

SOUTH TEXAS ISD
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2021

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2021

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ANNUAL FINANCIAL REPORT

AUGUST 31, 2021

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CERTIFICATE OF BOARD

SOUTH TEXAS ISD

Name of School District

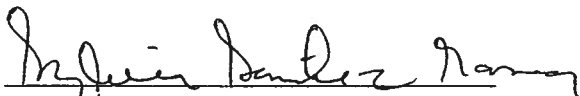
Hidalgo

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, 2021 at a meeting of the Board of Trustees of such school district on the 8th of December, 2021.



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, 2021, 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, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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

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, 2021 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, 2021

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, 2021. Please read it in conjunction with the independent auditors' report on page 2 and the District's Basic Financial Statements which begin on Page 12.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$11,625,332 as a result of this year's District's operations.

During the year, the District had net changes in functional activities that were \$11,625,332 less than the \$73,098,125 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$11,401,186.

The General Fund ended the year with a fund balance of \$87,813,787, of which \$31,446,649 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 \$145,883,570 to \$157,508,902. 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 \$62,081,365 at August 31, 2021. This represents an increase in unrestricted net position of \$8,469,143 over the prior year.

TABLE I

| | Governmental Activities | |
|---|----------------------------|--------------|
| | 2021 | 2020 |
| Current assets | | |
| Cash and cash equivalents | \$ 12,204,846 | \$ 3,053,753 |
| Current investments | 78,226,779 | 76,016,995 |
| Property taxes receivable | 3,947,477 | 4,144,826 |
| Allowance for uncollectible taxes | (157,899) | (165,793) |
| Due from other government | 3,422,737 | 3,508,296 |
| Accrued interest | 169 | 11,282 |
| Other receivables, net | 0 | 10,167 |
| Inventories | 68,275 | 28,487 |
| Prepayments | 306,209 | 254,816 |
| Total current assets | 98,018,593 | 86,862,829 |
| Non current assets | | |
| Land | 4,114,411 | 4,114,411 |
| Building, net | 79,782,433 | 82,363,979 |
| Furniture and equipment, net | 6,648,453 | 6,984,904 |
| Construction in progress | 7,678,196 | 1,861,936 |
| Restricted assets | 3,370,000 | 2,950,000 |
| Other assets | 66,486 | 65,940 |
| Total non current assets | 101,659,979 | 98,341,170 |
| Total assets | 199,678,572 | 185,203,999 |
| Deferred outflows of resources | | |
| Deferred outflow related to TRS pension | 3,612,331 | 5,084,963 |
| Deferred outflow related to TRS OPEB | 2,856,968 | 3,273,722 |
| Total deferred outflows of resources | 6,469,299 | 8,358,685 |

TABLE I (Continued)

| | Governmental Activities | |
|---|----------------------------|----------------|
| | 2021 | 2020 |
| Current liabilities | | |
| Accounts payable | 2,041,226 | 868,642 |
| Accrued wages payable | 2,902,338 | 2,804,588 |
| Due to fiduciary funds | 349,622 | 299,667 |
| Due to other governments | 965,087 | - |
| Accrued expenses | 57,689 | 66,408 |
| Unearned revenues | 15,570 | 23,964 |
| Non current liabilities | | |
| Due in more than one year | 6,310,000 | 6,310,000 |
| Net pension liability (District's share) | 8,315,370 | 9,004,994 |
| Net OPEB liability (District's share) | 14,645,496 | 18,647,738 |
| Total liabilities | 35,602,398 | 38,026,001 |
| | | |
| | | |
| Deferred Inflows of resources | | |
| Deferred inflow related to TRS pension | 1,805,802 | 1,585,824 |
| Deferred inflow related to TRS OPEB | 11,230,769 | 8,067,289 |
| Total deferred inflows of resources | 13,036,571 | 9,653,113 |
| Net position: | | |
| Net investment in capital assets | 91,913,494 | 89,015,230 |
| Restricted for federal and state programs | 77,486 | 239,844 |
| Restricted for debt service | 3,436,557 | 3,016,274 |
| Unrestricted | 62,081,365 | 53,612,222 |
| Total net position | \$ 157,508,902 | \$ 145,883,570 |

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

| | Governmental Activities | |
|--|----------------------------|------------|
| | 2021 | 2020 |
| Program revenues | | |
| Charges for services | \$ 491,026 | \$ 493,245 |
| Operating grants and contributions | 5,371,887 | 7,057,155 |
| General revenues | | |
| Property taxes | 31,829,053 | 30,447,610 |
| State aid-formula | 41,093,978 | 43,235,765 |
| Investment earnings | 205,431 | 1,132,290 |
| Miscellaneous | 58,819 | 0 |
| Other uses | (89,156) | |
| Total revenues | 78,961,038 | 74,815,665 |
| Expenses | | |
| Instruction | 34,675,403 | 35,669,631 |
| Instructional resources and media services | 1,464,891 | 1,998,400 |
| Curriculum and instructional staff development | 544,366 | 479,144 |
| Instructional leadership | 856,732 | 507,335 |
| School leadership | 3,785,941 | 3,980,738 |
| Guidance, counseling and evaluation services | 3,353,182 | 3,474,841 |
| Social work services | 297,433 | 313,480 |
| Health services | 580,669 | 546,894 |
| Student (pupil) transportation | 4,074,132 | 5,593,785 |
| Food services | 1,846,585 | 2,136,661 |
| Curricular/extracurricular activities | 578,012 | 1,286,652 |
| General administration | 3,399,400 | 2,850,046 |
| Facilities maintenance and operations | 9,587,170 | 9,435,558 |
| Security and monitoring services | 496,050 | 932,914 |
| Data processing services | 843,107 | 812,877 |
| Community services | 31,879 | 16,827 |
| Debt service - interest on long-term debt | 331,275 | 331,275 |
| Debt service - bond issuance cost and fees | 0 | 2,100 |
| Other intergovernmental charges | 589,479 | 569,952 |
| Total expenses | 67,335,706 | 70,939,110 |

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

| | Governmental Activities | |
|---|----------------------------|----------------|
| | 2021 | 2020 |
| Excess (deficiency) before other resources, uses and transfers | 11,625,332 | 11,426,955 |
| Transfers in(out) | - | - |
| Change in net position | 11,625,332 | 11,426,955 |
| Net position beginning | 145,883,570 | 134,482,384 |
| Prior period adjustment | - | (25,769) |
| Net position ending | \$ 157,508,902 | \$ 145,883,570 |

The cost of all governmental activities this year was \$67,335,706 compared to \$70,939,110 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 \$31,829,053, because the rest of the costs (\$35,506,653) 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 \$91,333,968 which is more than last year's total of \$81,836,467. 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 2021, the District had \$98,223,493 (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 increase of just over 2,898,262, or 3 percent, above last year.

This year's major additions included:

| District's Capital Assets | | |
|--|----|-------------------------|
| | | <u>2021</u> |
| Building & Improvements | \$ | 591,482 |
| Furniture & Equipment | | 503,937 |
| Construction in progress | | <u>5,828,258</u> |
| Total capital assets before depreciation | | 6,923,676 |
| Less accumulated depreciation | | <u>(3,936,255)</u> |
| Net capital assets | \$ | <u><u>2,987,421</u></u> |

At year-end, the District has \$6,310,000 in bonds outstanding, and has made payments totaling \$3,370,000 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 2022. Amounts available for appropriation in the General Fund budget are \$73,301,112, an increase of approximately 5 percent from the final 2021 budget of \$69,886,136. 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 5% to \$73,273,745. 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 slightly by the close of 2022, 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, 2021

