



STAFFORD
MUNICIPAL SCHOOL DISTRICT



ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDING AUGUST 31, 2022

ROBERT BOSTIC, SUPERINTENDENT

Prepared by the Business Office:
Jesus J. Amezcua, PhD, CPA, RTSBA, CPFIM
Interim Chief Financial Officer

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77477

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**Annual
Financial Report**

**For the Fiscal Year Ended
August 31, 2022**

STAFFORD MUNICIPAL SCHOOL DISTRICT

1633 Staffordshire Rd Stafford, Texas 77477

Prepared by the Finance Department:

**Jesus Amezcua
Interim Chief Financial Officer**

STAFFORD MUNICIPAL SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Stafford Municipal School District

Name of School District

Fort Bend

County

079 - 910

Co. - Dist. No.

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and ✓ approved _____ disapproved for the fiscal year ended August 31, 2022, at a meeting of the Board of Trustees of such school district on January 24, 2023.



President of the Board



Secretary of the Board



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stafford Municipal School District (the "District"), a component unit of the City of Stafford, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

To the Board of Trustees
Stafford Municipal School District

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Schedule L-1 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2023 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 the District's 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas
January 24, 2023



STAFFORD MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of 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, 2022.

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 \$22,654,362 (*deficit net position*). Of this amount, \$17,691,818 (*unrestricted net position*) was in a deficit due to the recording of other post-employment benefit liabilities.
- The District's total net position decreased by \$5,771,880 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$10.31 million, a decrease of \$6.92 million mainly due to the use of bond funds for capital projects and additional expenditures for the general fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4.06 million, or 10.3% 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*.

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 can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

STAFFORD MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 twenty-seven 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 and debt service fund which are considered to be major funds. Data from the other 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 school breakfast and national school lunch 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.

Proprietary Funds. The District maintains one enterprise fund, which consist of the Daycare Program. Enterprise funds, a type of proprietary fund, are used to report on other activity for which a fee is charged to external users for goods or services. Enterprise funds are included within the business-type activities in the government-wide financial statements.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of students. The District's custodial fund is used to account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others. 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.

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.

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.

Supplementary and Other Information. The combining fund financial statements and required Texas Education Agency schedules are presented immediately following the required supplementary information.

STAFFORD MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 \$22,654,362, a decrease in net position of \$7,172,638 over the preceding year, which includes a prior period adjustment which decreased net position by \$1,400,758.

Stafford Municipal School District's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Current assets	\$ 15,299,416	\$ 26,137,515	\$ (21,797)	\$ 21,699	\$ 15,277,619	\$ 26,159,214
Capital assets	96,024,411	98,233,956	-	-	96,024,411	98,233,956
Total Assets	111,323,827	124,371,471	(21,797)	21,699	111,302,030	124,393,170
Total Deferred Outflows of Resources	9,149,485	9,676,129	-	-	9,149,485	9,676,129
Current liabilities	4,019,449	6,308,917	493	1,754	4,019,942	6,310,671
Noncurrent liabilities	125,137,378	133,720,006	-	-	125,137,378	133,720,006
Total Liabilities	129,156,827	140,028,923	493	1,754	129,157,320	140,030,677
Total Deferred Inflows of Resources	13,948,557	9,520,346	-	-	13,948,557	9,520,346
Net Position						
Net investment in capital assets	(10,323,791)	(7,453,029)	-	-	(10,323,791)	(7,453,029)
Restricted	5,361,247	3,970,660	-	-	5,361,247	3,970,660
Unrestricted	(17,669,528)	(12,019,300)	(22,290)	19,945	(17,691,818)	(11,999,355)
Total Net Position	\$ (22,632,072)	\$ (15,501,669)	\$ (22,290)	\$ 19,945	\$ (22,654,362)	\$ (15,481,724)

Deficit net investment in capital assets of \$10,323,791 reflects the District's investment of \$96.02 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 of \$5,361,247 is restricted for debt service and grants.

The remaining balance, deficit *unrestricted net position* of \$17,691,818, resulted from the implementation of GASB 75 for other post-employment benefits (retiree health care provided through TRS-CARE).

Governmental Activities. Governmental activities decreased the District's deficit net position by \$5,729,645 from current operations.

Business-type Activities. Net position of the District's business-type activities decreased by \$42,235 for the year ended August 31, 2022 related to operations of the District's Daycare Program.

STAFFORD MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Stafford Municipal School District's Changes in Net Position

	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Program Revenues						
Charges for services	\$ 652,702	\$ 333,289	\$ 143,055	\$ 41,456	\$ 795,757	\$ 374,745
Operating grants and contributions	7,204,321	8,795,622	16,098	473	7,220,419	8,796,095
General Revenues						
Property taxes:						
Levied for general purpose	28,883,721	27,546,053	-	-	28,883,721	27,546,053
Levied for debt service	7,779,186	7,370,836	-	-	7,779,186	7,370,836
State-aid formula grants	2,260,864	4,395,655	-	-	2,260,864	4,395,655
Interest earnings	100,006	19,841	-	-	100,006	19,841
Other	444,398	323,502	-	-	444,398	323,502
Total Revenues	47,325,198	48,784,798	159,153	41,929	47,484,351	48,826,727
Expenses						
Instruction	26,865,665	26,549,830	-	-	26,865,665	26,549,830
Instructional resources and media services	395,751	318,831	-	-	395,751	318,831
Curriculum and staff development	878,976	745,711	-	-	878,976	745,711
Instructional leadership	1,173,636	1,641,616	-	-	1,173,636	1,641,616
School leadership	2,413,182	2,773,146	-	-	2,413,182	2,773,146
Guidance, counseling, and evaluation services	1,386,445	1,965,066	-	-	1,386,445	1,965,066
Social work services	81,382	28,196	-	-	81,382	28,196
Health services	528,793	708,434	-	-	528,793	708,434
Student transportation	1,195,024	1,314,515	-	-	1,195,024	1,314,515
Food services	2,577,845	2,082,866	-	-	2,577,845	2,082,866
Extracurricular activities	1,470,887	1,661,121	-	-	1,470,887	1,661,121
General administration	2,742,335	2,831,647	-	-	2,742,335	2,831,647
Plant maintenance and operations	5,111,111	4,417,282	-	-	5,111,111	4,417,282
Security and monitoring services	727,064	739,070	-	-	727,064	739,070
Data processing services	935,295	1,047,502	-	-	935,295	1,047,502
Community services	372,295	192,937	-	-	372,295	192,937
Interest on long-term debt	3,950,350	3,986,151	-	-	3,950,350	3,986,151
Issuance costs and fees	-	4,250	-	-	-	4,250
Payments related to shared services arrangements	11,300	33,900	-	-	11,300	33,900
Payments to Juvenile Justice						
Alternative Education Programs	12,500	-	-	-	12,500	-
Other intergovernmental charges	225,007	279,275	-	-	225,007	279,275
Daycare Program	-	-	201,388	21,984	201,388	21,984
Total Expenses	53,054,843	53,321,346	201,388	21,984	53,256,231	53,343,330
Increase (Decrease) in Net Position	(5,729,645)	(4,536,548)	(42,235)	19,945	(5,771,880)	(4,516,603)
Beginning Net Position (Deficit)	(15,501,669)	(10,965,121)	19,945	-	(15,481,724)	(10,965,121)
Prior period adjustment	(1,400,758)	-	-	-	(1,400,758)	-
Ending Net Position (Deficit)	\$ (22,632,072)	\$ (15,501,669)	\$ (22,290)	\$ 19,945	\$ (22,654,362)	\$ (15,481,724)

Revenues are generated primarily from two sources. Property taxes, \$36.66 million, represent 77% of total revenues and grants and contributions, \$9.48 million, represent 20% of total revenues. The remaining 3% is generated from charges for services, investment earnings, and miscellaneous revenues. The decrease in revenues is the result of an increase in property taxes, due to an increase in assessed values of taxable property, and a decrease in operating grants and contributions, due to a decrease in federal funding.

The primary functional expenses of the District are instruction (\$26.87 million or 50% of total expenses), plant maintenance and operations (\$5.11 million or 10% of total expenses), interest on long-term debt (\$3.95 million or 7% of total expenses), and general administration (\$2.74 million or 5% of total expenses). The remaining functional categories of expenses are individually less than 5 percent of total expenses.

STAFFORD MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 \$10.31 million, a decrease of \$8.33 million, which included a prior period adjustment to decrease fund balance for \$1.40 million.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$4.06 million and the total fund balance of the general fund was \$4.63 million. 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 10.3% of total general fund expenditures, while total fund balance represents 11.8% of that same total. Fund balance decreased by \$6.35 million, including a prior period adjustment which decreased fund balance by \$1.40 million, due to expenditures not accrued in the previous year.

The debt service fund has a total fund balance of \$3.64 million, all of which is restricted for the payment of debt service. Fund balance increased by \$0.73 million from the prior year due to property tax revenues exceeding scheduled principal payments on long-term debt.

General Fund Budgetary Highlights

The District amends the budget as needed throughout the year. The following is a comparison of the original budget to the final amended budget for the general fund.

	Budget	
	Original	Final Amended
Total revenues	\$ 34,105,547	\$ 34,433,047
Total expenditures	34,105,547	38,902,098
Other financing sources (uses)	-	(350,000)
Net Change in Fund Balance	\$ -	\$ (4,819,051)

The most significant variations in the original budget to the final amended budget of the general fund were increases to the budget of \$1.2 million in instruction and \$2.1 million for plant maintenance and operations. Actual expenditures were more than the final amended budget by \$440,909, with instruction expenditures being the most significant overage in the amount of \$890,661.

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, 2022, amounts to \$96.02 million (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, vehicles, equipment, and the intangible right-to-use leased assets. Total capital assets, net of depreciation/amortization, decreased by \$2,209,545 during the fiscal year.

STAFFORD MUNICIPAL SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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

	Governmental Activities			
	2022	2021	Increase (Decrease)	
Land	\$ 1,250,000	\$ 1,250,000	\$ -	0%
Construction in progress	-	4,609,328	(4,609,328)	-100%
Buildings and improvements	93,895,225	91,485,266	2,409,959	3%
Vehicles	534,987	623,288	(88,301)	-14%
Equipment	122,269	266,074	(143,805)	-54%
Right to use leased assets	221,930	-	221,930	0%
Totals	<u>\$ 96,024,411</u>	<u>\$ 98,233,956</u>	<u>\$ (2,209,545)</u>	

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

- \$94,000 Site Work
- \$355,000 New Middle School
- \$60,000 Administration Building
- \$104,000 High School
- \$354,000 Magnet School
- \$1,100,000 Million AG Renovations
- \$1,500,000 Million Community Center
- \$108,000 Equipment
- \$138,000 Right to use leased equipment

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			
	2022	2021	Increase (Decrease)	
General obligation bonds	\$ 108,016,192	\$ 111,444,938	\$ (3,428,746)	-3%
Workers' compensation	83,402	75,051	8,351	11%
Compensated absences	25,989	25,430	559	2%
Leases payable	222,656	-	222,656	0%
Net pension liability	5,838,409	11,416,168	(5,577,759)	-49%
Net OPEB liability	10,950,730	10,758,419	192,311	2%
Totals	<u>\$ 125,137,378</u>	<u>\$ 133,720,006</u>	<u>\$ (8,582,628)</u>	

The District's net bonded debt decreased by \$3,428,746 (3.1%) during the current fiscal year due to the scheduled payments of bond principal.

