

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2020

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2020

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CERTIFICATE OF BOARD

South Texas ISD
Name of School District

Hidalgo
County

031916
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) X approved disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the 8th of December, 2020.


Signature of Board Secretary


Signature of Board President

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

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

Independent Auditor's Report

To the Board of Trustees
South Texas Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District, as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise South Texas Independent School District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District, as of August 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 53, and pension schedules as listed in the table of contents on pages 55-61 be resented 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 South Texas Independent School District's basic financial statements. The introductory section, combining statements, required TEA Schedules, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

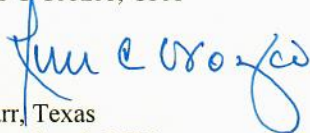
The combining statements, required by TEA Schedules, and the Schedule of Expenditures of Federal Awards are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been 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 statements, required by TEA Schedules, and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section as identified in the table of contents has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2020 on our consideration of South Texas Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 South Texas Independent School District's internal control over financial reporting and compliance.

Luis C Orozco, CPA



Pharr, Texas
December 8, 2020

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of South Texas Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2020. Please read it in conjunction with the independent auditors' report on page 1 and the District's Basic Financial Statements which begin on Page 12.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$11,401,186 as a result of this year's District's operations.

During the year, the District had net changes in functional activities that were \$11,426,955 less than the \$74,815,665 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$5,670,668.

The General Fund ended the year with a fund balance of \$78,545,725, of which \$31,800,453 is unassigned.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required

Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, one kind of activity is reported for the District:

- Governmental activities – Most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

Reporting the District's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds-not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received under the No Child Left Behind Act from the U.S. Department of Education.

The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's two kinds of funds-governmental and proprietary-use different accounting approaches.

- Governmental funds – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. Currently, the District has no proprietary funds.

The District as a Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$134,482,384 to \$145,883,570. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$53,612,222 at August 31, 2020. This represents an increase in unrestricted net position of \$12,241,700 over the prior year.

TABLE I

	Governmental Activities	
	2020	2019
Current assets		
Cash and cash equivalents	\$ 3,053,753	\$ 2,235,968
Current investments	76,016,995	62,073,065
Property taxes receivable	4,144,826	3,998,169
Allowance for uncollectible taxes	(165,793)	(399,817)
Due from other government	3,508,296	4,457,926
Accrued interest	11,282	42,311
Other receivables, net	10,167	3,703
Inventories	28,487	32,786
Prepayments	254,816	139,450
Total current assets	86,862,829	72,583,561
Non current assets		
Land	4,114,411	4,114,411
Building, net	82,363,979	85,315,875
Furniture and equipment, net	6,984,904	7,099,199
Construction in progress	1,861,936	17,601
Restricted assets	2,950,000	2,530,000
Other assets	65,940	0
Total non current assets	98,341,170	99,077,086
Total assets	185,203,999	171,660,647
Deferred outflows of resources		
Deferred outflow related to TRS pension	5,084,963	6,361,403
Deferred outflow related to TRS OPEB	3,273,722	2,661,665
Total deferred outflows of resources	8,358,685	9,023,068

TABLE I (Continued)

	Governmental Activities	
	2020	2019
Current liabilities		
Accounts payable	868,642	647,819
Interest payable	0	14,403
Payroll deductions and withholdings	0	315,755
Accrued wages payable	2,804,588	2,767,038
Due to fiduciary funds	299,667	-
Due to student groups	-	-
Accrued expenses	66,408	108,145
Unearned revenues	23,964	7,335
Non current liabilities		
Due in more than one year	6,310,000	6,310,000
Net pension liability (District's share)	9,004,994	9,631,334
Net OPEB liability (District's share)	18,647,738	19,598,181
Total liabilities	38,026,001	39,400,010
Deferred Inflows of resources		
Deferred inflow related to TRS pension	1,585,824	603,904
Deferred inflow related to TRS OPEB	8,067,289	6,197,417
Total deferred inflows of resources	9,653,113	6,801,321
Net position:		
Net investment in capital assets	89,015,230	90,222,683
Restricted for federal and state programs	239,844	312,398
Restricted for debt service	3,016,274	2,576,781
Unrestricted	53,612,222	41,370,522
Total net position	\$ 145,883,570	\$ 134,482,384

TABLE II
Changes in South Texas Independent School District's Net Position

	Governmental Activities	
	2020	2019
Program revenues		
Charges for services	\$ 493,245	\$ 782,671
Operating grants and contributions	7,057,155	4,614,498
General revenues		
Property taxes	30,447,610	27,749,608
State aid-formula	43,235,765	40,486,383
Investment earnings	1,132,290	1,673,483
Miscellaneous	0	435,286
Total revenues	74,815,665	75,741,929
Expenses		
Instruction	35,669,631	35,119,134
Instructional resources and media services	1,998,400	2,037,260
Curriculum and instructional staff development	479,144	592,449
Instructional leadership	507,335	466,872
School leadership	3,980,738	3,763,149
Guidance, counseling and evaluation services	3,474,841	3,223,299
Social work services	313,480	288,927
Health services	546,894	537,915
Student (pupil) transportation	5,593,785	5,727,731
Food services	2,136,661	1,994,765
Curricular/extracurricular activities	1,286,652	1,190,820
General administration	2,850,046	3,387,411
Facilities maintenance and operations	9,435,558	8,898,768
Security and monitoring services	932,914	1,102,456
Data processing services	812,877	828,406
Community services	16,827	24,748
Debt service - interest on long-term debt	331,275	345,678
Debt service - bond issuance cost and fees	2,100	1,100
Other intergovernmental charges	569,952	540,373
Total expenses	70,939,110	70,071,261

TABLE II (Continued)
Changes in South Texas Independent School District's Net Position

	Governmental Activities	
	2020	2019
Excess (deficiency) before other resources, uses and transfers	11,426,955	5,670,668
Transfers in(out)	-	-
Change in net position	11,426,955	5,670,668
Net position beginning	134,482,384	128,811,716
Prior period adjustment	(25,769)	-
Net position ending	\$ 145,883,570	\$ 134,482,384

The cost of all governmental activities this year was \$70,939,110 compared to \$70,071,261 last year. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$30,447,610 because the rest of the costs (\$40,491,500) were paid by those who directly benefited from the programs or by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding.

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet) reported a combined fund balance of \$81,836,467 which is more than last year's total of \$67,978,064. The increase is primarily due to a decrease in the district's operational expenses in proportion to revenues.

Over the course of the year, the Board of Trustees revised the District's budget several times. These amendments principally involved reclassifications between functional categories and transfers of funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At end of 2020, the District had \$95,325,231 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, administration, and maintenance. This amount represents a net decrease of just over (\$1,221,855), or 2 percent, under last year.

This year's major additions included:

District's Capital Assets		
		<u>2020</u>
Building & Improvements	\$	162,745
Furniture & Equipment		760,989
Construction in progress		<u>1,844,335</u>
Total capital assets before depreciation		2,768,069
Less accumulated depreciation		<u>(3,964,156)</u>
Net capital assets	\$	<u>(1,196,087)</u>

At year-end, the District has \$6,310,000 in bonds outstanding, and has made payments totaling \$2,950,000 to a sinking fund as required per the debt agreement.

Additional information about the District's capital assets and long term debt is presented in Note 3 – E. and Note 3 – F. respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the General Fund budget for 2021. Amounts available for appropriation in the General Fund budget are \$69,886,136, an decrease of approximately 5 percent from the final 2020 budget of \$73,213,467, resulting from state per capita payments and grant revenue decreases due to COVID-19. The District will use its revenues to finance programs we currently offer.

The budget approved by the Board of Trustees was a balanced budget.

