

Annual Financial Report

**For the Fiscal Year Ended
August 31, 2025**

STAFFORD MUNICIPAL SCHOOL DISTRICT

1633 Staffordshire Rd Stafford, Texas 77477

Prepared by the Finance Department:

**Dovran Ovezov, CPA
Chief Financial Officer**

STAFFORD MUNICIPAL SCHOOL DISTRICT

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CERTIFICATE OF BOARD

Stafford Municipal School District

Name of School District

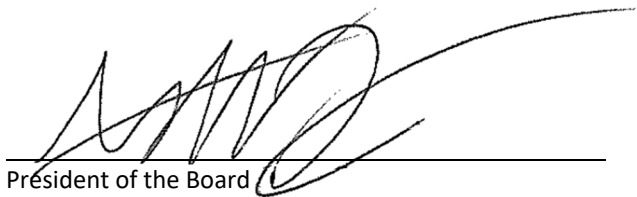
Fort Bend

County

079 - 910

Co. - Dist. No.

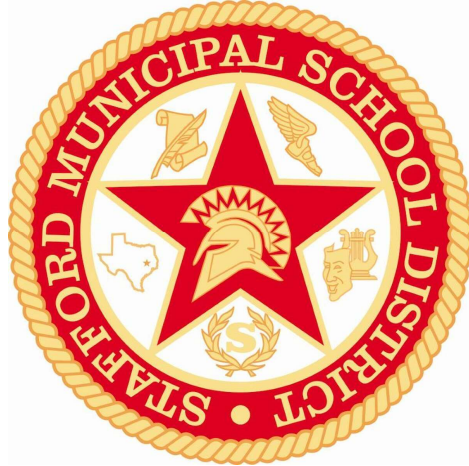
We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and X approved _____ disapproved for the fiscal year ended August 31, 2025, at a meeting of the Board of Trustees of such school district on February 17, 2026.



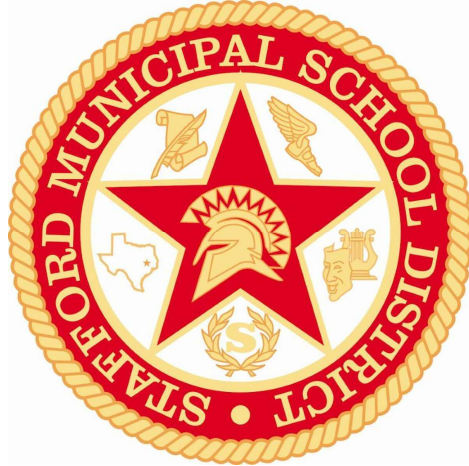
President of the Board



Vice President of the Board



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Stafford Municipal School District

Report on the Audit of the Financial Statements

Opinions

We have audited 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, 2025, 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

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

To the Board of Trustees
Stafford Municipal School District

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

Other Information

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

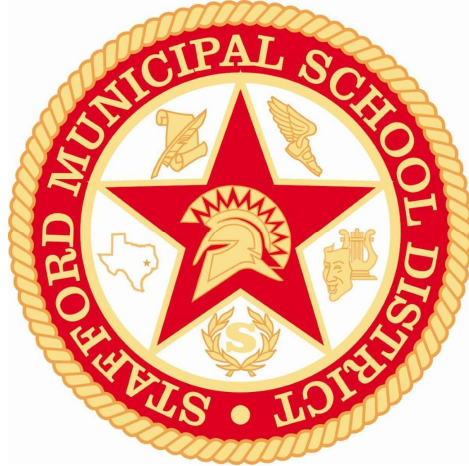
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

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

Houston, Texas
February 17, 2026



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, 2025.

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 \$23,823,410 (*deficit net position*). Of this amount, \$20,173,491 (*unrestricted net position*) was in a deficit due to the recording of other post-employment benefit liabilities.
- The District's total net position increased by \$1,586,357 from current operations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$13.88 million, an increase of \$5.87 million from the previous year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3.32 million, or 7.8% 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 the following: Instruction, Instructional Resources And Media Services, Curriculum And Staff Development, Instructional Leadership, School Leadership, Guidance, Counseling, And Evaluation Services, Social Work Services, Health Services, Student Transportation, Food Service, Extracurricular Activities, General Administration, Plant Maintenance And Operations, Security And Monitoring Services, Data Processing Services, Community Services, Interest On Long-Term Debt, Contracted Instructional Services Between Schools, Payments Related To Shared Services Arrangements, 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 21 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and capital projects fund, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation titled total nonmajor governmental 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 two enterprise funds, which consist of the Daycare Program and Community Center. 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 \$23,823,410, after an increase in net position of \$1,586,357 during the fiscal year and a restatement which decreased beginning net position by \$1,297,587.

Stafford Municipal School District's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2025	2024 *	2025	2024	2025	2024 *
Current assets	\$ 18,594,764	\$ 14,149,351	\$ (43,586)	\$ (19,518)	\$ 18,551,178	\$ 14,129,833
Capital assets	82,350,610	85,476,143	-	-	82,350,610	85,476,143
Total Assets	100,945,374	99,625,494	(43,586)	(19,518)	100,901,788	99,605,976
Total Deferred Outflows of Resources	13,279,421	16,577,036	-	-	13,279,421	16,577,036
Current liabilities	2,922,194	4,654,796	243	4,019	2,922,437	4,658,815
Noncurrent liabilities	124,160,525	124,017,830	-	-	124,160,525	124,017,830
Total Liabilities	127,082,719	128,672,626	243	4,019	127,082,962	128,676,645
Total Deferred Inflows of Resources	10,921,657	11,974,522	-	-	10,921,657	11,974,522
Net Position						
Net investment in capital assets	(10,759,383)	(10,016,495)	-	-	(10,759,383)	(10,016,495)
Restricted	7,109,464	4,778,135	-	-	7,109,464	4,778,135
Unrestricted	(20,129,662)	(19,206,258)	(43,829)	(23,537)	(20,173,491)	(19,229,795)
Total Net Position	\$ (23,779,581)	\$ (24,444,618)	\$ (43,829)	\$ (23,537)	\$ (23,823,410)	\$ (24,468,155)

* The 2024 governmental activities amounts for capital assets, current liabilities, and net position are restated above for corrections of errors – see Note 4-G for more information.

Deficit net investment in capital assets of a negative \$10.8 million reflects the District's investment of \$82.35 million in capital assets less 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 \$7.1 is restricted for debt service and grants.

The remaining balance, deficit *unrestricted net position* of \$20,173,491 is a result of the negative impact from the District's pension and other post-employment benefit liabilities.

Governmental Activities. Governmental activities increased the District's deficit net position by \$1,606,649 from current operations due to increases in instructional expenses.

Business-type Activities. Net position of the District's business-type activities decreased by \$20,292 for the year ended August 31, 2025 due to operations of the District's Daycare Program and Community Center.

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	
	2025	2024 *	2025	2024	2025	2024 *
Program Revenues						
Charges for services	\$ 878,966	\$ 839,723	\$ 258,522	\$ 252,789	\$ 1,137,488	\$ 1,092,512
Operating grants and contributions	7,099,537	9,481,238	-	-	7,099,537	9,481,238
General Revenues						
Property taxes:						
Levied for general purpose	32,628,515	30,411,846	-	-	32,628,515	30,411,846
Levied for debt service	8,952,861	8,065,223	-	-	8,952,861	8,065,223
State-aid formula grants	6,196,763	6,438,909	-	-	6,196,763	6,438,909
Interest earnings	1,038,194	865,162	8	-	1,038,202	865,162
Other	982,572	673,790	-	-	982,572	673,790
Total Revenues	57,777,408	56,775,891	258,530	252,789	58,035,938	57,028,680
Expenses						
Instruction	26,553,253	27,888,402	-	-	26,553,253	27,888,402
Instructional resources and media services	341,598	381,145	-	-	341,598	381,145
Curriculum and staff development	972,453	790,316	-	-	972,453	790,316
Instructional leadership	1,836,398	1,898,901	-	-	1,836,398	1,898,901
School leadership	2,327,917	2,313,522	-	-	2,327,917	2,313,522
Guidance, counseling, and evaluation services	1,748,775	1,654,456	-	-	1,748,775	1,654,456
Social work services	54,482	21,583	-	-	54,482	21,583
Health services	429,054	380,626	-	-	429,054	380,626
Student transportation	1,106,374	1,160,183	-	-	1,106,374	1,160,183
Food services	2,963,342	3,067,466	-	-	2,963,342	3,067,466
Extracurricular activities	1,533,452	1,390,342	-	-	1,533,452	1,390,342
General administration	2,797,485	2,918,380	-	-	2,797,485	2,918,380
Plant maintenance and operations	5,370,594	5,096,520	-	-	5,370,594	5,096,520
Security and monitoring services	877,739	801,774	-	-	877,739	801,774
Data processing services	990,655	878,498	-	-	990,655	878,498
Community services	275,405	374,850	-	-	275,405	374,850
Interest on long-term debt	3,927,156	3,426,098	-	-	3,927,156	3,426,098
Contracted Instructional Services	1,658,588	1,628,856	-	-	1,658,588	1,628,856
Payments related to shared services arrangements	23,411	23,830	-	-	23,411	23,830
Other intergovernmental charges	382,628	293,495	-	-	382,628	293,495
Daycare Program	-	-	252,032	242,903	252,032	242,903
Community Center	-	-	26,790	-	26,790	-
Total Expenses	56,170,759	56,389,243	278,822	242,903	56,449,581	56,632,146
Increase (Decrease) in Net Position	1,606,649	386,648	(20,292)	9,886	1,586,357	396,534
Beginning Net Position (Deficit), Restated	(25,386,230)	(24,831,266)	(23,537)	(33,423)	(25,409,767)	(24,864,689)
Ending Net Position (Deficit)	\$ (23,779,581)	\$ (24,444,618)	\$ (43,829)	\$ (23,537)	\$ (23,823,410)	\$ (24,468,155)

* The 2024 governmental activities amounts for operating grants and contributions and beginning net position are restated above for corrections of errors – see Note 4-G for more information.

Revenues are generated primarily from two sources: Property taxes of \$41.58 million represent 72% of total revenues and grants and contributions of \$13.30 million represent 23% of total revenues. The remaining 5% is generated from charges for services, investment earnings, and miscellaneous revenues.

The primary functional expenses of the District are instruction (\$26.55 million or 47% of total expenses), plant maintenance and operations (\$5.37 million or 10% of total expenses), interest on long-term debt (\$3.93 million or 7% of total expenses), food services (\$2.96 million or 5% of total expenses), and general administration (\$2.80 million or 5% of total expenses). The remaining functional categories of expenses are individually less than 5% 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 \$13.88 million. This change includes an increase of \$5.44 from current year activities and a restatement to beginning fund balances to decrease fund balance by \$0.43 million.

The general fund is the chief operating fund of the District. At the end of the current fiscal year, unassigned fund balance was \$3.32 million and the total fund balance of the general fund was \$3.88 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 7.8% of total general fund expenditures, while total fund balance represents 9.2% of that same total. Fund balance increased by \$0.09 million from the previous year due to the implementation of more effective budget monitoring procedures and a restatement which decreased beginning fund balance by \$0.43 million.

The debt service fund has a total fund balance of \$6.24 million, all of which is restricted for the payment of debt service. Fund balance increased by \$2.70 million from the prior year.

The capital projects fund has a total fund balance of \$2.77 million, all of which is restricted for the capital projects. Fund balance increased by \$3.02 million from the prior year due to the issuance of \$5.0 million in Series 2024 Maintenance Tax Notes.

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	\$ 42,114,671	\$ 42,114,671	\$ 42,860,892	\$ 746,221
Total expenditures	42,114,671	42,114,705	42,341,367	(226,662)
Net Change in Fund Balance	\$ -	\$ (34)	\$ 519,525	\$ 519,559

The most significant variations in the original budget to the final amended budget of the general fund were increases to the transportation budget by \$210,000. Actual expenditures were more than the final amended budget by \$226,662.

