

**Annual
Financial Report**

**For the Fiscal Year Ended
August 31, 2023**

STAFFORD MUNICIPAL SCHOOL DISTRICT

1633 Staffordshire Rd Stafford, Texas 77477

Prepared by the Finance Department:

**Theresa Almendarez
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, 2023, at a meeting of the Board of Trustees of such school district on February 27, 2024.



President of the Board



Secretary of the Board

STAFFORD MUNICIPAL SCHOOL DISTRICT

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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, 2023, 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, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

To the Board of Trustees
Stafford Municipal School District

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 February 27, 2024 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.



Houston, Texas
February 27, 2024



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, 2023.

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 \$27,278,892 (*deficit net position*). Of this amount, \$19,830,647 (*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 \$4,624,530 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$7.12 million, a decrease of \$3.19 million mainly due to a decrease in fund balance of \$2,809,767 in the general fund.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1.25 million, or 2.9% 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 25 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 \$27,278,892, after a decrease in net position of \$4,624,530 during the fiscal year.

Stafford Municipal School District's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2023	2022	2023	2022	2023	2022
Current assets	\$ 18,002,572	\$ 15,299,416	\$ (33,423)	\$ (21,797)	\$ 17,969,149	\$ 15,277,619
Capital assets	90,443,422	96,024,411			90,443,422	96,024,411
Total Assets	108,445,994	111,323,827	(33,423)	(21,797)	108,412,571	111,302,030
Total Deferred Outflows of Resources	10,917,681	9,149,485	-	-	10,917,681	9,149,485
Current liabilities	9,596,893	4,019,449	-	493	9,596,893	4,019,942
Noncurrent liabilities	125,306,310	125,137,378	-	-	125,306,310	125,137,378
Total Liabilities	134,903,203	129,156,827	-	493	134,903,203	129,157,320
Total Deferred Inflows of Resources	11,705,941	13,948,557	-	-	11,705,941	13,948,557
Net Position						
Net investment in capital assets	(12,606,336)	(10,323,791)	-	-	(12,606,336)	(10,323,791)
Restricted	5,158,091	5,361,247	-	-	5,158,091	5,361,247
Unrestricted	(19,797,224)	(17,669,528)	(33,423)	(22,290)	(19,830,647)	(17,691,818)
Total Net Position	\$ (27,245,469)	\$ (22,632,072)	\$ (33,423)	\$ (22,290)	\$ (27,278,892)	\$ (22,654,362)

Deficit net investment in capital assets of \$12,606,336 reflects the District's investment of \$90.44 million in capital assets 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 \$5,158,091 is restricted for debt service and grants.

The remaining balance, deficit *unrestricted net position* of \$19,830,647, resulted from the implementation of GASB 68 and 75 for pension and other post-employment benefits.

Governmental Activities. Governmental activities decreased the District's deficit net position by \$4,613,397 from current operations.

Business-type Activities. Net position of the District's business-type activities decreased by \$11,133 for the year ended August 31, 2023 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	
	2023	2022	2023	2022	2023	2022
Program Revenues						
Charges for services	\$ 636,038	\$ 652,702	\$ 247,170	\$ 143,055	\$ 883,208	\$ 795,757
Operating grants and contributions	9,608,732	7,204,321	17,970	16,098	9,626,702	7,220,419
General Revenues						
Property taxes:						
Levied for general purpose	31,612,287	28,883,721	-	-	31,612,287	28,883,721
Levied for debt service	9,026,811	7,779,186	-	-	9,026,811	7,779,186
State-aid formula grants	4,332,192	2,260,864	-	-	4,332,192	2,260,864
Interest earnings	795,204	100,006	-	-	795,204	100,006
Other	338,701	444,398	-	-	338,701	444,398
Total Revenues	56,349,965	47,325,198	265,140	159,153	56,615,105	47,484,351
Expenses						
Instruction	28,745,090	26,865,665	-	-	28,745,090	26,865,665
Instructional resources and media services	428,007	395,751	-	-	428,007	395,751
Curriculum and staff development	1,082,268	878,976	-	-	1,082,268	878,976
Instructional leadership	1,821,217	1,173,636	-	-	1,821,217	1,173,636
School leadership	2,677,999	2,413,182	-	-	2,677,999	2,413,182
Guidance, counseling, and evaluation services	1,589,714	1,386,445	-	-	1,589,714	1,386,445
Social work services	33,150	81,382	-	-	33,150	81,382
Health services	486,146	528,793	-	-	486,146	528,793
Student transportation	1,307,737	1,195,024	-	-	1,307,737	1,195,024
Food services	2,976,216	2,577,845	-	-	2,976,216	2,577,845
Extracurricular activities	1,532,227	1,470,887	-	-	1,532,227	1,470,887
General administration	3,033,239	2,742,335	-	-	3,033,239	2,742,335
Plant maintenance and operations	5,484,040	5,111,111	-	-	5,484,040	5,111,111
Security and monitoring services	537,350	727,064	-	-	537,350	727,064
Data processing services	972,718	935,295	-	-	972,718	935,295
Community services	420,368	372,295	-	-	420,368	372,295
Interest on long-term debt	5,911,307	3,950,350	-	-	5,911,307	3,950,350
Contracted Instructional Services	1,527,238	-	-	-	1,527,238	-
Payments related to shared services arrangements	62,958	11,300	-	-	62,958	11,300
Payments to Juvenile Justice Alternative Education Programs	12,500	12,500	-	-	12,500	12,500
Other intergovernmental charges	321,873	225,007	-	-	321,873	225,007
Daycare Program	-	-	276,273	201,388	276,273	201,388
Total Expenses	60,963,362	53,054,843	276,273	201,388	61,239,635	53,256,231
Increase (Decrease) in Net Position	(4,613,397)	(5,729,645)	(11,133)	(42,235)	(4,624,530)	(5,771,880)
Beginning Net Position (Deficit)	(22,632,072)	(15,501,669)	(22,290)	19,945	(22,654,362)	(15,481,724)
Prior period adjustment	-	(1,400,758)	-	-	-	(1,400,758)
Ending Net Position (Deficit)	\$ (27,245,469)	\$ (22,632,072)	\$ (33,423)	\$ (22,290)	\$ (27,278,892)	\$ (22,654,362)

Revenues are generated primarily from two sources. Property taxes, \$40.64 million, represent 72% of total revenues and grants and contributions, \$13.96 million, represent 25% of total revenues. The remaining 4% is generated from charges for services, investment earnings, and miscellaneous revenues. The increase in revenues is primarily the result of an increase in property taxes due to an increase in assessed values of taxable property.

The primary functional expenses of the District are instruction (\$28.75 million or 47% of total expenses), plant maintenance and operations (\$5.48 million or 9% of total expenses), interest on long-term debt (\$5.91 million or 10% of total expenses), and general administration (\$3.03 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 \$7.12 million, a decrease of \$3.19 million.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$1.25 million and the total fund balance of the general fund was \$1.82 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 2.9% of total general fund expenditures, while total fund balance represents 4.3% of that same total. Fund balance decreased by \$2.81 million due to increasing costs to provide instruction exceeding the amounts generated from property taxes and state aid.

The debt service fund has a total fund balance of \$3.73 million, all of which is restricted for the payment of debt service. Fund balance increased by \$0.10 million from the prior year.

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		Actual	Variance with Final Budget
	Original	Final		
Total revenues	\$ 37,245,128	\$ 39,308,491	\$ 39,503,641	\$ 195,150
Total expenditures	40,381,391	41,023,958	42,623,364	(1,599,406)
Other financing sources (uses)	-	-	309,956	309,956
Net Change in Fund Balance	\$ (3,136,263)	\$ (1,715,467)	\$ (2,809,767)	\$ (1,094,300)

The most significant variations in the original budget to the final amended budget of the general fund were increases to the budget of \$0.9 million in instruction and \$1.0 million for recapture. Actual expenditures were more than the final amended budget by \$1,599,406.

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, 2023, amounts to \$90.44 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 assets. Total capital assets, net of depreciation/amortization, decreased by \$5,580,989 during the fiscal year.

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

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

	Governmental Activities		
	2023	2022	Change
Land	\$ 1,250,000	\$ 1,250,000	\$ -
Construction in progress	145,524	-	145,524
Buildings and improvements	87,916,475	93,895,225	(5,978,750)
Vehicles	497,545	534,987	(37,442)
Equipment	228,104	122,269	105,835
Right to use leased assets	405,774	221,930	183,844
Totals	\$ 90,443,422	\$ 96,024,411	\$ (5,580,989)

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		
	2023	2022	Change
General obligation bonds	\$ 104,477,446	\$ 108,016,192	\$ (3,538,746)
Workers' compensation	84,021	83,402	619
Compensated absences	64,790	25,989	38,801
Leases payable	201,465	222,656	(21,191)
Net pension liability	13,363,383	5,838,409	7,524,974
Net OPEB liability	6,933,009	10,950,730	(4,017,721)
Totals	\$ 125,124,114	\$ 125,137,378	\$ (13,264)

The District's net bonded debt decreased by \$3,538,746 (0.0%) 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.

On May 17, 2023, Moody's Investors Service ("Moody's") assigned a "A1" issuer rating to the District. Concurrently, Moody's assigned a negative outlook.