Expenditures are budgeted to increase 10% to \$82,971,020. The increase is mainly due to growth and salary increases.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by the close of 2021, less any amounts from fund balance for major renovations and new district initiatives.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT, 100 Med High Dr., Mercedes, Texas 78570.

BASIC FINANCIAL STATEMENTS

SOUTH TEXAS ISD
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 3,053,753
1120 Current Investments	76,016,995
1220 Property Taxes - Delinquent	4,144,826
1230 Allowance for Uncollectible Taxes	(165,793)
1240 Due from Other Governments	3,508,296
1250 Accrued Interest	11,282
1290 Other Receivables, Net	10,167
1300 Inventories	28,487
1410 Prepayments	254,816
Capital Assets:	
1510 Land	4,114,411
1520 Buildings, Net	82,363,979
1530 Furniture and Equipment, Net	6,984,904
1580 Construction in Progress	1,861,936
1800 Restricted Assets	2,950,000
1990 Other Assets	65,940
1000 Total Assets	<u>185,203,999</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	5,084,963
1706 Deferred Outflow Related to TRS OPEB	3,273,722
1700 Total Deferred Outflows of Resources	<u>8,358,685</u>
LIABILITIES	
2110 Accounts Payable	868,642
2160 Accrued Wages Payable	2,804,588
2177 Due to Fiduciary Funds	299,667
2200 Accrued Expenses	66,408
2300 Unearned Revenue	23,964
Noncurrent Liabilities:	
2502 Due in More Than One Year	6,310,000
2540 Net Pension Liability (District's Share)	9,004,994
2545 Net OPEB Liability (District's Share)	18,647,738
2000 Total Liabilities	<u>38,026,001</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,585,824
2606 Deferred Inflow Related to TRS OPEB	8,067,289
2600 Total Deferred Inflows of Resources	<u>9,653,113</u>
NET POSITION	
3200 Net Investment in Capital Assets	89,015,230
3820 Restricted for Federal and State Programs	239,844
3850 Restricted for Debt Service	3,016,274
3900 Unrestricted	53,612,222
3000 Total Net Position	<u><u>\$ 145,883,570</u></u>

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for	Operating	Primary Gov.
	Expenses	Services	Grants and Contributions	Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 35,669,631	\$ -	\$ 3,871,965	\$ (31,797,666)
12 Instructional Resources and Media Services	1,998,400	-	74,023	(1,924,377)
13 Curriculum and Instructional Staff Development	479,144	-	101,077	(378,067)
21 Instructional Leadership	507,335	-	27,626	(479,709)
23 School Leadership	3,980,738	-	211,293	(3,769,445)
31 Guidance, Counseling and Evaluation Services	3,474,841	-	462,742	(3,012,099)
32 Social Work Services	313,480	-	15,724	(297,756)
33 Health Services	546,894	-	27,290	(519,604)
34 Student (Pupil) Transportation	5,593,785	-	195,960	(5,397,825)
35 Food Services	2,136,661	439,009	1,395,840	(301,812)
36 Extracurricular Activities	1,286,652	-	43,248	(1,243,404)
41 General Administration	2,850,046	54,236	126,976	(2,668,834)
51 Facilities Maintenance and Operations	9,435,558	-	451,032	(8,984,526)
52 Security and Monitoring Services	932,914	-	-	(932,914)
53 Data Processing Services	812,877	-	36,883	(775,994)
61 Community Services	16,827	-	15,476	(1,351)
72 Debt Service - Interest on Long-Term Debt	331,275	-	-	(331,275)
73 Debt Service - Bond Issuance Cost and Fees	2,100	-	-	(2,100)
99 Other Intergovernmental Charges	569,952	-	-	(569,952)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 70,939,110</u>	<u>\$ 493,245</u>	<u>\$ 7,057,155</u>	<u>(63,388,710)</u>
Data Control Codes				
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			30,447,610
GC	Grants and Contributions not Restricted			43,235,765
IE	Investment Earnings			1,132,290
TR	Total General Revenues			<u>74,815,665</u>
CN	Change in Net Position			11,426,955
NB	Net Position - Beginning			134,482,384
PA	Prior Period Adjustment			(25,769)
NE	Net Position - Ending			<u>\$ 145,883,570</u>

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 3,047,244	\$ 6,509	\$ 3,053,753
1120 Investments - Current	76,016,995	-	76,016,995
1220 Property Taxes - Delinquent	4,144,826	-	4,144,826
1230 Allowance for Uncollectible Taxes	(165,793)	-	(165,793)
1240 Due from Other Governments	2,491,799	1,016,497	3,508,296
1250 Accrued Interest	11,247	35	11,282
1260 Due from Other Funds	626,225	302,075	928,300
1290 Other Receivables	10,142	25	10,167
1300 Inventories	-	28,487	28,487
1410 Prepayments	254,816	-	254,816
1800 Restricted Assets	-	2,950,000	2,950,000
1900 Other Assets	-	65,940	65,940
1000 Total Assets	<u>\$ 86,437,501</u>	<u>\$ 4,369,568</u>	<u>\$ 90,807,069</u>
LIABILITIES			
2110 Accounts Payable	\$ 867,850	\$ 792	\$ 868,642
2160 Accrued Wages Payable	2,720,670	83,918	2,804,588
2170 Due to Other Funds	262,450	965,517	1,227,967
2200 Accrued Expenditures	60,773	5,635	66,408
2300 Unearned Revenue	1,000	22,964	23,964
2000 Total Liabilities	<u>3,912,743</u>	<u>1,078,826</u>	<u>4,991,569</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	<u>3,979,033</u>	<u>-</u>	<u>3,979,033</u>
2600 Total Deferred Inflows of Resources	<u>3,979,033</u>	<u>-</u>	<u>3,979,033</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	28,487	28,487
3430 Prepaid Items	254,816	-	254,816
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	239,844	239,844
3480 Retirement of Long-Term Debt	-	3,016,274	3,016,274
Committed Fund Balance:			
3510 Construction	10,873,616	6,137	10,879,753
3545 Other Committed Fund Balance	35,616,840	-	35,616,840
3600 Unassigned Fund Balance	<u>31,800,453</u>	<u>-</u>	<u>31,800,453</u>
3000 Total Fund Balances	<u>78,545,725</u>	<u>3,290,742</u>	<u>81,836,467</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 86,437,501</u>	<u>\$ 4,369,568</u>	<u>\$ 90,807,069</u>

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2020

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 81,836,467
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$138,694,086 and the accumulated depreciation was (\$42,164,601). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position.	90,237,086
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to decrease net position.	2,742,300
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. At the beginning of the year, the net position related to TRS was a Deferred Resource Outflow in the amount of \$5,084,963, a Deferred Resource Inflow in the amount of \$1,585,824 and a net pension liability in the amount of \$9,004,994. The combination of the beginning of the year amounts and the changes during the year resulted in a difference between the ending fund balance and the ending net position in the amount of (\$5,505,855) .	(5,505,855)
4 The District participates in the TRS-Care plan for retirees through TRS. The District's share of the TRS plan resulted in a net OPEB liability of \$18,647,738, a deferred outflow of \$3,273,722 and a deferred inflow of \$8,067,289. This resulted in a difference between the ending fund balance and the ending net position of (23,441,305).	(23,441,305)
5 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,964,156)
6 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	3,979,033
19 Net Position of Governmental Activities	\$ 145,883,570