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.

STAFFORD MUNICIPAL SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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.

The COVID-19 pandemic continues to impact all educational institutions in the nation and the District. 2021-2022 was met with new challenges as the reality of student learning loss resulting from the pandemic created increased demands for resources to meet students academic and emotional needs. 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 2022-2023 fiscal year budget has been based on the following significant assumptions:

- Average daily attendance totals 3,200 compared to 3,114 from the prior year.
- District staff totals 532 employees, which includes 261 teachers and 44 teachers' aides, 151 auxiliary staff, 55 professional support, and 21 administrators.
- The District maintains six (6) campuses for instruction.
- The unemployment rate for Fort Bend County is currently 4.7 percent, which is a decrease from a rate of 5.7 percent a year ago. This is more than the state's average unemployment rate of 4.2 percent, which is a decrease from a rate of 5.9 percent a year ago.
- Taxable values for 2022 Tax year were \$3,661,691,152 which is a 25.41% increase over the 2021 tax year. The preceding year taxable values were \$2,919,391,657.
- A maintenance and operations tax rate of \$0.8546 and a debt service tax rate of \$0.24470, a total of \$1.09930 were adopted for the 2022-2023 fiscal year. Preceding year rates were \$0.91390 and \$0.25590, respectively.
- All these factors were considered in preparing the district's budget for the 2022-2023 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.



BASIC FINANCIAL STATEMENTS



STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2022

Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 12,143,164	\$ -	\$ 12,143,164
1225	Property taxes receivables, net	1,138,919	-	1,138,919
1240	Due from other governments	1,888,810	-	1,888,810
1260	Internal balances	21,947	(21,947)	-
1290	Other receivables, net	37,093	150	37,243
1300	Inventories	64,441	-	64,441
1410	Prepaid items	5,042	-	5,042
	Capital assets not subject to depreciation:			
1510	Land	1,250,000	-	1,250,000
	Capital assets net of depreciation/amortization:			
1520	Buildings and improvements	93,895,225	-	93,895,225
1530	Furniture and equipment	657,256	-	657,256
1550	Right to use leased assets	221,930	-	221,930
1000	Total Assets	111,323,827	(21,797)	111,302,030
Deferred Outflows of Resources				
	Deferred charge on refunding	1,890,646	-	1,890,646
	Deferred outflows - pension	4,719,641	-	4,719,641
	Deferred outflows - OPEB	2,539,198	-	2,539,198
1700	Total Deferred Outflows of Resources	9,149,485	-	9,149,485
Liabilities				
2110	Accounts payable	886,606	493	887,099
2140	Interest payable	178,701	-	178,701
2150	Payroll deductions and withholdings	312,572	-	312,572
2160	Accrued wages payable	2,272,467	-	2,272,467
2180	Due to other governments	230,599	-	230,599
2190	Due to student groups	38,517	-	38,517
2200	Accrued expenses	77,783	-	77,783
2300	Unearned revenue	22,204	-	22,204
	Noncurrent Liabilities:			
2501	Due within one year	3,206,565	-	3,206,565
	Due in more than one year:			
2502	Bonds, compensated absences, claims	105,141,674	-	105,141,674
2540	Net pension liability	5,838,409	-	5,838,409
2545	Net OPEB liability	10,950,730	-	10,950,730
2000	Total Liabilities	129,156,827	493	129,157,320
Deferred Inflows of Resources				
	Deferred inflows - pension	6,331,761	-	6,331,761
	Deferred inflows - OPEB	7,616,796	-	7,616,796
2600	Total Deferred Inflows of Resources	13,948,557	-	13,948,557
Net Position (Deficit)				
3200	Net investment in capital assets	(10,323,791)	-	(10,323,791)
	Restricted for:			
3820	Federal and state programs	1,655,291	-	1,655,291
3850	Debt service	3,705,956	-	3,705,956
3900	Unrestricted	(17,669,528)	(22,290)	(17,691,818)
3000	Total Net Position (Deficit)	\$ (22,632,072)	\$ (22,290)	\$ (22,654,362)

STAFFORD MUNICIPAL SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2022

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
	Primary Government						
	Governmental Activities:						
11	Instruction	\$ 26,865,665	\$ 12,720	\$ 2,249,206	\$ (24,603,739)		\$ (24,603,739)
12	Instructional resources and media services	395,751	-	(3,731)	(399,482)		(399,482)
13	Curriculum and staff development	878,976	-	561,365	(317,611)		(317,611)
21	Instructional leadership	1,173,636	-	114,641	(1,058,995)		(1,058,995)
23	School leadership	2,413,182	-	(21,160)	(2,434,342)		(2,434,342)
31	Guidance, counseling, and evaluation services	1,386,445	-	698,230	(688,215)		(688,215)
32	Social work services	81,382	-	80,976	(406)		(406)
33	Health services	528,793	-	276,759	(252,034)		(252,034)
34	Student transportation	1,195,024	-	(6,419)	(1,201,443)		(1,201,443)
35	Food service	2,577,845	25,329	2,944,097	391,581		391,581
36	Extracurricular activities	1,470,887	390,190	(10,633)	(1,091,330)		(1,091,330)
41	General administration	2,742,335	-	105,768	(2,636,567)		(2,636,567)
51	Plant maintenance and operations	5,111,111	22,937	112,553	(4,975,621)		(4,975,621)
52	Security and monitoring services	727,064	-	-	(727,064)		(727,064)
53	Data processing services	935,295	-	(9,048)	(944,343)		(944,343)
61	Community services	372,295	201,526	80,827	(89,942)		(89,942)
72	Interest on long-term debt	3,950,350	-	30,890	(3,919,460)		(3,919,460)
93	Payments related to shared services arrangements	11,300	-	-	(11,300)		(11,300)
95	Payments to Juvenile Justice	12,500	-	-	(12,500)		(12,500)
99	Alternative Education Programs						
	Other intergovernmental charges	225,007	-	-	(225,007)		(225,007)
TG	Total Governmental Activities	<u>53,054,843</u>	<u>652,702</u>	<u>7,204,321</u>	<u>(45,197,820)</u>		<u>(45,197,820)</u>
	Business-Type Activities:						
01	Daycare Program	201,388	143,055	16,098	-	\$ (42,235)	(42,235)
TB	Total Business-Type Activities	<u>201,388</u>	<u>143,055</u>	<u>16,098</u>	<u>-</u>	<u>(42,235)</u>	<u>(42,235)</u>
TP	Total Primary Government	<u>\$ 53,256,231</u>	<u>\$ 795,757</u>	<u>\$ 7,220,419</u>	<u>(45,197,820)</u>	<u>(42,235)</u>	<u>(45,240,055)</u>
	General Revenues:						
	Taxes:						
MT	Property taxes, levied for general purposes				28,883,721	-	28,883,721
DT	Property taxes, levied for debt service				7,779,186	-	7,779,186
SF	State-aid formula grants				2,260,864	-	2,260,864
IE	Investment earnings				100,006	-	100,006
MI	Miscellaneous				444,398	-	444,398
TR	Total General Revenues				<u>39,468,175</u>	<u>-</u>	<u>39,468,175</u>
CN	Change in net position				(5,729,645)	(42,235)	(5,771,880)
NB	Net Position (Deficit) - Beginning				(15,501,669)	19,945	(15,481,724)
PA	Prior period adjustments				(1,400,758)	-	(1,400,758)
NE	Net Position (Deficit) - Ending				<u>\$ (22,632,072)</u>	<u>\$ (22,290)</u>	<u>\$ (22,654,362)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2022
Exhibit C-1

Data Control Codes		General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
Assets					
1110	Cash and temporary investments	\$ 7,530,442	\$ 2,741,384	\$ 1,871,338	\$ 12,143,164
	Receivables:				
1220	Property taxes - delinquent	898,711	251,713	-	1,150,424
1230	Allowance for uncollectible taxes (credit)	(8,987)	(2,518)	-	(11,505)
1240	Receivables from other governments	80,322	-	1,808,488	1,888,810
1260	Due from other funds	1,529,071	895,944	549,788	2,974,803
1290	Other receivables	35,329	-	1,764	37,093
1300	Inventories, at cost	7,278	-	57,163	64,441
1410	Prepaid items	5,042	-	-	5,042
1000	Total Assets	\$ 10,077,208	\$ 3,886,523	\$ 4,288,541	\$ 18,252,272
1000A	Total Assets and Deferred Outflows of Resources	\$ 10,077,208	\$ 3,886,523	\$ 4,288,541	\$ 18,252,272
Liabilities, Deferred Inflows and Fund Balances					
Liabilities:					
2110	Accounts payable	\$ 562,560	\$ -	\$ 324,046	\$ 886,606
2150	Payroll withholdings payable	312,572	-	-	312,572
2160	Accrued wages payable	2,049,416	-	223,051	2,272,467
2170	Due to other funds	1,286,688	-	1,666,168	2,952,856
2180	Payable to other governments	228,733	1,866	-	230,599
2190	Due to student groups	38,517	-	-	38,517
2200	Accrued expenditure	62,973	-	14,810	77,783
2300	Unearned revenue	7,874	-	14,330	22,204
2000	Total Liabilities	4,549,333	1,866	2,242,405	6,793,604
Deferred Inflows of Resources:					
	Unavailable revenue - property taxes	899,224	249,195	-	1,148,419
2600	Total Deferred Inflows of Resources	899,224	249,195	-	1,148,419
Fund Balances:					
Nonspendable:					
3430	Prepaid items	14,622	-	-	14,622
Restricted:					
3450	Grant restrictions	-	-	1,655,291	1,655,291
3470	Capital acquisitions	-	-	190,547	190,547
3480	Debt service	-	3,635,462	-	3,635,462
Committed:					
3545	Other	-	-	200,298	200,298
Assigned:					
3570	Capital expenditures	550,000	-	-	550,000
3600	Unassigned	4,064,029	-	-	4,064,029
3000	Total Fund Balances	4,628,651	3,635,462	2,046,136	10,310,249
4000	Total Liabilities, Deferred Inflows and Fund Balances	\$ 10,077,208	\$ 3,886,523	\$ 4,288,541	\$ 18,252,272

STAFFORD MUNICIPAL SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
August 31, 2022

