

**SOUTH TEXAS ISD**  
**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**  
**AUGUST 31, 2024**

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

AUGUST 31, 2024

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SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

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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, 2024 at a meeting of the Board of Trustees of such school district on the 12th of December, 2024.



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)

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# 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, 2024, 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, 2024, 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.

### ***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 58, and pension schedules as listed in the table of contents on pages 59-66 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.

### ***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 as identified in the table of contents, 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***

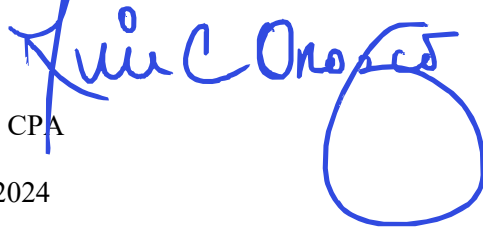
Management is responsible for the other information included in the annual report. The other information comprises the introductory section as identified in the table of contents but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial 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, 2024 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, 2024



## **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, 2024. Please read it in conjunction with the independent auditors' report on page 2 and the District's Basic Financial Statements which begin on Page 15.

#### **FINANCIAL HIGHLIGHTS**

The District's net position increased by \$14,834,297 as a result of this year's District's operations.

During the year, the District had net changes in functional activities that were \$14,834,297 less than the \$86,434,821 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 \$128,299,800, of which \$38,500,007 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 \$203,966,720 to \$218,801,017. 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 \$107,072,568 at August 31, 2024. This represents an increase in unrestricted net position of \$9,922,896 over the prior year.

**TABLE I**

	Governmental Activities	
	2024	2023
Current assets		
Cash and cash equivalents	\$ 6,233,854	\$ 11,259,353
Current investments	125,871,159	101,953,078
Property taxes receivable	4,825,777	4,213,181
Allowance for uncollectible taxes	(3,401,349)	(126,395)
Due from other government	5,398,420	13,895,993
Accrued interest	72,305	37,030
Due from Fiduciary Funds	0	18,020
Other receivables, net	250,846	16,560
Inventories	102,111	83,681
Prepayments	664,721	853,994
Total current assets	140,017,844	132,204,477
Non current assets		
Land	4,114,411	4,114,411
Building, net	74,524,949	77,241,268
Furniture and equipment, net	12,792,709	10,352,801
Ready to Use Leased Assets	303,111	258,652
Construction in progress	20,070,890	16,321,498
Restricted assets	0	4,210,000
Other assets	0	16,156
Total non current assets	111,806,070	112,514,786
Total assets	251,823,914	244,719,263
Deferred outflows of resources		
Deferred outflow related to TRS pension	5,133,429	5,515,986
Deferred outflow related to TRS OPEB	3,836,076	4,694,544
Total deferred outflows of resources	8,969,505	10,210,530

TABLE I (Continued)

	Governmental Activities	
	2024	2023
Current liabilities		
Accounts payable	1,835,054	2,565,997
Accrued wages payable	3,219,624	3,633,901
Due to fiduciary funds	480,526	8,904
Due to other governments	5,537	1,633
Accrued expenses	63,544	79,316
Unearned revenues	169,648	16,418
Non current liabilities		
Due in more than one year	314,990	6,568,652
Net pension liability (District's share)	11,632,009	11,303,561
Net OPEB liability (District's share)	8,424,489	9,769,386
Total liabilities	26,145,421	33,947,768
Deferred Inflows of resources		
Deferred inflow related to TRS pension	1,510,133	1,228,260
Deferred inflow related to TRS OPEB	14,336,848	15,787,045
Total deferred inflows of resources	15,846,981	17,015,305
Net position:		
Net investment in capital assets	111,491,080	101,719,978
Restricted for federal and state programs	237,369	537,368
Restricted for debt service	0	4,559,702
Unrestricted	107,072,568	97,149,672
Total net position	\$ 218,801,017	\$ 203,966,720

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

	Governmental Activities	
	2024	2023
Program revenues		
Charges for services	\$ 676,332	\$ 625,506
Operating grants and contributions	15,337,980	16,897,611
General revenues		
Property taxes	40,345,416	37,768,720
State aid-formula	0	43,524,017
Grants and Contributions not Restricted	38,766,431	1,710,961
Investment earnings	7,162,310	4,983,698
Miscellaneous	160,664	5,926,462
Total revenues	<u>102,449,133</u>	<u>111,436,975</u>
Expenses		
Instruction	39,945,016	41,773,669
Instructional resources and media services	1,481,777	1,397,547
Curriculum and instructional staff development	824,038	745,878
Instructional leadership	2,153,946	1,518,630
School leadership	4,025,472	3,721,969
Guidance, counseling and evaluation services	4,440,548	3,485,855
Social work services	363,686	308,903
Health services	543,171	574,674
Student (pupil) transportation	6,534,267	5,891,700
Food services	2,696,740	2,399,759
Curricular/extracurricular activities	2,041,689	1,893,272
General administration	4,941,737	4,400,933
Facilities maintenance and operations	12,589,448	10,691,638
Security and monitoring services	2,331,514	1,906,659
Data processing services	1,826,751	1,417,102
Community services	23,912	9,916
Debt service - interest on long-term debt	270,193	245,342
Debt service - bond issuance cost and fees	18,076	2,100
Payments Related to Shared Services Arrangements	37,438	0
Other intergovernmental charges	525,417	428,649
Total expenses	<u>87,614,836</u>	<u>82,814,255</u>

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

	Governmental Activities	
	2024	2023
Excess (deficiency) before other resources, uses and transfers	14,834,297	28,622,720
Transfers in(out)	-	-
Change in net position	14,834,297	28,622,720
Net position beginning	203,966,720	175,344,000
Prior period adjustment	0	0
Net position ending	\$ 218,801,017	\$ 203,966,720

The cost of all governmental activities this year was \$87,614,836 compared to \$82,814,255 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 \$40,345,416, because the rest of the costs (\$47,269,420) 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 \$132,819,483 which is more than last year's total of \$126,037,679. 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 2024, the District had \$111,502,958 (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 3,473,979, or 4 percent, above last year.

This year's major additions included:

	District's Capital Assets
	2024
Building & Improvements	\$ 352,459
Furniture & Equipment	4,135,064
Construction in progress	3,966,444
Total capital assets before depreciation	8,453,966
Less accumulated depreciation	(4,977,582)
Net capital assets	\$ 3,476,384

At year-end, the District has \$0 in bonds outstanding.

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 2025. Amounts available for appropriation in the General Fund budget are \$98,478,588, an increase of approximately 6 percent from the final 2023 budget of \$91,806,932. 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 7% to \$122,229,405. The increase is mainly due to growth, operating expenses, capital projects, 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, 2024

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 6,233,854
1120 Current Investments	125,871,159
1220 Property Taxes - Delinquent	4,825,777
1230 Allowance for Uncollectible Taxes	(3,401,349)
1240 Due from Other Governments	5,398,420
1250 Accrued Interest	72,305
1290 Other Receivables, Net	250,846
1300 Inventories	102,111
1410 Prepayments	664,721
Capital Assets:	
1510 Land	4,114,411
1520 Buildings, Net	74,524,949
1530 Furniture and Equipment, Net	12,792,709
1550 Right-to-Use Leased Assets, Net	303,111
1580 Construction in Progress	20,070,890
1000 Total Assets	251,823,914
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS Pension	5,133,429
1706 Deferred Outflow Related to TRS OPEB	3,836,076
1700 Total Deferred Outflows of Resources	8,969,505
<b>LIABILITIES</b>	
2110 Accounts Payable	1,835,054
2160 Accrued Wages Payable	3,219,624
2177 Due to Fiduciary Funds	480,526
2180 Due to Other Governments	5,537
2200 Accrued Expenses	63,544
2300 Unearned Revenue	169,648
Noncurrent Liabilities:	
Due in More than One Year:	
2502 Bonds, Notes, Loans, Leases, etc.	314,990
2540 Net Pension Liability (District's Share)	11,632,009
2545 Net OPEB Liability (District's Share)	8,424,489
2000 Total Liabilities	26,145,421
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	1,510,133
2606 Deferred Inflow Related to TRS OPEB	14,336,848
2600 Total Deferred Inflows of Resources	15,846,981
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets and Right-to-Use Lease Assets	111,491,080
3820 Restricted for Federal and State Programs	237,369
3900 Unrestricted	107,072,568
3000 Total Net Position	\$ 218,801,017