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 30,910,506	\$ 458,607	\$ 31,369,113
5800 State Program Revenues	42,888,392	647,658	43,536,050
5900 Federal Program Revenues	191,507	3,782,515	3,974,022
5020 Total Revenues	<u>73,990,405</u>	<u>4,888,780</u>	<u>78,879,185</u>
EXPENDITURES:			
Current:			
0011 Instruction	29,428,083	2,310,490	31,738,573
0012 Instructional Resources and Media Services	1,753,267	5,460	1,758,727
0013 Curriculum and Instructional Staff Development	334,990	83,483	418,473
0021 Instructional Leadership	438,848	1,375	440,223
0023 School Leadership	3,436,823	16,189	3,453,012
0031 Guidance, Counseling, and Evaluation Services	2,678,616	321,689	3,000,305
0032 Social Work Services	270,832	-	270,832
0033 Health Services	472,241	-	472,241
0034 Student (Pupil) Transportation	4,924,685	894	4,925,579
0035 Food Services	-	1,911,703	1,911,703
0036 Extracurricular Activities	1,151,358	-	1,151,358
0041 General Administration	2,488,509	13,944	2,502,453
0051 Facilities Maintenance and Operations	8,279,650	105,902	8,385,552
0052 Security and Monitoring Services	874,982	-	874,982
0053 Data Processing Services	706,420	3,565	709,985
0061 Community Services	-	15,476	15,476
Debt Service:			
0072 Interest on Long-Term Debt	-	331,275	331,275
0073 Bond Issuance Cost and Fees	-	2,100	2,100
Capital Outlay:			
0081 Facilities Acquisition and Construction	2,087,982	-	2,087,982
Intergovernmental:			
0099 Other Intergovernmental Charges	569,952	-	569,952
6030 Total Expenditures	<u>59,897,238</u>	<u>5,123,545</u>	<u>65,020,783</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>14,093,167</u>	<u>(234,765)</u>	<u>13,858,402</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	59	1,254,373	1,254,432
8911 Transfers Out (Use)	(597,510)	(656,922)	(1,254,432)
7080 Total Other Financing Sources (Uses)	<u>(597,451)</u>	<u>597,451</u>	<u>-</u>
1200 Net Change in Fund Balances	13,495,716	362,686	13,858,402
0100 Fund Balance - September 1 (Beginning)	<u>65,050,009</u>	<u>2,928,056</u>	<u>67,978,065</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 78,545,725</u>	<u>\$ 3,290,742</u>	<u>\$ 81,836,467</u>

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 13,858,402
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to decrease net position.	2,768,069
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(3,964,156)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net position.	704,032
Current year changes due to GASB 68 increased revenues in the amount of \$2,636,026 but also increased expenditures in the amount of \$4,268,046. The net effect on the change in the ending net position was a decrease in the amount of \$1,632,020.	(1,632,020)
Current year changes due to GASB 75 increased revenues in the amount of \$146,822 but also increased expenditures in the amount of \$454,194. The net effect on the change in the ending net position was a decrease in the amount of \$307,372.	(307,372)
Change in Net Position of Governmental Activities	\$ 11,426,955

The notes to the financial statements are an integral part of this statement.

SOUTH TEXAS ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2020

	Total Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 443,620
Due from Other Funds	299,667
	<hr/>
Total Assets	743,287
	<hr/>
LIABILITIES	
Payroll Deductions and Withholdings Payable	343,456
Due to Student Groups	399,831
	<hr/>
Total Liabilities	743,287
	<hr/>

The notes to the financial statements are an integral part of this statement.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a twenty-four-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (Continued)

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and expenses in the accounting period in which they are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. The District currently has no proprietary fund types.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

General Fund - The General fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Additionally, the District reports the following fund type(s):

Governmental Funds:

Special Revenue Fund - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term debt of governmental funds in a debt service fund.

Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. FUND ACCOUNTING (Continued)

Fiduciary Funds:

Custodial Fund - The District uses this fund to report student activity funds held in a purely custodial capacity (assets equal liabilities). Custodial funds typically involve only the receipt, temporary investment and remittance of the fiduciary resources to individuals, private organizations, or other governments.

E. OTHER ACCOUNTING POLICES

New Accounting Standards

In fiscal year 2019, the District implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

Statement No. 88 improves the information that is disclosed in notes to government's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Future possible applicable accounting standards to the District that have been issued by the Governmental Accounting Standards Board are Statement No. 84, *Fiduciary Activities* and Statement No. 87, *Leases*.

Statement No. 84 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. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Inventory

The District uses the purchase method of accounting for inventory, which is comprised of purchased food and food commodities. Purchases of inventory items are recognized as expenditures when the goods are received and adjusted at year end after physical inventory is conducted. Commodity inventory is recorded at market value supplied by the Texas Department of Human Services.

Capital Assets

Capital assets, which include land, buildings, and furniture and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings and furniture and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	40
Furniture and Equipment	
– Buses	10
– Other Vehicles	7
– Equipment	5

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest 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 debt issued is reported as other financing sources. 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. Issuance costs for insurance premiums are recorded as deferred charges.

Government-wide Net Position

Net position represents the difference between assets and liabilities. The District's net position is composed of the following:

Net Investment in Capital Assets- The component of net position that represents capital assets less capital debt.

Restricted for State and Federal Programs- The component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Departments of Education and Agriculture, the Texas Education Agency and other entities.

Restricted for Debt Service- The component of net position that reports the difference between assets and liabilities of the Debt Service Funds, restricted by the bond covenants.

Unrestricted- The difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service and net position restricted for state and federal programs.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assigned fund balances are amounts set aside by the District's Superintendent or his designee with the intent that they be used for specific purposes. Unassigned fund balances are not constrained for a particular purpose.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same actions (i.e. resolution) it employed to previously commit those amounts. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assigned fund balance.

Investments

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in entities (such as investment pools) that calculate Net Asset Value per Share and follow the requirements of GASB Statement No. 79 are also reported at amortized cost. Nonparticipating interest-earning investment contracts are reported using a cost-based measure. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. All other investments are reported at fair value.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Fair Value Measurements

The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

There are three general valuation techniques that may be used to measure fair value. The market approach uses prices generated by market transactions involving identical or comparable assets or liabilities. The cost approach uses the amount that currently would be required to replace the service capacity of an asset (replacement cost). The income approach uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity).

Deferred outflows of resources-a consumption of net assets by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expenditure/expenses) until then. It has a positive effect on net position, similar to assets.

Deferred inflows of resources-an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources for pension are reported in the government-wide financial statement of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the District's proportionate share of the deferred outflows of resources of the TRS plan. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the District's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.

The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred Inflows of Resources

Grant amounts received in advance of meeting timing requirements and advances of revenue from imposed nonexchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level and are recognized as revenues at the government-wide level.

Deferred inflows of resources for pension are reported in the government-wide financial statement of net position. These deferred inflows result primarily from differences between projected and actual earnings on pension plan investments.

Pension

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

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Pension (Continued)

Other post-employment benefits - The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by Texas Education Agency (TEA) in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

South Texas Independent School District Notes to the Financial Statements

Note 2 – STEWADRSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDEGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the RSI and the other two reports are in Exhibit J-4 and J-5.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31st. Encumbrances outstanding for construction projects at that time are appropriately provided for in the subsequent year's budget, while other non-construction encumbrances are canceled.

Note 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At August 31, 2020, the District did not have expenditures over appropriations.

C. DEFICIT FUND EQUITY

For the fiscal year ended August 31, 2020 the District did not have deficit fund equity.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS

A. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

As of August 31, 2020, the following are the District's cash and cash equivalents with respective maturities of less than one year.

Cash	3,053,753	
Investments:		
Certificates of Deposit	19,982,000	26%
Lone Star Investment Pool	55,300,128	73%
TexPool	<u>734,867</u>	1%
Total Investments:	76,016,995	

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued) Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. South Texas Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for South Texas Independent School District are specified below:

Credit Risk In accordance with state law and the District's investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating. Commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent. As of August 31, 2020, the District's investments in Lonestar Investment Pool and TexPool were rated AAAM by Standard and Poor's (S&P).