Exhibit C-2

Data Control Codes			
	Total Fund Balance, Governmental Funds		\$ 10,310,249
	Amounts reported for governmental activities in the statement of net position are different because:		
1	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	187,267,809	
	Accumulated depreciation of governmental capital assets	<u>(91,243,398)</u>	96,024,411
2	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.		
			1,148,419
	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:		
3	Bonds payable, at original par	\$ (99,165,000)	
4	Premium on bonds payable	(8,851,192)	
5	Deferred charge on refunding	1,890,646	
6	Accrued interest on the bonds	(178,701)	
7	Leases payable	(222,656)	
8	Compensated absences	(25,989)	
9	Workers' compensation	(83,402)	
10	Net pension liability	(5,838,409)	
11	Net OPEB liability	<u>(10,950,730)</u>	(123,425,433)
12	Deferred inflows/outflows of resources related to pension/OPEB		
			<u>(6,689,718)</u>
19	Total Net Deficit - Governmental Activities		<u>\$ (22,632,072)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit C-3

Data Control Codes		General Fund	Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 29,928,194	\$ 7,823,166	\$ 336,761	\$ 38,088,121
5800	State program revenues	4,231,597	30,890	518,767	4,781,254
5900	Federal program revenues	450,577	-	6,787,127	7,237,704
5020	Total Revenues	34,610,368	7,854,056	7,642,655	50,107,079
Expenditures					
Current:					
0011	Instruction	22,947,106	-	2,645,984	25,593,090
0012	Instruction resources and media services	363,058	-	-	363,058
0013	Curriculum and instructional staff development	293,735	-	565,430	859,165
0021	Instructional leadership	996,784	-	131,959	1,128,743
0023	School leadership	2,263,793	-	14,346	2,278,139
0031	Guidance, counseling and evaluation services	731,849	-	727,664	1,459,513
0032	Social work services	5,990	-	82,195	88,185
0033	Health services	455,855	-	32,542	488,397
0034	Student transportation	1,071,327	-	1,695	1,073,022
0035	Food services	-	-	2,324,976	2,324,976
0036	Extracurricular activities	1,297,572	-	52,279	1,349,851
0041	General administration	2,494,549	-	50,490	2,545,039
0051	Plant maintenance and operations	4,439,445	-	92,691	4,532,136
0052	Security and monitoring services	629,378	-	-	629,378
0053	Data processing services	852,143	-	113,569	965,712
0061	Community services	156,929	-	82,558	239,487
Debt Service:					
0071	Principal on long-term debt	92,630	2,905,000	-	2,997,630
0072	Interest on long-term debt	2,057	4,219,627	-	4,221,684
0073	Issuance costs and fees	-	4,250	-	4,250
Capital Outlay:					
0081	Facilities acquisition and construction	-	-	3,779,381	3,779,381
Intergovernmental:					
0093	Payments related to shared services arrangements	11,300	-	-	11,300
0095	Payments to Juvenile Justice Alternative Education Program	12,500	-	-	12,500
0099	Other intergovernmental charges	225,007	-	-	225,007
6030	Total Expenditures	39,343,007	7,128,877	10,697,759	57,169,643
Other Financing Sources (Uses)					
7913	Proceeds from capital lease	138,038	-	-	138,038
7915	Transfers in	-	-	350,000	350,000
8911	Transfers out	(350,000)	-	-	(350,000)
7080	Total Other Financing Sources (Uses)	(211,962)	-	350,000	138,038
1200	Net change in fund balances	(4,944,601)	725,179	(2,705,104)	(6,924,526)
0100	Fund Balance - September 1 (Beginning)	10,974,010	2,910,283	4,751,240	18,635,533
1300	Prior Period Adjustment	(1,400,758)	-	-	(1,400,758)
3000	Fund Balance - August 31 (Ending)	\$ 4,628,651	\$ 3,635,462	\$ 2,046,136	\$ 10,310,249

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit C-4*

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2022**

Data Control Codes		
	Net change in fund balances - total governmental funds (from C-3)	\$ (6,924,526)
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
1	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/amortization expense.	
	Capital outlay	4,025,922
	Depreciation/amortization expense	(6,412,715)
2	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.	(228,108)
3	Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	2,905,000
4	Repayment of lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	92,630
5	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	4,761
	Amortization of bond premium	523,746
	Amortization of deferred charge on refunding	(252,923)
6	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.	(559)
7	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.	(8,351)
8	The net change in net pension/OPEB liabilities, 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.	683,516
9	Lease proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position.	(138,038)
	Change in Net Position of Governmental Activities (see B-1)	<u><u>\$ (5,729,645)</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
August 31, 2022

Exhibit D-1

	<u>Business-type Activities Daycare Program</u>
Assets	
Current Assets:	
Receivables:	
Other receivables	\$ 150
Total Assets	<u>150</u>
Liabilities	
Current Liabilities:	
Accounts payable	493
Due to other funds	21,947
Total Liabilities	<u>22,440</u>
Net Position	
Unrestricted	(22,290)
Total Net Position	<u>\$ (22,290)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended August 31, 2022

Exhibit D-2

	Business-type Activities
	Daycare Program
Operating Revenues	
Charges for services	\$ 143,055
State grants	16,098
Total Operating Revenues	<u>159,153</u>
Operating Expenses	
Payroll costs	185,232
Supplies and materials	10,835
Other operating costs	5,321
Total Operating Expenses	<u>201,388</u>
Change in Net Position	(42,235)
Net Position - September 1 (Beginning)	<u>19,945</u>
Net Position - August 31 (Ending)	<u><u>\$ (22,290)</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended August 31, 2022

Exhibit D-3

	Business-type Activities
	Daycare Program
Cash Flows from Operating Activities	
Receipts from customers	\$ 142,905
Receipts from state operating grants	16,098
Payments to suppliers for goods and services	26,229
Payments to employees	<u>(185,232)</u>
Net Cash Provided By (Used For) Operating Activities	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-
Cash And Cash Equivalents September 1	<u>-</u>
Cash And Cash Equivalents August 31	<u><u>\$ -</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (42,235)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:	
Change in Assets and Liabilities:	
(Increase) decrease in due from other funds	30,800
Increase (decrease) in other receivables	(150)
Increase (decrease) in accounts payable	(1,261)
Increase (decrease) in interfund payables	<u>12,846</u>
Total Adjustments	<u>42,235</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ -</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
August 31, 2022

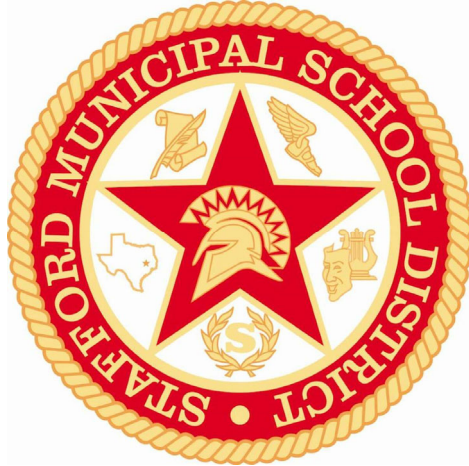
Exhibit E-1

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 60,353
Receivables:	
Due from others	<u>38,517</u>
Total Assets	<u><u>\$ 98,870</u></u>
Liabilities	
Accounts payable	<u>\$ 1,260</u>
Total Liabilities	<u>\$ 1,260</u>
Net Position	
Restricted for student activities	<u><u>\$ 97,610</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended August 31, 2022

Exhibit E-2

	<u>Custodial Fund</u>
Additions	
Contributions:	
Revenues from student activities	<u>\$ 81,558</u>
Total Additions	<u>81,558</u>
 Deductions	
Payments for student activities	<u>62,544</u>
Total Deductions	<u>62,544</u>
 Change in net position	19,014
 Net Position Beginning of Year	<u>78,596</u>
Net Position End of Year	<u><u>\$ 97,610</u></u>



Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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 City of Stafford, Texas "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 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, and
- Authorization for bonded debt issuance.

The accompanying financial statements present the reporting entity of 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 non-fiduciary 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, the proprietary fund and the fiduciary fund, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund 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 fund. Separate statements for each fund category—governmental, proprietary, 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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basis of Presentation – Fund Financial Statements (continued)

The District reports the following nonmajor governmental funds and fund types:

- *The Capital Projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary funds.
- 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 District reports the following nonmajor enterprise fund:

- The *Daycare Program fund* accounts for the activities of the District's Daycare Program. This program was created to provide all-day childcare to infants and toddlers ages six (6) months to three (3) years old. The program serves the City of Stafford residents, District personnel, as well as those families in surrounding communities.

Additionally, the District reports the following fund type:

- The *Custodial Fund* accounts for resources held in a custodial capacity by the District and consists of funds that are the property of students or others.

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. Similarly, balances between the funds included in business-type activities (the enterprise fund) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

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

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

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.

Amounts reported as program revenues include 1) charges to students or users for goods, services, or privileges provided and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and investment income.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

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 principal and interest expenditures on general long-term debt, including lease liabilities, as well as expenditures related to compensated absences, claims and judgments, and postemployment benefits are recognized later based on specific accounting rules applicable to each, generally when payment is due. General capital asset acquisitions, including entering into contracts giving the District the right-to-use leased assets, are reported as expenditures in governmental funds. Issuance of long-term debt and financing through 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.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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.

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 (except for intangible right-to-use leased assets). 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. Intangible assets follow the same capitalization policies as tangible capital assets and are reported with tangible assets in the appropriate capital asset class.

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:

Assets	In Years
Buildings and improvements	10 - 30
Vehicles	8 - 9
Furniture and equipment	5 - 15
Right to use leased assets	shorter of 5 - 15 years or lease term

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.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

8. Fund Balance Policies (continued)

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.

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.

11. Leases

The District is a lessee for noncancellable lease of equipment. The District recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the District initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the District is reasonably certain to exercise.

The District monitors changes in circumstances that would require are measurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

11. Leases (continued)

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

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.

J. Implementation of New Accounting Standards

GASB Statement No. 87 *Leases* was issued in June 2017 and was effective for periods beginning after June 15, 2021. This Statement established a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The District has evaluated the effects of this standard and has incorporated such leases into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures. A restatement to beginning net position was not necessary as the lease liabilities and right-to-use assets offset each other completely as of the beginning of the fiscal year.

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

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, 2022, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following fund(s):

	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:				
Instruction	11	\$22,056,445	\$22,947,106	\$ (890,661)
School leadership	23	2,194,605	2,263,793	(69,188)
Social work services	32	-	5,990	(5,990)
Student transportation	34	1,013,805	1,071,327	(57,522)
General administration	41	2,344,200	2,494,549	(150,349)
Plant maintenance and operations	51	4,281,472	4,439,445	(157,973)
Security and monitoring services	52	610,022	629,378	(19,356)
School Breakfast and National School Lunch Program Fund:				
Facilities maintenance and operations	35	69,915	78,573	(8,658)

Note 2 - Stewardship, Compliance, and Accountability (continued)

C. Encumbrances

Encumbrance accounting is utilized in all government fund types. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at year-end and encumbrances outstanding at that time are appropriately provided for in the subsequent year's budget.

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.