EXHIBIT A-1

| Data Control Codes | Primary Government Governmental Activities |
|--|--|
| ASSETS | |
| 1110 Cash and Cash Equivalents | \$ 12,204,846 |
| 1120 Current Investments | 78,226,779 |
| 1220 Property Taxes - Delinquent | 3,947,477 |
| 1230 Allowance for Uncollectible Taxes | (157,899) |
| 1240 Due from Other Governments | 3,422,737 |
| 1250 Accrued Interest | 169 |
| 1300 Inventories | 68,275 |
| 1410 Prepayments | 306,209 |
| Capital Assets: | |
| 1510 Land | 4,114,411 |
| 1520 Buildings, Net | 79,782,433 |
| 1530 Furniture and Equipment, Net | 6,648,453 |
| 1580 Construction in Progress | 7,678,196 |
| 1800 Restricted Assets | 3,370,000 |
| 1990 Other Assets | 66,486 |
| 1000 Total Assets | 199,678,572 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| 1705 Deferred Outflow Related to TRS Pension | 3,612,331 |
| 1706 Deferred Outflow Related to TRS OPEB | 2,856,968 |
| 1700 Total Deferred Outflows of Resources | 6,469,299 |
| LIABILITIES | |
| 2110 Accounts Payable | 2,041,226 |
| 2160 Accrued Wages Payable | 2,902,338 |
| 2177 Due to Fiduciary Funds | 349,622 |
| 2180 Due to Other Governments | 965,087 |
| 2200 Accrued Expenses | 57,689 |
| 2300 Unearned Revenue | 15,570 |
| Noncurrent Liabilities: | |
| Due in More than One Year: | |
| 2502 Bonds, Notes, Leases, etc. | 6,310,000 |
| 2540 Net Pension Liability (District's Share) | 8,315,370 |
| 2545 Net OPEB Liability (District's Share) | 14,645,496 |
| 2000 Total Liabilities | 35,602,398 |
| DEFERRED INFLOWS OF RESOURCES | |
| 2605 Deferred Inflow Related to TRS Pension | 1,805,802 |
| 2606 Deferred Inflow Related to TRS OPEB | 11,230,769 |
| 2600 Total Deferred Inflows of Resources | 13,036,571 |
| NET POSITION | |
| 3200 Net Investment in Capital Assets | 91,913,494 |
| Restricted: | |
| 3820 Restricted for Federal and State Programs | 77,486 |
| 3850 Restricted for Debt Service | 3,436,557 |
| 3900 Unrestricted | 62,081,365 |
| 3000 Total Net Position | \$ 157,508,902 |

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, 2021

| Data Control Codes | 1 | Program Revenues | | Net (Expense) Revenue and Changes in Net Position |
|---|--|-------------------------|--|--|
| | | 3 | 4 | |
| | Expenses | Charges for Services | Operating Grants and Contributions | 6 Primary Gov. Governmental Activities |
| Primary Government: | | | | |
| GOVERNMENTAL ACTIVITIES: | | | | |
| 11 Instruction | \$ 34,675,403 | \$ - | \$ 2,840,038 | \$ (31,835,365) |
| 12 Instructional Resources and Media Services | 1,464,891 | - | - | (1,464,891) |
| 13 Curriculum and Instructional Staff Development | 544,366 | - | 191,812 | (352,554) |
| 21 Instructional Leadership | 856,732 | - | - | (856,732) |
| 23 School Leadership | 3,785,941 | - | 28,642 | (3,757,299) |
| 31 Guidance, Counseling, and Evaluation Services | 3,353,182 | - | 352,520 | (3,000,662) |
| 32 Social Work Services | 297,433 | - | - | (297,433) |
| 33 Health Services | 580,669 | - | - | (580,669) |
| 34 Student (Pupil) Transportation | 4,074,132 | - | 2,728 | (4,071,404) |
| 35 Food Services | 1,846,585 | 28,864 | 1,046,421 | (771,300) |
| 36 Extracurricular Activities | 578,012 | - | - | (578,012) |
| 41 General Administration | 3,399,400 | 462,162 | - | (2,937,238) |
| 51 Facilities Maintenance and Operations | 9,587,170 | - | 343,635 | (9,243,535) |
| 52 Security and Monitoring Services | 496,050 | - | - | (496,050) |
| 53 Data Processing Services | 843,107 | - | - | (843,107) |
| 61 Community Services | 31,879 | - | 30,538 | (1,341) |
| 72 Debt Service - Interest on Long-Term Debt | 331,275 | - | 469,243 | 137,968 |
| 81 Capital Outlay | - | - | 66,310 | 66,310 |
| 99 Other Intergovernmental Charges | 589,479 | - | - | (589,479) |
| [TP] TOTAL PRIMARY GOVERNMENT: | <u>\$ 67,335,706</u> | <u>\$ 491,026</u> | <u>\$ 5,371,887</u> | <u>(61,472,793)</u> |
| Data Control Codes | General Revenues: | | | |
| | Taxes: | | | |
| MT | Property Taxes, Levied for General Purposes | | | 31,829,053 |
| GC | Grants and Contributions not Restricted | | | 41,093,978 |
| IE | Investment Earnings | | | 205,431 |
| MI | Miscellaneous Local and Intermediate Revenue | | | 58,819 |
| SI | Other Uses | | | <u>(89,156)</u> |
| TR | Total General Revenues and Special Items | | | <u>73,098,125</u> |
| CN | Change in Net Position | | | 11,625,332 |
| NB | Net Position - Beginning | | | <u>145,883,570</u> |
| NE | Net Position - Ending | | | <u>\$ 157,508,902</u> |

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

SOUTH TEXAS ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

| Data Control Codes | 10 General Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|---------------------|--------------------------------|
| ASSETS | | | |
| 1110 Cash and Cash Equivalents | \$ 11,744,460 | \$ 460,386 | \$ 12,204,846 |
| 1120 Investments - Current | 78,226,779 | - | 78,226,779 |
| 1220 Property Taxes - Delinquent | 3,947,477 | - | 3,947,477 |
| 1230 Allowance for Uncollectible Taxes | (157,899) | - | (157,899) |
| 1240 Due from Other Governments | 2,650,517 | 772,220 | 3,422,737 |
| 1250 Accrued Interest | 96 | 73 | 169 |
| 1260 Due from Other Funds | 1,006,898 | - | 1,006,898 |
| 1300 Inventories | - | 68,275 | 68,275 |
| 1410 Prepayments | 306,209 | - | 306,209 |
| 1800 Restricted Assets | - | 3,370,000 | 3,370,000 |
| 1900 Other Assets | - | 66,484 | 66,484 |
| 1000 Total Assets | <u>\$ 97,724,537</u> | <u>\$ 4,737,438</u> | <u>\$ 102,461,975</u> |
| LIABILITIES | | | |
| 2110 Accounts Payable | \$ 1,956,820 | \$ 84,406 | \$ 2,041,226 |
| 2160 Accrued Wages Payable | 2,799,409 | 102,929 | 2,902,338 |
| 2170 Due to Other Funds | 348,562 | 1,007,957 | 1,356,519 |
| 2180 Due to Other Governments | 965,087 | - | 965,087 |
| 2200 Accrued Expenditures | 51,294 | 6,395 | 57,689 |
| 2300 Unearned Revenue | - | 15,570 | 15,570 |
| 2000 Total Liabilities | <u>6,121,172</u> | <u>1,217,257</u> | <u>7,338,429</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| 2601 Unavailable Revenue - Property Taxes | <u>3,789,578</u> | <u>-</u> | <u>3,789,578</u> |
| 2600 Total Deferred Inflows of Resources | <u>3,789,578</u> | <u>-</u> | <u>3,789,578</u> |
| FUND BALANCES | | | |
| Nonspendable Fund Balance: | | | |
| 3410 Inventories | - | 68,275 | 68,275 |
| 3430 Prepaid Items | 306,210 | - | 306,210 |
| Restricted Fund Balance: | | | |
| 3450 Federal or State Funds Grant Restriction | - | 9,211 | 9,211 |
| 3480 Retirement of Long-Term Debt | - | 3,436,557 | 3,436,557 |
| Committed Fund Balance: | | | |
| 3510 Construction | 52,596,258 | 6,138 | 52,602,396 |
| 3545 Other Committed Fund Balance | 3,766,670 | - | 3,766,670 |
| 3600 Unassigned Fund Balance | 31,144,649 | - | 31,144,649 |
| 3000 Total Fund Balances | <u>87,813,787</u> | <u>3,520,181</u> | <u>91,333,968</u> |
| 4000 Total Liabilities, Deferred Inflows & Fund Balances | <u>\$ 97,724,537</u> | <u>\$ 4,737,438</u> | <u>\$ 102,461,975</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, 2021

EXHIBIT C-2

| | |
|--|-----------------------|
| Total Fund Balances - Governmental Funds | \$ 91,333,968 |
| 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 \$141,446,938 and the accumulated depreciation was (\$46,121,710). 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. | 89,015,230 |
| 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 2021 capital outlays and debt principal payments is to decrease net position. | 6,834,521 |
| 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. The net position related to TRS included a deferred resource outflow in the amount of \$3,612,331, a deferred resource inflow in the amount of \$ 1,805,802, and a net position liability in the amount of \$8,315,370. This resulted in a decrease in net position. | (6,508,841) |
| 4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$2,856,968, a deferred resource inflow in the amount of \$11,230,769, and a net OPB position liability in the amount of \$14,645,496. This resulted in a decrease in net position. | (23,019,297) |
| 5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. | (3,936,255) |
| 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. | 3,789,576 |
| 19 Net Position of Governmental Activities | \$ 157,508,902 |

