

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED AUGUST 31, 2025

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

South Texas ISD
Name of School

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, 2025 at a meeting of the Board of Trustees of such school district on the 20th of January, 2026.



Signature of Board Secretary



Signature of Board President

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
South Texas Independent School District

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District (the District), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2025, 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 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 the District 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.

Emphasis-of-Matter

Change in Accounting Principle

As described in Note 1,E to the financial statements, in 2025, the District adopted new accounting guidance, GASB Statement No. 101, *Compensated Absences*. Our opinion is not modified with respect to this matter.

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 District'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 generally accepted auditing standards 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 the District'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 the District'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 management's discussion and analysis, budgetary comparison information, pension information and other-post employment benefit information, as listed in the table of contents, be presented 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 the District's basic financial statements. The accompanying combining statements and individual nonmajor fund financial statements, required Texas Education Agency (TEA) schedules, and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, 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 and individual nonmajor fund financial statements, required TEA schedules, and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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 and Schedule L-1 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 16, 2025 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 District'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 the District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Bwiton, McCumber, & Longoria LLP." The signature is written in a cursive, flowing style.

McAllen, Texas
December 16, 2025

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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, 2025. Please read it in conjunction with the independent auditors' report on page 3 and the District's Basic Financial Statements which begin on page 15.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$8,018,138, net of prior period adjustments, as a result of this year's District's operations.

During the year, the District had net changes in functional activities that were \$14,907,493 less than the \$100,891,773 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$14,834,297.

The General Fund ended the year with a fund balance of \$122,508,209, of which \$40,777,866 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 Every Student Succeeds 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 \$218,801,017 to \$226,819,155. 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 \$98,797,954 at August 31, 2025. This represents a decrease in unrestricted net position of \$8,274,614 over the prior year.

Table I
Statement of Net Position Summary

	Governmental Activities	
	August 31, 2025	August 31, 2024
Current assets		
Cash and cash equivalents	\$ 13,442,463	\$ 6,233,854
Current investments	110,806,273	125,871,159
Property taxes receivable	5,368,318	4,825,777
Allowance for uncollectible taxes	(2,508,557)	(3,401,349)
Due from other governments	7,560,826	5,398,420
Accrued interest	34,030	72,305
Other receivables, net	47,598	250,846
Inventories	98,280	102,111
Prepayments	659,272	664,721
Total current assets	135,508,503	140,017,844
Non current assets		
Land	2,210,074	4,114,411
Buildings, net	89,053,651	74,524,949
Furniture and equipment, net	12,933,264	12,792,709
Right-to-use leased assets	128,563	303,111
Construction in progress	23,577,485	20,070,890
Total non current assets	127,903,037	111,806,070
Total assets	263,411,540	251,823,914
Deferred outflows of resources		
Deferred outflows related to TRS pension	3,116,529	5,133,429
Deferred outflows related to TRS OPEB	5,831,593	3,836,076
Total deferred outflows of resources	8,948,122	8,969,505

Table 1 – Continued
Statement of Net Position Summary

	Governmental Activities	
	August 31, 2025	August 31, 2024
Current liabilities		
Accounts payable	3,441,368	1,835,054
Accrued wages payable	3,438,277	3,219,624
Due to fiduciary funds	619,407	480,526
Due to other governments	5,537	5,537
Accrued expenses	61,276	63,544
Unearned revenue	136,157	169,648
Total current liabilities	<u>7,702,022</u>	<u>5,773,933</u>
Non current assets		
Due within one year	1,038,599	-
Due in more than one year	2,391,069	314,990
Net pension liability (District's share)	10,419,464	11,632,009
Net OPEB liability (District's share)	11,625,366	8,424,489
Total non current liabilities	<u>25,474,498</u>	<u>20,371,488</u>
Total liabilities	<u>33,176,520</u>	<u>26,145,421</u>
Deferred inflows of resources		
Deferred inflows related to TRS pension	940,506	1,510,133
Deferred inflows related to TRS OPEB	11,423,481	14,336,848
	<u>12,363,987</u>	<u>15,846,981</u>
Net position		
Net investment in capital assets	127,780,001	111,491,080
Restricted for federal and state programs	241,200	237,369
Unrestricted	98,797,954	107,072,568
	<u>\$ 226,819,155</u>	<u>\$ 218,801,017</u>

