

SOUTH TEXAS ISD
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2023

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2023

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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) ☒ approved ☐ disapproved for the year ended August 31, 2023 at a meeting of the Board of Trustees of such school district on the 12th of December, 2023.


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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District (South Texas ISD), as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise South Texas ISD's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 ISD, as of August 31, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information on page 60, and pension schedules as listed in the table of contents on pages 61-69 be resented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise South Texas ISD's basic financial statements. The 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements, required TEA Schedules, and the Schedule of Expenditures of Federal Awards as identified in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

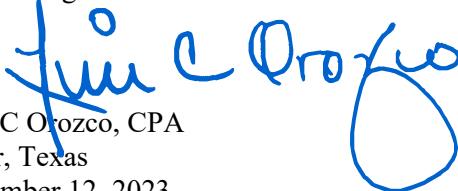
Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2023 on our consideration of South Texas ISD's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of South Texas ISD's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering South Texas ISD's internal control over financial reporting and compliance.


Luis C Orozco, CPA
Pharr, Texas
December 12, 2023

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, 2023. Please read it in conjunction with the independent auditors' report on page 2 and the District's Basic Financial Statements which begin on Page 4.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$28,622,720 as a result of this year's District's operations.

During the year, the District had net changes in functional activities that were \$28,622,720 less than the \$93,913,858 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$17,863,440.

The General Fund ended the year with a fund balance of 114,461,121, of which \$37,036,335 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 \$175,344,000 to \$203,966,720. 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 \$97,149,672 at August 31, 2023. This represents an increase in unrestricted net position of \$23,616,659 over the prior year.

TABLE I

	Governmental Activities	
	2023	2022
Current assets		
Cash and cash equivalents	\$ 11,259,353	\$ 972,107
Current investments	101,953,078	94,824,212
Property taxes receivable	4,213,181	3,865,038
Allowance for uncollectible taxes	(126,395)	(115,951)
Due from other government	13,895,993	8,640,655
Accrued interest	37,030	11,977
Due from Fiduciary Funds	18,020	0
Other receivables, net	16,560	4,270
Inventories	83,681	59,655
Prepayments	853,994	492,880
Total current assets	132,204,477	108,754,843
Non current assets		
Land	4,114,411	4,114,411
Building, net	77,241,268	77,353,838
Furniture and equipment, net	10,352,801	7,579,072
Ready to Use Leased Assets	258,652	274,162
Construction in progress	16,321,498	14,629,476
Restricted assets	4,210,000	3,790,000
Other assets	16,156	74,020
Total non current assets	112,514,786	107,814,980
Total assets	244,719,263	216,569,823
Deferred outflows of resources		
Deferred outflow related to TRS pension	5,515,986	2,689,213
Deferred outflow related to TRS OPEB	4,694,544	3,415,876
Total deferred outflows of resources	10,210,530	6,105,089

TABLE I (Continued)

	Governmental Activities	
	2023	2022
Current liabilities		
Accounts payable	2,565,997	1,881,125
Accrued wages payable	3,633,901	3,672,241
Due to fiduciary funds	8,904	420,481
Due to other governments	1,633	163
Accrued expenses	79,316	72,491
Unearned revenues	16,418	19,100
Non current liabilities		
Due in more than one year	6,568,652	6,584,162
Net pension liability (District's share)	11,303,561	4,140,032
Net OPEB liability (District's share)	9,769,386	14,476,577
Total liabilities	33,947,768	31,265,372
Deferred Inflows of resources		
Deferred inflow related to TRS pension	1,228,260	5,005,871
Deferred inflow related to TRS OPEB	15,787,045	11,059,669
Total deferred inflows of resources	17,015,305	16,065,540
Net position:		
Net investment in capital assets	101,719,978	97,366,798
Restricted for federal and state programs	537,368	574,229
Restricted for debt service	4,559,702	3,869,960
Unrestricted	97,149,672	73,533,013
Total net position	\$ 203,966,720	\$ 175,344,000

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

	Governmental Activities	
	2023	2022
Program revenues		
Charges for services	\$ 625,506	\$ 219,249
Operating grants and contributions	16,897,611	10,736,859
General revenues		
Property taxes	37,768,720	34,323,977
State aid-formula	43,524,017	42,434,808
Grants and Contributions not Restricted	1,710,961	850,126
Investment earnings	4,983,698	593,418
Miscellaneous	5,926,462	190,985
Other uses	0	0
Total revenues	111,436,975	89,349,422
Expenses		
Instruction	41,773,669	35,231,301
Instructional resources and media services	1,397,547	1,333,226
Curriculum and instructional staff development	745,878	584,403
Instructional leadership	1,518,630	1,117,814
School leadership	3,721,969	3,777,185
Guidance, counseling and evaluation services	3,485,855	2,962,320
Social work services	308,903	275,401
Health services	574,674	535,613
Student (pupil) transportation	5,891,700	7,218,727
Food services	2,399,759	2,020,352
Curricular/extracurricular activities	1,893,272	1,711,777
General administration	4,400,933	3,667,225
Facilities maintenance and operations	10,691,638	8,534,943
Security and monitoring services	1,906,659	666,824
Data processing services	1,417,102	1,116,852
Community services	9,916	13,834
Debt service - interest on long-term debt	245,342	337,909
Debt service - bond issuance cost and fees	2,100	2,100
Other intergovernmental charges	428,649	377,660
Total expenses	82,814,255	71,485,466

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

	Governmental Activities	
	2023	2022
Excess (deficiency) before other resources, uses and transfers	28,622,720	17,863,956
Transfers in(out)	-	-
Change in net position	28,622,720	17,863,956
Net position beginning	175,344,000	157,508,902
Prior period adjustment	0	(28,858)
Net position ending	\$ 203,966,720	\$ 175,344,000

The cost of all governmental activities this year was \$82,814,255 compared to \$71,482,466 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 \$37,768,720, because the rest of the costs (\$45,045,535) 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 \$126,037,679 which is more than last year's total of \$102,805,175. 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 2023, the District had \$108,028,979 (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 4,352,183, or 4 percent, above last year.

This year's major additions included:

District's Capital Assets		
		<u>2023</u>
Building & Improvements	\$	209,667
Furniture & Equipment		3,938,196
Construction in progress		<u>4,398,840</u>
Total capital assets before depreciation		8,546,703
Less accumulated depreciation		<u>(4,303,162)</u>
Net capital assets	\$	<u><u>4,243,541</u></u>

At year-end, the District has \$6,310,000 in bonds outstanding, and has made payments totaling \$4,210,000 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 2024. Amounts available for appropriation in the General Fund budget are \$92,157,300, an increase of approximately 3 percent from the final 2023 budget of \$90,165,307. 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 3% to \$92,157,300. The increase is mainly due to growth, operating expenses, and salary increases.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase slightly by the close of 2024, 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, 7001 E. Expressway 83, Mercedes, Texas 78570.