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, 2024

Data Control Codes	1	Program Revenues		6	
		3	4		
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
<b>Primary Government:</b>					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 39,945,016	\$ -	\$ 8,606,022	\$ (31,338,994)
12	Instructional Resources and Media Services	1,481,777	-	83,548	(1,398,229)
13	Curriculum and Instructional Staff Development	824,038	-	376,374	(447,664)
21	Instructional Leadership	2,153,946	7,014	267,224	(1,879,708)
23	School Leadership	4,025,472	-	354,396	(3,671,076)
31	Guidance, Counseling, and Evaluation Services	4,440,548	35,069	1,023,255	(3,382,224)
32	Social Work Services	363,686	-	82,139	(281,547)
33	Health Services	543,171	-	51,703	(491,468)
34	Student (Pupil) Transportation	6,534,267	-	447,004	(6,087,263)
35	Food Services	2,696,740	622,380	2,656,077	581,717
36	Extracurricular Activities	2,041,689	-	90,973	(1,950,716)
41	General Administration	4,941,737	11,869	296,112	(4,633,756)
51	Facilities Maintenance and Operations	12,589,448	-	862,184	(11,727,264)
52	Security and Monitoring Services	2,331,514	-	25,540	(2,305,974)
53	Data Processing Services	1,826,751	-	54,079	(1,772,672)
61	Community Services	23,912	-	23,912	-
72	Debt Service - Interest on Long-Term Debt	270,193	-	-	(270,193)
73	Debt Service - Bond Issuance Cost and Fees	18,076	-	-	(18,076)
93	Payments Related to Shared Services Arrangements	37,438	-	37,438	-
99	Other Intergovernmental Charges	525,417	-	-	(525,417)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 87,614,836	\$ 676,332	\$ 15,337,980	(71,600,524)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			40,345,416	
GC	Grants and Contributions not Restricted			38,766,431	
IE	Investment Earnings			7,162,310	
MI	Miscellaneous Local and Intermediate Revenue			160,664	
TR	Total General Revenues			86,434,821	
CN	Change in Net Position			14,834,297	
NB	Net Position - Beginning			203,966,720	
NE	Net Position - Ending			\$ 218,801,017	

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

SOUTH TEXAS ISD  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2024

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 1,643,363	\$ 4,590,491	\$ 6,233,854
1120 Investments - Current	125,871,159	-	125,871,159
1220 Property Taxes - Delinquent	4,825,777	-	4,825,777
1230 Allowance for Uncollectible Taxes	(3,401,349)	-	(3,401,349)
1240 Due from Other Governments	3,773,745	1,624,675	5,398,420
1250 Accrued Interest	60,100	12,205	72,305
1260 Due from Other Funds	1,530,793	33,949	1,564,742
1290 Other Receivables	84,352	166,494	250,846
1300 Inventories	-	102,111	102,111
1410 Prepayments	664,721	-	664,721
1000 Total Assets	<u>\$ 135,052,661</u>	<u>\$ 6,529,925</u>	<u>\$ 141,582,586</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 1,719,746	\$ 115,307	\$ 1,835,053
2160 Accrued Wages Payable	3,088,610	131,014	3,219,624
2170 Due to Other Funds	450,978	1,594,291	2,045,269
2180 Due to Other Governments	5,537	-	5,537
2200 Accrued Expenditures	55,562	7,982	63,544
2300 Unearned Revenue	8,000	161,648	169,648
2000 Total Liabilities	<u>5,328,433</u>	<u>2,010,242</u>	<u>7,338,675</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	1,424,428	-	1,424,428
2600 Total Deferred Inflows of Resources	<u>1,424,428</u>	<u>-</u>	<u>1,424,428</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3410 Inventories	-	102,111	102,111
3430 Prepaid Items	664,721	-	664,721
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	237,369	237,369
Committed Fund Balance:			
3510 Construction	54,746,569	17	54,746,586
3545 Other Committed Fund Balance	34,166,670	-	34,166,670
3600 Unassigned Fund Balance	38,721,840	4,180,186	42,902,026
3000 Total Fund Balances	<u>128,299,800</u>	<u>4,519,683</u>	<u>132,819,483</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 135,052,661</u>	<u>\$ 6,529,925</u>	<u>\$ 141,582,586</u>

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

SOUTH TEXAS ISD  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2024

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	\$	132,819,483
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 \$164,542,294 and the accumulated depreciation was (\$56,512,316). 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.		101,719,978
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 2024 capital outlays and debt principal payments is to increase net position.		14,763,967
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 \$5,133,429, a deferred resource inflow in the amount of \$1,510,133, and a net position liability in the amount of \$11,632,009. This resulted in a decrease in net position.		(8,008,713)
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 \$3,836,076, a deferred resource inflow in the amount of \$14,336,848, and a net OPB position liability in the amount of \$8,424,489. This resulted in a decrease in net position.		(18,925,261)
5 The 2024 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(4,989,461)
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.		1,421,024
<b>29 Net Position of Governmental Activities</b>	<b>\$</b>	<b>218,801,017</b>

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

SOUTH TEXAS ISD  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 50,106,794	\$ 900,285	\$ 51,007,079
5800 State Program Revenues	46,894,468	1,700,261	48,594,729
5900 Federal Program Revenues	224,228	5,221,349	5,445,577
5020 Total Revenues	<u>97,225,490</u>	<u>7,821,895</u>	<u>105,047,385</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	33,883,803	5,624,562	39,508,365
0012 Instructional Resources and Media Services	1,406,016	-	1,406,016
0013 Curriculum and Instructional Staff Development	447,838	351,510	799,348
0021 Instructional Leadership	1,984,230	73,791	2,058,021
0023 School Leadership	3,836,564	6,653	3,843,217
0031 Guidance, Counseling, and Evaluation Services	3,585,196	697,844	4,283,040
0032 Social Work Services	296,789	52,342	349,131
0033 Health Services	517,698	-	517,698
0034 Student (Pupil) Transportation	6,208,371	-	6,208,371
0035 Food Services	7,571	2,656,076	2,663,647
0036 Extracurricular Activities	1,938,829	-	1,938,829
0041 General Administration	4,677,282	11,795	4,689,077
0051 Facilities Maintenance and Operations	13,748,925	268,481	14,017,406
0052 Security and Monitoring Services	2,695,074	25,200	2,720,274
0053 Data Processing Services	1,815,541	-	1,815,541
0061 Community Services	-	23,912	23,912
Debt Service:			
0071 Principal on Long-Term Liabilities	182,063	6,310,001	6,492,064
0072 Interest on Long-Term Liabilities	-	345,317	345,317
0073 Bond Issuance Cost and Fees	-	18,076	18,076
Capital Outlay:			
0081 Facilities Acquisition and Construction	4,318,902	-	4,318,902
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	-	37,438	37,438
0099 Other Intergovernmental Charges	525,417	-	525,417
6030 Total Expenditures	<u>82,076,109</u>	<u>16,502,998</u>	<u>98,579,107</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>15,149,381</u>	<u>(8,681,103)</u>	<u>6,468,278</u>
<b>OTHER FINANCING SOURCES (USES):</b>			
7913 Right-to-Use Lease and SBITA Proceeds	313,526	-	313,526
7915 Transfers In	177,825	3,887,360	4,065,185
8911 Transfers Out (Use)	(1,802,053)	(2,263,132)	(4,065,185)
7080 Total Other Financing Sources (Uses)	<u>(1,310,702)</u>	<u>1,624,228</u>	<u>313,526</u>
1200 Net Change in Fund Balances	13,838,679	(7,056,875)	6,781,804
0100 Fund Balance - September 1 (Beginning)	114,461,121	11,576,558	126,037,679
3000 Fund Balance - August 31 (Ending)	<u>\$ 128,299,800</u>	<u>\$ 4,519,683</u>	<u>\$ 132,819,483</u>

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

SOUTH TEXAS ISD  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2024

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	6,781,804
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 2024 capital outlays and debt principal payments is to decrease net position.		14,763,967
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.		(4,989,461)
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.		(2,665,761)
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 \$959,526. 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 \$871,235. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by \$1,081,169. The net result is an increase (decrease) in the change in net position.		(992,878)
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 \$346,752. 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 \$330,472. 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 (\$1,920,346). The net result is an increase (decrease) in the change in net position.		1,936,626
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>14,834,297</b>

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, 2024

	Total Custodial Funds
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 204,285
Due from Other Funds	480,526
Total Assets	<u>684,811</u>
LIABILITIES	
Accounts Payable	510,568
Payroll Deductions and Withholdings Payable	728
Total Liabilities	<u>511,296</u>
NET POSITION	
Restricted for Student Activities	<u>173,515</u>
Total Net Position	<u><u>\$ 173,515</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, 2024

	Total Custodial Funds
<b>ADDITIONS:</b>	
Received from Student Groups	\$ 385,894
Total Additions	385,894
<b>DEDUCTIONS:</b>	
Other Deductions	419,113
Total Deductions	419,113
Change in Fiduciary Net Position	(33,219)
Total Net Position - September 1 (Beginning)	206,734
Total Net Position - August 31 (Ending)	\$ 173,515

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:

The District adopted GASB Statement No. 100, Accounting Changes and Error Corrections. 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 periods thereafter.