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, 2021

| Data Control Codes | 10 General Fund | Other Funds | Total Governmental Funds |
|--|-----------------------|---------------------|--------------------------------|
| REVENUES: | | | |
| 5700 Total Local and Intermediate Sources | \$ 32,773,183 | \$ 29,469 | \$ 32,802,652 |
| 5800 State Program Revenues | 39,704,757 | 346,414 | 40,051,171 |
| 5900 Federal Program Revenues | 385,305 | 4,996,606 | 5,381,911 |
| 5020 Total Revenues | <u>72,863,245</u> | <u>5,372,489</u> | <u>78,235,734</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 Instruction | 28,938,015 | 2,840,035 | 31,778,050 |
| 0012 Instructional Resources and Media Services | 1,297,109 | - | 1,297,109 |
| 0013 Curriculum and Instructional Staff Development | 310,617 | 191,812 | 502,429 |
| 0021 Instructional Leadership | 805,593 | - | 805,593 |
| 0023 School Leadership | 3,431,472 | 28,642 | 3,460,114 |
| 0031 Guidance, Counseling, and Evaluation Services | 2,714,459 | 352,520 | 3,066,979 |
| 0032 Social Work Services | 270,750 | - | 270,750 |
| 0033 Health Services | 531,603 | - | 531,603 |
| 0034 Student (Pupil) Transportation | 3,966,696 | 2,728 | 3,969,424 |
| 0035 Food Services | 24,857 | 1,666,662 | 1,691,519 |
| 0036 Extracurricular Activities | 500,610 | - | 500,610 |
| 0041 General Administration | 3,154,898 | - | 3,154,898 |
| 0051 Facilities Maintenance and Operations | 8,688,825 | 343,635 | 9,032,460 |
| 0052 Security and Monitoring Services | 438,526 | - | 438,526 |
| 0053 Data Processing Services | 779,557 | - | 779,557 |
| 0061 Community Services | - | 30,538 | 30,538 |
| Debt Service: | | | |
| 0072 Interest on Long-Term Debt | - | 331,275 | 331,275 |
| Capital Outlay: | | | |
| 0081 Facilities Acquisition and Construction | 6,441,010 | 66,310 | 6,507,320 |
| Intergovernmental: | | | |
| 0099 Other Intergovernmental Charges | 589,479 | - | 589,479 |
| 6030 Total Expenditures | <u>62,884,076</u> | <u>5,854,157</u> | <u>68,738,233</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>9,979,169</u> | <u>(481,668)</u> | <u>9,497,501</u> |
| OTHER FINANCING SOURCES (USES): | | | |
| 7915 Transfers In | - | 1,600,670 | 1,600,670 |
| 8911 Transfers Out (Use) | (711,107) | (889,563) | (1,600,670) |
| 7080 Total Other Financing Sources (Uses) | <u>(711,107)</u> | <u>711,107</u> | <u>-</u> |
| 1200 Net Change in Fund Balances | 9,268,062 | 229,439 | 9,497,501 |
| 0100 Fund Balance - September 1 (Beginning) | <u>78,545,725</u> | <u>3,290,742</u> | <u>81,836,467</u> |
| 3000 Fund Balance - August 31 (Ending) | <u>\$ 87,813,787</u> | <u>\$ 3,520,181</u> | <u>\$ 91,333,968</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, 2021

EXHIBIT C-4

| | |
|--|----------------------|
| Total Net Change in Fund Balances - Governmental Funds | \$ 9,497,501 |
| 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 2021 capital outlays and debt principal payments is to decrease net position. | 2,855,487 |
| 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. | (3,936,255) |
| 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. | 3,789,577 |
| GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$676,353. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling \$640,057. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by \$1,039,282. The net result is an increase (decrease) in the change in net position. | (1,002,986) |
| GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$335,258. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling \$336,212. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased) decreased the change in net position by (\$422,922). The net result is an increase (decrease) in the change in net position. | 422,008 |
| Change in Net Position of Governmental Activities | \$ 11,625,332 |

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, 2021

| | Total Custodial Funds |
|---|-----------------------------|
| <hr/> | |
| ASSETS | |
| Cash and Cash Equivalents | \$ 453,980 |
| Due from Other Funds | 349,623 |
| | <hr/> |
| Total Assets | 803,603 |
| | <hr/> |
| LIABILITIES | |
| Payroll Deductions and Withholdings Payable | 352,265 |
| Due to Student Groups | 451,338 |
| | <hr/> |
| Total Liabilities | 803,603 |
| | <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, 2020.

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-2 and J-3.

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, 2021, the District did not have expenditures over appropriations.

C. DEFICIT FUND EQUITY

For the fiscal year ended August 31, 2021 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, 2021, the following are the District's cash and cash equivalents with respective maturities of less than one year.

| | | |
|-----------------------------|------------|-------|
| Cash | 12,204,846 | |
| Investments: | | |
| Plains Capital Money Market | 11,023,735 | 12% |
| Wilmington Trust Fund | 6,211 | 0.01% |
| Lone Star Investment Pool | 77,491,475 | 87% |
| TexPool | 735,304 | 1% |
| Total Investments: | 89,256,725 | |

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, 2021, 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, 2021, the District had 1% of its investments in TexPool, 12% in Plains Capital Money Market, and 87% in Lonestar Investment Pool, which are rated AAAM.

The District's investments at August 31, 2021 are shown as follows:

| Investment Type | Reported at Amortized Cost | Weighted Average Maturity (days) | Standard & Poor's Rating |
|---------------------------------|-------------------------------|-------------------------------------|-----------------------------|
| Plains Capital Money Market | \$11,023,735 | | AAAM |
| Lone Star Investment Pool | | | |
| Corporate Overnight Fund | 9,914,644 | 54 | |
| Corporate Overnight Plus Fund | 67,576,797 | 65 | |
| Government Overnight Fund | <u>35</u> | 24 | |
| Total Lone Star Investment Pool | 77,491,475 | | AAAM |
| Wilmington Trust Fund | 6,211 | | |
| TexPool | <u>735,304</u> | 27 | AAAM |
| Total Investments: | <u><u>\$89,256,725</u></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, 2021, are summarized below.

| Fund | State Entitlements | Other | Total |
|----------------------|-----------------------|------------------|---------------------|
| General Fund | \$ 2,572,947 | \$ 77,570 | \$ 2,650,517 |
| Special Revenue Fund | 766,515 | 5,705 | 772,220 |
| Total | <u>\$ 3,339,462</u> | <u>\$ 83,275</u> | <u>\$ 3,422,737</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, 2021 is as follows:

| | Due From Other Funds | Due to Other Funds |
|-------------------------------------|-------------------------|-------------------------|
| <u>General Fund:</u> | | |
| Special Revenue Funds | 1,006,824 | - |
| Capital Project | 73 | - |
| Custodial Funds | - | 348,562 |
| Total General Fund | <u>1,006,897</u> | <u>348,562</u> |
| <u>Special Revenue Funds</u> | | |
| General Fund | - | 1,006,824 |
| Custodial Funds | - | 1,061 |
| Total Special Revenue Funds | <u>-</u> | <u>1,007,885</u> |
| <u>Capital Project Funds</u> | | |
| General Fund | - | 73 |
| Total Capital Project Funds | <u>-</u> | <u>73</u> |
| <u>Custodial Funds</u> | | |
| General Fund | 348,562 | - |
| Special Revenue Funds | 1,061 | - |
| Total Custodial Funds | <u>349,623</u> | <u>-</u> |
| Totals | <u>\$ 1,356,520</u> | <u>\$ 1,356,520</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, 2021 were as follows:

| <u>Fund</u> | <u>Transfer In (Out)</u> |
|-----------------------|--------------------------|
| General Fund | (820,184) |
| Debt Service | (420,000) |
| Debt Service - PFC | (469,563) |
| Debt Service | 751,275 |
| Debt Service - PFC | 420,000 |
| Special Revenue- NBLs | 538,472 |
| 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, 2021 was as follows:

| | | Changes During Year | | | |
|---|------------------------|-----------------------|---------------------|-----------------------------------|------------------------|
| | Balance 09/01/20 | Additions | Retirements | Reclassifications/ Adjustments | Balance 08/31/21 |
| <u>Governmental activities:</u> | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 4,114,411 | \$ - | \$ - | \$ - | \$ 4,114,411 |
| Buildings & improvements | 120,597,805 | 591,482 | - | 11,996 | 121,201,283 |
| Furniture & equipment | 14,872,788 | 503,937 | (586,288) | - | 14,790,436 |
| Construction in progress | 1,861,936 | 5,828,258 | - | (11,996) | 7,678,196 |
| Total capital assets cost | <u>\$ 141,446,940</u> | <u>\$ 6,923,676</u> | <u>\$ (586,288)</u> | <u>\$ -</u> | <u>\$ 147,784,326</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings and improvements | \$ (38,233,826) | \$ (3,185,024) | \$ - | | \$ (41,418,850) |
| Furniture & equipment | <u>(7,887,884)</u> | <u>(751,231)</u> | <u>497,132</u> | <u>-</u> | <u>(8,141,983)</u> |
| Total Accum. Dep. | <u>\$ (46,121,710)</u> | <u>\$ (3,936,255)</u> | <u>\$ 497,132</u> | <u>\$ -</u> | <u>\$ (49,560,833)</u> |
| Governmental activities capital assets, net | \$ 95,325,230 | \$ 2,987,421 | \$ (89,156) | \$ - | \$ 98,223,493 |