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, 2025, amounts to \$82.35 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 \$3,125,533 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		
	2025	2024	Change
Land	\$ 1,250,000	\$ 1,250,000	\$ -
Buildings and improvements	79,219,616	83,394,173	(4,174,557)
Vehicles	755,938	220,515	535,423
Equipment	1,084,062	383,016	701,046
Right to use assets (2024 restated)	40,994	228,439	(187,445)
Totals	\$ 82,350,610	\$ 85,476,143	\$ (3,125,533)

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		
	2025	2024	Change
General obligation bonds	\$ 93,135,333	\$ 96,667,685	\$ (3,532,352)
Notes payable	4,835,000	-	4,835,000
Workers' compensation	94,610	81,015	13,595
Compensated absences	1,062,557	17,920	1,044,637
Leases payable	14,750	102,018	(87,268)
SBITAs payable (2024 restated)	13,831	103,980	(90,149)
Net pension liability	15,537,756	19,357,063	(3,819,307)
Net OPEB liability	9,466,688	7,688,149	1,778,539
Totals	\$ 124,160,525	\$ 124,017,830	\$ 142,695

The District's net bonded debt decreased by \$3,532,352 (3.7%) during the current fiscal year due to the scheduled payments of bond principal. The notes payable increased due to issuance of \$5,000,000 in notes payable and the compensated absences liability increased due to implementation of GASB Statement No. 101, *Compensated Absences*.

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. Moody's Investors Service ("Moody's") provides an investor rating of "A3" to the District.

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

Economic Factors and Next Year's Budget and Rates

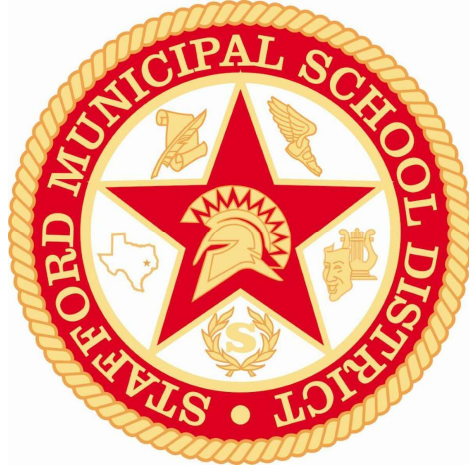
In preparation of its annual budget, the District's management considers various factors that drive school district's budgets; these include enrollment trends, property values, state funding, facility needs, and the economy.

The 2025-2026 fiscal year budget includes the following financial highlights:

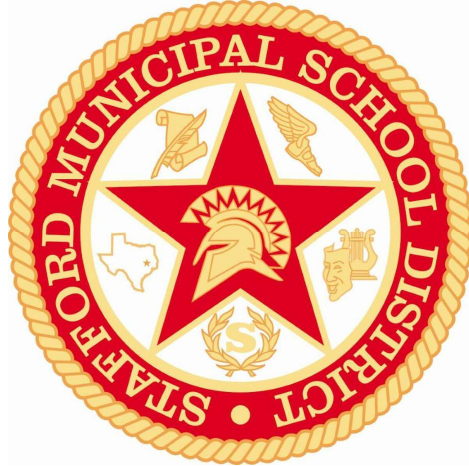
- Estimated revenues of \$44.2 million
- Estimated expenditures of \$44.2 million
- M&O tax rate of \$0.7869 per \$100 valuation

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, 2025
Exhibit A-1

Data Control Codes		Governmental Activities	Business-type Activities	Total
	Assets			
1110	Cash and cash equivalents	\$ 13,473,809	\$ -	\$ 13,473,809
1220	Property taxes receivables, net	1,987,618	-	1,987,618
1230	Allowance for uncollectable taxes	(29,815)	-	(29,815)
1240	Due from other governments	3,067,257	-	3,067,257
1260	Internal balances	43,586	(43,586)	-
1290	Other receivables, net	41,916	-	41,916
1410	Prepaid items	10,393	-	10,393
	Capital assets not subject to depreciation:			
1510	Land	1,250,000	-	1,250,000
	Capital assets net of depreciation/amortization:			
1520	Buildings and improvements	79,219,616	-	79,219,616
1530	Furniture and equipment	1,840,000	-	1,840,000
1550	Right to use assets	40,994	-	40,994
1000	Total Assets	100,945,374	(43,586)	100,901,788
	Deferred Outflows of Resources			
	Deferred charge on refunding	1,512,517	-	1,512,517
	Deferred outflows - pension	5,433,335	-	5,433,335
	Deferred outflows - OPEB	6,333,569	-	6,333,569
1700	Total Deferred Outflows of Resources	13,279,421	-	13,279,421
	Liabilities			
2110	Accounts payable	748,378	243	748,621
2140	Interest payable	168,293	-	168,293
2160	Accrued wages payable	1,927,005	-	1,927,005
2180	Due to other governments	27,162	-	27,162
2190	Due to student groups	34,035	-	34,035
2200	Accrued expenses	13,594	-	13,594
2300	Unearned revenue	3,727	-	3,727
	Noncurrent Liabilities:			
2501	Due within one year	3,720,702	-	3,720,702
	Due in more than one year:			
2502	Bonds, compensated absences, claims	95,435,379	-	95,435,379
2540	Net pension liability	15,537,756	-	15,537,756
2545	Net OPEB liability	9,466,688	-	9,466,688
2000	Total Liabilities	127,082,719	243	127,082,962
	Deferred Inflows of Resources			
	Deferred inflows - pension	1,491,491	-	1,491,491
	Deferred inflows - OPEB	9,430,166	-	9,430,166
2600	Total Deferred Inflows of Resources	10,921,657	-	10,921,657
	Net Position (Deficit)			
3200	Net investment in capital assets	(10,759,383)	-	(10,759,383)
	Restricted for:			
3820	Federal and state programs	635,450	-	635,450
3850	Debt service	6,474,014	-	6,474,014
3900	Unrestricted	(20,129,662)	(43,829)	(20,173,491)
3000	Total Net Position (Deficit)	\$ (23,779,581)	\$ (43,829)	\$ (23,823,410)

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2025
Exhibit B-1

Data Control Codes	Functions/Programs	Expenses	Program Revenue		Net (Expense) Revenue and Changes in Net Position		
			Charges for Services	Operating Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
	Primary Government						
	Governmental Activities:						
11	Instruction	\$ 26,553,253	\$ 15,380	\$ 1,734,179	\$ (24,803,694)		\$ (24,803,694)
12	Instructional resources and media services	341,598	-	893	(340,705)		(340,705)
13	Curriculum and staff development	972,453	-	762,012	(210,441)		(210,441)
21	Instructional leadership	1,836,398	-	202,636	(1,633,762)		(1,633,762)
23	School leadership	2,327,917	-	7,865	(2,320,052)		(2,320,052)
31	Guidance, counseling, and evaluation services	1,748,775	-	611,787	(1,136,988)		(1,136,988)
32	Social work services	54,482	-	59,920	5,438		5,438
33	Health services	429,054	-	5,798	(423,256)		(423,256)
34	Student transportation	1,106,374	-	1,323	(1,105,051)		(1,105,051)
35	Food service	2,963,342	106,746	2,698,551	(158,045)		(158,045)
36	Extracurricular activities	1,533,452	407,660	4,574	(1,121,218)		(1,121,218)
41	General administration	2,797,485	-	162,973	(2,634,512)		(2,634,512)
51	Plant maintenance and operations	5,370,594	57,715	264,617	(5,048,262)		(5,048,262)
52	Security and monitoring services	877,739	-	248,153	(629,586)		(629,586)
53	Data processing services	990,655	-	2,073	(988,582)		(988,582)
61	Community services	275,405	291,465	21,700	37,760		37,760
72	Interest on long-term debt	3,927,156	-	310,483	(3,616,673)		(3,616,673)
91	Contracted instructional services between schools	1,658,588	-	-	(1,658,588)		(1,658,588)
93	Payments related to shared services arrangements	23,411	-	-	(23,411)		(23,411)
99	Other intergovernmental charges	382,628	-	-	(382,628)		(382,628)
TG	Total Governmental Activities	<u>56,170,759</u>	<u>878,966</u>	<u>7,099,537</u>	<u>(48,192,256)</u>		<u>(48,192,256)</u>
	Business-Type Activities:						
01	Daycare Program	252,032	248,940	-	-	\$ (3,092)	(3,092)
02	Community Center	26,790	9,582	-	-	(17,208)	(17,208)
TB	Total Business-Type Activities	<u>278,822</u>	<u>258,522</u>	<u>-</u>	<u>-</u>	<u>(20,300)</u>	<u>(20,300)</u>
TP	Total Primary Government	<u>\$ 56,449,581</u>	<u>\$ 1,137,488</u>	<u>\$ 7,099,537</u>	<u>(48,192,256)</u>	<u>(20,300)</u>	<u>(48,212,556)</u>
	General Revenues:						
	Taxes:						
MT	Property taxes, levied for general purposes				32,628,515	-	32,628,515
DT	Property taxes, levied for debt service				8,952,861	-	8,952,861
SF	State-aid formula grants				6,196,763	-	6,196,763
IE	Investment earnings				1,038,194	8	1,038,202
MI	Miscellaneous				982,572	-	982,572
TR	Total General Revenues				<u>49,798,905</u>	<u>8</u>	<u>49,798,913</u>
CN	Change in net position				1,606,649	(20,292)	1,586,357
NB	Net Position (Deficit) - Beginning, as Previously Reported				(24,088,643)	(23,537)	(24,112,180)
PA	Restatements				(1,297,587)	-	(1,297,587)
	Net Position (Deficit) - Beginning, as Restated				<u>(25,386,230)</u>	<u>(23,537)</u>	<u>(25,409,767)</u>
NE	Net Position (Deficit) - Ending				<u>\$ (23,779,581)</u>	<u>\$ (43,829)</u>	<u>\$ (23,823,410)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
Exhibit C-1
**BALANCE SHEET
GOVERNMENTAL FUNDS
August 31, 2025**

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
1110	Cash and temporary investments	\$ 4,574,744	\$ 5,275,126	\$ 3,431,398	\$ 192,541	\$ 13,473,809
	Receivables:					
1220	Property taxes - delinquent	1,576,982	410,636	-	-	1,987,618
1230	Allowance for uncollectible taxes (credit)	(23,655)	(6,160)	-	-	(29,815)
1240	Receivables from other governments	1,002,399	-	-	2,064,858	3,067,257
1260	Due from other funds	1,903,797	966,432	-	754,622	3,624,851
1290	Other receivables	41,916	-	-	-	41,916
1410	Prepaid items	10,393	-	-	-	10,393
1000	Total Assets	\$ 9,086,576	\$ 6,646,034	\$ 3,431,398	\$ 3,012,021	\$ 22,176,029
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities:						
2110	Accounts payable	\$ 250,122	\$ -	\$ 54,994	\$ 443,262	\$ 748,378
2160	Accrued wages payable	1,808,499	-	-	118,506	1,927,005
2170	Due to other funds	1,533,540	-	609,217	1,438,508	3,581,265
2180	Payable to other governments	27,162	-	-	-	27,162
2190	Due to student groups	34,035	-	-	-	34,035
2200	Accrued expenditure	-	-	-	13,594	13,594
2300	Unearned revenue	-	3,727	-	-	3,727
2000	Total Liabilities	3,653,358	3,727	664,211	2,013,870	6,335,166
Deferred Inflows of Resources:						
	Unavailable revenue - property taxes	1,553,327	404,476	-	-	1,957,803
2600	Total Deferred Inflows of Resources	1,553,327	404,476	-	-	1,957,803
Fund Balances:						
Nonspendable:						
3430	Prepaid items	10,393	-	-	-	10,393
Restricted:						
3450	Grant restrictions	-	-	-	635,450	635,450
3470	Capital acquisitions	-	-	2,767,187	-	2,767,187
3480	Debt service	-	6,237,831	-	-	6,237,831
Assigned:						
3570	Capital expenditures	550,000	-	-	-	550,000
3590	Other purposes	-	-	-	362,701	362,701
3600	Unassigned	3,319,498	-	-	-	3,319,498
3000	Total Fund Balances	3,879,891	6,237,831	2,767,187	998,151	13,883,060
4000	Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 9,086,576	\$ 6,646,034	\$ 3,431,398	\$ 3,012,021	\$ 22,176,029

