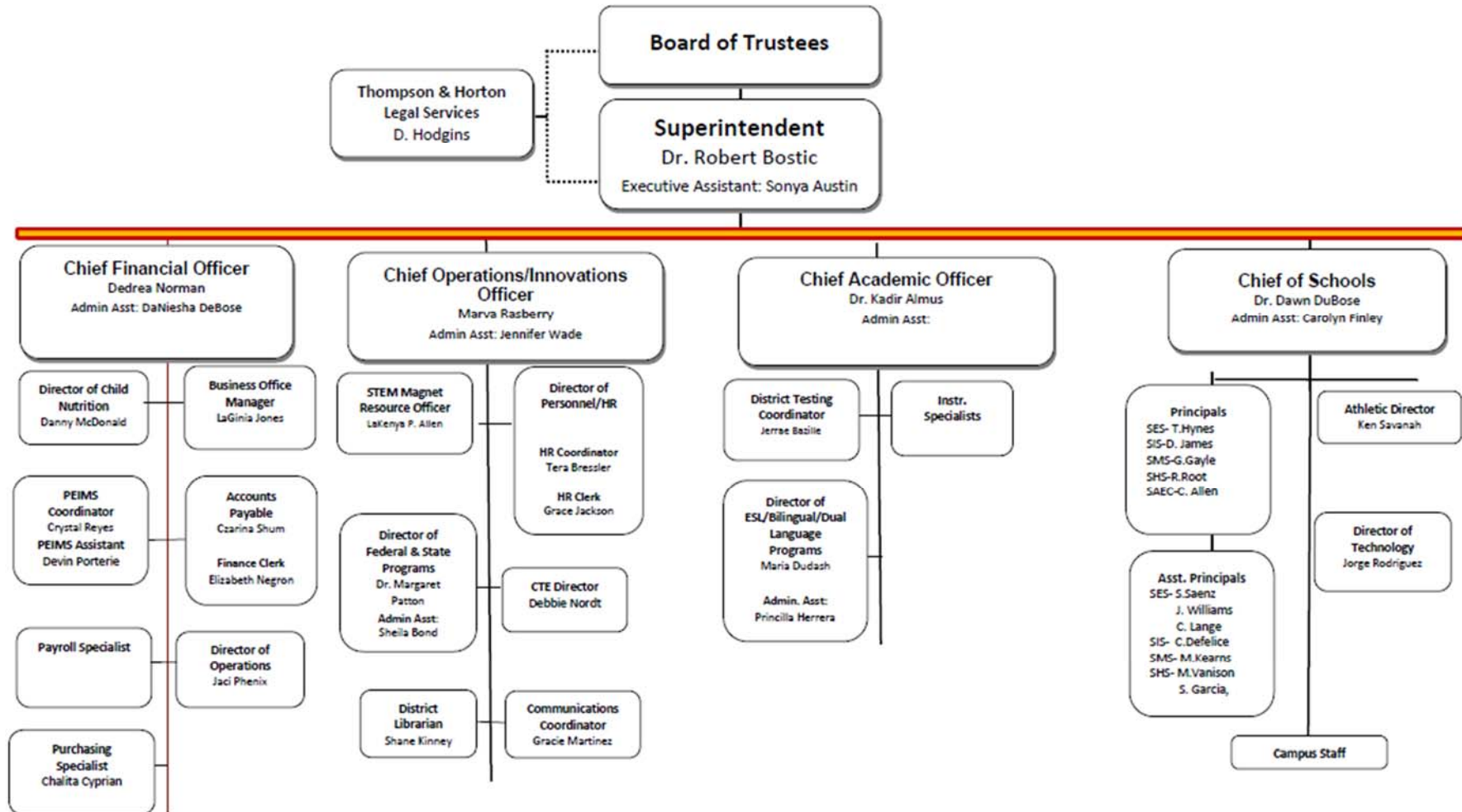
Independent Auditors

Weaver and Tidwell, L.L.P.
1406 Wilson Road, Suite 100
Conroe, Texas 77304



SMUSD Stafford Municipal School District
"The Best Little School District in Texas"

Organization Chart



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Financial Section

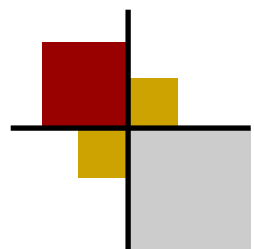


Year Ended August 31,

2020

CAFR

Comprehensive Annual Financial Report



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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 fiscal year ended August 31, 2020, 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, 2020, and the respective changes in financial position thereof for the fiscal 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 introductory section, supplementary information and statistical section, 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 introductory and statistical sections (Other Information) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

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 19, 2021 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 19, 2021

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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, 2020.

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 a deficit of \$10,965,121 (*net position*). Of this amount, (\$8,914,479) (*unrestricted net position*) was in a deficit due to the initial recording of OPEB liabilities in prior years.
- The District's total net position decreased by \$4,162,691 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$25,130,620, a decrease of \$30,382,872 mainly due to the use of bond funds for capital projects.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$10,640,263, or 31 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, 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, debt service fund and the national school breakfast and lunch program special revenue 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.

Required Supplementary Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. The required supplementary information relates to comparison of the original adopted budget, the final amended budget, and the actual amounts for the fiscal year. This is required supplementary information for the general fund and any major special revenue fund. The required supplementary information also provides information on the District's cost-

sharing multiple employer pension and OPEB plan of which the District is a participant. The required supplementary information can be found as noted in the table of contents of this report.

Supplementary and Other Information. The supplementary information is presented immediately following the required supplementary information and can be found as noted in the table of contents of this report. Other information includes the introductory section and statistical section 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 a deficit of \$10,965,121, an increase in deficit net position of \$4,162,691 over the preceding year.

Stafford Municipal School District's Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Current and other assets	\$ 36,190,222	27	\$ 62,855,096	49	\$ (26,664,874)	(42)
Capital assets, net of depreciation	98,777,540	73	64,474,521	51	34,303,019	53
Total assets	134,967,762	100	127,329,617	100	7,638,145	
Total deferred outflows of resources	9,375,718	100	7,877,259	100	1,498,459	19
Other liabilities	9,895,427	7	6,551,843	5	3,343,584	51
Noncurrent liabilities outstanding	137,834,724	93	130,224,369	95	7,610,355	6
Total liabilities	147,730,151	100	136,776,212	100	10,953,939	
Total deferred inflows of resources	7,578,450	100	5,233,094	100	2,345,356	45
Net position (deficit)						
Net investment in capital assets (deficit)	(5,188,194)	(48)	(4,121,854)	(61)	(1,066,340)	(26)
Restricted	3,137,552	29	3,120,194	46	17,358	1
Unrestricted (deficit)	(8,914,479)	(81)	(5,800,770)	(85)	(3,113,709)	(54)
Total net position (deficit)	\$ (10,965,121)	(100)	\$ (6,802,430)	(100)	\$ (4,162,691)	

Net investment in capital assets (\$5,188,194) reflects the District's investment of \$98.7 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, \$3,137,552 or 29 percent of net position, is restricted for debt service and grants.

The remaining balance of the deficit *unrestricted net position* (\$8,914,479) (or 81 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 deficit net position by \$4,162,691 from current operations. Key elements of this change are as follows:

Stafford Municipal School District's Changes in Net Position

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Revenues						
Program revenues						
Charges for services	\$ 503,729	1	\$ 1,004,975	2	\$ (501,246)	(50)
Operating grants and contributions	7,061,189	15	5,909,785	13	1,151,404	19
General revenues						
Property taxes, levied for general purpose	25,193,622	55	26,516,015	56	(1,322,393)	(5)
Property taxes, levied for debt service	7,490,941	16	6,797,807	14	693,134	10
Grants and contributions not restricted to specific programs	5,108,267	11	5,164,003	11	(55,736)	(1)
Investment earnings	683,325	1	1,762,236	4	(1,078,911)	(61)
Miscellaneous	472,493	1	117,913	-	354,580	301
Total revenues	46,513,566	100	47,272,734	100	(759,168)	
Expenses						
Instruction	25,119,867	51	22,263,490	50	2,856,377	13
Instructional resources and media services	346,869	1	825,993	2	(479,124)	(58)
Curriculum and instructional staff development	234,791	-	309,791	1	(75,000)	(24)
Instructional leadership	1,173,769	2	945,338	2	228,431	24
School leadership	2,485,782	5	2,521,445	5	(35,663)	(1)
Guidance, counseling and evaluation services	1,559,915	3	1,401,189	3	158,726	11
Health services	361,593	1	280,443	1	81,150	29
Student transportation	993,605	2	1,017,349	2	(23,744)	(2)
Food services	2,667,155	5	2,641,779	6	25,376	1
Extracurricular activities	1,655,075	3	1,548,800	3	106,275	7
General administration	3,061,127	6	2,495,744	5	565,383	23
Plant maintenance and operations	4,306,926	9	3,911,233	9	395,693	10
Security and monitoring services	352,933	1	723,135	2	(370,202)	(51)
Data processing services	1,636,097	3	1,352,914	3	283,183	21
Community services	61,933	-	36,559	-	25,374	69
Interest on long-term debt	3,632,093	7	3,287,434	6	344,659	10
Issuance cost and fees	566,334	1	3,500	-	562,834	16,081
Facilities repair and maintenance	219,499	-	101,834	-	117,665	116
Other intergovernmental charges	240,894	-	218,778	-	22,116	10
Total expenses	50,676,257	100	45,886,748	100	4,789,509	
Change in net position	(4,162,691)		1,385,986		(5,548,677)	
Net position - beginning	(6,802,430)		(8,188,416)		1,385,986	
Net position - ending	<u>\$ (10,965,121)</u>		<u>\$ (6,802,430)</u>		<u>\$ (4,162,691)</u>	

Revenues are generated primarily from two sources. Property taxes, \$32,684,563, represent 71 percent of total revenues, and grants and contributions (program and general revenues totaling \$12,169,456) represent 26 percent of total revenues. The remaining 3 percent is generated from charges for services, investment earnings, and miscellaneous revenues. The decrease in revenues is the result of a decrease in investment earnings and a decrease in property taxes, due to a decrease in investments in the capital projects fund and in tax rates, respectively. Those decreases are offset by an increase in operating grants and contributions, due to an increase in state funding from the passage of Texas House Bill 3.

The primary functional expenses of the District are instruction (\$25,119,867), which represents 51 percent of total expenses, plant maintenance and operations (\$4,306,926), which represents 9 percent of total expenses, interest on long-term debt (\$3,632,093), which represents 7 percent of total expenses, and general administration (\$3,061,127), which represents 6 percent of total expenses, food services (\$2,667,155), which represents 5 percent of total expenses, and school leadership (\$2,485,782), which represents 5 percent of total expenses. The remaining functional categories of expenses are individually less than 5 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 \$25,130,620, a decrease of \$30,382,872.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$10,640,263 and the total fund balance of the general fund was \$13,338,693. 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 31 percent of total general fund expenditures, while total fund balance represents 39 percent of that same total. The decrease in the general fund was \$2,080,352 mainly from the increase in instructional expenses.

The debt service fund has a total fund balance of \$2,698,673, all of which is restricted for the payment of debt service. The net increase in the debt service fund was \$133,562 and was primarily due to an increase from tax collections and refunding issuance.

The capital projects fund has a total fund balance of \$8,469,619, all of which is restricted for capital acquisitions and contractual obligations. The decrease of \$28,279,948 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 \$2.0 million in instruction to provide funding resulting from the pandemic. Final amended budget exceeded actual results in instruction of the general fund by \$2.0 million.

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, 2020, amounts to \$98,777,540 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings and improvements, and vehicles and equipment. The total increase in the District's investment in capital assets for the current fiscal year was \$34,303,019.

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

	Governmental Activities					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
Land	\$ 1,250,000	1	\$ 1,250,000	2	-	-
Construction in progress	52,667,983	54	14,649,309	23	38,018,674	260
Buildings and improvements	43,733,212	44	47,531,177	73	(3,797,965)	(8)
Vehicles	711,589	1	404,522	1	307,067	76
Equipment	414,756	-	639,513	1	(224,757)	(35)
Totals	\$ 98,777,540	100	\$ 64,474,521	100	\$ 34,303,019	

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

- \$38,018,674 Construction in Progress –2019 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					
	2020		2019		Increase (Decrease)	
	Amount	%	Amount	%	Amount	%
General obligation bonds	\$ 114,771,979	83	\$ 106,429,246	81	\$ 8,342,733	8
Workers' compensation	75,433	-	75,354	-	79	-
Compensated absences	27,450	-	41,990	-	(14,540)	(35)
Net pension liability	9,729,213	7	9,928,805	8	(199,592)	(2)
Net OPEB liability	13,230,649	10	13,748,974	11	(518,325)	(4)
Totals	\$ 137,834,724	100	\$ 130,224,369	100	\$ 7,610,355	

The District's net bonded debt increased by \$8,342,733 (8 percent) during the current fiscal year resulting from the issue of \$8 million in building bonds.

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

In preparation of its annual budget, the District's management considers various factors that drive school district's budgets; these include enrollment trends, property values, state funding, facility needs, and the economy.

House Bill 3 (HB 3), as passed by the 86th Legislature, yielded in the compression of the school district tax rates, modified funding formulas, drove increases in teacher pay and mandated funding for a full day prekindergarten program for eligible students, amongst other changes.