Depreciation Expense was charged to governmental functions as follows:

| | |
|--|------------------|
| Instruction | \$ 2,001,973 |
| Instructional Resources & Media Services | 126,463 |
| Curriculum Development & Instructional Staff Developer | 31,911 |
| Instructional Leadership | 24,368 |
| School Leadership | 207,554 |
| Guidance, Counseling And Evaluation Services | 181,557 |
| Social Work Services | 16,909 |
| Health Services | 30,195 |
| Student Transportation | 348,681 |
| Food Services | 116,958 |
| Extra Curricular Activities | 64,693 |
| General Administration | 162,107 |
| Facilities Maintenance And Operations | 515,480 |
| Security And Monitoring Services | 57,524 |
| Data Processing Services | 48,541 |
| Community Services | 1,341 |
| | <u>3,936,255</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 |
|---------------------------|-------------------------|------------------|---|-------------------------|
| 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 | 420,000 | 331,275 | (309,328) | 441,947 |
| 2026-2028 | 1,260,000 | 993,825 | (927,984) | 1,325,841 |
| | <u>2,940,000</u> | <u>2,318,925</u> | <u>(2,165,296)</u> | <u>3,093,629</u> |
| Total Restricted Assets | 3,370,000 | | | 3,370,000 |
| Total Debt Amount | <u>6,310,000</u> | | | <u>6,463,629</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. 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 \$3,370,000 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.texas.gov>; 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. SB12 in the 86th Legislature set 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%. Contribution Rates can be found in the TRS 2020 CAFR, Note 11, on page 82.

| | <u>Contribution Rates</u> | |
|--|---------------------------|-------------|
| | <u>2020</u> | <u>2021</u> |
| Member | 7.7% | 7.7% |
| Non - Employer Contributing Entity (State) | 7.5% | 7.5% |
| Employers | 7.5% | 7.5% |
| | | |
| District's 2021 Employer Contributions | \$ | 676,353 |
| District's 2021 Member Contributions | \$ | 2,884,324 |
| District's 2020 NECE On-Behalf Contributions | \$ | 2,746,899 |

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)

- Employers must contribute 1.5% of the member's salary ("Public Education Employer Surcharge").
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|--|
| Valuation Date | August 31, 2019 rolled forward to August 31, 2020 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term expected Rate | 7.25% |
| Municipal Bond Rate as of August, 2020 | 2.33% - Source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity index's "20-Year Municipal GO AA Index." |
| Last year ending August 31 in Projection Period (100 years) | 2119 |
| Inflation | 2.30% |
| Salary Increases | 3.05% to 9.05% including inflation |
| Ad hoc Post Employment Benefit Changes | None |

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, 2019. For a full description of these assumptions please see the TRS actuarial valuation report dated November 14, 2019.

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. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.66% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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, 2020, are presented in the Asset Allocations the following table from the TRS Comprehensive Annual Financial Report for 2020, page 53.

| Table 3.A.1: Asset Allocations | | | |
|---|--|---|--|
| Asset Class | Target Allocation¹ % | Long-Term Expected Geometric Real Rate of Return² | Expected Contribution to Long- Term Portfolio Returns |
| Global Equity | | | |
| USA | 18.0 % | 3.9 % | 0.99 % |
| Non-U.S. Developed | 13.0 | 5.1 | 0.92 |
| Emerging Markets | 9.0 | 5.6 | 0.83 |
| Private Equity | 14.0 | 6.7 | 1.41 |
| Stable Value | | | |
| Government Bonds | 16.0 % | (0.7)% | (0.05)% |
| Absolute Return (Including Credit Sensitive Investments) | — | 1.8 | — |
| Stable Value Hedge Funds | 5.0 | 1.9 | 0.11 |
| Real Return | | | |
| Real Estate | 15.0 % | 4.6 % | 1.02 % |
| Energy, Natural Resources, and Infrastructure | 6.0 | 6.0 | 0.42 |
| Commodities | — | 0.8 | — |
| Risk Parity | | | |
| Risk Parity | 8.0 % | 3.0 % | 0.30 % |
| Asset Allocation Leverage | | | |
| Cash | 2.0 % | (1.5)% | (0.03)% |
| Asset Allocation Leverage | (6.0) | (1.3) | 0.08 |
| Inflation Expectation | | | 2.00 % |
| Volatility Drag ³ | | | (0.67)% |
| Expected Return | 100.0 % | | 7.33 % |
| ¹ Target allocations are based on the FY2020 policy model. | | | |
| ² Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020). | | | |
| ³ The volatility drag results from the conversion between arithmetic and geometric mean returns. | | | |

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 2020 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: | \$ 12,822,152 | \$ 8,315,370 | \$ 4,653,709 |

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions. At August 31, 2021, the District reported a liability of \$8,315,370 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, 2021 were as follows:

| | |
|--|-----------------------------|
| District's Proportionate share of the collective net pension liability | \$ 8,315,370 |
| State's proportionate share that is associated with the District | <u>35,656,218</u> |
| Total | <u><u>\$ 43,971,588</u></u> |

The net pension liability was measured as of August 31, 2020 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, 2019 through August 31, 2020.

At the measurement date of August 31, 2020 the employer's proportion of the collective net pension liability was .0155259273% which was a decrease of 0.00179699905% from its proportion measured as of August 31, 2019.

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 no changes in assumptions since the prior measurement date.

Changes in Benefits - 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. The 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.

For the year ended August 31, 2020, the District recognized pension expense of \$5,967,990 and revenue of \$4,288,651 for support provided by the State.

At August 31, 2021, 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 | \$ 15,183 | \$ 232,060 |
| Changes in actuarial assumptions | 1,929,462 | 820,394 |
| Differences between projected and actual investment earnings contributions | 168,338 | - |
| Changes in proportion and differences between the employer's contributions and the proportionate share of contributions | 822,995 | 753,348 |
| Total as of August 31, 2020 measurement date | <u>2,935,978</u> | <u>1,805,802</u> |
| Contributions paid to TRS subsequent to the measurement date | 676,353 | - |
| Total as of fiscal year-end | <u>\$ 3,612,331</u> | <u>\$ 1,805,802</u> |

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 | | |
| | 2022 | | | \$ 668,498 |
| | 2023 | | | 429,866 |
| | 2024 | | | 288,822 |
| | 2025 | | | (9,293) |
| | 2026 | | | (208,828) |
| | Thereafter | | | (38,889) |

| | Beginning | | | Ending |
|-----------------------|--------------|-------------|-------------|--------------|
| | Balance | Additions | Retirements | Balance |
| Net Pension Liability | \$ 9,004,994 | \$ (49,020) | \$ 640,604 | \$ 8,315,370 |

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.texas.gov>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension system. Eligible non-Medicare retirees and their dependents may pay premiums to participate in the high-deductible health plans. Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system.

The General Appropriations Act passed by the 86th Legislature included funding to maintain TRS Care premiums at their current level through 2021. The 86th Legislature also passed SB 1682 which requires TRS to establish a contingency reserve in the TRS-Care fund equal to 60 days of expenditures. This amount is estimated at \$277,490,586 as of August 31, 2020.

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, 2020 - December 31, 2020 | | |
|--|----------|--------------|
| | 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 rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS- Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and participating employers based on active employee compensation. The TRS Board of Trustees does not have the authority to set or amend contribution rates.

| <u>Contribution Rates</u> | | |
|--|--------------|-------------|
| | <u>2020</u> | <u>2021</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 | \$ 335,298 | |
| Current fiscal year member contributions | \$ 2,884,324 | |
| 2019 measurement year NECE On-Behalf Contributions | \$ 393,481 | |

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.