STAFFORD MUNICIPAL SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
STATEMENT OF NET POSITION
August 31, 2025

Exhibit C-1R

Data Control Codes		
	Total Fund Balance, Governmental Funds	\$ 13,883,060
	Amounts reported for governmental activities in the statement of net position are different because:	
	Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:	
1	Governmental capital assets costs	190,822,959
2	Accumulated depreciation/amortization of governmental capital assets	(108,472,349)
3	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.	1,957,803
	Long-term liabilities that are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
4	Bonds payable	(86,225,000)
5	Premium on bonds	(6,910,333)
6	Notes payable	(4,835,000)
7	Deferred charge on refunding	1,512,517
8	Accrued interest on the bonds	(168,293)
9	Leases payable	(14,750)
10	SBITAs payable	(13,831)
11	Compensated absences	(1,062,557)
12	Workers' compensation	(94,610)
13	Net pension liability	(15,537,756)
14	Net OPEB liability	(9,466,688)
15	Net deferred inflows/outflows of resources related to pension/OPEB	<u>845,247</u>
29	Total Net Deficit - Governmental Activities	<u><u>\$ (23,779,581)</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE
IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit C-2

Data Control Codes		General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues						
5700	Local, intermediate, and out-of-state	\$ 34,368,497	\$ 9,194,035	\$ 165,174	\$ 446,078	\$ 44,173,784
5800	State program revenues	7,975,866	310,483	-	849,574	9,135,923
5900	Federal program revenues	516,529	-	-	5,224,337	5,740,866
5020	Total Revenues	42,860,892	9,504,518	165,174	6,519,989	59,050,573
Expenditures						
Current:						
0011	Instruction	22,539,323	-	78,090	1,921,506	24,538,919
0012	Instruction resources and media services	301,492	-	-	-	301,492
0013	Curriculum and instructional staff development	207,640	-	-	730,539	938,179
0021	Instructional leadership	1,610,207	-	-	185,714	1,795,921
0023	School leadership	2,092,151	-	-	1,525	2,093,676
0031	Guidance, counseling and evaluation services	1,104,183	-	-	604,412	1,708,595
0032	Social work services	-	-	-	59,195	59,195
0033	Health services	382,198	-	-	2,774	384,972
0034	Student transportation	978,792	-	798,080	-	1,776,872
0035	Food services	-	-	-	2,955,674	2,955,674
0036	Extracurricular activities	1,317,314	-	7,849	84,465	1,409,628
0041	General administration	2,371,432	-	-	-	2,371,432
0051	Plant maintenance and operations	4,760,570	-	53,804	85,790	4,900,164
0052	Security and monitoring services	654,446	-	-	229,760	884,206
0053	Data processing services	903,553	-	367,512	5,176	1,276,241
0061	Community services	234,882	-	-	22,963	257,845
Debt Service:						
0071	Principal on long-term debt	342,417	3,080,000	-	-	3,422,417
0072	Interest on long-term debt	476,140	3,720,726	-	-	4,196,866
0073	Other debt service fees	-	4,875	48,775	-	53,650
Capital Outlay:						
0081	Facilities acquisition and construction	-	-	786,362	-	786,362
Intergovernmental:						
0091	Contracted instructional services	1,658,588	-	-	-	1,658,588
	Payments related to shared services					
0093	arrangements	23,411	-	-	-	23,411
0099	Other intergovernmental charges	382,628	-	-	-	382,628
6030	Total Expenditures	42,341,367	6,805,601	2,140,472	6,889,493	58,176,933
1100	Excess (deficiency) of revenues over expenditures	519,525	2,698,917	(1,975,298)	(369,504)	873,640
Other Financing Sources (Uses)						
7914	Issuance of debt - loan	-	-	5,000,000	-	5,000,000
7080	Total Other Financing Sources (Uses)	-	-	5,000,000	-	5,000,000
1200	Net change in fund balances	519,525	2,698,917	3,024,702	(369,504)	5,873,640
0100	Fund Balance - Beginning, as Previously Reported	3,793,107	3,538,914	-	1,110,140	8,442,161
	Adjustments and restatements	(432,741)	-	(257,515)	257,515	(432,741)
	Fund Balance - Beginning, as Restated/Adjusted	3,360,366	3,538,914	(257,515)	1,367,655	8,009,420
3000	Fund Balance - Ending	\$ 3,879,891	\$ 6,237,831	\$ 2,767,187	\$ 998,151	\$ 13,883,060

STAFFORD MUNICIPAL SCHOOL DISTRICT**Exhibit C-2R**

**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, 2025**

Data Control Codes		
	Net Change in Fund Balances - Total Governmental Funds (from C-2)	\$ 5,873,640
	Amounts reported for governmental activities in the statement of activities (B-1) are different because:	
	Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense.	
1	Capital outlay	2,281,514
2	Depreciation/amortization expense	(5,407,047)
3	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.	307,324
	Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.	
4	Issuance of debt - notes	(5,000,000)
5	Principal paid - bonds & notes	3,245,000
6	Principal paid - leases	87,268
7	Principal paid - SBITAs	90,149
	Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
8	Accrued interest on long-term debt	(2,949)
9	Amortization of bond premium	452,352
10	Amortization of deferred charge on refunding	(126,043)
11	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.	(103,025)
12	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.	(13,595)
13	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.	(77,939)
	Change in Net Position of Governmental Activities (see B-1)	\$ 1,606,649

STAFFORD MUNICIPAL SCHOOL DISTRICT**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****August 31, 2025****Exhibit D-1**

	Business-type Activities		
	Daycare Program	Community Center	Total Enterprise Funds
Assets			
Current Assets:			
Due from other funds	\$ 14,851	\$ -	\$ 14,851
Total Assets	<u>14,851</u>	<u>-</u>	<u>14,851</u>
Liabilities			
Current Liabilities:			
Accounts payable	-	243	243
Due to other funds	41,480	16,957	58,437
Total Liabilities	<u>41,480</u>	<u>17,200</u>	<u>58,680</u>
Net Position (Deficit)			
Unrestricted	(26,629)	(17,200)	(43,829)
Total Net Position (Deficit)	<u>\$ (26,629)</u>	<u>\$ (17,200)</u>	<u>\$ (43,829)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit D-2***STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION****PROPRIETARY FUNDS***For the Year Ended August 31, 2025*

	Business-type Activities		
	Daycare Program	Community Center	Total Enterprise Funds
Operating Revenues			
Charges for services	\$ 248,940	\$ 9,590	\$ 258,530
Total Operating Revenues	<u>248,940</u>	<u>9,590</u>	<u>258,530</u>
Operating Expenses			
Payroll costs	245,385	14,159	259,544
Purchased and contracted services	-	10,348	10,348
Supplies and materials	2,747	1,429	4,176
Other operating costs	3,900	854	4,754
Total Operating Expenses	<u>252,032</u>	<u>26,790</u>	<u>278,822</u>
Change in Net Position	(3,092)	(17,200)	(20,292)
Net Position (Deficit) - Beginning	<u>(23,537)</u>	<u>-</u>	<u>(23,537)</u>
Net Position (Deficit) - Ending	<u>\$ (26,629)</u>	<u>\$ (17,200)</u>	<u>\$ (43,829)</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended August 31, 2025

Exhibit D-3

	Business-type Activities		
	Daycare Program	Community Center	Total Enterprise Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 249,854	\$ 9,590	\$ 259,444
Payments to suppliers for goods and services	(4,469)	4,569	100
Payments to employees	(245,385)	(14,159)	(259,544)
Net Cash Provided By (Used For) Operating Activities	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	-	-	-
Cash And Cash Equivalents, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
Cash And Cash Equivalents, End of Year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Reconciliation of Operating Income (Loss) to Net Cash			
Provided by (Used for) Operating Activities:			
Operating income (loss)	\$ (3,092)	\$ (17,200)	\$ (20,292)
Adjustments To Reconcile Operating Income (Loss) To Net Cash			
Provided By (Used For) Operating Activities:			
Change in Assets and Liabilities:			
(Increase) decrease in due from other funds	(14,851)	-	(14,851)
Increase (decrease) in other receivables	914	-	914
Increase (decrease) in accounts payable	(4,019)	243	(3,776)
Increase (decrease) in interfund payables	21,048	16,957	38,005
Total Adjustments	<u>3,092</u>	<u>17,200</u>	<u>20,292</u>
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUND
August 31, 2025

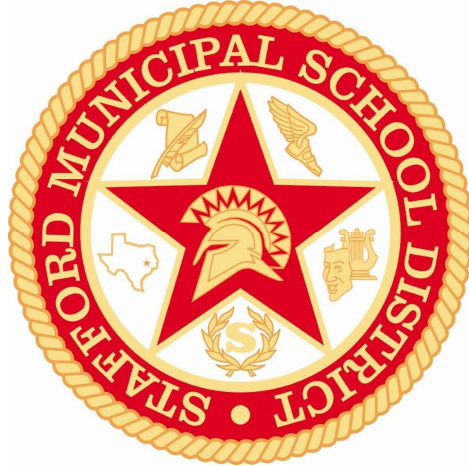
Exhibit E-1

	<u>Custodial Fund</u>
Assets	
Cash and cash equivalents	\$ 29,450
Receivables:	
Due from others	34,033
Other receivables	<u>424</u>
Total Assets	<u><u>\$ 63,907</u></u>
 Net Position	
Restricted for student activities	<u>\$ 63,907</u>
Total Net Position	<u><u>\$ 63,907</u></u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUND
For the Year Ended August 31, 2025

Exhibit E-2

	<u>Custodial Fund</u>
Additions	
Contributions:	
Revenues from student activities	\$ 123,286
Total Additions	<u>123,286</u>
Deductions	
Payments for student activities	<u>102,982</u>
Total Deductions	<u>102,982</u>
Change in net position	20,304
Net Position Beginning of Year	<u>43,603</u>
Net Position End of Year	<u>\$ 63,907</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.
- The *Capital Projects fund* accounts for the acquisition and construction of the District's major capital facilities, other than those financed by proprietary 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 *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 funds:

- 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.
- The *Community Center fund* accounts for the activities of the District's Community Center.

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)

2. Inventories and Prepaid Items (continued)

If there is a constraint on how the eventual proceeds can be spent, the fund balance is classified to reflect that constraint (restricted, committed, or assigned), rather than included as part of nonspendable fund balance.

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:

Assets	In Years
Buildings and improvements	10 - 30
Vehicles	8 - 9
Furniture and equipment	5 - 15
Right-to-use lease assets	Lease term
Subscription assets	Subscription term

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources represents a consumption of net assets 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 assets 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:

- a. 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

4. Deferred Outflows/Inflows of Resources (continued)

- b. District contributions to the pension and OPEB plans after the measurement date of each plan are recognized in the subsequent fiscal year.
- c. Deferred charge/gain on refunding is amortized over the shorter of the life of the refunded or refunding debt.
- d. Property taxes are recognized in the period the amount becomes available.

5. Compensated Absences

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

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.

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)

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

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

9. Pension

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

10. Other Postemployment Benefits (OPEB)

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.

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)

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 a remeasurement 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.

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.

3. 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.

4. Data Control Codes

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

Note 1 - Summary of Significant Accounting Policies (continued)

H. Risk Disclosures – Concentrations and Constraints

In accordance with GASB Statement No. 102, *Certain Risk Disclosures*, the District evaluates whether it has vulnerabilities due to concentrations or constraints that could make it susceptible to a substantial impact. A *concentration* is defined as a lack of diversity related to an aspect of a significant inflow or outflow of resources, such as reliance on a single revenue source or vendor. A *constraint* is a limitation imposed by an external party or by formal action of the government's highest level of decision-making authority, such as statutory spending caps or debt limits. The District assesses whether the concentration or constraint is known prior to issuance of the financial statements, whether it makes the District vulnerable to a substantial impact, and whether an event associated with the concentration or constraint has occurred, begun to occur, or is more likely than not to occur within 12 months of the issuance date. If all three criteria are met, the District discloses in the notes the nature of the concentration or constraint, the event or events that could cause a substantial impact, and the actions taken to mitigate the risk prior to issuance. If mitigating actions eliminate these conditions before issuance, disclosure is not required. The District had no concentrations or constraints meeting the requirements for disclosure.