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 2023-2024 fiscal year budget includes the following financial highlights:

- Estimated revenues of \$36.1 million
- Estimated expenditures of \$36.1 million
- M&O tax rate of \$0.6927 per \$100 valuation
- Local homestead exemption of 20%

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, 2023

Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
Assets				
1110	Cash and cash equivalents	\$ 12,958,109	\$ -	\$ 12,958,109
1225	Property taxes receivables, net	1,448,212	-	1,448,212
1240	Due from other governments	3,482,651	-	3,482,651
1260	Internal balances	34,337	(34,337)	-
1290	Other receivables, net	34,979	914	35,893
1300	Inventories	34,487	-	34,487
1410	Prepaid items	9,797	-	9,797
Capital assets not subject to depreciation:				
1510	Land	1,250,000	-	1,250,000
1580	Construction in progress	145,524	-	145,524
Capital assets net of depreciation/amortization:				
1520	Buildings and improvements	87,916,475	-	87,916,475
1530	Furniture and equipment	725,649	-	725,649
1550	Right to use assets	405,774	-	405,774
1000	Total Assets	<u>108,445,994</u>	<u>(33,423)</u>	<u>108,412,571</u>
Deferred Outflows of Resources				
	Deferred charge on refunding	1,764,603	-	1,764,603
	Deferred outflows - pension	6,602,682	-	6,602,682
	Deferred outflows - OPEB	2,550,396	-	2,550,396
1700	Total Deferred Outflows of Resources	<u>10,917,681</u>	<u>-</u>	<u>10,917,681</u>
Liabilities				
2110	Accounts payable	728,873	-	728,873
2120	Other liabilities - current	6,000,000	-	6,000,000
2140	Interest payable	173,534	-	173,534
2150	Payroll deductions and withholdings	434,411	-	434,411
2160	Accrued wages payable	2,097,766	-	2,097,766
2180	Due to other governments	13,712	-	13,712
2190	Due to student groups	29,769	-	29,769
2200	Accrued expenses	53,520	-	53,520
2300	Unearned revenue	65,308	-	65,308
Noncurrent Liabilities:				
2501	Due within one year	3,318,730	-	3,318,730
Due in more than one year:				
2502	Bonds, compensated absences, claims	101,691,188	-	101,691,188
2540	Net pension liability	13,363,383	-	13,363,383
2545	Net OPEB liability	6,933,009	-	6,933,009
2000	Total Liabilities	<u>134,903,203</u>	<u>-</u>	<u>134,903,203</u>
Deferred Inflows of Resources				
	Deferred inflows - pension	1,113,480	-	1,113,480
	Deferred inflows - OPEB	10,592,461	-	10,592,461
2600	Total Deferred Inflows of Resources	<u>11,705,941</u>	<u>-</u>	<u>11,705,941</u>
Net Position (Deficit)				
3200	Net investment in capital assets	(12,606,336)	-	(12,606,336)
Restricted for:				
3820	Federal and state programs	1,308,672	-	1,308,672
3850	Debt service	3,849,419	-	3,849,419
3900	Unrestricted	(19,797,224)	(33,423)	(19,830,647)
3000	Total Net Position (Deficit)	<u>\$ (27,245,469)</u>	<u>\$ (33,423)</u>	<u>\$ (27,278,892)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

For the Year Ended August 31, 2023

Exhibit B-1

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	\$ 28,745,090	\$ 19,100	\$ 3,838,568	\$ (24,887,422)		\$ (24,887,422)
12	Instructional resources and media services	428,007	-	2,101	(425,906)		(425,906)
13	Curriculum and staff development	1,082,268	-	766,662	(315,606)		(315,606)
21	Instructional leadership	1,821,217	-	574,178	(1,247,039)		(1,247,039)
23	School leadership	2,677,999	-	19,843	(2,658,156)		(2,658,156)
31	Guidance, counseling, and evaluation services	1,589,714	-	559,442	(1,030,272)		(1,030,272)
32	Social work services	33,150	-	32,152	(998)		(998)
33	Health services	486,146	-	233,859	(252,287)		(252,287)
34	Student transportation	1,307,737	-	11,152	(1,296,585)		(1,296,585)
35	Food service	2,976,216	66,487	2,969,068	59,339		59,339
36	Extracurricular activities	1,532,227	277,369	7,609	(1,247,249)		(1,247,249)
41	General administration	3,033,239	-	170,621	(2,862,618)		(2,862,618)
51	Plant maintenance and operations	5,484,040	19,105	232,684	(5,232,251)		(5,232,251)
52	Security and monitoring services	537,350	-	-	(537,350)		(537,350)
53	Data processing services	972,718	-	6,560	(966,158)		(966,158)
61	Community services	420,368	253,977	92,151	(74,240)		(74,240)
72	Interest on long-term debt	5,911,307	-	92,082	(5,819,225)		(5,819,225)
91	Contracted instructional services between schools	1,527,238	-	-	(1,527,238)		(1,527,238)
93	Payments related to shared services arrangements	62,958	-	-	(62,958)		(62,958)
95	Payments to Juvenile Justice	12,500	-	-	(12,500)		(12,500)
99	Alternative Education Programs Other intergovernmental charges	321,873	-	-	(321,873)		(321,873)
TG	Total Governmental Activities	<u>60,963,362</u>	<u>636,038</u>	<u>9,608,732</u>	<u>(50,718,592)</u>		<u>(50,718,592)</u>
Business-Type Activities:							
01	Daycare Program	276,273	247,170	17,970	-	\$ (11,133)	(11,133)
TB	Total Business-Type Activities	<u>276,273</u>	<u>247,170</u>	<u>17,970</u>	<u>-</u>	<u>(11,133)</u>	<u>(11,133)</u>
TP	Total Primary Government	<u>\$ 61,239,635</u>	<u>\$ 883,208</u>	<u>\$ 9,626,702</u>	<u>(50,718,592)</u>	<u>(11,133)</u>	<u>(50,729,725)</u>
General Revenues:							
Taxes:							
MT	Property taxes, levied for general purposes				31,612,287	-	31,612,287
DT	Property taxes, levied for debt service				9,026,811	-	9,026,811
SF	State-aid formula grants				4,332,192	-	4,332,192
IE	Investment earnings				795,204	-	795,204
MI	Miscellaneous				338,701	-	338,701
TR	Total General Revenues				<u>46,105,195</u>	<u>-</u>	<u>46,105,195</u>
CN	Change in net position				(4,613,397)	(11,133)	(4,624,530)
NB	Net Position (Deficit) - Beginning				<u>(22,632,072)</u>	<u>(22,290)</u>	<u>(22,654,362)</u>
NE	Net Position (Deficit) - Ending				<u>\$ (27,245,469)</u>	<u>\$ (33,423)</u>	<u>\$ (27,278,892)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2023**

Exhibit C-1

Data Control Codes	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
1110 Cash and temporary investments	\$ 9,101,749	\$ 2,889,799	\$ 966,561	\$ 12,958,109
Receivables:				
1220 Property taxes - delinquent	1,179,460	298,307	-	1,477,767
1230 Allowance for uncollectible taxes (credit)	(23,053)	(6,502)	-	(29,555)
1240 Receivables from other governments	657,116	-	2,825,535	3,482,651
1260 Due from other funds	2,520,660	858,436	1,088,136	4,467,232
1290 Other receivables	34,979	-	-	34,979
1300 Inventories, at cost	6,313	-	28,174	34,487
1410 Prepaid items	9,797	-	-	9,797
1000 Total Assets	<u>\$ 13,487,021</u>	<u>\$ 4,040,040</u>	<u>\$ 4,908,406</u>	<u>\$ 22,435,467</u>
1000A Total Assets and Deferred Outflows of Resources	<u>\$ 13,487,021</u>	<u>\$ 4,040,040</u>	<u>\$ 4,908,406</u>	<u>\$ 22,435,467</u>
Liabilities, Deferred Inflows and Fund Balances				
Liabilities:				
2110 Accounts payable	\$ 479,534	\$ -	\$ 249,339	\$ 728,873
2120 Other liabilities - current	6,000,000	-	-	6,000,000
2150 Payroll withholdings payable	434,411	-	-	434,411
2160 Accrued wages payable	1,885,224	-	212,542	2,097,766
2170 Due to other funds	1,619,825	-	2,813,070	4,432,895
2180 Payable to other governments	13,712	-	-	13,712
2190 Due to student groups	29,769	-	-	29,769
2200 Accrued expenditure	39,755	-	13,765	53,520
2300 Unearned revenue	-	17,087	48,221	65,308
2000 Total Liabilities	<u>10,502,230</u>	<u>17,087</u>	<u>3,336,937</u>	<u>13,856,254</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	1,165,907	291,805	-	1,457,712
2600 Total Deferred Inflows of Resources	<u>1,165,907</u>	<u>291,805</u>	<u>-</u>	<u>1,457,712</u>
Fund Balances:				
Nonspendable:				
3410 Inventories	6,313	-	-	6,313
3430 Prepaid items	9,797	-	-	9,797
Restricted:				
3450 Grant restrictions	-	-	1,216,876	1,216,876
3470 Capital acquisitions	-	-	46,746	46,746
3480 Debt service	-	3,005,969	-	3,005,969
Assigned:				
3570 Capital expenditures	550,000	-	-	550,000
3590 Other purposes	-	-	307,847	307,847
3600 Unassigned	<u>1,252,774</u>	<u>725,179</u>	<u>-</u>	<u>1,977,953</u>
3000 Total Fund Balances	<u>1,818,884</u>	<u>3,731,148</u>	<u>1,571,469</u>	<u>7,121,501</u>
4000 Total Liabilities, Deferred Inflows and Fund Balances	<u>\$ 13,487,021</u>	<u>\$ 4,040,040</u>	<u>\$ 4,908,406</u>	<u>\$ 22,435,467</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
August 31, 2023

Exhibit C-2

Data
Control
Codes

Total Fund Balance, Governmental Funds \$ 7,121,501

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	188,398,159	
Accumulated depreciation/amortization of governmental capital assets	<u>(97,954,737)</u>	90,443,422

- 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.

1,457,712

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	(96,150,000)	
4 Premium on bonds payable	(8,327,446)	
5 Deferred charge on refunding	1,764,603	
6 Accrued interest on the bonds	(173,534)	
7 Leases payable	(201,465)	
8 Leases payable	(182,196)	
9 Compensated absences	(64,790)	
10 Workers' compensation	(84,021)	
11 Net pension liability	(13,363,383)	
12 Net OPEB liability	<u>(6,933,009)</u>	(123,715,241)

13 Deferred inflows/outflows of resources related to pension/OPEB		<u>(2,552,863)</u>
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19 Total Net Deficit - Governmental Activities		<u><u>\$ (27,245,469)</u></u>
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STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2023

Exhibit C-3

Data Control Codes		General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 32,578,663	\$ 9,261,043	\$ 260,042	\$ 42,099,748
5800	State program revenues	6,225,228	92,082	802,354	7,119,664
5900	Federal program revenues	699,750	-	7,657,110	8,356,860
5020	Total Revenues	<u>39,503,641</u>	<u>9,353,125</u>	<u>8,719,506</u>	<u>57,576,272</u>
Expenditures					
Current:					
0011	Instruction	23,392,247	-	3,421,557	26,813,804
0012	Instruction resources and media services	380,899	-	-	380,899
0013	Curriculum and instructional staff development	298,088	-	762,267	1,060,355
0021	Instructional leadership	1,180,050	-	560,293	1,740,343
0023	School leadership	2,423,741	-	1,002	2,424,743
0031	Guidance, counseling and evaluation services	1,018,602	-	543,892	1,562,494
0032	Social work services	-	-	32,149	32,149
0033	Health services	425,248	-	45,997	471,245
0034	Student transportation	1,150,030	-	6,915	1,156,945
0035	Food services	-	-	3,261,713	3,261,713
0036	Extracurricular activities	1,323,604	-	41,280	1,364,884
0041	General administration	2,693,568	-	-	2,693,568
0051	Plant maintenance and operations	4,742,790	-	177,252	4,920,042
0052	Security and monitoring services	473,929	-	-	473,929
0053	Data processing services	808,796	-	147,326	956,122
0061	Community services	116,014	-	91,397	207,411
Debt Service:					
0071	Principal on long-term debt	199,451	3,015,000	33,252	3,247,703
0072	Interest on long-term debt	3,740	4,102,793	-	4,106,533
0073	Other debt service fees	67,998	2,139,646	-	2,207,644
Capital Outlay:					
0081	Facilities acquisition and construction	-	-	151,633	151,633
Intergovernmental:					
0091	Contracted instructional services	1,527,238	-	-	1,527,238
	Payments related to shared services				
0093	arrangements	62,958	-	-	62,958
0095	Payments to Juvenile Justice Alternative				
	Education Program	12,500	-	-	12,500
0099	Other intergovernmental charges	321,873	-	-	321,873
6030	Total Expenditures	<u>42,623,364</u>	<u>9,257,439</u>	<u>9,277,925</u>	<u>61,158,728</u>
Other Financing Sources (Uses)					
7913	Proceeds from lease	69,394	-	-	69,394
7915	Transfers in	-	-	50,500	50,500
7949	Issuance of debt - SBITA	291,062	-	33,252	324,314
8911	Transfers out	(50,500)	-	-	(50,500)
7080	Total Other Financing Sources (Uses)	<u>309,956</u>	<u>-</u>	<u>83,752</u>	<u>393,708</u>
1200	Net change in fund balances	(2,809,767)	95,686	(474,667)	(3,188,748)
0100	Fund Balance - September 1 (Beginning)	<u>4,628,651</u>	<u>3,635,462</u>	<u>2,046,136</u>	<u>10,310,249</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,818,884</u>	<u>\$ 3,731,148</u>	<u>\$ 1,571,469</u>	<u>\$ 7,121,501</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2023**