A supplemental appropriation was authorized by Senate Bill 1264 of the 86th Texas Legislature to provide \$2,208,137 for fiscal year 2020 and \$3,312,206 for fiscal year 2021, for consumer protections against medical and health care billing by certain out-of-network providers. Funding will be in fiscal year 2021.

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, 2019 actuarial valuation was rolled forward to August 31, 2020. 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, 2020 TRS pension actuarial valuation:

| | |
|-------------------------------|-------------------|
| Rates of Mortality | General Inflation |
| Rates of Retirement | Wage Inflation |
| Rates of Termination | Salary Increases |
| Rates of Disability Incidence | |

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2019 rolled forward to August 31, 2020 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.3% |
| Single Discount Rate | 2.63% as of August 31, 2020 |
| 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 |

The initial medical trend rates were 9.00% for Medicare retirees and 7.30% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.00% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

Discount Rate. A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30%t in the discount rate since the previous year. The Discount Rate can be found in the 2020 TRS CAFR on page 76. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

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 (2.33%) in measuring the Net OPEB Liability

| | 1% Decrease in Discount Rate (1.33%) | Discount Rate (2.33%) | 1% Increase in Discount Rate (3.33%) |
|--|--|--------------------------|--|
| Proportionate share of the net OPEB liability: | \$ 17,574,562 | \$ 14,645,496 | \$ 12,331,955 |

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: | \$ 11,963,494 | \$ 14,645,496 | \$ 18,217,544 |

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2021, the District reported a liability of \$ 14,645,496 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 | \$ 14,645,496 |
| State's Proportionate share that is associated with the District | <u>19,680,037</u> |
| Total | <u><u>\$ 34,325,533</u></u> |

The Net OPEB Liability was measured as of August 31, 20120 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net OPEB liability was 0.0385260634% which was an decrease of 0.0009056480% from its proportion measured as of August 31, 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)

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 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB liability (TOL).
- The participation rate for post-65 retirees was lowered from 50% to 40%. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB liability.

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

For the year ended August 31, 2021, the District recognized OPEB expense of \$223,361 and revenue of \$136,651 for support provided by the State.

At August 31, 2021, 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 | \$ 766,832 | \$ 6,702,528 |
| Changes in actuarial assumptions | 903,323 | 4,021,729 |
| Differences between projected and actual investment earnings | 4,759 | - |
| Changes in proportion and differences between the employer's contributions and the proportionate share of contributions | 846,756 | 506,512 |
| Total as of August 31, 2020 measurement date | 2,521,670 | 11,230,769 |
| Contributions paid to TRS subsequent to the measurement date | 335,298 | - |
| Total as of fiscal year-end | \$ 2,856,968 | \$ 11,230,769 |

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 |
|----------------------|---------------------------|
| 2022 | \$ (1,432,401) |
| 2023 | (1,433,037) |
| 2024 | (1,433,401) |
| 2025 | (1,433,304) |
| 2026 | (1,042,121) |
| Thereafter | (1,934,835) |

| | Beginning Balance | Additions | Retirements | Ending Balance |
|--------------------|----------------------|----------------|-------------|----------------|
| Net OPEB Liability | \$ 18,647,738 | \$ (3,709,417) | \$ 292,825 | \$ 14,645,496 |

South Texas Independent School District Notes to the Financial Statements

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, 2021, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$490 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 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, 2021, 2020, and 2019 were \$162,856, \$179,536, and \$134,595 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, 2021 the District had the following remaining construction commitments:

| <u>Project</u> | <u>Authorization</u> | <u>Expended</u> | <u>Remaining</u> |
|-------------------------|----------------------|-----------------|------------------|
| Administration Building | 12,000,000 | 4,530,978 | 8,525,941 |

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 | \$ - | \$68,275 | \$ - | \$ - | \$68,275 |
| Prepaid Items | 306,210 | - | - | - | \$306,210 |
| Restricted | - | - | - | - | \$0 |
| Federal or State Funds | - | - | - | - | \$0 |
| Grant Restriction | - | 9,211 | - | - | \$9,211 |
| Retirement of Long-Term Debt | - | - | 3,436,557 | - | \$3,436,557 |
| Committed | | | | | \$0 |
| Construction | 52,596,258 | - | - | 6,138 | \$52,602,396 |
| Future Construction | - | - | - | - | \$0 |
| Projects | 3,766,670 | - | - | - | \$3,766,670 |
| Unassigned | 31,144,649 | - | - | - | \$31,144,649 |
| Total Fund Balance | <u>\$87,813,787</u> | <u>\$77,486</u> | <u>\$3,436,557</u> | <u>\$6,138</u> | <u>\$91,333,968</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, 2021, which is the date these financial statements were available to be issued. There are no subsequent events that require disclosure.

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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, 2021

| 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 | \$ 29,916,136 | \$ 32,792,836 | \$ 32,773,183 | \$ (19,653) |
| 5800 State Program Revenues | 42,500,000 | 40,581,500 | 39,704,757 | (876,743) |
| 5900 Federal Program Revenues | 470,000 | 195,000 | 385,305 | 190,305 |
| 5020 Total Revenues | 72,886,136 | 73,569,336 | 72,863,245 | (706,091) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 33,281,597 | 33,360,747 | 28,938,015 | 4,422,732 |
| 0012 Instructional Resources and Media Services | 1,881,332 | 1,881,332 | 1,297,109 | 584,223 |
| 0013 Curriculum and Instructional Staff Development | 583,101 | 570,951 | 310,617 | 260,334 |
| 0021 Instructional Leadership | 855,615 | 920,415 | 805,593 | 114,822 |
| 0023 School Leadership | 3,764,580 | 3,764,580 | 3,431,472 | 333,108 |
| 0031 Guidance, Counseling, and Evaluation Services | 3,066,954 | 3,066,954 | 2,714,459 | 352,495 |
| 0032 Social Work Services | 270,850 | 270,850 | 270,750 | 100 |
| 0033 Health Services | 570,170 | 570,170 | 531,603 | 38,567 |
| 0034 Student (Pupil) Transportation | 7,065,795 | 8,023,795 | 3,966,696 | 4,057,099 |
| 0035 Food Services | - | 500,000 | 24,857 | 475,143 |
| 0036 Extracurricular Activities | 1,550,000 | 1,483,000 | 500,610 | 982,390 |
| 0041 General Administration | 4,071,417 | 4,159,417 | 3,154,898 | 1,004,519 |
| 0051 Facilities Maintenance and Operations | 9,930,825 | 9,949,391 | 8,688,825 | 1,260,566 |
| 0052 Security and Monitoring Services | 529,000 | 529,000 | 438,526 | 90,474 |
| 0053 Data Processing Services | 860,225 | 860,225 | 779,557 | 80,668 |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | 200,000 | 14,285,457 | 6,441,010 | 7,844,447 |
| Intergovernmental: | | | | |
| 0099 Other Intergovernmental Charges | 532,000 | 572,000 | 589,479 | (17,479) |
| 6030 Total Expenditures | 69,013,461 | 84,768,284 | 62,884,076 | 21,884,208 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | 3,872,675 | (11,198,948) | 9,979,169 | 21,178,117 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 8911 Transfers Out (Use) | (450,000) | (450,000) | (711,107) | (261,107) |
| 1200 Net Change in Fund Balances | 3,422,675 | (11,648,948) | 9,268,062 | 20,917,010 |
| 0100 Fund Balance - September 1 (Beginning) | 78,545,725 | 78,545,725 | 78,545,725 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 81,968,400 | \$ 66,896,777 | \$ 87,813,787 | \$ 20,917,010 |

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, 2021

| | FY 2021 Plan Year 2020 | FY 2020 Plan Year 2019 | FY 2019 Plan Year 2018 |
|--|---------------------------|---------------------------|---------------------------|
| District's Proportion of the Net Pension Liability (Asset) | 0.015525927% | 0.017322918% | 0.017498019% |
| District's Proportionate Share of Net Pension Liability (Asset) | \$ 8,315,370 | \$ 9,004,994 | \$ 9,631,334 |
| State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District | 35,656,218 | 34,347,204 | 36,830,983 |
| Total | <u>\$ 43,971,588</u> | <u>\$ 43,352,198</u> | <u>\$ 46,462,317</u> |
| District's Covered Payroll | \$ 37,772,237 | \$ 36,017,459 | \$ 34,768,128 |
| District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll | 22.01% | 25.00% | 27.70% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75.54% | 75.24% | 73.74% |

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, 2020 for year 2021, 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.