I. Implementation of New Accounting Standards

GASB issued Statement No. 101, *Compensated Absences*, was issued in June 2022. The primary objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The requirements of this statement were implemented in 2025 and the impact is reflected in the financial statements. See Note 4-G for more information.

GASB issued Statement No. 102, *Certain Risk Disclosures*, in December 2023. The primary objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The requirements of this statement were implemented in fiscal year 2025 and had no 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.

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

B. 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, 2025, the carrying value of the District's cash and cash equivalents consisted of the following:

<u>Primary Government</u>	<u>Fair Value</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	\$ 9,503,901	82%	42	AAAm
TexSTAR	752,888	6%	44	AAAm
Lone Star Government Overnight Fund	1,766		26	AAAm
Investments Measured at Fair Value:				
LOGIC	1,393,479	12%	49	AAAm
Total	<u>11,652,034</u>	<u>100%</u>		
Portfolio weighted average maturity			43	
Cash and checking accounts	<u>1,821,775</u>	N/A	N/A	
Total Cash and Cash Equivalents	<u>\$ 13,473,809</u>			

In addition, the District's fiduciary fund held cash and checking accounts in the amount of \$24,610 and TexPool in the amount of \$4,840.

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 2025, 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, 2025, District's deposits were not exposed to custodial credit risk because such balances (\$2,363,023) were insured and collateralized with securities held by the District's agent and in the District's name.

Custodial Credit Risk – Investments

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

Note 3 - Detailed Notes on All Funds (continued)

B. Receivables

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

	Current Year-End	Prior Year-End	Change
Property tax receivable, gross	\$ 1,987,618	\$ 1,657,554	\$ 330,064
Allowance for uncollectibles	(29,815)	(16,576)	(13,239)
Property Tax Receivable, Net of Allowance	\$ 1,957,803	\$ 1,640,978	\$ 316,825
Allowance as a percentage of gross receivable	1.50%	1.00%	

C. Interfund Receivables, Payables, and Transfers

Receivables/Payables

The composition of interfund balances as of August 31, 2025 is as follows:

Fund	Interfund Receivables	Interfund Payables
Governmental Funds:		
General fund	\$ 1,903,797	\$ (1,533,540)
Debt service fund	966,432	-
Capital projects fund	-	(609,217)
Nonmajor governmental funds	754,622	(1,438,508)
Proprietary Funds:		
Nonmajor enterprise funds	14,851	(58,437)
Total	\$ 3,639,702	\$ (3,639,702)

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 2025, the District did not conduct any interfund transfers.

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets

Capital asset activity for the fiscal year ended August 31, 2025, was as follows:

	Restated Beginning Balance	Increases	Decreases/ Transfers	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 1,250,000	\$ -	\$ -	\$ 1,250,000
Total Capital Assets, Not Being Depreciated	<u>1,250,000</u>	<u>-</u>	<u>-</u>	<u>1,250,000</u>
Capital Assets, Being Depreciated:				
Buildings and improvements	176,329,856	628,191	-	176,958,047
Equipment	6,352,218	801,439	-	7,153,657
Vehicles	4,198,915	851,884	-	5,050,799
Right to use lease equipment	324,036	-	(185,998)	138,038
Subscription assets	300,763	-	(28,345)	272,418
Total Capital Assets, Being Depreciated	<u>187,505,788</u>	<u>2,281,514</u>	<u>(214,343)</u>	<u>189,572,959</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(92,935,683)	(4,802,748)	-	(97,738,431)
Equipment	(5,969,202)	(100,393)	-	(6,069,595)
Vehicles	(3,978,400)	(316,461)	-	(4,294,861)
Right to use lease equipment	(223,787)	(85,879)	185,998	(123,668)
Subscription assets	(172,573)	(101,566)	28,345	(245,794)
Total Accumulated Depreciation	<u>(103,279,645)</u>	<u>(5,407,047)</u>	<u>214,343</u>	<u>(108,472,349)</u>
Total Capital Assets Being Depreciated, Net	<u>84,226,143</u>	<u>(3,125,533)</u>	<u>-</u>	<u>81,100,610</u>
Governmental Activities Capital Assets, Net	<u>\$ 85,476,143</u>	<u>\$ (3,125,533)</u>	<u>\$ -</u>	<u>\$ 82,350,610</u>

Net investment in capital assets, as reported in the Statement of Net Position, consisted of the following as of August 31, 2025:

Capital Assets, Net	\$ 82,350,610
Less:	
Bonds payable	(86,225,000)
Premiums	(6,910,333)
Notes payable	(4,835,000)
Leases payable	(14,750)
SBITAs payable	(13,831)
Other non-debt capital-related liabilities	(54,994)
Plus:	
Deferred charges on refunding	1,512,517
Unspent bond/note proceeds	3,431,398
	<u>\$ (10,759,383)</u>

Note 3 - Detailed Notes on All Funds (continued)

D. Capital Assets (continued)

Depreciation/amortization was charged to functions as follows:

Governmental Activities:	
11 Instruction	\$ 2,923,633
12 Instructional resources and media services	45,867
13 Curriculum and instructional staff development	37,109
21 Instructional leadership	125,928
23 School leadership	285,992
31 Guidance, counseling, and evaluation services	92,457
32 Social work services	757
33 Health services	57,590
34 Student transportation	135,344
35 Food services	293,593
36 Extracurricular activities	163,926
41 General administration	477,011
51 Plant maintenance and operations	560,850
52 Security and monitoring services	79,511
53 Data processing	107,654
61 Community services	19,825
Total Depreciation/Amortization Expense	\$ 5,407,047

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, 2025, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation bonds	\$ 89,305,000	\$ -	\$ (3,080,000)	\$ 86,225,000	\$ 3,210,000
Premiums	7,362,685	-	(452,352)	6,910,333	-
Total Bonds Payable	96,667,685	-	(3,532,352)	93,135,333	3,210,000
Notes payable	-	5,000,000	(165,000)	4,835,000	175,000
Workers' compensation	81,015	13,595	-	94,610	94,610
Compensated absences *	959,532	103,025	-	1,062,557	212,511
Leases payable	102,018	-	(87,268)	14,750	14,750
SBITAs payable	103,980	-	(90,149)	13,831	13,831
Net pension liability *	19,357,063	-	(3,819,307)	15,537,756	-
Net OPEB liability *	7,688,149	1,778,539	-	9,466,688	-
Governmental Activities Long-term Liabilities	\$ 124,959,442	\$ 6,895,159	\$ (7,694,076)	\$ 124,160,525	\$ 3,720,702

* The change above is a net change for the fiscal year.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Outstanding Bonds and Notes Payable

The District issues general obligation bonds to provide funds for the construction and equipment of school facilities (BLDG) and to refund general obligation bonds (REF). General obligation bonds are direct obligations and pledge the full faith and credit of the District. These bonds are issued as 3-30 year current interest (CIB) or capital appreciation bonds (CAB) with various amounts of principal maturing each year. Rates may be fixed or variable. The following is a summary of changes in the general obligation bonds for the fiscal year:

Series	Interest Rate	Original Issue	Maturity Date	Outstanding Amount
Bonds Payable:				
2014 REF	2.0% - 4.0%	\$ 7,015,000	8/15/2026	\$ 830,000
2016B REF B	2.0% - 4.0%	5,540,000	8/15/2029	3,695,000
2018 BLDG	3.0% - 5.0%	48,210,000	8/15/2048	42,940,000
2019 BLDG A	4.0% - 5.0%	8,815,000	8/15/2049	7,385,000
2019 REF B	3.1% - 5.0%	35,975,000	8/15/2041	31,375,000
Total Bonds Payable				86,225,000
Notes Payable:				
2014 MTN	4.10%	5,000,000	8/15/2029	4,835,000
Total Bonds and Notes Payable				\$ 91,060,000

Debt service requirements at August 31, 2025 are as follows:

Year Ending August 31,	Governmental Activities					
	Bonds Payable			Notes Payable		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 3,210,000	\$ 3,672,526	\$ 6,882,526	\$ 175,000	\$ 198,236	\$ 373,236
2027	3,185,000	3,521,976	6,706,976	180,000	191,060	371,060
2028	3,300,000	3,403,476	6,703,476	185,000	183,680	368,680
2029	1,615,000	3,256,326	4,871,326	4,295,000	176,096	4,471,096
2030	3,435,000	3,175,876	6,610,876	-	-	-
2030 - 2034	19,735,000	13,289,580	33,024,580	-	-	-
2035 - 2039	21,250,000	9,089,878	30,339,878	-	-	-
2040 - 2044	21,400,000	4,999,047	26,399,047	-	-	-
2045 - 2049	9,095,000	782,200	9,877,200	-	-	-
Total	\$ 86,225,000	\$ 45,190,885	\$ 131,415,885	\$ 4,835,000	\$ 749,072	\$ 5,584,072

Current Year Debt Issuance

During fiscal year 2025, the District issued \$5,000,000 in Series 2024 Maintenance Tax Notes, incurring \$48,775 in issuance costs. These notes were issued for the purpose of repair, rehabilitation, renovation, replacement and equipment for existing school facilities. As a result, the proceeds were deposited into the capital projects fund. Future debt service payments for the notes will be funded from the general fund.

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Prior Year Defeasance

As of August 31, 2025, the District's defeased bonds included \$2,055,000 with a redemption date of August 15, 2028 and \$1,825,000 with a redemption date of August 15, 2026.

Arbitrage

As of August 31, 2025, the District had no liability for arbitrage payable.

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, 2025, are as follows:

Description	Start Date	End Date	Interest Rate	Lease Liability		Right-to-use Asset		
				Original Amount	Remaining	Asset	Accumulated Amortization	Net
Printers	02/01/22	01/01/26	1.548%	\$ 138,038	\$ 14,750	\$ 138,038	\$ (123,668)	\$ 14,370
				<u>\$ 138,038</u>	<u>\$ 14,750</u>	<u>\$ 138,038</u>	<u>\$ (123,668)</u>	<u>\$ 14,370</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:

Fiscal Year(s)	Principal	Interest	Total
2026	\$ 14,750	\$ 57	\$ 14,807
	<u>\$ 14,750</u>	<u>\$ 57</u>	<u>\$ 14,807</u>

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, 2025, are as follows:

Description	Start Date	End Date	Interest Rate	SBITA Liability		Right-to-use Asset		
				Original Amount	Amount Remaining	Asset	Accumulated Amortization	Net
Instructional Material	12/01/22	11/30/25	N/A	\$ -	\$ -	\$ 33,252	\$ (30,481)	\$ 2,771
Instructional Material	10/21/22	10/21/25	2.200%	197,655	-	197,655	(188,505)	9,150
Web Filter	10/01/23	08/31/26	3.041%	12,841	13,831	41,511	(26,808)	14,703
				<u>\$ 210,496</u>	<u>\$ 13,831</u>	<u>\$ 272,418</u>	<u>\$ (245,794)</u>	<u>\$ 26,624</u>

Note 3 - Detailed Notes on All Funds (continued)

E. Long-term Obligations (continued)

Subscription-Based Information Technology Arrangements (SBITAs) (continued)

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:

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 13,831	\$ 421	\$ 14,252
	<u>\$ 13,831</u>	<u>\$ 421</u>	<u>\$ 14,252</u>

F. Fund Balance

Fund balance assigned for other purposes includes the following:

Campus Activity Fund:	
Campus activities	\$ 284,925
Student motivation fund	77,776
Total Assigned Fund Balance	<u>\$ 362,701</u>

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>Capital Projects Fund</u>	<u>Nonmajor Funds</u>	<u>Totals</u>
Property taxes	\$ 32,373,241	\$ 8,900,811	\$ -	\$ -	\$ 41,274,052
Charges for services	433,043	-	-	370,223	803,266
Investment earnings	579,641	293,224	165,174	155	1,038,194
Other	982,572	-	-	75,700	1,058,272
Totals	<u>\$ 34,368,497</u>	<u>\$ 9,194,035</u>	<u>\$ 165,174</u>	<u>\$ 446,078</u>	<u>\$ 44,173,784</u>

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.