The COVID-19 pandemic has affected all educational institutions in the nation and the District had to suddenly adjust its delivery of instruction, expedite a one-to-one device initiative to implement an online learning environment so that students could continue their learning remotely. At the time the District's budget was adopted, neither the duration of the COVID-19 pandemic or the financial impact could be fully measured; hence, the budget assumptions consist of known factors at that time. The 2020-2021 fiscal year budget has been based on the following significant assumptions:

- Average daily attendance remains flat. (Average daily attendance totals 3,295 compared to 3,475 from prior year).
- The district maintains five (5) campuses for instruction.
- An increase of 6.7% in District's taxable values.
- A decrease in property tax collections due to the economy.
- District staff totals 471 employees, which includes 284 teachers and teachers' aides, 101 auxiliary staff, and 15 administrators.
- A maintenance and operations (compressed as per HB3) tax rate of \$0.966400 and a debt service tax rate of \$0.25591, a total of \$1.22230 were adopted for 2020-2021. Preceding year rates were \$0.97005, \$0.28, and \$1.25005, respectively.

It is likely, the budget will need to be amended throughout the year to direct resources where appropriate to respond to the COVID-19 pandemic. For fiscal year 2020-2021, the Commissioner of Education and TEA implemented funding measures to ensure school districts are fully funded and held harmless, to an extent, for shifts in average daily attendance that may be caused by COVID-19.

The 87th Texas Legislature will convene in January 2021 and will likely focus on the effects of COVID-19 on the Texas economy and its impact on the progress made through HB 3 and its sustainability.

All of these factors were considered in preparing the District's budget for the 2020-2021 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, 1633 Staffordshire Road, Stafford, Texas 77477.

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Basic Financial Statements

Stafford Municipal School District

Statement of Net Position

August 31, 2020

Exhibit A-1

Data Control Codes		1 Primary Government Governmental Activities
ASSETS		
1110	Cash and cash equivalents	\$ 34,013,860
1220	Property taxes receivable	1,384,263
1230	Allowance for uncollectable taxes	(27,685)
1240	Due from other governments	540,889
1290	Other receivables	245,415
1410	Prepaid items	33,480
	Capital assets:	
1510	Land	1,250,000
1580	Construction in progress	52,667,983
1520	Buildings and improvements, net	43,733,212
1531	Vehicles, net	711,589
1539	Equipment, net	414,756
1000	Total assets	134,967,762
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred outflows - pension	4,891,711
1706	Deferred outflows - OPEB	2,147,381
1710	Deferred charge on refunding	2,336,626
1700	Total deferred outflows of resources	9,375,718
LIABILITIES		
2110	Accounts payable	5,027,002
2140	Interest payable	192,403
2160	Accrued wages payable	1,520,561
2200	Accrued expense	2,561,248
2180	Due to other governments	440,690
2300	Unearned revenue	153,523
	Noncurrent liabilities:	
2501	Due within one year - See Note 3.E.	2,902,883
2502	Due in more than one year - See Note 3.E.	111,971,979
2540	Net pension liabilities	9,729,213
2545	Net OPEB liabilities	13,230,649
2000	Total liabilities	147,730,151
DEFERRED INFLOWS OF RESOURCES		
2605	Deferred inflows - pension	1,854,675
2606	Deferred inflows - OPEB	5,723,775
2600	Total deferred inflows of resources	7,578,450
NET POSITION		
3200	Net investment in capital assets (deficit)	(5,188,194)
3820	Restricted for grants	427,796
3850	Restricted for debt service	2,709,756
3900	Unrestricted (deficit)	(8,914,479)
3000	TOTAL NET POSITION (DEFICIT)	\$ (10,965,121)

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, 2020

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
	PRIMARY GOVERNMENT:				
	Governmental activities:				
0011	Instruction	\$ 25,119,867	\$ 124,170	\$ 3,410,206	\$ (21,585,491)
0012	Instructional resources and media services	346,869	-	13,369	(333,500)
0013	Curriculum and instructional staff development	234,791	94	42,415	(192,282)
0021	Instructional leadership	1,173,769	-	164,655	(1,009,114)
0023	School leadership	2,485,782	3,724	169,455	(2,312,603)
0031	Guidance, counseling, and evaluation services	1,559,915	-	665,181	(894,734)
0033	Health services	361,593	-	23,066	(338,527)
0034	Student transportation	993,605	-	39,982	(953,623)
0035	Food services	2,667,155	163,839	1,992,988	(510,328)
0036	Extracurricular activities	1,655,075	76,827	161,336	(1,416,912)
0041	General administration	3,061,127	-	195,209	(2,865,918)
0051	Plant maintenance and operations	4,306,926	6,718	98,282	(4,201,926)
0052	Security and monitoring services	352,933	-	-	(352,933)
0053	Data processing services	1,636,097	-	51,394	(1,584,703)
0061	Community services	61,933	128,357	2,280	68,704
0072	Interest on long-term debt	3,632,093	-	-	(3,632,093)
0073	Issuance cost and fees	566,334	-	31,371	(534,963)
0081	Facilities repair and maintenance	219,499	-	-	(219,499)
0099	Other intergovernmental charges	240,894	-	-	(240,894)
TG	Total governmental activities	50,676,257	503,729	7,061,189	(43,111,339)
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 50,676,257</u>	<u>\$ 503,729</u>	<u>\$ 7,061,189</u>	(43,111,339)
	General revenues:				
MT	Property taxes, levied for general purposes				25,193,622
DT	Property taxes, levied for debt service				7,490,941
GC	Grants and contributions not restricted to specific programs				5,108,267
IE	Investment earnings				683,325
MI	Miscellaneous				472,493
TR	Total general revenues				<u>38,948,648</u>
CN	Change in net position				(4,162,691)
NB	Net position - beginning				<u>(6,802,430)</u>
NE	NET POSITION - ENDING				<u>\$ (10,965,121)</u>

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

Stafford Municipal School District
Balance Sheet - Governmental Funds
August 31, 2020

Data Control Codes		199	599
		General Fund	Debt Service Fund
	ASSETS		
1110	Cash and cash equivalents	\$ 14,078,991	\$ 4,227,331
1220	Property taxes receivable	1,176,624	207,639
1230	Allowance for uncollectable taxes	(23,532)	(4,153)
1240	Due from other governments	4,451	-
1260	Due from other funds	1,989,444	-
1290	Other receivables	245,415	-
1410	Prepaid items	33,480	-
1000	Total assets	17,504,873	4,430,817
1000a	TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 17,504,873</u>	<u>\$ 4,430,817</u>
	LIABILITIES		
2110	Accounts payable	\$ 544,450	\$ -
2160	Accrued wages payable	1,412,402	-
2170	Due to other funds	-	1,520,425
2180	Due to other governments	432,457	8,233
2200	Accrued expenditures	592,018	-
2300	Unearned revenue	31,761	-
2000	Total liabilities	3,013,088	1,528,658
	DEFERRED INFLOWS OF RESOURCES		
2600	Unavailable revenue - property taxes	1,153,092	203,486
	Total deferred inflows of resources	1,153,092	203,486
	FUND BALANCES		
	Nonspendable:		
3430	Prepaid items	33,480	-
	Restricted for:		
3450	Grants	-	-
3470	Capital acquisitions and contractual obligations	-	-
3480	Debt service	-	2,698,673
	Committed to:		
3530	Capital expenditures for equipment	1,750,000	-
3540	Self-insurance	400,000	-
3545	Other	500,000	-
	Assigned to:		
3590	Purchases on order	14,950	-
3600	Unassigned	10,640,263	-
3000	Total fund balances	13,338,693	2,698,673
4000	TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 17,504,873</u>	<u>\$ 4,430,817</u>

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

699		98
Capital Projects Funds	Total Nonmajor Funds	Total Governmental Funds
\$ 14,869,796	\$ 837,742	\$ 34,013,860
-	-	1,384,263
-	-	(27,685)
-	536,438	540,889
-	-	1,989,444
-	-	245,415
-	-	33,480
14,869,796	1,374,180	38,179,666
<u>\$ 14,869,796</u>	<u>\$ 1,374,180</u>	<u>\$ 38,179,666</u>
\$ 4,436,974	\$ 45,578	\$ 5,027,002
-	108,159	1,520,561
528	468,491	1,989,444
-	-	440,690
1,962,675	6,555	2,561,248
-	121,762	153,523
6,400,177	750,545	11,692,468
-	-	1,356,578
-	-	1,356,578
-	-	33,480
-	427,796	427,796
8,469,619	-	8,469,619
-	-	2,698,673
-	-	1,750,000
-	-	400,000
-	195,839	695,839
-	-	14,950
-	-	10,640,263
8,469,619	623,635	25,130,620
<u>\$ 14,869,796</u>	<u>\$ 1,374,180</u>	<u>\$ 38,179,666</u>

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Stafford Municipal School District
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
August 31, 2020

Exhibit C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-1) \$ 25,130,620

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	\$ 177,649,494	
Accumulated depreciation of governmental capital assets	(78,871,954)	98,777,540

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. 1,356,578

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	\$ (104,870,000)	
Premium on bonds payable	(9,901,979)	
Deferred charge on refunding	2,336,626	
Accrued interest on the bonds	(192,403)	
Compensated absences	(27,450)	
Workers' compensation	(75,433)	
Net pension liability	(9,729,213)	
Net OPEB liability	(13,230,649)	(135,690,501)

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. 4,891,711

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. (1,854,675)

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. 2,147,381

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. (5,723,775)

TOTAL NET POSITION (DEFICIT)- GOVERNMENTAL ACTIVITIES (EXHIBIT A-1) \$ (10,965,121)

Stafford Municipal School District
Statement of Revenues, Expenditures, and Changes
in Fund Balances - Governmental Funds
For the Fiscal Year Ended August 31, 2020

Data Control Codes		199	599
		General Fund	Debt Service Fund
REVENUES			
5700	Local and intermediate sources	\$ 26,024,581	\$ 7,208,429
5800	State program revenues	6,680,709	31,371
5900	Federal program revenues	236,145	-
5020	Total revenues	32,941,435	7,239,800
EXPENDITURES			
Current:			
0011	Instruction	19,790,130	-
0012	Instructional resources and media services	241,971	-
0013	Curriculum and instructional staff development	169,538	-
0021	Instructional leadership	903,146	-
0023	School leadership	2,144,560	-
0031	Guidance, counseling, and evaluation services	728,409	-
0033	Health services	310,839	-
0034	Student transportation	894,175	-
0035	Food services	-	-
0036	Extracurricular activities	1,282,039	-
0041	General administration	2,577,814	-
0051	Plant maintenance and operations	3,855,241	-
0052	Security and monitoring services	318,770	-
0053	Data processing services	1,510,628	-
0061	Community services	53,633	-
Debt service:			
0071	Principal on long-term debt	-	3,155,000
0072	Interest on long-term debt	-	3,975,853
0073	Issuance costs and fees	-	442,363
Capital outlay:			
0081	Facilities acquisition and construction	-	-
Intergovernmental:			
0099	Other intergovernmental charges	240,894	-
6030	Total expenditures	35,021,787	7,573,216
1100	Excess (deficiency) of revenues over (under) expenditures	(2,080,352)	(333,416)
OTHER FINANCING SOURCES (USES)			
7901	Issuance of refunding bonds	-	35,975,000
7911	Issuance of capital related bonds	-	-
7916	Premium on issuance of bonds	-	3,462,395
8940	Payment to bond refunding escrow agent	-	(38,970,417)
7080	Total other financing sources (uses)	-	466,978
1200	Net change in fund balances	(2,080,352)	133,562
0100	Fund balances - beginning	15,419,045	2,565,111
3000	FUND BALANCES - ENDING	\$ 13,338,693	\$ 2,698,673

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

699		98
Capital Projects Funds	Total Nonmajor Funds	Total Governmental Funds
\$ 420,786	\$ 334,168	\$ 33,987,964
-	761,928	7,474,008
-	2,887,700	3,123,845
420,786	3,983,796	44,585,817
-	1,451,339	21,241,469
64,815	-	306,786
-	42,765	212,303
-	43,586	946,732
-	3,368	2,147,928
-	487,227	1,215,636
-	1,182	312,021
-	-	894,175
-	2,037,237	2,037,237
-	42,087	1,324,126
-	-	2,577,814
-	28,834	3,884,075
-	-	318,770
-	-	1,510,628
-	2,305	55,938
-	-	3,155,000
-	-	3,975,853
123,971	-	566,334
38,635,919	-	38,635,919
-	-	240,894
38,824,705	4,139,930	85,559,638
(38,403,919)	(156,134)	(40,973,821)
-	-	35,975,000
8,815,000	-	8,815,000
1,308,971	-	4,771,366
-	-	(38,970,417)
10,123,971	-	10,590,949
(28,279,948)	(156,134)	(30,382,872)
36,749,567	779,769	55,513,492
\$ 8,469,619	\$ 623,635	\$ 25,130,620

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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, 2020

Exhibit C-3

TOTAL NET CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS (EXHIBIT C-2) **\$ (30,382,872)**

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	\$ 38,416,420	
Depreciation expense	<u>(4,113,401)</u>	34,303,019

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.		377,192
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Issuance of bonds provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position.