Note 3 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

As of August 31, 2022, the carrying value of the District's cash and cash equivalents consisted of the following:

Governmental Activities	August 31, 2022	Percent of Total Investments	Weighted Average Maturity (Days)	S&P Rating
Local Government Investment Pools:				
Investments measured at amortized cost:				
TexPool	\$ 4,935,195	56%	23	AAAm
TexSTAR	2,637,556	30%	27	AAAm
Lone Star Government Overnight Fund	1,533		6	AAAm
Investments measured at fair value:				
LOGIC	<u>1,231,391</u>	<u>14%</u>	28	AAAm
Total	<u><u>8,805,675</u></u>	<u><u>100%</u></u>		
Portfolio weighted average maturity			25	
Cash and checking accounts	<u>3,337,489</u>	N/A	N/A	
Total Cash and Cash Equivalents	<u><u>\$12,143,164</u></u>			

In addition, the District's fiduciary fund held cash and checking accounts in the amount of \$60,353.

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.

Note 3 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Investments (continued)

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 2022, 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, 2022, 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.

Note 3 - Detailed Notes on All Funds (continued)

B. Receivables

Property tax receivables of the general and debt service funds are reported net of estimated uncollectible amounts. The total change from the previous fiscal year in the uncollectible amounts is as follows:

	Current Year-end	Prior Year-end	Change
Property tax receivable, gross	\$ 1,150,424	\$ 1,404,620	\$ (254,196)
Allowance for uncollectibles	<u>(11,505)</u>	<u>(28,093)</u>	<u>16,588</u>
Property tax receivable, net of allowance	\$ 1,138,919	\$ 1,376,527	\$ (237,608)
Allowance as a percentage of gross receivable	1.00%	2.00%	-50.00%

C. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund balances as of August 31, 2022 is as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental funds:		
General fund	\$ 1,529,071	\$ (1,286,688)
Debt service fund	895,944	-
Nonmajor governmental funds	549,788	(1,666,168)
Proprietary funds:		
Enterprise fund	-	(21,947)
Totals	<u>\$ 2,974,803</u>	<u>\$ (2,974,803)</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. The District transferred \$350,000 from the General Fund to the Capital Projects Fund to pay for bond-funded project costs that exceeded original budgeted amounts.

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2022, was as follows:

	Beginning Balance, as Restated	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000
Construction in progress	4,609,328	3,779,381	(8,388,709)	-
Total capital assets, not being depreciated	5,859,328	3,779,381	(8,388,709)	1,250,000
Capital assets, being depreciated:				
Buildings and improvements	167,669,748	-	8,388,709	176,058,457
Vehicles	4,496,270	-	(352,214)	4,144,056
Equipment	5,391,507	108,503	-	5,500,010
Right to use assets	177,248	138,038	-	315,286
Total capital assets, being depreciated	177,734,773	246,541	8,036,495	186,017,809
Less accumulated depreciation for:				
Buildings and improvements	(76,184,482)	(5,978,750)	-	(82,163,232)
Vehicles	(3,872,982)	(88,301)	352,214	(3,609,069)
Equipment	(5,125,433)	(252,308)	-	(5,377,741)
Right to use assets	-	(93,356)	-	(93,356)
Total accumulated depreciation	(85,182,897)	(6,412,715)	352,214	(91,243,398)
Total capital assets being depreciated, net	92,551,876	(6,166,174)	8,388,709	94,774,411
Governmental Activities Capital Assets, Net	\$ 98,411,204	\$ (2,386,793)	\$ -	\$ 96,024,411

Depreciation was charged to functions as follows:

Governmental Activities:	
11 Instruction	\$ 3,467,148
12 Instructional resources and media services	56,351
13 Curriculum and instructional staff development	45,591
21 Instructional leadership	154,712
23 School leadership	351,365
31 Guidance, counseling, and evaluation services	113,591
32 Social work services	930
33 Health services	70,754
34 Student transportation	166,281
35 Food services	360,703
36 Extracurricular activities	201,397
41 General administration	480,537
51 Plant maintenance and operations	689,050
52 Security and monitoring services	97,686
53 Data processing	132,262
61 Community services	24,357
Total Depreciation/Amortization Expense	\$ 6,412,715

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Construction Commitments

The District had no active construction projects as of August 31, 2022.

E. Long-term Obligations

The District's long-term liabilities consist of bond indebtedness, workers' compensation claims, compensated absences, leases, leases payable, net pension liability, 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, 2022, was as follows:

	Beginning Balance, as Restated	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 102,070,000	\$ -	\$ (2,905,000)	\$ 99,165,000	3,015,000
Premiums	9,374,938	-	(523,746)	8,851,192	-
Total bonds payable	111,444,938	-	(3,428,746)	108,016,192	3,015,000
Workers' compensation	75,051	41,186	(32,835)	83,402	83,402
Compensated absences	25,430	559	-	25,989	25,989
Leases payable	177,248	138,038	(92,630)	222,656	82,174
Net pension liability	11,416,168	-	(5,577,759)	5,838,409	-
Net OPEB liability	10,758,419	192,311	-	10,950,730	-
Governmental Activities Long-term Liabilities	\$ 133,897,254	\$ 372,094	\$ (9,131,970)	\$ 125,137,378	\$ 3,206,565

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.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

General Obligation Bonds (continued)

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
2014 REF	2.0% - 4.0%	\$ 7,015,000	8/15/2026	\$ 3,900,000	\$ -	\$ (730,000)	\$ 3,170,000
2016A REF A	2.0% - 3.0%	3,050,000	8/15/2025	1,440,000	-	(345,000)	1,095,000
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	47,040,000	-	(540,000)	46,500,000
2019 BLDG A	4.0% - 5.0%	8,815,000	8/15/2049	8,195,000	-	(195,000)	8,000,000
2019 REF B	3.1% - 5.0%	35,975,000	8/15/2041	35,975,000	-	(1,095,000)	34,880,000
Totals				<u>\$ 102,070,000</u>	<u>\$ -</u>	<u>\$ (2,905,000)</u>	<u>\$ 99,165,000</u>

Debt service requirements on general obligation bonds debt at August 31, 2022 are as follows:

Year Ending August 31,	Governmental Activities - Bonds		
	Principal	Interest	Total
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 - 2032	17,545,000	15,823,330	33,368,330
2033 - 2037	21,450,000	11,571,652	33,021,652
2038 - 2042	20,485,000	7,527,651	28,012,651
2043 - 2047	22,720,000	3,140,550	25,860,550
2048 - 2052	1,510,000	79,200	1,589,200
Total	<u>\$ 99,165,000</u>	<u>\$ 57,460,213</u>	<u>\$ 156,625,213</u>

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.

As of August 31, 2022, the District has no authorized but unissued bonds.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Leases

The District has multiple lease agreements in place for the right to use copy and printing equipment. The following tables represent the elements of each lease agreement, the activity for the fiscal year, and the right-to-use asset associated with each agreement.

					Lease Liability			
Description	Start Date	End Date	Interest Rate	Original Amount	September 1, 2021 as Restated	Additions	Reductions	August 31, 2022
Copy machines	02/01/19	01/01/23	0.830%	\$ 60,644	\$ 60,644	\$ -	\$ (42,745)	\$ 17,899
Copy machines	07/01/20	06/01/25	0.830%	116,604	116,604	-	(30,128)	86,476
Printers	02/01/22	01/01/26	1.548%	138,038	-	138,038	(19,757)	118,281
				<u>\$ 315,286</u>	<u>\$ 177,248</u>	<u>\$ 138,038</u>	<u>\$ (92,630)</u>	<u>\$ 222,656</u>

					Accumulated Amortization			
Description	Right-to-use Asset				September 1, 2021 as Restated	Additions	Reductions	August 31, 2022
Copy machines	\$ 60,644				\$ -	\$ (42,804)	\$ -	\$ (42,804)
Postage machines	116,604				-	(30,420)	-	(30,420)
Printers	138,038				-	(20,132)	-	(20,132)
	<u>\$ 315,286</u>				<u>\$ -</u>	<u>\$ (93,356)</u>	<u>\$ -</u>	<u>\$ (93,356)</u>

Principal and interest payments remaining on the leases are as follows:

Fiscal Year(s)	Principal	Interest	Total
2023	\$ 82,174	\$ 2,229	\$ 84,403
2024	65,057	1,411	66,468
2025	60,675	620	61,295
2026	14,750	57	14,807
	<u>\$ 222,656</u>	<u>\$ 4,317</u>	<u>\$ 226,973</u>

Note 3 - Detailed Notes on All Funds (continued)

F. Fund Balance

Other committed fund balance includes the following commitments of funds:

Campus activity fund:	
Campus activities	\$ 200,298
Total Committed Fund Balance	\$ 200,298

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	Nonmajor Funds	Totals
Property taxes	\$ 29,098,161	\$ 7,792,854	\$ -	\$ 36,891,015
Charges for services	330,872	-	201,177	532,049
Investment earnings	64,132	30,312	18	94,462
Other	435,029	-	135,566	570,595
Totals	\$ 29,928,194	\$ 7,823,166	\$ 336,761	\$ 38,088,121

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, 2022, 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.

Note 4 - Other Information (continued)

A. Risk Management (continued)

Worker's Compensation

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

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

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

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

	Year Ended 8/31/2022	Year Ended 8/31/2021
Unpaid claims, beginning of fiscal year	\$ 75,051	\$ 75,433
Incurred claims (including IBNRs and changes in provisions)	41,186	27,573
Claim payments	(32,835)	(27,955)
Unpaid claims, end of fiscal year	\$ 83,402	\$ 75,051

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, 2022, 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.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits

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). TRS's defined benefit pension plan 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

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf>, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

Benefits Provided

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

	Contribution Rates	
	2022	2021
Member	8.00%	7.70%
Non-Employer Contributing Entity	7.75%	7.50%
Employers	7.75%	7.50%

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 (GAA).

	Fiscal Year 2022	
	Contributions	
Employer (District)	\$	1,046,226
Employee (Member)		2,163,336
Non-Employer Contributing Entity		
On-Behalf Contributions (State)		1,493,473

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

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

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Contributions (continued)

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.6% of the member's salary beginning in fiscal year 2021, gradually increasing to 2% in fiscal year 2025.
- 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.

Actuarial Assumptions

The total pension liability in the August 31, 2021 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020, rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	1.95% - 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"
Last year ending August 31 in Projection Period	2120
(100 years)	
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2020.

Discount Rate

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 plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate (continued)

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payment 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 rate of return on pension plan investments is 7.25%. 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 geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2021 are summarized below:

Asset Class¹	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	3.60%	0.94%
Non-U.S. Developed	13.00%	4.40%	0.83%
Emerging Markets	9.00%	4.60%	0.74%
Private Equity	14.00%	6.30%	1.36%
Stable Value			
Government Bonds	16.00%	-0.20%	0.01%
Absolute Return		1.10%	
Stable Value Hedge Funds	5.00%	2.20%	0.12%
Real Return			
Real Estate	15.00%	4.50%	1.00%
Energy, Natural Resources & Infrastructure	6.00%	4.70%	0.35%
Commodities		1.70%	
Risk Parity	8.00%	2.80%	0.28%
Leverage			
Cash	2.00%	-0.70%	-0.01%
Asset Allocation Leverage	-6.00%	-0.50%	0.03%
Inflation Expectation			2.20%
Volatility Drag ⁴			-0.95%
Expected Return	100.00%		6.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2021 policy model.