Note 4 - Other Information (continued)

A. Risk Management (continued)

Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by TRS-Active Care (the Plan) a statewide health coverage program for Texas public education employees, implemented by the Teacher Retirement System of Texas (TRS). The District paid premiums of \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to TRS. The legislature created the Plan for public school employee group health coverage in 2002-03, requiring all Districts with fewer than 500 employees to participate in the Plan.

Worker's Compensation

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

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

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

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

	Year Ended 8/31/2025	Year Ended 8/31/2024
Unpaid Claims, Beginning of Fiscal Year	\$ 81,015	\$ 84,021
Incurred claims (including IBNRs and changes in provisions)	13,595	(3,006)
Claim payments	-	-
Unpaid Claims, End of Fiscal Year	<u>\$ 94,610</u>	<u>\$ 81,015</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, 2025, 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 multiple-employer, cost-sharing, defined benefit pension plan 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/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

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. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Benefits Provided (continued)

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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 this manner are determined by the System's actuary.

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 2019 through 2025.

	Contribution Rates	
	September 1, 2024 to	Contribution
	August 31, 2025	Amounts
Member	8.25%	\$ 2,388,794
Non-Employer Contributing Entity	8.25%	1,403,866
Employers	8.25%	1,481,468

Contributors to the plan include active members, employers and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges and universities, medical schools and other entities, 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 schools, junior colleges, other entities, or the State of Texas as the employer for senior colleges, 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.

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Contributions (continued)

- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- All public schools, charter schools, and regional education service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
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 2024	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
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, 2023. For a full description of these assumptions please see the actuarial valuation report dated November 21, 2023.

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 9.54% of payroll in fiscal year 2025 and thereafter. 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, 2024 are summarized below:

Asset Class	Target Allocation²	Long-Term Expected Geometric Real Rate of Return³	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity ¹	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return ¹		4.00%	
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources & Infrastructure	6.00%	5.60%	0.40%
Commodities		2.50%	
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ⁴			-0.70%
Expected Return	100.00%		7.90%

¹ Absolute Return includes Credit Sensitive Investments.

² Target allocations are based on the fiscal year 2024 policy model.

³ Capital Market Assumptions (CMA) come from 2024 AAA Study CMA Survey (as of 12/31/2023)

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 schedule shows the impact of the net pension liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the Net pension liability:

	Discount Rate		
	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the Net Pension Liability:	\$ 24,817,733	\$ 15,537,756	\$ 7,848,635

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

At August 31, 2025, the District reported a liability of \$15,537,756 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	\$ 15,537,756
State's proportionate share that is associated with the District	14,565,780
Total	<u><u>\$ 30,103,536</u></u>

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024, 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, 2023 through August 31, 2024.

At August 31, 2024, the District's proportion of the collective net pension liability was 0.0254% which was a decrease of 0.0027% from its proportion measured as of August 31, 2023.

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

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%.

Note 4 - Other Information (continued)

C. Defined Benefit Pension Plan (continued)

Changes in Assumptions and Benefits Since the Prior Actuarial Valuation (continued)

The amount of pension expense recognized by the District in the reporting period was \$2,695,483.

For the year ended August 31, 2025, the District recognized pension expense of \$2,695,483 and revenue of \$1,740,854 representing for support provided by the State.

Changes Since the Prior Actuarial Valuation

At August 31, 2025, 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 economic experience	\$ 856,420	\$ (121,311)
Changes of assumption	802,248	(107,554)
Net difference between projected and actual earnings on pension plan investments	94,449	-
Changes in proportion and differences between District contributions and proportionate share of contributions	2,198,750	(1,262,626)
District contributions subsequent to the measurement date of the net pension liability	1,481,468	-
Total	\$ 5,433,335	\$ (1,491,491)

The District contributions subsequent to the measurement date of the net pension liability will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other 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	Balance of Deferred Outflows (Inflows)
2026	\$ 546,326	\$ 1,914,050
2027	1,992,910	(78,860)
2028	378,634	(457,494)
2029	(346,264)	(111,230)
2030	(111,230)	-
	\$ 2,460,376	

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 benefit OPEB plan with 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 (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet at <https://www.trs.texas.gov/learning-resources/publications>, or by writing to TRS at attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

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 participating employers are based on active employee compensation. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2025. The following table shows contributions to the TRS-Care plan by type of contributor.

Note 4 - Other Information (continued)

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

Contributions (continued)

	Contribution Rates September 1, 2024 to August 31, 2025	Contribution Amounts
Active Employee	0.65%	\$ 188,209
Non-Employer Contributing Entity (State)	1.25%	541,129
District:		
District, Excluding Federal/Private Funding	0.75%	242,580
Federal/Private Funding	1.25%	28,542
Total District		<u>271,122</u>
Total		<u><u>\$ 1,000,460</u></u>

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.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2024. The actuarial valuation was determined using the following actuarial assumptions:

Component	Result
Valuation Date	August 31, 2023, rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claim costs.
Projected Salary Increases	2.95% to 8.95% including inflation
Healthcare Trend Rates	The initial medical trend rate was 6.75 percent for non-Medicare retirees. For Medicare retirees, trend rates are higher in the first two years due to anticipated growth but thereafter match those of non-Medicare retirees. The initial prescription drug trend rate was 7.25 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 11 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

Note 4 - Other Information (continued)

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

Actuarial Assumptions (continued)

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 updated based on the experience study performed for TRS for the period ending August 31, 2021. 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, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024: (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 PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

A single discount rate of 3.87% was used to measure the total OPEB liability. There was a decrease of 0.26% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is the Bond Buyer's "20-Bond GO Index" as of August 31, 2024 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 (3.87%) in measuring the net OPEB Liability.

	Discount Rate		
	1% Decrease (2.87%)	Current Rate (3.87%)	1% Increase (4.87%)
District's proportionate share of the Net OPEB Liability	\$ 11,246,868	\$ 9,466,688	\$ 8,028,276

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

At August 31, 2025, the District reported a liability of \$9,466,688 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	\$ 9,466,688
State's proportionate share that is associated with District	11,861,632
Total	<u><u>\$ 21,328,320</u></u>

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)

The Net OPEB Liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 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, 2023 through August 31, 2024.

Healthcare Trend Rate Sensitivity

At August 31, 2024, the District's proportion of the collective Net OPEB Liability was 0.0312% which was a decrease of 0.0035% from its proportion measured as of August 31, 2023.

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	\$ 7,709,212	\$ 9,466,688	\$ 11,756,854

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 single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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, 2025, the District recognized negative OPEB expense of -\$824,035. The District also recognized negative on-behalf expense and revenue of -\$1,541,793 for support provided by the State.

Note 4 - Other Information (continued)

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

Changes of Benefit Terms Since the Prior Measurement Date (continued)

At August 31, 2025, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,814,446	\$ (4,724,391)
Changes of assumption	1,211,624	(3,088,871)
Net difference between projected and actual earnings	-	(26,510)
Changes in proportion and differences between District contributions and proportionate share of contributions	3,036,377	(1,590,394)
District contributions subsequent to the measurement date of the net OPEB liability	271,122	-
Total	<u>\$ 6,333,569</u>	<u>\$ (9,430,166)</u>

The District contributions subsequent to the measurement date of the net OPEB liability will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending August 31:	OPEB Expense Amount	Balance of Deferred Outflows (Inflows)
2026	\$ (1,070,442)	\$ (2,297,277)
2027	(641,686)	(1,655,591)
2028	(816,084)	(839,507)
2029	(655,178)	(184,329)
2030	(298,657)	114,328
2031	114,328	-
	<u>\$ (3,367,719)</u>	

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, 2025, 2024, and 2023, the subsidy payments received by TRS-Care on-behalf of the District were \$207,733, \$149,304, and \$164,890, respectively. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

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. Deficit Net Position and Fund Balances

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

	Governmental Activities	Business-Type Activities
Net Investment in Capital Assets	\$ (10,759,383)	\$ -
Unrestricted	(20,129,662)	(43,829)

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

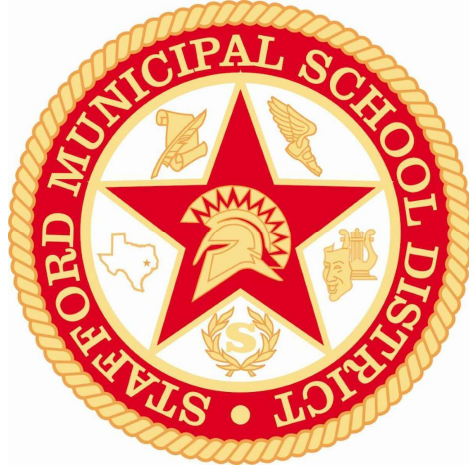
G. Restatements and Adjustments to Beginning Balances

The District restated the beginning balance of fund balance/net position due to the implementation of new accounting standards and to correct errors in the previously issued financial statements.

GASB Statement No. 101, *Compensated Absences* was implemented in the current fiscal year. In addition to the value of unused vacation time owed to employees upon separation of employment, the liability for compensated absences now includes recognition of an estimated amount of sick leave earned as of year-end that will be used by employees as time off in future years. The District also corrected balances as a result of improper amounts reported in the previous fiscal year related to state aid revenue. SBITA assets/liabilities, and payroll liabilities. Lastly, the District's beginning fund balance was adjusted as result of the capital projects fund being reclassified as a major fund in fiscal year 2025. A summary of all restatements and adjustments to beginning balances are as follows:

	Fund Balance				Net Position
	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	Governmental Activities
Fund Balance/Net Position - Beginning, as Previously Reported	\$ 3,793,107	\$ -	\$ 1,110,140	\$ 4,903,247	\$ (24,088,643)
Restatements:					
Implementation of GASB 101					(941,612)
Corrections of Errors:					
State aid revenue improperly recognized in previous year	(1,131,342)	-	-	(1,131,342)	(1,131,342)
Payroll liabilities improperly accrued in previous year	698,601	-	-	698,601	698,601
Corrections to SBITA-related amounts					
Right to use lease equipment	-	-	-	-	(240,688)
Right to use lease equipment - accumulated amortization	-	-	-	-	74,456
Long-term liability	-	-	-	-	242,998
Total Corrections of Errors	(432,741)	-	-	(432,741)	(355,975)
Total Restatements	(432,741)	-	-	(432,741)	(1,297,587)
Adjustments:					
Nonmajor fund to major fund	-	(257,515)	257,515	-	-
Fund Balance/Net Position - Beginning, as Restated/Adjusted	\$ 3,360,366	\$ (257,515)	\$ 1,367,655	\$ 4,470,506	\$ (25,386,230)

REQUIRED SUPPLEMENTARY INFORMATION



STAFFORD MUNICIPAL SCHOOL DISTRICT
Exhibit G-1
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended August 31, 2025

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local revenues	\$ 36,478,269	\$ 36,353,060	\$ 34,368,497	\$ (1,984,563)
State program revenues	5,044,447	5,169,656	7,975,866	2,806,210
Federal program revenues	591,955	591,955	516,529	(75,426)
Total Revenues	42,114,671	42,114,671	42,860,892	746,221
Expenditures				
Current:				
Instruction	22,584,391	22,488,726	22,539,323	(50,597)
Instruction resources and media services	385,623	385,625	301,492	84,133
Curriculum and instructional staff development	374,235	374,236	207,640	166,596
Instructional leadership	1,670,880	1,649,879	1,610,207	39,672
School leadership	2,217,902	2,217,905	2,092,151	125,754
Guidance, counseling and evaluation services	1,300,697	1,110,699	1,104,183	6,516
Health services	456,962	450,964	382,198	68,766
Student transportation	776,599	986,599	978,792	7,807
Extracurricular activities	1,416,155	1,432,663	1,317,314	115,349
General administration	2,328,574	2,335,753	2,371,432	(35,679)
Plant maintenance and operations	4,368,985	4,368,986	4,760,570	(391,584)
Security and monitoring services	670,822	670,822	654,446	16,376
Data processing services	885,252	885,253	903,553	(18,300)
Community services	205,101	205,102	234,882	(29,780)
Debt Service:				
Principal on long-term debt	105,000	184,000	342,417	(158,417)
Interest on long-term debt	-	-	476,140	(476,140)
Intergovernmental:				
Contracted instructional services	1,980,493	1,980,493	1,658,588	321,905
Payments related to shared services arrangements	35,000	35,000	23,411	11,589
Payments to Juvenile Justice Alternative Education Programs	20,000	20,000	-	20,000
Other intergovernmental charges	332,000	332,000	382,628	(50,628)
Total Expenditures	42,114,671	42,114,705	42,341,367	(226,662)
Other Financing Sources (Uses)				
Other Sources	(9,000,000)	-	-	-
Other Uses	9,000,000	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balances	-	(34)	519,525	519,559
Fund Balances - Beginning, as Restated	3,793,107	3,793,107	3,360,366	(432,741)
Fund Balances - Ending	\$ 3,793,107	\$ 3,793,073	\$ 3,879,891	\$ 86,818