Par value	\$ (44,790,000)	
(Premium) discount	<u>(4,771,366)</u>	(49,561,366)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		3,155,000
--	--	-----------

Payment to escrow agent to refund bonds from refunding proceeds.		38,970,417
--	--	------------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due, and includes amortization of related long-term debt accounts. The (increase) decrease in such items consist of the following:

Accrued interest on current interest bonds payable (increased) decreased	\$ (2,778)	
Amortization of bond premium	528,600	
Amortization of deferred charge on refunding	<u>(182,062)</u>	343,760

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 income (expenditures) in the governmental funds.		14,540
--	--	--------

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.		(79)
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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)	\$ (402,276)	
Deferred inflows (increased) decreased	(969,338)	
Net pension liability (increased) decreased	<u>199,592</u>	(1,172,022)

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)	\$ 647,413	
Deferred inflows (increased) decreased	(1,376,018)	
Net OPEB liability (increased) decreased	<u>518,325</u>	(210,280)

CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES (EXHIBIT B-1) **\$ (4,162,691)**

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

Stafford Municipal School District
 Statement of Assets and Liabilities
 Fiduciary Fund
 August 31, 2020

Exhibit E-1

<u>Data Control Codes</u>		<u>Agency Fund</u>
	ASSETS	
1110	Cash and cash equivalents	\$ 91,047
1290	Other receivables	1,050
		<hr/>
1000	TOTAL ASSETS	<u>\$ 92,097</u>
	LIABILITIES	
	Current liabilities:	
2110	Accounts payable	\$ 1,598
2190	Due to student groups	90,499
		<hr/>
2000	TOTAL LIABILITIES	<u>\$ 92,097</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 amended, 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 funds are custodial in nature (assets equal liabilities) and do 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.

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. 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 120 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 fund is 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, 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 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:

Capital Asset Classes	Lives
Buildings and improvements	10-30
Vehicles	8-9
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 or 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.

Unassigned fund balance represents the residual amount for the general fund that is not contained in the other classifications. The general fund is the only fund that reports a positive unassigned fund balance. Additionally, any deficit fund balance within the other governmental fund types is reported as unassigned.

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 collected.

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, 2020, 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	23	1,916,386	2,144,560	(228,174)
Debt Service fund*	71, 72, 73	7,166,575	7,573,216	(406,641)

*TEA combines all three data control codes for function 71 compliance

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, 2020, encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances Included in:</u>	
	<u>Restricted Fund Balance</u>	<u>Assigned Fund Balance</u>
General fund	\$ -	\$ 14,950
Capital projects funds	4,694,240	-
Nonmajor governmental funds	2,023	-
Total encumbrances	<u><u>\$ 4,696,263</u></u>	<u><u>\$ 14,950</u></u>

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, 2020, 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, 2020	Percent of Total Investments	Weighted Average Maturity (Days)	Credit Risk
Investments measured at amortized cost				
Investment pools				
TexPool Local Government Investment Pool	\$ 19,933,414	63%	32	AAAm
TexSTAR	2,624,172	8%	28	AAAm
Lone Star Government Overnight Fund	1,522	0%	24	AAAm
Investments measured at fair value				
Investment pools				
LOGIC	9,123,843	29%	51	AAAm
Total	31,682,951	100%		
Portfolio weighted average maturity			37	
Cash and checking accounts	2,330,909	N/A	N/A	
Total cash and cash equivalents	\$ 34,013,860			
Fiduciary Fund Investment Type				
Investments measured at amortized cost				
Investment pools				
TexPool Local Government Investment Pool	\$ 27,963	100%	32	AAAm
Total	27,963	100%		
Portfolio weighted average maturity			32	
Cash and checking accounts	63,084	N/A	N/A	
Total cash and cash equivalents	\$ 91,047			

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. Such pools 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 2020, 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, 2020, 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	\$	(15,123)
Change in uncollectibles related to debt service property taxes		<u>(2,669)</u>
Total change in uncollectibles of the current fiscal year	\$	<u>(17,792)</u>

Approximately 79% 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, 2020 is as follow:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 1,989,444	\$ -
Debt service fund	-	1,520,425
Capital projects fund	-	528
Other governmental funds - nonmajor	-	468,491
Totals	<u>\$ 1,989,444</u>	<u>\$ 1,989,444</u>

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.

Transfers

Interfund transfers are defined as "flows of assets from one fund to another fund without equivalent flow of assets in return and without a requirement for repayment." Transfers are the use of funds collected in one fund to finance various programs accounted for in other funds. There were no interfund transfers between the various funds for the fiscal year ended August 31, 2020.

Stafford Municipal School District
Notes to the Financial Statements

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2020, 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	14,649,309	38,018,674	-	52,667,983
Total capital assets, not being depreciated	15,899,309	38,018,674	-	53,917,983
Capital assets, being depreciated:				
Buildings and improvements	113,938,944	-	-	113,938,944
Vehicles	4,098,524	397,746	-	4,496,270
Equipment	5,296,297	-	-	5,296,297
Total capital assets, being depreciated	123,333,765	397,746	-	123,731,511
Less accumulated depreciation for:				
Buildings and improvements	(66,407,767)	(3,797,965)	-	(70,205,732)
Vehicles	(3,694,002)	(90,679)	-	(3,784,681)
Equipment	(4,656,784)	(224,757)	-	(4,881,541)
Total accumulated depreciation	(74,758,553)	(4,113,401)	-	(78,871,954)
Total capital assets being depreciated, net	48,575,212	(3,715,655)	-	44,859,557
Governmental activities capital assets, net	\$ 64,474,521	\$ 34,303,019	\$ -	\$ 98,777,540

Depreciation was charged to functions as follows:

Governmental Activities:	
11 Instruction	\$ 2,276,890
12 Instructional resources and media services	33,060
13 Curriculum and instructional staff development	22,764
21 Instructional leadership	102,368
23 School leadership	233,320
31 Guidance, counseling, and evaluation services	131,212
33 Health services	33,752
34 Student transportation	96,514
35 Food services	218,332
36 Extracurricular activities	140,702
41 General administration	277,804
51 Plant maintenance and operations	417,782
52 Security and monitoring services	34,163
53 Data processing	88,743
61 Community services	5,995
Total depreciation expense-governmental activities	\$ 4,113,401

Stafford Municipal School District

Notes to the Financial Statements

Construction Commitments

The District has active construction projects as of August 31, 2020. 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
Administration Building	\$ 6,945,046	\$ 25,224
Middle School Building	28,387,017	92,070
High School Renovations	1,133,913	379,638
Magnet School Renovations	226,350	2,031,200
Early Childhood Center	2,114,933	140,572
Elementary School Renovations	1,611,961	62,455
District Wide Site Improvements	3,921,432	261,468
Total	\$ 44,340,652	\$ 2,992,627

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, 2020, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds, par	\$ 100,020,000	\$ 44,790,000	\$ (39,940,000)	\$ 104,870,000	\$ 2,800,000
Premiums	6,409,246	4,771,366	(1,278,633)	9,901,979	-
Total bonds payable	106,429,246	49,561,366	(41,218,633)	114,771,979	2,800,000
Workers' compensation	75,354	82,678	(82,599)	75,433	75,433
Compensated absences	41,990	-	(14,540)	27,450	27,450
Net pension liability	9,928,805	1,781,799	(1,981,391)	9,729,213	-
Net OPEB liability	13,748,974	1,659,621	(2,177,946)	13,230,649	-
Governmental activities long-term liabilities	\$ 130,224,369	\$ 53,085,464	\$ (45,475,109)	\$ 137,834,724	\$ 2,902,883

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	\$ 38,895,000	\$ -	\$ (37,815,000)	\$ 1,080,000
2014 REF	2.0% - 4.0%	7,015,000	8/15/2026	5,290,000	-	(685,000)	4,605,000
2016A REF A	2.0% - 3.0%	3,050,000	8/15/2025	2,105,000	-	(330,000)	1,775,000
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	-	(850,000)	47,360,000
2019 BLDG A	4.0% - 5.0%	8,815,000	8/15/2049	-	8,815,000	(260,000)	8,555,000
2019 REF B	3.1% - 5.0%	35,975,000	8/15/2041	-	35,975,000	-	35,975,000
Totals				<u>\$ 100,020,000</u>	<u>\$ 44,790,000</u>	<u>\$ (39,940,000)</u>	<u>\$ 104,870,000</u>

Debt service requirements on general obligation bonds debt at August 31, 2020, are as follows:

Year Ending August 31,	Governmental Activities - Bonds		
	Principal	Interest	Total
2021	\$ 2,800,000	\$ 4,329,076	\$ 7,129,076
2022	2,905,000	4,219,626	7,124,626
2023	3,015,000	4,110,126	7,125,126
2024	2,965,000	3,991,276	6,956,276
2025	3,080,000	3,875,926	6,955,926
2026	3,210,000	3,745,526	6,955,526
2027	3,185,000	3,594,976	6,779,976
2028	3,300,000	3,476,476	6,776,476
2029	3,440,000	3,329,326	6,769,326
2030	3,435,000	3,175,876	6,610,876
2031	3,600,000	3,004,126	6,604,126
2032	3,770,000	2,837,526	6,607,526
2033	3,940,000	2,665,426	6,605,426
2034	4,120,000	2,485,426	6,605,426
2035	4,305,000	2,297,076	6,602,076
2036	4,455,000	2,147,456	6,602,456
2037	4,630,000	1,976,268	6,606,268
2038	3,915,000	1,797,963	5,712,963
2039	4,050,000	1,657,091	5,707,091
2040	4,200,000	1,511,101	5,711,101
2041	4,350,000	1,359,391	5,709,391
2042	3,970,000	1,202,100	5,172,100
2043	4,165,000	1,007,150	5,172,150
2044	4,370,000	802,600	5,172,600
2045	4,545,000	627,800	5,172,800
2046	4,725,000	446,000	5,171,000
2047	4,915,000	257,000	5,172,000
2048	1,040,000	60,400	1,100,400
2049	470,000	18,800	488,800
Totals	<u>\$ 104,870,000</u>	<u>\$ 66,008,916</u>	<u>\$ 170,878,916</u>

Stafford Municipal School District

Notes to the Financial Statements

In November 2019, the District authorized issuance of \$8,815,000 of unlimited tax school building bonds (Series 2019A). The proceeds of which were used for ongoing construction projects.

In November 2019, the District authorized issuance of \$35,975,000 of unlimited tax refunding bonds (Series 2019B). The proceeds of which were used to legally defease \$36,785,000 of previously issued District bonds in order to lower its overall debt service requirements. The reacquisition price exceeded the net carrying value of the old debt by \$1,435,384. The amount is netted against the new debt and amortized over the life of the new debt. The refunding resulted in a debt service savings of \$5,641,489 and an economic gain of \$4,192,234.

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, 2020, the District had \$42,375,000 outstanding bonds that are considered defeased, which may be called on August 15, 2021.

As of August 31, 2020, the District has no authorized but unissued bonds.

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

General fund - maintenance	\$	500,000
Other governmental fund - campus activity		<u>195,839</u>
Total other committed fund balance	\$	<u>695,839</u>

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	\$ 25,137,044	\$ 7,170,327	\$ -	\$ -	\$ 32,307,371
Charges for services	194,969	-	-	308,760	503,729
Investment earnings	220,075	38,102	420,786	4,362	683,325
Other	<u>472,493</u>	<u>-</u>	<u>-</u>	<u>21,046</u>	<u>493,539</u>
Totals	<u>\$ 26,024,581</u>	<u>\$ 7,208,429</u>	<u>\$ 420,786</u>	<u>\$ 334,168</u>	<u>\$ 33,987,964</u>

Stafford Municipal School District

Notes to the Financial Statements

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.

Health Care Coverage

During the year ended August 31, 2020, 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.

Stafford Municipal School District

Notes to the Financial Statements

Changes in the balances of claims liabilities during the past two years are as follows:

	Year Ended 8/31/2020	Year Ended 8/31/2019
Unpaid claims, beginning of fiscal year	\$ 75,354	\$ 75,280
Incurred claims (including IBNRs and changes in provisions)	82,678	89,893
Claim payments	(82,599)	(89,819)
Unpaid claims, end of fiscal year	\$ 75,433	\$ 75,354

B. Litigation and Contingencies

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, 2020, 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_cafr.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Stafford Municipal School District

Notes to the Financial Statements

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% (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 where 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 (COLAs). Ad hoc postemployment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as previously noted in the Plan Description above.

Contributions

Employee contribution rates are set in state statute, Texas Government Code 825.402. Contribution requirements are established or amended pursuant to Article XVI, 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.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Member	7.7%	7.7%
Non-employer contributing entity (State)	7.5%	6.8%
Employers (District)	7.5%	6.8%
Employers (District - Non-OASDI)*	1.5%	1.5%

*SB12 requires an increase in employer contributions by public school districts, charter schools and regional education service centers. Prior to SB12, only those employers not participating in social security were required to pay a 1.5% contributions (Non-OASDI surcharge). Beginning September 1, 2019 all employers are required to pay the Public Education Employer contribution irrespective of participation in social security.

The contribution amounts for the District's fiscal year 2020 are as follows:

District contributions	\$ 851,353
Member contributions	1,865,140
NECE on-behalf contributions (State)	1,268,954

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 General Appropriations Act.

Stafford Municipal School District

Notes to the Financial Statements

As the non-employer contributing entity, 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 the 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, local or non-educational and general 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.

In addition to the employer contributions listed above, there are two 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 member's salary.