##### *Future Accounting Standards*

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

- Statement No. 101, *Compensated Absences*
- Statement No. 102, *Certain Risk Disclosures*
- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104 *Disclosure of Certain Capital Assets*

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.

## 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. 102 requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

The objective of Statement No. 103 is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A. The requirements for the separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources. The definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability. The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position. The requirement for presentation of major component unit information will improve comparability. The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

The objective of Statement No. 104 is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, Leases, and intangible right-to use assets recognized in accordance with Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset. This requirement is effective for fiscal years beginning after June 15, 2025.

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. 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 31<sup>st</sup>. 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, 2024, the District did not have expenditures over appropriations.

**C. DEFICIT FUND EQUITY**

For the fiscal year ended August 31, 2024 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, 2024, the following are the District's cash and cash equivalents with respective maturities of less than one year.

Cash	\$	6,233,854	
Investments:			
PlainsCapital CD's		22,111,000	17.57%
Lone Star Investment Pool		102,946,461	81.79%
TexPool		813,699	0.65%
Total Investments:	\$	125,871,159	

## 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, 2024, 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, 2024, the District had .65% of its investments in TexPool, 17.57% in Plains Capital CD's, and 81.79% in Lonestar Investment Pool, which are rated AAAM.

The District's investments at August 31, 2024 are shown as follows:

Investment Type	Reported at Amortized Cost	Weighted Average Maturity (days)	Standard & Poor's Rating
Plains Capital Money Market	22,111,000		AAAM
Lone Star Investment Pool			
Corporate Overnight Fund	491,685	1	
Corporate Overnight Plus Fund	102,454,738	1	
Government Overnight Fund	38	1	
Total Lone Star Investment Pool	102,946,461		AAAM
TexPool	813,699	1	AAAM
Total Investments:	\$125,871,159		

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)

#### A. DEPOSITS AND INVESTMENTS (Continued)

The District had investments in two external local governmental investment pool at August 31, 2024, consisting of the Texas Local Governmental Investment Pool ("TexPool") and Lone Star Investment Pool (First Public).

##### **TEXPOOL**

TEXPOOL is a local government investment pool. It offers a safe, efficient, and liquid investment alternative to local governments in the State of Texas. The primary objectives of the pool are to preserve capital and protect principal, maintain sufficient liquidity, provide safety of funds and investments, diversify to avoid unreasonable or avoidable risks, and maximize the return on the pool.

Oversight of TEXPOOL continues to be provided by the Texas Comptroller, as well as the TEXPOOL advisory board.

##### **Lone Star (First Public)**

The Corporate Overnight Fund is a fund within the Lone Star Investment Pool. Its objective is to maintain a stable \$1.00 per share net asset value (NAV), while it provides the highest possible rate of return.

The fund represents one of three Texas public investment funds sponsored by the Texas Association of School Boards (TASB). The other funds--Government Overnight Fund and Corporate Overnight Plus Fund—also maintain S&P Global ratings. The Lone Star Investment Pool was created pursuant to the Interlocal Cooperation Act of the State of Texas as an investment vehicle for local school districts and other public entities. The Lone Star Investment Pool is sponsored by TASB.

## 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.

Basis for allocation of uncollectible taxes was modified based on 3 year historical collection rate for each of the counties. The uncollectible percent for the current levy remained at 3%; however the uncollectible levy for prior year taxes receivable was modified to due to the collection rate. The average collection rate for the 2021, 2022, and 2023 tax year was 29% for Hidalgo County, 33% for Cameron County and 20% for Willacy County.

#### 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, 2024, are summarized below.

Fund	State Entitlements	Other	Total
General Fund	\$ 3,570,442	\$ 203,303	\$ 3,773,745
Special Revenue Fund	1,563,039	61,634	1,624,673
Total	<u>\$ 5,133,481</u>	<u>\$ 264,936</u>	<u>\$ 5,398,417</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, 2024 is as follows:

	<b>Due From Other Funds</b>	<b>Due to Other Funds</b>
<b><u>General Fund:</u></b>		
Special Revenue Funds	1,352,968	16,973
Debt Service Funds	177,825	16,976
Custodial Funds	-	417,029
Total General Fund	1,530,793	450,978
<b><u>Special Revenue Funds</u></b>		
General Fund	16,973	1,352,968
Custodial Funds	-	63,497
Total Special Revenue Funds	16,973	1,416,465
<b><u>Debt Service Fund</u></b>		
General Fund	16,976	177,825
Total Debt Service Fund	16,976	177,825
<b><u>Custodial Funds</u></b>		
General Fund	417,029	-
Special Revenue Funds	63,497	-
Total Custodial Funds	480,526	-
Totals	\$ 2,045,268	\$ 2,045,268

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, 2024 were as follows:

<b>Fund</b>	<b>Transfer In (Out)</b>
General Fund	(1,624,228)
Debt Service	1,193,057
Debt Service- PFC	363,393
Special Revenue- NBLs	31,819
Capital Project	(6,714)
Special Revenue- Summer Feeding Program	42,673
<b>Total</b>	<b>-</b>

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, 2024 was as follows:

	Balance 09/01/23	Changes During Year			Balance 08/31/24
		Additions	Retirements	Reclassifications/ Adjustments	
<u>Governmental activities:</u>					
Capital assets not being depreciated:					
Land	\$ 4,114,411	\$ -	\$ -	\$ -	\$ 4,114,411
Buildings & improvements	124,763,524	352,459	-	217,052	125,333,035
Furniture & equipment	19,342,861	4,135,064	(522,932)	-	22,954,993
Construction in progress	16,321,498	3,966,444	-	(217,052)	20,070,890
Total capital assets cost	<u>\$ 164,542,294</u>	<u>\$ 8,453,966</u>	<u>\$ (522,932)</u>	<u>\$ -</u>	<u>\$ 172,473,328</u>
Less accumulated depreciation for:					
Buildings and improvements	\$ (47,522,256)	\$ (3,285,830)	\$ -	\$ -	\$ (50,808,086)
Furniture & equipment	(8,990,060)	(1,691,752)	519,528	-	(10,162,284)
Total Accum. Dep.	<u>\$ (56,512,316)</u>	<u>\$ (4,977,582)</u>	<u>\$ 519,528</u>	<u>\$ -</u>	<u>\$ (60,970,370)</u>
Governmental activities capital assets, net	<u>\$ 108,029,979</u>	<u>\$ 3,476,384</u>	<u>\$ (3,405)</u>	<u>\$ -</u>	<u>\$ 111,502,958</u>

Depreciation Expense was charged to governmental functions as follows:

11	Instruction	\$ 2,106,652
12	Instructional Resources & Media Services	88,233
13	Curriculum Development & Instructional Staff Development	28,103
21	Instructional Leadership	124,519
23	School Leadership	240,761
31	Guidance, Counseling And Evaluation Services	224,987
32	Social Work Services	18,626
33	Health Services	32,489
34	Student Transportation	389,600
35	Food Services	162,568
36	Extra Curricular Activities	121,667
41	General Administration	293,518
51	Facilities Maintenance And Operations	862,799
52	Security And Monitoring Services	169,128
53	Data Processing Services	113,932
		<u>\$ 4,977,582</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.