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk for Investment For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the District's name.

Concentration of Credit Risk The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer. As of August 31, 2020, the District had 26% of its investments in certificates of deposits. These certificates of deposits were fully covered by eligible pledged securities. The District had 74% of its investments in TexPool and Lonestar Investment Pool, which are rated AAAM.

The District's investments at August 31, 2020 are shown as follows:

Investment Type	Reported at Amortized Cost	Weighted Average Maturity (days)	Standard & Poor's Rating
Certificates of Deposit	\$19,982,000	n/a	n/a
Lone Star Investment Pool			
Corporate Overnight Fund	7,093,713	54	
Corporate Overnight Plus Fund	48,206,380	65	
Government Overnight Fund	35	24	
Total Lone Star Investment Pool	55,300,128		AAAM
TexPool	734,867	27	AAAM
Total Investments:	<u>\$76,016,995</u>		

Interest Rate Risk In accordance with state law and the District's investment policy, the District does not purchase any investments greater than one year for its operating funds.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period, and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The allowance for uncollectible taxes receivable within the General Fund is based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from other governments as of August 31, 2020, are summarized below.

Fund	State Entitlements	Other	Total
General Fund	\$ 2,410,556	\$ 81,243	\$ 2,491,799
Special Revenue Fund	1,004,944	11,553	1,016,497
Total	<u>\$ 3,415,500</u>	<u>\$ 92,796</u>	<u>\$ 3,508,296</u>

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

D. INTERFUND BALANCES AND TRANSFERS

The composition of Interfund balances as of August 31, 2020 is as follows:

	Due From Other Funds	Due to Other Funds
<u>General Fund:</u>		
General Fund	\$ 514,881	\$ -
Special Revenue Funds	111,345	-
Trust & Agency Funds	-	262,450
Total General Fund	<u>626,226</u>	<u>262,450</u>
<u>Special Revenue Funds</u>		
General Fund	<u>302,076</u>	<u>965,518</u>
Total Special Revenue Funds	<u>302,076</u>	<u>965,518</u>
<u>Custodial Funds</u>		
General Fund	<u>299,667</u>	-
Total Custodial Funds	<u>299,667</u>	-
 Totals	 <u><u>\$ 1,227,968</u></u>	 <u><u>\$ 1,227,968</u></u>

Interfund transfers are defined as flow of assets without equivalent flows of assets in return and without requirement of repayment. Interfund transfers for the year ended August 31, 2020 were as follows:

<u>Fund</u>	<u>Transfer In (Out)</u>
General Fund	(597,510)
Debt Service	(420,059)
Debt Service - PFC	(155,865)
Special Revenue- Summer Feeding Program	(80,998)
General Fund	59
Debt Service	753,375
Debt Service - PFC	420,000
Special Revenue- NBLs	80,998
Total	-

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided and/or reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund transfers between the general fund and the debt service funds are for required deposits to the sinking fund and debt interest payments.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2020 was as follows:

	Balance 09/01/19	Changes During Year			Balance 08/31/20
		Additions	Retirements	Reclassifications/ Adjustments	
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,114,411	\$ -	\$ -	\$ -	\$ 4,114,411
Buildings & improvements	120,435,060	162,745	-	-	120,597,805
Furniture & equipment	14,144,615	760,989	(32,816)	-	14,872,788
Construction in progress	17,601	1,844,335	-	-	1,861,936
Total capital assets cost	<u>\$ 138,711,687</u>	<u>\$ 2,768,069</u>	<u>\$ (32,816)</u>	<u>\$ -</u>	<u>\$ 141,446,940</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ (35,119,185)	\$ (3,114,641)	\$ -		\$ (38,233,826)
Furniture & equipment	(7,045,416)	(849,515)	32,816	(25,769)	(7,887,884)
Total Accum. Dep.	<u>\$ (42,164,601)</u>	<u>\$ (3,964,156)</u>	<u>\$ 32,816</u>	<u>\$ (25,769)</u>	<u>\$ (46,121,710)</u>
Governmental activities capital assets, net	<u>\$ 96,547,086</u>	<u>\$ (1,196,087)</u>	<u>\$ -</u>	<u>\$ (25,769)</u>	<u>\$ 95,325,231</u>

Depreciation Expense was charged to governmental functions as follows:

Instruction	\$ 2,016,163
Instruction Resources and Media Services	127,360
Curriculum	32,138
Instructional Leadership	24,541
School Leadership	209,025
Guidance & Counseling	182,844
Health Services	17,028
Student Transportation	30,409
Food Services	351,152
Extracurricular Activities	117,787
General Administration	65,151
Plant, Maintenance & Operations	163,256
Security	519,134
Data Processing	57,932
Community Service	48,885
Other Intergovernmental Scharges	1,351
	<u>3,964,156</u>

South Texas Independent School District
Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

F. LONG-TERM OBLIGATIONS

Qualified School Construction Bonds

On December 1, 2013, the South Texas Independent School District Public Facilities Corporation issued \$6,310,000 in School Facility Lease Revenue Qualified School Construction Bonds, Taxable Series 2013 to finance the construction and equipping of school facilities and to pay for professional fees and services along with the costs of issuing the Bonds. Annual installments of \$420,000 to a sinking fund are payable until the bonds mature in 2028. The bonds were issued with an interest rate of 5.250% due semi-annually, August 31, 2014 to August 31, 2028.

All bond requirements to term, including the required installments that must be made to a sinking fund are as follows:

Year Ending August 31,	Sinking Fund	Interest	Estimated Interest Subsidy Available	Total Requirements
2021	420,000	331,275	(309,328)	441,947
2022	420,000	331,275	(309,328)	441,947
2023	420,000	331,275	(309,328)	441,947
2024	420,000	331,275	(309,328)	441,947
2025-2028	1,680,000	1,325,100	(1,237,312)	1,767,788
	<u>3,360,000</u>	<u>2,650,200</u>	<u>(2,474,624)</u>	<u>3,535,576</u>
Total Restricted Assets	2,950,000			2,950,000
Total Debt Amount	<u>6,310,000</u>			<u>6,485,576</u>

Bonded indebtedness of the District is reflected within the statement of net position and current requirements for sinking fund deposits and interest expenditures are accounted for in the Debt Service Fund.

This debt will be paid by the Debt Service Fund from transfers made from the General Fund for deposits into the sinking fund. Under Code Section 6431(f), the District receives federal assistance on the interest requirements. As of the date the financials statements were ready to be issued the District has not received the interest subsidy for fiscal year 2019-2020. The estimated future subsidy amounts in the table above are based on historical average of subsidy amount received by the District.

Funds are required to be set aside to pay the bonds at maturity. The fair market value of investments in the sinking fund is \$3,015,940 and is recorded as restricted assets in the Debt Service Fund. These funds are managed by a Trustee and are currently invested in federal agency obligations.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN

Plan Description – The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided - TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension benefits are established or amended under the authority of the Texas Constitution, Article XVI, Section 67 and by the Legislature in the Texas Government Code, Title 8, Subtitle C. The Board of Trustees does not have the authority to establish or amend benefits. State law requires the plan to be actuarially sound in order for the Legislature to consider a benefit enhancement, such as supplemental payment to the retirees. In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. These increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check. All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Contributions. Contribution requirements are established or amended pursuant to Article 16, Section 67 of the Texas Constitution which requires the Texas Legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same. SB12 in the 86th Legislature set higher contribution rates for fiscal year 2020 and fiscal year 2021. Beginning September 1, 2019, all employers are required to pay the Public Education Employer contribution of 1.5%. This "surcharge" was previously only charged to employers not participating in social security. Contribution Rates can be found in the TRS 2019 CAFR, Note 11, on page 76.