| FY 2018 Plan Year 2017 | | FY 2017 Plan Year 2016 | | FY 2016 Plan Year 2015 | | FY 2015 Plan Year 2014 | |
|---------------------------|------------|---------------------------|------------|---------------------------|------------|---------------------------|------------|
| 0.017745746% | | 0.017104145% | | 0.0158193% | | 0.0024553% | |
| \$ | 5,674,134 | \$ | 6,463,402 | \$ | 5,591,912 | \$ | 655,844 |
| 21,691,440 | | 24,107,596 | | 20,500,455 | | 17,599,519 | |
| \$ | 27,365,574 | \$ | 30,570,998 | \$ | 26,092,367 | \$ | 18,255,363 |
| \$ | 33,720,831 | \$ | 30,625,263 | \$ | 26,212,695 | \$ | 25,175,664 |
| 16.83% | | 21.10% | | 21.33% | | 2.61% | |
| 82.17% | | 78.00% | | 78.43% | | 83.25% | |

SOUTH TEXAS ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

| | 2021 | 2020 | 2019 |
|---|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 676,353 | \$ 640,057 | \$ 606,074 |
| Contribution in Relation to the Contractually Required Contribution | (676,353) | (640,057) | (606,074) |
| Contribution Deficiency (Excess) | \$ - | \$ - | \$ - |
| District's Covered Payroll | \$ 37,479,436 | \$ 37,772,237 | \$ 36,017,459 |
| Contributions as a Percentage of Covered Payroll | 1.80% | 1.69% | 1.68% |

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.

| 2018 | | 2017 | | 2016 | | 2015 | |
|------|------------|------|------------|------|------------|------|------------|
| \$ | 589,475 | \$ | 581,602 | \$ | 543,442 | \$ | 468,417 |
| | (589,475) | | (581,602) | | (543,442) | | (468,417) |
| \$ | - | \$ | - | \$ | - | \$ | - |
| \$ | 34,768,128 | \$ | 33,720,831 | \$ | 30,625,263 | \$ | 26,212,695 |
| | 1.70% | | 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, 2021

| | FY 2021 Plan Year 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 | 0.038526063% | 0.039431711% | 0.039250594% | \$ 0.037406921% |
| District's Proportionate Share of Net OPEB Liability (Asset) | \$ 14,645,496 | \$ 18,647,738 | \$ 19,598,181 | \$ 16,266,867 |
| State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District | 19,680,037 | 24,778,674 | 30,790,614 | \$ 27,302,058 |
| Total | <u>\$ 34,325,533</u> | <u>\$ 43,426,412</u> | <u>\$ 50,388,795</u> | <u>\$ 43,568,925</u> |
| District's Covered Payroll | \$ 37,772,237 | \$ 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 | 38.77% | 51.77% | 56.37% | \$ 48.24% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 4.99% | 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 2021 are for the measurement date of August 31, 2020. The amounts 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 2021

| | 2021 | 2020 | 2019 | 2018 |
|---|---------------|---------------|---------------|---------------|
| Contractually Required Contribution | \$ 335,298 | \$ 336,212 | \$ 280,567 | \$ 270,773 |
| Contribution in Relation to the Contractually Required Contribution | (335,298) | (336,212) | (280,567) | (270,773) |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 37,479,436 | \$ 37,722,237 | \$ 36,017,459 | \$ 34,768,128 |
| Contributions as a Percentage of Covered Payroll | 0.89% | 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.

COMBINING AND OTHER STATEMENTS

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SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

| 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 | \$ - | \$ - | \$ - | \$ 438,605 |
| 1240 | Due from Other Governments | 4,684 | - | 118,521 | 109,077 |
| 1250 | Accrued Interest | - | - | - | - |
| 1300 | Inventories | - | - | - | 68,275 |
| 1800 | Restricted Assets | - | - | - | - |
| 1900 | Other Assets | - | - | - | - |
| 1000 | Total Assets | <u>\$ 4,684</u> | <u>\$ -</u> | <u>\$ 118,521</u> | <u>\$ 615,957</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ 19,411 | \$ 58,495 |
| 2160 | Accrued Wages Payable | - | - | 54,311 | 46,378 |
| 2170 | Due to Other Funds | 4,684 | - | 38,754 | 433,248 |
| 2200 | Accrued Expenditures | - | - | 6,045 | 350 |
| 2300 | Unearned Revenue | - | - | - | - |
| 2000 | Total Liabilities | <u>4,684</u> | <u>-</u> | <u>118,521</u> | <u>538,471</u> |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance: | | | | | |
| 3410 | Inventories | - | - | - | 68,275 |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | 9,211 |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| Committed Fund Balance: | | | | | |
| 3510 | Construction | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>77,486</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 4,684</u> | <u>\$ -</u> | <u>\$ 118,521</u> | <u>\$ 615,957</u> |

| 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 | 277 Coronavirus Relief Fund CARES | 281 ESSER II | 282 ESSER III | 288 Heal2 Project |
|---|--|---|---|--|-----------------|-------------------|-------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 5,705 | 37,213 | - | 106,840 | - | - | 361,281 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 5,705</u> | <u>\$ 37,213</u> | <u>\$ -</u> | <u>\$ 106,840</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 361,281</u> | <u>\$ -</u> |
| \$ - | \$ 6,500 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| 2,240 | - | - | - | - | - | - | - |
| 3,465 | 30,713 | - | 106,840 | - | - | 361,281 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>5,705</u> | <u>37,213</u> | <u>-</u> | <u>106,840</u> | <u>-</u> | <u>-</u> | <u>361,281</u> | <u>-</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 5,705</u> | <u>\$ 37,213</u> | <u>\$ -</u> | <u>\$ 106,840</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 361,281</u> | <u>\$ -</u> |

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

| Data Control Codes | | 289 Other Federal Special Revenue Funds | 397 Advanced Placement Incentives | 410 State Instructional Materials | 429 Other State Special Revenue Funds |
|----------------------------|--|--|--|--|--|
| ASSETS | | | | | |
| 1110 | Cash and Cash Equivalents | \$ - | \$ 15,570 | \$ - | \$ - |
| 1240 | Due from Other Governments | 7,464 | - | 21,435 | - |
| 1250 | Accrued Interest | - | - | - | - |
| 1300 | Inventories | - | - | - | - |
| 1800 | Restricted Assets | - | - | - | - |
| 1900 | Other Assets | - | - | - | - |
| 1000 | Total Assets | <u>\$ 7,464</u> | <u>\$ 15,570</u> | <u>\$ 21,435</u> | <u>\$ -</u> |
| LIABILITIES | | | | | |
| 2110 | Accounts Payable | \$ - | \$ - | \$ - | \$ - |
| 2160 | Accrued Wages Payable | - | - | - | - |
| 2170 | Due to Other Funds | 7,464 | - | 21,435 | - |
| 2200 | Accrued Expenditures | - | - | - | - |
| 2300 | Unearned Revenue | - | 15,570 | - | - |
| 2000 | Total Liabilities | <u>7,464</u> | <u>15,570</u> | <u>21,435</u> | <u>-</u> |
| FUND BALANCES | | | | | |
| Nonspendable Fund Balance: | | | | | |
| 3410 | Inventories | - | - | - | - |
| Restricted Fund Balance: | | | | | |
| 3450 | Federal or State Funds Grant Restriction | - | - | - | - |
| 3480 | Retirement of Long-Term Debt | - | - | - | - |
| Committed Fund Balance: | | | | | |
| 3510 | Construction | - | - | - | - |
| 3000 | Total Fund Balances | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 7,464</u> | <u>\$ 15,570</u> | <u>\$ 21,435</u> | <u>\$ -</u> |

| Total Nonmajor Special Revenue Funds | 516 Debt Service | 518 Debt Service (PFC) | Total Nonmajor Debt Service Funds | 616 Capital Fund (PFC) | Total Nonmajor Governmental Funds |
|---|------------------------|---------------------------------|--|---------------------------------|--|
| \$ 454,175 | \$ - | \$ - | \$ - | \$ 6,211 | \$ 460,386 |
| 772,220 | - | - | - | - | 772,220 |
| - | - | 73 | 73 | - | 73 |
| 68,275 | - | - | - | - | 68,275 |
| - | - | 3,370,000 | 3,370,000 | - | 3,370,000 |
| - | - | 66,484 | 66,484 | - | 66,484 |
| <u>\$ 1,294,670</u> | <u>\$ -</u> | <u>\$ 3,436,557</u> | <u>\$ 3,436,557</u> | <u>\$ 6,211</u> | <u>\$ 4,737,438</u> |
| \$ 84,406 | \$ - | \$ - | \$ - | \$ - | \$ 84,406 |
| 102,929 | - | - | - | - | 102,929 |
| 1,007,884 | - | - | - | 73 | 1,007,957 |
| 6,395 | - | - | - | - | 6,395 |
| 15,570 | - | - | - | - | 15,570 |
| <u>1,217,184</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>73</u> | <u>1,217,257</u> |
| 68,275 | - | - | - | - | 68,275 |
| 9,211 | - | - | - | - | 9,211 |
| - | - | 3,436,557 | 3,436,557 | - | 3,436,557 |
| - | - | - | - | 6,138 | 6,138 |
| <u>77,486</u> | <u>-</u> | <u>3,436,557</u> | <u>3,436,557</u> | <u>6,138</u> | <u>3,520,181</u> |
| <u>\$ 1,294,670</u> | <u>\$ -</u> | <u>\$ 3,436,557</u> | <u>\$ 3,436,557</u> | <u>\$ 6,211</u> | <u>\$ 4,737,438</u> |