On August 20, 2024, South Texas ISD provided for the defeasance of \$6,310,000 Public Facility Corporation School Facility Lease Revenue Qualified School Construction Bonds, Taxable Series 2013.

This debt was 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 amount owed to the District is based on historical average of subsidy amount received by the District.

The fund balance for the Debt Service fund is \$0 as of August 31, 2024.

**G. SHARED SERVICES ARRANGEMENT – FISCAL AGENT**

The District is the fiscal agent for the Shared Services Arrangement (SSA) which provides special education services to South Texas ISD, Rio Hondo ISD, and La Villa ISD. The three Districts entered into a written contract to jointly operate a special education program. The District, acting as fiscal agent is responsible for budgeting, accounting, and personnel responsibilities related to the arrangement. Funds are allocated to the SSA in accordance with the SSA agreement and student population served for each member district.

Services are provided by the fiscal agent, member contributions and costs associated with the cooperative will be accounted for in fund 437 Special Education Cooperative. IDEA B Formula grant funds will also be managed by the fiscal agent. The South Texas Tri-County Special Education Cooperative formed for the 2024-2025 school year; however costs associated with SSA staff hired to begin the cooperative were recorded at the end of August 31, 2024.

Expenditures of the SSA are summarized below:

PARTICIPANTS

South Texas ISD	24,818
Rio Hondo	23,739
La Villa ISD	<u>5,395</u>
	\$53,952

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

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

#### H. 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](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)

#### H. 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 2019 thru 2025. Contribution Rates can be found in the TRS 2023 ACFR, Note 11, on page 88.

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</u>
Member	8.00%	8.25%
Non - Employer Contributing Entity (State)	8.00%	8.25%
Employers	8.00%	8.25%
Current Fiscal Year Employer Contributions	\$	959,526
Current Fiscal Year Member Contributions	\$	3,693,656
District's 2022 NECE On-Behalf Contributions	\$	3,157,327

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.

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)

#### H. 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 2023, gradually increasing to 2 percent in fiscal year 2025. This surcharge amount is 1.9% for fiscal year 2023.
- 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: Actuarial Assumptions can be found in the 2023 TRS ACFR, Note 11, page 89.

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
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, 2023	4.13% Source for the rate is the Fixed Income Market Data/Yield Curve/ Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20 Year Municipal GO AA Index"
Last year ending August 31 in Projection	
Period (100 years)	2122
Inflation	2.30%
Salary Increases	2.95% to 8.95% including inflation
Ad Hoc Post-Employment Benefit Changes	None

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2022. For a full description of these assumptions please see the TRS actuarial valuation report dated November 22, 2022.

*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 9.50% of payroll in fiscal year 2024 increasing to 9.56% in the fiscal year 2025 and thereafter. 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)

#### H. 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, 2023 (see page 56 of the 2023 TRS ACFR) are summarized below:

Asset Class	Target Allocation %**	Long-Term Expected Geometric Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
U.S.	18.0%	4.0%	1.0%
Non-U.S. Developed	13.0%	4.5%	0.9%
Emerging Markets	9.0%	4.8%	0.7%
Private Equity*	14.0%	7.0%	1.5%
<b>Stable Value</b>			
Government Bonds	16.0%	2.5%	0.5%
Absolute Return*	0.0%	3.6%	0.0%
Stable Value Hedge Funds	5.0%	4.1%	0.2%
<b>Real Return</b>			
Global Inflation Linked Bonds	0.0%	0.0%	0.0%
Real Assets	15.0%	4.9%	1.1%
Energy and Natural Resources	6.0%	4.8%	0.4%
Commodities	0.0%	4.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	8.0%	4.5%	0.4%
<b>Asset Allocation Leverage</b>			
Cash	2.0%	3.7%	0.0%
Asset Allocation Leverage	-6.0%	4.4%	-0.1%
Inflation Expectation			2.3%
Volatility Drag****			-0.9%
<b>Expected Return</b>	<u>100.0%</u>		<u>8.0%</u>

\*Absolute Return includes credit sensitive investments.

\*\*Target allocations are based on the FY2023 policy model.

\*\*\*Capital Market Assumption come from Aon Hewitt (as of 06/30/23).

\*\*\*\*The volatility drag results from the conversion between arithmetic mean return.

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

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

#### H. DEFINED BENEFIT PENSION PLAN (Continued)

*Discount Rate Sensitivity Analysis.* The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.00%) in measuring the 2023 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:	\$ 17,390,497	\$ 11,632,009	\$ 6,843,822

*Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions.* At August 31, 2024, the District reported a liability of \$11,632,009 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, 2024 were as follows:

District's Proportionate share of the collective net pension liability	\$ 11,632,009
State's proportionate share that is associated with the District	<u>42,192,183</u>
Total	\$ 53,824,192

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 .0169339775% which was a decrease of 0.0021060265% from its proportion measured as of August 31, 2022.

Changes In Actuarial Valuation Since the Prior Actuarial Valuation– The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

Changes in Benefits- The Texas 2023 Legislature passed legislation that provides a one-time stipend to certain retired teachers. The stipend was paid to retirees beginning in September of 2023. The Legislature appropriated funds to pay for this one-time stipend so there will be no impact on the net pension liability of TRS. In addition, the Legislature also provided for a cost of living adjustment (COLA) to retirees which was approved during the November 2023 election which will be paid in January 2024. Therefore, this contingent liability was not reflected as of August 31, 2023.

For the year ended August 31, 2024, the District recognized pension expense of \$8,323,059 and revenue of \$6,370,655 for support provided by the State.

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

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

#### H. DEFINED BENEFIT PENSION PLAN (Continued)

At August 31, 2024, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 414,452	\$ 140,851
Changes in actuarial assumptions	1,100,160	269,234
Differences between projected and actual investment earnings	1,692,740	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	966,551	1,100,048
Total as of August 31, 2023 measurement date	4,173,903	1,510,133
Contributions paid to TRS subsequent to the measurement date	959,526	-
Total as of fiscal year-end	\$ 5,133,429	\$ 1,510,133

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
2025	\$ 537,183
2026	318,149
2027	1,466,193
2028	412,837
2029	(70,592)
Thereafter	\$ -

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 11,303,561	\$ 328,448	\$ -	\$ 11,632,009

#### I. 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.

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

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

#### I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

*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.

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](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		

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

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

#### I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

*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.

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 as reported for the district by TRS for the TRS measurement year. The district and member contributions reported are included in the calculation of the district's proportionate share of the Net TRS-Care liability for the measurement period.

	<u>Contribution Rates</u>	
	<u>2023</u>	<u>2024</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	\$	346,752
Current fiscal year member contributions	\$	291,004
2023 measurement year NECE On-Behalf Contributions	\$	398,326

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 \$21.3 million in fiscal year 2023 provided by Rider 14 of the Senate Bill GAA of the 87th Legislature. These amounts were re-appropriated from amounts received by the pension and TRS-Care funds in excess of the state's actual obligation and then transferred to TRS-Care.

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

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

#### I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

*Actuarial Assumptions.* The total OPEB liability in the August 31, 2022 actuarial valuation was rolled forward to August 31, 2023. The actuarial valuation was determined using the following actuarial assumptions.

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, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2022 TRS pension actuarial valuation that was rolled forward to August 31, 2023.

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

The active mortality rates were based on PUB (2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2022 rolled forward to August 31, 2023
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	4.13% as of August 31, 2023
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.
Salary Increases	2.95% - 8.95% including inflation
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 4.13% was used to measure the total OPEB liability. This was an increase of 0.22 percent in the discount rate since the previous year. The Discount Rate can be found in the 2023 TRS ACFR on page 80. Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2023, using the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

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

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

#### I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

*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 (4.13%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (3.13%)	Discount Rate (4.13%)	1% Increase in Discount Rate (5.13%)
Proportionate share of the net OPEB liability:	\$ 9,922,294	\$ 8,424,489	\$ 7,202,245

*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:	\$ 6,937,145	\$ 8,424,489	\$ 10,337,962

*OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB.* At August 31, 2024, the District reported a liability of \$ 8,424,489 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	\$ 8,424,489
State's Proportionate share that is associated with the District	<u>10,165,441</u>
Total	<u><u>\$ 18,589,930</u></u>

The Net OPEB Liability was measured as of August 31, 2023 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, 2022 through August 31, 2023.