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

At August 31, 2020, the District reported a liability of \$9,729,213 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. 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	\$ 9,729,213
State's proportionate share of the net pension liability associated with the District	<u>17,233,556</u>
Total	<u>\$ 26,962,769</u>

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. 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, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the District's proportion of the collective net pension liability was 0.0187161% which was an increase of 0.0006776% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized pension expense of \$4,730,524 and revenue of \$2,707,149 for support provided by the State.

Stafford Municipal School District

Notes to the Financial Statements

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 40,871	\$ 337,814
Changes of assumptions	3,018,480	1,247,379
Difference between projected and actual earnings on pension plan investments	97,692	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	883,315	269,482
District contributions paid subsequent to the measurement date	851,353	-
Totals	\$ 4,891,711	\$ 1,854,675

\$851,353 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense (revenue) as follows:

Year Ending August 31,	
2021	\$ 577,132
2022	459,709
2023	520,677
2024	494,462
2025	208,698
Thereafter	(74,995)
Total	\$ 2,185,683

Stafford Municipal School District

Notes to the Financial Statements

Actuarial Methods and Assumptions

The actuarial valuation of the total pension liability was performed as of August 31, 2018. Update procedures were used to roll forward the total pension liability to August 31, 2019 and was determined using the following actuarial methods and assumptions:

Actuarial cost method	Individual entry age normal
Asset valuation method	Market value
Single discount rate	7.25%
Long-term expected rate of return	7.25%
Municipal bond rate as of August 2019	2.63%. 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
Active mortality rates	Based on 90% of the RP 2014 Employing Mortality Tables for males and females with full generational mortality. The post-retirement mortality rates for healthy lives 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 projection scale U-MP.

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

Stafford Municipal School District

Notes to the Financial Statements

Discount Rate and Long-Term Expected Rate of Return

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the single discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity will be made at the statutorily required rates. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. 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, 2019 are summarized below:

Asset Class	Target Allocation*	Long-term Expected Arithmetic Real Rate of Return
Global equity:		
U.S.	18.00%	5.70%
Non-U.S. developed	13.00%	6.90%
Emerging markets	9.00%	8.95%
Directional hedge funds	4.00%	3.53%
Private equity	13.00%	10.18%
Stable value:		
U.S. treasuries	11.00%	1.11%
Stabel value hedge funds	4.00%	3.09%
Real Return:		
Global inflation linked bonds	3.00%	0.70%
Real estate	14.00%	5.21%
Energy, natural resources and infrastructure	5.00%	7.48%
Risk parity:		
Risk parity	5.00%	3.70%
Asset allocation leverage cash	1.00%	(0.30%)
Totals	100.00%	

* FY 2019 target allocation based on the strategic asset allocation dated 10/1/2018.

Stafford Municipal School District

Notes to the Financial Statements

Discount Rate Sensitivity Analysis

The following table presents the District’s proportionate share of the TRS net pension liability calculated using the discount rate of 7.25%, as well as what the District’s proportionate share of the net pension liability would be if it was calculated using a discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
District's proportionate share of the net pension liability	\$ 14,955,214	\$ 9,729,213	\$ 5,495,144

Change of Assumptions Since the Prior Measurement Date

- The single discount rate as of August 31, 2018 was a blended rate of 6.907% and that has changed to the long-term rate of return of 7.25% as of August 31, 2019.
- With the enactment of SB3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

Change of Benefit Terms Since the Prior Measurement Date

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

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 Post-Employment 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.

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; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides health insurance coverage to 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. 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 of TRS 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.

Stafford Municipal School District

Notes to the Financial Statements

The premium rates for retirees are reflected in the following table:

TRS-Care Monthly Plan Premium Rates

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

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.

Rates for such plan fiscal years are as follows:

	Contribution Rates	
	2020	2019
Active employee	0.65%	0.65%
Non-employer contribution entity (State)	1.25%	1.25%
Employers (District)	0.75%	0.75%
Federal/private funding*	1.25%	1.25%

*Contributions paid from federal funds and private grants are remitted by the employer (District) and paid at the State rate.

The contribution amounts for the District's fiscal year 2020 are as follows:

District contributions	\$ 215,784
Member contributions	157,447
NECE on-behalf contributions (State)	350,989

In addition, the State of Texas contributed \$104,199, \$84,252 and \$62,968 in 2020, 2019, and 2018, respectively, for on-behalf payments for Medicare Part D.

Stafford Municipal School District

Notes to the Financial Statements

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 TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received a supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

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

At August 31, 2020, the District reported a liability of \$13,230,649 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. 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 are as follows:

District's proportionate share of the net OPEB liability	\$	13,230,649
State's proportionate share of the net OPEB liability associated with the District		<u>17,580,573</u>
Total	\$	<u>30,811,222</u>

The net OPEB liability was measured as of August 31, 2019 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as August 31, 2018 rolled forward to August 31, 2019. The District's proportion of the net OPEB liability was based on the District's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At the measurement date of August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.0279770% which was an increase of 0.0004410% from its proportion measured as of August 31, 2018.

For the fiscal year ended August 31, 2020, the District recognized OPEB expense of \$889,416 and revenue of \$463,352 for support provided by the State.

At August 31, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 649,076	\$ 2,165,055
Changes of assumptions	734,859	3,558,720
Difference between projected and actual earnings on OPEB plan investments	1,428	-
Changes in proportion and difference between District's contributions and the proportionate share of contributions	546,234	-
District contributions paid subsequent to the measurement date	<u>215,784</u>	<u>-</u>
Totals	\$ 2,147,381	\$ 5,723,775

Stafford Municipal School District

Notes to the Financial Statements

\$215,784 reported as deferred outflows of resources resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended August 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB revenue as follows:

Year Ending August 31,	
2021	\$ (656,701)
2022	(656,701)
2023	(657,163)
2024	(657,427)
2025	(657,355)
Thereafter	(506,831)
Total	\$ (3,792,178)

Actuarial Methods and Assumptions

The actuarial valuation of the total OPEB liability was performed as of August 31, 2018. Update procedures were used to roll forward the total OPEB liability to August 31, 2019.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The following assumptions used for the valuation of the TRS-Care OPEB liability are identical to the assumptions employed in the August 31, 2019 TRS annual pension actuarial valuation:

Demographic Assumptions	Economic Assumptions
Rates of mortality	General inflation
Rates of retirement	Wage inflation
Rates of termination	Salary increases
Rates of disability	

See Note 4.C. for detail on these assumptions. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The initial medical trend rates were 10.25% for Medicare retirees and 7.50% for non-Medicare retirees. There was an initial prescription drug trend rate of 10.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.50 % over a period of 13 years.

Stafford Municipal School District
Notes to the Financial Statements

The following methods and additional assumptions were used in the TRS-Care OPEB valuation:

Actuarial cost method	Individual entry age normal
Single discount rate	2.63%
Aging factors	Based on plan specific experience
Election rates	Normal retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Ad hoc postemployment benefit changes	None

The impact of the Cadillac Tax that is returning in fiscal year 2023 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 2.30%.
- 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.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability at August 31, 2019. This was a decrease of 1.06% in the discount rate since the August 31, 2018 measurement date. The plan is essentially a “pay-as-you-go” plan, and based on the assumption that contributions are made at the statutorily required rates, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments to current members and therefore, the single discount rate is equal to the prevailing municipal bond rate. The 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”.

Stafford Municipal School District

Notes to the Financial Statements

Sensitivity Analysis of Rates

Discount Rate

The following table presents the District's proportionate share of the TRS-Care net OPEB liability, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the net OPEB liability.

	<u>1% Decrease (1.63%)</u>	<u>Current Discount Rate (2.63%)</u>	<u>1% Increase (3.63%)</u>
District's proportionate share of the net OPEB liability	\$ 15,973,639	\$ 13,230,649	\$ 11,084,806

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:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District's proportionate share of the net OPEB liability	\$ 10,793,099	\$ 13,230,649	\$ 16,495,846

Change of Assumptions Since the Prior Measurement Date

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

- The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change increased the total OPEB liability.
- The participation rate for pre-65 retirees was lowered from 70% to 65%. The participation rate for post-65 retirees was lowered from 75% to 50%. 25% of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the total OPEB liability.
- The trend rates were reset to better reflect the plan's anticipated experience. This change increased the total OPEB liability.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20% to 15%. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20% to 10%. These changes decreased the total OPEB liability.

Change of Benefit Terms Since the Prior Measurement Date

There were no changes in benefit terms since the prior measurement date.

Stafford Municipal School District

Notes to the Financial Statements

E. Shared Services Arrangements (SSA)

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 2020, the District received textbooks purchased by the State of Texas for the benefit of the District for a purchase price of \$154,214. The District receives the textbooks as part of state funding for textbook allotment. The textbooks have been recorded in the amount of \$154,214 in a special revenue fund as both state revenues and expenditures, which represents the amount of consideration given by the State of Texas.

During 2020, the District received goods purchased by the Texas Department of Agriculture (TDA) through the Food Distribution Program (commodities). These commodities have been recorded in the amount of \$142,774 in a special revenue fund as federal revenues, which represents the amount of consideration given by TDA.

G. Subsequent Event

COVID-19 Pandemic

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected public education, workforces, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations. It is not possible for management to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on the District's operations and financial results at this time.

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Required Supplementary Information

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Stafford Municipal School District

Exhibit G-1

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual General Fund For the Fiscal Year Ended August 31, 2020

Data Control Codes					Variance with
		Budgeted Amounts			Final Budget
		Original	Final	Actual	Positive (Negative)
REVENUES					
5700	Local and intermediate sources	\$ 27,015,715	\$ 27,015,715	\$ 26,024,581	\$ (991,134)
5800	State program revenues	7,176,691	7,176,691	6,680,709	(495,982)
5900	Federal program revenues	522,000	522,000	236,145	(285,855)
5020	Total revenues	34,714,406	34,714,406	32,941,435	(1,772,971)
EXPENDITURES					
Current:					
0011	Instruction	19,727,900	21,746,822	19,790,130	1,956,692
0012	Instructional resources and media services	245,807	245,807	241,971	3,836
0013	Curriculum and instructional staff development	296,667	346,635	169,538	177,097
0021	Instructional leadership	837,365	911,615	903,146	8,469
0023	School leadership	1,916,386	1,916,386	2,144,560	(228,174)
0031	Guidance, counseling, and evaluation services	872,972	861,183	728,409	132,774
0033	Health services	313,847	313,847	310,839	3,008
0034	Student transportation	900,606	900,606	894,175	6,431
0035	Food services	45,000	45,000	-	45,000
0036	Extracurricular activities	1,250,030	1,358,230	1,282,039	76,191
0041	General administration	2,534,915	2,800,090	2,577,814	222,276
0051	Plant maintenance and operations	3,694,353	3,875,353	3,855,241	20,112
0052	Security and monitoring services	713,999	659,999	318,770	341,229
0053	Data processing services	1,065,398	1,646,398	1,510,628	135,770
0061	Community services	59,161	117,536	53,633	63,903
Intergovernmental:					
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	230,000	263,000	240,894	22,106
6030	Total expenditures	34,764,406	38,068,507	35,021,787	3,046,720
1200	Net change in fund balance	(50,000)	(3,354,101)	(2,080,352)	1,273,749
0100	Fund balance - beginning	15,419,045	15,419,045	15,419,045	-
3000	FUND BALANCE - ENDING	\$ 15,369,045	\$ 12,064,944	\$ 13,338,693	\$ 1,273,749

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 Six Fiscal Years*

	<u>2020</u>
District's proportion of the net pension liability	0.0187161%
District's proportionate share of the net pension liability	\$ 9,729,213
State's proportionate share of the net pension liability associataed with the District	<u>17,233,556</u>
TOTALS	<u>\$ 26,962,769</u>
District's covered payroll	\$ 22,686,951
District's proportionate share of the net pension liability as a percentage of its covered payroll	42.88%
Plan fiduciary net position as a percentage of the total pension liability	75.24%

* 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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.0180385%	0.0177893%	0.0191661%	0.0194790%	0.0123698%
\$ 9,928,805	\$ 5,688,055	\$ 7,242,566	\$ 6,885,567	\$ 3,304,145
<u>19,020,219</u>	<u>10,491,633</u>	<u>12,847,271</u>	<u>12,143,198</u>	<u>10,416,152</u>
<u>\$ 28,949,024</u>	<u>\$ 16,179,688</u>	<u>\$ 20,089,837</u>	<u>\$ 19,028,765</u>	<u>\$ 13,720,297</u>
\$ 21,938,980	\$ 20,124,614	\$ 20,408,255	\$ 19,433,586	\$ 18,730,371
45.26%	28.26%	35.49%	35.43%	17.64%
73.74%	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 Six Fiscal Years*

	<u>2020</u>
Contractually required contributions	\$ 851,353
Contributions in relation to the contractually required contributions	<u>(851,353)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>
District's covered payroll	\$ 24,222,593
Contributions as a percentage of covered payroll	3.51%

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

<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 667,044	\$ 621,642	\$ 583,029	\$ 608,576	\$ 575,781
<u>(667,044)</u>	<u>(621,642)</u>	<u>(583,029)</u>	<u>(608,576)</u>	<u>(575,781)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 22,686,951	\$ 21,938,980	\$ 20,124,614	\$ 20,408,255	\$ 19,433,586
2.94%	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
For the Last Three Fiscal Years*

	2020	2019	2018
District's proportion of the net OPEB liability	0.0279770%	0.0275360%	0.0269057%
District's proportionate share of the net OPEB liability	\$ 13,230,649	\$ 13,748,974	\$ 11,700,277
State's proportionate share of the net pension liability associated with the District	17,580,573	18,643,241	15,829,896
TOTALS	\$ 30,811,222	\$ 32,392,215	\$ 27,530,173
District's covered payroll	\$ 22,686,951	\$ 21,938,980	\$ 20,124,614
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	58.32%	62.67%	58.14%
Plan fiduciary net position as a percentage of The total OPEB liability	2.66%	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
For the Last Three Fiscal Years*

Exhibit G-5

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 215,784	\$ 193,224	\$ 190,103
Contributions in relation to the contractually required contributions	<u>(215,784)</u>	<u>(193,224)</u>	<u>(190,103)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
District's covered payroll	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980
Contributions as a percentage of covered payroll	0.89%	0.85%	0.87%

*The amounts presented for the fiscal years were determined as of the District's fiscal year end.
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, 2020, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

<u>Fund</u>	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General fund	23	1,916,386	2,144,560	(228,174)
Debt Service fund*	71, 72, 73	7,166,575	7,573,216	(406,641)

*TEA combines all three data control codes for function 71 compliance

Stafford Municipal School District
Notes to the Required Supplementary Information

Note 2. Net Pension Liability and Net OPEB Liability

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and net OPEB liability:

Changes in actuarial assumptions and inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	
2015	8.000%	8.000%	
2014	8.000%	8.000%	

Changes in demographic and economic assumptions

For measurement dates August 31, 2019 and 2014-2017 – No changes in assumptions.