³ Capital Market Assumptions come from Aon Hewitt as of August 31, 2021.

⁴ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using the discount rate of 7.25 percent, and what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

Discount Rate		
1% Decrease (6.25%)	Current Rate (7.25%)	1% Increase (8.25%)
\$ 12,757,850	\$ 5,838,409	\$ 224,642

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

At August 31, 2022, the District reported a liability of \$5,838,409 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 were as follows:

District's proportionate share of the collective net pension liability	\$ 5,838,409
State's proportionate share that is associated with the District	7,770,581
Total	<u>\$ 13,608,990</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the District's proportion of the collective net pension liability was 0.0229% which was an increase of 0.0016% from its proportion measured as of August 31, 2020.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2022, the District recognized pension expense of \$795,447. The District also recognized an additional on-behalf revenue and expense of \$31,066 representing for support provided by the State.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Changes Since the Prior Actuarial Valuation (continued)

At August 31, 2022, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,770	\$ (411,029)
Changes of assumption	2,063,763	(899,624)
Net difference between projected and actual investment earnings	-	(4,895,430)
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,599,882	(125,678)
District contributions subsequent to the measurement date	1,046,226	-
Total	<u>\$ 4,719,641</u>	<u>\$ (6,331,761)</u>

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, 2023.

The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending August 31,	Pension Expense Amount
2023	\$ (412,804)
2024	(443,632)
2025	(804,806)
2026	(1,156,261)
2027	133,615
Thereafter	25,542
	<u>\$ (2,658,346)</u>

The District will continue to make the required pension contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net Pension Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

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 TRS-Care program was established in 1986 by the Texas Legislature.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Plan Description (continued)

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/TRS%20Documents/acfr-2021.pdf>, or 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. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees			
	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.

Note 4 - Other Information (continued)

C. Pension Plan and Other Post-Employment Benefits (continued)

Contributions (continued)

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 school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	Contribution Rates	
	2022	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

	Fiscal Year
	2022
	Contributions
Member (Employee)	\$ 236,700
Non-employer contributing agency (State)	175,770
District	442,546

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 supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	3.05% to 9.05% including inflation
Healthcare Trend Rates	The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.
Election Rates	Normal Retirement: 65 percent participation rate prior to age 65 and 40 percent participation rate after age 65. Pre-65 retirees: 25 percent are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

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 demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021: (a) Rates of Mortality, (b) Rates of Retirement, (c) Rates of Termination, (d) Rates of Disability, (e) General Inflation, and (f) Wage Inflation.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Discount Rate

A single discount rate of 1.95% was used to measure the total OPEB liability. There was a decrease of 0.38% in the discount rate since the previous year. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis

The following table presents the District’s proportional share of the Net OPEB Liability of the plan using the discount rate of 1.95%, and what the NET OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate.

	Discount Rate		
	1% Decrease (0.95%)	Current Rate (1.95%)	1% Increase (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 13,209,104	\$ 10,950,730	\$ 9,173,316

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

At August 31, 2022, the District reported a liability of \$10,950,730 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 were as follows:

District's proportionate share of the collective net OPEB liability	\$ 10,950,730
State's proportionate share that is associated with District	14,671,538
Total	<u>\$ 25,622,268</u>

The Net OPEB Liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The District’s proportion of the Net OPEB Liability was based on the District’s contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2020 through August 31, 2021.

At August 31, 2021, the District’s proportion of the collective Net OPEB Liability was 0.0284% which was an increase of 0.0001% from its proportion measured as of August 31, 2020.

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows/Inflows of Resources Related to OPEBs (continued)

Healthcare Cost Trend Rates – The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	Healthcare Cost Trend Rate		
	1% Decrease	Current Rate	1% Increase
District's proportionate share of the Net OPEB Liability:	\$ 8,869,728	\$ 10,950,730	\$ 13,742,917

Changes Since the Prior Actuarial Valuation

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

- The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2022, the District recognized negative OPEB expense of \$265,362. The District also recognized negative on-behalf expense and revenue of \$541,492 for support provided by the State.

At August 31, 2022, the District reported its proportionate share of the TRS's 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 economic experience	\$ 471,481	\$ (5,300,919)
Changes in actuarial assumptions	1,212,922	(2,315,877)
Net difference between projected and actual investment earnings	11,889	-
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	606,206	-
Contributions paid to TRS subsequent to the measurement date	236,700	-
Total	<u>\$ 2,539,198</u>	<u>\$ (7,616,796)</u>

Note 4 - Other Information (continued)

D. Defined Other Post-Employment Benefit Plans (continued)

Changes Since the Prior Actuarial Valuation (continued)

The deferred outflows of resources related District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ending August 31, 2023. The net amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31:	OPEB Expense Amount
2023	\$ (1,053,512)
2024	(1,053,780)
2025	(1,053,707)
2026	(765,454)
2027	(375,211)
Thereafter	<u>(1,012,634)</u>
	<u><u>\$ (5,314,298)</u></u>

The District will continue to make the required OPEB contributions based on the statutorily determined rates established by the Teacher Retirement System of Texas (TRS). TRS will apply the District's contributions to the Net OPEB Liability on an annual basis. The contributions are paid by the funds that pay the employees' salaries. These funding sources include the General Fund and Special Revenue funds.

Medicare Part D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2022, 2021, and 2020, the subsidy payments received by TRS-Care on-behalf of the District were \$114,761, \$114,854, and \$104,199, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

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.

Note 4 - Other Information (continued)

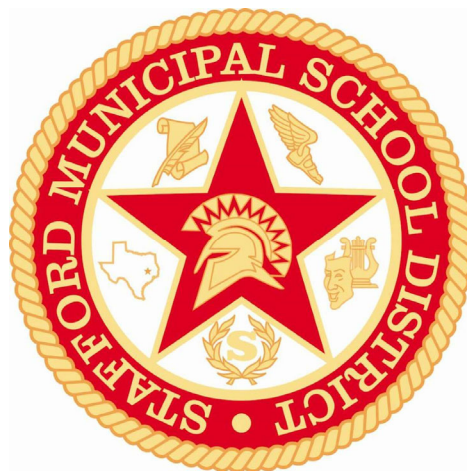
F. Subsequent Event

In September 2022, the District issued Tax Anticipation Notes, Series 2022A, in the amount of \$4,500,000. This short-term debt instrument is necessary to cover operating expenditures in November and December 2022, prior to collection of property taxes.

G. Prior Period Adjustment

The District required a prior period adjustment to the fund balance of the General Fund as follows:

General Fund Beginning Fund Balance - As Originally Stated	\$ 10,974,010
Corrections to prior year ending fund balance	<u>(1,400,758)</u>
General Fund Beginning Fund Balance - As Restated	<u>\$ 9,573,252</u>



REQUIRED SUPPLEMENTARY INFORMATION



STAFFORD MUNICIPAL SCHOOL DISTRICT
Exhibit G-1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended August 31, 2022

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local revenues	\$ 27,939,955	\$ 27,964,955	\$ 29,928,194	\$ 1,963,239
State program revenues	4,687,592	4,990,092	4,231,597	(758,495)
Federal program revenues	1,478,000	1,478,000	450,577	(1,027,423)
Total Revenues	34,105,547	34,433,047	34,610,368	177,321
Expenditures				
Current:				
Instruction	20,761,173	22,056,445	22,947,106	(890,661)
Instruction resources and media services	283,259	378,259	363,058	15,201
Curriculum and instructional staff development	250,000	578,172	293,735	284,437
Instructional leadership	1,185,908	1,209,097	996,784	212,313
School leadership	2,174,302	2,194,605	2,263,793	(69,188)
Guidance, counseling and evaluation services	875,000	876,025	731,849	144,176
Social work services	-	-	5,990	(5,990)
Health services	300,000	469,036	455,855	13,181
Student transportation	900,606	1,013,805	1,071,327	(57,522)
Extracurricular activities	1,276,765	1,429,954	1,297,572	132,382
General administration	2,142,644	2,344,200	2,494,549	(150,349)
Plant maintenance and operations	2,227,096	4,281,472	4,439,445	(157,973)
Security and monitoring services	525,000	610,022	629,378	(19,356)
Data processing services	793,794	863,914	852,143	11,771
Community services	75,000	166,400	156,929	9,471
Debt Service:				
Principal on long-term debt	-	92,630	92,630	-
Interest on long-term debt	-	2,062	2,057	5
Intergovernmental:				
Payments related to shared services arrangements	35,000	35,000	11,300	23,700
Payments to Juvenile Justice Alternative Education Programs	20,000	20,000	12,500	7,500
Other intergovernmental charges	280,000	281,000	225,007	55,993
Total Expenditures	34,105,547	38,902,098	39,343,007	(440,909)
Other Financing Sources (Uses)				
Proceeds from capital lease	-	-	138,038	138,038
Transfers out	-	(350,000)	(350,000)	-
Total Other Financing Sources (Uses)	-	(350,000)	(211,962)	138,038
Net change in fund balances	-	(4,819,051)	(4,944,601)	(125,550)
Fund Balances - Beginning, as Restated	9,573,252	9,573,252	9,573,252	-
Fund Balances - Ending	\$ 9,573,252	\$ 4,754,201	\$ 4,628,651	\$ (125,550)

STAFFORD MUNICIPAL SCHOOL DISTRICT
Exhibit G-2
REQUIRED SUPPLEMENTARY INFORMATION
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
Last Eight Measurement Years

	2021	2020	2019	2018
District's proportion of the net pension liability	0.0229000%	0.0213155%	0.0187161%	0.0180385%
District's proportionate share of the net pension liability	\$ 5,838,409	\$ 11,416,168	\$ 9,729,213	\$ 9,928,805
State's proportionate share of the net pension liability associated with the District	7,770,581	16,109,180	17,233,556	19,020,219
Total	\$ 13,608,990	\$ 27,525,348	\$ 26,962,769	\$ 28,949,024
District's covered payroll (for Measurement Year)	\$ 25,979,351	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980
District's proportionate share of the net pension liability as a percentage of covered payroll	22.47%	47.13%	42.88%	45.26%
Plan fiduciary net position as a percentage of the total pension liability ¹	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll ¹	51.08%	110.36%	114.93%	126.11%
	2017	2016	2015	2014
District's proportion of the net pension liability	0.0177893%	0.0191661%	0.0194790%	0.0123698%
District's proportionate share of the net pension liability	\$ 5,688,055	\$ 7,242,566	\$ 6,885,567	\$ 3,304,145
State's proportionate share of the net pension liability associated with the District	10,491,633	12,847,271	12,143,198	10,416,152
Total	\$ 16,179,688	\$ 20,089,837	\$ 19,028,765	\$ 13,720,297
District's covered payroll (for Measurement Year)	\$ 20,124,614	\$ 20,408,255	\$ 19,433,586	\$ 18,730,371
District's proportionate share of the net pension liability as a percentage of covered payroll	28.26%	35.49%	35.43%	17.64%
Plan fiduciary net position as a percentage of the total pension liability ¹	82.17%	78.00%	78.43%	83.25%
Plan's net pension liability as a percentage of covered payroll ¹	75.93%	92.75%	91.94%	72.89%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2014.

Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68.

¹ Per Teacher Retirement System of Texas' annual comprehensive financial report.

STAFFORD MUNICIPAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Eight Fiscal Years

Exhibit G-3

	2022	2021	2020	2019
Contractually required contributions	\$ 1,046,226	\$ 1,017,173	\$ 851,353	\$ 667,044
Contributions in relation to the contractual required contributions	1,046,226	1,017,173	851,353	667,044
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,053,827	\$ 25,985,952	\$ 24,222,593	\$ 22,686,951
Contributions as a percentage of covered payroll	3.87%	3.91%	3.51%	2.94%
	2018	2017	2016	2015
Contractually required contributions	\$ 621,642	\$ 583,029	\$ 608,576	\$ 575,781
Contributions in relation to the contractual required contributions	621,642	583,029	608,576	575,781
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 21,938,980	\$ 20,124,614	\$ 20,408,255	\$ 19,433,586
Contributions as a percentage of covered payroll	2.83%	2.90%	2.98%	2.96%

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2015.

STAFFORD MUNICIPAL SCHOOL DISTRICT
Exhibit G-4
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB
LIABILITY OF A COST-SHARING MULTIPLE-EMPLOYER OPEB PLAN
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Five Measurement Years

	2021	2020	2019	2018
District's proportion of the net OPEB liability	0.0284000%	0.0283008%	0.0279770%	0.0275360%
District's proportionate share of the net OPEB liability	\$ 10,950,730	\$ 10,758,419	\$ 13,230,649	\$ 13,748,974
State's proportionate share of the net OPEB liability associated with the District	<u>14,671,538</u>	<u>14,456,737</u>	<u>17,580,573</u>	<u>18,643,241</u>
Total	<u>\$ 25,622,268</u>	<u>\$ 25,215,156</u>	<u>\$ 30,811,222</u>	<u>\$ 32,392,215</u>
District's covered payroll (for Measurement Year)	\$ 25,979,351	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980
District's proportionate share of the net OPEB liability as a percentage of covered payroll	42.2%	44.4%	58.3%	62.67%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	6.18%	4.99%	2.66%	1.57%
Plan's net OPEB liability as a percentage of covered payroll ¹	100.13%	101.46%	135.21%	146.64%
	<u>2017</u>			
District's proportion of the net OPEB liability	0.0269057%			
District's proportionate share of the net OPEB liability	\$ 11,700,277			
State's proportionate share of the net OPEB liability associated with the District	<u>15,829,896</u>			
Total	<u>\$ 27,530,173</u>			
District's covered payroll (for Measurement Year)	\$ 20,124,614			
District's proportionate share of the net OPEB liability as a percentage of covered payroll	58.14%			
Plan fiduciary net position as a percentage of the total OPEB liability ¹	0.91%			
Plan's net OPEB liability as a percentage of covered payroll ¹	132.55%			

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2017.

Net other-post employment liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

¹ Per Teacher Retirement System of Texas' annual comprehensive financial report.

STAFFORD MUNICIPAL SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
Last Five Fiscal Years

Exhibit G-5

	2022	2021	2020	2019
Contractually required contributions	\$ 236,700	\$ 252,287	\$ 215,784	\$ 193,224
Contributions in relation to the contractual required contributions	236,700	252,287	215,784	193,224
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 27,053,827	\$ 25,985,952	\$ 24,222,593	\$ 22,686,951
Contributions as a percentage of covered payroll	0.87%	0.97%	0.89%	0.85%
	2018			
Contractually required contributions	<u>\$ 190,103</u>			
Contributions in relation to the contractual required contributions	190,103			
Contribution deficiency (excess)	<u>\$ -</u>			
District's covered payroll	\$ 21,938,980			
Contributions as a percentage of covered payroll	0.87%			

Note: Ten years of data should be presented in this schedule but data is unavailable prior to 2018.

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, 2022, expenditures exceeded appropriations in the functions (the legal level of budgetary control) of the following funds:

	<u>Function</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:				
Instruction	11	\$22,056,445	\$22,947,106	\$ (890,661)
School leadership	23	2,194,605	2,263,793	(69,188)
Social work services	32	-	5,990	(5,990)
Student transportation	34	1,013,805	1,071,327	(57,522)
General administration	41	2,344,200	2,494,549	(150,349)
Plant maintenance and operations	51	4,281,472	4,439,445	(157,973)
Security and monitoring services	52	610,022	629,378	(19,356)
School Breakfast and National School Lunch Program Fund:				
Facilities maintenance and operations	35	69,915	78,573	(8,658)

Note 2. Net Pension Liability and Net OPEB Liability

Changes in actuarial assumptions and inputs

Pension:

Measurement Year 2018: The discount rate changed from 8.0% as of August 31, 2017 to a blended rate of 6.907% as of August 31, 2018. The long-term assumed rate of return changed from 8.0% as of August 31, 2017 to 7.25% as of August 31, 2018. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Measurement Year 2020: The state and employer contribution rate changed from 6.8% to 7.5%. The 1.5% public education employer contribution applied to just employers whose employees were not covered by OASDI in 2019 and it changed in 2020 to apply to all public schools, charter schools and regional education centers irrespective of participation in OASDI.

Measurement Year 2021: The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.

Other Post-employment Benefits:

Measurement Year 2018: The discount rate changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018, updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.

Measurement Year 2019: The discount rate changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019, lowered the participation rates and updated the health care trend rate assumption.

Measurement Year 2020: The discount rate changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020, lowered the participation rate assumption for employees who retire after the age of 65, and lowered the ultimate health care trend rate assumption to reflect the repeal of the excise (Cadillac) tax on high-cost employer health plans.

Measurement Year 2021: The discount rate changed from 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021.

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2021	7.250%	7.250%	1.950%
2020	7.250%	7.250%	2.330%
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%	N/A
2015	8.000%	8.000%	N/A
2014	8.000%	8.000%	N/A



SUPPLEMENTARY INFORMATION



STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 1 of 7

		206	211	224	225
		Texas			
Data Control Codes		Education for	ESEA, Title I,	IDEA - Part B,	IDEA - Part B,
		Homeless	Part A -	Formula	Preschool
		Children and	Improving Basic		
		Youth	Programs		
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 687
Receivables:					
1240	Receivables from other governments	4,952	330,133	157,356	2,936
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	455	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 4,952</u>	<u>\$ 330,588</u>	<u>\$ 157,356</u>	<u>\$ 3,623</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 4,952	\$ 4,378	\$ 7,670	\$ 3,623
2160	Accrued wages payable	-	46,536	5,940	-
2170	Due to other funds	-	276,620	143,088	-
2200	Accrued expenses	-	3,054	658	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>4,952</u>	<u>330,588</u>	<u>157,356</u>	<u>3,623</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 4,952</u>	<u>\$ 330,588</u>	<u>\$ 157,356</u>	<u>\$ 3,623</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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Data Control Codes		240	244	255	263
		School Breakfast and National School Lunch Program	Career and Technical Education - Basic Grant	ESEA, Title II, Part A - Supporting Effective Instruction	Title III, Part A - English Language Acquisition and Language
	Assets				
1110	Cash and temporary investments	\$ 795,177	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	239,455	22,060	65,002	60,680
1260	Due from other funds	549,788	-	-	-
1290	Other receivables	1,309	-	-	-
1310	Inventories, at cost	57,163	-	-	-
1000	Total Assets	\$ 1,642,892	\$ 22,060	\$ 65,002	\$ 60,680
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 8,405	\$ -	\$ 1,032	\$ 4,010
2160	Accrued wages payable	69,500	-	-	2,609
2170	Due to other funds	-	22,060	63,970	53,762
2200	Accrued expenses	1,492	-	-	299
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	79,397	22,060	65,002	60,680
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	1,563,495	-	-	-
3470	Capital acquisitions	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	1,563,495	-	-	-
4000	Total Liabilities and Fund Balances	\$ 1,642,892	\$ 22,060	\$ 65,002	\$ 60,680

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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		266	279	281	282
Data	Control				
Codes		ESSER I Fund -	TCLAS ESSER III	ESSER II Fund -	ESSER III Fund -
		CARES Act		CRRSA Act	ARP Act
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	52,995	359,543	5,235	272,769
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 52,995</u>	<u>\$ 359,543</u>	<u>\$ 5,235</u>	<u>\$ 272,769</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 1,547	\$ 71,762	\$ -	\$ 44,114
2160	Accrued wages payable	-	9,892	-	50,247
2170	Due to other funds	51,448	276,761	5,235	172,769
2200	Accrued expenses	-	1,128	-	5,639
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>52,995</u>	<u>359,543</u>	<u>5,235</u>	<u>272,769</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Committed:					
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 52,995</u>	<u>\$ 359,543</u>	<u>\$ 5,235</u>	<u>\$ 272,769</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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		284	285	289	397
Data	Control	IDEA - Part B,	IDEA - Part B,	Summer	Advanced
Codes		Formula ARP	Preschool ARP	School LEP	Placement
					Incentives
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	40,698	-	90,063	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	\$ 40,698	\$ -	\$ 90,063	\$ -
Liabilities and Fund Balances					
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ 2,083	\$ -	\$ 22,253	\$ -
2160	Accrued wages payable	-	-	18,678	-
2170	Due to other funds	38,615	-	47,007	-
2200	Accrued expenses	-	-	2,125	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	40,698	-	90,063	-
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 40,698	\$ -	\$ 90,063	\$ -

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
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		410	429	461	496
Data Control Codes		Instructional Materials Fund	Miscellaneous State Grants	Campus Activity Funds	Donation H. Dave
Assets					
1110	Cash and temporary investments	\$ 18,051	\$ -	\$ 201,158	\$ -
	Receivables:				
1240	Receivables from other governments	-	104,611	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 18,051</u>	<u>\$ 104,611</u>	<u>\$ 201,158</u>	<u>\$ -</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 11,979	\$ 2,638	\$ 860	\$ -
2160	Accrued wages payable	-	19,649	-	-
2170	Due to other funds	-	73,651	-	-
2200	Accrued expenses	-	415	-	-
2300	Unearned revenues	6,072	8,258	-	-
2000	Total Liabilities	<u>18,051</u>	<u>104,611</u>	<u>860</u>	<u>-</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Committed:					
3545	Other purposes	-	-	200,298	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>200,298</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 18,051</u>	<u>\$ 104,611</u>	<u>\$ 201,158</u>	<u>\$ -</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