Exhibit C-4

**Data
Control
Codes**

Net change in fund balances - total governmental funds (from C-3) \$ (3,188,748)

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 1,190,994
 - Depreciation/amortization expense (6,771,983)
 - 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. 309,293
 - 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. 3,015,000
 - 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. 232,703
 - 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 5,167
 - Amortization of bond premium 523,746
 - Amortization of deferred charge on refunding (126,043)
 - 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. (38,801)
 - 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. (619)
 - 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. 629,602
 - 9 Lease/SBITA proceeds provide current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. (393,708)
- Change in Net Position of Governmental Activities (see B-1) \$ (4,613,397)**

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
August 31, 2023

Exhibit D-1

	Business-type Activities
	<u>Daycare Program</u>
Assets	
Current Assets:	
Other receivables	\$ 914
Total Assets	<u>914</u>
Liabilities	
Current Liabilities:	
Due to other funds	<u>34,337</u>
Total Liabilities	<u>34,337</u>
Net Position	
Unrestricted	(33,423)
Total Net Position	<u>\$ (33,423)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
For the Year Ended August 31, 2023

Exhibit D-2

	Business-type Activities
	<u>Daycare Program</u>
Operating Revenues	
Charges for services	\$ 247,170
State grants	17,970
Total Operating Revenues	<u>265,140</u>
Operating Expenses	
Payroll costs	259,354
Supplies and materials	14,471
Other operating costs	2,448
Total Operating Expenses	<u>276,273</u>
Change in Net Position	(11,133)
Net Position - September 1 (Beginning)	(22,290)
Net Position - August 31 (Ending)	<u>\$ (33,423)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended August 31, 2023

Exhibit D-3

	Business-type Activities
	Daycare Program
Cash Flows from Operating Activities	
Receipts from customers	\$ 246,406
Receipts from state operating grants	17,970
Payments to suppliers for goods and services	(5,022)
Payments to employees	(259,354)
Net Cash Provided By (Used For) Operating Activities	-
Net increase (decrease) in cash and cash equivalents	-
Cash And Cash Equivalents September 1	-
Cash And Cash Equivalents August 31	\$ -
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:	
Operating income (loss)	\$ (11,133)
Adjustments To Reconcile Operating Income (Loss) To Net Cash Provided By (Used For) Operating Activities:	
Change in Assets and Liabilities:	
Increase (decrease) in other receivables	(764)
Increase (decrease) in accounts payable	(493)
Increase (decrease) in interfund payables	12,390
Total Adjustments	11,133
Net Cash Provided by (Used for) Operating Activities	\$ -

STAFFORD MUNICIPAL SCHOOL DISTRICT**STATEMENT OF NET POSITION****FIDUCIARY FUND****August 31, 2023***Exhibit E-1*

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 25,429
Receivables:	
Due from others	29,769
Total Assets	<u>\$ 55,198</u>
Liabilities	
Accounts payable	\$ 1,424
Total Liabilities	<u>\$ 1,424</u>
Net Position	
Restricted for student activities	<u>\$ 53,774</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended August 31, 2023

Exhibit E-2

	<u>Custodial Fund</u>
Additions	
Contributions:	
Revenues from student activities	\$ 53,444
Total Additions	<u>53,444</u>
Deductions	
Payments for student activities	<u>97,280</u>
Total Deductions	<u>97,280</u>
Change in net position	(43,836)
Net Position Beginning of Year	<u>97,610</u>
Net Position End of Year	<u>\$ 53,774</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, equipment and the intangible right-to-use assets, 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:

<u>Assets</u>	<u>In Years</u>
Buildings and improvements	10 - 30
Vehicles	8 - 9
Furniture and equipment	5 - 15
Right-to-use lease assets	Lesser of useful life or lease term
Subscription assets	Subscription 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/SBITAs

The District is under contract for various leases and subscription-based information technology arrangements (SBITAs). The District recognizes a lease/SBITA liability and an intangible right-to-use asset (lease asset or subscription asset) in the government-wide financial statements. The District recognizes lease/SBITA liabilities with an initial, individual value of \$5,000 or more.

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

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

- The District uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the District generally uses its estimated incremental borrowing rate as the discount rate.
- The term includes the noncancellable period of the lease or subscription. Payments included in the measurement of the 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 these amounts and will remeasure the asset and liability if certain changes occur that are expected to significantly affect the amount of the 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/SBITAs (continued)

Lease/subscription assets are reported with other capital assets and lease/SBITA 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. 96 *Subscription-Based Information Technology Arrangements* (SBITA), was issued in May 2020 and was effective for periods beginning after June 15, 2022. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The District has incorporated SBITAs into its capital assets and long-term liabilities on both the face of the financial statements and the note disclosures.

The District also implemented GASB Statement No. 94 *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* and GASB issued Statement No. 99, *Omnibus 2022*. Neither statement had an impact on the financial statements.

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, 2023, 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>Excess Spending</u>
General Fund:				
Instruction	11	\$ 22,530,607	\$ 23,392,247	\$ (861,640)
Instruction resources and media services	12	373,259	380,899	(7,640)
School leadership	23	2,184,542	2,423,741	(239,199)
Guidance, counseling and evaluation services	31	922,025	1,018,602	(96,577)
Health services	33	294,036	425,248	(131,212)
General administration	41	2,467,194	2,693,568	(226,374)
Plant maintenance and operations	51	4,492,448	4,742,790	(250,342)
Data processing services	53	769,871	808,796	(38,925)
Contracted instructional services	91	1,000,000	1,527,238	(527,238)
Payments related to shared services arrangements	93	62,000	62,958	(958)
Child Nutrition Fund:				
Food Services	35	3,087,945	3,261,713	(173,768)
Facilities maintenance and operations	51	100,000	103,388	(3,388)

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, 2023, the carrying value of the District’s cash and cash equivalents consisted of the following:

<u>Governmental Activities</u>	<u>August 31, 2023</u>	<u>Percent of Total Investments</u>	<u>Weighted Average Maturity (Days)</u>	<u>S&P Rating</u>
Local Government Investment Pools:				
Investments measured at amortized cost:				
TexPool	\$ 9,751,912	83%	23	AAAm
TexSTAR	682,641	6%	27	AAAm
Lone Star Government Overnight Fund	1,601		18	AAAm
Investments measured at fair value:				
LOGIC	<u>1,259,886</u>	<u>11%</u>	32	AAAm
Total	<u>11,696,040</u>	<u>100%</u>		
Portfolio weighted average maturity			24	
Cash and checking accounts	<u>1,262,069</u>	N/A	N/A	
Total Cash and Cash Equivalents	<u><u>\$ 12,958,109</u></u>			

In addition, the District’s fiduciary fund held cash and checking accounts in the amount of \$1,124 and TexPool in the amount of \$24,305.

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.

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.

Note 3 - Detailed Notes on All Funds (continued)

A. Deposits and Investments (continued)

Credit Risk

For fiscal year 2023, 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, 2023, District's deposits were not exposed to custodial credit risk because such balances (\$1,928,644) 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:

	<u>Current Year-end</u>	<u>Prior Year-end</u>	<u>Change</u>
Property tax receivable, gross	\$ 1,477,767	\$ 1,150,424	\$ 327,343
Allowance for uncollectibles	<u>(29,555)</u>	<u>(11,505)</u>	<u>(18,050)</u>
Property tax receivable, net of allowance	\$ 1,448,212	\$ 1,138,919	\$ 309,293
 Allowance as a percentage of gross receivable	 2.00%	 1.00%	

C. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund balances as of August 31, 2023 is as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental funds:		
General fund	\$ 2,520,660	\$ (1,619,825)
Debt service fund	858,436	-
Nonmajor governmental funds	1,088,136	(2,813,070)
Proprietary funds:		
Enterprise fund	-	<u>(34,337)</u>
Total	<u><u>\$ 4,467,232</u></u>	<u><u>\$ (4,467,232)</u></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.

During fiscal year 2023, the District transferred \$50,500 from the general fund to the student motivation fund for local grant funds received in a previous fiscal year in the general fund.

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2023, was as follows:

	Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000
Construction in progress	-	145,524	-	145,524
Total capital assets, not being depreciated	<u>1,250,000</u>	<u>145,524</u>	<u>-</u>	<u>1,395,524</u>
Capital assets, being depreciated:				
Buildings and improvements	176,058,457	-	-	176,058,457
Equipment	5,500,010	596,903	-	6,096,913
Vehicles	4,144,056	54,859	-	4,198,915
Right to use lease assets	315,286	69,394	(60,644)	324,036
Subscription assets	-	324,314	-	324,314
Total capital assets, being depreciated	<u>186,017,809</u>	<u>1,045,470</u>	<u>(60,644)</u>	<u>187,002,635</u>
Less accumulated depreciation for:				
Buildings and improvements	(82,163,232)	(5,978,750)	-	(88,141,982)
Equipment	(5,377,741)	(491,068)	-	(5,868,809)
Vehicles	(3,609,069)	(92,301)	-	(3,701,370)
Right to use lease assets	(93,356)	(91,446)	60,644	(124,158)
Subscription assets	-	(118,418)	-	(118,418)
Total accumulated depreciation	<u>(91,243,398)</u>	<u>(6,771,983)</u>	<u>60,644</u>	<u>(97,954,737)</u>
Total capital assets being depreciated, net	<u>94,774,411</u>	<u>(5,726,513)</u>	<u>-</u>	<u>89,047,898</u>
Governmental Activities Capital Assets, Net	<u>\$ 96,024,411</u>	<u>\$ (5,580,989)</u>	<u>\$ -</u>	<u>\$ 90,443,422</u>

Depreciation/amortization was charged to functions as follows:

Governmental Activities:	
11 Instruction	\$ 3,661,391
12 Instructional resources and media services	59,508
13 Curriculum and instructional staff development	48,145
21 Instructional leadership	163,380
23 School leadership	371,050
31 Guidance, counseling, and evaluation services	119,955
32 Social work services	982
33 Health services	74,718
34 Student transportation	175,597
35 Food services	380,911
36 Extracurricular activities	212,680
41 General administration	507,459
51 Plant maintenance and operations	727,654
52 Security and monitoring services	103,159
53 Data processing	139,672
61 Community services	25,722
Total Depreciation/Amortization Expense	<u>\$ 6,771,983</u>

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Construction Commitments

The District had the following active construction projects as of August 31, 2023.