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

| 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 | \$ - | \$ - | \$ - | \$ 28,864 |
| 5800 State Program Revenues | - | - | - | 29,174 |
| 5900 Federal Program Revenues | 1,589,638 | 44,225 | 636,610 | 988,383 |
| 5020 Total Revenues | 1,589,638 | 44,225 | 636,610 | 1,046,421 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 1,554,325 | 44,225 | 284,090 | - |
| 0013 Curriculum and Instructional Staff Development | 4,775 | - | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | 352,520 | - |
| 0034 Student (Pupil) Transportation | - | - | - | - |
| 0035 Food Services | - | - | - | 1,666,661 |
| 0051 Facilities Maintenance and Operations | - | - | - | - |
| 0061 Community Services | 30,538 | - | - | - |
| Debt Service: | | | | |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | - |
| 6030 Total Expenditures | 1,589,638 | 44,225 | 636,610 | 1,666,661 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | (620,240) |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | - | 429,395 |
| 8911 Transfers Out (Use) | - | - | - | - |
| 7080 Total Other Financing Sources (Uses) | - | - | - | 429,395 |
| 1200 Net Change in Fund Balance | - | - | - | (190,845) |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | 268,331 |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ 77,486 |

| 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 | 277 Coronavirus Relief Fund CARES | 281 ESSER II | 282 ESSER III | 288 Heal2 Project |
|---|--|---|---|--|-----------------|------------------|-------------------------|
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |
| - | - | - | - | - | - | - | - |
| 62,659 | 174,117 | 14,992 | 378,393 | 193,800 | 62,193 | 318,511 | 1,476 |
| 62,659 | 174,117 | 14,992 | 378,393 | 193,800 | 62,193 | 318,511 | 1,476 |
| 62,659 | - | 11,122 | 32,030 | 193,800 | 62,193 | 289,869 | 1,476 |
| - | 174,117 | 3,870 | - | - | - | - | - |
| - | - | - | - | - | - | 28,642 | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 2,728 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | 343,635 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 62,659 | 174,117 | 14,992 | 378,393 | 193,800 | 62,193 | 318,511 | 1,476 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | - |

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

| Data Control Codes | 289 Other Federal Special Revenue Funds | 397 Advanced Placement Incentives | 410 State Instructional Materials | 429 Other State Special Revenue Funds |
|--|--|--|--|--|
| REVENUES: | | | | |
| 5700 Total Local and Intermediate Sources | \$ - | \$ - | \$ - | \$ - |
| 5800 State Program Revenues | - | 7,394 | 243,536 | 66,310 |
| 5900 Federal Program Revenues | 62,366 | - | - | - |
| 5020 Total Revenues | 62,366 | 7,394 | 243,536 | 66,310 |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 Instruction | 60,366 | 344 | 243,536 | - |
| 0013 Curriculum and Instructional Staff Development | 2,000 | 7,050 | - | - |
| 0023 School Leadership | - | - | - | - |
| 0031 Guidance, Counseling, and Evaluation Services | - | - | - | - |
| 0034 Student (Pupil) Transportation | - | - | - | - |
| 0035 Food Services | - | - | - | - |
| 0051 Facilities Maintenance and Operations | - | - | - | - |
| 0061 Community Services | - | - | - | - |
| Debt Service: | | | | |
| 0072 Interest on Long-Term Debt | - | - | - | - |
| Capital Outlay: | | | | |
| 0081 Facilities Acquisition and Construction | - | - | - | 66,310 |
| 6030 Total Expenditures | 62,366 | 7,394 | 243,536 | 66,310 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | - | - |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | - | - |
| 8911 Transfers Out (Use) | - | - | - | - |
| 7080 Total Other Financing Sources (Uses) | - | - | - | - |
| 1200 Net Change in Fund Balance | - | - | - | - |
| 0100 Fund Balance - September 1 (Beginning) | - | - | - | - |
| 3000 Fund Balance - August 31 (Ending) | \$ - | \$ - | \$ - | \$ - |

| Total Nonmajor Special Revenue Funds | 516 Debt Service | 518 Debt Service (PFC) | Total Nonmajor Debt Service Funds | 616 Capital Fund (PFC) | Total Nonmajor Governmental Funds |
|---|------------------------|---------------------------------|--|---------------------------------|--|
| \$ 28,864 | \$ - | \$ 603 | \$ 603 | \$ 1 | \$ 29,468 |
| 346,414 | - | - | - | - | 346,414 |
| 4,527,363 | - | 469,243 | 469,243 | - | 4,996,606 |
| 4,902,641 | - | 469,846 | 469,846 | 1 | 5,372,488 |
| 2,840,035 | - | - | - | - | 2,840,035 |
| 191,812 | - | - | - | - | 191,812 |
| 28,642 | - | - | - | - | 28,642 |
| 352,520 | - | - | - | - | 352,520 |
| 2,728 | - | - | - | - | 2,728 |
| 1,666,661 | - | - | - | - | 1,666,661 |
| 343,635 | - | - | - | - | 343,635 |
| 30,538 | - | - | - | - | 30,538 |
| - | 331,275 | - | 331,275 | - | 331,275 |
| 66,310 | - | - | - | - | 66,310 |
| 5,522,881 | 331,275 | - | 331,275 | - | 5,854,156 |
| (620,240) | (331,275) | 469,846 | 138,571 | 1 | (481,668) |
| 429,395 | 751,275 | 420,000 | 1,171,275 | - | 1,600,670 |
| - | (420,000) | (469,563) | (889,563) | - | (889,563) |
| 429,395 | 331,275 | (49,563) | 281,712 | - | 711,107 |
| (190,845) | - | 420,283 | 420,283 | 1 | 229,439 |
| 268,331 | - | 3,016,274 | 3,016,274 | 6,137 | 3,290,742 |
| \$ 77,486 | \$ - | \$ 3,436,557 | \$ 3,436,557 | \$ 6,138 | \$ 3,520,181 |

T.E.A. REQUIRED SCHEDULES

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SOUTH TEXAS ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

| Last 10 Years Ended August 31 | (1) | (2) | (3) |
|----------------------------------|-------------|--------------|--|
| | Tax Rates | | Assessed/Appraised Value for School Tax Purposes |
| | Maintenance | Debt Service | |
| 2012 and prior years | Various | Various | \$ 89,425,216,615 |
| 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 | 0.049200 | 0.000000 | 59,341,352,396 |
| 2021 (School year under audit) | 0.049200 | 0.000000 | 62,444,605,436 |
| 1000 TOTALS | | | |

| (10) Beginning Balance 9/1/2020 | (20) Current Year's Total Levy | (31) Maintenance Collections | (32) Debt Service Collections | (40) Entire Year's Adjustments | (50) Ending Balance 8/31/2021 |
|--|---|------------------------------------|-------------------------------------|---|--|
| \$ 912,920 | \$ - | \$ 61,556 | \$ - | \$ (77,045) | \$ 774,319 |
| 141,526 | - | 14,767 | - | (1,348) | 125,411 |
| 155,069 | - | 18,160 | - | (1,451) | 135,458 |
| 174,287 | - | 25,149 | - | (784) | 148,354 |
| 217,053 | - | 38,229 | - | (934) | 177,890 |
| 284,898 | - | 63,495 | - | (12,503) | 208,900 |
| 377,217 | - | 113,566 | - | 9,300 | 272,951 |
| 605,808 | - | 235,908 | - | 9,410 | 379,310 |
| 1,276,058 | - | 680,140 | - | (18,198) | 577,720 |
| - | 30,753,454 | 30,223,282 | - | 616,992 | 1,147,164 |
| <u>\$ 4,144,836</u> | <u>\$ 30,753,454</u> | <u>\$ 31,474,252</u> | <u>\$ -</u> | <u>\$ 523,439</u> | <u>\$ 3,947,477</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, 2021

| 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 | \$ 625,000 | \$ 625,000 | \$ 28,864 | \$ (596,136) |
| 5800 State Program Revenues | 12,000 | 12,000 | 29,174 | 17,174 |
| 5900 Federal Program Revenues | 1,808,097 | 1,808,097 | 988,383 | (819,714) |
| 5020 Total Revenues | 2,445,097 | 2,445,097 | 1,046,421 | (1,398,676) |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0035 Food Services | 2,445,097 | 2,445,097 | 1,666,661 | 778,436 |
| 6030 Total Expenditures | 2,445,097 | 2,445,097 | 1,666,661 | 778,436 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | - | - | (620,240) | (620,240) |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | - | - | 429,395 | 429,395 |
| 1200 Net Change in Fund Balances | - | - | (190,845) | (190,845) |
| 0100 Fund Balance - September 1 (Beginning) | 268,331 | 268,331 | 268,331 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 268,331 | \$ 268,331 | \$ 77,486 | \$ (190,845) |