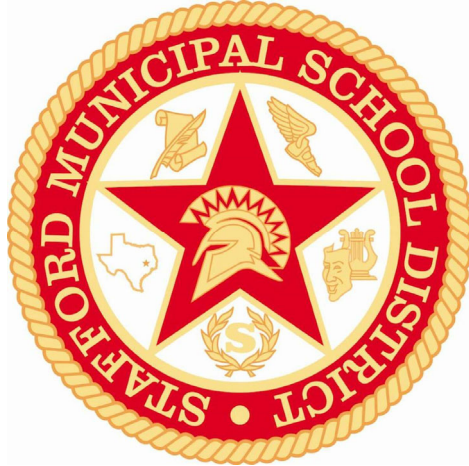
Exhibit H-1
Page 6 of 7

		497	498	499	699
Data		Geoge			
Control		Foundation	Tech Library	Student	Capital Projects
Codes		Robotics	Fund	Motivation	Fund
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ 91,796	\$ 764,469
	Receivables:				
1240	Receivables from other governments	-	-	-	-
1260	Due from other funds	-	-	-	-
1290	Other receivables	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,796</u>	<u>\$ 764,469</u>
	Liabilities and Fund Balances				
	Liabilities:				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ 132,740
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	-	-	441,182
2200	Accrued expenses	-	-	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>573,922</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	91,796	-
3470	Capital acquisitions	-	-	-	190,547
	Committed:				
3545	Other purposes	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>91,796</u>	<u>190,547</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,796</u>	<u>\$ 764,469</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2022

Exhibit H-1
Page 7 of 7

Data Control Codes		Total Nonmajor Governmental Funds
Assets		
1110	Cash and temporary investments	\$ 1,871,338
	Receivables:	
1240	Receivables from other governments	1,808,488
1260	Due from other funds	549,788
1290	Other receivables	1,764
1310	Inventories, at cost	57,163
1000	Total Assets	\$ 4,288,541
Liabilities and Fund Balances		
	Liabilities:	
	Current Liabilities:	
2110	Accounts payable	\$ 324,046
2160	Accrued wages payable	223,051
2170	Due to other funds	1,666,168
2200	Accrued expenses	14,810
2300	Unearned revenues	14,330
2000	Total Liabilities	2,242,405
	Fund Balances:	
	Restricted:	
3450	Grant restrictions	1,655,291
3470	Capital acquisitions	190,547
	Committed:	
3545	Other purposes	200,298
3000	Total Fund Balances	2,046,136
4000	Total Liabilities and Fund Balances	\$ 4,288,541



STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		206	211	224	225
Data		Texas	ESEA, Title I,		
Control		Education for	Part A -	IDEA - Part B,	IDEA - Part B,
Codes		Homeless	Improving Basic	Formula	Preschool
		Children and	Programs		
		Youth			
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	7,761	824,270	666,316	10,574
5020	Total Revenues	7,761	824,270	666,316	10,574
Expenditures					
Current:					
0011	Instruction	7,761	707,702	141,044	9,324
0013	Curriculum and instructional staff development	-	47,571	78	-
0021	Instructional leadership	-	28,338	13,023	-
0023	School leadership	-	1,790	-	-
0031	Guidance, counseling and evaluation services	-	4,544	512,171	1,250
0032	Social work services	-	100	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	34,225	-	-
Capital outlay:					
	Facilities acquisition and construction	-	-	-	-
0081		-	-	-	-
6030	Total Expenditures	7,761	824,270	666,316	10,574
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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Data Control Codes		240	244	255	263
		School Breakfast and National School Lunch Program	Career and Technical Education - Basic Grant	ESEA, Title II, Part A - Supporting Effective Instruction	Title III, Part A - English Language Acquisition and Language
	Revenues				
5700	Local, intermediate, and out-of-state	\$ 25,347	\$ -	\$ -	\$ -
5800	State program revenues	77,216	-	-	-
5900	Federal program revenues	2,947,730	42,929	133,981	132,260
5020	Total Revenues	3,050,293	42,929	133,981	132,260
	Expenditures				
	Current:				
0011	Instruction	-	41,779	-	103,716
0013	Curriculum and instructional staff development	-	413	126,002	26,402
0021	Instructional leadership	-	737	5,775	2,142
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	2,204	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	2,323,956	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	78,573	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	2,402,529	42,929	133,981	132,260
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	-	-	-	-
1200	Net change in fund balances	647,764	-	-	-
0100	Fund Balance - September 1 (Beginning)	915,731	-	-	-
3000	Fund Balance - August 31 (Ending)	\$ 1,563,495	\$ -	\$ -	\$ -

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		266	279	281	282
Data					
Control					
Codes					
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	351,956	421,187	332,690	704,040
5020	Total Revenues	<u>351,956</u>	<u>421,187</u>	<u>332,690</u>	<u>704,040</u>
	Expenditures				
	Current:				
0011	Instruction	72,745	204,605	231,321	638,901
0013	Curriculum and instructional staff development	24,421	155,417	-	-
0021	Instructional leadership	10,520	26,249	3,271	-
0023	School leadership	1,645	-	1,128	418
0031	Guidance, counseling and evaluation services	84,936	-	9,506	1,015
0032	Social work services	81,976	-	-	119
0033	Health services	27,380	-	4,732	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	1,020	-
0036	Extracurricular activities	-	-	2,039	-
0041	General administration	-	-	-	50,489
0051	Plant maintenance and operations	-	-	1,020	13,098
0053	Data processing services	-	34,916	78,653	-
0061	Community services	48,333	-	-	-
	Capital outlay:				
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>351,956</u>	<u>421,187</u>	<u>332,690</u>	<u>704,040</u>
	Other Financing Sources (Uses)				
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		284	285	289	397
Data Control Codes		IDEA - Part B, Formula ARP	IDEA - Part B, Preschool ARP	Summer School LEP	Advanced Placement Incentives
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	6,320
5900	Federal program revenues	72,823	842	137,768	-
5020	Total Revenues	<u>72,823</u>	<u>842</u>	<u>137,768</u>	<u>6,320</u>
Expenditures					
Current:					
0011	Instruction	46,477	842	62,255	6,320
0013	Curriculum and instructional staff development	12,415	-	58,080	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	7,972	-
0031	Guidance, counseling and evaluation services	13,366	-	9,461	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	565	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>72,823</u>	<u>842</u>	<u>137,768</u>	<u>6,320</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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		410	429	461	496
Data Control Codes		Instructional Materials Fund	Miscellaneous State Grants	Campus Activity Funds	Donation H. Dave
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 175,848	\$ -
5800	State program revenues	107,035	328,196	-	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>107,035</u>	<u>328,196</u>	<u>175,848</u>	<u>-</u>
Expenditures					
Current:					
0011	Instruction	107,035	82,020	78,667	-
0013	Curriculum and instructional staff development	-	114,631	-	-
0021	Instructional leadership	-	41,904	-	-
0023	School leadership	-	-	1,393	-
0031	Guidance, counseling and evaluation services	-	89,211	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	430	-	-
0034	Student transportation	-	-	1,130	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	50,240	-
0041	General administration	-	-	-	1
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>107,035</u>	<u>328,196</u>	<u>131,430</u>	<u>1</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	-	-	44,418	(1)
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>155,880</u>	<u>1</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,298</u>	<u>\$ -</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

Exhibit H-2

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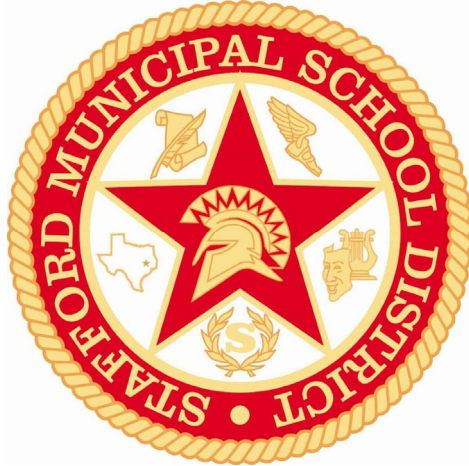
		497	498	499	699
Data Control Codes		Geoge Foundation Robotics	Tech Library Fund	Student Motivation	Capital Projects Fund
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 130,022	\$ 5,544
5800	State program revenues	-	-	-	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>-</u>	<u>-</u>	<u>130,022</u>	<u>5,544</u>
Expenditures					
Current:					
0011	Instruction	23,619	7,187	72,664	-
0013	Curriculum and instructional staff development	-	-	-	-
0021	Instructional leadership	-	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0041	General administration	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	3,779,381
6030	Total Expenditures	<u>23,619</u>	<u>7,187</u>	<u>72,664</u>	<u>3,779,381</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	350,000
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</u>
1200	Net change in fund balances	(23,619)	(7,187)	57,358	(3,423,837)
0100	Fund Balance - September 1 (Beginning)	<u>23,619</u>	<u>7,187</u>	<u>34,438</u>	<u>3,614,384</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 91,796</u>	<u>\$ 190,547</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2022

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Data Control Codes		Total Nonmajor Governmental Funds
Revenues		
5700	Local, intermediate, and out-of-state	\$ 336,761
5800	State program revenues	518,767
5900	Federal program revenues	6,787,127
5020	Total Revenues	7,642,655
Expenditures		
Current:		
0011	Instruction	2,645,984
0013	Curriculum and instructional staff development	565,430
0021	Instructional leadership	131,959
0023	School leadership	14,346
0031	Guidance, counseling and evaluation services	727,664
0032	Social work services	82,195
0033	Health services	32,542
0034	Student transportation	1,695
0035	Food service	2,324,976
0036	Extracurricular activities	52,279
0041	General administration	50,490
0051	Plant maintenance and operations	92,691
0053	Data processing services	113,569
0061	Community services	82,558
Capital outlay:		
0081	Facilities acquisition and construction	3,779,381
6030	Total Expenditures	10,697,759
Other Financing Sources (Uses)		
7915	Transfers in	350,000
7080	Total Other Financing Sources (Uses)	350,000
1200	Net change in fund balances	(2,705,104)
0100	Fund Balance - September 1 (Beginning)	4,751,240
3000	Fund Balance - August 31 (Ending)	\$ 2,046,136



REQUIRED TEA SCHEDULES

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2022

Exhibit J-1
Page 1 of 2

	1	2	3	10	20
Last Ten Fiscal Years	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/21	Current Year's Total Levy
	Maintenance	Debt Service			
2013 and prior	Various	Various	Various	\$ 121,112	\$ -
2014	\$1.040050	\$0.209950	\$2,002,970,000	33,117	-
2015	1.040050	0.200000	2,027,751,704	37,401	-
2016	1.040050	0.190000	2,183,465,388	55,098	-
2017	1.040050	0.190000	2,229,686,598	133,246	-
2018	1.040050	0.190000	2,411,451,567	148,060	-
2019	1.053300	0.271750	2,454,481,038	135,113	-
2020	0.970050	0.280000	2,598,475,981	236,645	-
2021	0.966400	0.255912	2,791,336,810	504,828	-
2022	0.913900	0.255900	3,017,559,583	-	35,299,412
1000 Totals				<u>\$ 1,404,620</u>	<u>\$ 35,299,412</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2022