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 Ten Measurement Years

	2024	2023	2022	2021	2020
District's proportion of the net pension liability	0.0254%	0.0282%	0.0225%	0.0229%	0.0213%
District's proportionate share of the net pension liability	\$ 15,537,756	\$ 19,357,063	\$ 13,363,383	\$ 5,838,409	\$ 11,416,168
State's proportionate share of the net pension liability associated with the District	14,565,780	20,066,191	16,294,593	7,770,581	16,109,180
Total	<u>\$ 30,103,536</u>	<u>\$ 39,423,254</u>	<u>\$ 29,657,976</u>	<u>\$ 13,608,990</u>	<u>\$ 27,525,348</u>
District's covered payroll (for Measurement Year)	\$ 28,219,028	\$ 30,494,246	\$ 27,053,827	\$ 25,979,351	\$ 24,222,593
District's proportionate share of the net pension liability as a percentage of covered payroll	55.06%	63.48%	49.40%	22.47%	47.13%
Plan fiduciary net position as a percentage of the total pension liability ¹	77.51%	73.15%	75.65%	88.79%	75.54%
Plan's net pension liability as a percentage of covered payroll ¹	102.39%	122.32%	112.72%	51.08%	110.36%
	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.0187%	0.0180%	0.0178%	0.0192%	0.0195%
District's proportionate share of the net pension liability	\$ 9,729,213	\$ 9,928,805	\$ 5,688,055	\$ 7,242,566	\$ 6,885,567
State's proportionate share of the net pension liability associated with the District	17,233,556	19,020,219	10,491,633	12,847,271	12,143,198
Total	<u>\$ 26,962,769</u>	<u>\$ 28,949,024</u>	<u>\$ 16,179,688</u>	<u>\$ 20,089,837</u>	<u>\$ 19,028,765</u>
District's covered payroll (for Measurement Year)	\$ 22,686,951	\$ 21,938,980	\$ 20,124,614	\$ 20,408,255	\$ 19,433,586
District's proportionate share of the net pension liability as a percentage of covered payroll	42.88%	45.26%	28.26%	35.49%	35.43%
Plan's net pension liability as a percentage of covered payroll ¹	75.24%	73.74%	82.17%	78.00%	78.43%
Plan's net pension liability as a percentage of covered payroll ¹	114.93%	126.11%	75.93%	92.75%	91.94%

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 Ten Fiscal Years

Exhibit G-3

	2025	2024	2023	2022	2021
Contractually required contributions	\$ 1,481,468	\$ 1,399,479	\$ 1,374,714	\$ 1,046,226	\$ 1,017,173
Contributions in relation to the contractual required contributions	1,481,468	1,399,479	1,374,714	1,046,226	1,017,173
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 28,955,079	\$ 28,219,028	\$ 30,494,246	\$ 27,053,827	\$ 25,985,952
Contributions as a percentage of covered payroll	5.12%	4.96%	4.51%	3.87%	3.91%
	2020	2019	2018	2017	2016
Contractually required contributions	\$ 851,353	\$ 667,044	\$ 621,642	\$ 583,029	\$ 608,576
Contributions in relation to the contractual required contributions	851,353	667,044	621,642	583,029	608,576
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980	\$ 20,124,614	\$ 20,408,255
Contributions as a percentage of covered payroll	3.51%	2.94%	2.83%	2.90%	2.98%

The District implemented GASB 68 and 71 during fiscal year 2015.

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

	2024	2023	2022	2021
District's proportion of the net OPEB liability	0.0312%	0.0347%	0.0290%	0.0284%
District's proportionate share of the net OPEB liability	\$ 9,466,688	\$ 7,688,149	\$ 6,933,009	\$ 10,950,730
State's proportionate share of the net OPEB liability associated with the District	11,861,632	9,276,933	8,457,182	14,671,538
Total	\$ 21,328,320	\$ 16,965,082	\$ 15,390,191	\$ 25,622,268
District's covered payroll (for Measurement Year)	\$ 28,219,028	\$ 30,494,246	\$ 27,053,827	\$ 25,979,351
District's proportionate share of the net OPEB liability as a percentage of covered payroll	33.5%	25.2%	25.6%	42.2%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	13.70%	14.94%	11.52%	6.18%
Plan's net OPEB liability as a percentage of covered payroll ¹	67.98%	51.86%	59.10%	100.13%
	2020	2019	2018	2017
District's proportion of the net OPEB liability	0.0283%	0.0280%	0.0275%	0.0269%
District's proportionate share of the net OPEB liability	\$ 10,758,419	\$ 13,230,649	\$ 13,748,974	\$ 11,700,277
State's proportionate share of the net OPEB liability associated with the District	14,456,737	17,580,573	18,643,241	15,829,896
Total	\$ 25,215,156	\$ 30,811,222	\$ 32,392,215	\$ 27,530,173
District's covered payroll (for Measurement Year)	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980	\$ 20,124,614
District's proportionate share of the net OPEB liability as a percentage of covered payroll	44.4%	58.3%	62.7%	58.1%
Plan fiduciary net position as a percentage of the total OPEB liability ¹	4.99%	2.66%	1.57%	0.91%
Plan's net OPEB liability as a percentage of covered payroll ¹	101.46%	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 Eight Fiscal Years

Exhibit G-5

	2025	2024	2023	2022
Contractually required contributions	\$ 271,122	\$ 276,360	\$ 283,576	\$ 236,700
Contributions in relation to the contractual required contributions	271,122	276,360	283,576	236,700
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 28,955,079	\$ 28,219,028	\$ 30,494,246	\$ 27,053,827
Contributions as a percentage of covered payroll	0.94%	0.98%	0.93%	0.87%
	2021	2020	2019	2018
Contractually required contributions	\$ 252,287	\$ 215,784	\$ 193,224	\$ 190,103
Contributions in relation to the contractual required contributions	252,287	215,784	193,224	190,103
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 25,985,952	\$ 24,222,593	\$ 22,686,951	\$ 21,938,980
Contributions as a percentage of covered payroll	0.97%	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, 2025, 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	\$ 22,488,726	\$ 22,539,323	\$ (50,597)
General administration	41	2,335,753	2,371,432	(35,679)
Plant maintenance and operations	51	4,368,986	4,760,570	(391,584)
Data processing services	53	885,253	903,553	(18,300)
Community services	61	205,102	234,882	(29,780)
Principal on long-term debt	71	184,000	342,417	(158,417)
Interest on long-term debt	72	-	476,140	(476,140)
Other intergovernmental charges	99	332,000	382,628	(50,628)

The excess spending was funded with costs savings in other functions and through more than anticipated state aid revenues. The total of all expenditures exceeding appropriations was less than 3% of total expenditures.

Note 2. Net Pension Liability and Net OPEB Liability

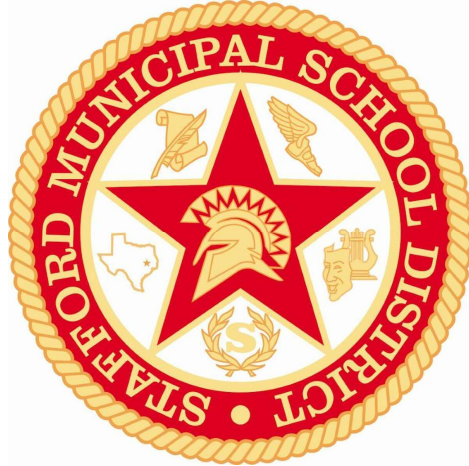
Changes in actuarial assumptions and inputs

Pension:

Measurement	
Year	Changes
2017	None
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.
2019	None
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.
2021	The public education employer contribution rate changed from 1.5% in 2020 to 1.6% in 2021.
2022	The discount rate changed from 7.25% to 7.00%.
2023	None
2024	None

Other Post-employment Benefits:

Measurement	Discount	
Year	Rate	Other Changes
2017	3.42%	Updated the health care trend rate assumption, and revised demographic and economic assumptions based on the TRS experience study.
2018	3.69%	Lowered the participation rates and updated the health care trend rate assumption.
2019	2.63%	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.
2020	2.33%	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.
2021	1.95%	N/A
2022	3.91%	Lowered the participation rates, and updated the healthcare trend rate assumption.
2023	4.13%	Revised demographic and economic assumptions based on the TRS experience study.
2024	3.87%	The tables used to model the impact of aging on the underlying claims were revised.



SUPPLEMENTARY INFORMATION

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 1 of 5

		206	211	224	225
		Texas Education for Homeless Children and Youth	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
Data Control Codes					
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	5,175	529,207	324,007	14,049
1260	Due from other funds	-	-	-	-
1000	Total Assets	<u>\$ 5,175</u>	<u>\$ 529,207</u>	<u>\$ 324,007</u>	<u>\$ 14,049</u>
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	\$ 5,082	\$ 9,521	\$ 78,490	\$ 12,098
2160	Accrued wages payable	-	9,474	2,904	-
2170	Due to other funds	93	509,107	242,284	1,951
2200	Accrued expenditure	-	1,105	329	-
2000	Total Liabilities	<u>5,175</u>	<u>529,207</u>	<u>324,007</u>	<u>14,049</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Assigned:				
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 5,175</u>	<u>\$ 529,207</u>	<u>\$ 324,007</u>	<u>\$ 14,049</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 2 of 5

Data Control Codes		226	240	244	255
		IDEA - Part B, Discretionary	School Breakfast and National School Lunch Program	Career and Technical Education - Basic Grant	ESEA, Title II, Part A - Supporting Effective Instruction
	Assets				
1110	Cash and temporary investments	\$ -	\$ 192,541	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	165,216	27,849	66,078
1260	Due from other funds	-	381,715	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 739,472</u>	<u>\$ 27,849</u>	<u>\$ 66,078</u>
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	\$ -	\$ 79,745	\$ 7,052	\$ 29,898
2160	Accrued wages payable	-	103,891	-	-
2170	Due to other funds	-	-	20,797	36,180
2200	Accrued expenditure	-	12,117	-	-
2000	Total Liabilities	<u>-</u>	<u>195,753</u>	<u>27,849</u>	<u>66,078</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	543,719	-	-
	Assigned:				
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>543,719</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 739,472</u>	<u>\$ 27,849</u>	<u>\$ 66,078</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 3 of 5

Data Control Codes		263 Title III, Part A - English Language Acquisition and Language	278 ARP Homeless I	279 TCLAS ESSER III	280 ARP Homeless II
	Assets				
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	63,490	1,500	-	5,619
1260	Due from other funds	-	-	1,104	-
1000	Total Assets	<u>\$ 63,490</u>	<u>\$ 1,500</u>	<u>\$ 1,104</u>	<u>\$ 5,619</u>
	Liabilities and Fund Balances				
	Liabilities:				
2110	Accounts payable	\$ 22,022	\$ 296	\$ 1,104	\$ -
2160	Accrued wages payable	2,237	-	-	-
2170	Due to other funds	39,188	1,204	-	5,619
2200	Accrued expenditure	43	-	-	-
2000	Total Liabilities	<u>63,490</u>	<u>1,500</u>	<u>1,104</u>	<u>5,619</u>
	Fund Balances:				
	Restricted:				
3450	Grant restrictions	-	-	-	-
	Assigned:				
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 63,490</u>	<u>\$ 1,500</u>	<u>\$ 1,104</u>	<u>\$ 5,619</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 4 of 5