BASIC FINANCIAL STATEMENTS

SOUTH TEXAS ISD
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 11,259,353
1120 Current Investments	101,953,078
1220 Property Taxes - Delinquent	4,213,181
1230 Allowance for Uncollectible Taxes	(126,395)
1240 Due from Other Governments	13,895,993
1250 Accrued Interest	37,030
1267 Due from Fiduciary Funds	18,002
1290 Other Receivables, Net	16,560
1300 Inventories	83,681
1410 Prepayments	853,994
Capital Assets:	
1510 Land	4,114,411
1520 Buildings, Net	77,241,268
1530 Furniture and Equipment, Net	10,352,801
1550 Right-to-Use Leased Assets, Net	258,652
1580 Construction in Progress	16,321,498
1800 Restricted Assets	4,210,000
1990 Other Assets	16,156
1000 Total Assets	<u>244,719,263</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	5,515,986
1706 Deferred Outflow Related to TRS OPEB	4,694,544
1700 Total Deferred Outflows of Resources	<u>10,210,530</u>
LIABILITIES	
2110 Accounts Payable	2,565,997
2160 Accrued Wages Payable	3,633,901
2177 Due to Fiduciary Funds	8,904
2180 Due to Other Governments	1,633
2200 Accrued Expenses	79,316
2300 Unearned Revenue	16,418
Noncurrent Liabilities:	
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	6,568,652
2540 Net Pension Liability (District's Share)	11,303,561
2545 Net OPEB Liability (District's Share)	9,769,386
2000 Total Liabilities	<u>33,947,768</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	1,228,260
2606 Deferred Inflow Related to TRS OPEB	15,787,045
2600 Total Deferred Inflows of Resources	<u>17,015,305</u>
NET POSITION	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	101,719,978
Restricted:	
3820 Restricted for Federal and State Programs	537,368
3850 Restricted for Debt Service	4,559,702
3900 Unrestricted	97,149,672
3000 Total Net Position	<u><u>\$ 203,966,720</u></u>

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

SOUTH TEXAS ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 41,773,669	\$ -	\$ 10,843,238	\$ (30,930,431)
12 Instructional Resources and Media Services	1,397,547	-	76,941	(1,320,606)
13 Curriculum and Instructional Staff Development	745,878	-	359,477	(386,401)
21 Instructional Leadership	1,518,630	-	174,349	(1,344,281)
23 School Leadership	3,721,969	-	317,768	(3,404,201)
31 Guidance, Counseling, and Evaluation Services	3,485,855	-	493,999	(2,991,856)
32 Social Work Services	308,903	-	20,065	(288,838)
33 Health Services	574,674	-	37,268	(537,406)
34 Student (Pupil) Transportation	5,891,700	-	353,283	(5,538,417)
35 Food Services	2,399,759	625,506	2,451,105	676,852
36 Extracurricular Activities	1,893,272	-	30,306	(1,862,966)
41 General Administration	4,400,993	-	183,462	(4,217,531)
51 Facilities Maintenance and Operations	10,691,638	-	1,266,123	(9,425,515)
52 Security and Monitoring Services	1,906,659	-	243,810	(1,662,849)
53 Data Processing Services	1,417,102	-	37,967	(1,379,135)
61 Community Services	9,916	-	8,450	(1,466)
72 Debt Service - Interest on Long-Term Debt	245,342	-	-	(245,342)
73 Debt Service - Other Fees	2,100	-	-	(2,100)
99 Other Intergovernmental Charges	428,649	-	-	(428,649)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 82,814,255	\$ 625,506	\$ 16,897,611	(65,291,138)
Data				
Control				
Codes				
General Revenues:				
Taxes:				
MT	Property Taxes, Levied for General Purposes			37,768,720
SF	State Aid - Formula Grants			43,524,017
GC	Grants and Contributions not Restricted			1,710,961
IE	Investment Earnings			4,983,698
MI	Miscellaneous Local and Intermediate Revenue			5,926,462
TR	Total General Revenues			93,913,858
CN	Change in Net Position			28,622,720
NB	Net Position - Beginning			175,344,000
NE	Net Position - Ending			\$ 203,966,720

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

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SOUTH TEXAS ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes	10 General Fund	ESSER II CRRSA Act Supplemental	ESSER III ARP Act
ASSETS			
1110 Cash and Cash Equivalents	\$ 4,158,903	\$ -	\$ -
1120 Investments - Current	101,953,078	-	-
1220 Property Taxes - Delinquent	4,213,181	-	-
1230 Allowance for Uncollectible Taxes	(126,395)	-	-
1240 Due from Other Governments	5,092,086	3,713,291	3,285,537
1250 Accrued Interest	19,266	-	-
1260 Due from Other Funds	8,400,129	-	-
1290 Other Receivables	-	-	-
1300 Inventories	-	-	-
1410 Prepayments	853,994	-	-
1800 Restricted Assets	-	-	-
1900 Other Assets	-	-	-
1000 Total Assets	<u>\$ 124,564,242</u>	<u>\$ 3,713,291</u>	<u>\$ 3,285,537</u>
LIABILITIES			
2110 Accounts Payable	\$ 2,366,813	\$ 519	\$ 133,908
2160 Accrued Wages Payable	3,563,342	-	-
2170 Due to Other Funds	12,008	3,712,772	3,151,629
2180 Due to Other Governments	163	-	-
2200 Accrued Expenditures	74,010	-	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>6,016,336</u>	<u>3,713,291</u>	<u>3,285,537</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	4,086,785	-	-
2600 Total Deferred Inflows of Resources	<u>4,086,785</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
3430 Prepaid Items	853,994	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	-	-
Committed Fund Balance:			
3510 Construction	42,404,122	-	-
3545 Other Committed Fund Balance	34,166,670	-	-
3600 Unassigned Fund Balance	37,036,335	-	-
3000 Total Fund Balances	<u>114,461,121</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 124,564,242</u>	<u>\$ 3,713,291</u>	<u>\$ 3,285,537</u>

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

Other Funds		Total Governmental Funds	
\$	7,100,450	\$	11,259,353
	-		101,953,078
	-		4,213,181
	-		(126,395)
	1,805,079		13,895,993
	17,764		37,030
	12,008		8,412,137
	16,560		16,560
	83,681		83,681
	-		853,994
	4,210,000		4,210,000
	16,156		16,156
\$	13,261,698	\$	144,824,768
\$	64,756	\$	2,565,996
	70,559		3,633,901
	1,526,631		8,403,040
	1,470		1,633
	5,306		79,316
	16,418		16,418
	1,685,140		14,700,304
	-		4,086,785
	-		4,086,785
	83,681		83,681
	-		853,994
	502,129		502,129
	4,559,702		4,559,702
	6,412		42,410,534
	-		34,166,670
	6,424,634		43,460,969
	11,576,558		126,037,679
\$	13,261,698	\$	144,824,768

SOUTH TEXAS ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2023

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 126,037,679
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 \$157,107,394 and the accumulated depreciation was (\$53,430,598). 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 increase net position.	97,366,796
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 2023 capital outlays and debt principal payments is to increase net position.	8,656,344
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 \$5,515,986, a deferred resource inflow in the amount of \$1,228,260, and a net position liability in the amount of \$11,303,561. This resulted in a decrease in net position.	(7,015,835)
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 \$4,694,544, a deferred resource inflow in the amount of \$15,787,045, and a net OPB position liability in the amount of \$9,769,386. This resulted in a decrease in net position.	(20,861,887)
5 The 2023 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(4,303,162)
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.	4,086,785
19 Net Position of Governmental Activities	\$ 203,966,720

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

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SOUTH TEXAS ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	10 General Fund	ESSER II CRRSA Act Supplemental	ESSER III ARP Act
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 42,463,275	\$ -	\$ -
5800 State Program Revenues	47,275,313	-	-
5900 Federal Program Revenues	1,274,198	4,042,521	3,737,739
5020 Total Revenues	91,012,786	4,042,521	3,737,739
EXPENDITURES:			
Current:			
0011 Instruction	32,693,874	3,064,723	2,820,730
0012 Instructional Resources and Media Services	1,253,749	29,496	17,094
0013 Curriculum and Instructional Staff Development	374,711	5,137	169,866
0021 Instructional Leadership	1,441,961	29,491	15,858
0023 School Leadership	3,450,513	83,301	102,271
0031 Guidance, Counseling, and Evaluation Services	3,018,600	59,918	97,268
0032 Social Work Services	294,437	6,097	3,661
0033 Health Services	548,726	12,195	6,101
0034 Student (Pupil) Transportation	5,566,944	121,742	75,208
0035 Food Services	-	46,728	31,431
0036 Extracurricular Activities	1,862,975	-	-
0041 General Administration	4,264,215	51,773	31,689
0051 Facilities Maintenance and Operations	10,195,230	520,656	116,601
0052 Security and Monitoring Services	2,982,161	-	243,810
0053 Data Processing Services	1,355,474	11,264	6,151
0061 Community Services	-	-	-
Debt Service:			
0071 Principal on Long-Term Liabilities	183,384	-	-
0072 Interest on Long-Term Liabilities	9,163	-	-
0073 Bond Issuance Cost and Fees	-	-	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	4,615,647	-	-
Intergovernmental:			
0099 Other Intergovernmental Charges	428,649	-	-
6030 Total Expenditures	74,540,413	4,042,521	3,737,739
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	16,472,373	-	-
OTHER FINANCING SOURCES (USES):			
7913 Proceeds of Right-to-Use Lease	262,970	-	-
7915 Transfers In	-	-	-
8911 Transfers Out (Use)	(391,893)	-	-
8949 Other (Uses)	(177,500)	-	-
7080 Total Other Financing Sources (Uses)	(306,423)	-	-
1200 Net Change in Fund Balances	16,165,950	-	-
0100 Fund Balance - September 1 (Beginning)	98,295,171	-	-
3000 Fund Balance - August 31 (Ending)	\$ 114,461,121	\$ -	\$ -

