

CITY OF STAFFORD, TEXAS

ANNUAL FINANCIAL REPORT

Year Ended September 30, 2021
with Report of Independent Auditors

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CITY OF STAFFORD, TEXAS**PRINCIPAL OFFICIALS****Elected Officials**

Cecil Willis, Jr.	Mayor
Ken Mathew	Mayor Pro Tem, Position 6
Alice Chen	City Councilmember, Position 1
Wen Guerra	City Councilmember, Position 2
Virginia Rosas	City Councilmember, Position 3
Don Jones	City Councilmember, Position 4
Xavier Herrera	City Councilmember, Position 5

Appointed Officials

Nicola Browe	Acting City Secretary
Arthur L. Pertile, III	City Attorney
Alka Shah	Director of Finance
Shanell Garcia	Human Resources Director
Carolyn Entricht	Multimedia Communications Director
Tatyana Luttenschlager	City Planner
Richard Ramirez	Chief of Police
Nicole Nguyen	Municipal Court Director
Debra Sinclair-White	Municipal Court Judge
Larry Di Camillo	Fire Chief



FINANCIAL SECTION



INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of City Council
City of Stafford, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of City of Stafford, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City, as of September 30, 2021, 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.

To the Honorable Mayor and
Members of City Council
City of Stafford, Texas

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules and other supplementary information, and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated March 2, 2022, on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.

Whitley Penn LLP

Houston, Texas
March 2, 2022

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Stafford (the “City”), we offer readers of the City’s financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary 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 City’s finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City’s assets, deferred outflows, liabilities, and deferred inflows, with the difference between the four 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 City is improving or deteriorating.

The *statement of activities* presents information showing how the government’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event to the change occurs, *regardless of 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 the future fiscal periods (e.g., municipal court fines).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government and administration, public safety, public works, and parks and recreation. The City currently does not have any business-type activities.

The government-wide financial statements include not only the City itself (known as *the primary government*), but also legally separate entities for which the City is financially accountable. Financial information for these *discretely presented component units* is reported separately from the financial information presented for the primary government itself. The City’s two discretely presented component units consist of the following: Stafford Economic Development Corporation and Stafford Municipal School District.

The government-wide financial statements can be found beginning on page 13 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City currently only has governmental funds.

CITY OF STAFFORD, TEXAS
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 government'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 government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains ten (13) 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, Hotel Occupancy Tax Special Revenue Fund and Capital Projects Fund which are considered to be major funds. Data for the other ten (10) funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental funds financial statements can be found on beginning on page 16 of this report.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* – including Schedules of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual for both the General Fund and Hotel Occupancy Tax Special Revenue Fund, Schedules of Changes in Net Pension Liability and Contributions, and a Schedule of Changes in Net OPEB Liability. Required supplementary information can be found beginning on page 45 of this report.

The *other supplemental information* is presented following the required supplementary information. These combining statements can be found beginning on page 55 of this report.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Government-wide Financial Analysis

The following table provides a summary of the City's net position at September 30, 2021 and 2020:

Condensed Schedule of Net Position
September 30, 2021 and 2020

	Governmental Activities		Change	
	2021	2020	Amount	Percent
Current and other assets	\$ 25,886,170	\$ 21,559,414	\$ 4,326,756	20%
Capital assets	68,545,698	69,175,704	(630,006)	-1%
Total Assets	94,431,868	90,735,118	3,696,750	4%
Deferred outflows of resources	1,361,411	1,458,756	(97,345)	-7%
Current and other liabilities	6,493,778	9,925,085	(3,431,307)	-35%
Long-term liabilities	20,510,608	18,167,370	2,343,238	13%
Total Liabilities	27,004,386	28,092,455	(1,088,069)	-4%
Deferred inflows of resources	2,053,802	2,072,821	(19,019)	-1%
Net position:				
Net investment in capital assets	57,653,015	58,727,505	(1,074,490)	-2%
Restricted	8,082,590	8,584,347	(501,757)	-6%
Unrestricted	999,486	(5,283,254)	6,282,740	-119%
Total Net Position	\$ 66,735,091	\$ 62,028,598	\$ 4,706,493	8%

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Stafford, assets and deferred outflows exceeded liabilities and deferred inflows by \$66.7 million as of September 30, 2021.

By far the largest portion of the City's net position, 86 percent reflects its net investment in capital assets (e.g., land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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.

An additional 12 percent portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position carries a balance of \$1.0 million primarily due to long term pension and other post-employment benefits with a \$3.6 million downward impact on overall net position.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The following table provides a summary of the City's operations for the years ended September 30, 2021 and 2020:

Condensed Statement of Activities
For the Years Ended September 30, 2021 and 2020

	Governmental Activities		Change	
	2021	2020	Amount	Percent
Revenues				
Program revenue:				
Charges for services	\$ 5,613,485	\$ 5,637,549	\$ (24,064)	0%
Operating grants and contributions	5,763,899	1,093,495	4,670,404	427%
Capital grants and contributions	124,105	5,388,441	(5,264,336)	-98%
General revenues:				
Sales and use taxes	16,860,497	15,047,439	1,813,058	12%
Other taxes	2,559,629	2,418,097	141,532	6%
Unrestricted investment earnings	1,481	84,538	(83,057)	-98%
Miscellaneous	97,609	54,883	42,726	78%
Total Revenues	31,020,705	29,724,442	1,296,263	4%
Expenses:				
General Administration	4,425,315	4,227,675	197,640	5%
Finance Administration	544,221	550,272	(6,051)	-1%
Municipal Services & Public Works	5,730,475	7,219,954	(1,489,479)	-21%
Police and Emergency Services	11,396,496	13,296,921	(1,900,425)	-14%
Recreation and Performing Arts	1,180,889	1,221,438	(40,549)	-3%
Stafford Centre	1,910,485	1,692,178	218,307	13%
Judicial	545,239	537,716	7,523	1%
Interest on long-term debt	581,092	404,145	176,947	44%
Total Expenses	26,314,212	29,150,299	(2,836,087)	-10%
Change in net position for the year	4,706,493	101,031	4,605,462	-4558%
Net Position - Beginning	62,028,598	61,927,567	101,031	0%
Net Position - Ending	\$ 66,735,091	\$ 62,028,598	\$ 4,706,493	8%

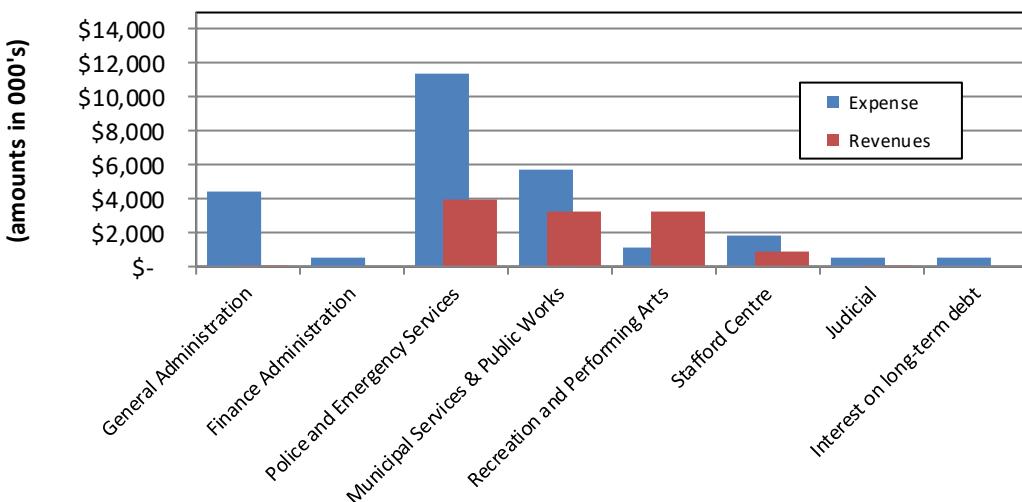
Governmental Activities

Governmental activities experienced the following significant changes in individual revenue and expense categories:

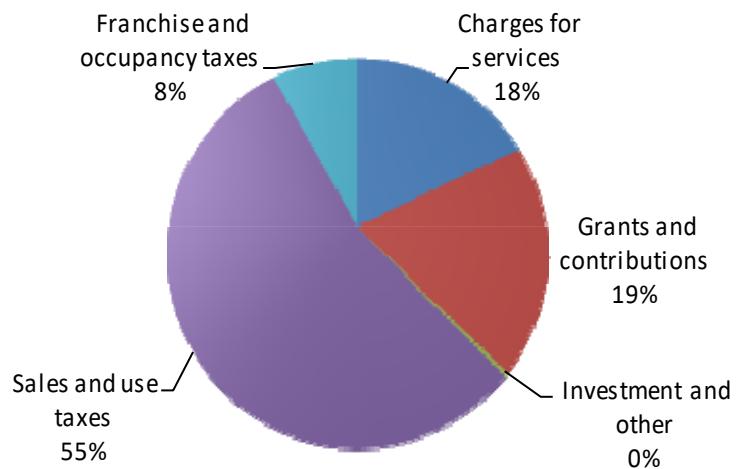
- Operating grants and contributions increased by \$4.7 million due to receiving the Shuttered Venue Operator grant of \$0.9 million, COVID Local Fiscal Recover grant of \$2.1 million and Cares Act reimbursement of \$1.9 million.
- Capital grants and contributions decreased by \$5.3 million due to significant capital contributions received in the prior year from SEDC.
- Sales and use taxes increased by \$1.8 million due to new development in GRID area, increased revenues from businesses in the Fountains and inflation.
- General administration expenses increased by \$0.2 million due to higher reimbursements under the 380 agreement..
- Municipal services & public works expenses decreased by \$1.5 million due to budget cuts and vacancies.
- Police and emergency services expenses decreased by \$1.9 million due to budget cuts and vacancies.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

A comparison of program expenses to program revenues follows:



Revenue sources for governmental activities were distributed as follows:



Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$18.8 million. A portion of the fund balance (\$12.2 million) is restricted by law or third-party agreements and is not available for general governmental expenditures. The remainder of the governmental fund balance of \$6.5 million is available for any lawful purpose. The General Fund balance increased by \$5.7 million in the current fiscal year.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget resulted in a \$2.7 million decrease in appropriations.

Capital Assets and Debt Administration

The City's investment in capital assets for its governmental activities as of September 30, 2021, amounted to \$68.5 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements other than buildings, machinery and equipment, and infrastructure.

The following table shows the balances at September 30, 2021 and 2020:

	2021	2020
Capital Assets not being depreciated		
Land	\$ 5,143,634	\$ 5,143,634
Construction in progress	2,125,198	3,202,538
Capital Assets, net of depreciation		
Buildings	22,606,344	22,846,734
Improvements other than buildings	1,890,884	2,193,707
Machinery and equipment	5,657,050	6,153,145
Infrastructure	<u>31,122,588</u>	<u>29,635,946</u>
Total capital assets - Governmental Activities	<u><u>\$ 68,545,698</u></u>	<u><u>\$ 69,175,704</u></u>

Additional information on the City's capital assets can be found in Note 6 to the financial statements of this report.

Long-term liabilities

At the end of the current fiscal year, the City had a total long-term debt liability of \$17.6 million. A comparison of long-term debt at September 30, 2021 and 2020 follows:

	2021	2020
Certificates of obligation	\$ 14,320,000	\$ 8,510,000
Premiums on issuance	710,272	314,637
Capital leases payable	-	2,591,999
Sales Tax obligations	1,570,527	1,713,278
Compensated absences	<u>1,027,527</u>	<u>1,496,593</u>
	<u><u>\$ 17,628,326</u></u>	<u><u>\$ 14,626,507</u></u>

Additional information on the City's long-term debt can be found in Note 7 to the financial statements of this report.

CITY OF STAFFORD, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Economic Factors and Next Year's Budgets and Rates

In the 2021-22 Budget, General Fund revenues are budgeted to increase by approximately from the 2020-21 budget year primarily due to elimination of transfer from SEDC and reduced transfer from MST fund.. Appropriations are budgeted to increase by approximately from the 2020-21 budget year.

	2021 Budget	2022 Budget	Changes
Revenues	\$ 30,308,942	\$ 29,845,178	\$ (463,764)
Expenditures	(23,561,174)	(24,523,756)	(962,582)
Other sources (uses)	(697,555)	(5,204,500)	(4,506,945)
Changes in fund balance	6,050,213	116,922	(5,933,291)
Beginning Fund Balance	879,567	6,593,102	5,713,535
Ending Fund Balance	<u>\$ 6,929,780</u>	<u>\$ 6,710,024</u>	<u>\$ (219,756)</u>

In preparing the 2021-22 budget, management considered certain economic factors including:

- Flat sales tax revenues
- 2% salary increases for all employees in January
- Release few vacant positions in October and few in January
- Contingency of \$0.8 million
- Minimizing departmental budget increases
- Increase certain user fees to recover cost
- Infrastructure maintenance including Technology, facility, street, Pool and Civic Center
- Maintaining services levels to citizens and users

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Stafford, 2610 South Main, Stafford, Texas, 77477.



BASIC FINANCIAL STATEMENTS



CITY OF STAFFORD, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	Primary Government		Component Units	
			Stafford Economic Development Corporation	Stafford Municipal School District
	Governmental Activities			
Assets				
Cash and cash equivalents	\$ 20,587,652	\$ 9,479,278	\$ 22,019,734	
Receivables (Net of Allowance for Uncollectibles)	4,987,830	2,076,973	4,103,176	
Inventories	96,451	-	21,682	
Prepaid items	12,866	12,500	14,622	
Restricted cash and cash equivalents	201,371	-	-	
Capital assets, not being depreciated	7,268,832	-	5,859,328	
Capital assets, net of accumulated depreciation	61,276,866	-	92,374,628	
Total Assets	94,431,868	11,568,751	124,393,170	
Deferred Outflows of Resources				
Deferred charge on refunding	-	851,374	2,143,569	
Pension related	1,182,160	-	5,396,102	
OPEB related	179,251	-	2,136,458	
Total Deferred Outflows of Resources	1,361,411	851,374	9,676,129	
Liabilities				
Accounts payable and accrued expenses	3,626,189	1,134,772	5,964,385	
Accrued interest payable	44,491	22,921	183,462	
Unearned revenues	2,823,098	-	162,824	
Long-term liabilities:				
Due within one year: bonds, compensated absences, claims	985,751	1,437,409	3,005,481	
Due in more than one year:				
Bonds, compensated absences, claims	16,642,575	13,143,039	108,539,938	
Net OPEB Liability	613,088	-	10,758,419	
Net Pension Liability	2,269,194	-	11,416,168	
Total Liabilities	27,004,386	15,738,141	140,030,677	
Deferred Inflows of Resources				
Pension related	1,975,891	-	1,642,425	
OPEB related	77,911	-	7,877,921	
Total Deferred Inflows of Resources	2,053,802	-	9,520,346	
Net Position				
Net investment in capital assets	57,653,015	-	(7,453,029)	
Restricted for:				
Grants	-	-	980,976	
Debt service	-	-	2,989,684	
Municipal courts	177,471	-	-	
Public safety	189,376	-	-	
Tourism	7,715,743	-	-	
Unrestricted	999,486	(3,318,016)	(11,999,355)	
Total Net Position	\$ 66,735,091	\$ (3,318,016)	\$ (15,481,724)	

CITY OF STAFFORD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Page 1 of 2

Functions/Programs	Expenses	Program Revenue			Capital
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental Activities:					
General Administration	\$ 4,425,315	\$ -	\$ 35,631	\$ -	
Finance Administration	544,221	-	-	-	
Municipal Services & Public Works	5,730,475	3,104,734	1,294	124,105	
Police and Emergency Services	11,396,496	1,470,455	2,512,274	-	
Recreation and Performing Arts	1,180,889	68,908	3,214,700	-	
Stafford Centre	1,910,485	894,765	-	-	
Judicial	545,239	74,623	-	-	
Interest on long-term debt	581,092	-	-	-	
Total Governmental Activities	26,314,212	5,613,485	5,763,899	124,105	
Component Units					
Stafford Economic Development					
Corporation	7,246,384	-	-	2,337,825	
Stafford Municipal School District	53,343,330	374,745	8,796,095	-	
Total Component Units	60,589,714	374,745	8,796,095	2,337,825	
Total	\$ 86,903,926	\$ 5,988,230	\$ 14,559,994	\$ 2,461,930	