	<u>Contribution Rates</u>	
	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non - Employer Contributing Entity (State)	6.8%	7.5%
Employers	6.8%	7.5%
District's 2020 Employer Contributions	\$	640,057
District's 2020 Member Contributions	\$	2,908,462
District's 2019 NECE On-Behalf Contributions	\$	2,312,563

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN (Continued)

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.63%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The source for the Municipal Bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that involve only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".

The Actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2018. For a full description of these assumptions please see the TRS actuarial valuation report dated November 9, 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the statutorily required rates set by the Legislature during the 2019 legislative session. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payment of current plan members.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2019 are summarized below:

Asset Class	FY19 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity			
U.S.	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	0.0%	0.0%
Private Equity	13.0%	14.0%	8.4%
Stable Value			
U.S. Treasuries****	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Real Return			
Global Inflation Linked Bonds*****	3.0%	0.0%	0.0%
Real Assets	14.0%	15.0%	8.5%
Energy and Natural Resources	5.0%	6.0%	7.3%
Risk Parity			
Risk Parity	5.0%	8.0%	5.8%(6.5%)*****
Asset Allocation Leverage Cash	1.0%	2.0%	2.5%
Asset Allocation Leverage	0.0%	-6.0%	2.7%
Total	100.0%		
Expected Return			7.23%

* FY 2019 Target Allocations are based on the Strategic Asset Allocation dated 10/1/2018

** New target allocation based on the Strategic Asset Allocation dated 10/1/2019

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds

*****5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the 2019 Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
Proportionate share of the net pension liability:	\$ 13,841,984	\$ 9,004,994	\$ 5,086,099

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions. At August 31, 2020, the District reported a liability of \$9,004,994 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District at August 31, 2020 were as follows:

District's Proportionate share of the collective net pension liability	\$ 9,004,994
State's proportionate share that is associated with the District	<u>34,347,204</u>
Total	<u>\$ 43,352,198</u>

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

At the measurement date of August 31, 2019 the employer's proportion of the collective net pension liability was 0.0173229178% which was a decrease of 0.0001751014% from its proportion measured as of August 31, 2018.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN (Continued)

Changes Since the Prior Actuarial Valuation – There were changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement date.

- The total pension liability as of August 31, 2019 was developed using a roll-forward method from the August 31, 2018 valuation.
- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

For the year ended August 31, 2020, the District recognized pension expense of \$7,667,539 and revenue of \$5,395,462 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 37,829	\$ 312,668
Changes in actuarial assumptions	2,793,791	1,154,527
Differences between projected and actual investment earnings contributions	90,421	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,522,865	118,629
Total as of August 31, 2019 measurement date	4,444,906	1,585,824
Contributions paid to TRS subsequent to the measurement date	640,057	-
Total as of fiscal year-end	\$ 5,084,963	\$ 1,585,824

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

G. DEFINED BENEFIT PENSION PLAN

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

Year ended August 31	Pension Expense			
	Amount			
2021	\$ 944,797			
2022	810,532			
2023	602,265			
2024	459,252			
2025	128,947			
Thereafter	(86,711)			

	Beginning			Ending
	Balance	Additions	Retirements	Balance
Net Pension Liability	\$ 9,631,334	\$ (20,017)	\$ 606,323	\$ 9,004,994

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detailed information about TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare and without Medicare coverage.

TRS-Care Monthly for Retirees Effective January 1, 2019 - December 31, 2019		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

Contributions. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

	<u>2019</u>	<u>2020</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions	\$ 336,212	
Current fiscal year member contributions	\$ 2,908,462	
2019 measurement year NECE On-Behalf Contributions	\$ 371,844	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether or not they participate in the TRS Care OPEB program). When employers hire a TRS retiree, they are required to pay to TRS-Care, a monthly surcharge of \$535 per retiree.

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

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Actuarial Assumptions. The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.3%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Projected Salary Increases	3.50% - 9.05% including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Ad-hoc Post Employment Benefit Changes	None

Discount Rate. A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. The Discount Rate can be found in the 2019 TRS CAFR on page 70. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability

	1% Decrease in Discount Rate (1.63%)	Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
Proportionate share of the net OPEB liability:	\$ 22,513,805	\$ 18,647,738	\$ 15,623,313

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 15,212,172	\$ 18,647,738	\$ 23,249,823

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2020, the District reported a liability of \$ 18,647,738 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 18,647,738
State's Proportionate share that is associated with the District	<u>24,778,674</u>
Total	<u><u>\$ 43,426,412</u></u>

The Net OPEB Liability was measured as of August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net OPEB liability was 0.0394317114% which was an increase of 0.0001811170% from its proportion measured as of August 31, 2018.

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

Changes in Actuarial Assumptions Since the Prior Actuarial Valuation - The following were changes to the actuarial assumptions or other inputs that affected measurement of the total OPEB liability since the prior measurement period:

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

Changes in Benefit Terms: There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$1,296,648 and revenue of \$653,064 for support provided by the State.

At August 31, 2020, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

South Texas Independent School District Notes to the Financial Statements

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 914,830	\$ 3,051,505
Changes in actuarial assumptions	1,035,737	5,015,784
Differences between projected and actual investment earnings	2,012	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	984,931	-
Total as of August 31, 2019 measurement date	2,937,510	8,067,289
Contributions paid to TRS subsequent to the measurement date	336,212	-
Total as of fiscal year-end	\$ 3,273,722	\$ 8,067,289

The net amount of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31	Pension Expense Amount
2021	\$ (890,731)
2022	(890,731)
2023	(891,382)
2024	(891,754)
2025	(891,654)
Thereafter	(673,527)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 19,598,181	\$ (670,587)	\$ 279,856	\$ 18,647,738

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

I. HEALTH CARE COVERAGE - ACTIVE EMPLOYEES

Plan Description - During the year ended August 31, 2020, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$464 per month per employee and dependents to the Plan, which includes \$225 in state mandated contribution. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third-party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by AETNA, Allegian HMO Plan. Caremark administers the prescription drug plan. The latest financial

South Texas Independent School District

Notes to the Financial Statements

information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Medicare Part D. Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. This provision allows for the Texas Public School Retired Employee Group program (TRS-Care) to receive drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. GASB Statement No. 24 requires recognition of these on-behalf payments in the financial statements. Medicare Part D payments made on behalf of the District's participants for the years ended August 31, 2020, 2019, and 2018 were \$179,536, \$134,595, and \$105,477 respectively.

J. CONTINGENT LIABILITIES

The District is involved in various legal proceedings arising from its operations. Management in consultation with its attorney believes the outcomes will have no material effect on the District's financial position.

The District participates in a number of state and federally assisted programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be finally determined at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

K. CONTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

At August 31, 2020 the District had the following remaining construction commitments:

<u>Project</u>	<u>Authorization</u>	<u>Expended</u>	<u>Remaining</u>
Administration Building	8,500,000	1,765,903	6,482,400

**South Texas Independent School District
Notes to the Financial Statements**

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS (Continued)

L. FUND BALANCE

The District has classified its fund balances as follows:

Description	General Fund	Other Governmental Funds			Total Governmental Funds
		Special Revenue Funds	Debt Service Funds	Capital Projects Fund	
Fund Balances					
Nonspendable					
Inventories	\$ -	\$28,487	\$ -	\$ -	\$28,487
Prepaid Items	254,816	-	-	-	\$254,816
Restricted	-	-	-	-	\$0
Federal or State Funds	-	-	-	-	\$0
Grant Restriction	-	239,844	-	-	\$239,844
Retirement of Long-Term Debt	-	-	3,016,274	-	\$3,016,274
Committed					\$0
Construction	10,873,616	-	-	6,137	\$10,879,753
Future Construction	-	-	-	-	\$0
Projects	35,616,840	-	-	-	\$35,616,840
Unassigned	31,800,453	-	-	-	\$31,800,453
Total Fund Balance	<u>\$78,545,725</u>	<u>\$268,331</u>	<u>\$3,016,274</u>	<u>\$6,137</u>	<u>\$81,836,467</u>

The District has not established a contingency reserve or "Rainy Day Fund".

M. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 8, 2020, which is the date these financial statements were available to be issued. There are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 30,680,500	\$ 31,151,500	\$ 30,910,506	\$ (240,994)
5800 State Program Revenues	40,981,967	41,581,967	42,888,392	1,306,425
5900 Federal Program Revenues	470,000	480,000	191,507	(288,493)
5020 Total Revenues	72,132,467	73,213,467	73,990,405	776,938
EXPENDITURES:				
Current:				
0011 Instruction	32,796,415	32,796,415	29,428,083	3,368,332
0012 Instructional Resources and Media Services	1,969,317	1,969,317	1,753,267	216,050
0013 Curriculum and Instructional Staff Development	570,260	570,260	334,990	235,270
0021 Instructional Leadership	498,449	498,449	438,848	59,601
0023 School Leadership	3,728,265	3,728,265	3,436,823	291,442
0031 Guidance, Counseling, and Evaluation Services	3,059,868	3,059,868	2,678,616	381,252
0032 Social Work Services	308,608	308,608	270,832	37,776
0033 Health Services	564,520	564,520	472,241	92,279
0034 Student (Pupil) Transportation	7,180,312	7,180,312	4,924,685	2,255,627
0036 Extracurricular Activities	1,538,600	1,538,600	1,151,358	387,242
0041 General Administration	3,776,389	3,776,389	2,488,509	1,287,880
0051 Facilities Maintenance and Operations	9,251,273	9,216,273	8,279,650	936,623
0052 Security and Monitoring Services	1,119,000	1,119,000	874,982	244,018
0053 Data Processing Services	903,744	903,744	706,420	197,324
Capital Outlay:				
0081 Facilities Acquisition and Construction	15,180,000	20,070,520	2,087,982	17,982,538
Intergovernmental:				
0099 Other Intergovernmental Charges	526,000	601,000	569,952	31,048
6030 Total Expenditures	82,971,020	87,901,540	59,897,238	28,004,302
1100 Excess (Deficiency) of Revenues Over (Under)	(10,838,553)	(14,688,073)	14,093,167	28,781,240
Expenditures				
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	59	59
8911 Transfers Out (Use)	(753,275)	(753,275)	(597,510)	155,765
7080 Total Other Financing Sources (Uses)	(753,275)	(753,275)	(597,451)	155,824
1200 Net Change in Fund Balances	(11,591,828)	(15,441,348)	13,495,716	28,937,064
0100 Fund Balance - September 1 (Beginning)	65,050,009	65,050,009	65,050,009	-
3000 Fund Balance - August 31 (Ending)	\$ 53,458,181	\$ 49,608,661	\$ 78,545,725	\$ 28,937,064

SOUTH TEXAS ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Pension Liability (Asset)	0.017322918%	0.017498019%	0.017745746%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 9,004,994	\$ 9,631,334	\$ 5,674,134
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	34,347,204	36,830,983	21,691,440
Total	<u>\$ 43,352,198</u>	<u>\$ 46,462,317</u>	<u>\$ 27,365,574</u>
District's Covered Payroll	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	25.00%	27.70%	16.83%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<div> <div>FY 2017</div> <div>Plan Year 2016</div> </div> <div> <div>FY 2016</div> <div>Plan Year 2015</div> </div> <div> <div>FY 2015</div> <div>Plan Year 2014</div> </div>		
0.017104145%	0.0158193%	0.0024553%
\$ 6,463,402	\$ 5,591,912	\$ 655,844
24,107,596	20,500,455	17,599,519
\$ 30,570,998	\$ 26,092,367	\$ 18,255,363
\$ 30,625,263	\$ 26,212,695	\$ 25,175,664
21.10%	21.33%	2.61%
78.00%	78.43%	83.25%

SOUTH TEXAS ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 640,057	\$ 606,074	\$ 589,475
Contribution in Relation to the Contractually Required Contribution	(640,057)	(606,074)	(589,475)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 37,772,237	\$ 36,017,459	\$ 34,768,128
Contributions as a Percentage of Covered Payroll	1.69%	1.68%	1.70%

Note: GASB Codification, Vol. 2, P20.183 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

2017	2016	2015			
\$ 581,602	\$ 543,442	\$ 468,417			
(581,602)	(543,442)	(468,417)			
\$ -	\$ -	\$ -			
\$ 33,720,831	\$ 30,625,263	\$ 26,212,695			
1.72%	1.77%	1.79%			

SOUTH TEXAS ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2020

	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.039431711%	0.039250594%	0.037406921%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 18,647,738	\$ 19,598,181	\$ 16,266,867
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	24,778,674	30,790,614	27,302,058
Total	<u>\$ 43,426,412</u>	<u>\$ 50,388,795</u>	<u>\$ 43,568,925</u>
District's Covered Payroll	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	51.77%	56.37%	48.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

SOUTH TEXAS ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 336,212	\$ 280,567	\$ 270,773
Contribution in Relation to the Contractually Required Contribution	(336,212)	(280,567)	(270,773)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 37,722,237	\$ 36,017,459	\$ 34,768,128
Contributions as a Percentage of Covered Payroll	0.89%	0.78%	0.78%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

South Texas Independent School District Notes to Required Supplementary Information

Budgetary Information

The Board of Trustees adopts an “appropriated budget” for the General Fund, Debt Service Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The district compares the final amended budget to actual revenue and expenditures. Expenditures may not legally exceed budgeted appropriations at the function level. Annual budgets were adopted on a basis consistent with generally accepted accounting principles. The District presented the General Fund budgetary comparison schedule as required supplementary information. The National School Breakfast and Lunch Fund and Debt Service Fund budgetary comparison schedules are presented as required TEA schedules.

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year’s budget.

COMBINING AND OTHER STATEMENTS

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	56,948	2,876	172,488	5,910
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	279,102
1290	Other Receivables	-	-	-	25
1300	Inventories	-	-	-	28,487
1800	Restricted Assets	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 56,948</u>	<u>\$ 2,876</u>	<u>\$ 172,488</u>	<u>\$ 313,524</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 792
2160	Accrued Wages Payable	-	-	40,723	43,195
2170	Due to Other Funds	56,948	2,876	127,336	-
2200	Accrued Expenditures	-	-	4,429	1,206
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>56,948</u>	<u>2,876</u>	<u>172,488</u>	<u>45,193</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	28,487
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	239,844
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>268,331</u>
4000	Total Liabilities and Fund Balances	<u>\$ 56,948</u>	<u>\$ 2,876</u>	<u>\$ 172,488</u>	<u>\$ 313,524</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	288 Heal2 Project	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
208,000	13,023	8,360	434	410,998	11,554	2,459	-
-	-	-	-	-	-	-	-
-	-	-	-	-	9	-	22,964
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 208,000</u>	<u>\$ 13,023</u>	<u>\$ 8,360</u>	<u>\$ 434</u>	<u>\$ 410,998</u>	<u>\$ 11,563</u>	<u>\$ 2,459</u>	<u>\$ 22,964</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
208,000	13,023	8,360	434	410,998	11,563	2,459	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	22,964
<u>208,000</u>	<u>13,023</u>	<u>8,360</u>	<u>434</u>	<u>410,998</u>	<u>11,563</u>	<u>2,459</u>	<u>22,964</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 208,000</u>	<u>\$ 13,023</u>	<u>\$ 8,360</u>	<u>\$ 434</u>	<u>\$ 410,998</u>	<u>\$ 11,563</u>	<u>\$ 2,459</u>	<u>\$ 22,964</u>