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

		Total	
Other		Governmental	
Funds		Funds	
\$	8,951,481	\$	51,414,756
	380,626		47,655,939
	4,917,634		13,972,092
	14,249,741		113,042,787
	3,949,077		42,528,404
	-		1,300,339
	174,546		724,260
	75,965		1,563,275
	17,237		3,653,322
	243,283		3,419,069
	-		304,195
	-		567,022
	-		5,763,894
	2,343,703		2,421,862
	-		1,862,975
	2,000		4,349,677
	427,444		11,259,931
	-		3,225,971
	-		1,372,889
	8,450		8,450
	-		183,384
	331,275		340,438
	2,100		2,100
	-		4,615,647
	-		428,649
	7,575,080		89,895,753
	6,674,661		23,147,034
	-		262,970
	1,197,293		1,197,293
	(805,400)		(1,197,293)
	-		(177,500)
	391,893		85,470
	7,066,554		23,232,504
	4,510,004		102,805,175
\$	11,576,558	\$	126,037,679

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, 2023

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 23,232,504
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 2023 capital outlays and debt principal payments is to decrease net position.	8,656,344
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.	(4,303,162)
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.	337,696
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 \$871,235. 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 \$757,758. 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 \$672,622. The net result is an increase (decrease) in the change in net position.	(559,145)
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 \$330,472. 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 \$464,842. 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 (\$1,392,853). The net result is an increase (decrease) in the change in net position.	1,258,483
Change in Net Position of Governmental Activities	<u>\$ 28,622,720</u>

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, 2023

	Total Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 217,892
Due from Other Funds	8,904
Total Assets	<u>226,796</u>
LIABILITIES	
Payroll Deductions and Withholdings Payable	2,060
Due to Other Funds	18,002
Total Liabilities	<u>20,062</u>
NET POSITION	
Restricted for Student Activities	<u>206,734</u>
Total Net Position	<u><u>\$ 206,734</u></u>

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

SOUTH TEXAS ISD
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

	Total Custodial Funds
ADDITIONS:	
Received from Student Groups	\$ 426,120
Total Additions	<u>426,120</u>
DEDUCTIONS:	
Other Deductions	<u>430,901</u>
Total Deductions	<u>430,901</u>
Change in Fiduciary Net Position	(4,781)
Total Net Position - September 1 (Beginning)	<u>211,515</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 206,734</u></u>

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 POLICIES

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 POLICIES (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 POLICIES (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 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.

The Custodial Funds are reported using the economic resources measurement focus and the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable.

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 POLICIES (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. 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 POLICIES

New Accounting Standards

The Governmental Accounting Standards Board recently issued the following pronouncements, which are relevant to the School District and became effective this fiscal year:

GASB Statement No.96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset-an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for fiscal years beginning after June 15,2022. The implementation of GASB Statement No. 96 didn't have a material impact on the financial statements.

GASB Statement No.94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements

This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPP). A PPP as used in statement No. 94 is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset for a period of time in an exchange or exchange-like transaction. There was no impact to the financial statements from this statement.

Future Accounting Standards

Future accounting standards possibly applicable to the District that have been issued by the Governmental Accounting Standards Board are:

- Statement No. 99, *Omnibus 2022*
- Statement No. 100, *Accounting Changes and Error Corrections*
- Statement No. 101, *Compensated Absences*

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

GASB Statement No. 99 addresses the classification and reporting of derivative instruments with the scope of GASB Statement No. 53, Accounting and Financial Reporting for derivative Instruments. This requirement is effective for fiscal years beginning after June 15, 2023. GASB Statement No. 99 also provides clarification of provisions in GASB Statement No. 87, Leases, GASB Statement No. 94, Public- Private and Public-Public Partnerships and Availability Payment Arrangements and GASB Statement No. 96, Subscription-Based Information Technology Arrangements. These requirements are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Lastly, GASB Statement No. 99 provides an extension of the period during which the London Interbank Offered Rate is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt, accounting for the distribution of benefits as part of the supplemental nutrition assistance program, disclosures related to nonmonetary transactions, pledges of future revenue when resources are not received by the pledging government, clarification of provisions in GASB Statement No. 34, terminology updates related to certain provisions of GASB Statement No. 63, and terminology used in Statement 53 to refer to resource flows statements. These requirements are effective June 15, 2023.

The objective of GASB Statement No. 100 is to enhance accounting and financial reporting requirements for accounting changes and error corrections. Changes in accounting principles and in accounting estimates that result from a change in measurement methodology, a new principal or methodology should be justified on the basis that it is preferable to the principal or methodology used before the change. This statement also requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting period thereafter.

GASB Statement No. 101 requires that liabilities for compensated absences be recognized for leave that has not been used and for leave that has been used but not yet paid in cash or settled through noncash means. This Statement also requires that a liability for certain types of compensated absences, including parental leave, military leave, and jury duty leave, not be recognized until the leave commences. This Statement amends the existing requirements to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability as long as it's identified as a net change. This requirement is effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The impact of these statements on the District's financial statements, has not been determined yet.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES

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 POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES

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 POLICIES(Continued)

E. OTHER ACCOUNTING POLICIES

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 POLICIES(Continued)

E. OTHER ACCOUNTING POLICIES

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 POLICIES(Continued)

E. OTHER ACCOUNTING POLICIES (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 POLICIES(Continued)

E. OTHER ACCOUNTING POLICIES (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. BUDGETARY 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.

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At August 31, 2023, the District did not have expenditures over appropriations.

C. DEFICIT FUND EQUITY

For the fiscal year ended August 31, 2023 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, 2023, the following are the District's cash and cash equivalents with respective maturities of less than one year.

Cash	11,259,353	
Investments:		
PlainsCapital CD's	8,975,000	9%
PlainsCapital Money Market	2,339,187	2.24%
Wilmington Trust Fund	6,458	0.01%
Lone Star Investment Pool	92,206,639	88%
TexPool	771,439	1%
Total Investments:	104,298,723	

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, 2023, 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, 2023, the District had 1% of its investments in TexPool, 11% in Plains Capital Money Market, and 88% in Lonestar Investment Pool, which are rated AAAM.

The District's investments at August 31, 2023 are shown as follows:

Investment Type	Reported at Amortized Cost	Weighted Average Maturity (days)	Standard & Poor's Rating
Plains Capital Money Market	11,314,187		AAAM
Lone Star Investment Pool			
Corporate Overnight Fund	5,315,964	54	
Corporate Overnight Plus Fund	86,890,639	65	
Government Overnight Fund	<u>36</u>	24	
Total Lone Star Investment Pool	92,206,639		AAAM
Wilmington Trust Fund	6,458		
TexPool	<u>771,439</u>	27	AAAM
Total Investments:	<u>\$104,298,723</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, 2023, are summarized below.