CITY OF STAFFORD, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position				
	Primary		Component Units		
	Government	Component Units			
	Governmental Activities	Stafford Economic Development Corporation		Stafford Municipal School District	
Primary government					
Governmental Activities:					
General Administration	\$ (4,389,684)	\$ -	\$ -	\$ -	
Finance Administration	(544,221)	-	-	-	
Municipal Services & Public Works	(2,500,342)	-	-	-	
Police and Emergency Services	(7,413,767)	-	-	-	
Recreation and Performing Arts	2,102,719	-	-	-	
Stafford Centre	(1,015,720)	-	-	-	
Judicial	(470,616)	-	-	-	
Interest on long-term debt	(581,092)	-	-	-	
Total Governmental Activities	(14,812,723)				
Component Units					
Stafford Economic Development Corporation	-	\$ (4,908,559)			
Stafford Municipal School District	-	-		\$ (44,172,490)	
Total Component Units	-	(4,908,559)		(44,172,490)	
Total	\$ (14,812,723)	\$ (4,908,559)		\$ (44,172,490)	
General revenues:					
Taxes:					
Sales and use tax	16,860,497	5,123,362			
Franchise taxes	1,677,528	-			
Occupancy and other taxes	882,101	-			
Property taxes	-	-		34,916,889	
Unrestricted investment earnings	1,481	565		19,841	
Grants and contributions not restricted	-	-		4,395,655	
Miscellaneous	97,609	44,296		323,502	
Total General Revenues	19,519,216	5,168,223		39,655,887	
Change in net position	4,706,493	259,664		(4,516,603)	
Net Position - Beginning, as restated	62,028,598	(3,577,680)		(10,965,121)	
Net Position - Ending	\$ 66,735,091	\$ (3,318,016)		\$ (15,481,724)	

CITY OF STAFFORD, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General Fund	Hotel Occupancy Tax Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 8,249,256	\$ 7,611,578	\$ 4,337,241	\$ 389,577	\$ 20,587,652
Receivables, net of allowance for uncollectibles	4,826,020	104,165	26,614	1,846	4,958,645
Due from other governments	29,185	-	-	-	29,185
Inventories	96,451	-	-	-	96,451
Prepaid items	12,866	-	-	-	12,866
Restricted cash and cash equivalents	201,371	-	-	-	201,371
Total Assets	\$ 13,415,149	\$ 7,715,743	\$ 4,363,855	\$ 391,423	\$ 25,886,170
Liabilities					
Accounts payable	\$ 2,661,354	\$ -	\$ 199,652	\$ -	\$ 2,861,006
Accrued expenditures	761,983	-	-	-	761,983
Unearned revenue	2,826,298	-	-	-	2,826,298
Total Liabilities	6,249,635		199,652		6,449,287
Deferred Inflows of Resources					
Unavailable revenues	572,412	-	26,614	-	599,026
Total Deferred Inflows of Resources	572,412		26,614		599,026
Fund balances					
Nonspendable	109,317	-	-	-	109,317
Restricted:					
Debt service	-	-	-	24,576	24,576
Capital Projects	-	-	4,137,589	-	4,137,589
Municipal court programs	-	-	-	177,471	177,471
Public safety programs	-	-	-	189,376	189,376
Tourism	-	7,715,743	-	-	7,715,743
Unassigned	6,483,785	-	-	-	6,483,785
Total Fund Balances	6,593,102	7,715,743	4,137,589	391,423	18,837,857
Total Liabilities, Deferred Inflows, and Fund Balances	\$ 13,415,149	\$ 7,715,743	\$ 4,363,855	\$ 391,423	\$ 25,886,170

CITY OF STAFFORD, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION**
September 30, 2021

Total fund balance, governmental funds	\$ 18,837,857
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. 68,545,698

Uncollected fines, forfeitures, fees, and other assessments that are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. 599,026

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.

Bonds payable	(15,030,272)
Excess sales tax due to State	(1,570,527)
Accrued interest	(44,491)
Accrued compensated absences	(1,027,527)

Net pension liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.

Deferred outflows of resources	1,182,160
Net pension liability	(2,269,194)
Deferred inflows of resources	(1,975,891)

Net OPEB liability and related deferred outflows and inflows do not represent assets or liabilities in the current period and are not recognized in the governmental fund financial statements.

Deferred outflows of resources	179,251
Total OPEB liability	(613,088)
Deferred inflows of resources	<u>(77,911)</u>

Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 66,735,091</u>
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CITY OF STAFFORD, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2021

	General Fund	Hotel Occupancy Tax Fund	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Taxes:					
Sales and use tax	\$ 15,643,563	\$ 882,101	\$ -	\$ -	\$ 16,525,664
Franchise taxes	1,677,528	-	-	-	1,677,528
Fines and forfeitures	1,143,847	-	-	73,149	1,216,996
Licenses and permits	1,722,394	-	-	-	1,722,394
Intergovernmental	6,991,670	-	-	-	6,991,670
Charges for services	1,645,874	-	-	-	1,645,874
Interest	626	723	95	37	1,481
Miscellaneous	604,842	-	-	108,843	713,685
Total Revenues	29,430,344	882,824	95	182,029	30,495,292
Expenditures					
Current:					
General administration	2,930,037	-	-	-	2,930,037
Financial administration	516,557	-	-	-	516,557
Municipal services and public works	5,294,927	-	-	1,473	5,296,400
Police and emergency services	11,663,729	-	-	1,976	11,665,705
Recreation and performing arts	318,296	1,149,598	-	-	1,467,894
Stafford Centre	894,765	-	-	-	894,765
Judicial	556,022	-	-	33,141	589,163
Capital Outlay	360,857	46,487	1,061,303	132,955	1,601,602
Debt Service:					
Principal	415,987	-	-	255,000	670,987
Interest and other charges	68,078	-	-	337,300	405,378
Bond issuance costs	-	-	138,134	-	138,134
Total Expenditures	23,019,255	1,196,085	1,199,437	761,845	26,176,622
Revenues over (under) expenditures	6,411,089	(313,261)	(1,199,342)	(579,816)	4,318,670
Other Financing Sources (Uses)					
Bonds issued	-	-	6,065,000	-	6,065,000
Premium on bonds issued	-	-	412,803	-	412,803
Bond proceeds applied to existing capital lease outstanding	-	-	(2,406,821)	-	(2,406,821)
Transfers in	200,958	-	297,512	601,000	1,099,470
Transfers out	(898,512)	-	-	(200,958)	(1,099,470)
Total Other Financing Sources (Uses)	(697,554)		4,368,494	400,042	4,070,982
Net Changes in Fund Balances	5,713,535	(313,261)	3,169,152	(179,774)	8,389,652
Fund Balances - Beginning of Year	879,567	8,029,004	968,437	571,197	10,448,205
Fund Balances - End of Year	\$ 6,593,102	\$ 7,715,743	\$ 4,137,589	\$ 391,423	\$ 18,837,857

CITY OF STAFFORD, TEXAS**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES**
For the Year Ended September 30, 2021

Net change in fund balances - total governmental funds: \$ 8,389,652

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$3,572,611 was exceeded by depreciation of \$4,202,617 in the current period. (630,006)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (664,898)

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.

Issuance of bonds	(6,065,000)
Payment to escrow agent	2,406,821
Premium	(412,803)
Current period gain on issuance of bonds	(88,058)
Principal paid on capital leases and sales tab obligation	670,987

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest on long-term debt	33,309
Amortization of bond premiums	17,168
Compensated absences	469,066
Changes in pension liabilities and related deferred outflows and inflows of resources	629,580
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(49,325)
Change in net position of governmental activities	<u>\$ 4,706,493</u>



CITY OF STAFFORD, TEXAS
NOTES TO THE FINANCIAL STATEMENTS

Note 1 - Organization

The City of Stafford, Texas (the "City") is an independent political subdivision of the State of Texas governed by an elected six (6) member council and a mayor. The City provides services to the citizens of the City as authorized in its charter. Presently these services include police and fire protection, building and code inspection, planning, zoning, engineering, drainage, street repair and maintenance, park maintenance, recreation facilities, municipal court and general administrative services.

Note 2 - Summary of Significant Accounting Policies

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

A. Reporting Entity

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

Stafford Economic Development Corporation ("SEDC")

In 1999, the City of Stafford formed the Stafford Economic Development Corporation (a 4B corporation), which was created by voters approving an additional sales tax to be used for economic development. State law (4B) allows the City to collect sales tax to assist in the promotion and development activities of the City. The Stafford Economic Development Corporation has been included as a discretely presented component unit in the City's financial statements in accordance with generally accepted accounting principles for governments. The Board of Directors is appointed by and serves at the discretion of the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the Corporation shall be conveyed to the City.

The Financial Statements for the Stafford Economic Development Corporation can be obtained from the Director of Finance, City of Stafford, Texas.