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

	Governmental Activities	
	2024	2023
Program Revenues:		
Charges for services	\$ 99,149	\$ 676,332
Operating grants and contributions	12,191,186	15,337,980
General revenues:		
Property taxes	47,303,866	40,345,416
State aid and other grants and contributions	47,397,643	38,766,431
Investment earnings	6,018,611	7,162,310
Other	171,653	160,664
Extraordinary item	301,385	-
Total Revenues	<u>113,483,493</u>	<u>102,449,133</u>
Program Expenses:		
Instruction	43,926,880	39,945,016
Instructional Resources and Media Services	1,257,083	1,481,777
Curriculum and Instructional Staff Development	910,793	824,038
Instructional Leadership	2,920,321	2,153,946
School Leadership	4,258,663	4,025,472
Guidance, Counseling and Evaluation Services	5,151,357	4,440,548
Social services	353,533	363,686
Health Services	648,882	543,171
Student (Pupil) Transportation	7,051,092	6,534,267
Food Services	3,463,857	2,696,740
Co-curricular/Extracurricular Activities	2,652,797	2,041,689
General Administration	5,236,125	4,941,737
Facilities Maintenance and Operations	14,758,227	12,589,448
Security and Monitoring Services	2,848,612	2,331,514
Data Processing Services	2,117,111	1,826,751
Community Services	35,285	23,912
Debt Services- Interest on Long-Term Debt	6,296	270,193
Debt Services- Bond Issuance Cost and Fees	-	18,076
Payments related to shared services arrangements	345,365	37,438
Other intergovernmental charges	633,721	525,417
Total Expenses	<u>98,576,000</u>	<u>87,614,836</u>
Change in net position	14,907,493	14,834,297
Beginning net position	218,801,017	203,966,720
Restatements	(6,889,355)	-
Ending Net Position	<u>\$ 226,819,155</u>	<u>\$ 218,801,017</u>

The cost of all governmental activities this year was \$98,576,000 compared to \$87,614,836 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 \$47,303,866, because the rest of the costs (\$51,272,134) 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 \$125,369,809 which is less than last year's total of \$133,158,972. 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 Directors 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 2025, the District had \$127,774,474 (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 \$20,492,342, or 19 percent, above last year.

This year's major additions included:

	<u>2025</u>
Land	\$ 60,000
Construction in Progress	20,298,555
Buildings and Improvements	466,197
Furniture and Equipment	5,618,439
Total capital asset additions	<u>26,443,191</u>
Less accumulated depreciation	(5,777,912)
Less accumulated amortization	(172,937)
Net Capital Assets	<u><u>\$ 20,492,342</u></u>

At year-end, the District had \$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 2026. Amounts available for appropriation in the General Fund budget are \$107,389,550, an increase of approximately 1 percent from the final 2025 budget of \$106,137,338. The District will use its revenues to finance programs we currently offer.

The budget approved by the Board of Directors will utilize funds for capital improvements and will decrease fund balance at the end of the fiscal year.