Fund	State Entitlements	Other	Total
General Fund	\$ 4,949,292	\$ 142,795	\$ 5,092,086
Special Revenue Fund	8,798,906	5,000	8,803,906
Total	<u>\$ 13,748,198</u>	<u>\$ 147,795</u>	<u>\$ 13,895,993</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, 2023 is as follows:

	<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Funds	8,382,054	12,008
Capital Project	73	-
Custodial Funds	18,002	-
Total General Fund	<u>8,400,129</u>	<u>12,008</u>
<u>Special Revenue Funds</u>		
General Fund	12,008	8,382,054
Custodial Funds	-	8,904
Total Special Revenue Funds	<u>12,008</u>	<u>8,390,958</u>
<u>Capital Project Funds</u>		
General Fund	-	73
Total Capital Project Funds	<u>-</u>	<u>73</u>
<u>Custodial Funds</u>		
General Fund	-	18,002
Special Revenue Funds	8,904	-
Total Custodial Funds	<u>8,904</u>	<u>18,002</u>
 Totals	 <u>\$ 8,421,041</u>	 <u>\$ 8,421,041</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, 2023 were as follows:

<u>Fund</u>	<u>Transfer In (Out)</u>
General Fund	(391,893)
Debt Service	(420,000)
Debt Service- PFC	(361,482)
Special Revenue- Summer Feeding Program	23,918
Debt Service	753,375
Debt Service - PFC	420,000
Special Revenue- NBLs	(23,918)
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, 2023 was as follows:

	Balance 09/01/22	Changes During Year			Balance 08/31/23
		Additions	Retirements	Reclassifications/ Adjustments	
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,114,411	\$ -	\$ -	\$ -	\$ 4,114,411
Buildings & improvements	121,847,040	209,667	-	2,706,817	124,763,524
Furniture & equipment	16,516,468	3,938,196	(1,111,802)	-	19,342,861
Construction in progress	14,629,475	4,398,840	-	(2,706,817)	16,321,498
Total capital assets cost	<u>\$ 157,107,394</u>	<u>\$ 8,546,703</u>	<u>\$ (1,111,802)</u>	<u>\$ -</u>	<u>\$ 164,542,294</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ (44,493,203)	\$ (3,029,053)	\$ -	\$ -	\$ (47,522,256)
Furniture & equipment	<u>(8,937,395)</u>	<u>(1,274,109)</u>	<u>1,221,444</u>	<u>-</u>	<u>(8,990,060)</u>
Total Accum. Dep.	<u>\$ (53,430,598)</u>	<u>\$ (4,303,162)</u>	<u>\$ 1,221,444</u>	<u>\$ -</u>	<u>\$ (56,512,316)</u>
Governmental activities capital assets, net	<u>\$ 103,676,796</u>	<u>\$ 4,243,542</u>	<u>\$ 109,642</u>	<u>\$ -</u>	<u>\$ 108,029,979</u>

Depreciation Expense was charged to governmental functions as follows:

Depreciation was charged to functions as follows:

Instruction	\$ 2,188,580
Instructional Resources & Media Services	138,251
Curriculum Development & Instructional Staff Development	34,886
Instructional Leadership	26,640
School Leadership	226,900
Guidance, Counseling And Evaluation Services	198,481
Social Work Services	18,485
Health Services	33,010
Student Transportation	381,182
Food Services	127,860
Extra Curricular Activities	70,723
General Administration	177,218
Facilities Maintenance And Operations	563,528
Security And Monitoring Services	62,886
Data Processing Services	53,066
Community Services	1,466
	<u>4,303,162</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,	Principal	Interest	Estimated Interest Subsidy Available	Total Requirements
2024	420,000	331,275	(309,328)	441,947
2025	420,000	331,275	(309,328)	441,947
2026	420,000	331,275	(309,328)	441,947
2027-2028	840,000	662,550	(618,656)	883,894
	<u>2,100,000</u>	<u>1,656,375</u>	<u>(1,546,640)</u>	<u>2,209,735</u>
Total Restricted Assets	4,210,000			4,210,000
Total Debt Amount	<u>6,310,000</u>			<u>6,419,735</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 \$4,210,000 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 https://www.trs.texas.gov/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description above.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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.

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. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025. Contribution Rates can be found in the TRS 2022 ACFR, Note 11, on page 85.

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</u>
Member	8.00%	8.00%
Non - Employer Contributing Entity (State)	7.75%	8.00%
Employers	7.75%	8.00%
Current Fiscal Year Employer Contributions	\$	871,235
Current Fiscal Year Member Contributions	\$	3,369,118
District's 2022 NECE On-Behalf Contributions	\$	2,946,448

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

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)

- All public schools, charter schools, and regional educational service centers must contribute 1.7 percent of the member's salary beginning in fiscal year 2022, gradually increasing to 2 percent in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

Actuarial Assumptions. The total pension liability in the August 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Market Value
Single Discount Rate	7.00%
Long-term expected Rate	7.00%
Municipal Bond Rate as of August, 2022	3.91% 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	2121
Inflation	2.30%
Salary Increases including Inflation	2.95% to 8.95%
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, 2021. For a full description of these assumptions please see the TRS actuarial valuation report dated November 12, 2021.

Discount Rate. The single discount rate used to measure the total pension liability was 7.00%. The single discount rate was based on the expected rate of return on pension plan investments of 7.00%. 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 9.55% 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.

The long-term rate of return on pension plan investments is 7.00 percent. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2022 (see page 54 of the TRS ACFR) are summarized below:

Table 3.A.1: Asset Allocations			
Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00 %	4.60 %	1.12 %
Non-US Developed	13.00	4.90	0.90
Emerging Markets	9.00	5.40	0.75
Private Equity*	14.00	7.70	1.55
Stable Value			
Government Bonds	16.00	1.00	0.22
Absolute Return*	0.00	3.70	0.00
Stable Value Hedge Funds	5.00	3.40	0.18
Real Return			
Real Estate	15.00	4.10	0.94
Energy, Natural Resources & Infrastructure	6.00	5.10	0.37
Commodities	0.00	3.60	0.00
Risk Parity	8.00	4.60	0.43
Asset Allocation Leverage			
Cash	2.00	3.00	0.01
Asset Allocation Leverage	(6.00)	3.60	(0.05)
Inflation Expectation			2.70
Volatility Drag****			(0.91)
Expected Return	100.00 %		8.19 %
*Absolute Return includes Credit Sensitive Investments.			
**Target allocations are based on the FY2022 policy model.			
***Capital Market Assumptions come from Aon Hewitt (as of 8/31/2022).			
****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)

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (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 (7.00%) in measuring the 2022 Net Pension Liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
Proportionate share of the net pension liability:	\$ 17,584,055	\$ 11,303,561	\$ 6,212,926

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions. At August 31, 2023, the District reported a liability of \$11,303,561 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, 2023 were as follows:

District's Proportionate share of the collective net pension liability	\$ 11,303,561
State's proportionate share that is associated with the District	<u>37,486,485</u>
Total	<u>\$ 48,790,046</u>

The net pension liability was measured as of August 31, 2023 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, 2022 through August 31, 2023.

At the measurement date of August 31, 2023 the employer's proportion of the collective net pension liability was .0190400004% which was a decrease of 0.0027832029% from its proportion measured as of August 31, 2022.

Changes Since the Prior Actuarial Valuation – There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2023, the District recognized pension expense of \$5,013,663 and revenue of \$3,583,283 for support provided by the State.

At August 31, 2023, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions 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	\$ 163,901	\$ 246,439
Changes in actuarial assumptions	2,106,221	524,929
Differences between projected and actual investment earnings	1,116,756	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,257,873	456,892
Total as of August 31, 2022 measurement date	<u>4,644,751</u>	<u>1,228,260</u>
Contributions paid to TRS subsequent to the measurement date	871,235	-
Total as of fiscal year-end	<u>\$ 5,515,986</u>	<u>\$ 1,228,260</u>

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
2024	\$ 844,573
2025	\$ 483,509
2026	\$ 235,311
2027	\$ 1,514,801
2028	\$ 338,297
Thereafter	\$ -

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 4,140,032	\$ 8,051,992	\$ 888,463	\$ 11,303,561

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Summary of Significant Accounting Policies. 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 postemployment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS-Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Plan Description. The South Texas ISD participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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 TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. 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/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for 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

	<u>Medicare</u>	<u>Non-Medicare</u>
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.