Stafford Municipal School District

The Stafford Municipal School District (SMSD) was created by the City of Stafford in 1977, SMSD has been included as a discretely presented component unit in the City's financial statements in accordance with generally accepted accounting principles for governments. SMSD has a separately elected Board of Trustees and is a separate legal entity. However, the City approves the District's tax rate and budget, and must approve any debt issuance made by SMSD. In 2003, the City received legislative authority from the state for the council to have voting authority with the SMSD Board over the adoption of SMSD's annual budget. Therefore, the City Council approval is required for annual budgets and for bonded debt issuance making the District a component unit of the City.

SMSD has a fiscal year end (August 31st) that differs from the City's fiscal year end (September 30th). However, the year ends are treated consistently each year. The Financial Statements of SMSD can be obtained from the Chief Financial Officer of Stafford Municipal School District, 1625 Staffordshire, Stafford, Texas 77477.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

A. Reporting Entity (continued)

Stafford Municipal School District (continued)

The City has an agreement with SMSD concerning its share of construction, maintenance and operating costs of a maintenance facility, and the costs of routine maintenance operations as more fully described in Note 11 of the financial statements.

The component units identified are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The City appoints a majority of these organizations' boards and is either able to impose its will or a financial benefit/burden exists.

The financial reporting entity consists of the primary government and other organizations for which the primary government is financially accountable.

The definition of a reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The City does not have any proprietary funds or fiduciary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus. The government-wide statements are reported using the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Sales taxes and franchise fees are recognized as revenues in the year that gives rise to the transaction. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Sales taxes, franchise fees, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. The *General Fund* is made up of the City's General sub-fund and its Municipal Sales Tax sub-fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Hotel/Motel Occupancy Tax Fund* accounts for taxes collected from local hotels and motels and can only be used for special purposes as allowed by the State to promote tourism and benefit the City in attracting visitors to the City.

The *Capital Projects Fund* is used to account for the proceeds of the City's 2018 Certificate of Obligation construction program.

D. Cash and Cash Equivalents

The City considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

E. Investments

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

F. Due to and from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. These receivables and payables are, for the most part, eliminated from the Government-Wide Statement of Net Position and are recorded as "due from other funds" or "due to other funds" in the fund financial statements.

G. Inventory

Inventory is valued at cost and consists primarily of fuel and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

H. Capital Assets

Capital assets, which include land, buildings, improvements other than buildings, machinery and equipment, infrastructure, and construction in progress, are reported in the applicable governmental type activities columns in the government-wide financial statements. Capital assets, other than infrastructure items, are defined by the government as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental-type activities is not included as part of the capitalized value of the assets constructed.

Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

<u>Asset</u>	
Buildings	50 Years
Improvements other than buildings	20 Years
Machinery and equipment	4-20 Years
Infrastructure	20-65 Years

I. Compensated Absences

The City's sick leave policy provides ten sick leave days per year. Employees may accumulate up to 180 sick leave days. Upon termination of employment, whether voluntary or involuntary, including retirement, employees receive payment for a maximum of 30 days accumulated sick leave at their base salary in effect at date of termination.

Nonexempt employees are allowed to take compensation time off for hours worked in excess of 40 hours during a week. The City has established limits of 40 hours of compensation time that can be accumulated which must be taken (or paid to the employee as compensation) before the end of the fiscal year.

Employees are allowed to earn up to 20 vacation leave days per year based on their length of employment with the City. No payment in lieu of taking vacation leave days is available for continuing employees. However, in the case of termination due to voluntary termination, discharge, retirement, or death of an employee, the employee or their estate shall be paid for the accrued but unused vacation leave as of the effective date of termination. The maximum amount of vacation leave paid upon termination, regardless of the amount accrued but unused, shall not exceed the total of vacation hours the employee is eligible to earn during the year in which termination occurs.

The compensated absences are funded from the General Fund when due and payable.

J. Deferred Outflows of Resources

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has three items that qualify for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position, deferred amounts related to pension, and deferred amounts related to OPEB. The deferred charge on refunding resulted from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred amounts related to pension and OPEB relate differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension and OPEB related changes.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

K. Deferred Inflows of Resources

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the City reports deferred amounts related to pension and deferred amounts related to OPEB.

L. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

M. Other Post-Employment Benefits

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

N. Use of Estimates

The preparation 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 and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

O. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

P. Fund Equity

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Unassigned - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City of Stafford has not adopted a minimum fund balance policy for the General Fund.

Q. Net Position

Net position represents the differences between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net position invested in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

R. Current GASB Pronouncements

GASB Statement No. 84 *Fiduciary Activities* was issued in January 2017 and effective for periods beginning December 15, 2019. This standard establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The requirements of this Statement will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. This standard must be applied retroactively and as such beginning net position and/or fund balance have been restated. Management has evaluated the implementation of this statement and determined that it is not applicable to the City.

GASB Statement No. 90 *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61* was issued in August 2018 and effective for periods beginning December 15, 2019. The primary objectives of this Statement are to improve consistency in the measurement and comparability of the financial statement presentation of majority equity interests in legally separate organizations and to improve the relevance of financial statement information for certain component units. An equity interest is a financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment of financial or capital resources by a government. An equity interest is explicit and measurable if the government has a present or future claim to the net resources of the entity and the method for measuring the government's share of the entity's net resources is determinable. The City has determined that this Statement does not have an effect on the financial statements as of September 30, 2021.

CITY OF STAFFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Summary of Significant Accounting Policies (continued)

R. Current GASB Pronouncements (continued)

GASB Statement No. 98 *The Annual Comprehensive Financial Report* was issued in October 2021 and establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021 but earlier application is encouraged. Management has evaluated the implementation of this statement and determined that it is not applicable to the City.

Note 3 - Deposits and Investments

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose, an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of one year or more. At September 30, 2021, the City had no investments reported.

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of all balances.

Under Texas state law, a bank serving as the depository must have a bond or in lieu thereof, deposited or pledged securities (or letters of credit) with the City or an independent third-party agent, an amount equal to the highest daily balance of all deposits the City may have during the term of the depository contract, less any applicable FDIC insurance.

At September 30, 2021, in addition to petty cash, the carrying amount of the City's cash, savings, and time deposits was \$20.8 million, with a deposit balance of \$21.4 million which was entirely covered by federal depository insurance and collateral pledged in the City's name. The collateral was held in the safekeeping department of another bank, which acts as the pledging bank's agent.

Investment Policy

The City held no investments at September 30, 2021. The City is not exposed to custodial credit risk.

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition, it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

CITY OF STAFFORD, TEXAS**NOTES TO FINANCIAL STATEMENTS (continued)****Note 3 - Deposits and Investments (continued)****Investment Policy (continued)**

The City's Investment Officer submits an investment report each quarter to the Council. The report details the investment positions of the City and the compliance of the investment portfolios as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations and in order to meet anticipated cash flow requirements, the Investment Policy requires that unless matched to a specific cash flow, the City will not directly invest in securities maturing more than two years from the date of purchase.

Note 4 - Receivables and Allowance for Uncollectible Accounts

Receivables are evaluated and an allowance for uncollectible accounts is set up when the collections are doubtful. Receivables as of September 30, 2021, are as follows:

	Hotel		Non-major		Total
	General Fund	Occupancy Tax Fund	Capital Projects Fund	Governmental Funds	
Receivables:					
Taxes:					
Sales and use taxes	\$ 3,237,926	\$ 104,165	\$ 26,614	\$ -	\$ 3,368,705
Franchise taxes	75,963	-	-	-	75,963
Mixed beverage taxes	21,536	-	-	-	21,536
Garbage fees	56,917	-	-	-	56,917
Fines and Forfeitures	7,155,145	-	-	-	7,155,145
Stafford Centre	193,815	-	-	-	193,815
Grants	355,661	-	-	-	355,661
Payroll advances	285,742	-	-	-	285,742
Other	26,048	-	-	1,846	27,894
Gross Receivables	11,408,753	104,165	26,614	1,846	11,541,378
Less: allowance for uncollectibles	(6,582,733)	-	-	-	(6,582,733)
Net Total Receivables	\$ 4,826,020	\$ 104,165	\$ 26,614	\$ 1,846	\$ 4,958,645

The City completed special work in a subdivision within the City which was financed by general obligation bonds. The City financed the project out of the capital projects fund and has assessed the owners of the property \$481,000 to be reimbursed to the City over seven years. The impact fees are recorded in the capital project fund as revenue when the payments are received from homeowners.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Interfund Receivables, Payables and Transfers

Amounts reported as interfund receivables/payables are considered temporary loans needed for normal operations and will be repaid during the following fiscal year. As of September 30, 2021, the City had no interfund balances outstanding.