<u>Projects</u>	<u>Original Contract</u>	<u>Spent-to-Date</u>	<u>Remaining Commitment</u>
AG Barn & Community Center Renovation Project	\$ 1,420,000	\$ 145,524	\$ 1,274,476
Total	<u>\$ 1,420,000</u>	<u>\$ 145,524</u>	<u>\$ 1,274,476</u>

E. Long-term Obligations

The District's long-term liabilities consist of bond indebtedness, workers' compensation claims, compensated absences, leases, SBITAs, 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, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 99,165,000	\$ -	\$ (3,015,000)	\$ 96,150,000	\$ 2,965,000
Premiums	8,851,192	-	(523,746)	8,327,446	-
Total bonds payable	<u>108,016,192</u>	<u>-</u>	<u>(3,538,746)</u>	<u>104,477,446</u>	<u>2,965,000</u>
Workers' compensation	83,402	619	-	84,021	84,021
Compensated absences	25,989	38,801	-	64,790	64,790
Leases payable	222,656	69,394	(90,585)	201,465	99,447
SBITAs payable	-	324,314	(142,118)	182,196	105,472
Net pension liability	5,838,409	7,524,974	-	13,363,383	-
Net OPEB liability	10,950,730	-	(4,017,721)	6,933,009	-
Governmental Activities Long-term Liabilities	<u>\$ 125,137,378</u>	<u>\$ 7,958,102</u>	<u>\$ (7,789,170)</u>	<u>\$ 125,306,310</u>	<u>\$ 3,318,730</u>

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:

<u>Series</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Maturity Date</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
2014 REF	2.0% - 4.0%	\$ 7,015,000	8/15/2026	\$ 3,170,000	\$ -	\$ (755,000)	\$ 2,415,000
2016A REF A	2.0% - 3.0%	3,050,000	8/15/2025	1,095,000	-	(355,000)	740,000
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	46,500,000	-	(485,000)	46,015,000
2019 BLDG A	4.0% - 5.0%	8,815,000	8/15/2049	8,000,000	-	(280,000)	7,720,000
2019 REF B	3.1% - 5.0%	35,975,000	8/15/2041	34,880,000	-	(1,140,000)	33,740,000
Totals				<u>\$ 99,165,000</u>	<u>\$ -</u>	<u>\$ (3,015,000)</u>	<u>\$ 96,150,000</u>

Debt service requirements on general obligation bonds debt at August 31, 2023 are as follows:

<u>Year Ending August 31,</u>	<u>Governmental Activities - Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 2,965,000	\$ 3,991,276	\$ 6,956,276
2025	3,080,000	3,875,926	6,955,926
2026	3,210,000	3,745,526	6,955,526
2027	3,185,000	3,594,976	6,779,976
2028	3,300,000	3,476,476	6,776,476
2029 - 2033	18,185,000	15,012,280	33,197,280
2034 - 2038	21,425,000	10,704,190	32,129,190
2039 - 2043	20,735,000	6,736,837	27,471,837
2044 - 2048	19,595,000	2,193,800	21,788,800
2049 - 2053	470,000	18,800	488,800
Total	<u>\$ 96,150,000</u>	<u>\$ 53,350,087</u>	<u>\$ 149,500,087</u>

Current Year Defeasance

During the fiscal year, the District defeased \$2,055,000 of Series 2018 School Building Bonds by depositing \$2,135,396 of current resources in an irrevocable trust to provide for future debt service payments. 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, 2023, the District's defeased bonds are \$2,055,000 and have a redemption date of August 15, 2028.

Bond Rating

On May 17, 2023, Moody's Investors Service ("Moody's") assigned a "A1" issuer rating to the District. Concurrently, Moody's assigned a negative outlook.

Arbitrage

As of August 31, 2023, the District had no liability for arbitrage payable.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Leases

The District is under contract for noncancellable leases that convey control of the right to use assets. The lease liabilities outstanding as of August 31, 2023, are as follows:

<u>Description</u>	<u>Start Date</u>	<u>End Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Lease Liability</u>			
					<u>September 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>August 31, 2023</u>
Copy machines	02/01/19	01/01/23	0.830%	\$ 60,644	\$ 17,899	\$ -	\$ (17,899)	\$ -
Copy machines	07/01/20	06/01/25	0.830%	116,604	86,476	-	(30,297)	56,179
Printers	02/01/22	01/01/26	1.548%	138,038	118,281	-	(33,978)	84,303
Copy machines	06/01/23	05/30/25	3.501%	69,394	-	69,394	(8,411)	60,983
				<u>\$ 384,680</u>	<u>\$ 222,656</u>	<u>\$ 69,394</u>	<u>\$ (90,585)</u>	<u>\$ 201,465</u>

<u>Description</u>	<u>Right-to-use Asset</u>	<u>Accumulated Amortization</u>			
		<u>September 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>August 31, 2023</u>
Copy machines	\$ 60,644	\$ (42,804)	\$ (17,840)	\$ 60,644	\$ -
Postage machines	116,604	(30,420)	(30,420)	-	(60,840)
Printers	138,038	(20,132)	(34,512)	-	(54,644)
Copy machines	69,394	-	(8,674)	-	(8,674)
	<u>\$ 384,680</u>	<u>\$ (93,356)</u>	<u>\$ (91,446)</u>	<u>\$ 60,644</u>	<u>\$ (124,158)</u>

All amounts paid were previously included in the measurement of the lease liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any lease term and there were no impairment losses related to lease assets. Principal and interest payments remaining on the leases are as follows:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 99,447	\$ 2,998	\$ 102,445
2025	87,268	1,009	88,277
2026	14,750	57	14,807
	<u>\$ 201,465</u>	<u>\$ 4,064</u>	<u>\$ 205,529</u>

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Subscription-Based Information Technology Arrangements (SBITAs)

The District is under contract for noncancellable SBITAs that convey control of the right to use software. The SBITA liabilities outstanding as of August 31, 2023, are as follows:

Description	Start Date	End Date	Interest Rate	Original Amount	SBITA Liability			
					September 1, 2022	Additions	Reductions	August 31, 2023
Instructional Material	12/01/22	11/30/25	N/A	\$ 33,252	\$ -	\$ 33,252	\$ (33,252)	\$ -
Internet Security	09/01/22	09/30/23	2.200%	33,400	-	33,400	(17,521)	15,879
Instructional Material	09/01/22	04/30/24	2.200%	197,655	-	197,655	(68,087)	129,568
Instructional Material	10/21/22	10/20/25	3.380%	31,662	-	31,662	(19,822)	11,840
Copier - Software Portion				28,345	-	28,345	(3,436)	24,909
				<u>\$ 324,314</u>	<u>\$ -</u>	<u>\$ 324,314</u>	<u>\$ (142,118)</u>	<u>\$ 182,196</u>

Description	Right-to-use Asset	Accumulated Amortization			
		September 1, 2022	Additions	Reductions	August 31, 2023
Instructional Material	\$ 33,252	\$ -	\$ (8,313)	\$ -	\$ (8,313)
Internet Security	33,400	-	(30,830)	-	(30,830)
Instructional Material	31,662	-	(56,735)	-	(56,735)
Instructional Material	197,655	-	(18,997)	-	(18,997)
Copier - Software Portion	28,345	-	(3,543)	-	(3,543)
	<u>\$ 324,314</u>	<u>\$ -</u>	<u>\$ (118,418)</u>	<u>\$ -</u>	<u>\$ (118,418)</u>

All amounts paid were previously included in the measurement of the subscription liability and there were no other related outflows of resources for the period such as variable payments or termination penalties. In addition, there were no commitments incurred prior to commencement of any SBITA term and there were no impairment losses related to SBITA assets. Principal and interest payments remaining on the SBITAs are as follows:

Fiscal Year(s)	Principal	Interest	Total
2024	\$ 105,472	\$ 5,637	\$ 111,109
2025	76,724	2,385	79,109
	<u>\$ 182,196</u>	<u>\$ 8,022</u>	<u>\$ 190,218</u>

F. Fund Balance

Fund balance assigned for other purposes includes the following:

Campus activity fund:	
Campus activities	\$ 216,051
Student motivation fund	91,796
Total Assigned Fund Balance	<u>\$ 307,847</u>

Note 3 - Detailed Notes on All Funds (continued)

G. Revenues from Local and Intermediate Sources

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

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Property taxes	\$ 31,345,604	\$ 8,984,201	\$ -	\$ 40,329,805
Charges for services	384,419	-	246,923	631,342
Investment earnings	509,939	276,842	591	787,372
Other	338,701	-	12,528	351,229
Totals	<u>\$ 32,578,663</u>	<u>\$ 9,261,043</u>	<u>\$ 260,042</u>	<u>\$ 42,099,748</u>

H. Tax Anticipation Note

On August 30, 2023, the District issued \$6,000,000 Tax and Revenue Anticipation Notes, Series 2023. The notes are to be repaid on April 1, 2024 with interest of \$178,998 (5.090%). The District also incurred approximately \$61,375 in debt service fees associated with the transaction.

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, 2023, 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 8/31/2023	Year Ended 8/31/2022
Unpaid Claims, Beginning of Fiscal Year	\$ 83,402	\$ 75,051
Incurred claims (including IBNRs and changes in provisions)	619	41,186
Claim payments	-	(32,835)
Unpaid Claims, End of Fiscal Year	<u>\$ 84,021</u>	<u>\$ 83,402</u>

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, 2023, 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. Defined Benefit Pension Plan

Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). 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/Pages/about_publications.aspx, 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 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. Defined Benefit Pension Plan (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	
	2023	2022
Member	8.00%	8.00%
Non-Employer Contributing Entity	8.00%	7.75%
Employers	8.00%	7.75%
	Fiscal Year 2023	
	Contributions	
Employer (District)	\$	1,374,714
Employee (Member)		2,345,122
Non-Employer Contributing Entity		
On-Behalf Contributions (State)		1,486,771

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).