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)

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

	<u>Contribution Rates</u>	
	<u>2022</u>	<u>2023</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	\$	330,472
Current fiscal year member contributions	\$	273,745
2022 measurement year NECE On-Behalf Contributions	\$	408,788

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$83 million in fiscal year 2022 from the Federal Rescue Plan Act (ARPA) to help defray Covid-19-related health care costs during fiscal year 2022.

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, 2021 actuarial valuation was rolled forward to August 31, 2022. The actuarial valuation was determined using the following actuarial assumptions Actuarial Assumptions can be found in the 2022 TRS ACFR, Note 9, page 77.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2021 TRS pension actuarial valuation that was rolled forward to August 31, 2022.

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2021 rolled forward to August 31, 2022
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.3%
Single Discount Rate	3.91% as of August 31, 2022
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted 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 8.50% for Medicare retirees and 7.25% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.25% 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 3.91% was used to measure the total OPEB liability. There was an increase of 1.96% in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 77. 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 (2.91%)	Discount Rate (3.91%)	1% Increase in Discount Rate (4.91%)
Proportionate share of the net OPEB liability:	\$ 11,518,880	\$ 9,769,386	\$ 8,352,070

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:	\$ 8,050,018	\$ 9,769,386	\$ 11,998,325

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2023, the District reported a liability of \$ 9,769,386 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 9,769,386
State's Proportionate share that is associated with the District	<u>11,917,116</u>
Total	<u><u>\$ 21,686,502</u></u>

The Net OPEB Liability was measured as of August 31, 2022 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The 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, 2021 through August 31, 2022.

At August 31, 2022 the employer's proportion of the collective net OPEB liability was 0.0408009671% which was an decrease of 0.003272059% from its proportion measured as of August 31, 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)

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 1.95% as of August 31, 2022 to 3.91% as of August 31, 2023. This change increased the Total OPEB liability (TOL).

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

For the year ended August 31, 2023, the District recognized OPEB expense of (\$2,619,146) and revenue of (\$1,691,135) for support provided by the State.

At August 31, 2023, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 543,143	\$ 8,138,775
Changes in actuarial assumptions	1,488,071	6,787,188
Differences between projected and actual investment earnings	29,100	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,303,758	861,082
Total as of August 31, 2022 measurement date	4,364,072	15,787,045
Contributions paid to TRS subsequent to the measurement date	330,472	-
Total as of fiscal year-end	\$ 4,694,544	\$ 15,787,045

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
2024	\$ (2,170,672)
2025	\$ (2,170,569)
2026	\$ (1,756,286)
2027	\$ (1,195,410)
2028	\$ (1,490,390)
Thereafter	\$ (2,639,645)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 14,476,577	\$ (4,372,076)	\$ 335,115	\$ 9,769,386

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, 2023, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed up to \$614 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, 2023, 2022, and 2021 were \$225,567, \$161,171, and \$162,586 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.

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

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

K. RIGHT OF USE LEASES

Capital leases payable at August 31, 2023 are as follows:

Capital lease payable to Xerox Corporation for 44 copiers with monthly payments of \$14,457, with an imputed interest rate of 8.5%.

\$258,652

Total Capital Leases payable

\$258,652

	Balance 09/01/22	Changes During Year		Balance 08/31/23
		Additions	Payments	
<u>Governmental activities:</u>				
Right of Use Lease Liability	\$ 274,162	\$ 262,970	\$ (278,480)	\$ 258,652
Total Lease Assets	\$ 274,162	\$ 262,970	\$ (278,480)	\$ 258,652

	Lease Payable		
Year Ending August 31,	Principal	Interest	Total Requirements
2024	168,841	4,853	173,694
2025	89,811	1,382	91,192
	258,652	6,235	264,887

The capital lease agreements qualify as capital leases for accounting purposes and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date. All capital lease requirements are funded by the general fund.

	Balance 09/01/22	Changes During Year		Balance 08/31/23
		Additions	Disposals	
<u>Governmental activities:</u>				
Intangible right to use lease asset	\$ 404,679	\$ 262,970	\$ -	\$ 667,649
Total Lease Assets	\$ 404,679	\$ 262,970	\$ -	\$ 667,649
Less accumulated amortization for:				
Intangible right to use lease asset	\$ (130,517)	\$ (278,480)	\$ -	\$ (408,997)
Total Accum. Amortization	\$ (130,517)	\$ (278,480)	\$ -	\$ (408,997)
Governmental activities Leases, net	\$ 274,162	\$ (15,510)	\$ -	\$ 258,652

South Texas Independent School District Notes to the Financial Statements

L. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

At August 31, 2023 the District had the following remaining construction commitments:

<u>Project</u>	<u>Authorization</u>	<u>Expended</u>	<u>Remaining</u>
Health Professions Gym	5,000,000	155,500	4,844,500

M. 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	\$ -	\$83,681	\$ -	\$ -	\$83,681
Prepaid Items	853,994	-	-	-	\$853,994
Restricted					
Grant Restriction	-	502,129	-	-	\$502,129
Retirement of Long-Term Debt	-	-	4,559,702	-	\$4,559,702
Committed					
Construction	42,404,122	-	-	6,412	\$42,410,534
Projects	34,166,670	-	-	-	\$34,166,670
Unassigned	37,036,335	6,424,634	-	-	\$43,460,969
Total Fund Balance	<u>\$114,461,121</u>	<u>\$7,010,444</u>	<u>\$4,559,702</u>	<u>\$6,412</u>	<u>\$126,037,679</u>

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

N. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 12, 2023, which is the date these financial statements were available to be issued. There are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

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	\$ 42,463,959	\$ 42,463,959	\$ 42,463,275	\$ (684)
5800	State Program Revenues	47,301,348	47,301,348	47,275,313	(26,035)
5900	Federal Program Revenues	400,000	400,000	1,274,198	874,198
5020	Total Revenues	90,165,307	90,165,307	91,012,786	847,479
EXPENDITURES:					
Current:					
0011	Instruction	40,738,410	40,738,410	32,693,874	8,044,536
0012	Instructional Resources and Media Services	1,739,768	1,739,768	1,253,749	486,019
0013	Curriculum and Instructional Staff Development	597,400	597,400	374,711	222,689
0021	Instructional Leadership	2,110,165	2,110,165	1,441,961	668,204
0023	School Leadership	4,331,315	4,331,315	3,450,513	880,802
0031	Guidance, Counseling, and Evaluation Services	3,495,720	3,495,720	3,018,600	477,120
0032	Social Work Services	322,250	322,250	294,437	27,813
0033	Health Services	637,960	637,960	548,726	89,234
0034	Student (Pupil) Transportation	7,705,252	7,705,252	5,566,944	2,138,308
0036	Extracurricular Activities	2,103,008	2,103,008	1,862,975	240,033
0041	General Administration	4,759,765	4,759,765	4,264,215	495,550
0051	Facilities Maintenance and Operations	13,175,878	13,175,878	10,195,230	2,980,648
0052	Security and Monitoring Services	4,227,298	4,227,298	2,982,161	1,245,137
0053	Data Processing Services	1,703,845	1,703,845	1,355,474	348,371
Debt Service:					
0071	Principal on Long-Term Liabilities	400,000	400,000	183,384	216,616
0072	Interest on Long-Term Liabilities	100,000	100,000	9,163	90,837
Capital Outlay:					
0081	Facilities Acquisition and Construction	13,749,001	13,749,001	4,615,647	9,133,354
Intergovernmental:					
0099	Other Intergovernmental Charges	625,000	625,000	428,649	196,351
6030	Total Expenditures	102,522,035	102,522,035	74,540,413	27,981,622
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(12,356,728)	(12,356,728)	16,472,373	28,829,101
OTHER FINANCING SOURCES (USES):					
7913	Proceeds of Right-to-Use Lease	500,000	500,000	262,970	(237,030)
8911	Transfers Out (Use)	(753,275)	(753,275)	(391,893)	361,382
7080	Total Other Financing Sources (Uses)	(253,275)	(253,275)	(128,923)	124,352
OTHER FINANCING SOURCES (USES):					
8989	Non-Operating Expenses	(200,000)	(200,000)	(177,500)	22,500
	Total Other Financing Sources (Uses)	(200,000)	(200,000)	(177,500)	22,500
1200	Net Change in Fund Balances	(12,810,003)	(12,810,003)	16,165,950	28,975,953
0100	Fund Balance - September 1 (Beginning)	98,295,171	98,295,171	98,295,171	-
3000	Fund Balance - August 31 (Ending)	\$ 85,485,168	\$ 85,485,168	\$ 114,461,121	\$ 28,975,953