Expenditures are budgeted to increase 4% to \$109,458,718 for district operations and an additional \$20,377,400 in expenditures designated for capital improvements. 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 2025, 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 INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes	1 Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 13,442,463
1120 Current Investments	110,806,273
1220 Property Taxes- Delinquent	5,368,318
1230 Allowance for Uncollectible Taxes	(2,508,557)
1240 Receivables from Other Governments	7,560,826
1250 Accrued Interest	34,030
1290 Other Receivables	47,598
1300 Inventories	98,280
1410 Prepaid Items	659,272
Capital Assets Not Subject to Depreciation:	
1510 Land	2,210,074
1580 Construction in Progress	23,577,485
Capital Assets Net of Depreciation:	
1520 Buildings and Improvements, Net	89,053,651
1530 Furniture and Equipment, Net	12,933,264
1550 Right-to-Use Leased Assets, Net	128,563
1000 Total Assets	<u>263,411,540</u>
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to Pension Activities	3,116,529
1706 Deferred Outflow Related to OPEB	5,831,593
1700 Total Deferred Outflows of Resources	<u>8,948,122</u>
LIABILITIES	
2110 Accounts Payable	3,441,368
2160 Accrued Wages Payable	3,438,277
2177 Due to Fiduciary Funds	619,407
2180 Due to Other Governments	5,537
2200 Accrued Expenditures	61,276
2300 Unearned Revenue	136,157
Noncurrent Liabilities:	
2501 Due Within One Year	1,038,599
2502 Due in More than One Year	2,391,069
2540 Net Pension Liability (District's Share)	10,419,464
2545 Net OPEB Liability (District's Share)	11,625,366
2000 Total Liabilities	<u>33,176,520</u>
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to Pension Activities	940,506
2606 Deferred Inflow Related to OPEB Activities	11,423,481
2600 Total Deferred Inflows of Resources	<u>12,363,987</u>
NET POSITION	
3200 Net Investment in Capital Assets	127,780,001
3820 Restricted for Federal and State Programs	241,200
3900 Unrestricted	98,797,954
3000 Total Net Position	<u>\$ 226,819,155</u>

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2025

Data				Net (Expenses) Revenues and Changes in Net Position	
Control	1	3	4	6	
Codes	Program Revenues			Primary Government	
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	
Primary Government					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 43,926,880	\$ -	\$ 4,383,481	\$ (39,543,399)
12	Instructional Resources and Media Services	1,257,083	-	42,610	(1,214,473)
13	Curriculum and Instructional Staff Development	910,793	-	348,160	(562,633)
21	Instructional Leadership	2,920,321	-	196,752	(2,723,569)
23	School Leadership	4,258,663	-	196,731	(4,061,932)
31	Guidance, Counseling & Evaluation Services	5,151,357	-	1,284,433	(3,866,924)
32	Social Work Services	353,533	-	68,555	(284,978)
33	Health Services	648,882	-	27,586	(621,296)
34	Student (Pupil) Transportation	7,051,092	-	591,015	(6,460,077)
35	Food Services	3,463,857	99,149	2,735,581	(629,127)
36	Extracurricular Activities	2,652,797	-	46,102	(2,606,695)
41	General Administration	5,236,125	-	153,224	(5,082,901)
51	Facilities Maintenance and Operations	14,758,227	-	857,907	(13,900,320)
52	Security and Monitoring Services	2,848,612	-	11,526	(2,837,086)
53	Data Processing Services	2,117,111	-	23,609	(2,093,502)
61	Community Services	35,285	-	380,650	345,365
72	Debt Services- Interest on Long-Term Debt	6,296	-	-	(6,296)
93	Payments related to shared services arrangement	345,365	-	843,264	497,899
99	Other Intergovernmental Charges	633,721	-	-	(633,721)
[TG]	Total Governmental Activities:	<u>\$ 98,576,000</u>	<u>\$ 99,149</u>	<u>\$ 12,191,186</u>	<u>\$ (86,285,665)</u>
[TP]	TOTAL PRIMARY GOVERNMENT:	<u>\$ 98,576,000</u>	<u>\$ 99,149</u>	<u>\$ 12,191,186</u>	<u>(86,285,665)</u>
Data					
Control					
Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			47,303,866	
GC	Grants and Contributions not Restricted			47,397,643	
IE	Investment Earnings			6,018,611	
MI	Miscellaneous Local and Intermediate Revenue			171,653	
EI	Extraordinary item - Net			301,385	
TR	Total General Revenues			<u>101,193,158</u>	
CN	Change in Net Position			14,907,493	
NB	Net Position - Beginning			218,801,017	
	Restatements			<u>(6,889,355)</u>	
NE	Net Position - Ending			<u>\$ 226,819,155</u>	