Exhibit J-1
Page 2 of 2

	31	32	40	50
<u>Last Ten Fiscal Years</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance 8/31/22</u>
2013 and prior	\$ 7,659	\$ 993	\$ (62,307)	\$ 50,153
2014	969	196	(106)	31,846
2015	2,026	390	(106)	34,879
2016	1,995	364	(105)	52,634
2017	2,403	439	(105)	130,299
2018	15,590	2,848	(104)	129,518
2019	12,221	3,153	(1,931)	117,808
2020	64,715	18,680	(7,547)	145,703
2021	145,370	38,495	(140,864)	180,099
2022	<u>27,360,694</u>	<u>7,661,233</u>	<u>-</u>	<u>277,485</u>
1000 Totals	<u><u>\$ 27,613,642</u></u>	<u><u>\$ 7,726,791</u></u>	<u><u>\$ (213,175)</u></u>	<u><u>1,150,424</u></u>
Total taxes receivable per Exhibit C-1				<u><u>\$ 1,150,424</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit J-2*

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
For the Year Ended August 31, 2022**

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local, Intermediate, and Out-of-State	\$ 28,500	\$ 28,500	\$ 25,347	\$ (3,153)
State Program Revenues	10,000	10,000	77,216	67,216
Federal Program Revenues	2,099,285	2,099,285	2,947,730	848,445
Total Revenues	<u>2,137,785</u>	<u>2,137,785</u>	<u>3,050,293</u>	<u>912,508</u>
Expenditures				
Current:				
Food Services	2,067,870	2,567,870	2,323,956	243,914
Facilities maintenance and operations	69,915	69,915	78,573	(8,658)
Total Expenditures	<u>2,137,785</u>	<u>2,637,785</u>	<u>2,402,529</u>	<u>235,256</u>
Increase (Decrease) in Fund Balance	-	(500,000)	647,764	1,147,764
Fund Balance - September 1 (Beginning)	<u>915,731</u>	<u>915,731</u>	<u>915,731</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 915,731</u>	<u>\$ 415,731</u>	<u>\$ 1,563,495</u>	<u>\$ 1,147,764</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit J-3***SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL****DEBT SERVICE FUND***For the Year Ended August 31, 2022*

	Budget			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Local, Intermediate, and Out-of-State	\$ 7,647,171	\$ 7,647,171	\$ 7,823,166	\$ 175,995
State Program Revenues	39,000	39,000	30,890	(8,110)
Total Revenues	<u>7,686,171</u>	<u>7,686,171</u>	<u>7,854,056</u>	<u>167,885</u>
Expenditures				
Debt Service:				
Principal on long-term debt	2,905,000	2,905,000	2,905,000	-
Interest on long-term debt	4,219,627	4,219,627	4,219,627	-
Issuance costs and fees	561,544	561,544	4,250	557,294
Total Expenditures	<u>7,686,171</u>	<u>7,686,171</u>	<u>7,128,877</u>	<u>557,294</u>
Increase (Decrease) in Fund Balance	-	-	725,179	725,179
Fund Balance - September 1 (Beginning)	<u>2,910,283</u>	<u>2,910,283</u>	<u>2,910,283</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 2,910,283</u>	<u>\$ 2,910,283</u>	<u>\$ 3,635,462</u>	<u>\$ 725,179</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit J-4***COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES****For the Year Ended August 31, 2022**

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$3,902,195
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30, 34)	\$2,652,946
Section B: Bilingual Education Programs		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 447,428
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 264,282

STAFFORD MUNICIPAL SCHOOL DISTRICT
Required Responses to Selected School FIRST Indicators
For the Year Ended August 31, 2022

Schedule L-1

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	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.) 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.	
	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.	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.	\$ -0-

NOTE: This schedule is to be included as part of the annual financial audit report (AFR) submission on the required due date and published as a part of the school district's AFR. This schedule should be submitted in the data feed file and submitted as an Adobe Acrobat portable document file (pdf).



FEDERAL AWARDS SECTION



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Stafford Municipal School District (the "District"), a component unit of the City of Stafford, as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated January 24, 2023.

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) as a basis for designing 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
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.

Whitley Penn LLP

Houston, Texas
January 24, 2023

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major 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 year ended August 31, 2022. 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.

In our opinion, the District's complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Trustees
Stafford Municipal School District

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.

Whitley Penn LLP

Houston, Texas
January 24, 2023



STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2022

I. Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness (es) identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None reported
Type of auditors' report issued on compliance with major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a) ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
---	--

US Department of Education

<i>ESSA Title I, Part A - Improving Basic Programs</i>	84.010A
<i>School Action Fund-Planning</i>	84.010A
<i>Special Education Cluster</i>	84.027, 84.173
<i>COVID-19 - CARES Act ESSER I</i>	84.425D
<i>COVID-19 - CRSSA Act ESSER II</i>	84.425D
<i>COVID-19 - ARP Act ESSER III</i>	84.425U
<i>COVID-19 - TCLAS Act ESSER III</i>	84.425U

Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
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Auditee qualified as low risk auditee?	Yes
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STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2022

II. Financial Statement Findings

None reported.

III. Federal Awards Findings and Questioned Costs

None reported.

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Exhibit K-1
Page 1 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing 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	\$ 79,718
ESSA Title I, Part A - Improving Basic Programs	84.010A	21610101079910	15,046
School Action Fund-Planning	84.010A	216101627110003	137,500
ESSA Title I, Part A - Improving Basic Programs	84.010A	22610101079910	600,356
Total ALN 84.010			<u>832,620</u>
IDEA - Part B ,Formula	84.027A	216600010799106600	47,373
IDEA - Part B ,Formula	84.027A	226600010799106600	618,943
COVID-19 - IDEA-Part B, Formula-ARP	84.027X	225350010799105000	72,823
IDEA - Part B, Preschool	84.173A	226610010799106610	10,574
COVID-19 - IDEA - Part B, Preschool-ARP	84.173X	225360010799105000	842
Total Special Education Cluster (ALN 84.027, 84.173)			<u>750,555</u>
Career and Technology - Basic Grant	84.048A	22420006079910	42,929
Texas Education for Homeless Children & Youth	84.196A	224600057110022	7,761
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	20671001079910	31,587
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	21671001079910	1,954
Title III, Part A - English Language Acquisition and Language Enhancement	84.365A	22671001079910	99,992
Total ALN 84.365			<u>133,533</u>
ESSA Title II, Part A - Supporting Effective Instruction	84.367A	20694501079910	39,261
ESSA Title II, Part A - Supporting Effective Instruction	84.367A	22694501079910	95,795
Total ALN 84.367			<u>135,056</u>
Summer School LEP	84.369A	69552202	2,949
Tri-Coaching and PD K-5	84.371C	216470027110005	21,665
Tri-Coaching and PD 6-12	84.371C	216470037110003	27,497
Total ALN 84.371			<u>49,162</u>
Title IV, Part A, Subpart 1	84.424A	20680101079910	24,453
Title IV, Part A, Subpart 1	84.424A	22680101079910	57,728
Total ALN 84.424			<u>82,181</u>
COVID-19 - CARES Act ESSER I	84.425D	20521001079910	357,995
COVID-19 - CRSSA Act ESSER II	84.425D	21521001079910	332,690
COVID-19 - ARP Act ESSER III	84.425U	21528001079910	741,120
COVID-19 - TCLAS Act ESSER III	84.425U	21528042079910	443,347
Total ALN 84.425			<u>1,875,152</u>
Total U.S. Department of Education			<u>3,911,898</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2022

Exhibit K-1
Page 2 of 2

(1) Federal Grantor/ Pass-Through Grantor/ Program Title	(2) Assistance Listing Number	(2A) Pass Through Entity Identifying Number	(3) Federal Expenditures
U.S. Department of Agriculture			
Passed Through Texas Education Agency:			
<i>School Breakfast Program</i>	10.553	71402201	622,096
<i>National School Lunch Program (NSLP)</i>	10.555	71302201	1,972,385
Passed Through Texas Department of Agriculture:			
<i>COVID-19 Emergency Operational Cost Reimbursement - NSLP</i>	10.555	00388	63,820
Non-Cash Assistance:			
<i>National School Lunch Program - Commodities</i>	10.555	00388	212,477
<i>Total Child Nutrition Cluster (ALN 10.553, 10.555)</i>			<u>2,870,778</u>
Passed Through Texas Department of Agriculture:			
<i>Child and Adult Care Food Program</i>	10.558	00388	59,483
<i>COVID-19 Emergency Operational Cost Reimbursement - CACFP</i>	10.558	00388	17,469
<i>Total ALN 10.558</i>			<u>76,952</u>
Total U.S. Department of Agriculture			<u>2,947,730</u>
U.S. Department of Justice			
Passed Through Texas Education Agency:			
<i>STOP School Violence</i>	16.839	194310027110006	4,676
Total U.S. Department of Justice			<u>4,676</u>
U.S. Department of Health And Human Services			
Passed Through Texas Health and Human Services Commission:			
<i>Medicaid Administrative Claiming (MAC)</i>	93.778	079-910	13,490
<i>Total Medicaid Cluster (ALN 93.778)</i>			<u>13,490</u>
Total U.S. Department of Health And Human Services			<u>13,490</u>
Total Expenditures of Federal Awards			<u>\$ 6,877,794</u>

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 - Exhibit K-1	\$ 6,877,794
General Fund - federal revenue:	
School health and related services (SHARS)	235,515
Reserve officers' training corps (ROTC)	81,992
E-rate	<u>42,403</u>
Total Federal Revenue - Exhibit C-3	<u>\$ 7,237,704</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2022

Federal regulations, Title 2 U.S. Code of Federal Regulations Section 200.511 states, “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings.” The summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit’s schedule of findings and questioned costs and
- All audit findings reported in the prior audit’s summary schedule of prior audit findings except audit findings listed as corrected.

The Summary Schedule of Prior Audit Findings for the year ended August 31, 2022 has been prepared to address these requirements.

I. Prior Audit Findings

2021-001	Internal Control Over Financial Reporting: Financial Close and Reporting and Bank Reconciliations
Type of Finding:	Significant Deficiency
Status:	Fully corrected
Corrective Action Taken:	The District contracted with outside consultants to review the previous reconciliation process, perform monthly reconciliations through fiscal year 2022, and ensure processes are updated to ensure timely completion of reconciliations and the financial close and reporting process.

STAFFORD MUNICIPAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2022

Federal regulations, Title 2 U.S. Code of Federal Regulations §200.511 states, "At the completion of the audit, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan to address each audit finding included in the current year auditor's reports."

As part of the requirement, the District's corrective action plans are presented below.

I. Corrective Action Plan (Prepared by the District)

N/A