During the year ended September 30, 2021, the general fund transferred \$601,000 to the debt service fund to meet the debt service requirements for the 2018 Series Certificates of Obligation and \$297,512 to the capital project fund to purchase a rescue vehicle and upfit of light duty vehicles. Additionally, the nonmajor governmental funds transferred \$200,958 to the general fund to eliminate the participation agreement fund and combine it with the general fund.

Note 6 - Capital Assets

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 9/30/2020	Additions	Retirements	Transfers	Balance 9/30/2021
Governmental Activities					
Capital assets, not being depreciated:					
Land	\$ 5,143,634	\$ -	\$ -	\$ -	\$ 5,143,634
Construction in progress	3,202,538	2,037,274	-	(3,114,614)	2,125,198
Total capital assets, not being depreciated	8,346,172	2,037,274	-	(3,114,614)	7,268,832
Capital assets being depreciated:					
Buildings	38,457,643	762,219	-	-	39,219,862
Improvements other than buildings	5,984,438	-	-	-	5,984,438
Machinery and equipment	22,367,408	773,118	(204,204)	-	22,936,322
Infrastructure	74,533,546	-	-	3,114,614	77,648,160
Total capital assets being depreciated	141,343,035	1,535,337	(204,204)	3,114,614	145,788,782
Less accumulated depreciation for:					
Buildings	(15,610,909)	(1,002,609)	-	-	(16,613,518)
Improvements other than buildings	(3,790,731)	(302,823)	-	-	(4,093,554)
Machinery and equipment	(16,214,263)	(1,269,213)	204,204	-	(17,279,272)
Infrastructure	(44,897,600)	(1,627,972)	-	-	(46,525,572)
Total accumulated depreciation	(80,513,503)	(4,202,617)	204,204	-	(84,511,916)
Total capital assets being depreciated, net	60,829,532	(2,667,280)	-	3,114,614	61,276,866
Total Governmental Activities Capital Assets	\$ 69,175,704	\$ (630,006)	\$ -	\$ -	\$ 68,545,698

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities
General administration
Municipal services and public works
Police and emergency services
Recreation and performing arts
Judicial
Total depreciation expense -
governmental activities

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Capital Assets (continued)

Construction in progress for various projects as of September 30, 2021, is as follows:

Governmental Activities	Authorized	Total in	Remaining
	Budget	Progress	Commitment
Trinity Drive Extension	\$ 1,220,000	\$ 496,745	\$ 723,255
Cash Road Extension	2,600,000	1,604,957	995,043
Meadows Trail	230,000	23,496	206,504
	<u>\$ 4,050,000</u>	<u>\$ 2,125,198</u>	<u>\$ 1,924,802</u>

Note 7 - Long-Term Debt

The City issues general obligation bonds, certificates of obligation, permanent improvement bonds and permanent improvement refunding bonds. Payments of principal and interest on the debt are provided primarily from sales taxes. The sales tax for debt payments (0.5 percent) was specifically approved by voters for servicing debt to lower the property taxes required for debt service. According to state law, when a City has sales taxes approved to be used for debt payment and the City does not levy property taxes for debt service, the City is allowed to use sales tax deposits that exceed the amount of revenue needed to pay the current year debt service requirements of the City for municipal purposes consistent with the municipal budget. For the year ended September 30, 2021, the City had excess sales taxes collected of \$5,752,003 over sales tax obligation debt requirements. These amounts have been recorded in the General Fund to be used as approved by City Council.

Summary of Long-Term Debt Transactions

The following is a summary of long-term debt transactions of the City for the year ended September 30, 2021:

Governmental Activities:	Beginning			Ending	Due Within
	Balance	Additions	Reductions	Balance	One Year
Certificates of obligation	\$ 8,510,000	\$ 6,065,000	\$ (255,000)	\$ 14,320,000	\$ 330,000
Premiums on issuance	314,637	412,803	(17,168)	710,272	-
Capital leases payable	2,591,999	-	(2,591,999)	-	-
Sales Tax obligations	1,713,278	-	(142,751)	1,570,527	142,751
Compensated absences	1,496,593	43,936	(513,002)	1,027,527	513,000
Total Long-term Liabilities	<u>\$ 14,626,507</u>	<u>\$ 6,521,739</u>	<u>\$ (3,519,920)</u>	<u>\$ 17,628,326</u>	<u>\$ 985,751</u>

Certificates of Obligation

Outstanding debt for the primary government consists of the following certificates of obligation:

Series	Interest	Original	Maturity	Debt
	Rate	Issue	Date	Outstanding
Series 2018 Certificates of Obligation	3.125% - 5.000%	\$ 8,930,000	2042	\$ 8,255,000
Series 2021 Certificates of Obligation	2.375% - 5.000%	6,065,000	2046	6,065,000
				<u>\$ 14,320,000</u>

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Long-Term Debt (continued)

Certificates of Obligation (continued)

Future debt service payments on certificates of obligation to maturity are as follows:

Fiscal Year	Principal	Interest	Total
2022	\$ 330,000	\$ 522,912	\$ 852,912
2023	355,000	495,438	850,438
2024	370,000	477,688	847,688
2025	390,000	459,188	849,188
2026	410,000	439,688	849,688
2027 - 2031	2,345,000	1,884,034	4,229,034
2032 - 2036	2,825,000	1,405,365	4,230,365
2037 - 2041	3,360,000	862,169	4,222,169
2042 - 2046	3,935,000	291,812	4,226,812
	<u>\$ 14,320,000</u>	<u>\$ 6,838,294</u>	<u>\$ 21,158,294</u>

Current Year Debt Issuance and Retirement of Outstanding Capital Leases

During fiscal year 2021, the City issued Series 2021 Combination Tax and Limited Surplus Revenue Certificates of Obligation in the amount of \$6,065,000. (i) constructing and improving streets, roads, alleys and sidewalks, and related utility relocation, drainage, signalization, landscaping, lighting and signage and including acquiring land and interests in land therefor; (ii) designing, engineering, constructing, renovating, reconstructing, equipping and furnishing facilities for the police and fire departments, including information technology, infrastructure and equipment; (iii) constructing, renovating, reconstructing and equipping the civic center; (iv) acquiring information technology including data equipment and servers for the City's information technology department; (v) acquiring, constructing, installing and equipping park and recreational improvements in the City; and (vi) paying legal, fiscal, engineering and architectural fees in connection with these projects.

A portion of the Series 2021 Certificates of Obligation in the amount of \$2,406,821 was applied to retire existing capital leases outstanding with a principal balance of \$2,318,763. The amount paid to retire the capital leases was reported as an other financing use and the difference between the lease payment and carrying values of the leases was \$88,058, which was recognized as a current period expense.

Excess Sales Tax Liability

The City negotiated a long-term payout of excess sales tax received in prior years in the amount of approximately \$3.6 million, with the State Comptroller. This amount was collected by the City and the Stafford Economic Development Corporation (SEDC) during the fiscal year periods 2000 through 2007. The total negotiated payout calls for a twenty-five-year period with equal prorate amounts deducted each month from City's and the SEDC's sales tax receipts beginning with October 2007. No interest is associated with this long-term liability.

During the 2015 fiscal year, the City negotiated a long-term payout of excess sales tax received in prior years in the amount of \$422,023, with the State Comptroller. The total negotiated payout calls for an eighteen-year period with equal amounts deducted each month from the City's sales tax receipts beginning with May 2015. No interest is associated with this long-term liability.

The annual requirements on the City's portion of the Excess Sales Tax liability, as of September 30, 2021, are \$142,751 through 2031 and \$143,023 in fiscal year 2032, for a total of \$1.6 million.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

Beginning in 2005, the City granted an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer-financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, initiated in 2005, the City provided on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

A summary of plan provisions for the City are as follows:

Employee deposit rate	7%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age, 5 years at age 60 and above
Updated Service Credit	100% Repeating
Annuity Increase to retirees	70% of CPI Repeating

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Texas Municipal Retirement System (continued)

Benefits Provided (continued)

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	91
Inactive employees entitled to but not yet receiving benefits	84
Active employees	<u>187</u>
	<u>362</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2021, the City made contributions of 14.13% for the months in 2020 and 14.05% for the months in 2021.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary Increases	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases are based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4- year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2109 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 20x2 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 8 - Employee Retirement System (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 45,863,750	\$ 42,842,022	\$ 3,021,728
Changes for the year:			
Service Cost	1,984,652	-	1,984,652
Interest	3,097,158	-	3,097,158
Difference between expected and actual experience	(324,689)	-	(324,689)
Contributions - employer	-	1,524,080	(1,524,080)
Contributions - employee	-	755,031	(755,031)
Net Investment income	-	3,252,408	(3,252,408)
Benefit payments, including refunds, of employee contributions	(1,944,500)	(1,944,500)	-
Administrative expense	-	(21,043)	21,043
Other changes	-	(821)	821
Net changes	2,812,621	3,565,155	(752,534)
Balance at 12/31/2020	\$ 48,676,371	\$ 46,407,177	\$ 2,269,194

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 9,456,327	\$ 2,269,194	\$ (3,587,743)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended September 30, 2021, the City recognized pension expense of \$823,644.