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. Defined Benefit Pension Plan (continued)

Contributions (continued)

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

- All public schools, charter schools, and regional educational service centers must contribute 1.7% of the member’s salary beginning in fiscal year 2022, 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:

<u>Component</u>	<u>Result</u>
Valuation Date	August 31, 2021, rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2020	3.91% - 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	2121
(100 years)	
Inflation	2.30%
Salary Increases	2.95% to 8.95% 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, 2021. For a full description of these assumptions please see the actuarial valuation report dated November 12, 2021.

Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. 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. Defined Benefit Pension Plan (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 7.00%. 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, 2022 are summarized below:

Asset Class	Target Allocation ²	Long-Term Expected Geometric Real Rate of Return ³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.60%	1.12%
Non-U.S. Developed	13.00%	4.90%	0.90%
Emerging Markets	9.00%	5.40%	0.75%
Private Equity ¹	14.00%	7.70%	1.55%
Stable Value			
Government Bonds	16.00%	1.00%	0.22%
Absolute Return ¹		3.70%	
Stable Value Hedge Funds	5.00%	3.40%	0.18%
Real Return			
Real Estate	15.00%	4.10%	0.94%
Energy, Natural Resources & Infrastructure	6.00%	5.10%	0.37%
Commodities		3.60%	
Risk Parity	8.00%	4.60%	0.43%
Asset Allocation Leverage			
Cash	2.00%	3.00%	0.01%
Asset Allocation Leverage	-6.00%	3.60%	-0.05%
Inflation Expectation			2.70%
Volatility Drag ⁴			-0.91%
Expected Return	100.00%		8.21%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2022 policy model.

³ Capital Market Assumptions come from Aon Hewitt as of August 31, 2022.

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

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Discount Rate Sensitivity Analysis

The following table presents the District’s proportional share of the Net Pension Liability of the plan using the discount rate of 7.00%, and what the Net Pension 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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the Net Pension Liability:	\$ 20,788,357	\$ 13,363,383	\$ 7,345,093

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

At August 31, 2023, the District reported a liability of \$13,363,383 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	\$ 13,363,383
State's proportionate share that is associated with the District	16,294,593
Total	<u>\$ 29,657,976</u>

The net pension liability was measured as of August 31, 2021 and rolled forward to August 31, 2022, 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, 2021 through August 31, 2022.

At August 31, 2022, the District’s proportion of the collective net pension liability was 0.0225% which was a decrease of 0.0004% from its proportion measured as of August 31, 2021.

Change Since the Prior Actuarial Valuation - The actuarial assumptions and methods have been modified since the determination of the prior year's Net Pension Liability. These new assumptions were adopted in conjunction with an actuarial experience study. The primary assumption change was the lowering of the single discount rate from 7.25% to 7.00%.

For the year ended August 31, 2023, the District recognized pension expense of \$1,802,505. The District also recognized an additional on-behalf revenue and expense of \$1,557,578 representing for support provided by the State.

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Changes Since the Prior Actuarial Valuation (continued)

At August 31, 2023, 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	\$ 193,768	\$ (291,347)
Changes of assumption	2,490,033	(620,586)
Net difference between projected and actual investment earnings	1,320,260	-
Changes in proportion and differences between the District's contributions and proportionate share of contributions	1,223,907	(201,547)
District contributions subsequent to the measurement date	1,374,714	-
Total	\$ 6,602,682	\$ (1,113,480)

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, 2024.

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
2024	\$ 1,096,352
2025	742,634
2026	396,944
2027	1,660,839
2028	217,719
	\$ 4,114,488

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.

D. Defined Other Post-Employment Benefit Plans

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)

D. Defined Other Post-Employment Benefit Plans (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/Pages/about_publications.aspx, 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)

D. Defined Other Post-Employment Benefit Plans (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	
	2023	2022
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	
	2023	
	Contributions	
Member (Employee)	\$	283,576
Non-employer contributing agency (State)		193,666
District		381,841

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 \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

Note 4 - Other Information (continued)

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

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2021. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions:

Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.91% as of August 31, 2022
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 8.25% for Medicare retirees and 7.25% for non-Medicare retirees. The initial prescription drug trend was 8.25% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.
Election Rates	Normal Retirement: 62% participation rate prior to age 65 and 25% participation rate after age 65. Pre-65 retirees: 30% of pre-65 retirees 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, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022: (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 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% 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 schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (3.91%) in measuring the Net OPEB Liability.

	Discount Rate		
	1% Decrease (2.91%)	Current Rate (3.91%)	1% Increase (4.91%)
District's proportionate share of the Net OPEB Liability:	\$ 8,174,567	\$ 6,933,009	\$ 5,927,187

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

At August 31, 2023, the District reported a liability of \$6,933,009 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	\$ 6,933,009
State's proportionate share that is associated with District	8,457,182
Total	\$ 15,390,191

The Net OPEB Liability was measured as of August 31, 2021 and rolled forward to August 31, 2022 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, 2021 through August 31, 2022.

At August 31, 2022, the District’s proportion of the collective Net OPEB Liability was 0.0290% which was an increase of 0.0006% from its proportion measured as of August 31, 2021.

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:	\$ 5,712,831	\$ 6,933,009	\$ 8,514,813

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 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022. This change decreased 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, 2023, the District recognized negative OPEB expense of -\$768,558. The District also recognized negative on-behalf expense and revenue of -\$1,200,142 for support provided by the State.

At August 31, 2023, 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 experience	\$ 385,451	\$ (5,775,819)
Changes of assumption	1,056,035	(4,816,642)
Net difference between projected and actual earnings on OPEB plan investments	20,651	-
Changes in proportion and differences between District contributions and proportionate share of contributions	804,683	-
District contributions subsequent to the measurement date	283,576	-
Total	\$ 2,550,396	\$ (10,592,461)

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, 2024. 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	OPEB Expense
August 31:	Amount
2024	\$ (1,558,370)
2025	(1,558,295)
2026	(1,264,290)
2027	(866,258)
2028	(1,031,118)
Thereafter	(2,047,310)
	<u>\$ (8,325,641)</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, 2023, 2022, and 2021, the subsidy payments received by TRS-Care on-behalf of the District were \$156,067, \$117,537, and \$114,854, 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

On November 7, 2023, voters in Stafford approved the 2023 VATRE (Voter Approval Tax Rate Election) to increase the M&O tax rate by \$0.1200 per \$100 valuation.

G. Deficit Net Position

The District currently reports a deficit net position in the following categories:

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets	\$ (12,606,336)	\$ -
Unrestricted	(19,797,224)	(33,423)

The deficit net position of the business-type activities (Daycare Program enterprise fund) will be replenished in future years from the general fund.

REQUIRED SUPPLEMENTARY INFORMATION



STAFFORD MUNICIPAL SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND**

For the Year Ended August 31, 2023

Exhibit G-1

	Budget		Actual	Variance with Final Budget
	Original	Final		
Revenues				
Local revenues	\$ 31,710,604	\$ 32,086,646	\$ 32,578,663	\$ 492,017
State program revenues	4,979,524	6,661,845	6,225,228	(436,617)
Federal program revenues	555,000	560,000	699,750	139,750
Total Revenues	<u>37,245,128</u>	<u>39,308,491</u>	<u>39,503,641</u>	<u>195,150</u>
Expenditures				
Current:				
Instruction	22,575,820	22,530,607	23,392,247	(861,640)
Instruction resources and media services	373,259	373,259	380,899	(7,640)
Curriculum and instructional staff development	378,172	369,851	298,088	71,763
Instructional leadership	1,209,097	1,208,847	1,180,050	28,797
School leadership	2,184,542	2,184,542	2,423,741	(239,199)
Guidance, counseling and evaluation services	876,025	922,025	1,018,602	(96,577)
Health services	294,036	294,036	425,248	(131,212)
Student transportation	1,136,740	1,208,740	1,150,030	58,710
Extracurricular activities	1,470,105	1,510,105	1,323,604	186,501
General administration	2,563,907	2,467,194	2,693,568	(226,374)
Plant maintenance and operations	4,196,472	4,492,448	4,742,790	(250,342)
Security and monitoring services	625,822	723,022	473,929	249,093
Data processing services	793,794	769,871	808,796	(38,925)
Community services	161,600	161,600	116,014	45,586
Debt Service:				
Principal on long-term debt	155,000	199,451	199,451	-
Interest on long-term debt	-	3,740	3,740	-
Other debt service fees	-	186,120	67,998	118,122
Intergovernmental:				
Contracted instructional services	1,000,000	1,000,000	1,527,238	(527,238)
Payments related to shared services arrangements	35,000	62,000	62,958	(958)
Payments to Juvenile Justice Alternative Education Programs	20,000	20,000	12,500	7,500
Other intergovernmental charges	332,000	336,500	321,873	14,627
Total Expenditures	<u>40,381,391</u>	<u>41,023,958</u>	<u>42,623,364</u>	<u>(1,599,406)</u>
Other Financing Sources (Uses)				
Issuance of debt - lease	-	-	69,394	69,394
Issuance of debt - SBITA	-	-	291,062	291,062
Transfers out	-	-	(50,500)	(50,500)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>309,956</u>	<u>309,956</u>
Net change in fund balances	(3,136,263)	(1,715,467)	(2,809,767)	(1,094,300)
Fund Balances - Beginning	<u>4,628,651</u>	<u>4,628,651</u>	<u>4,628,651</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 1,492,388</u>	<u>\$ 2,913,184</u>	<u>\$ 1,818,884</u>	<u>\$ (1,094,300)</u>

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 Nine Measurement Years

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
District's proportion of the net pension liability	0.0225096%	0.0229000%	0.0213155%	0.0187161%	0.0180385%
District's proportionate share of the net pension liability	\$ 13,363,383	\$ 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	16,294,593	7,770,581	16,109,180	17,233,556	19,020,219
Total	<u>\$ 29,657,976</u>	<u>\$ 13,608,990</u>	<u>\$ 27,525,348</u>	<u>\$ 26,962,769</u>	<u>\$ 28,949,024</u>
District's covered payroll (for Measurement Year)	\$ 27,053,827	\$ 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	49.40%	22.47%	47.13%	42.88%	45.26%
Plan fiduciary net position as a percentage of the total pension liability ¹	75.65%	88.79%	75.54%	75.24%	73.74%
Plan's net pension liability as a percentage of covered payroll ¹	112.72%	51.08%	110.36%	114.93%	126.11%
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	
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	<u>\$ 16,179,688</u>	<u>\$ 20,089,837</u>	<u>\$ 19,028,765</u>	<u>\$ 13,720,297</u>	
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's net pension liability as a percentage of covered payroll 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 Nine Fiscal Years