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2021

| 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 | \$ - | \$ 40,300 | \$ 604 | \$ (39,696) |
| 5900 Federal Program Revenues | - | 312,000 | 469,243 | 157,243 |
| 5020 Total Revenues | - | 352,300 | 469,847 | 117,547 |
| EXPENDITURES: | | | | |
| Debt Service: | | | | |
| 0071 Principal on Long-Term Debt | 753,275 | - | - | - |
| 0072 Interest on Long-Term Debt | - | 331,275 | 331,275 | - |
| 0073 Bond Issuance Cost and Fees | - | 2,100 | - | 2,100 |
| 6030 Total Expenditures | 753,275 | 333,375 | 331,275 | 2,100 |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | (753,275) | 18,925 | 138,572 | 119,647 |
| OTHER FINANCING SOURCES (USES): | | | | |
| 7915 Transfers In | 753,275 | 1,173,375 | 1,171,275 | (2,100) |
| 8911 Transfers Out (Use) | - | (732,000) | (889,563) | (157,563) |
| 7080 Total Other Financing Sources (Uses) | 753,275 | 441,375 | 281,712 | (159,663) |
| 1200 Net Change in Fund Balances | - | 460,300 | 420,284 | (40,016) |
| 0100 Fund Balance - September 1 (Beginning) | 3,016,274 | 3,016,274 | 3,016,274 | - |
| 3000 Fund Balance - August 31 (Ending) | \$ 3,016,274 | \$ 3,476,574 | \$ 3,436,558 | \$ (40,016) |

SOUTH TEXAS ISD
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021

Section A: Compensatory Education Programs

| | | |
|-----|--|-----------|
| AP1 | Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year? | Yes |
| AP2 | Does the LEA have written policies and procedures for its state compensatory education program? | Yes |
| AP3 | List the total state allotment funds received for state compensatory education programs during the district's fiscal year. | 3,458,532 |
| AP4 | List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. | 2,242,466 |

Section B: Bilingual Education Programs

| | | |
|-----|---|---------|
| AP5 | Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year? | Yes |
| AP6 | Does the LEA have written policies and procedures for its bilingual education program? | Yes |
| AP7 | List the total state allotment funds received for bilingual education programs during the LEA's fiscal year. | 166,811 |
| AP8 | List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35) | 19,432 |

**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, 2021, 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, 2021.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are described in the management advisory comments letter as items 2021-01 & 2021-02.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

**808 Del Oro Lane
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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
Pharr, Texas
December 8, 2021

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
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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, 2021. 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, 2021.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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

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, 2021

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

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: | 84.425 ESSER Grant 21.019 Coronavirus Relief Fund |
| 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, 2021

None.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021

Not applicable.

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021**

| (1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE | (2) Federal CFDA Number | (3) Pass-Through Entity Identifying Number | (4) Federal Expenditures |
|--|----------------------------------|---|--------------------------------|
| U.S. DEPARTMENT OF EDUCATION | | | |
| <i>Passed Through State Department of Education:</i> | | | |
| ESEA Title 1, Part A - Improving Basic Programs | 84.010A | 20-610101031916 | \$ 288,791 |
| ESEA Title 1, Part A - Improving Basic Programs | 84.010A | 21-610101031916 | \$ 1,378,259 |
| Total ESEA Title 1, Part A - Improving Basic Programs | | | <u>\$ 1,667,050</u> |
| ESEA Title 1, Part C, - Migratory Children | 84.011A | 20-615001031916 | 46,382 |
| Carl D. Perkins - Basic Grant | 84.048A | 20-420006031916 | 50,130 |
| ESEA Title II, Part A - Supporting Effective Instruction | 84.367A | 20-694501031916 | 68,221 |
| ESEA Title II, Part A - Supporting Effective Instruction | 84.367A | 21-694501031916 | 114,455 |
| Total ESEA Title II, Part A - Supporting Effective Instruction | | | <u>182,675</u> |
| | | | |
| Title III, Part A - English Language Acquisition | 84.365A | 20-671001031916 | 4,964 |
| Title III, Part A - English Language Acquisition | 84.365A | 21-671001031916 | 10,759 |
| Total Title III, Part A - English Language Acquisition | | | <u>15,723</u> |
| ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment | 84.424A | 20-680101031916 | 27,213 |
| ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment | 84.424A | 21-680101031916 | 38,194 |
| Total ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment | | | <u>65,407</u> |
| | | | |
| ESSER Grant | 84.425D | 20-521001031916 | 478,544 |
| ESSER III Grant | 84.425D | 21-528001031916 | 361,281 |
| Operation Connectivity-Prior Purchase Reimbursement Program | 84.425D | 21-521001031916 | 62,193 |
| Total ESSER Grant | | | <u>902,018</u> |
| | | | |
| Special Education Cluster (IDEA) | | | |
| IDEA - Part B, Formula | 84.027A | 20-6600010319166000 | 108,964 |
| IDEA - Part B, Formula | 84.027A | 21-6600010319166000 | 558,840 |
| Total Special Education Cluster (IDEA) | | | <u>667,804</u> |
| | | | |
| Total Passed Through State Dept. of Education | | | <u><u>3,597,189</u></u> |

U.S. DEPARTMENT OF EDUCATION*Passed Through Region One*

| | | | |
|---|---------|-------------|------------------|
| CTE Perkins Reserve Grant PATH | 84.048A | V048A200043 | 14,860 |
| Project HEAL2 - Health Education and Leadership for ALL | 84.411C | U411C160117 | 1,476 |
| Total Passed Through Region One | | | <u>16,336</u> |
| TOTAL U.S. DEPARTMENT OF EDUCATION | | | <u>3,613,526</u> |

U.S. DEPARTMENT OF TREASURY

| | | | |
|---|--------|--|----------------|
| Coronavirus Relief Fund-Texas Department of Emergency | 21.019 | | 193,800 |
| TOTAL U.S. DEPARTMENT OF TREASURY | | | <u>193,800</u> |

U.S. DEPARTMENT OF AGRICULTURE*Passed Through State Department of Education:**Child Nutrition Cluster*

| | | | |
|---|--------|----------|----------------|
| School Breakfast Program | 10.553 | 71401901 | \$ 291,478 |
| National School Lunch Program | 10.555 | 71301901 | \$ 679,943 |
| National School Lunch Program (non cash assistance) | 10.555 | 031916 | 7,751 |
| Total Passed Through State Department of Education | | | <u>979,173</u> |

Passed Through State Department of Agriculture:

| | | | |
|---|--------|--|--------------|
| Emergency Operational Cost Reimbursement | 10.555 | | 5,848 |
| NSLP REG 5 | 10.555 | | 698 |
| Delivery & Storage Commodity Storage | 10.555 | | 2,664 |
| Total Passed Through State Department of Agriculture | | | <u>9,210</u> |

| | | | |
|--------------------------------------|--|--|----------------|
| Total Child Nutrition Cluster | | | <u>988,383</u> |
|--------------------------------------|--|--|----------------|

| | | | |
|---|--|--|----------------|
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>988,383</u> |
|---|--|--|----------------|

| | | | |
|---|--|--|----------------------------|
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 4,795,708</u></u> |
|---|--|--|----------------------------|

SOUTH TEXAS ISD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2021, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2021, the District had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2021, the District received \$7,751 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 | \$ 4,795,708 |
| Federal Revenues Distributed Directly | 586,203 |
| Exhibit C-3 | <u>\$ 5,381,911</u> |

SCHOOLS FIRST QUESTIONNAIRE

SOUTH TEXAS ISD

Fiscal Year 2021

| | | |
|-----|--|-----|
| 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. | |