At August 31, 2023 the employer's proportion of the collective net OPEB liability was 0.0380539032% which was an decrease of 0.0027470639% from its proportion measured as of August 31, 2022.

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

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

#### I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

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 (TOL) since the prior measurement period: These can be found in the 2023 TRS ACFR on page 80.

- The single discount rate changed from 3.91 percent as of August 31, 2022 to 4.13 percent as of August 31, 2023, accompanied by revised demographic and economic assumptions based on the TRS experience study.

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

For the year ended August 31, 2024, the District recognized OPEB expense of (\$3,763,031) and revenue of (\$2,173,157) for support provided by the State.

At August 31, 2024, 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	\$ 381,144	\$ 7,087,612
Changes in actuarial assumptions	1,149,881	5,158,538
Differences between projected and actual investment earnings	3,640	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,954,659	2,090,698
Total as of August 31, 2023 measurement date	3,489,324	14,336,848
Contributions paid to TRS subsequent to the measurement date	346,752	-
Total as of fiscal year-end	\$ 3,836,076	\$ 14,336,848

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:

Fiscal year ended August 31,	OPEB Expense Amount
2025	\$ (2,291,444)
2026	\$ (1,905,055)
2027	\$ (1,381,942)
2028	\$ (1,665,197)
2029	\$ (1,447,983)
Thereafter	\$ (2,155,903)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 9,769,386	\$ -	\$ 1,344,897	\$ 8,424,489

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

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

**J. HEALTH CARE COVERAGE - ACTIVE EMPLOYEES**

**Plan Description** - During the year ended August 31, 2024, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed up to \$777 per month which includes \$225 in state mandated contribution for each employee who elected health insurance coverage through TRS Active Care. Employees, at their option, authorized payroll withholdings to pay contributions for dependents.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by Blue Cross Blue Shield of Texas and Express Scripts 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, trs.texas.gov/Pages/Homepage.aspx](http://www.trstexas.gov/Pages/Homepage.aspx), under Health Care Benefits Tab, 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, 2024, 2023, and 2022 were \$235,922, \$225,567, and \$165,069 respectively.

**K. 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.

**L. RIGHT OF USE LEASES**

Capital leases payable at August 31, 2024 are as follows:

Capital lease payable to Xerox Corporation for 43 copiers with monthly payments of \$16,925, with an imputed interest rate of 8.5%.	<u>\$314,990</u>
Total Capital Leases payable	\$314,990

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

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

**L. RIGHT OF USE LEASES (Continued)**

	Balance 09/01/23	Changes During Year			Balance 08/31/24
		Additions	Payments	Adjustments/ Modifications	
<u>Governmental activities:</u>					
Right of Use Lease Liability	\$ 258,652	\$ 313,526	\$ (175,837)	\$ (81,351)	\$ 314,990
Total Lease Assets	\$ 258,652	\$ 313,526	\$ (175,837)	\$ (81,351)	\$ 314,990

Year Ending August 31,	Lease Payable		
	Principal	Interest	Total Requirements
2025	196,521	6,383	202,904
2026	100,799	2,001	102,800
2027	17,670	82	17,752
	314,990	8,466	323,456

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 09/01/23	Changes During Year		Balance 08/31/24
		Additions	Disposals/ Retirements	
<u>Governmental activities:</u>				
Intangible right to use lease asset	\$ 667,649	\$ 313,526	\$ (81,351)	\$ 899,824
Total Lease Assets	\$ 667,649	\$ 313,526	\$ (81,351)	\$ 899,824
Less accumulated amortization for:				
Intangible right to use lease asset	\$ (408,997)	\$ (269,067)	\$ 81,351	\$ (596,712)
Total Accum. Amortization	\$ (408,997)	\$ (269,067)	\$ 81,351	\$ (596,712)
Governmental activities Leases, net	\$ 258,652	\$ 44,459	\$ -	\$ 303,111

**M. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES**

At August 31, 2024 the District had the following remaining construction commitments:

Project	Authorization	Expended	Remaining
Health Professions Gym	6,000,000	900,000	\$ 5,100,000
Roofing Project	1,710,000	1,200,000	510,000
Athletic Fields	10,900,000	301,000	10,599,000
			\$ 16,209,000

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

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

**N. 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	\$ -	\$ 102,111	\$ -	\$ -	\$ 102,111
Prepaid Items	664,721	-	-	-	664,721
Restricted					
Grant Restriction	-	237,369	-	-	237,369
Committed					
Construction	54,746,569	-	-	17	54,746,586
Projects	34,166,670	-	-	-	34,166,670
Unassigned	38,721,840	4,180,186	-	-	42,902,026
Total Fund Balance	<u>\$ 128,299,800</u>	<u>\$ 4,519,666</u>	<u>\$ -</u>	<u>\$ 17</u>	<u>\$ 132,819,483</u>

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

**O. SUBSEQUENT EVENTS**

The District has evaluated subsequent events through December 12, 2024, 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, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 41,755,800	\$ 41,864,800	\$ 50,106,794	\$ 8,241,994
5800 State Program Revenues	49,451,500	49,492,132	46,894,468	(2,597,664)
5900 Federal Program Revenues	450,000	450,000	224,228	(225,772)
5020 Total Revenues	91,657,300	91,806,932	97,225,490	5,418,558
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	42,037,608	41,680,721	33,570,277	8,110,444
0012 Instructional Resources and Media Services	1,612,882	1,612,882	1,406,016	206,866
0013 Curriculum and Instructional Staff Development	741,485	859,939	447,838	412,101
0021 Instructional Leadership	2,423,700	2,623,500	1,984,230	639,270
0023 School Leadership	4,548,750	4,548,750	3,836,564	712,186
0031 Guidance, Counseling, and Evaluation Services	3,802,045	4,271,345	3,585,196	686,149
0032 Social Work Services	348,113	348,113	296,789	51,324
0033 Health Services	635,050	635,050	517,698	117,352
0034 Student (Pupil) Transportation	8,562,747	8,562,747	6,208,371	2,354,376
0035 Food Services	-	83,610	7,571	76,039
0036 Extracurricular Activities	2,279,598	2,279,598	1,938,829	340,769
0041 General Administration	5,286,000	5,846,000	4,677,282	1,168,718
0051 Facilities Maintenance and Operations	13,434,298	17,335,811	13,748,925	3,586,886
0052 Security and Monitoring Services	1,830,720	3,286,945	2,695,074	591,871
0053 Data Processing Services	1,945,726	1,945,726	1,815,541	130,185
Debt Service:				
0071 Principal on Long-Term Liabilities	250,000	205,830	182,063	23,767
0072 Interest on Long-Term Liabilities	-	44,170	-	44,170
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,040,303	17,538,384	4,318,902	13,219,482
Intergovernmental:				
0099 Other Intergovernmental Charges	625,000	541,390	525,417	15,973
6030 Total Expenditures	91,404,025	114,250,511	81,762,583	32,487,928
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	253,275	(22,443,579)	15,462,907	37,906,486
<b>OTHER FINANCING SOURCES (USES):</b>				
7913 Right-to-Use Lease and SBITA Proceeds	500,000	500,000	-	(500,000)
7915 Transfers In	-	-	177,825	177,825
8911 Transfers Out (Use)	(753,275)	(753,275)	(1,802,053)	(1,048,778)
7080 Total Other Financing Sources (Uses)	(253,275)	(253,275)	(1,624,228)	(1,370,953)
1200 Net Change in Fund Balances	-	(22,696,854)	13,838,679	36,535,533
0100 Fund Balance - September 1 (Beginning)	114,461,121	114,461,121	114,461,121	-
3000 Fund Balance - August 31 (Ending)	\$ 114,461,121	\$ 91,764,267	\$ 128,299,800	\$ 36,535,533

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, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Pension Liability (Asset)	0.016933977%	0.019040004%	0.016256801%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 11,632,009	\$ 11,303,561	\$ 4,140,032
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	42,192,183	37,486,485	16,175,626
Total	<u>\$ 53,824,192</u>	<u>\$ 48,790,046</u>	<u>\$ 20,315,658</u>
District's Covered Payroll	\$ 42,114,594	\$ 41,303,768	\$ 37,479,436
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.62%	27.37%	11.05%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.15%	75.62%	88.79%

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, 2023 for year 2024, 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.