Exhibit G-3

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contributions	\$ 1,374,714	\$ 1,046,226	\$ 1,017,173	\$ 851,353	\$ 667,044
Contributions in relation to the contractual required contributions	<u>1,374,714</u>	<u>1,046,226</u>	<u>1,017,173</u>	<u>851,353</u>	<u>667,044</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,494,246	\$ 27,053,827	\$ 25,985,952	\$ 24,222,593	\$ 22,686,951
Contributions as a percentage of covered payroll	4.51%	3.87%	3.91%	3.51%	2.94%
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually required contributions	\$ 621,642	\$ 583,029	\$ 608,576	\$ 575,781	
Contributions in relation to the contractual required contributions	<u>621,642</u>	<u>583,029</u>	<u>608,576</u>	<u>575,781</u>	
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
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 Six Measurement Years

Exhibit G-4

	<u>2022</u>	<u>2021</u>	<u>2020</u>
District's proportion of the net OPEB liability	0.0289551%	0.0284000%	0.0283008%
District's proportionate share of the net OPEB liability	\$ 6,933,009	\$ 10,950,730	\$ 10,758,419
State's proportionate share of the net OPEB liability associated with the District	<u>8,457,182</u>	<u>14,671,538</u>	<u>14,456,737</u>
Total	<u>\$ 15,390,191</u>	<u>\$ 25,622,268</u>	<u>\$ 25,215,156</u>
District's covered payroll (for Measurement Year)	\$ 27,053,827	\$ 25,979,351	\$ 24,222,593
District's proportionate share of the net OPEB liability as a percentage of covered payroll	25.6%	42.2%	44.4%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	11.52%	6.18%	4.99%
Plan's net OPEB liability as a percentage of covered payroll ¹	59.10%	100.13%	101.46%
	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the net OPEB liability	0.0279770%	0.0275360%	0.0269057%
District's proportionate share of the net OPEB liability	\$ 13,230,649	\$ 13,748,974	\$ 11,700,277
State's proportionate share of the net OPEB liability associated with the District	<u>17,580,573</u>	<u>18,643,241</u>	<u>15,829,896</u>
Total	<u>\$ 30,811,222</u>	<u>\$ 32,392,215</u>	<u>\$ 27,530,173</u>
District's covered payroll (for Measurement Year)	\$ 22,686,951	\$ 21,938,980	\$ 20,124,614
District's proportionate share of the net OPEB liability as a percentage of covered payroll	58.32%	62.67%	58.14%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll ¹	135.21%	146.64%	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 Six Fiscal Years

Exhibit G-5

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Contractually required contributions	\$ 283,576	\$ 236,700	\$ 252,287
Contributions in relation to the contractual required contributions	<u>283,576</u>	<u>236,700</u>	<u>252,287</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 30,494,246	\$ 27,053,827	\$ 25,985,952
Contributions as a percentage of covered payroll	0.93%	0.87%	0.97%
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contributions	\$ 215,784	\$ 193,224	\$ 190,103
Contributions in relation to the contractual required contributions	<u>215,784</u>	<u>193,224</u>	<u>190,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980
Contributions as a percentage of covered payroll	0.89%	0.85%	0.87%

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, 2023, 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>Excess Spending</u>
General Fund:				
Instruction	11	\$ 22,530,607	\$ 23,392,247	\$ (861,640)
Instruction resources and media services	12	373,259	380,899	(7,640)
School leadership	23	2,184,542	2,423,741	(239,199)
Guidance, counseling and evaluation services	31	922,025	1,018,602	(96,577)
Health services	33	294,036	425,248	(131,212)
General administration	41	2,467,194	2,693,568	(226,374)
Plant maintenance and operations	51	4,492,448	4,742,790	(250,342)
Data processing services	53	769,871	808,796	(38,925)
Contracted instructional services	91	1,000,000	1,527,238	(527,238)
Payments related to shared services arrangements	93	62,000	62,958	(958)
Child Nutrition Fund:				
Food Services	35	3,087,945	3,261,713	(173,768)
Facilities maintenance and operations	51	100,000	103,388	(3,388)

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.

Measurement Year 2022: The discount rate changed from 7.25% to 7.00%.

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 Year 2022: The discount rate changed from 1.95% as of August 31, 2021 to 3.91% as of August 31, 2022, lowered the participation rates, and updated the healthcare trend rate assumption.



SUPPLEMENTARY INFORMATION



STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Data Control Codes		206 Texas Education for Homeless Children and Youth	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
Assets					
1110	Cash and temporary investments	\$ 538	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	6,890	297,392	154,472	10,246
1260	Due from other funds	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	\$ 7,428	\$ 297,392	\$ 154,472	\$ 10,246
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 7,428	\$ 607	\$ 3,641	\$ -
2160	Accrued wages payable	-	16,524	3,380	-
2170	Due to other funds	-	278,381	147,083	10,246
2200	Accrued expenses	-	1,880	368	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	7,428	297,392	154,472	10,246
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Assigned:					
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	-	-	-	-
4000	Total Liabilities and Fund Balances	\$ 7,428	\$ 297,392	\$ 154,472	\$ 10,246

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 2 of 6

Data Control Codes		240 School Breakfast and National School Lunch Program	244 Career and Technical Education - Basic Grant	255 ESEA, Title II, Part A - Supporting Effective Instruction	263 Title III, Part A - English Language Acquisition and Language
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	469,735	9,804	128,123	73,081
1260	Due from other funds	1,078,365	-	-	-
1310	Inventories, at cost	28,174	-	-	-
1000	Total Assets	\$ 1,576,274	\$ 9,804	\$ 128,123	\$ 73,081
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 92,424	\$ -	\$ -	\$ 1,820
2160	Accrued wages payable	92,108	3,919	-	-
2170	Due to other funds	172,916	5,444	128,123	71,261
2200	Accrued expenses	1,950	441	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	359,398	9,804	128,123	73,081
Fund Balances:					
Restricted:					
3450	Grant restrictions	1,216,876	-	-	-
3470	Capital acquisitions	-	-	-	-
Assigned:					
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	1,216,876	-	-	-
4000	Total Liabilities and Fund Balances	\$ 1,576,274	\$ 9,804	\$ 128,123	\$ 73,081

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 3 of 6

		278	279	280	281
Data Control Codes		ARP Homeless I	TCLAS ESSER III	ARP Homeless II	ESSER II Fund - CRRSA Act
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Receivables:					
1240	Receivables from other governments	-	347,440	1,918	90,965
1260	Due from other funds	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 347,440</u>	<u>\$ 1,918</u>	<u>\$ 90,965</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ 1,104	\$ -	\$ -
2160	Accrued wages payable	-	9,892	-	-
2170	Due to other funds	-	335,316	1,918	90,965
2200	Accrued expenses	-	1,128	-	-
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>347,440</u>	<u>1,918</u>	<u>90,965</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Assigned:					
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 347,440</u>	<u>\$ 1,918</u>	<u>\$ 90,965</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
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		282	284	285	289
Data Control Codes		ESSER III Fund - ARP Act	IDEA - Part B, Formula ARP	IDEA - Part B, Preschool ARP	Summer School LEP
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
Receivables:					
1240	Receivables from other governments	817,196	69,558	4,956	98,097
1260	Due from other funds	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 817,196</u>	<u>\$ 69,558</u>	<u>\$ 4,956</u>	<u>\$ 98,097</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ -	\$ -	\$ 1,234	\$ -
2160	Accrued wages payable	67,053	-	-	9,039
2170	Due to other funds	743,402	69,558	3,722	88,032
2200	Accrued expenses	6,741	-	-	1,026
2300	Unearned revenues	-	-	-	-
2000	Total Liabilities	<u>817,196</u>	<u>69,558</u>	<u>4,956</u>	<u>98,097</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Assigned:					
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 817,196</u>	<u>\$ 69,558</u>	<u>\$ 4,956</u>	<u>\$ 98,097</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

Exhibit H-1
Page 5 of 6

		410	429	461	499
Data Control Codes		Instructional Materials Fund	Miscellaneous State Grants	Campus Activity Funds	Student Motivation
Assets					
1110	Cash and temporary investments	\$ 107,067	\$ -	\$ 219,244	\$ 93,001
Receivables:					
1240	Receivables from other governments	-	245,662	-	-
1260	Due from other funds	-	-	-	-
1310	Inventories, at cost	-	-	-	-
1000	Total Assets	<u>\$ 107,067</u>	<u>\$ 245,662</u>	<u>\$ 219,244</u>	<u>\$ 93,001</u>
Liabilities and Fund Balances					
Liabilities:					
Current Liabilities:					
2110	Accounts payable	\$ 67,104	\$ 1,500	\$ 3,193	\$ 1,205
2160	Accrued wages payable	-	10,627	-	-
2170	Due to other funds	-	225,046	-	-
2200	Accrued expenses	-	231	-	-
2300	Unearned revenues	39,963	8,258	-	-
2000	Total Liabilities	<u>107,067</u>	<u>245,662</u>	<u>3,193</u>	<u>1,205</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	-	-	-
3470	Capital acquisitions	-	-	-	-
Assigned:					
3590	Other assigned	-	-	216,051	91,796
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>216,051</u>	<u>91,796</u>
4000	Total Liabilities and Fund Balances	<u>\$ 107,067</u>	<u>\$ 245,662</u>	<u>\$ 219,244</u>	<u>\$ 93,001</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2023

699

Data Control Codes		Capital Projects Fund	Total Nonmajor Governmental Funds
Assets			
1110	Cash and temporary investments	\$ 546,711	\$ 966,561
	Receivables:		
1240	Receivables from other governments	-	2,825,535
1260	Due from other funds	9,771	1,088,136
1310	Inventories, at cost	-	28,174
1000	Total Assets	<u>\$ 556,482</u>	<u>\$ 4,908,406</u>
Liabilities and Fund Balances			
Liabilities:			
Current Liabilities:			
2110	Accounts payable	\$ 68,079	\$ 249,339
2160	Accrued wages payable	-	212,542
2170	Due to other funds	441,657	2,813,070
2200	Accrued expenses	-	13,765
2300	Unearned revenues	-	48,221
2000	Total Liabilities	<u>509,736</u>	<u>3,336,937</u>
Fund Balances:			
Restricted:			
3450	Grant restrictions	-	1,216,876
3470	Capital acquisitions	46,746	46,746
Assigned:			
3590	Other assigned	-	307,847
3000	Total Fund Balances	<u>46,746</u>	<u>1,571,469</u>
4000	Total Liabilities and Fund Balances	<u>\$ 556,482</u>	<u>\$ 4,908,406</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, 2023