For measurement date August 31, 2018 – Net Pension Liability and Net OPEB Liability:

- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement and economic assumptions, including rates of salary increase for individual participants were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Supplementary Information

Stafford Municipal School District

Combining Balance Sheet
Nonmajor Governmental Funds
Special Revenue Funds
August 31, 2020

		211	224	225
		ESSA Title I Part A Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
<u>Data Control Codes</u>				
	ASSETS			
1110	Cash and cash equivalents	\$ 1,161	\$ 2,498	\$ -
1240	Due from other governments	196,315	206,555	957
1000	TOTAL ASSETS	<u>\$ 197,476</u>	<u>\$ 209,053</u>	<u>\$ 957</u>
	LIABILITIES			
2110	Accounts payable	\$ 1,161	\$ 2,622	\$ 94
2160	Accrued wages payable	33,911	17,928	-
2170	Due to other funds	159,300	186,567	863
2200	Accrued expenditures	3,104	1,936	-
2300	Unearned revenue	-	-	-
2000	Total liabilities	197,476	209,053	957
	FUND BALANCES			
3450	Restricted - Grants	-	-	-
3545	Committed - Other	-	-	-
3000	Total fund balances	-	-	-
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 197,476</u>	<u>\$ 209,053</u>	<u>\$ 957</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
\$ 441,194	\$ 162	\$ -	\$ -	\$ 4,007	\$ 5,343
72,789	22,252	20,499	17,071	-	-
<u>\$ 513,983</u>	<u>\$ 22,414</u>	<u>\$ 20,499</u>	<u>\$ 17,071</u>	<u>\$ 4,007</u>	<u>\$ 5,343</u>
\$ 31,356	\$ 6,057	\$ -	\$ -	\$ -	\$ -
52,805	1,637	-	1,878	-	-
71,723	14,547	20,499	14,987	-	-
1,136	173	-	206	-	-
-	-	-	-	4,007	5,343
157,020	22,414	20,499	17,071	4,007	5,343
356,963	-	-	-	-	-
-	-	-	-	-	-
356,963	-	-	-	-	-
<u>\$ 513,983</u>	<u>\$ 22,414</u>	<u>\$ 20,499</u>	<u>\$ 17,071</u>	<u>\$ 4,007</u>	<u>\$ 5,343</u>

Stafford Municipal School District
 Combining Balance Sheet
 Nonmajor Governmental Funds
 Special Revenue Funds - Continued
 August 31, 2020

		410	429	461
<u>Data Control Codes</u>		<u>Instructional Materials Fund</u>	<u>Miscellaneous State Grants</u>	<u>Campus Activity Funds</u>
ASSETS				
1110	Cash and cash equivalents	\$ 105,433	\$ 9,664	\$ 196,598
1240	Due from other governments	-	-	-
1000	TOTAL ASSETS	<u>\$ 105,433</u>	<u>\$ 9,664</u>	<u>\$ 196,598</u>
LIABILITIES				
2110	Accounts payable	\$ 2,680	\$ -	\$ 759
2160	Accrued wages payable	-	-	-
2170	Due to other funds	-	5	-
2200	Accrued expenditures	-	-	-
2300	Unearned revenue	102,753	9,659	-
2000	Total liabilities	105,433	9,664	759
FUND BALANCES				
3450	Restricted - Grants	-	-	-
3545	Committed - Other	-	-	195,839
3000	Total fund balances	-	-	195,839
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 105,433</u>	<u>\$ 9,664</u>	<u>\$ 196,598</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	\$ 40,875	\$ 837,742
-	-	-	-	536,438
<u>\$ 1</u>	<u>\$ 23,619</u>	<u>\$ 7,187</u>	<u>\$ 40,875</u>	<u>\$ 1,374,180</u>
\$ -	\$ -	\$ -	\$ 849	\$ 45,578
-	-	-	-	108,159
-	-	-	-	468,491
-	-	-	-	6,555
-	-	-	-	121,762
-	-	-	849	750,545
1	23,619	7,187	40,026	427,796
-	-	-	-	195,839
<u>1</u>	<u>23,619</u>	<u>7,187</u>	<u>40,026</u>	<u>623,635</u>
<u>\$ 1</u>	<u>\$ 23,619</u>	<u>\$ 7,187</u>	<u>\$ 40,875</u>	<u>\$ 1,374,180</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, 2020

		211	224	225
Data Control Codes		ESSA Title I Part A Improving Basic Programs	IDEA-B Formula	IDEA-B Preschool
REVENUES				
5700	Local and intermediate sources	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-
5900	Federal program revenues	477,553	558,675	2,759
5020	Total revenues	477,553	558,675	2,759
EXPENDITURES				
Current:				
0011	Instruction	454,618	68,783	2,759
0013	Curriculum and instructional staff development	20,655	2,665	-
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	487,227	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	-
0051	Plant maintenance and operations	-	-	-
0061	Community services	2,280	-	-
6030	Total expenditures	477,553	558,675	2,759
1200	Net change in fund balances	-	-	-
0100	Fund balances - beginning	-	-	-
3000	FUND BALANCES - ending	\$ -	\$ -	\$ -

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
\$ 168,201	\$ -	\$ -	\$ -	\$ -	\$ -
9,750	-	-	-	-	-
1,720,158	40,397	47,864	40,294	-	-
1,898,109	40,397	47,864	40,294	-	-
-	40,062	-	29,921	-	-
-	-	4,718	10,268	-	-
-	335	43,146	105	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,037,237	-	-	-	-	-
-	-	-	-	-	-
28,492	-	-	-	-	-
-	-	-	-	-	-
2,065,729	40,397	47,864	40,294	-	-
(167,620)	-	-	-	-	-
524,583	-	-	-	-	-
\$ 356,963	\$ -	\$ -	\$ -	\$ -	\$ -

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, 2020

		410	429	461
<u>Data Control Codes</u>		<u>Instructional Materials Fund</u>	<u>Miscellaneous State Grants</u>	<u>Campus Activity Funds</u>
	REVENUES			
5700	Local and intermediate sources	\$ -	\$ -	\$ 144,921
5800	State program revenues	750,092	2,086	-
5900	Federal program revenues	-	-	-
		<hr/>	<hr/>	<hr/>
5020	Total revenues	750,092	2,086	144,921
	EXPENDITURES			
	Current:			
0011	Instruction	750,092	-	85,144
0013	Curriculum and instructional staff development	-	2,086	85
0021	Instructional leadership	-	-	-
0023	School leadership	-	-	3,368
0031	Guidance, counseling, and evaluation services	-	-	-
0033	Health services	-	-	-
0035	Food services	-	-	-
0036	Extracurricular activities	-	-	42,087
0051	Plant maintenance and operations	-	-	342
0061	Community services	-	-	25
		<hr/>	<hr/>	<hr/>
6030	Total expenditures	750,092	2,086	131,051
		<hr/>	<hr/>	<hr/>
1200	Net change in fund balances	-	-	13,870
0100	Fund balances - beginning	-	-	181,969
		<hr/>	<hr/>	<hr/>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,839</u>

496	497	498	499	
Donation H. Dave	George Foundation Robotics	Tech Library Fund	Student Motivation	Total Nonmajor Funds (See Exhibit C-2)
\$ -	\$ -	\$ -	\$ 21,046	\$ 334,168
-	-	-	-	761,928
-	-	-	-	2,887,700
-	-	-	21,046	3,983,796
-	-	-	19,960	1,451,339
-	-	-	2,288	42,765
-	-	-	-	43,586
-	-	-	-	3,368
-	-	-	-	487,227
-	-	-	1,182	1,182
-	-	-	-	2,037,237
-	-	-	-	42,087
-	-	-	-	28,834
-	-	-	-	2,305
-	-	-	23,430	4,139,930
-	-	-	(2,384)	(156,134)
1	23,619	7,187	42,410	779,769
\$ 1	\$ 23,619	\$ 7,187	\$ 40,026	\$ 623,635

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Stafford Municipal School District
Statement of Changes in Assets and Liabilities
Fiduciary Fund
For the Fiscal Year Ended August 31, 2020

Exhibit I-1

<u>Data Control Codes</u>	<u>Beginning Balance 09/01/19</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance 08/31/20</u>
ASSETS				
1110 Cash and cash equivalents	\$ 68,149	\$ 106,269	\$ 83,371	\$ 91,047
1290 Other receivables	-	1,050	-	1,050
TOTAL ASSETS	<u>\$ 68,149</u>	<u>\$ 107,319</u>	<u>\$ 83,371</u>	<u>\$ 92,097</u>
LIABILITIES				
2110 Accounts payable	\$ 102	\$ 1,496	\$ -	\$ 1,598
2190 Due to student groups	68,047	22,452	-	90,499
TOTAL LIABILITIES	<u>\$ 68,149</u>	<u>\$ 23,948</u>	<u>\$ -</u>	<u>\$ 92,097</u>

Stafford Municipal School District
Schedule of Delinquent Taxes Receivable
For the Fiscal Year Ended August 31, 2020

Year Ended August 31,	1		2		3	
	Tax Rates				Net Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2011 and prior years	\$	Various	\$	Various	\$	Various
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
2020		0.97005		.280000		2,598,475,981

1000 TOTALS

9000 - Portion of row 1000 for taxes paid into tax increment zone under chapter 311, tax code

Exhibit J-1

10 Beginning Balance 9/1/19	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/20
\$ 137,372	\$ -	\$ 13	\$ 2	\$ (46,157)	\$ 91,200
64,462	-	752	130	-	63,580
36,361	-	741	150	(83)	35,387
34,920	-	739	149	(84)	33,948
41,951	-	2,361	454	460	39,596
61,475	-	1,464	267	(795)	58,949
141,483	-	2,117	387	(964)	138,015
179,334	-	(8,687)	(1,587)	(21,859)	167,749
291,921	-	(19,051)	(4,916)	(164,795)	151,093
-	32,482,249	24,737,228	7,140,275	-	604,746
<u>\$ 989,279</u>	<u>\$ 32,482,249</u>	<u>\$ 24,717,677</u>	<u>\$ 7,135,311</u>	<u>\$ (234,277)</u>	<u>\$ 1,384,263</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, 2020

Exhibit J-2

<u>Data Control Codes</u>		<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
		<u>Original</u>	<u>Final</u>		
	REVENUES				
5700	Local and intermediate sources	\$ 597,000	\$ 597,000	\$ 168,201	\$ (428,799)
5800	State program revenues	12,000	12,000	9,750	(2,250)
5900	Federal program revenues	1,915,500	1,915,500	1,720,158	(195,342)
5020	Total revenues	2,524,500	2,524,500	1,898,109	(626,391)
	EXPENDITURES				
	Current:				
0035	Food services	2,374,500	2,374,500	2,037,237	337,263
0051	Plant maintenance and operations	150,000	150,000	28,492	121,508
6030	Total expenditures	2,524,500	2,524,500	2,065,729	458,771
1200	Net change in fund balance	-	-	(167,620)	(167,620)
0100	Fund balance - beginning	524,583	524,583	524,583	-
3000	FUND BALANCE - ENDING	<u>\$ 524,583</u>	<u>\$ 524,583</u>	<u>\$ 356,963</u>	<u>\$ (167,620)</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, 2020