CITY OF STAFFORD, TEXAS**NOTES TO FINANCIAL STATEMENTS (continued)****Note 8 - Employee Retirement System (continued)****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (continued)**

At September 30, 2021, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected actuarial experience	\$ -	\$ (762,286)
Differences in assumption changes	142,417	-
Differences between projects and actual investment earnings	-	(1,213,605)
Contributions subsequent to the measurement date	1,039,743	-
Total	\$ 1,182,160	\$ (1,975,891)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the subsequent fiscal year. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending	Net Deferred Outflows (Inflows) of Resources
2022	\$ (664,588)
2023	(139,843)
2024	(847,594)
2025	(149,274)
2026	(32,175)
Total	\$ (1,833,474)

Deferred Compensation Plan

The City also offers its employees a deferred compensation plan (457 Plan) created in accordance with Internal Revenue Code Section 457. The 457 Plan is administered by Nationwide Retirement Solutions, Inc. and is available to all full-time employees over the age of eighteen (18) immediately upon becoming employed by the City. The 457 Plan functions for the benefit of the employees and their beneficiaries. Participants may contribute up to the amount allowable under the provisions of the Internal Revenue Code. The City does not match participant contributions. The 457 Plan is not reported in the City's basic financial statements.

Participant contributions for the year ended September 30, 2021, were \$149,187. The trustee of the plan distributes any benefits provided by the plan from net position available for plan benefits. Contributions made by participants vest immediately in their accounts. Contributions made by the City vest in the participants' accounts at the time such contribution is made. When a participant retires, terminates employment or becomes disabled, he/she is entitled to receive all amounts in which he/she has a vested interest in either a lump-sum payment, periodic payment by fixed amount, periodic payment by fixed time period, partial lump sum payment, or purchased annuity contract.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB)

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is another postemployment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2019 was as follows:

Inactive plan members or beneficiaries currently receiving benefits	71
Inactive plan members entitled to but not yet receiving benefits	16
Active employees	<u>187</u>
Total plan members	<u>274</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.23% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. Under GASB No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 2.00% based on the Fidelity Index's "20 Year Municipal GO AA Index" as of December 31, 2020.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Actuarial Assumptions

The City's Total OPEB Liability was measured at December 31, 2019 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2019

Methods and Assumptions:

Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate:	2.00%
Retirees' share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees:	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees:	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

Notes: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at 12/31/2019	\$ 519,135
Changes for the year:	
Service Cost	28,044
Interest	14,603
Difference between expected and actual experience	(23,583)
Changes in assumptions	79,203
Benefit payments, including refunds, of employee	(4,314)
Net changes	<hr/> 93,953
Balance at 12/31/2020	<hr/> \$ 613,088

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Postemployment Benefits Other Than Pensions (OPEB) (continued)

Actuarial Assumptions (continued)

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 2.00%, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's net OPEB liability	\$ 744,658	\$ 613,088	\$ 510,824

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2021, the City recognized OPEB expense of \$60,116 relating to the SBFD plan. As of September 30, 2021, the City reported deferred outflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between actual and expected actuarial experience	\$ 25,285	\$ (59,973)
Differences in assumption changes	144,345	(17,938)
Contributions subsequent to the measurement date	9,621	-
Total	\$ 179,251	\$ (77,911)

Deferred Outflows of Resources

The \$9,621 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent fiscal year.

Amounts currently reported as deferred outflows of resources related to OPEBs, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year Ending	Net Deferred Outflows (Inflows) of Resources
2022	\$ 17,469
2023	17,469
2024	17,469
2025	15,646
2026	12,452
Thereafter	11,214
Total	\$ 91,719

CITY OF STAFFORD, TEXAS

NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Agreement with Stafford Municipal School District ("SMSD") Regarding Maintenance Facility and Routine Maintenance Operations

Under the terms of an agreement, the SMSD paid approximately \$200,000 in a prior year for the construction of a maintenance facility to jointly benefit the City and the SMSD. The facility is owned and operated by the City, and the SMSD's costs for the facility's construction, under the terms of the agreement, were recorded by the City as a donation and capitalized as a capital asset.

The agreement provides for the SMSD's portion of operating costs of the facility, as well as the costs of routine maintenance operations and police officers provided to the SMSD by the City, to be paid by the SMSD. The City accumulates these costs and bills the SMSD periodically during the year. The routine maintenance activities provided by the City include all vehicle maintenance and operations and all grounds maintenance and operations. The 2020-2021 annual billing to the SMSD for these City provided services was \$130,654, with \$14,460 recorded as a receivable as of September 30, 2021, in the General Fund. The City also provides SMSD the use of the Civic Center at no charge.

Note 11 - Participation Agreements

The City has cost participation agreements with various developers pertaining to the purchase and operating costs of street lighting facilities and the construction of street and drainage facilities. Unexpended amounts from participation contributions for use under the terms of these agreements at September 30, 2021, are as follows:

Street lighting participation	\$ 25,465
Street and drainage participation	<u>175,906</u>
Total	<u>\$ 201,371</u>

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to and destruction of assets; errors and omissions; and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers, self-insurance, and from participation in a risk pool. The City has not had any significant reductions in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years. At year-end, the City did not have any significant claims.

Note 13 - Litigation

From time to time, the City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of City Management and legal counsel that any ultimate uninsured liability to the City from these lawsuits will not be material.

CITY OF STAFFORD, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 14 – Chapter 380 Agreement

The City enters into sales tax abatement agreements with local businesses under Chapter 380 of the Texas Local Government Code which authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or services at little or no cost to promote state and local economic development and to stimulate business and commercial activity. For fiscal year 2021, the City provided tax abatements through two programs: (i) Texas Instruments Redevelopment Property project and (ii) Stafford Retail Sales Center III project.

Stafford Retail Sales Center III Project

The Stafford Retail Sales Center III project provides sales tax abatements to a business in order to operate a Retail Sales Center and attract businesses contracted with the developer. Under the agreement the developer receives an 80% rebate of the combined City and SEDC 2.0% sales tax revenues generated solely by the activity of this business. The threshold to trigger the rebate is new net taxable revenues in excess of \$50 million in a 12-month period. The amounts rebated for the project during fiscal year 2021 are as follows:

	Sales Tax Revenue	Rebated Amount	Net Sales Tax Revenue
City	\$ 2,051,670	\$ (1,608,509)	\$ 443,161
SEDC	683,890	(536,170)	147,720
	\$ 2,735,560	\$ (2,144,679)	\$ 590,881

Texas Instruments Redevelopment Property Project

The Texas Instruments Redevelopment Property project provides sales tax abatements to develop a mixed-use, commercial, retail, and residential development to be known as the TI Redevelopment Property. The project's developer will pay all costs of the development project and the City and SEDC will make payments to the project's developer in a combined total amount not to exceed \$8,400,000 plus developer interest calculated at an annual rate of 4.5% for a term not to exceed 10 years. The annual payments are based on the sales tax generated directly by the project on a calendar year, minus administrative fees deducted by the State Comptroller. The percentage applied to the additional sales tax generated by the project is as follows:

Additional Sales Tax Generated on Project		(Less Administrative Fees)	%
\$0	to	\$250,000	0%
\$250,001	to	\$1,000,000	50%
\$1,000,001	to	\$1,500,000	60%
\$1,500,001	to	\$2,000,000	70%
\$2,000,001	to	N/A	80%

The amounts rebated for the project during fiscal year 2021 are as follows:

	Sales Tax Revenue	Rebated Amount	Net Sales Tax Revenue
City	\$ 260,941	\$ (130,471)	\$ 130,470
SEDC	86,980	(43,490)	43,490
	\$ 347,921	\$ (173,961)	\$ 173,960