		282	289	410	429
Data Control Codes		ESSER III Fund - ARP Act	Summer School LEP	Instructional Materials Fund	Miscellaneous State Grants
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ -
	Receivables:				
1240	Receivables from other governments	-	451,883	-	410,785
1260	Due from other funds	28	-	420	-
1000	Total Assets	<u>\$ 28</u>	<u>\$ 451,883</u>	<u>\$ 420</u>	<u>\$ 410,785</u>
Liabilities and Fund Balances					
Liabilities:					
2110	Accounts payable	\$ 28	\$ 64,658	\$ -	\$ 124,614
2160	Accrued wages payable	-	-	-	-
2170	Due to other funds	-	382,817	-	199,268
2200	Accrued expenditure	-	-	-	-
2000	Total Liabilities	<u>28</u>	<u>447,475</u>	<u>-</u>	<u>323,882</u>
Fund Balances:					
Restricted:					
3450	Grant restrictions	-	4,408	420	86,903
Assigned:					
3590	Other assigned	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>4,408</u>	<u>420</u>	<u>86,903</u>
4000	Total Liabilities and Fund Balances	<u>\$ 28</u>	<u>\$ 451,883</u>	<u>\$ 420</u>	<u>\$ 410,785</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING BALANCE SHEET
ALL NONMAJOR GOVERNMENTAL FUNDS
August 31, 2025

Exhibit H-1
Page 5 of 5

		461	499	699	
Data Control Codes		Campus Activity Funds	Student Motivation	Capital Projects Fund	Total Nonmajor Governmental Funds
Assets					
1110	Cash and temporary investments	\$ -	\$ -	\$ -	\$ 192,541
	Receivables:				
1240	Receivables from other governments	-	-	-	2,064,858
1260	Due from other funds	293,179	78,176	-	754,622
1000	Total Assets	<u>\$ 293,179</u>	<u>\$ 78,176</u>	<u>\$ -</u>	<u>\$ 3,012,021</u>
Liabilities and Fund Balances					
Liabilities:					
2110	Accounts payable	\$ 8,254	\$ 400	\$ -	\$ 443,262
2160	Accrued wages payable	-	-	-	118,506
2170	Due to other funds	-	-	-	1,438,508
2200	Accrued expenditure	-	-	-	13,594
2000	Total Liabilities	<u>8,254</u>	<u>400</u>	<u>-</u>	<u>2,013,870</u>
Fund Balances:					
	Restricted:				
3450	Grant restrictions	-	-	-	635,450
	Assigned:				
3590	Other assigned	284,925	77,776	-	362,701
3000	Total Fund Balances	<u>284,925</u>	<u>77,776</u>	<u>-</u>	<u>998,151</u>
4000	Total Liabilities and Fund Balances	<u>\$ 293,179</u>	<u>\$ 78,176</u>	<u>\$ -</u>	<u>\$ 3,012,021</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, 2025

Exhibit H-2

Page 1 of 5

		206	211	224	225
Data Control Codes		Texas Education for Homeless Children and Youth	ESEA, Title I, Part A - Improving Basic Programs	IDEA - Part B, Formula	IDEA - Part B, Preschool
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	19	-	-	-
5900	Federal program revenues	5,150	898,687	599,094	13,053
5020	Total Revenues	5,169	898,687	599,094	13,053
Expenditures					
Current:					
0011	Instruction	5,169	719,094	62,792	4,553
0013	Curriculum and instructional staff development	-	64,800	-	8,500
0021	Instructional leadership	-	30,356	2,922	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	70,273	533,380	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	14,164	-	-
6030	Total Expenditures	5,169	898,687	599,094	13,053
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - Beginning, as Previously Reported	-	-	-	-
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	-	-	-
3000	Fund Balance - 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, 2025

Exhibit H-2

Page 2 of 5

		226	240	244	255
			School	Career and	ESEA, Title II,
Data			Breakfast and	Technical	Part A -
Control		IDEA - Part B,	National School	Education -	Supporting
Codes		Discretionary	Lunch Program	Basic Grant	Effective
					Instruction
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ 106,901	\$ -	\$ -
5800	State program revenues	-	10,679	-	-
5900	Federal program revenues	66,354	2,670,444	41,528	71,237
5020	Total Revenues	66,354	2,788,024	41,528	71,237
Expenditures					
Current:					
0011	Instruction	66,354	-	41,528	-
0013	Curriculum and instructional staff development	-	-	-	65,834
0021	Instructional leadership	-	-	-	5,403
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	2,955,674	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	83,858	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
0061	Community services	-	-	-	-
6030	Total Expenditures	66,354	3,039,532	41,528	71,237
1200	Net change in fund balances	-	(251,508)	-	-
0100	Fund Balance - Beginning, as Previously Reported	-	795,227	-	-
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	795,227	-	-
3000	Fund Balance - Ending	\$ -	\$ 543,719	\$ -	\$ -

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 3 of 5

		263	278	279	280
		Title III, Part A -			
		English			
		Language			
Data		Acquisition and			
Control		Language	ARP Homeless I	TCLAS ESSER III	ARP Homeless II
Codes					
Revenues					
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	-	-
5900	Federal program revenues	81,257	1,500	14,483	10,539
5020	Total Revenues	81,257	1,500	14,483	10,539
Expenditures					
Current:					
0011	Instruction	67,822	1,500	-	10,539
0013	Curriculum and instructional staff development	10,060	-	-	-
0021	Instructional leadership	1,384	-	10,865	-
0023	School leadership	-	-	-	-
0031	Guidance, counseling and evaluation services	-	-	-	-
0032	Social work services	-	-	-	-
0033	Health services	-	-	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	3,618	-
0061	Community services	1,991	-	-	-
6030	Total Expenditures	81,257	1,500	14,483	10,539
1200	Net change in fund balances	-	-	-	-
0100	Fund Balance - Beginning, as Previously Reported	-	-	-	-
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	-	-	-
3000	Fund Balance - 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, 2025

Exhibit H-2

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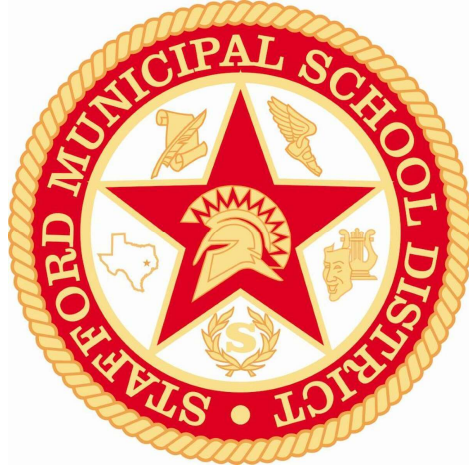
		282	289	410	429
Data					
Control					
Codes					
		ESSER III Fund -	Summer School	Instructional	Miscellaneous
		ARP Act	LEP	Materials Fund	State Grants
	Revenues				
5700	Local, intermediate, and out-of-state	\$ -	\$ -	\$ -	\$ -
5800	State program revenues	-	-	17,202	821,489
5900	Federal program revenues	5,811	745,200	-	-
5020	Total Revenues	5,811	745,200	17,202	821,489
	Expenditures				
	Current:				
0011	Instruction	-	416,257	243,450	79,980
0013	Curriculum and instructional staff development	-	192,568	-	388,777
0021	Instructional leadership	353	72,526	-	61,905
0023	School leadership	55	-	-	-
0031	Guidance, counseling and evaluation services	-	759	-	-
0032	Social work services	-	59,195	-	-
0033	Health services	-	2,774	-	-
0035	Food services	-	-	-	-
0036	Extracurricular activities	-	-	-	-
0051	Plant maintenance and operations	325	-	-	-
0052	Security and monitoring services	-	-	-	229,760
0053	Data processing services	1,558	-	-	-
0061	Community services	3,520	1,121	-	-
6030	Total Expenditures	5,811	745,200	243,450	760,422
1200	Net change in fund balances	-	-	(226,248)	61,067
0100	Fund Balance - Beginning, as Previously Reported	-	4,408	226,668	25,836
	Adjustments - Nonmajor fund to major fund	-	-	-	-
	Fund Balance - Beginning, as Adjusted	-	4,408	226,668	25,836
3000	Fund Balance - Ending	\$ -	\$ 4,408	\$ 420	\$ 86,903

STAFFORD MUNICIPAL SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - ALL NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended August 31, 2025

Exhibit H-2

Page 5 of 5

		461	499	699	
Data Control Codes		Campus Activity Funds	Student Motivation	Capital Projects Fund	Total Nonmajor Governmental Funds
Revenues					
5700	Local, intermediate, and out-of-state	\$ 263,477	\$ 75,700	\$ -	\$ 446,078
5800	State program revenues	-	185	-	849,574
5900	Federal program revenues	-	-	-	5,224,337
5020	Total Revenues	<u>263,477</u>	<u>75,885</u>	<u>-</u>	<u>6,519,989</u>
Expenditures					
Current:					
0011	Instruction	152,587	49,881	-	1,921,506
0013	Curriculum and instructional staff development	-	-	-	730,539
0021	Instructional leadership	-	-	-	185,714
0023	School leadership	1,470	-	-	1,525
0031	Guidance, counseling and evaluation services	-	-	-	604,412
0032	Social work services	-	-	-	59,195
0033	Health services	-	-	-	2,774
0035	Food services	-	-	-	2,955,674
0036	Extracurricular activities	84,465	-	-	84,465
0051	Plant maintenance and operations	1,607	-	-	85,790
0052	Security and monitoring services	-	-	-	229,760
0053	Data processing services	-	-	-	5,176
0061	Community services	2,167	-	-	22,963
6030	Total Expenditures	<u>242,296</u>	<u>49,881</u>	<u>-</u>	<u>6,889,493</u>
1200	Net change in fund balances	<u>21,181</u>	<u>26,004</u>	<u>-</u>	<u>(369,504)</u>
0100	Fund Balance - Beginning, as Previously Reported	263,744	51,772	(257,515)	1,110,140
	Adjustments - Nonmajor fund to major fund	-	-	257,515	257,515
	Fund Balance - Beginning, as Adjusted	<u>263,744</u>	<u>51,772</u>	<u>-</u>	<u>1,367,655</u>
3000	Fund Balance - Ending	<u>\$ 284,925</u>	<u>\$ 77,776</u>	<u>\$ -</u>	<u>\$ 998,151</u>



REQUIRED TEA SCHEDULES

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2025

Exhibit J-1

	1	2	3	10	20	31	32	40	50	99
	Tax Rates		Net Assessed/ Appraised	Beginning	Current	Maintenance	Debt Service	Entire	Ending	Total Taxes
Last Ten			Value For School	Balance	Year's	Total	Total	Year's	Balance	Refunded Under
Fiscal Years	Maintenance	Debt Service	Tax Purposes	9/1/24	Total Levy	Collections	Collections	Adjustments	8/31/25	Section 26.1115(c)
2016										
and prior	Various	Various	Various	\$ 101,440		\$ 76	\$ 34	\$ (33,817)	\$ 67,513	
2017	\$1.040050	\$0.190000	\$2,229,686,598	123,509		351	125	(335)	122,698	
2018	1.040050	0.190000	2,411,451,567	76,749		115	38	(95)	76,501	
2019	1.053300	0.271750	2,454,481,038	96,488		14,033	4,153	(2,065)	76,237	
2020	0.970050	0.280000	2,598,475,981	139,243		24,518	8,257	7,555	114,023	
2021	0.966400	0.255912	2,791,336,810	152,497		24,632	6,691	16,349	137,523	
2022	0.913900	0.255900	3,017,559,583	143,870		13,234	4,509	6,623	132,750	
2023	0.854600	0.244700	3,701,381,516	251,989		(89,096)	(23,276)	(138,215)	226,146	
2024	0.812700	0.215200	3,819,007,102	571,769		(621,134)	(153,282)	(971,573)	374,612	
2025	0.786900	0.215221	4,229,071,140	-	\$ 42,380,410	32,737,935	8,982,860	-	659,615	
1000 Totals				<u>\$ 1,657,554</u>	<u>\$ 42,380,410</u>	<u>\$ 32,104,664</u>	<u>\$ 8,830,109</u>	<u>\$ (1,115,573)</u>	<u>1,987,618</u>	
Total Taxes Receivable Per Exhibit C-1									<u>\$ 1,987,618</u>	
8000 Taxes Refunded										<u>\$ 4,400</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT
Exhibit J-2