FY 2021 Plan Year 2020	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
0.015525927%	0.017322918%	0.017498019%	0.017745746%	0.017104145%	0.0158193%	0.00245553%
\$ 8,315,370	\$ 9,004,994	\$ 9,631,334	\$ 5,674,134	\$ 6,463,402	\$ 5,591,912	\$ 655,844
35,656,218	34,347,204	36,830,983	21,691,440	24,107,596	20,500,455	17,599,519
<u>\$ 43,971,588</u>	<u>\$ 43,352,198</u>	<u>\$ 46,462,317</u>	<u>\$ 27,365,574</u>	<u>\$ 30,570,998</u>	<u>\$ 26,092,367</u>	<u>\$ 18,255,363</u>
\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263	\$ 26,212,695	\$ 25,175,664
22.01%	25.00%	27.70%	16.83%	21.10%	21.33%	2.61%
75.54%	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 THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 959,526	\$ 871,235	\$ 757,758
Contribution in Relation to the Contractually Required Contribution	(959,526)	(871,235)	(757,758)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 44,769,858	\$ 42,114,594	\$ 41,303,768
Contributions as a Percentage of Covered Payroll	2.14%	2.07%	1.83%

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.

	2021	2020	2019	2018	2017	2016	2015
\$	676,353	\$ 640,057	\$ 606,721	\$ 589,475	\$ 581,602	\$ 543,442	468,417
	(676,353)	(640,057)	(606,721)	(589,475)	(581,602)	(543,442)	(468,417)
\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
\$	37,479,436	\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263	26,212,695
	1.80%	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, 2024

	FY 2024 Plan Year 2023	FY 2023 Plan Year 2022	FY 2022 Plan Year 2021
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.038053903%	0.040800967%	0.03752891%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 8,424,489	\$ 9,769,386	\$ 14,476,577
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	10,165,441	11,917,116	19,395,386
Total	<u>\$ 18,589,930</u>	<u>\$ 21,686,502</u>	<u>\$ 33,871,963</u>
District's Covered Payroll	\$ 42,114,594	\$ 41,303,768	\$ 37,479,436
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	20.00%	23.65%	38.63%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	14.94%	11.52%	6.18%

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 2024 are for the measurement date of August 31, 2023. 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 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
0.038526063%	0.0394317111%	0.039250594%	0.037406921%
\$ 14,645,496	\$ 18,647,738	\$ 19,598,181	\$ 16,266,867
19,680,037	24,778,674	30,790,614	27,302,058
<u>\$ 34,325,533</u>	<u>\$ 43,426,412</u>	<u>\$ 50,388,795</u>	<u>\$ 43,568,925</u>
\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831
38.77%	51.77%	56.37%	48.24%
4.99%	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 THE YEAR ENDED AUGUST 31, 2024

	2024	2023	2022
Contractually Required Contribution	\$ 346,752	\$ 330,472	\$ 464,842
Contribution in Relation to the Contractually Required Contribution	(346,752)	(330,472)	464,842
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 44,769,858	\$ 42,114,594	\$ 41,303,768
Contributions as a Percentage of Covered Payroll	0.77%	0.78%	1.13%

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.

	2021	2020	2019	2018
\$	335,298	\$ 336,212	\$ 279,809	\$ 270,773
	(335,298)	(336,212)	(279,809)	(270,773)
\$	-	\$ -	\$ -	\$ -
\$	37,479,436	\$ 37,772,237	\$ 36,017,459	\$ 34,768,128
	0.89%	0.89%	0.78%	0.78%

## **South Texas Independent School District Notes to Required Supplementary Information**

### **Budgetary Information**

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

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

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

## **COMBINING AND OTHER STATEMENTS**

SOUTH TEXAS ISD  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2024

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
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ 376,281
1240 Due from Other Governments	116,282	882	55,852	132,192
1250 Accrued Interest	-	-	-	-
1260 Due from Other Funds	-	-	-	-
1290 Other Receivables	-	-	-	856
1300 Inventories	-	-	-	102,111
1000 Total Assets	<u>\$ 116,282</u>	<u>\$ 882</u>	<u>\$ 55,852</u>	<u>\$ 611,440</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 15,361	\$ -	\$ 750	\$ 43,612
2160 Accrued Wages Payable	-	-	-	74,319
2170 Due to Other Funds	100,921	882	55,102	3,236
2200 Accrued Expenditures	-	-	-	2,065
2300 Unearned Revenue	-	-	-	148,728
2000 Total Liabilities	<u>116,282</u>	<u>882</u>	<u>55,852</u>	<u>271,960</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	-	102,111
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	237,369
Committed Fund Balance:				
3510 Construction	-	-	-	-
3600 Unassigned Fund Balance	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>339,480</u>
4000 Total Liabilities and Fund Balances	<u>\$ 116,282</u>	<u>\$ 882</u>	<u>\$ 55,852</u>	<u>\$ 611,440</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	279 ESSER III TCLAS ARP Act	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	50,413	55,125	6,673	206	92,626	23,589	63,073
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	16,973
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 50,413</u>	<u>\$ 55,125</u>	<u>\$ 6,673</u>	<u>\$ 206</u>	<u>\$ 92,626</u>	<u>\$ 23,589</u>	<u>\$ 80,046</u>
\$ -	\$ -	\$ -	\$ 225	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	7,426	30,293
-	50,413	55,125	6,448	206	92,626	15,907	44,092
-	-	-	-	-	-	256	5,661
-	-	-	-	-	-	-	-
-	50,413	55,125	6,673	206	92,626	23,589	80,046
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 50,413</u>	<u>\$ 55,125</u>	<u>\$ 6,673</u>	<u>\$ 206</u>	<u>\$ 92,626</u>	<u>\$ 23,589</u>	<u>\$ 80,046</u>

SOUTH TEXAS ISD  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2024

Data Control Codes	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	437 SSA Special Education
<b>ASSETS</b>				
1110	Cash and Cash Equivalents	\$ 12,920	\$ -	\$ -
1240	Due from Other Governments	-	758,727	215,083
1250	Accrued Interest	-	-	-
1260	Due from Other Funds	-	-	-
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	<b>Total Assets</b>	<b>\$ 12,920</b>	<b>\$ 758,727</b>	<b>\$ 215,083</b>
<b>LIABILITIES</b>				
2110	Accounts Payable	\$ -	\$ 12,317	\$ 4,961
2160	Accrued Wages Payable	-	-	767
2170	Due to Other Funds	-	746,410	209,355
2200	Accrued Expenditures	-	-	-
2300	Unearned Revenue	12,920	-	-
2000	<b>Total Liabilities</b>	<b>12,920</b>	<b>758,727</b>	<b>215,083</b>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410	Inventories	-	-	-
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-
Committed Fund Balance:				
3510	Construction	-	-	-
3600	Unassigned Fund Balance	-	-	-
3000	<b>Total Fund Balances</b>	<b>-</b>	<b>-</b>	<b>-</b>
4000	<b>Total Liabilities and Fund Balances</b>	<b>\$ 12,920</b>	<b>\$ 758,727</b>	<b>\$ 215,083</b>

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
\$ 4,201,290	\$ 4,590,491	\$ -	\$ -	\$ -	\$ -	\$ 4,590,491
-	1,624,675	-	-	-	-	1,624,675
-	-	-	12,188	12,188	17	12,205
-	16,973	16,976	-	16,976	-	33,949
-	856	-	165,638	165,638	-	166,494
-	102,111	-	-	-	-	102,111
<u>\$ 4,201,290</u>	<u>\$ 6,335,106</u>	<u>\$ 16,976</u>	<u>\$ 177,826</u>	<u>\$ 194,802</u>	<u>\$ 17</u>	<u>\$ 6,529,925</u>
\$ 21,104	\$ 98,330	\$ 16,976	\$ 1	\$ 16,977	\$ -	\$ 115,307
-	131,014	-	-	-	-	131,014
-	1,416,466	-	177,825	177,825	-	1,594,291
-	7,982	-	-	-	-	7,982
-	161,648	-	-	-	-	161,648
<u>21,104</u>	<u>1,815,440</u>	<u>16,976</u>	<u>177,826</u>	<u>194,802</u>	<u>-</u>	<u>2,010,242</u>
-	102,111	-	-	-	-	102,111
-	237,369	-	-	-	-	237,369
-	-	-	-	-	17	17
4,180,186	4,180,186	-	-	-	-	4,180,186
<u>4,180,186</u>	<u>4,519,666</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17</u>	<u>4,519,683</u>
<u>\$ 4,201,290</u>	<u>\$ 6,335,106</u>	<u>\$ 16,976</u>	<u>\$ 177,826</u>	<u>\$ 194,802</u>	<u>\$ 17</u>	<u>\$ 6,529,925</u>