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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Pension Liability (Asset)	0.019040004%	0.016256801%	0.015525927%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,303,561	\$ 4,140,032	\$ 8,315,370
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	37,486,485	16,175,626	35,656,218
Total	<u>\$ 48,790,046</u>	<u>\$ 20,315,658</u>	<u>\$ 43,971,588</u>
District's Covered Payroll	\$ 41,303,768	\$ 37,479,436	\$ 37,772,237
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.37%	11.05%	22.01%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.62%	88.79%	75.54%

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, 2022 for year 2023, August 31, 2021 for year 2022, 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 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.017322918%	0.017498019%	0.017745746%	0.017104145%	0.0158193%	0.0024553%
\$ 9,004,994	\$ 9,631,334	\$ 5,674,134	\$ 6,463,402	\$ 5,591,912	\$ 655,844
34,347,204	36,830,983	21,691,440	24,107,596	20,500,455	17,599,519
\$ 43,352,198	\$ 46,462,317	\$ 27,365,574	\$ 30,570,998	\$ 26,092,367	\$ 18,255,363
\$ 36,017,459	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263	\$ 26,212,695	\$ 25,175,664
25.00%	27.70%	16.83%	21.10%	21.33%	2.61%
75.24%	73.74%	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 2023

	2023	2022	2021
Contractually Required Contribution	\$ 871,235	\$ 757,758	\$ 676,353
Contribution in Relation to the Contractually Required Contribution	(871,235)	(757,758)	(676,353)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 42,114,594	\$ 41,303,768	\$ 37,479,436
Contributions as a Percentage of Covered Payroll	2.07%	1.83%	1.80%

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.

2020	2019	2018	2017	2016	2015
\$ 640,057	\$ 606,721	\$ 589,475	\$ 581,602	\$ 543,442	\$ 468,417
(640,057)	(606,721)	(589,475)	(581,602)	(543,442)	(468,417)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263	\$ 26,212,695
1.69%	1.68%	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, 2023

	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021	FY 2021 Plan Year 2020
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.04080097%	0.0375289074%	0.038526063%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 9,769,386	\$ 14,476,577	\$ 14,645,496
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	11,917,116	19,395,386	19,680,037
Total	<u>\$ 21,686,502</u>	<u>\$ 33,871,963</u>	<u>\$ 34,325,533</u>
District's Covered Payroll	\$ 41,303,768	\$ 37,479,436	\$ 37,772,237
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	23.65%	38.63%	38.77%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	11.52%	6.18%	4.99%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. The amounts for FY 2023 are for the measurement date of August 31, 2022. The amounts reported for FY 2022 are for measurement date August 31, 2021. 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 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.

FY 2020 Plan Year 2019		FY 2019 Plan Year 2018		FY 2018 Plan Year 2017	
0.039431711%		0.039250594%		0.037406921%	
\$	18,647,738	\$	19,598,181	\$	16,266,867
24,778,674		30,790,614		27,302,058	
<u>\$ 43,426,412</u>		<u>\$ 50,388,795</u>		<u>\$ 43,568,925</u>	
<u><u>\$ 36,017,459</u></u>		<u><u>\$ 34,768,128</u></u>		<u><u>\$ 33,720,831</u></u>	
51.77%		56.37%		48.24%	
2.66%		1.57%		0.91%	

SOUTH TEXAS ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2023

	2023	2022	2021
Contractually Required Contribution	\$ 330,472	\$ 464,842	\$ 335,298
Contribution in Relation to the Contractually Required Contribution	(330,472)	464,842	(335,298)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 42,114,594	\$ 41,303,768	\$ 37,479,436
Contributions as a Percentage of Covered Payroll	0.78%	1.13%	0.89%

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.

2020			2019		
			2018		
\$	336,212	\$	279,809	\$	270,773
	(336,212)		(279,809)		(270,773)
\$	-	\$	-	\$	-
\$	37,722,237	\$	36,017,459	\$	34,768,128
	0.89%		0.78%		0.78%

SOUTH TEXAS ISD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2023

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

There were no changes of benefit terms since the prior measurement date.

Changes of Assumptions.

There was a change in the actuarial assumptions. The primary change was the lowering of the single discount rate from 7.25 percent to 7.00 percent.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefits.

Changes in Assumptions.

The single discount rate changed from 1.95 percent as of August 31, 2021 to 3.91 percent as of August 31, 2022. This change decreased the total OPEB liability.

Lower participation rates and updates to health care trend rate assumptions were also factors that decreased the Total OPEB liability.

COMBINING AND OTHER STATEMENTS

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

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	\$ -	\$ -	\$ -	\$ 337,131
1240	Due from Other Governments	536,090	4,495	260,505	202,332
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	1,074	-
1290	Other Receivables	-	-	-	16,560
1300	Inventories	-	-	-	83,681
1800	Restricted Assets	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 536,090</u>	<u>\$ 4,495</u>	<u>\$ 261,579</u>	<u>\$ 639,704</u>
LIABILITIES					
2110	Accounts Payable	\$ 38,890	\$ -	\$ 2,176	\$ 16,190
2160	Accrued Wages Payable	-	-	42,185	28,374
2170	Due to Other Funds	497,200	4,495	212,338	8,904
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	-	-	4,880	426
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>536,090</u>	<u>4,495</u>	<u>261,579</u>	<u>53,894</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	83,681
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	502,129
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>585,810</u>
4000	Total Liabilities and Fund Balances	<u>\$ 536,090</u>	<u>\$ 4,495</u>	<u>\$ 261,579</u>	<u>\$ 639,704</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER 1 - Emergency Sch Relief Fund	279 ESSER III TCLAS ARP Act	288 Emergency Connectivity Fund	289 Other Federal Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	4,385	56,874	-	-	-	326,318	25,532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	10,934	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,385</u>	<u>\$ 56,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,252</u>	<u>\$ 25,532</u>
\$ -	\$ -	\$ 7,500	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	4,385	49,374	-	-	-	337,252	25,532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	4,385	56,874	-	-	-	337,252	25,532
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 4,385</u>	<u>\$ 56,874</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 337,252</u>	<u>\$ 25,532</u>

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2023

Data Control Codes		397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	484 Musk Foundation Donation
ASSETS					
1110	Cash and Cash Equivalents	\$ 16,418	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	19,011	369,537	-
1250	Accrued Interest	-	-	-	-
1260	Due from Other Funds	-	-	-	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1800	Restricted Assets	-	-	-	-
1900	Other Assets	-	-	-	-
1000	Total Assets	<u>\$ 16,418</u>	<u>\$ 19,011</u>	<u>\$ 369,537</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	-
2170	Due to Other Funds	-	19,011	368,067	-
2180	Due to Other Governments	-	-	1,470	-
2200	Accrued Expenditures	-	-	-	-
2300	Unearned Revenue	16,418	-	-	-
2000	Total Liabilities	<u>16,418</u>	<u>19,011</u>	<u>369,537</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	-	-	-	-
3600	Unassigned Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 16,418</u>	<u>\$ 19,011</u>	<u>\$ 369,537</u>	<u>\$ -</u>