Exhibit J-3

Data Control Codes		Budgeted Amounts			Variance with Final Budget Positive (Negative)
		Original	Final	Actual	
REVENUES					
5700	Local and intermediate sources	\$ 7,447,500	\$ 7,447,500	\$ 7,208,429	\$ (239,071)
5800	State program revenues	1,000	1,000	31,371	30,371
5020	Total revenues	7,448,500	7,448,500	7,239,800	(208,700)
EXPENDITURES					
Debt service:					
0071	Principal on long-term debt	3,155,000	3,155,000	3,155,000	-
0072	Interest on long-term debt	4,006,575	4,006,575	3,975,853	30,722
0073	Issuance costs and fees	5,000	5,000	442,363	(437,363)
6030	Total expenditures	7,166,575	7,166,575	7,573,216	(406,641)
1100	Excess (deficiency) of revenues over (under) expenditures	281,925	281,925	(333,416)	(615,341)
OTHER FINANCING SOURCES (USES)					
7911	Issuance of capital related bonds	-	35,975,000	35,975,000	-
7916	Premium on issuance of bonds	-	3,462,395	3,462,395	-
8940	Payment to bond refunding escrow agent	-	(38,970,417)	(38,970,417)	-
7080	Total other financing sources and (uses)	-	466,978	466,978	-
1200	Net change in fund balances	281,925	748,903	133,562	(615,341)
0100	Fund balance - beginning	2,565,111	2,565,111	2,565,111	-
3000	FUND BALANCE - ENDING	\$ 2,847,036	\$ 3,314,014	\$ 2,698,673	\$ (615,341)

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Unaudited Statistical Section



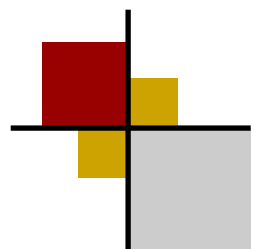
STAFFORD
SPANNS

Year Ended August 31,

2020

CAFR

Comprehensive Annual Financial Report



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Statistical Section (Unaudited)

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Stafford Municipal School District
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES				
Net Investment in Capital Assets	\$ (5,188,194)	\$ (4,121,854)	\$ (2,610,693)	\$ (4,628)
Restricted	3,137,552	3,120,194	1,698,469	3,053,264
Unrestricted	<u>(8,914,479)</u>	<u>(5,800,770)</u>	<u>(7,276,192)</u>	<u>8,352,762</u>
TOTAL GOVERNMENTAL ACTIVITIES NET POSITION	<u>\$ (10,965,121)</u>	<u>\$ (6,802,430)</u>	<u>\$ (8,188,416)</u>	<u>\$ 11,401,398</u>

Source: District records

Table 1

2016	2015	2014	2013	2012	2011
\$ 3,669,955	\$ 6,192,032	\$ 7,582,157	\$ 9,991,427	\$ 12,948,136	\$ 16,200,882
2,508,598	2,175,496	1,950,246	1,489,606	1,358,864	1,349,906
7,213,397	7,141,734	11,917,493	11,321,778	11,686,409	7,909,499
<u>\$ 13,391,950</u>	<u>\$ 15,509,262</u>	<u>\$ 21,449,896</u>	<u>\$ 22,802,811</u>	<u>\$ 25,993,409</u>	<u>\$ 25,460,287</u>

Stafford Municipal School District
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2020	2019	2018	2017
EXPENSES				
Governmental Activities:				
Instruction	\$ 25,119,867	\$ 22,263,490	\$ 14,961,900	\$ 20,159,500
Instructional Resources & Media Services	346,869	825,993	284,951	277,875
Curriculum & Staff Development	234,791	309,791	242,751	317,521
Instructional Leadership	1,173,769	945,338	668,088	795,102
School Leadership	2,485,782	2,521,445	1,483,446	2,368,736
Guidance, Counseling & Evaluation Services	1,559,915	1,401,189	597,596	1,186,156
Health Services	361,593	280,443	210,687	299,548
Student Transportation	993,605	1,017,349	819,833	937,371
Food Service	2,667,155	2,641,779	1,828,456	2,462,456
Extracurricular Activities	1,655,075	1,548,800	1,137,757	1,264,036
General Administration	3,061,127	2,495,744	1,924,629	2,133,045
Plant Maintenance & Operations	4,306,926	3,911,233	3,538,584	3,948,022
Security & Monitoring Services	352,933	723,135	286,050	211,769
Data Processing Services	1,636,097	1,352,914	788,380	975,832
Community Services	61,933	36,559	35,225	41,472
Interest on Long-Term Debt	3,632,093	3,287,434	3,859,686	2,249,346
Issuance Costs & Fees	566,334	3,500	541,897	208,364
Facility Repair and Maintenance	219,499	101,834	12,661	-
Contracted Instructional Services between Schools	-	-	-	-
Payments to Shared Service Arrangement	-	-	12,300	24,703
Pmts to Juvenile Justice Alternative Ed. Programs	-	-	-	25,000
Other Intergovernmental Charges	240,894	218,778	209,095	184,421
Total Governmental Activities Expenses	50,676,257	45,886,748	33,443,972	40,070,275
PROGRAM REVENUES				
Governmental Activities:				
Charges for Services:				
Food Services	163,839	417,684	393,348	515,628
Extracurricular Activities	30,286	134,293	149,807	103,150
Other Activities	309,604	452,998	431,878	322,730
Operating Grants and Contributions	7,061,189	5,909,785	(901,729)	4,791,455
Total Governmental Activities Program Revenues	7,564,918	6,914,760	73,304	5,732,963
Net (Expense)/Revenue				
Total Primary Government Net Expense	(43,111,339)	(38,971,988)	(33,370,668)	(34,337,312)
GENERAL REVENUES & OTHER CHANGES				
IN NET POSITION				
Governmental Activities:				
Property Taxes:				
Levied for General Purposes	25,193,622	26,516,015	25,128,117	24,052,949
Levied for Debt Service	7,490,941	6,797,807	4,587,847	4,516,135
Investment Earnings	683,325	1,762,236	795,241	126,734
Unrestricted Grants and Contributions	5,108,267	5,164,003	3,687,716	3,441,371
Miscellaneous	472,493	117,913	98,298	209,571
Total Governmental Activities	38,948,648	40,357,974	34,297,219	32,346,760
CHANGE IN NET POSITION				
Governmental Activities	(4,162,691)	1,385,986	926,551	(1,990,552)
TOTAL PRIMARY GOVERNMENT	<u>\$ (4,162,691)</u>	<u>\$ 1,385,986</u>	<u>\$ 926,551</u>	<u>\$ (1,990,552)</u>

Source: District records

Table 2

2016	2015	2014	2013	2012	2011
\$ 20,723,610	\$ 18,663,765	\$ 17,594,168	\$ 17,369,464	\$ 15,976,008	\$ 16,889,742
287,879	301,561	232,843	213,233	169,624	185,083
271,146	373,923	404,717	467,161	132,964	168,940
784,154	683,179	634,216	489,436	456,377	465,081
2,416,612	2,129,222	2,080,209	1,923,418	1,573,235	1,610,593
1,194,868	1,033,303	1,125,916	1,112,917	945,625	625,981
312,240	281,707	321,152	318,685	298,060	324,113
900,040	882,811	901,333	1,022,021	887,353	1,091,975
2,355,476	2,372,985	2,508,106	2,164,555	1,968,994	1,917,293
1,145,842	974,558	904,474	926,240	743,486	779,672
1,868,769	1,839,716	1,662,485	1,480,877	1,555,863	1,439,264
4,016,051	4,014,316	4,035,793	3,537,163	3,285,241	3,109,299
209,845	190,768	92,769	91,605	40,137	62,740
949,356	845,810	392,514	549,802	567,309	464,100
8,004	3,865	8,982	3,496	5,762	45,408
2,508,226	2,570,991	2,925,905	2,784,393	2,815,543	695,760
2,000	2,000	148,481	5,050	1,500	44,560
-	-	-	-	-	375,648
-	-	-	385,328	605,125	1,682,785
15,292	15,292	23,080	23,078	22,938	60,584
28,929	25,000	25,000	20,000	30,000	14,000
172,481	175,768	166,847	139,819	-	-
40,170,820	37,380,540	36,188,990	35,027,741	32,081,144	32,052,621
498,680	518,154	500,535	1,230	4,055	521,777
119,353	105,276	84,752	42,462	33,092	33,323
343,325	293,218	334,604	635,553	609,397	51,590
5,730,319	4,404,901	4,013,466	4,151,536	4,455,959	5,983,957
6,691,677	5,321,549	4,933,357	4,830,781	5,102,503	6,590,647
(33,479,143)	(32,058,991)	(31,255,633)	(30,196,960)	(26,978,641)	(25,461,974)
23,406,937	22,258,867	21,649,553	20,629,915	20,191,391	20,256,610
4,273,605	4,266,046	4,372,241	4,157,096	3,623,799	1,379,178
47,211	8,978	17,924	37,985	60,652	10,431
3,445,096	3,250,973	3,495,115	2,083,344	3,129,716	3,922,297
188,982	177,987	367,885	602,216	506,205	530,311
31,361,831	29,962,851	29,902,718	27,510,556	27,511,763	26,098,827
(2,117,312)	(2,096,140)	(1,352,915)	(2,686,404)	533,122	636,853
\$ (2,117,312)	\$ (2,096,140)	\$ (1,352,915)	\$ (2,686,404)	\$ 533,122	\$ 636,853

Stafford Municipal School District
Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GENERAL FUND '				
Nonspendable	\$ 33,480	\$ 10,776	\$ 7,471	\$ 34,449
Committed	2,650,000	2,426,377	2,158,230	303,000
Assigned	14,950	679,101	319,235	1,530,867
Unassigned	10,640,263	12,302,791	10,427,491	10,288,277
	<u>13,338,693</u>	<u>15,419,045</u>	<u>12,912,427</u>	<u>12,156,593</u>
Total General Fund				
	13,338,693	15,419,045	12,912,427	12,156,593
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	-	-	-	-
Restricted	11,596,088	39,912,478	54,900,852	3,251,143
Committed	195,839	181,969	162,317	144,583
	<u>11,791,927</u>	<u>40,094,447</u>	<u>55,063,169</u>	<u>3,395,726</u>
Total All Other Governmental Funds				
	11,791,927	40,094,447	55,063,169	3,395,726
TOTAL GOVERNMENTAL FUNDS	<u>\$ 25,130,620</u>	<u>\$ 55,513,492</u>	<u>\$ 67,975,596</u>	<u>\$ 15,552,319</u>

Source: District records

(1) Beginning with fiscal year 2011, GASB No. 54 provides more clearly defined fund balance categories.

Table 3

2016	2015	2014	2013	2012	2011
\$ 8,734	\$ 2,312	\$ 13,201	\$ 27,449	\$ 54,272	\$ 7,829
303,000	1,903,000	903,000	303,000	303,000	303,000
1,720,000	120,000	1,200,000	1,000,000	2,000,000	-
8,470,660	7,939,301	9,049,407	9,030,973	7,822,742	7,071,382
10,502,394	9,964,613	11,165,608	10,361,422	10,180,014	7,382,211
-	-	-	58,064	5,773	5,773
3,506,997	3,625,876	4,311,324	8,406,025	28,941,403	50,161,144
166,096	132,947	154,031	452,820	505,512	-
3,673,093	3,758,823	4,465,355	8,916,909	29,452,688	50,166,917
\$ 14,175,487	\$ 13,723,436	\$ 15,630,963	\$ 19,278,331	\$ 39,632,702	\$ 57,549,128

Stafford Municipal School District
Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2020	2019	2018	2017
REVENUES				
Local & Intermediate Sources	\$ 33,987,964	\$ 36,358,616	\$ 31,395,072	\$ 29,736,333
State Program Revenues	7,474,008	6,643,046	5,406,669	4,696,711
Federal Program Revenues	3,123,845	3,280,112	3,343,408	3,209,007
Total Revenues	44,585,817	46,281,774	40,145,149	37,642,051
EXPENDITURES				
Instruction	21,241,469	18,622,418	18,664,572	17,112,449
Instructional Resources & Media Services	306,786	730,839	295,596	243,751
Curriculum & Staff Development	212,303	274,921	218,444	277,462
Instructional Leadership	946,732	801,807	803,734	685,174
School Leadership	2,147,928	2,120,913	2,073,362	1,997,194
Guidance, Counseling & Evaluation Services	1,215,636	1,057,297	1,032,671	962,151
Health Services	312,021	239,068	261,363	257,121
Student Transportation	894,175	892,565	859,658	821,600
Food Service	2,037,237	2,156,661	2,158,181	2,070,075
Extracurricular Activities	1,324,126	1,320,415	1,235,798	1,102,332
General Administration	2,577,814	2,186,869	2,028,276	1,868,378
Plant Maintenance & Operations	3,884,075	3,471,122	3,422,899	3,434,285
Security & Monitoring Services	318,770	642,525	252,275	185,052
Data Processing Services	1,510,628	1,278,262	828,058	852,430
Community Services	55,938	32,484	31,066	36,240
Principal on Long-Term Debt	3,155,000	1,975,000	1,900,000	1,610,000
Interest on Long-Term Debt	3,975,853	5,135,110	2,311,725	2,619,174
Bond Issuance Costs & Fees	566,334	3,500	541,897	208,364
Facility Acquisition and Construction	38,635,919	15,583,324	1,128,883	608,736
Contracted Instructional Services Between Schools	-	-	-	-
Payments Related to Shared Service Arrangements	-	-	12,300	24,703
Payments to Juvenile Justice Alternative Ed. Program	-	-	-	25,000
Other Intergovernmental Charges	240,894	218,778	209,095	184,421
Total Expenditures	85,559,638	58,743,878	40,269,853	37,186,092
Excess (Deficiency) of Revenues Over (Under) Expenditures	(40,973,821)	(12,462,104)	(124,704)	455,959
OTHER FINANCING SOURCES (USES)				
Issuance of Refunding Bonds	35,975,000	-	48,210,000	8,590,000
Capital-Related Debt Issued (Regular Bonds)	8,815,000	-	-	-
Sale of Real or Personal Property	-	-	-	715,259
Capital Lease Proceeds	-	-	-	-
Premium or Discount on Issuance of Bonds	4,771,366	-	4,337,981	-
Prepaid Interest	-	-	-	1,357,308
Payment to Bond Refunding Escrow Agent	(38,970,417)	-	-	(9,741,694)
Other Uses	-	-	-	-
Total Other Financing Sources (Uses)	10,590,949	-	52,547,981	920,873
NET CHANGE IN FUND BALANCE	\$ (30,382,872)	\$ (12,462,104)	\$ 52,423,277	\$ 1,376,832
DEBT SERVICE AS A PERCENTAGE OF NONCAPITAL EXPENDITURES				
	15.13%	16.48%	10.76%	11.56%