Additionally, the City and SEDC accrued amounts related to the agreements which will be paid after September 30, 2021 as follows:

	General Fund	Debt Service	SEDC
Stafford Retail Sales Center III Project	\$ 1,072,339	\$ 536,170	\$ 536,170
Texas Instruments Redevelopment Property Project	88,908	44,454	44,454
	\$ 1,161,247	\$ 580,624	\$ 580,624

CITY OF STAFFORD, TEXAS**NOTES TO FINANCIAL STATEMENTS (continued)****Note 15 - Infectious Disease Outlook (COVID-19)**

The full extent of the ongoing impact of COVID-19 on the City's 2020-21 fiscal year and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF STAFFORD, TEXAS
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual (Budgetary Basis)	Variance Positive (Negative)
Revenues				
Taxes	\$ 16,299,000	\$ 16,350,000	\$ 17,321,091	\$ 971,091
Fines and fees	900,000	1,150,000	1,143,847	(6,153)
Licenses and permits	1,671,500	1,610,750	1,722,394	111,644
Intergovernmental	5,940,683	8,961,587	6,991,670	(1,969,917)
Charges for services	2,297,820	1,626,000	1,645,874	19,874
Interest	9,000	530	626	96
Miscellaneous	220,500	610,075	604,842	(5,233)
Total Revenues	27,338,503	30,308,942	29,430,344	(878,598)
Expenditures				
Current:				
General administration	3,272,038	2,983,950	2,930,037	53,913
Financial administration	511,301	579,150	516,557	62,593
Municipal Services and public works	5,759,728	5,413,645	5,294,927	118,718
Police and emergency services	12,406,118	11,688,990	11,663,729	25,261
Recreation and performing arts	393,668	322,350	318,296	4,054
Stafford Centre	1,447,820	1,100,000	894,765	205,235
Judicial	517,432	538,150	556,022	(17,872)
Capital Outlay	1,538,373	792,107	360,857	431,250
Debt Service:				
Principal and interest	460,360	142,832	484,065	(341,233)
Total Expenditures	26,306,838	23,561,174	23,019,255	541,919
Revenues over (under) expenditures	1,031,665	6,747,768	6,411,089	(336,679)
Other Financing Sources (uses)				
Transfers in	-	200,957	200,958	200,958
Transfers out	(601,000)	(898,512)	(898,512)	-
Total Other Financing Sources (uses)	(601,000)	(697,555)	(697,554)	200,958
Changes in fund balance	430,665	6,050,213	5,713,535	(135,721)
Fund Balance - Beginning of Year	8,633,032	879,567	879,567	-
Fund Balance - End of Year	\$ 9,063,697	\$ 6,929,780	\$ 6,593,102	\$ (336,678)

CITY OF STAFFORD, TEXAS
BUDGETARY COMPARISON SCHEDULE
HOTEL OCCUPANCY TAX – SPECIAL REVENUE FUND
For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
Hotel occupancy taxes	\$ 800,000	\$ 800,000	\$ 882,101	\$ 82,101
Interest	1,000	750	723	(27)
Total Revenues	801,000	800,750	882,824	82,074
Expenditures				
Current:				
Recreation and performing arts	832,577	789,409	1,149,598	(360,189)
Capital Outlay	427,200	-	46,487	(46,487)
Total Expenditures	1,259,777	789,409	1,196,085	(406,676)
Changes in fund balance	(458,777)	11,341	(313,261)	(324,602)
Fund Balance - Beginning of Year	8,029,004	8,029,004	8,029,004	-
Fund Balance - End of Year	\$ 7,570,227	\$ 8,040,345	\$ 7,715,743	\$ (324,602)

CITY OF STAFFORD, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

All departments of the City submit requests for appropriations to the Mayor so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

Annually, the City adopts budgets for all governmental fund types (General Fund, Special Revenue Funds, and Capital Projects Fund). Capital Project Fund budgets are adopted on a project basis and are updated and modified annually. Special Revenue Fund budgets are prepared in aggregate and not on a fund by fund or project by project basis.

The General Fund, and Hotel Motel Occupancy Tax Fund budgets are annual appropriations style budgets prepared and typically presented on a GAAP (generally accepted accounting principles) basis.

CITY OF STAFFORD, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

LAST SEVEN MEASUREMENT YEARS

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 1,984,652	\$ 1,878,510	\$ 1,868,367	\$ 1,810,024	\$ 1,523,293	\$ 1,318,015	\$ 1,047,608
Interest	3,097,158	2,912,579	2,748,825	2,572,565	2,436,031	2,358,232	2,225,384
Difference between expected and actual experience	(324,689)	(369,204)	(308,403)	(130,043)	(417,968)	260,796	(12,479)
Change in assumptions	-	219,194	-	-	-	85,075	-
Benefit payments, including refunds of employee contributions	(1,944,500)	(1,974,775)	(1,800,978)	(1,539,949)	(1,784,051)	(1,664,816)	(1,330,942)
Net change in total pension liability	<u>2,812,621</u>	<u>2,666,304</u>	<u>2,507,811</u>	<u>2,712,597</u>	<u>1,757,305</u>	<u>2,357,302</u>	<u>1,929,571</u>
Total pension liability - beginning	<u>45,863,750</u>	<u>43,197,446</u>	<u>40,689,635</u>	<u>37,977,038</u>	<u>36,219,733</u>	<u>33,862,431</u>	<u>31,932,860</u>
Total pension liability - ending (a)	<u>\$ 48,676,371</u>	<u>\$ 45,863,750</u>	<u>\$ 43,197,446</u>	<u>\$ 40,689,635</u>	<u>\$ 37,977,038</u>	<u>\$ 36,219,733</u>	<u>\$ 33,862,431</u>
Plan fiduciary net position:							
Contributions - employer	\$ 1,524,080	\$ 1,475,020	\$ 1,481,176	\$ 1,485,955	\$ 1,223,185	\$ 1,129,513	\$ 1,007,242
Contributions - employee	755,031	715,039	705,805	691,603	590,097	527,809	478,662
Net investment income	3,252,408	5,713,748	(1,129,835)	4,516,431	2,062,493	45,017	1,643,366
Benefit payments, including refunds of employee contributions	(1,944,500)	(1,974,775)	(1,800,978)	(1,539,949)	(1,784,051)	(1,664,816)	(1,330,942)
Administrative expense	(21,043)	(32,274)	(21,833)	(23,404)	(23,292)	(27,419)	(17,158)
Other	(821)	(970)	(1,141)	(1,186)	(1,255)	(1,354)	(1,411)
Net change in plan fiduciary net position	<u>3,565,155</u>	<u>5,895,788</u>	<u>(766,806)</u>	<u>5,129,450</u>	<u>2,067,177</u>	<u>8,750</u>	<u>1,779,759</u>
Plan fiduciary net position - beginning	<u>42,842,022</u>	<u>36,946,234</u>	<u>37,713,040</u>	<u>32,583,590</u>	<u>30,516,413</u>	<u>30,507,663</u>	<u>28,727,904</u>
Plan fiduciary net position - ending (b)	<u>46,407,177</u>	<u>42,842,022</u>	<u>36,946,234</u>	<u>37,713,040</u>	<u>32,583,590</u>	<u>30,516,413</u>	<u>30,507,663</u>
Net pension liability - ending (a) - (b)	<u>\$ 2,269,194</u>	<u>\$ 3,021,728</u>	<u>\$ 6,251,212</u>	<u>\$ 2,976,595</u>	<u>\$ 5,393,448</u>	<u>\$ 5,703,320</u>	<u>\$ 3,354,768</u>
Plan fiduciary net position as a percentage of total pension liability	95.34%	93.41%	85.53%	92.68%	85.80%	84.25%	90.09%
Covered payroll (measurement year)	\$ 10,786,128	\$ 10,214,846	\$ 10,082,930	\$ 9,880,041	\$ 8,429,955	\$ 7,540,134	\$ 6,802,638
Net pension liability as a percentage of covered payroll	21.04%	29.58%	62.00%	30.13%	63.98%	75.64%	49.32%