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2020

Data Control Codes		410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds	516 Debt Service
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	12,102	111,345	1,016,497	-
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	302,075	-
1290	Other Receivables	-	-	25	-
1300	Inventories	-	-	28,487	-
1800	Restricted Assets	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 12,102</u>	<u>\$ 111,345</u>	<u>\$ 1,347,084</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 792	\$ -
2160	Accrued Wages Payable	-	-	83,918	-
2170	Due to Other Funds	12,102	111,345	965,444	-
2200	Accrued Expenditures	-	-	5,635	-
2300	Unearned Revenue	-	-	22,964	-
2000	Total Liabilities	<u>12,102</u>	<u>111,345</u>	<u>1,078,753</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	28,487	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	239,844	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>268,331</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 12,102</u>	<u>\$ 111,345</u>	<u>\$ 1,347,084</u>	<u>\$ -</u>

518 Debt Service (PFC)	Total Nonmajor Debt Service Funds	616 Capital Fund (PFC)	Total Nonmajor Governmental Funds
\$ 299	\$ 299	\$ 6,210	\$ 6,509
-	-	-	1,016,497
35	35	-	35
-	-	-	302,075
-	-	-	25
-	-	-	28,487
2,950,000	2,950,000	-	2,950,000
65,940	65,940	-	65,940
<u>\$ 3,016,274</u>	<u>\$ 3,016,274</u>	<u>\$ 6,210</u>	<u>\$ 4,369,568</u>
\$ -	\$ -	\$ -	\$ 792
-	-	-	83,918
-	-	73	965,517
-	-	-	5,635
-	-	-	22,964
<u>-</u>	<u>-</u>	<u>73</u>	<u>1,078,826</u>
-	-	-	28,487
-	-	-	239,844
3,016,274	3,016,274	-	3,016,274
-	-	6,137	6,137
<u>3,016,274</u>	<u>3,016,274</u>	<u>6,137</u>	<u>3,290,742</u>
<u>\$ 3,016,274</u>	<u>\$ 3,016,274</u>	<u>\$ 6,210</u>	<u>\$ 4,369,568</u>

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 439,009
5800 State Program Revenues	-	-	-	8,240
5900 Federal Program Revenues	973,491	43,175	562,448	866,894
5020 Total Revenues	973,491	43,175	562,448	1,314,143
EXPENDITURES:				
Current:				
0011 Instruction	958,429	43,175	241,149	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	321,299	-
0034 Student (Pupil) Transportation	-	-	-	-
0035 Food Services	-	-	-	1,471,994
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0053 Data Processing Services	-	-	-	-
0061 Community Services	15,062	-	-	-
Debt Service:				
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	973,491	43,175	562,448	1,471,994
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(157,851)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	80,998
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	80,998
1200 Net Change in Fund Balance	-	-	-	(76,853)
0100 Fund Balance - September 1 (Beginning)	-	-	-	345,184
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 268,331

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER -School Emergency Relief	288 Heal2 Project	289 Other Federal Special Revenue Funds	397 Advanced Placement Incentives
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-
-	-	-	-	-	-	-	2,300
520,707	67,002	82,167	7,850	410,999	38,158	53,759	-
520,707	67,002	82,167	7,850	410,999	38,158	53,759	2,300
-	67,002	-	7,296	275,685	38,158	53,759	224
-	-	-	-	-	-	-	-
-	-	82,167	140	-	-	-	1,176
-	-	-	-	595	-	-	-
-	-	-	-	10,804	-	-	900
-	-	-	-	-	-	-	-
-	-	-	-	894	-	-	-
439,709	-	-	-	-	-	-	-
-	-	-	-	13,554	-	-	-
-	-	-	-	105,902	-	-	-
-	-	-	-	3,565	-	-	-
-	-	-	414	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
439,709	67,002	82,167	7,850	410,999	38,158	53,759	2,300
80,998	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(80,998)	-	-	-	-	-	-	-
(80,998)	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	-

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	410 State Instructional Materials	429 Other State Special Revenue Funds	Total Nonmajor Special Revenue Funds	516 Debt Service
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 439,009	\$ -
5800 State Program Revenues	525,773	111,345	647,658	-
5900 Federal Program Revenues	-	-	3,626,650	-
5020 Total Revenues	525,773	111,345	4,713,317	-
EXPENDITURES:				
Current:				
0011 Instruction	525,773	99,840	2,310,490	-
0012 Instructional Resources and Media Services	-	5,460	5,460	-
0013 Curriculum and Instructional Staff Development	-	-	83,483	-
0021 Instructional Leadership	-	780	1,375	-
0023 School Leadership	-	4,485	16,189	-
0031 Guidance, Counseling, and Evaluation Services	-	390	321,689	-
0034 Student (Pupil) Transportation	-	-	894	-
0035 Food Services	-	-	1,911,703	-
0041 General Administration	-	390	13,944	-
0051 Facilities Maintenance and Operations	-	-	105,902	-
0053 Data Processing Services	-	-	3,565	-
0061 Community Services	-	-	15,476	-
Debt Service:				
0072 Interest on Long-Term Debt	-	-	-	331,275
0073 Bond Issuance Cost and Fees	-	-	-	2,100
6030 Total Expenditures	525,773	111,345	4,790,170	333,375
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(76,853)	(333,375)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	80,998	753,375
8911 Transfers Out (Use)	-	-	(80,998)	(420,059)
7080 Total Other Financing Sources (Uses)	-	-	-	333,316
1200 Net Change in Fund Balance	-	-	(76,853)	(59)
0100 Fund Balance - September 1 (Beginning)	-	-	345,184	59
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 268,331	\$ -

518 Debt Service (PFC)	Total Nonmajor Debt Service Funds	616 Capital Fund (PFC)	Total Nonmajor Governmental Funds
\$ 19,552	\$ 19,552	\$ 46	\$ 458,607
-	-	-	647,658
155,865	155,865	-	3,782,515
175,417	175,417	46	4,888,780
-	-	-	2,310,490
-	-	-	5,460
-	-	-	83,483
-	-	-	1,375
-	-	-	16,189
-	-	-	321,689
-	-	-	894
-	-	-	1,911,703
-	-	-	13,944
-	-	-	105,902
-	-	-	3,565
-	-	-	15,476
-	331,275	-	331,275
-	2,100	-	2,100
-	333,375	-	5,123,545
175,417	(157,958)	46	(234,765)
420,000	1,173,375	-	1,254,373
(155,865)	(575,924)	-	(656,922)
264,135	597,451	-	597,451
439,552	439,493	46	362,686
2,576,722	2,576,781	6,091	2,928,056
\$ 3,016,274	\$ 3,016,274	\$ 6,137	\$ 3,290,742

T.E.A. REQUIRED SCHEDULES

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SOUTH TEXAS ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	\$ 0.049200	\$ 0.000000	\$ 44,826,248,880
2012	0.049200	0.000000	44,598,967,735
2013	0.049200	0.000000	45,453,159,906
2014	0.049200	0.000000	47,359,178,507
2015	0.049200	0.000000	48,449,752,110
2016	0.049200	0.000000	50,709,994,122
2017	0.049200	0.000000	52,817,128,049
2018	0.049200	0.000000	54,803,203,165
2019	0.049200	0.000000	57,937,510,962
2020 (School year under audit)	0.049200	0.000000	59,341,352,396
1000 TOTALS			