Exhibit H-2
Page 1 of 6

Data Control Codes		206 Texas Education for Homeless Children and Youth	211 ESEA, Title I, Part A - Improving Basic Programs	224 IDEA - Part B, Formula	225 IDEA - Part B, Preschool
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	7,744	764,323	539,924	11,601
5020	Total Revenues	7,744	764,323	539,924	11,601
Expenditures					
Current:					
0011	Instruction	7,744	651,092	66,198	9,878
0013	Curriculum and instructional staff development	-	10,395	-	-
0021	Instructional leadership	-	65,922	492	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	28,428	473,234	1,723
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	906	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	7,580	-	-
Debt service:					
0071	Principal on long-term debt	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	7,744	764,323	539,924	11,601
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7949	Issuance of debt - SBITA	-	-	-	-
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, 2023

Exhibit H-2
Page 2 of 6

Data Control Codes	240 School Breakfast and National School Lunch Program	244 Career and Technical Education - Basic Grant	255 ESEA, Title II, Part A - Supporting Effective Instruction	263 Title III, Part A - English Language Acquisition and Language
Revenues				
5700	Local, intermediate, and out-of-state	\$ 67,078	\$ -	\$ -
5800	State program revenues	9,996	-	-
5900	Federal program revenues	2,941,408	54,584	104,544
5020	Total Revenues	<u>3,018,482</u>	<u>54,584</u>	<u>104,544</u>
Expenditures				
Current:				
0011	Instruction	-	54,584	2,000
0013	Curriculum and instructional staff development	-	-	105,445
0021	Instructional leadership	-	-	47,265
0023	School leadership	-	-	-
0031	Guidance, counseling and evaluation services	-	-	1,432
0032	Social work services	-	-	-
0033	Health services	-	-	-
0034	Student transportation	-	-	-
0035	Food service	3,261,713	-	-
0036	Extracurricular activities	-	-	-
0051	Plant maintenance and operations	103,388	-	-
0053	Data processing services	-	-	-
0061	Community services	-	-	-
Debt service:				
0071	Principal on long-term debt	-	-	-
Capital outlay:				
0081	Facilities acquisition and construction	-	-	-
6030	Total Expenditures	<u>3,365,101</u>	<u>54,584</u>	<u>156,142</u>
Other Financing Sources (Uses)				
7915	Transfers in	-	-	-
7949	Issuance of debt - SBITA	-	-	-
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
1200	Net change in fund balances	(346,619)	-	-
0100	Fund Balance - September 1 (Beginning)	<u>1,563,495</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 1,216,876</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, 2023

		278	279	280	281
Data Control Codes		ARP Homeless I	TCLAS ESSER III	ARP Homeless II	ESSER II Fund - CRRSA Act
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	2,001	490,162	10,354	379,935
5020	Total Revenues	2,001	490,162	10,354	379,935
Expenditures					
Current:					
0011	Instruction	2,001	218,902	2,303	303,518
0013	Curriculum and instructional staff development	-	73,475	-	-
0021	Instructional leadership	-	110,220	2,042	12,403
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	6,009	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	6,125
0053	Data processing services	-	87,565	-	57,889
0061	Community services	-	-	-	-
Debt service:					
0071	Principal on long-term debt	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	2,001	490,162	10,354	379,935
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7949	Issuance of debt - SBITA	-	-	-	-
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, 2023

Exhibit H-2
Page 4 of 6

		282	284	285	289
Data Control Codes		ESSER III Fund - ARP Act	IDEA - Part B, Formula ARP	IDEA - Part B, Preschool ARP	Summer School LEP
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	1,831,533	69,558	4,956	288,341
5020	Total Revenues	<u>1,831,533</u>	<u>69,558</u>	<u>4,956</u>	<u>288,341</u>
Expenditures					
Current:					
0011	Instruction	1,404,605	69,558	4,956	56,417
0013	Curriculum and instructional staff development	959	-	-	185,927
0021	Instructional leadership	201,317	-	-	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	39,075	-	-	-
0032	Social work services	32,149	-	-	-
0033	Health services	-	-	-	45,997
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	67,739	-	-	-
0053	Data processing services	1,872	-	-	-
0061	Community services	83,817	-	-	-
Debt service:					
0071	Principal on long-term debt	-	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>1,831,533</u>	<u>69,558</u>	<u>4,956</u>	<u>288,341</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	-
7949	Issuance of debt - SBITA	-	-	-	-
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)	-	-	-	-
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, 2023

		410	429	461	499
Data Control Codes		Instructional Materials Fund	Miscellaneous State Grants	Campus Activity Funds	Student Motivation
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ 180,436	\$ 4,696
5800	State program revenues	159,109	633,249	-	-
5900	Federal program revenues	-	-	-	-
5020	Total Revenues	<u>159,109</u>	<u>633,249</u>	<u>180,436</u>	<u>4,696</u>
Expenditures					
Current:					
0011	Instruction	159,109	154,724	122,401	55,196
0013	Curriculum and instructional staff development	-	361,247	-	-
0021	Instructional leadership	-	117,278	-	-
0023	School leadership	-	-	1,002	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0034	Student transportation	-	-	-	-
0035	Food service	-	-	-	-
0036	Extracurricular activities	-	-	41,280	-
0051	Plant maintenance and operations	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
Debt service:					
0071	Principal on long-term debt	33,252	-	-	-
Capital outlay:					
0081	Facilities acquisition and construction	-	-	-	-
6030	Total Expenditures	<u>192,361</u>	<u>633,249</u>	<u>164,683</u>	<u>55,196</u>
Other Financing Sources (Uses)					
7915	Transfers in	-	-	-	50,500
7949	Issuance of debt - SBITA	33,252	-	-	-
7080	Total Other Financing Sources (Uses)	<u>33,252</u>	<u>-</u>	<u>-</u>	<u>50,500</u>
1200	Net change in fund balances	-	-	15,753	-
0100	Fund Balance - September 1 (Beginning)	-	-	200,298	91,796
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 216,051</u>	<u>\$ 91,796</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, 2023

699

Data Control Codes		Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues			
5700	Local, intermediate, and out-of-state	\$ 7,832	\$ 260,042
5800	State program revenues	-	802,354
5900	Federal program revenues	-	7,657,110
5020	Total Revenues	<u>7,832</u>	<u>8,719,506</u>
Expenditures			
Current:			
0011	Instruction	-	3,421,557
0013	Curriculum and instructional staff development	-	762,267
0021	Instructional leadership	-	560,293
0023	School leadership	-	1,002
0031	Guidance, counseling and evaluation services	-	543,892
0032	Social work services	-	32,149
0033	Health services	-	45,997
0034	Student transportation	-	6,915
0035	Food service	-	3,261,713
0036	Extracurricular activities	-	41,280
0051	Plant maintenance and operations	-	177,252
0053	Data processing services	-	147,326
0061	Community services	-	91,397
Debt service:			
0071	Principal on long-term debt	-	33,252
Capital outlay:			
0081	Facilities acquisition and construction	<u>151,633</u>	<u>151,633</u>
6030	Total Expenditures	<u>151,633</u>	<u>9,277,925</u>
Other Financing Sources (Uses)			
7915	Transfers in	-	50,500
7949	Issuance of debt - SBITA	-	33,252
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>83,752</u>
1200	Net change in fund balances	(143,801)	(474,667)
0100	Fund Balance - September 1 (Beginning)	190,547	2,046,136
3000	Fund Balance - August 31 (Ending)	<u>\$ 46,746</u>	<u>\$ 1,571,469</u>

REQUIRED TEA SCHEDULES

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2023

Last Ten Fiscal Years	1		2	3	10	20
	Tax Rates		Net Assessed/Appraised Value For School Tax Purposes	Beginning Balance 9/1/22	Current Year's Total Levy	
	Maintenance	Debt Service				
2014 and prior	Various	Various	Various	\$ 81,999	\$ -	
2015	\$1.040050	\$0.200000	\$2,027,751,704	34,879	-	
2016	1.040050	0.190000	2,183,465,388	52,634	-	
2017	1.040050	0.190000	2,229,686,598	130,299	-	
2018	1.040050	0.190000	2,411,451,567	129,518	-	
2019	1.053300	0.271750	2,454,481,038	117,808	-	
2020	0.970050	0.280000	2,598,475,981	145,703	-	
2021	0.966400	0.255912	2,791,336,810	180,099	-	
2022	0.913900	0.255900	3,017,559,583	277,485	-	
2022	0.854600	0.244700	3,701,381,516	-	40,689,287	
1000 Totals				<u>\$ 1,150,424</u>	<u>\$ 40,689,287</u>	

8000 Taxes refunded under Section 26.115(c), Tax Code, for tax refunds
issued for immediate homestead exemptions pursuant to Senate Bill (SB) 8, 87-2

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2023

	31	32	40	50
Last Ten Fiscal Years	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance 8/31/23
2013 and prior	\$ 5,450	\$ 928	\$ (30,600)	\$ 45,021
2015	747	143	-	33,989
2016	649	118	-	51,867
2017	963	176	-	129,160
2018	12,585	2,299	(124)	114,510
2019	10,995	2,837	(291)	103,685
2020	(650)	(188)	(13,540)	133,001
2021	(36,994)	(9,796)	(78,142)	148,747
2022	(63,255)	(17,712)	(190,830)	167,622
2023	<u>31,204,306</u>	<u>8,934,816</u>	<u>-</u>	<u>550,165</u>
1000 Totals	<u>\$ 31,134,796</u>	<u>\$ 8,913,621</u>	<u>\$ (313,527)</u>	<u>1,477,767</u>
				<u>\$ 1,477,767</u>
				<u>\$ -</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT

**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, 2023**

Exhibit J-2

	Budget		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Local, Intermediate, and Out-of-State	\$ 28,500	\$ 28,500	\$ 67,078	\$ 38,578
State Program Revenues	10,000	10,000	9,996	(4)
Federal Program Revenues	2,215,049	2,215,049	2,941,408	726,359
Total Revenues	<u>2,253,549</u>	<u>2,253,549</u>	<u>3,018,482</u>	<u>764,933</u>
Expenditures				
Current:				
Food Services	2,153,549	3,087,945	3,261,713	(173,768)
Facilities maintenance and operations	100,000	100,000	103,388	(3,388)
Total Expenditures	<u>2,253,549</u>	<u>3,187,945</u>	<u>3,365,101</u>	<u>(177,156)</u>
Increase (Decrease) in Fund Balance	-	(934,396)	(346,619)	587,777
Fund Balance - September 1 (Beginning)	<u>1,563,495</u>	<u>1,563,495</u>	<u>1,563,495</u>	-
Fund Balance - August 31 (Ending)	<u>\$ 1,563,495</u>	<u>\$ 629,099</u>	<u>\$ 1,216,876</u>	<u>\$ 587,777</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND**

For the Year Ended August 31, 2023

Exhibit J-3

	Budget		Actual	Variance with
	Original	Final		Final Budget
Revenues				
Local, Intermediate, and Out-of-State	\$ 7,960,489	\$ 9,338,752	\$ 9,261,043	\$ (77,709)
State Program Revenues	29,000	29,000	92,082	63,082
Total Revenues	<u>7,989,489</u>	<u>9,367,752</u>	<u>9,353,125</u>	<u>(14,627)</u>
Expenditures				
Debt Service:				
Principal on long-term debt	3,015,000	3,117,980	3,015,000	102,980
Interest on long-term debt	4,110,126	4,110,126	4,102,793	7,333
Issuance costs and fees	561,545	2,139,646	2,139,646	-
Total Expenditures	<u>7,686,671</u>	<u>9,367,752</u>	<u>9,257,439</u>	<u>110,313</u>
Increase (Decrease) in Fund Balance	302,818	-	95,686	95,686
Fund Balance - September 1 (Beginning)	<u>3,635,462</u>	<u>3,635,462</u>	<u>3,635,462</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 3,938,280</u>	<u>\$ 3,635,462</u>	<u>\$ 3,731,148</u>	<u>\$ 95,686</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT**COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES****For the Year Ended August 31, 2023****Exhibit J-4**

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.	\$ 4,295,522
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 1,789,117
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.	\$ 550,719
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 313,231

STAFFORD MUNICIPAL SCHOOL DISTRICT
Required Responses to Selected School FIRST Indicators
For the Year Ended August 31, 2023

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, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our report thereon dated February 27, 2024.