CITY OF STAFFORD, TEXAS
SCHEDULE OF PENSION CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN MEASUREMENT YEARS

	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 1,475,512	\$ 1,519,432	\$ 1,506,395	\$ 1,443,390	\$ 1,436,970
Contribution in relation of the actuarially determined contribution	<u>1,475,512</u>	<u>1,519,432</u>	<u>1,506,395</u>	<u>1,443,390</u>	<u>1,436,970</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
 Covered payroll (fiscal year)	 \$ 10,326,571	 \$ 10,691,116	 \$ 10,273,748	 \$ 9,745,166	 \$ 9,642,541
Contributions as a percentage of covered payroll	14.29%	14.21%	14.66%	14.81%	14.90%
	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 1,193,121	\$ 1,057,340	\$ 1,042,715	\$ 937,294	\$ 921,584
Contribution in relation of the actuarially determined contribution	<u>1,193,121</u>	<u>1,057,340</u>	<u>985,363</u>	<u>862,664</u>	<u>811,344</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 57,352</u></u>	<u><u>\$ 74,630</u></u>	<u><u>\$ 110,240</u></u>
 Covered payroll (fiscal year)	 \$ 8,046,812	 \$ 7,110,532	 \$ 6,725,305	 \$ 6,033,033	 \$ 5,818,677
Contributions as a percentage of covered payroll	14.83%	14.87%	14.65%	14.30%	13.94%

CITY OF STAFFORD, TEXAS

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

TEXAS MUNICIPAL RETIREMENT SYSTEM

LAST FOUR MEASUREMENT YEARS

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 28,044	\$ 20,430	\$ 21,174	\$ 17,784
Interest	14,603	17,259	13,979	13,619
Difference between expected and actual experience	(23,583)	(54,018)	41,848	
Change in assumptions	79,203	82,523	(29,689)	32,929
Benefit payments, including refunds of employee contributions	(4,314)	(4,086)	(4,033)	(3,952)
Net change in total OPEB liability	93,953	62,108	43,279	60,380
Total OPEB liability - beginning	<u>519,135</u>	<u>457,027</u>	<u>413,748</u>	<u>353,368</u>
Total OPEB liability - ending (a)	<u><u>\$ 613,088</u></u>	<u><u>\$ 519,135</u></u>	<u><u>\$ 457,027</u></u>	<u><u>\$ 413,748</u></u>
Covered payroll (measurement year)	\$ 10,786,128	\$ 10,214,846	\$ 10,082,930	\$ 9,880,041
Net OPEB liability as a percentage of covered employee payroll	5.68%	5.08%	4.53%	4.19%

CITY OF STAFFORD, TEXAS
NOTES TO PENSION AND OPEB SCHEDULES

Notes to Pension Schedules

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	25 years
Asset Valuation Method:	10 Year smoothed market; 12% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 11.5% including inflation
Investment Rate of Return:	6.75%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality:	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP
Other Information	There were no benefit changes during the year

Notes to OPEB Schedule

Summary of Actuarial Assumptions:

Inflation	2.5%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.00%
Retirees' share of benefit-related costs	\$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.



OTHER SUPPLEMENTAL INFORMATION



CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2021

Page 1 of 3

	Debt Service Fund	Judicial Efficiency	Narcotic Seizure	Court Security
Assets				
Cash and cash equivalents	\$ 24,576	\$ 11,369	\$ 113,640	\$ 65,078
Taxes receivable, net	-	-	1,846	-
Total Assets	\$ 24,576	\$ 11,369	\$ 115,486	\$ 65,078
Fund balances				
Restricted:				
Debt service	24,576	-	-	-
Municipal court programs	-	11,369	-	65,078
Public safety programs	-	-	115,486	-
Total Fund Balances	24,576	11,369	115,486	65,078
Total Liabilities and Fund Balances	\$ 24,576	\$ 11,369	\$ 115,486	\$ 65,078

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2021

Page 2 of 3

	Court Technology	Child Safety Fees	Police Department Funds	Local Truancy Prevention and Diversion Fund
Assets				
Cash and cash equivalents	\$ 49,344	\$ 57,540	\$ 16,350	\$ 50,399
Taxes receivable, net	-	-	-	-
Total Assets	\$ 49,344	\$ 57,540	\$ 16,350	\$ 50,399
Fund balances				
Restricted:				
Debt service	-	-	-	-
Municipal court programs	49,344	-	-	50,399
Public safety programs	-	57,540	16,350	-
Total Fund Balances	49,344	57,540	16,350	50,399
Total Liabilities and Fund Balances	\$ 49,344	\$ 57,540	\$ 16,350	\$ 50,399

CITY OF STAFFORD, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2021

Page 3 of 3

	Municipal Jury Fund	Participation Agreements and Other	Total Non-Major Governmental Funds
Assets			
Cash and cash equivalents	\$ 1,281	\$ -	\$ 389,577
Taxes receivable, net	-	-	1,846
Total Assets	\$ 1,281	\$ -	\$ 391,423
Fund balances			
Restricted:			
Debt service	-	-	24,576
Municipal court programs	1,281	-	177,471
Public safety programs	-	-	189,376
Total Fund Balances	1,281	-	391,423
Total Liabilities and Fund Balances	\$ 1,281	\$ -	\$ 391,423

CITY OF STAFFORD, TEXAS**COMBINING STATEMENT OF REVENUES,****EXPENDITURES AND CHANGES IN FUND BALANCE****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2021***Page 1 of 3**

	Debt Service Fund	Judicial Efficiency	Narcotic Seizure	Court Security
Revenues				
Fines and forfeitures	\$ -	\$ 7,899	\$ -	\$ 34,965
Investment earnings	22	-	13	-
Miscellaneous	-	-	50,858	-
Total Revenues	22	7,899	50,871	34,965
Expenditures				
Current:				
Municipal services and public works	-	1,473	-	-
Police and emergency services	-	-	-	-
Judicial	-	-	-	-
Capital Outlay	-	-	111,120	-
Debt Service:				
Principal	255,000	-	-	-
Interest and other charges	337,300	-	-	-
Total Expenditures	592,300	1,473	111,120	-
Revenues over (under) expenditures	(592,278)	6,426	(60,249)	34,965
Other Financing Sources (Uses)				
Transfers in	601,000	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	601,000	-	-	-
Changes in Fund Balance	8,722	6,426	(60,249)	34,965
Fund Balances - Beginning of Year	15,854	4,943	175,735	30,113
Fund Balances - End of Year	\$ 24,576	\$ 11,369	\$ 115,486	\$ 65,078

CITY OF STAFFORD, TEXAS**COMBINING STATEMENT OF REVENUES,****EXPENDITURES AND CHANGES IN FUND BALANCE****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2021**Page 2 of 3*

	Court Technology	Child Safety Fees	Police Department Funds	Local Truancy Prevention and Diversion Fund
Revenues				
Fines and forfeitures	\$ 30,285	\$ -	\$ -	\$ -
Investment earnings	-	-	2	-
Miscellaneous	-	24,847	-	32,222
Total Revenues	30,285	24,847	2	32,222
Expenditures				
Current:				
Municipal services and public works	-	-	-	-
Police and emergency services	-	-	1,976	-
Judicial	33,141	-	-	-
Capital Outlay	21,835	-	-	-
Debt Service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total Expenditures	54,976	-	1,976	-
Revenues over (under) expenditures	(24,691)	24,847	(1,974)	32,222
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Changes in Fund Balance	(24,691)	24,847	(1,974)	32,222
Fund Balances - Beginning of Year	74,035	32,693	18,324	18,177
Fund Balances - End of Year	\$ 49,344	\$ 57,540	\$ 16,350	\$ 50,399

CITY OF STAFFORD, TEXAS**COMBINING STATEMENT OF REVENUES,****EXPENDITURES AND CHANGES IN FUND BALANCE****NON-MAJOR GOVERNMENTAL FUNDS***For the Year Ended September 30, 2021**Page 3 of 3*

	Municipal Jury Fund	Participation Agreements and Other	Total Non-Major Governmental Funds
Revenues			
Fines and forfeitures	\$ -	\$ -	\$ 73,149
Investment earnings	-	-	37
Miscellaneous	916	-	108,843
Total Revenues	916	-	182,029
Expenditures			
Current:			
Municipal services and public works	-	-	1,473
Police and emergency services	-	-	1,976
Judicial	-	-	33,141
Capital Outlay	-	-	132,955
Debt Service:			
Principal	-	-	255,000
Interest and other charges	-	-	337,300
Total Expenditures	-	-	761,845
Revenues over (under) expenditures	916	-	(579,816)
Other Financing Sources (Uses)			
Transfers in	-	-	601,000
Transfers out	-	(200,958)	(200,958)
Total Other Financing Sources (Uses)	-	(200,958)	400,042
Changes in Fund Balance	916	(200,958)	(179,774)
Fund Balances - Beginning of Year	365	200,958	571,197
Fund Balances - End of Year	\$ 1,281	\$ -	\$ 391,423