485 Mckenzie Scott Donation	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
\$ 6,424,634	\$ 6,778,183	\$ -	\$ 315,809	\$ 315,809	\$ 6,458	\$ 7,100,450
-	1,805,079	-	-	-	-	1,805,079
-	-	-	17,737	17,737	27	17,764
-	12,008	-	-	-	-	12,008
-	16,560	-	-	-	-	16,560
-	83,681	-	-	-	-	83,681
-	-	-	4,210,000	4,210,000	-	4,210,000
-	-	-	16,156	16,156	-	16,156
<u>\$ 6,424,634</u>	<u>\$ 8,695,511</u>	<u>\$ -</u>	<u>\$ 4,559,702</u>	<u>\$ 4,559,702</u>	<u>\$ 6,485</u>	<u>\$ 13,261,698</u>
\$ -	\$ 64,756	\$ -	\$ -	\$ -	\$ -	\$ 64,756
-	70,559	-	-	-	-	70,559
-	1,526,558	-	-	-	73	1,526,631
-	1,470	-	-	-	-	1,470
-	5,306	-	-	-	-	5,306
-	16,418	-	-	-	-	16,418
-	1,685,067	-	-	-	73	1,685,140
-	83,681	-	-	-	-	83,681
-	502,129	-	-	-	-	502,129
-	-	-	4,559,702	4,559,702	-	4,559,702
-	-	-	-	-	6,412	6,412
6,424,634	6,424,634	-	-	-	-	6,424,634
6,424,634	7,010,444	-	4,559,702	4,559,702	6,412	11,576,558
<u>\$ 6,424,634</u>	<u>\$ 8,695,511</u>	<u>\$ -</u>	<u>\$ 4,559,702</u>	<u>\$ 4,559,702</u>	<u>\$ 6,485</u>	<u>\$ 13,261,698</u>

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

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	\$ -	\$ -	\$ -	\$ 625,333
5800 State Program Revenues	-	-	-	9,272
5900 Federal Program Revenues	1,433,341	33,207	663,060	1,633,728
5020 Total Revenues	1,433,341	33,207	663,060	2,268,333
EXPENDITURES:				
Current:				
0011 Instruction	1,424,424	33,207	428,777	-
0013 Curriculum and Instructional Staff Development	467	-	-	-
0021 Instructional Leadership	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	234,283	-
0035 Food Services	-	-	-	2,292,489
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0061 Community Services	8,450	-	-	-
Debt Service:				
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	1,433,341	33,207	663,060	2,292,489
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(24,156)
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	(23,918)
7080 Total Other Financing Sources (Uses)	-	-	-	(23,918)
1200 Net Change in Fund Balance	-	-	-	(48,074)
0100 Fund Balance - September 1 (Beginning)	-	-	-	633,884
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 585,810

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	266 ESSER 1 - Emergency Sch Relief Fund	279 ESSER III TCLAS ARP Act	288 Emergency Connectivity Fund	289 Other Federal Special Revenue Funds
\$ 174	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
27,122	69,059	187,564	50,640	1,422	-	229,262	117,227
27,296	69,059	187,564	50,640	1,422	-	229,262	117,227
-	54,059	-	47,340	1,422	-	-	111,775
-	-	170,327	3,300	-	-	-	452
-	9,000	-	-	-	-	-	-
-	-	17,237	-	-	-	-	-
-	4,000	-	-	-	-	-	5,000
51,214	-	-	-	-	-	-	-
-	2,000	-	-	-	-	-	-
-	-	-	-	-	-	229,262	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
51,214	69,059	187,564	50,640	1,422	-	229,262	117,227
(23,918)	-	-	-	-	-	-	-
23,918	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
23,918	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2023

Data Control Codes	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	484 Musk Foundation Donation
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 166,500
5800 State Program Revenues	2,682	19,011	349,661	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	2,682	19,011	349,661	166,500
EXPENDITURES:				
Current:				
0011 Instruction	2,682	19,011	89,846	166,500
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	-	-	66,965	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	192,850	-
0061 Community Services	-	-	-	-
Debt Service:				
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	2,682	19,011	349,661	166,500
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)	\$ -	\$ -	\$ -	\$ -

485 Mckenzie Scott Donation	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
\$ 8,000,000	\$ 8,792,007	\$ -	\$ 159,222	\$ 159,222	\$ 252	\$ 8,951,481
-	380,626	-	-	-	-	380,626
-	4,445,632	-	472,002	472,002	-	4,917,634
8,000,000	13,618,265	-	631,224	631,224	252	14,249,741
1,570,034	3,949,077	-	-	-	-	3,949,077
-	174,546	-	-	-	-	174,546
-	75,965	-	-	-	-	75,965
-	17,237	-	-	-	-	17,237
-	243,283	-	-	-	-	243,283
-	2,343,703	-	-	-	-	2,343,703
-	2,000	-	-	-	-	2,000
5,332	427,444	-	-	-	-	427,444
-	8,450	-	-	-	-	8,450
-	-	331,275	-	331,275	-	331,275
-	-	2,100	-	2,100	-	2,100
1,575,366	7,241,705	333,375	-	333,375	-	7,575,080
6,424,634	6,376,560	(333,375)	631,224	297,849	252	6,674,661
-	23,918	753,375	420,000	1,173,375	-	1,197,293
-	(23,918)	(420,000)	(361,482)	(781,482)	-	(805,400)
-	-	333,375	58,518	391,893	-	391,893
6,424,634	6,376,560	-	689,742	689,742	252	7,066,554
-	633,884	-	3,869,960	3,869,960	6,160	4,510,004
\$ 6,424,634	\$ 7,010,444	\$ -	\$ 4,559,702	\$ 4,559,702	\$ 6,412	\$ 11,576,558

SOUTH TEXAS ISD
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 AUGUST 31, 2023

	863 Payroll Clearing	865 Custodial Fund Student Activity Acct	Total Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ 11,158	\$ 206,734	\$ 217,892
Due from Other Funds	8,904	-	8,904
Total Assets	<u>20,062</u>	<u>206,734</u>	<u>226,796</u>
LIABILITIES			
Payroll Deductions and Withholdings Payable	2,060	-	2,060
Due to Other Funds	18,002	-	18,002
Total Liabilities	<u>20,062</u>	<u>-</u>	<u>20,062</u>
NET POSITION			
Restricted for Student Activities	-	206,734	206,734
Total Net Position	<u>\$ -</u>	<u>\$ 206,734</u>	<u>\$ 206,734</u>

SOUTH TEXAS ISD
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2023

	863 Payroll Clearing	865 Custodial Fund Student Activity Acct	Total Custodial Funds
ADDITIONS:			
Received from Student Groups	\$ -	\$ 426,120	\$ 426,120
Total Additions	<u>-</u>	<u>426,120</u>	<u>426,120</u>
DEDUCTIONS:			
Other Deductions	<u>-</u>	<u>430,901</u>	<u>430,901</u>
Total Deductions	<u>-</u>	<u>430,901</u>	<u>430,901</u>
Change in Net Position	-	(4,781)	(4,781)
Net Position - September 1 (Beginning)	<u>-</u>	<u>211,515</u>	<u>211,515</u>
Net Position - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ 206,734</u></u>	<u><u>\$ 206,734</u></u>

T.E.A. REQUIRED SCHEDULES

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SOUTH TEXAS ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2023

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2014 and prior years	Various	Various	\$ 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	0.049200	0.000000	62,444,605,436
2022	0.049200	0.000000	75,179,942,211
2023 (School year under audit)	0.049200	0.000000	75,556,650,874
1000 TOTALS			
8000 Total Taxes Refunded Under Section 26.115, Tax Code			

(10) Beginning Balance 9/1/2022	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2023
\$ 898,797	\$ -	\$ 66,581	\$ -	\$ (28,282)	\$ 803,934
126,376	-	12,867	-	(352)	113,157
148,352	-	16,813	-	(344)	131,195
167,633	-	22,552	-	(487)	144,594
196,711	-	34,373	-	(662)	161,676
266,610	-	53,740	-	(11,732)	201,138
355,275	-	116,518	-	20,663	259,420
512,111	-	201,177	-	25,937	336,871
1,193,173	-	627,846	-	6,062	571,389
-	37,173,872	35,886,966	-	202,901	1,489,807
<u>\$ 3,865,038</u>	<u>\$ 37,173,872</u>	<u>\$ 37,039,433</u>	<u>\$ -</u>	<u>\$ 213,704</u>	<u>\$ 4,213,181</u>
		<u>\$ 85,153</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, 2023