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
SCHOOL BREAKFAST AND NATIONAL SCHOOL LUNCH PROGRAM
For the Year Ended August 31, 2025**

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Local, Intermediate, and Out-of-State	\$ 58,837	\$ 58,837	\$ 106,901	\$ 48,064
State Program Revenues	11,000	11,000	10,679	(321)
Federal Program Revenues	2,702,932	2,702,932	2,670,444	(32,488)
Total Revenues	<u>2,772,769</u>	<u>2,772,769</u>	<u>2,788,024</u>	<u>15,255</u>
Expenditures				
Current:				
Food Services	3,038,969	3,038,969	2,955,674	83,295
Facilities maintenance and operations	120,000	120,000	83,858	36,142
Total Expenditures	<u>3,158,969</u>	<u>3,158,969</u>	<u>3,039,532</u>	<u>119,437</u>
Increase (Decrease) in Fund Balance	(386,200)	(386,200)	(251,508)	134,692
Fund Balance - September 1 (Beginning)	<u>795,227</u>	<u>795,227</u>	<u>795,227</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 409,027</u>	<u>\$ 409,027</u>	<u>\$ 543,719</u>	<u>\$ 134,692</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit J-3***SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
DEBT SERVICE FUND***For the Year Ended August 31, 2025*

	Budget			Variance with Final Budget
	Original	Final	Actual	
Revenues				
Local, Intermediate, and Out-of-State	\$ 9,916,552	\$ 9,916,552	\$ 9,194,035	\$ (722,517)
State Program Revenues	288,250	288,250	310,483	22,233
Total Revenues	<u>10,204,802</u>	<u>10,204,802</u>	<u>9,504,518</u>	<u>(700,284)</u>
Expenditures				
Debt Service:				
Principal on long-term debt	6,056,906	3,080,000	3,080,000	-
Interest on long-term debt	4,042,933	4,042,933	3,720,726	322,207
Issuance costs and fees	5,000	2,981,906	4,875	2,977,031
Total Expenditures	<u>10,104,839</u>	<u>10,104,839</u>	<u>6,805,601</u>	<u>3,299,238</u>
Increase (Decrease) in Fund Balance	99,963	99,963	2,698,917	2,598,954
Fund Balance - September 1 (Beginning)	<u>3,538,914</u>	<u>3,538,914</u>	<u>3,538,914</u>	<u>-</u>
Fund Balance - August 31 (Ending)	<u>\$ 3,638,877</u>	<u>\$ 3,638,877</u>	<u>\$ 6,237,831</u>	<u>\$ 2,598,954</u>

STAFFORD MUNICIPAL SCHOOL DISTRICT*Exhibit J-4***COMPENSATORY EDUCATION PROGRAM AND BILINGUAL EDUCATION PROGRAM COMPLIANCE RESPONSES****For the Year Ended August 31, 2025**

Data Codes	Section A: Compensatory Education Programs	Responses
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 3,905,671
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$ 2,181,753
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.	\$ 479,039
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	\$ 266,687

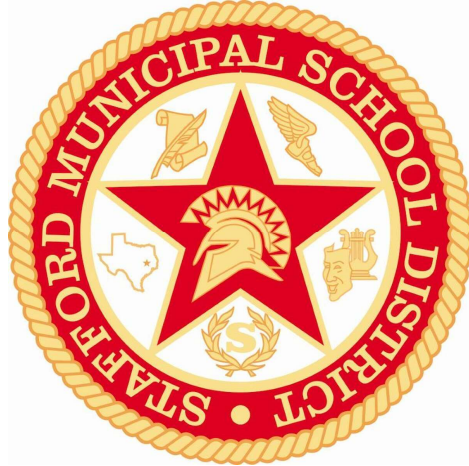
STAFFORD MUNICIPAL SCHOOL DISTRICT
Required Responses to Selected School FIRST Indicators
For the Year Ended August 31, 2025

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

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, 2025, and the related notes to the financial statements, which collectively comprise District's basic financial statements, and have issued our reports thereon dated February 17, 2026.

Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To the Board of Trustees
Stafford Municipal School District

Purpose of this Report

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

Houston, Texas
February 17, 2026

**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

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 identified as subject to audit 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, 2025. 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, 2025.

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.

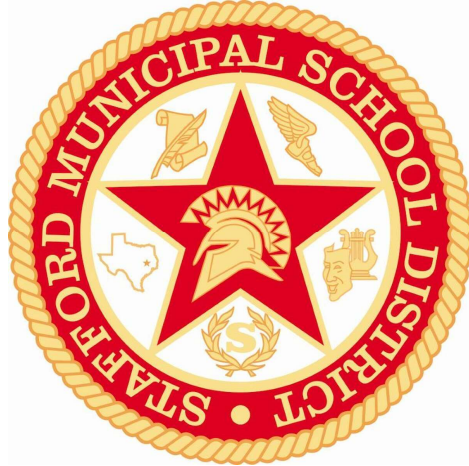
To the Board of Trustees
Stafford Municipal School District

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.

Whitley Penn LLP

Houston, Texas
February 17, 2026



STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended August 31, 2025

I. Summary of Auditors' Results

Financial Statements

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

Federal Awards

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

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>Assistance Listing Number (ALN)</u>
<i>ESSA Title I, Part A - Improving Basic Programs</i>	84.010
<i>Title I, 1003 ESF Focused Support</i>	84.010
<i>2022-2024 School Action Fund Continuation</i>	84.010
<i>2025-2026 SFI PART B1 K- 5 MAT</i>	84.010
<i>Special Education Cluster</i>	84.027, 84.173
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, 2025

II. Financial Statement Findings

None reported.

III. Federal Awards Findings and Questioned Costs

None reported.

STAFFORD MUNICIPAL SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2025

Exhibit K-1

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	24610101079910	\$ 57,027
211	ESSA Title I, Part A - Improving Basic Programs	84.010A	25610101079910	782,625
211	Title I, 1003 ESF Focused Support	84.010A	246101397110034	92,641
211	2022-2024 School Action Fund Continuation	84.010A	236101627110028	4,090
211	2025-2026 SFI PART B1 K- 5 MAT	84.010A	25610171079910	10,533
	Total ALN 84.010			<u>946,916</u>
224	IDEA - Part B ,Formula	84.027A	246600010799106600	2,850
224	IDEA - Part B, Formula	84.027A	256600010799106600	627,787
225	IDEA - Part B, Preschool	84.173A	256610010799106610	13,729
226	High Cost Fund	84.027A	66002506	66,354
	Total Special Education Cluster (ALN 84.027, 84.173)			<u>710,720</u>
206	Texas Education for Homeless Children & Youth	84.196A	244600057110084	1,295
206	Texas Education for Homeless Children & Youth	84.196A	254600057110009	4,040
	Total ALN 84.196			<u>5,335</u>
244	2022-23 Perkins V: Strengthening CTE for 21st Century	84.048A	25420006079910	43,589
255	ESSA Title II, Part A - Supporting Effective Instruction	84.367A	25694501079910	74,930
289	LEP Summer School	84.369A	69552402	5,454
263	TITLE III, PART A- ELA	84.365A	25671001079910	85,509
289	2023-2024 TRI - K TO G5 Continuation	84.371C	236470027110015	125,435
289	2023-2024 TRI - G6 TO G12 Continuation	84.371C	236470037110013	73,564
	Total ALN 84.371			<u>198,999</u>
289	Title IV, Part A, Subpart 1	84.424A	24680101079910	6,638
289	Title IV, Part A, Subpart 1	84.424A	25680101079910	33,516
289	2024-2025 Stronger Connections	84.424F	236811017110057	546,334
	Total ALN 84.424			<u>586,488</u>
278	COVID-19 - ARP Homeless I-TEHCY Supplemental	84.425W	215330017110077	1,500
280	COVID-19 - ARP Homeless II	84.425W	21533002079910	10,871
282	COVID-19 - ARP Act ESSER III	84.425U	21528001079910	5,811
289	COVID-19 - ADSY Summer Learning Accelerator	84.425U	21528088079910	18,833
279	COVID-19 - TCLAS ESSER III	84.425U	21528042079910	14,483
	Total ALN 84.425			<u>51,498</u>
	Total U.S. Department of Education			<u>2,709,438</u>
	U.S. Department of Agriculture			
	Passed Through Texas Education Agency:			
240	School Breakfast Program	10.553	71402501	611,386
240	School Breakfast Program - Seamless Summer Option	10.553	71402501	21,836
240	National School Lunch Program	10.555	71302501	1,663,938
240	National School Lunch Program - Seamless Summer Option	10.555	71302501	60,938
	Passed Through Texas Department of Agriculture:			
	Non-Cash Assistance:			
240	National School Lunch Program - Commodities	10.555	NT4XL1YGLGC5	150,366
	Total Child Nutrition Cluster (ALN 10.553, 10.555)			<u>2,508,464</u>
	Passed Through Texas Department of Agriculture:			
240	Local Food for Schools Cooperative	10.185	NT4XL1YGLGC5	84,993
240	Child and Adult Care Food Program	10.558	NT4XL1YGLGC5	68,675
240	State Administrative Expense (SAE) Funds	10.560	NT4XL1YGLGC5	8,312
	Total U.S. Department of Agriculture			<u>2,670,444</u>
	U.S. Department of Health And Human Services			
	Passed Through Texas Health and Human Services Commission:			
199	Medicaid Administrative Claiming (MAC)	93.778	079-910	1,086
	Total Medicaid Cluster (ALN 93.778)			<u>1,086</u>
	Total U.S. Department of Health And Human Services			<u>1,086</u>
	U.S. Department of Homeland Security			
	Passed Through Texas Department of Emergency Management:			
199	Disaster Grants - Hurricane Beryl #4798 Project #753140	97.036	4798DRTXP00000001	68,129
199	Disaster Grants - Hurricane Beryl #4798 Project #800347	97.036	4798DRTXP00000001	184,970
	Total ALN 97.036			<u>253,099</u>
	Total U.S. Department of Homeland Security			<u>253,099</u>
	Total Expenditures of Federal Awards			<u>\$ 5,634,067</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

In accordance with 2 CFR 200.414(f), recipients and subrecipients that do not have a current Federal negotiated indirect cost rate may elect to charge a de minimis rate of up to 10 percent of modified total direct costs (MTDC). For federal awards issued on or after October 1, 2024, revisions to the Uniform Guidance increased the allowable de minimis rate to 15 percent. The District did not elect to use the de minimis indirect cost rate of 10 percent or 15 percent.

Note 3. Reconciliation to Basic Financial Statements

Presented below is a reconciliation of total federal revenues to Exhibit C-2:

Total Expenditures of Federal Awards - Exhibit K-1	\$ 5,634,067
Other federal revenue:	
Reserve officers' training corps (ROTC)	106,799
Total Federal Revenue - Exhibit C-2	\$ 5,740,866

Presented below is a reconciliation of General Fund federal revenues to Exhibit C-2:

Federal Revenue Accounted for in General Fund:	
Medicaid Administrative Claiming (MAC)	\$ 1,086
Reserve officers' training corps (ROTC)	106,799
Disaster Grants - Hurricane Beryl #4798	253,099
Indirect Costs	155,545
Total General Fund Federal Revenue - Exhibit C-2	\$ 516,529

STAFFORD MUNICIPAL SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2025

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, 2025 has been prepared to address these requirements.

I. Prior Audit Findings

N/A

STAFFORD MUNICIPAL SCHOOL DISTRICT

CORRECTIVE ACTION PLAN

For the Year Ended August 31, 2025

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

I. Corrective Action Plan

N/A