Source: District records

Table 4

2016	2015	2014	2013	2012	2011
\$ 29,065,691	\$ 27,724,360	\$ 26,930,122	\$ 26,131,611	\$ 25,108,883	\$ 22,846,009
5,061,894	4,543,770	4,529,954	3,120,603	4,429,356	5,660,245
3,241,086	3,037,469	2,978,627	3,114,277	3,252,262	4,246,009
37,368,671	35,305,599	34,438,703	32,366,491	32,790,501	32,752,263
17,424,291	16,484,515	15,362,548	15,154,868	14,241,850	15,565,968
244,283	262,867	201,668	184,641	153,024	169,004
237,169	330,135	356,468	404,563	119,973	154,224
662,331	604,069	554,862	423,793	411,694	424,942
2,040,792	1,872,892	1,805,071	1,665,441	1,419,190	1,470,863
1,004,220	933,963	1,015,359	963,654	853,046	914,627
261,881	246,342	278,165	275,943	268,874	295,968
764,740	771,776	778,798	748,920	800,542	1,080,288
2,095,479	2,098,286	2,172,159	1,885,156	1,899,701	1,859,807
976,886	853,961	794,382	823,931	680,567	739,602
1,593,804	1,607,684	1,438,241	1,260,245	1,403,700	1,314,127
3,465,675	3,497,666	3,497,630	3,057,991	2,991,848	2,860,392
183,549	165,093	80,336	79,288	36,218	57,270
805,641	739,212	646,657	475,406	511,805	647,642
7,001	3,820	7,999	3,028	5,199	41,450
1,685,867	1,560,344	1,364,694	1,236,921	700,001	658,421
2,562,428	2,624,997	2,719,279	2,829,095	2,848,612	690,207
2,000	2,000	148,481	5,050	1,500	509,336
681,881	2,337,444	4,792,277	20,674,703	20,605,577	1,822,032
-	-	-	385,328	605,125	1,682,785
15,292	15,292	23,080	23,078	22,938	60,584
28,929	25,000	25,000	20,000	30,000	14,000
172,481	175,768	166,847	139,819	-	-
36,916,620	37,213,126	38,230,001	52,720,862	50,610,984	33,033,539
452,051	(1,907,527)	(3,791,298)	(20,354,371)	(17,820,483)	(281,276)
-	-	-	-	-	-
-	-	7,085,000	-	-	49,900,000
-	-	-	-	-	-
-	-	-	-	-	154,165
-	-	846,073	-	-	1,277,602
-	-	-	-	-	-
-	-	(7,787,143)	-	-	-
-	-	-	-	(95,943)	-
-	-	143,930	-	(95,943)	51,331,767
\$ 452,051	\$ (1,907,527)	\$ (3,647,368)	\$ (20,354,371)	\$ (17,916,426)	\$ 51,050,491
11.74%	12.01%	12.34%	12.70%	11.90%	4.39%

Stafford Municipal School District
Revenues by Source – Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

Table 5

<u>Fiscal Year</u>	<u>Local Revenues</u>	<u>State Revenues</u>	<u>Federal Revenues</u>	<u>Total Revenues</u>
2011	\$ 22,846,009	\$ 5,660,245	\$ 4,246,009	\$ 32,752,263
2012	25,108,883	4,429,356	3,252,262	32,790,501
2013	26,131,611	3,120,603	3,114,277	32,366,491
2014	26,930,122	4,529,954	2,978,627	34,438,703
2015	27,724,360	4,543,770	3,037,469	35,305,599
2016	29,065,691	5,061,894	3,241,086	37,368,671
2017	29,736,333	4,696,711	3,209,007	37,642,051
2018	31,395,072	5,406,669	3,343,408	40,145,149
2019	36,358,616	6,643,046	3,280,112	46,281,774
2020	33,987,964	7,474,008	3,123,845	44,585,817

Source: District records

Stafford Municipal School District
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Table 6

Fiscal Year	Assessed Value			Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Other Property			
2011	\$ 636,139,514	\$ 1,394,490,984	\$ 53,024,221	\$ 125,764,184	\$1,957,890,535	\$ 1.11010
2012	602,099,211	1,584,898,962	64,569,356	294,588,670	1,956,978,859	1.22005
2013	596,693,733	1,546,565,771	66,416,190	287,836,248	1,921,839,446	1.25005
2014	622,208,013	1,405,047,695	105,148,697	129,434,405	2,002,970,000	1.25000
2015	807,687,336	1,838,184,972	139,256,437	757,377,041	2,027,751,704	1.24005
2016	842,856,994	1,918,226,263	145,320,171	722,938,040	2,183,465,388	1.23005
2017	853,018,563	1,941,352,592	147,072,166	711,746,723	2,229,696,598	1.23005
2018	879,859,885	2,002,433,138	151,699,480	622,540,936	2,411,451,567	1.23005
2019	941,855,891	2,143,534,096	162,388,947	793,297,896	2,454,481,038	1.32505
2020	1,000,879,513	2,471,884,614	172,326,221	1,046,614,367	2,598,475,981	1.25005

Source: District records

Stafford Municipal School District
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years

<u>Political Subdivision</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
OVERLAPPING RATES				
Fort Bend County (1)	\$ 0.4450	\$ 0.4500	\$ 0.4500	\$ 0.4700
Fort Bend Co. WC&ID No. 2 (1)	0.21250	0.21000	0.21000	0.21000
Harris County (2)	0.41900	0.41860	0.41800	0.41660
Harris County Dept. of Ed. (2)	0.00500	0.00500	0.00510	0.00520
Harris County Flood Control (2)	0.02790	0.02830	0.02880	0.02830
Port of Houston Authority (2)	0.01070	0.01160	0.01260	0.01330
Houston Community College (1)	0.10026	0.10000	0.10000	0.10000
Fort Bend Co. Drainage (1)	<u>0.01733</u>	<u>0.01530</u>	<u>0.01900</u>	<u>0.01600</u>
TOTAL OVERLAPPING RATES	<u><u>\$ 1.23769</u></u>	<u><u>\$ 1.23880</u></u>	<u><u>\$ 1.24350</u></u>	<u><u>\$ 1.25940</u></u>
DISTRICT DIRECT RATES				
Maintenance and Operations	\$ 0.97005	\$ 1.05330	\$ 1.04005	\$ 1.04005
Debt	<u>0.28000</u>	<u>0.27175</u>	<u>0.19000</u>	<u>0.19000</u>
TOTAL DIRECT RATES	<u><u>\$ 1.25005</u></u>	<u><u>\$ 1.32505</u></u>	<u><u>\$ 1.23005</u></u>	<u><u>\$ 1.23005</u></u>

Source (1) Fort Bend Central Appraisal District

Source (2) Harris County Appraisal District (HCAD)

Note: The City of Stafford and the Harris County Toll Road do not levy an advalorem tax.

Table 7

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 0.4700	\$ 0.4650	\$ 0.4728	\$ 0.4808	\$ 0.4808	\$ 0.4810
0.18000	0.18000	0.18000	0.18000	0.18000	0.18000
0.41920	0.38739	0.41731	0.40020	0.38800	0.38800
0.00542	0.00600	0.00600	0.00658	0.00658	0.00658
0.02730	0.02537	0.02736	0.02810	0.02923	0.02923
0.01340	0.01421	0.01531	0.01950	0.02054	0.02054
0.10000	0.10194	0.10689	0.09722	0.09722	0.09722
0.01600	0.02100	0.02200	0.01900	0.01900	0.01880
<u>\$ 1.23132</u>	<u>\$ 1.20091</u>	<u>\$ 1.24763</u>	<u>\$ 1.23136</u>	<u>\$ 1.22133</u>	<u>\$ 1.22133</u>
\$ 1.04005	\$ 1.04005	\$ 1.04005	\$ 1.04010	\$ 1.04010	\$ 1.04010
0.19000	0.20000	0.20995	0.20995	0.17995	0.70000
<u>\$ 1.23005</u>	<u>\$ 1.24005</u>	<u>\$ 1.25000</u>	<u>\$ 1.25005</u>	<u>\$ 1.22005</u>	<u>\$ 1.74010</u>

Stafford Municipal School District
Principal Property Tax Payers
Current Year and Nine Years Ago

Table 8

Taxpayer	2020			2011		
	Assessed Value (1)	Rank	Percentage of Total Assessed Value (2)	Assessed Value	Rank	Percentage of Total Assessed Value (3)
Cardinal Health	\$ 117,020,530	1	4.50%	\$ 75,971,590	2	3.91%
Left Gate Property Holding Inc	72,988,010	2	2.81%	-	-	-
Fountain Dunhill, LLC	66,643,340	3	2.56%	77,643,350	1	4.00%
JLB Stafford Phase I LP	45,829,170	4	1.76%	-	-	-
Puffer Sweiven Inc	37,642,370	5	1.45%	-	-	-
Stafford 59 & Airport LP	37,315,837	6	1.44%	-	-	-
CPT Sugar Grove LP	32,452,000	7	1.25%	23,400,000	6	1.21%
Estates at Fountain Lake LLC	31,070,090	8	1.20%	-	-	-
CMS Reserve LP	31,014,910	9	1.19%	-	-	-
LIT Industrial LP	26,024,580	10	1.00%	24,381,220	5	1.26%
Texas Instruments Inc	-	-	-	63,427,125	3	3.27%
Ion International SARL	-	-	-	35,436,450	4	1.83%
TCR Fountains III	-	-	-	23,000,000	7	1.18%
CMS Reserve LP	-	-	-	21,199,520	8	1.09%
TNT Residential LLC	-	-	-	20,000,000	9	1.03%
IMH Special Asset NT	-	-	-	17,150,000	10	0.88%
TOTALS	\$ 498,000,837		19.17%	\$ 381,609,255		19.66%

Source: Fort Bend Appraisal District

(1) Amounts for these taxpayers do not include taxable valuations, which may be substantial, attributable to certain subsidiaries and affiliates which are not grouped on the tax rolls with the taxpayers shown.

(2) Based on total taxable value of \$2,598,475,981 as of August 2020

(3) Based on total taxable value as of August 2011

Stafford Municipal School District
Property Tax Levies and Collections
Last Ten Fiscal Years

Table 9

Fiscal Year	Net Tax Levy For The Fiscal Year (1)	Collected within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2011	\$ 21,630,046	\$ 21,451,754	99.18%	\$ 158,856	\$ 21,610,610	99.91%
2012	23,409,120	23,149,406	98.89%	234,923	23,384,329	99.89%
2013	24,684,915	24,326,335	98.55%	400,289	24,726,624	100.17%
2014	25,764,743	25,613,156	99.41%	157,894	25,771,050	100.02%
2015	26,393,410	26,187,737	99.22%	239,493	26,427,230	100.13%
2016	27,470,255	27,403,771	99.76%	20,428	27,424,199	99.83%
2017	28,325,708	28,098,362	99.20%	114,032	28,212,394	99.60%
2018	29,472,064	29,234,697	99.19%	149,510	29,384,207	99.70%
2019	32,950,716	32,823,590	99.61%	(23,967)	32,799,623	99.54%
2020	32,482,249	31,877,503	98.14%	-	31,877,503	98.14%

Source: County Property Appraiser and district records

(1) The net tax levy reflects ongoing adjustments to that year's tax levy.

Stafford Municipal School District

 Ratios of Outstanding Debt by Type
 Last Ten Fiscal Years

Table 10

Fiscal Year	Governmental Activities			Total Primary Government	Ratio of Debt to Assessed Value	Debt Per Student
	General Obligation Bonds, Net	Notes Payable	Capital Leases			
2011	\$ 65,076,389	\$ -	\$ 140,744	\$ 65,217,133	2.98%	19,950
2012	64,360,176	-	115,743	64,475,919	3.29%	19,206
2013	63,107,589	-	88,822	63,196,411	3.29%	18,904
2014	62,862,900	-	60,241	62,923,141	3.14%	18,087
2015	61,164,796	-	15,867	61,180,663	3.02%	17,931
2016	59,386,960	-	-	59,386,960	2.72%	17,467
2017	58,397,553	-	-	58,397,553	2.62%	16,510
2018	108,763,516	-	-	108,763,516	4.51%	30,179
2019	106,429,246	-	-	106,429,246	4.34%	29,654
2020	114,771,979	-	-	114,771,979	4.42%	32,680

Source: District records

Stafford Municipal School District
Ratios of General Bonded Debt Outstanding
Last Ten Fiscal Years

Table 11

<u>Fiscal Year</u>	<u>General Obligation Bonds, Net</u>	<u>Less: Amounts Available in Debt Service Fund (1)</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt Per Student</u>
2011	\$ 65,076,389	\$ 1,407,546	\$ 63,668,843	2.91%	19,317
2012	64,360,176	1,400,371	62,959,805	3.16%	19,472
2013	63,107,589	1,521,122	61,586,467	3.20%	18,423
2014	62,862,900	1,825,715	61,037,185	2.99%	17,676
2015	61,164,796	1,934,599	59,230,197	2.92%	17,437
2016	59,483,361	2,027,385	57,455,976	2.83%	18,091
2017	58,487,427	2,278,618	56,208,809	2.77%	17,180
2018	108,859,366	2,715,513	106,143,853	5.23%	30,959
2019	106,546,590	2,565,111	103,981,479	5.13%	30,402
2020	114,771,979	2,709,756	112,062,223	5.53%	31,908

(1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements. Outstanding debt is presented at par value which excludes accreted interest and premiums.