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	\$ 775,000	\$ 775,000	\$ 625,333	\$ (149,667)
5800 State Program Revenues	12,000	12,000	9,272	(2,728)
5900 Federal Program Revenues	1,976,034	2,060,951	1,633,728	(427,223)
5020 Total Revenues	2,763,034	2,847,951	2,268,333	(579,618)
EXPENDITURES:				
Current:				
0035 Food Services	2,847,951	2,847,951	2,292,489	555,462
6030 Total Expenditures	2,847,951	2,847,951	2,292,489	555,462
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(84,917)	-	(24,156)	(24,156)
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(23,918)	(23,918)
1200 Net Change in Fund Balances	(84,917)	-	(48,074)	(48,074)
0100 Fund Balance - September 1 (Beginning)	633,884	633,884	633,884	-
3000 Fund Balance - August 31 (Ending)	\$ 548,967	\$ 633,884	\$ 585,810	\$ (48,074)

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2023

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	\$ 4,000	\$ 4,000	\$ 159,222	\$ 155,222
5900 Federal Program Revenues	331,275	331,275	472,002	140,727
5020 Total Revenues	335,275	335,275	631,224	295,949
EXPENDITURES:				
Debt Service:				
0072 Interest on Long-Term Liabilities	331,275	331,275	331,275	-
0073 Bond Issuance Cost and Fees	2,100	2,100	2,100	-
6030 Total Expenditures	333,375	333,375	333,375	-
1100 Excess of Revenues Over Expenditures	1,900	1,900	297,849	295,949
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	1,173,375	1,173,375	1,173,375	-
8911 Transfers Out (Use)	(751,275)	(751,275)	(781,482)	(30,207)
7080 Total Other Financing Sources (Uses)	422,100	422,100	391,893	(30,207)
1200 Net Change in Fund Balances	424,000	424,000	689,742	265,742
0100 Fund Balance - September 1 (Beginning)	3,869,960	3,869,960	3,869,960	-
3000 Fund Balance - August 31 (Ending)	\$ 4,293,960	\$ 4,293,960	\$ 4,559,702	\$ 265,742

SOUTH TEXAS ISD
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2023

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.	3,745,896
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	2,587,824

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.	338,098
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	388,737

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

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
Pharr, TX 78577
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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 (South Texas ISD) as of and for the year ended August 31, 2023, and the related notes to the financial statements, which collectively comprise South Texas ISD's basic financial statements, and have issued our report thereon dated December 12, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Texas ISD's internal control over financial reporting (internal control) as a basis for designing 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 ISD's internal control. Accordingly, we do not express an opinion on the effectiveness of South Texas ISD's internal control.

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

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

Report on Compliance and Other Matters

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

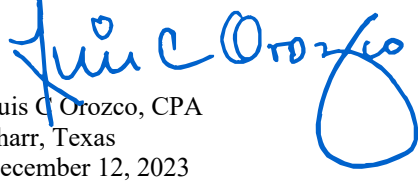
LUIS C OROZCO

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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 12, 2023

LUIS C OROZCO

CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane
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lcocpa@lcocpa.com

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

Independent Auditor's Report

To the Board of Trustees
South Texas Independent School District

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited South Texas Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of South Texas Independent School District's major federal programs for the year ended August 31, 2023. South Texas Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, South Texas Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of South Texas Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of South Texas Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to South Texas Independent School District's federal programs.

LUIS C OROZCO

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on South Texas Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about South Texas Independent School District's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding South Texas Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of South Texas Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of South Texas Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

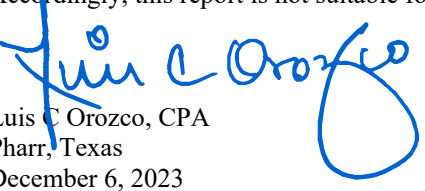
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Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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


Luis C Orozco, CPA
Pharr, Texas
December 6, 2023

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2023

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 32.009 Emergency Connectivity Fund 84.010 ESEA Title I Part A
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, 2023

None.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2023
(prepared by STISD's management)

Not applicable.

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing 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	22-610101031916	\$ 21,682
ESEA Title 1, Part A - Improving Basic Programs	84.010A	23-610101031916	1,479,034
Total ESEA Title 1, Part A - Improving Basic Programs			<u>\$ 1,500,716</u>
ESEA Title 1, Part C, - Migratory Children	84.011A	23-615001031916	34,761
Total ESEA Title 1, Part C, - Migratory Children			<u>34,761</u>
Carl D. Perkins - Basic Grant	84.048A	23-420006031916	56,580
			<u>56,580</u>
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	23-694501031916	196,369
Total ESEA Title II, Part A - Supporting Effective Instruction			<u>196,369</u>
Title III, Part A - English Language Acquisition	84.365A	23-671001031916	53,010
Total Title III, Part A - English Language Acquisition			<u>53,010</u>
ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment	84.424A	22-680101031916	482
ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment	84.424A	23-680101031916	117,005
Total ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment			<u>117,487</u>
ESSER Grant COVID 19	84.425D	20-521001031916	1,422
CRRSA ESSER II- COVID 19	84.425D	21-521001031916	4,534,337
ARP ESSER III- COVID 19	84.425U	21-528001031916	4,237,876
Total ESSER Grant			<u>8,773,634</u>
Special Education Cluster (IDEA)			
IDEA - Part B, Formula	84.027A	23-6600010319166000	694,236
Total Special Education Cluster (IDEA)			<u>694,236</u>
Total Passed Through State Dept. of Education			<u>11,426,794</u>

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through Region One Service Center</i>			
UTRGV Mental Health Grant	84.184X		5,000
Effective Advising Planning for New Coaches	84.048A	234200297110005	15,000
Total Passed Through Region One Service Center			20,000
TOTAL U.S. DEPARTMENT OF EDUCATION			11,446,794
U.S. DEPARTMENT OF FEDERAL COMMUNICATIONS COMMISSION			
<i>Direct Award</i>			
Emergency Connectivity Fund	32.009		229,262
TOTAL U.S. DEPARTMENT OF FEDERAL COMMUNICATIONS COMMISSION			229,262
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	71401901	\$ 344,151
National School Lunch Program	10.555	71301901	1,114,880
National School Lunch Program (non cash assistance)	10.555	031916	30,366
Total Passed Through State Department of Education			1,489,397
<i>Passed Through State Department of Agriculture:</i>			
Supply Chain Assistance (SCA)	10.555	226TX400N8903	94,024
Summer Feeding Program	10.559	031916	27,122
Total Passed Through State Department of Agriculture			121,146
Total Child Nutrition Cluster			1,610,543
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Agriculture:</i>			
Pandemic Electronic Benefit Transfer(P-EBT)	10.649	17415076961	3,135
NSLP Equipment Assistance Grant	10.579	6TX300355	47,172
Total Passed Through State Department of Agriculture			50,307
TOTAL U.S. DEPARTMENT OF AGRICULTURE			1,660,850
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 13,336,906

SOUTH TEXAS ISD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2023

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. Federal funds for the revenues for indirect costs are reported in the General Fund. All other federal programs are accounted for and reported in Special Revenue Funds.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.

The period performance for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 90 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Performance of Federal Funds, Part 3, Uniform Guidance Compliance Supplement.

Assistance listing numbers (ALN) for commodity assistance are the ALN numbers of the programs under which USDA donated the commodities.

Indirect Cost Rate:

South Texas Independent School District has received an indirect cost rate from TEA and elected not to use the de minimis indirect cost rate of 10% as described at 2 CFR §200.414(f)—Indirect (F&A) costs.

Sub-recipients:

During the year ended August 31, 2023, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2023, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2023, the District had no federally funded insurance.

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

Total Federal Award Expended	\$ 13,336,906
Federal Revenues Distributed Directly	635,185
Exhibit C-3	<u>\$ 13,972,092</u>

SCHOOLS FIRST QUESTIONNAIRE

South Texas ISD

Fiscal Year 2023

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.	