SOUTH TEXAS ISD  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2024

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
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 621,795
5800 State Program Revenues	-	-	-	8,499
5900 Federal Program Revenues	1,219,041	16,502	654,574	1,674,556
5020 Total Revenues	1,219,041	16,502	654,574	2,304,850
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	1,206,144	16,502	413,153	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0021 Instructional Leadership	4,260	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling, and Evaluation Services	-	-	241,421	-
0032 Social Work Services	-	-	-	-
0035 Food Services	-	-	-	2,582,999
0041 General Administration	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	8,637	-	-	-
<b>Debt Service:</b>				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	-	-
6030 Total Expenditures	1,219,041	16,502	654,574	2,582,999
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(278,149)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	-	74,492
8911 Transfers Out (Use)	-	-	-	(42,673)
7080 Total Other Financing Sources (Uses)	-	-	-	31,819
1200 Net Change in Fund Balance	-	-	-	(246,330)
0100 Fund Balance - September 1 (Beginning)	-	-	-	585,810
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 339,480

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	279 ESSER III TCLAS ARP Act	282 ESSER III ARP Act	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula
\$ 585	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
29,819	271,735	213,425	33,647	113,749	328,439	271,783	60,471
30,404	271,735	213,425	33,647	113,749	328,439	271,783	60,471
-	48,525	-	24,657	113,749	167,509	100,101	-
-	-	210,612	8,840	-	-	-	-
-	-	-	-	-	-	3,104	-
-	-	2,813	-	-	-	-	-
-	223,210	-	-	-	-	118,578	60,471
-	-	-	-	-	-	50,000	-
73,077	-	-	-	-	-	-	-
-	-	-	-	-	135,730	-	-
-	-	-	-	-	25,200	-	-
-	-	-	150	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
73,077	271,735	213,425	33,647	113,749	328,439	271,783	60,471
(42,673)	-	-	-	-	-	-	-
42,673	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
42,673	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH TEXAS ISD  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds	437 SSA Special Education
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 53,952
5800 State Program Revenues	9,282	758,727	923,753	-
5900 Federal Program Revenues	-	-	-	-
5020 Total Revenues	9,282	758,727	923,753	53,952
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	9,282	758,727	521,765	-
0013 Curriculum and Instructional Staff Development	-	-	132,058	-
0021 Instructional Leadership	-	-	59,452	6,975
0023 School Leadership	-	-	3,840	-
0031 Guidance, Counseling, and Evaluation Services	-	-	18,982	35,182
0032 Social Work Services	-	-	2,342	-
0035 Food Services	-	-	-	-
0041 General Administration	-	-	-	11,795
0051 Facilities Maintenance and Operations	-	-	132,751	-
0052 Security and Monitoring Services	-	-	-	-
0061 Community Services	-	-	15,125	-
Debt Service:				
0071 Principal on Long-Term Liabilities	-	-	-	-
0072 Interest on Long-Term Liabilities	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	-	-	37,438	-
6030 Total Expenditures	9,282	758,727	923,753	53,952
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
<b>OTHER FINANCING SOURCES (USES):</b>				
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
\$ -	\$ 676,332	\$ -	\$ 223,634	\$ 223,634	319	\$ 900,285
-	1,700,261	-	-	-	-	1,700,261
-	4,887,741	-	333,608	333,608	-	5,221,349
-	7,264,334	-	557,242	557,242	319	7,821,895
2,244,448	5,624,562	-	-	-	-	5,624,562
-	351,510	-	-	-	-	351,510
-	73,791	-	-	-	-	73,791
-	6,653	-	-	-	-	6,653
-	697,844	-	-	-	-	697,844
-	52,342	-	-	-	-	52,342
-	2,656,076	-	-	-	-	2,656,076
-	11,795	-	-	-	-	11,795
-	268,481	-	-	-	-	268,481
-	25,200	-	-	-	-	25,200
-	23,912	-	-	-	-	23,912
-	-	-	6,310,001	6,310,001	-	6,310,001
-	-	345,317	-	345,317	-	345,317
-	-	18,076	-	18,076	-	18,076
-	37,438	-	-	-	-	37,438
2,244,448	9,829,604	363,393	6,310,001	6,673,394	-	16,502,998
(2,244,448)	(2,565,270)	(363,393)	(5,752,759)	(6,116,152)	319	(8,681,103)
-	117,165	2,063,364	1,706,758	3,770,122	73	3,887,360
-	(42,673)	(1,699,971)	(513,701)	(2,213,672)	(6,787)	(2,263,132)
-	74,492	363,393	1,193,057	1,556,450	(6,714)	1,624,228
(2,244,448)	(2,490,778)	-	(4,559,702)	(4,559,702)	(6,395)	(7,056,875)
6,424,634	7,010,444	-	4,559,702	4,559,702	6,412	11,576,558
\$ 4,180,186	\$ 4,519,666	\$ -	\$ -	\$ -	17	\$ 4,519,683

SOUTH TEXAS ISD  
 COMBINING STATEMENT OF FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 AUGUST 31, 2024

	863 Payroll Clearing	865 Custodial Fund Student Activity Acct	Total Custodial Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 30,770	\$ 173,515	\$ 204,285
Due from Other Funds	480,526	-	480,526
Total Assets	<u>511,296</u>	<u>173,515</u>	<u>684,811</u>
<b>LIABILITIES</b>			
Accounts Payable	510,568	-	510,568
Payroll Deductions and Withholdings Payable	728	-	728
Total Liabilities	<u>511,296</u>	<u>-</u>	<u>511,296</u>
<b>NET POSITION</b>			
Restricted for Student Activities	-	173,515	173,515
Total Net Position	<u>\$ -</u>	<u>\$ 173,515</u>	<u>\$ 173,515</u>

SOUTH TEXAS ISD  
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 CUSTODIAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2024

	863 Payroll Clearing	865 Custodial Fund Student Activity Acct	Total Custodial Funds
<b>ADDITIONS:</b>			
Received from Student Groups	\$ -	\$ 385,894	\$ 385,894
Total Additions	<u>-</u>	<u>385,894</u>	<u>385,894</u>
<b>DEDUCTIONS:</b>			
Other Deductions	-	419,113	419,113
Total Deductions	<u>-</u>	<u>419,113</u>	<u>419,113</u>
Change in Net Position	-	(33,219)	(33,219)
Net Position - September 1 (Beginning)	<u>-</u>	<u>206,734</u>	<u>206,734</u>
Net Position - August 31 (Ending)	<u><u>\$ -</u></u>	<u><u>\$ 173,515</u></u>	<u><u>\$ 173,515</u></u>



## **T.E.A. REQUIRED SCHEDULES**

SOUTH TEXAS ISD  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FOR THE YEAR ENDED AUGUST 31, 2024

Last 10 Years Ended August 31	(1)                      (2)		(3) Assessed/Appraised Value for School Tax Purposes
	Tax Rates		
	Maintenance	Debt Service	
2015 and prior years	Various	Various	\$ 95,808,930,617
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	0.049200	0.000000	75,556,650,874
2024 (School year under audit)	0.049200	0.000000	87,451,205,138
1000            TOTALS			
8000    Total Taxes Refunded Under Section 26.1115, Tax Code			

(10) Beginning Balance 9/1/2023	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2024	(99) Taxes Refunded Under Section 26.1115c
\$ 917,091	\$ -	\$ 54,158	\$ -	\$ (37,927)	\$ 825,006	
131,195	-	12,132	-	(1,158)	117,905	
144,594	-	15,084	-	(968)	128,542	
161,676	-	19,379	-	(935)	141,362	
201,138	-	27,552	-	(1,373)	172,213	
259,420	-	40,706	-	(16,249)	202,465	
336,871	-	83,215	-	6,067	259,723	
571,389	-	189,820	-	11,147	392,716	
1,489,807	-	733,942	-	(23,284)	732,581	
-	43,072,200	41,507,406	-	288,470	1,853,264	
<u>\$ 4,213,181</u>	<u>\$ 43,072,200</u>	<u>\$ 42,683,394</u>	<u>\$ -</u>	<u>\$ 223,790</u>	<u>\$ 4,825,777</u>	