Stafford Municipal School District
Direct and Overlapping Governmental Activities Debt
Last Ten Fiscal Years

Table 12

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Fort Bend County	\$ 641,707,527	3.45%	\$ 22,138,910
Fort Bend County WC&ID No. 2	98,230,000	69.23%	68,004,629
Harris County	1,478,697,125	*	-
Harris County Department of Education	10,604,286	*	-
Harris County Flood Control	492,252,000	*	-
Port of Houston Authority	39,947,000	*	-
Houston Community College System	<u>528,150,000</u>	1.19%	<u>6,284,985</u>
Subtotal, Overlapping Debt	3,289,587,938		96,428,524
District Direct Debt	114,771,979	100%	<u>114,771,979</u>
TOTAL DIRECT AND OVERLAPPING DEBT			<u><u>\$ 211,200,503</u></u>

(1) Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the District. The percentage of overlapping debt is estimated using taxable assessed property values. Percentages were estimated by determining the portion of the overlapping taxing authorities taxable assessed value that is within the District's boundaries and dividing it by the overlapping taxing authorities total taxable assessed value.

* Less than 0.01%

Source: Municipal Advisory Council of Texas website

Stafford Municipal School District
Demographic and Economic Statistics
Last Ten Fiscal Years

Table 13

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Median Household Income (1)</u>	<u>Median Home Value (1)</u>	<u>Unemployment Rate (2)</u>	<u>Housing Units (1)</u>	<u>Per Capita Income (1)</u>
2011	17,693	\$ 61,084	\$ 149,200	4.30%	6,695	27,082
2012	19,491	66,494	136,892	6.90%	8,401	30,100
2013	17,693	61,084	142,144	6.10%	8,401	30,100
2014	18,126	60,808	151,900	5.50%	7,178	27,010
2015	18,467	61,872	151,900	4.40%	7,178	27,082
2016	18,478	61,872	151,900	5.30%	7,178	27,082
2017	18,315	61,872	165,700	5.00%	7,178	27,082
2018	18,359	61,872	165,700	4.30%	7,178	27,082
2019	18,312	61,872	165,700	3.50%	7,178	27,082
2020	20,435	57,583	197,840	8.40%	8,335	27,908

(1) Sources: Stafford Economic Development Corporation

(2) Sources: U.S. Department of Commerce - Bureau of Economic Analysis

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Stafford Municipal School District

Principal Employers

Current Year and Nine Years Ago

Table 14

<u>Employer</u>	<u>2020</u>			<u>2011</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total Employment</u>
United Parcel Service	1,200	1	5.87%	924	2	7.78%
Fiserv Output Solution	531	2	2.60%	427	3	3.59%
Stafford MSD	484	3	2.37%	406	6	3.42%
Pentair	450	4	2.20%	-	-	0.00%
Puffer-Sweiven	350	5	1.71%	420	4	3.53%
Global Flow Technologies	223	6	1.09%	140	9	1.18%
Flextronics	185	7	0.91%	274	8	2.31%
HCC	166	8	0.81%	414	5	3.48%
General Technologies, Inc	125	9	0.61%	-	-	0.00%
City of Stafford	110	10	0.54%	123	10	1.04%
Texas Instruments	-	-	0.00%	1,150	1	9.68%
Tyco Valves and Controls	-	-	0.00%	311	7	2.62%
TOTAL	3,824		18.71%	4,589		38.63%

Source: Fort Bend County Chamber of Commerce, Greater Fort Bend Economic Development Council, and SMSD records.

Stafford Municipal School District
Full-Time Equivalent Employees by Function/Program
Last Ten Fiscal Years

	Full-Time-Equivalent Employees as of Year End			
	2020	2019	2018	2017
Instruction	284.0	267.4	262.3	256.7
Instructional Resources & Media Services	3.0	0.6	1.0	1.0
Instructional Leadership	11.0	-	-	-
School Leadership	28.0	35.0	36.8	41.5
Guidance, Counseling & Evaluation Services	15.0	13.5	12.6	12.5
Health Services	5.0	2.0	2.0	2.0
Student Transportation	22.5	13.3	16.3	11.8
Food Service	34.0	30.6	31.7	33.2
Extracurricular Activities	4.0	0.7	2.7	1.3
General Administration	15.0	18.9	22.5	21.5
Plant Maintenance & Operations	39.5	41.0	39.1	40.5
Data Total Instruction	9.0	6.7	7.9	7.0
Community Services	1.0	-	-	-
School Dist. Admin. Support Services	-	7.0	-	-
TOTAL	471.0	436.7	434.9	429.0

Source: District records

Table 15

Full-Time-Equivalent Employees as of Year End					
2016	2015	2014	2013	2012	2011
253.2	257.0	260.2	251.0	236.0	253.5
1.0	1.0	4.0	5.0	4.0	4.0
-	-	4.0	4.5	4.5	4.5
21.0	17.0	21.4	27.5	28.5	28.5
11.2	13.0	8.0	12.0	12.0	12.0
4.0	3.0	5.0	5.5	5.5	5.5
30.0	34.5	24.0	24.0	22.0	24.0
30.1	36.0	39.0	40.0	37.0	37.0
1.4	1.5	1.0	1.0	1.0	1.0
20.0	9.5	13.0	13.0	12.0	13.0
36.0	38.0	36.0	37.0	37.0	37.0
5.0	5.0	5.0	5.0	5.0	5.0
-	-	-	-	-	-
-	9.5	-	-	-	-
412.9	425.0	420.6	425.5	404.5	425.0

Stafford Municipal School District
Operating Statistics
Last Ten Fiscal Years

Table 16

<u>Fiscal Year</u>	<u>Enrollment</u>	<u>General Operating Expenditures</u>	<u>Cost Per Pupil</u>	<u>Average Daily Attendance</u>	<u>Teaching Staff</u>	<u>Pupil-Teacher Ratio</u>	<u>Percentage of Students Receiving Free or Reduced-Price Meals</u>
2011	3,172	\$ 24,433,260	\$ 7,703	3,102	221	14.4	63.80%
2012	3,357	22,137,316	6,594	3,140	218	15.4	59.84%
2013	3,343	24,137,711	7,220	3,120	216	15.5	68.00%
2014	3,479	25,517,617	7,335	3,201	223	15.6	69.00%
2015	3,412	28,379,268	8,317	3,173	217	15.7	67.80%
2016	3,400	28,203,646	8,295	3,164	217	15.7	68.70%
2017	3,537	28,484,567	8,053	3,316	216	16.4	70.90%
2018	3,604	30,266,240	8,398	3,342	216	16.7	70.90%
2019	3,589	30,756,171	8,570	3,255	216	16.6	70.90%
2020	3,512	35,021,787	9,972	3,295	222	15.8	65.46%

Sources: District records and Texas Education Agency website

Stafford Municipal School District

Teacher Base Salaries

Last Ten Fiscal Years

Table 17

Fiscal Year	Minimum Salary (1)	Maximum Salary (1)	District Average Salary (2)	Region 4 Average Salary (2)	Statewide Average Salary (2)
2011	\$ 44,100	\$ 61,000	\$ 49,044	\$ 50,616	\$ 48,638
2012	44,100	61,000	48,349	50,383	48,375
2013	45,423	62,830	49,443	50,968	48,821
2014	46,786	64,715	50,090	52,222	49,692
2015	48,190	54,527	52,173	54,157	50,715
2016	49,500	63,000	53,806	55,580	51,891
2017	49,750	63,050	53,497	55,992	52,525
2018	50,500	63,850	55,889	57,076	53,334
2019	51,000	63,900	55,701	57,707	54,122
2020	55,500	68,900	61,127	60,292	57,091

(1) Sources: District records based on new teacher entry schedule.

Stafford Municipal School District

School Building Information

Last Ten Fiscal Years

	2020	2019	2018	2017
<u>School</u>				
Primary School / Elementary School Building (1983)				
Square Feet	175,736	175,736	175,736	175,736
Capacity	1,640	1,640	1,640	1,640
Enrollment	1,368	1,414	1,489	1,444
Intermediate (2000)				
Square Feet	74,446	74,446	74,446	74,446
Capacity	540	540	540	540
Enrollment	524	564	539	528
Middle School / High School Main Building (1983)				
Square Feet	407,641	407,641	407,641	407,641
Capacity	3,917	3,917	3,917	3,917
Enrollment	1,620	1,466	1,466	1,466
Total Square Footage	657,823	657,823	657,823	657,823
Total Capacity	6,097	6,097	6,097	6,097
Total Enrollment (1)	3,512	3,589	3,607	3,539

(1) The District's grade levels are as follows:

	2011 to 2020
Primary School / Elementary School Building	PreK - 4
Intermediate School Building	5-6
Middle School / High School Main Building	7-12

Source: District records and Texas Education Agency website

Table 18

2016	2015	2014	2013	2012	2011
175,736	175,736	175,736	175,736	153,736	153,736
1,640	1,640	1,640	1,640	1,435	1,435
1,411	1,399	1,552	1,416	1,510	1,325
74,446	74,446	74,446	74,446	74,446	74,446
540	540	540	540	540	540
480	505	461	461	461	461
407,641	407,641	407,641	407,641	216,624	216,624
3,917	3,917	3,917	3,917	1,942	1,942
1,466	1,466	1,466	1,466	1,370	1,370
657,823	657,823	657,823	657,823	444,806	444,806
6,097	6,097	6,097	6,097	3,917	3,917
3,402	3,412	3,479	3,343	3,341	3,156

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Federal Awards Section

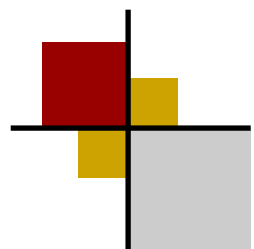


Year Ended August 31,

2020

CAFR

Comprehensive Annual Financial Report



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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, 2020, 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 19, 2021.

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 19, 2021

**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, 2020. 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, 2020.

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 19, 2021

Stafford Municipal School District
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended August 31, 2020

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? | Yes |

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, 2020

Prior Year Findings

None noted

Stafford Municipal School District
Schedule Expenditures of Federal Awards
For the Fiscal Year Ended August 31, 2020

Exhibit K-1

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Federal CFDA Number	(2A) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through Texas Education Agency:			
ESSA Title I, Part A - Improving Basic Programs	84.010A	20610101079910	\$ 477,553
Special Education Cluster (IDEA):			
IDEA-B Formula	84.027A	206600010799106600	558,675
IDEA-B Preschool	84.173A	206610010799106610	2,759
Total Special Education Cluster (IDEA)			561,434
Career and Technology - Basic Grant	84.048A	20420006079910	40,397
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001079910	40,294
ESSA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	20694501079910	47,864
Total U.S. Department of Education			1,167,542
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Medicaid Cluster:			
Passed Through Texas Health and Human Services Commission:			
Medicaid Administrative Claiming (MAC)	93.778	529-11-0033-00016	7,614
Total Medicaid Cluster			7,614
Total U.S. Department of Health and Human Services			7,614
U.S. DEPARTMENT OF AGRICULTURE			
Child Nutrition Cluster:			
Passed Through Texas Department of Agriculture - Non-Cash Assistance:			
National School Lunch Program	10.555	806780706	142,774
Passed Through Texas Education Agency - Cash Assistance:			
School Breakfast Program	10.553	71402001	361,318
COVID-19 - School Breakfast Program	10.553	71402001	71,667
National School Lunch Program	10.555	71302001	928,389
COVID-19 - National School Lunch Program	10.555	71302001	172,185
Total Child Nutrition Cluster			1,676,333
Passed Through Texas Department of Agriculture - Cash Assistance:			
Child and Adult Care Food Program	10.558	806780706	43,825
Total U.S. Department of Agriculture			1,720,158
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,895,314

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 Schedule Expenditures of Federal Awards

Note 1. Summary of Significant Accounting Policies

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.

Note 2. De Minimis Cost Rate

The District elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Reconciliation to Basic Financial Statements

Presented below is a reconciliation of federal revenues:

Total expenditures of federal awards per Exhibit K-1	\$ 2,895,314
General Fund - federal revenue	
School health and related services	144,800
Reserve officers' training corps	<u>83,731</u>
Total federal revenues per Exhibit C-2	<u>\$ 3,123,845</u>

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Stafford Municipal School District
**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2020**
Exhibit L-1

Data Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
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
SF3	<p>Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.)</p> <p>Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.</p> <p>Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.</p>	Yes
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
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 post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ -



Year Ended August 31,

2020

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