(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 851,160	\$ -	\$ 41,893	\$ -	\$ (26,444)	\$ 782,823
142,263	-	10,638	-	(1,528)	130,097
156,776	-	13,980	-	(1,271)	141,525
174,909	-	18,480	-	(1,360)	155,069
206,823	-	34,419	-	1,883	174,287
286,789	-	57,545	-	(12,191)	217,053
378,013	-	96,451	-	3,336	284,898
561,036	-	183,042	-	(776)	377,218
1,240,413	-	580,386	-	(54,227)	605,800
-	29,815,087	28,533,985	-	(5,044)	1,276,058
<u>\$ 3,998,182</u>	<u>\$ 29,815,087</u>	<u>\$ 29,570,819</u>	<u>\$ -</u>	<u>\$ (97,622)</u>	<u>\$ 4,144,828</u>

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual	Variance With
	Original	Final	GAAP BASIS (See Note)	Final Budget Positive or (Negative)
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 705,000	\$ 705,000	\$ 439,009	\$ (265,991)
5800 State Program Revenues	10,000	10,000	8,239	(1,761)
5900 Federal Program Revenues	1,886,647	1,886,647	866,894	(1,019,753)
5020 Total Revenues	2,601,647	2,601,647	1,314,142	(1,287,505)
EXPENDITURES:				
0035 Food Services	2,601,647	2,601,647	1,471,995	1,129,652
6030 Total Expenditures	2,601,647	2,601,647	1,471,995	1,129,652
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(157,853)	(157,853)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	80,998	80,998
7080 Total Other Financing Sources (Uses)	-	-	80,998	80,998
1200 Change in Fund Balance	-	-	(76,855)	(76,855)
0100 Fund Balance - September 1 (Beginning)	345,184	345,184	345,184	-
3000 Fund Balance - August 31 (Ending)	\$ 345,184	\$ 345,184	\$ 268,329	\$ (76,855)

The accompanying notes are an integral part of this statement.

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 19,552	\$ 19,552
5900 Federal Program Revenues	-	-	155,865	155,865
5020 Total Revenues	-	-	175,417	175,417
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	420,000	420,000	-	420,000
0072 Interest on Long-Term Debt	331,275	331,275	331,275	-
0073 Bond Issuance Cost and Fees	2,000	2,000	2,100	(100)
6030 Total Expenditures	753,275	753,275	333,375	419,900
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(753,275)	(753,275)	(157,958)	595,317
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	753,275	753,275	1,173,375	420,100
8911 Transfers Out (Use)	-	-	(575,924)	(575,924)
7080 Total Other Financing Sources (Uses)	753,275	753,275	597,451	(155,824)
1200 Net Change in Fund Balances	-	-	439,493	439,493
0100 Fund Balance - September 1 (Beginning)	2,576,781	2,576,781	2,576,781	-
3000 Fund Balance - August 31 (Ending)	\$ 2,576,781	\$ 2,576,781	\$ 3,016,274	\$ 439,493

**REPORTS ON
INTERNAL CONTROLS, COMPLIANCE
AND
FEDERAL AWARDS**

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

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

Independent Auditor's Report

To the Board of Trustees
South Texas Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise South Texas Independent School District's basic financial statements, and have issued our report thereon dated December 8, 2020.

Internal Control over Financial Reporting

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

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

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

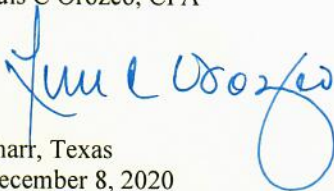
Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Luis C Orozco, CPA

A handwritten signature in blue ink that reads "Luis C Orozco". The signature is stylized with a large, looping "O" at the end.

Pharr, Texas
December 8, 2020

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
lcocpa@lcocpa.com

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

Independent Auditor's Report

To the Board of Trustees
South Texas Independent School District

Report on Compliance for Each Major Federal Program

We have audited South Texas Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of South Texas Independent School District's major federal program for the year ended August 31, 2020. South Texas Independent School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of South Texas Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about South Texas Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of South Texas Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2020.

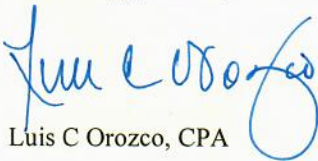
Report on Internal Control over Compliance

Management of South Texas Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered South Texas Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Texas Independent School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Luis C Orozco, CPA

Pharr, Texas
December 8, 2020

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2020

I. Summary of the Auditors' Results:

The type of auditors' report on financial statements:	Unmodified
Regarding internal control over financial reporting:	
a. Material weakness(es) identified:	None
b. Significant deficiencies identified that are not considered to be material weaknesses:	None reported
c. Noncompliance which is material to the financial statements:	None
d. Regarding internal control over major programs:	
Material weakness(es) identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None reported
e. Type of auditors' report on compliance with major programs:	Unmodified
f. Any audit findings which are required to be reported in accordance with 2 CRF 200.516(a):	No
g. Major programs are as follows:	84.010A Title I Grants to LEAs
h. Dollar threshold used to distinguish between Type A and Type B programs:	\$750,000
i. Low risk auditee:	Yes

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

None reported.

III. Findings and Questioned Costs for Federal Awards.

None reported.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2020

Finding 2019-001

Significant Deficiency- Incorrect Recording of Long-Term Debt

Current Year Status:

Item Corrected.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2020

Not applicable.

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020**

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education:</i>			
ESEA Title I, Part A - Improving Basic Programs	84.010A	20-610101031916	\$ 973,491
ESEA Title I, Part C, - Migratory Children	84.011A	20-615001031916	43,175
ESEA Title IV, Part A SubPart I - Student Support Academic Enrichment	84.424A	20-680101031916	53,759
Carl D. Perkins - Basic Grant	84.048A	20-420006031916	52,378
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	20-694501031916	82,167
Title III, Part A - English Language Acquisition	84.365A	20-671001031916	7,851
ESSER Grant	84.425D	20-521001031916	410,998
IDEA - Part B, Formula	84.027A	20-6600010319166000	562,448
Total Special Education Cluster (IDEA)			562,448
Total Passed Through State Dept. of Education			2,186,266
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Region One</i>			
CTE Perkins Reserve Grant PATH	84.048A	20420028	14,624
Project HEAL2 - Health Education and Leadership for ALL	84.411C	U411C160117	38,158
Total Passed Through Region One			52,782
TOTAL U.S. DEPARTMENT OF EDUCATION			2,239,048
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education:</i>			
School Breakfast Program	10.553	71401901	\$ 202,786
National School Lunch Program	10.555	71301901	\$ 642,182
Commodity Supplemental Program	10.559	031916	21,926
Total Passed Through State Department of Education			866,894
<i>Passed Through State Department of Human Services:</i>			
Summer Feeding Program	10.559	031916	520,707
Total Passed Through State Department of Human Services			520,707
Total Child Nutrition Cluster			1,387,602
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,387,602
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,626,650

SOUTH TEXAS ISD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2020

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Texas Independent School District. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate:

South Texas Independent School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Sub-recipients:

During the year ended August 31, 2020, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2020, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2020, the District had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2020, the District received \$21,926 as noncash-assistance under the National School Lunch Program.

Reconciliation from the Schedule of Expenditures of Federal Awards to the Exhibit C-3:

Total Federal Award Expended	\$ 3,626,650
Federal Revenues Distributed Directly	347,372
Exhibit C-3	<u>\$ 3,974,022</u>

SCHOOLS FIRST QUESTIONNAIRE

South Texas ISD

Fiscal Year 2020

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	