\$ 231,794

SOUTH TEXAS ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 775,000	\$ 775,000	\$ 621,795	\$ (153,205)
5800 State Program Revenues	612,000	668,450	8,499	(659,951)
5900 Federal Program Revenues	1,575,571	1,733,064	1,674,556	(58,508)
5020 Total Revenues	2,962,571	3,176,514	2,304,850	(871,664)
<b>EXPENDITURES:</b>				
Current:				
0035 Food Services	2,962,571	3,176,514	2,582,999	593,515
6030 Total Expenditures	2,962,571	3,176,514	2,582,999	593,515
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(278,149)	(278,149)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	74,492	74,492
8911 Transfers Out (Use)	-	-	(42,673)	(42,673)
7080 Total Other Financing Sources (Uses)	-	-	31,819	31,819
1200 Net Change in Fund Balances	-	-	(246,330)	(246,330)
0100 Fund Balance - September 1 (Beginning)	585,810	585,810	585,810	-
3000 Fund Balance - August 31 (Ending)	\$ 585,810	\$ 585,810	\$ 339,480	\$ (246,330)

SOUTH TEXAS ISD  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2024

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ 29,000	\$ 223,634	\$ 194,634
5900 Federal Program Revenues	-	331,275	333,608	2,333
5020 Total Revenues	-	360,275	557,242	196,967
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long-Term Liabilities	753,275	-	6,310,001	(6,310,001)
0072 Interest on Long-Term Liabilities	-	331,275	345,317	(14,042)
0073 Bond Issuance Cost and Fees	-	2,100	18,076	(15,976)
6030 Total Expenditures	753,275	333,375	6,673,394	(6,340,019)
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(753,275)	26,900	(6,116,152)	(6,143,052)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	1,173,375	3,770,122	2,596,747
7949 Other Resources	753,275	-	-	-
8911 Transfers Out (Use)	-	(751,275)	(2,213,672)	(1,462,397)
7080 Total Other Financing Sources (Uses)	753,275	422,100	1,556,450	1,134,350
1200 Net Change in Fund Balances	-	449,000	(4,559,702)	(5,008,702)
0100 Fund Balance - September 1 (Beginning)	4,559,702	4,559,702	4,559,702	-
3000 Fund Balance - August 31 (Ending)	\$ 4,559,702	\$ 5,008,702	\$ -	\$ (5,008,702)

SOUTH TEXAS ISD  
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES  
FOR THE YEAR ENDED AUGUST 31, 2024

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**Section A: Compensatory Education Programs**

AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	4,223,681
AP4	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30)	3,253,705

**Section B: Bilingual Education Programs**

AP5	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP6	Does the district have written policies and procedures for its bilingual education program?	Yes
AP7	Total state allotment funds received for bilingual education programs during the district's fiscal year.	411,870
AP8	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PIC 25)	293,470

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

# LUIS C OROZCO

## CERTIFIED PUBLIC ACCOUNTANT

808 Del Oro Lane  
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lcocpa@lcocpa.com

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

#### *Independent Auditor's Report*

To the Board of Trustees  
South Texas Independent School District

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District (South Texas ISD) as of and for the year ended August 31, 2024, 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, 2024.

#### ***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.

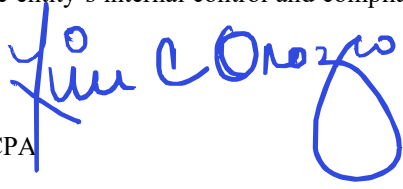
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**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, 2024

# LUIS C OROZCO

## CERTIFIED PUBLIC ACCOUNTANT

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Pharr, TX 78577  
lcocpa@lcocpa.com

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

#### *Independent Auditor's Report*

To the Board of Trustees  
South Texas Independent School District

#### **Report on Compliance for Each Major Federal Program**

##### ***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, 2024. 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, 2024.

##### ***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.

### ***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.

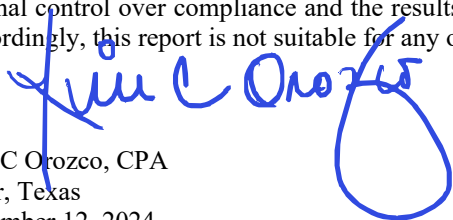
### **Report on Internal Control Over Compliance**

*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.

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 12, 2024

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED AUGUST 31, 2024

**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:	Child Nutrition Cluster Special Education Cluster
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, 2024

None.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2024  
(prepared by STISD's management)

Not applicable.

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2024**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through State Department of Education:</i>			
ESEA Title 1, Part A - Improving Basic Programs	84.010A	24-610101031916	\$ 1,276,149
Total ESEA Title 1, Part A - Improving Basic Programs			<u>1,276,149</u>
ESEA Title 1, Part C, - Migratory Children	84.011A	24-615001031916	17,284
Total ESEA Title 1, Part C, - Migratory Children			<u>17,284</u>
Carl D. Perkins - Basic Grant	84.048A	24-420006031916	50,838
			<u>50,838</u>
ESEA Title II, Part A - Supporting Effective Instruction	84.367A	24-694501031916	223,338
Total ESEA Title II, Part A - Supporting Effective Instruction			<u>223,338</u>
Title III, Part A - English Language Acquisition	84.365A	24-671001031916	35,221
Total Title III, Part A - English Language Acquisition			<u>35,221</u>
ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment	84.424A	24-680101031916	104,785
Total ESEA Title IV, Part A SubPart 1 - Student Support Academic Enrichment			<u>104,785</u>
TCLAS ESSER III	84.425D	21-521001031916	129,184
ARP ESSER III- COVID 19	84.425U	21-528001031916	354,159
Total ESSER Grant			<u>483,343</u>
Special Education Cluster (IDEA)			
IDEA - Part B, Formula	84.027A	24-6600010319166600	685,528
IDEA - Part B, Formula	84.027A	25-6600010319166600	63,072
Total Special Education Cluster (IDEA)			<u>748,601</u>
<b>Total Passed Through State Dept. of Education</b>			<u>2,939,559</u>

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2024**

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Assistance Listing Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<i>Passed Through Region One Service Center</i>			
UTRGV Mental Health Grant	84.184X		171,682
22 23 Effective Advising Implementation	84.048A	24-42003171100070	233,378
<b>Total Passed Through Region One Service Center</b>			<b>405,060</b>
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>3,344,619</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<i>Passed Through State Department of Education:</i>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program	10.553	246TX332N1199	435,936
National School Lunch Program	10.555	246TX332N1199	1,131,345
National School Lunch Program (non cash assistance)	10.555	031916	96,495
<b>Total Passed Through State Department of Education</b>			<b>1,663,776</b>
<i>Passed Through State Department of Agriculture:</i>			
Supply Chain Assistance (SCA)	10.555	226TX400N8903	8,765
Tx Agriculture Delivery Fee	10.560	246TX312N2533	2,016
Summer Feeding Program	10.559	031916	29,819
<b>Total Passed Through State Department of Agriculture</b>			<b>40,600</b>
<b>Total Child Nutrition Cluster</b>			<b>1,704,376</b>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>1,704,376</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 5,048,995</b>

**SOUTH TEXAS ISD**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2024**

**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, 2024, the District had no sub-recipients.

**Federal Loans and Loan Guarantees:**

During the year ended August 31, 2024, the District had no outstanding federal loans payable or loan guarantees.

**Federally Funded Insurance:**

During the year ended August 31, 2024, 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	\$ 5,048,995
Federal Revenues Distributed Directly	396,582
Exhibit C-3	<u>\$ 5,445,577</u>

## SCHOOLS FIRST QUESTIONNAIRE

Exhibit L-1

South Texas ISD

Fiscal Year 2024

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If payments were not made or warrant hold not cleared within 30 days of when due, then payments are NOT timely.)	Yes
SF4	Was the school district issued a warrant hold? (Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, answer is still YES.)	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 and/or substantial doubt about the district's ability to continue as a going concern?	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 Government financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school district's administration and school board members discuss any changes and/or impact to local, state, and federal funding 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.	