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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be significant deficiencies.

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 one instance of noncompliance or other matters (Finding #2023-002) that are required to be reported under *Government Auditing Standards*.

To the Board of Trustees
Stafford Municipal School District

District's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive style with a large, stylized "P" for "Penn".

Houston, Texas
February 27, 2024

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, 2023. 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, 2023.

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.

To the Board of Trustees
Stafford Municipal School District

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.

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.

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

Houston, Texas
February 27, 2024



STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2023

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?	Yes, 2023-001
Noncompliance material to financial statements noted?	Yes, 2023-002

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>
Child Nutrition Cluster	10.553, 10.555
Emergency Connectivity Fund (SPI)	32.009
Emergency Connectivity Fund (BEAR)	32.009
<i>COVID-19 - CARES Act ESSER I</i>	84.425D
<i>COVID-19 - ARP Homeless I-TEHCY Supplemental</i>	84.425W
<i>COVID-19 - ARP Homeless II</i>	84.425W
<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
Auditee qualified as low risk auditee?	Yes

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2023

II. Financial Statement Findings

Finding 2023-001 Timely Preparation of Audit Schedules and Submission of Annual Financial Report

Criteria: Texas Education Code Title 2, Subtitle I, Chapter 44, Sec. 44.008 requires school districts to make available for audit itemized accounts and records of the District and subsequently file a copy of the final Annual Financial Report, approved by the Board of Trustees, no later than the 150th day after the end of the fiscal year.

Condition and Context: For the year ended August 31, 2023, the District was unable to file the approved Annual Financial Report in advance of the 150th day after the end of the fiscal year. There were significant delays experienced during the audit process and the District's final reconciled list of itemized accounts and records were not available until February 2024. A list of the various areas which were not completed timely or accurately is as follows:

- a) Bank reconciliations
- b) Special revenue fund grant reconciliations
- c) Interfund balances reconciliation
- d) Payroll liabilities reconciliation

Cause: The District was unable to provide accurate information timely to meet the reporting requirement deadline due to turnover of the Chief Financial Officer position.

Effect or Potential Effect: The Texas Education Agency may conduct a special accreditation investigation of the District's financial accounting practices and state and federal program requirements. Based on the results of this special investigation, the District's accreditation rating may be lowered.

Recommendation: While experiencing staffing difficulties for key personnel, the District should seek professional contracted services to assist with providing accounting services.

Responsible Official's Response: The Board of Trustees and management has entered into professional contracted service agreements to assist with providing accounting services. The District will seek to hire a qualified Chief Financial Officer as soon as possible. See corrective action plan on page 108.

Finding 2023-002 General Fund Expenditures in Excess of Appropriations

Criteria: Texas Education Code Title 2, Subtitle I, Chapter 44, requires school districts to develop appropriations for all expenditures and encumbrances of all funds prior to the commitments being incurred.

Condition and Context: For the year ended August 31, 2023, the District's general fund expenditures were more than the final amended budget by \$1,599,406.

Cause: The District was unable to properly monitor spending progress due to turnover of the Chief Financial Officer position.

Effect or Potential Effect: The penal provisions are set forth by Texas Education Code Title 2, Subtitle I, Chapter 44, Subchapter C, Sec. 44.052.

Recommendation: The Board of Trustees and management of the District should ensure that all funds of the District are budgeted annually and that legally adopted appropriations are in place and available prior to authorizing commitments of those funds' resources.

Responsible Official's Response: The Board of Trustees and management of the District will ensure that all funds of the District are budgeted annually and that legally adopted appropriations are in place and available prior to authorizing commitments of those funds' resources. See corrective action plan on page 108.

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)
For the Year Ended August 31, 2023

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, 2023

Exhibit K-1
Page 1 of 2

Fund	(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:			
211	ESSA Title I, Part A - Improving Basic Programs	84.010A	22610101079910	\$ 538
211	ESSA Title I, Part A - Improving Basic Programs	84.010A	23610101079910	626,625
211	2022-2024 School Action Fund Continuation	84.010A	236101627110028	153,138
	Total ALN 84.010			<u>780,301</u>
224	IDEA - Part B, Formula	84.027A	226600010799106600	21,181
224	IDEA - Part B, Formula	84.027A	236600010799106600	518,743
225	IDEA - Part B, Preschool	84.173A	226610010799106610	932
225	IDEA - Part B, Preschool	84.173A	236610010799106610	10,669
284	COVID-19 - IDEA - Part B, Formula, ARP	84.027X	225350010799105350	69,558
285	COVID-19 - IDEA - Part B, Preschool, ARP	84.173X	225360020799105360	4,956
	Total Special Education Cluster (ALN 84.027, 84.173)			<u>626,039</u>
244	2022-23 Perkins V: Strengthening CTE for 21st Century	84.048A	23420006079910	54,584
206	Texas Education for Homeless Children & Youth	84.196A	234600057110077	7,744
263	TITLE III, PART A- ELA	84.365A	22671001079910	731
263	TITLE III, PART A- ELA	84.365A	23671001079910	107,187
	Total ALN 84.365			<u>107,918</u>
255	ESSA Title II, Part A - Supporting Effective Instruction	84.367A	22694501079910	3,325
255	ESSA Title II, Part A - Supporting Effective Instruction	84.367A	23694501079910	158,160
	Total ALN 84.367			<u>161,485</u>
289	2021-2022 TRI- Coaching and PD K-5	84.371C	216470027110005	7,866
289	2021-2022 TRI- Coaching and PD 6-12	84.371C	216470037110003	6,934
289	2022-2023 TRI - K TO G5 Continuation	84.371C	226470027110016	97,417
289	2022-2023 TRI - G6 TO G12 Continuation	84.371C	226470037110014	82,826
	Total ALN 84.371			<u>195,043</u>
289	Title IV, Part A, Subpart 1	84.424A	22680101079910	4,360
289	Title IV, Part A, Subpart 1	84.424A	23680101079910	52,076
	Total ALN 84.424			<u>56,436</u>
278	COVID-19 - ARP Homeless I-TEHCY Supplemental	84.425W	215330017110077	2,001
280	COVID-19 - ARP Homeless II	84.425W	21533002079910	10,680
281	COVID-19 - CRSSA Act ESSER II	84.425D	21521001079910	379,935
282	COVID-19 - ARP Act ESSER III	84.425U	21528001079910	1,927,768
279	COVID-19 - TCLAS Act ESSER III	84.425U	21528042079910	514,542
	Total ALN 84.425			<u>2,834,926</u>
	Total U.S. Department of Education			<u>4,824,476</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2023

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:				
240	School Breakfast Program	10.553	71402301	821,253
240	National School Lunch Program (NSLP)	10.555	71302301	1,702,937
Passed Through Texas Department of Agriculture:				
Non-Cash Assistance:				
240	National School Lunch Program - Commodities	10.555	NT4XL1YGLGCS	167,531
	Total Child Nutrition Cluster (ALN 10.553, 10.555)			<u>2,691,721</u>
Passed Through Texas Department of Agriculture:				
240	Child and Adult Care Food Program	10.558	NT4XL1YGLGCS	179,157
240	COVID-19 Emergency Operational Cost Reimbursement - CACFP	10.558	NT4XL1YGLGCS	70,530
	Total ALN 10.558			<u>249,687</u>
Total U.S. Department of Agriculture				<u>2,941,408</u>
Federal Communications Commission (FCC)				
199	Emergency Connectivity Fund (SPI)	32.009	ECF202205342	8,104
199	Emergency Connectivity Fund (BEAR)	32.009	ECF222118454	264,557
	Total ALN 32.009			<u>272,661</u>
Total Federal Communications Commission (FCC)				<u>272,661</u>
U.S. Department of Health And Human Services				
Passed Through Texas Education Agency:				
289	COVID-19 School Health Support Grant	93.323	223935027110110	45,997
Passed Through Texas Health and Human Services Commission:				
199	Medicaid Administrative Claiming (MAC)	93.778	079-910	2,884
	Total Medicaid Cluster (ALN 93.778)			<u>2,884</u>
Total U.S. Department of Health And Human Services				<u>48,881</u>
Total Expenditures of Federal Awards				<u>\$ 8,087,426</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 total federal revenues to Exhibit C-3:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 8,087,426
Other federal revenue:	
School health and related services (SHARS)	187,569
Reserve officers' training corps (ROTC)	81,865
Total Federal Revenue - Exhibit C-3	<u>\$ 8,356,860</u>

Presented below is a reconciliation of General Fund federal revenues to Exhibit C-3:

School health and related services (SHARS)	\$ 187,569
Reserve officers' training corps (ROTC)	81,865
Emergency connectivity fund	272,661
Indirect Costs	<u>157,655</u>
Total General Fund Federal Revenue - Exhibit C-3	<u>\$ 699,750</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2023

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, 2023 has been prepared to address these requirements.

I. Prior Audit Findings

None reported.

STAFFORD MUNICIPAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2023

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)

Finding 2023-001 Timely Preparation of Audit Schedules and Submission of Annual Financial Report

The Board of Trustees and management entered into a professional contracted service agreement in February 2024 to assist with providing accounting services. The District will seek to hire a qualified Chief Financial Officer as soon as possible.

Finding 2023-002 General Fund Expenditures in Excess of Appropriations

The Board of Trustees and management of the District will implement additional monitoring procedures to ensure that all funds of the District are budgeted annually and that legally adopted appropriations are in place and available prior to authorizing commitments of those funds' resources.