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2025

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
ASSETS				
1110	Cash and Cash Equivalents	\$ 10,335,648	\$ 3,106,815	\$ 13,442,463
1120	Investments	110,806,273	-	110,806,273
1220	Property Taxes Receivable, Net	5,368,318	-	5,368,318
1230	Allowance for Uncollectible Taxes	(2,508,557)	-	(2,508,557)
1240	Due from Other Governments	6,876,855	683,971	7,560,826
1250	Accrued Interest	34,030	-	34,030
1260	Due from Other Funds	860,717	164,926	1,025,643
1290	Other Receivables	435	-	435
1300	Inventories	98,280	-	98,280
1410	Prepaid Items	659,272	-	659,272
1000	Total Assets	<u>\$ 132,531,271</u>	<u>\$ 3,955,712</u>	<u>\$ 136,486,983</u>
LIABILITIES				
2110	Accounts Payable	\$ 3,302,194	\$ 92,009	\$ 3,394,203
2160	Accrued Wages Payable	3,412,091	26,186	3,438,277
2170	Due to Other Funds	784,333	860,717	1,645,050
2180	Due to Other Governments	5,537	-	5,537
2200	Accrued Expenses	58,219	3,057	61,276
2300	Unearned Revenue	24,014	112,143	136,157
2000	Total Liabilities	<u>7,586,388</u>	<u>1,094,112</u>	<u>8,680,500</u>
DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenues - Property Taxes	2,436,674	-	2,436,674
2600	Total Deferred Inflows of Resources	<u>2,436,674</u>	<u>-</u>	<u>2,436,674</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	98,280	-	98,280
3430	Prepaid Items	659,272	-	659,272
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restrictions	241,200	-	241,200
Committed Fund Balance:				
3510	Construction	46,564,921	-	46,564,921
3545	Other Committed Fund Balance	34,166,670	-	34,166,670
3600	Unassigned Fund Balance	40,777,866	2,861,600	43,639,466
3000	Total Fund Balances	<u>122,508,209</u>	<u>2,861,600</u>	<u>125,369,809</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 132,531,271</u>	<u>\$ 3,955,712</u>	<u>\$ 136,486,983</u>

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

	Total Fund Balances - Governmental Funds	\$ 125,369,809
1	Capital assets (including right-to-use leases) of \$199,040,864 net of accumulated depreciation/amortization of (\$71,137,827) are not financial resources, and therefore, are not reported as assets in governmental funds. This results in an increase in net position.	127,903,037
2	Long-term liabilities, including leases of (\$123,036) and compensated absences of (\$3,306,632) are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds.	(3,429,668)
3	Property tax receivables of \$2,436,672 are not currently available and are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	2,436,672
4	Included in 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 deferred resources outflow in the amount of \$3,116,529, a deferred resources inflow in the amount of (\$940,506), and a net pension liability in the amount of (\$10,419,464). This resulted in a decrease in net position.	(8,243,441)
5	Included in items related to debt is the recognition of the District's proportionate share of the net other post-employment benefits (OPEB) liability required by GASB 75. The net position related to TRS included deferred resources outflow in the amount of \$5,831,593, a deferred resources inflow in the amount of (\$11,423,481), and a net OPEB liability in the amount of (\$11,625,366). This resulted in a decrease in net position.	(17,217,254)
6	Net Position of Governmental Activities	\$ 226,819,155

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 52,241,189	\$ 846,476	\$ 53,087,665
5800 State Program Revenues	53,079,620	856,877	53,936,497
5900 Federal Program Revenues	2,848,881	3,886,357	6,735,238
5020 Total Revenues	<u>108,169,690</u>	<u>5,589,710</u>	<u>113,759,400</u>
EXPENDITURES:			
Current:			
11 Instruction	39,285,327	3,999,289	43,284,616
12 Instructional Resources and Media Services	1,210,065	-	1,210,065
13 Curriculum and Instructional Staff Development	546,876	336,704	883,580
21 Instructional Leadership	2,521,284	337,877	2,859,161
23 School Leadership	4,133,287	4,120	4,137,407
31 Guidance, Counseling and Evaluation Services	3,590,896	1,530,962	5,121,858
32 Social Work Services	291,992	54,000	345,992
33 Health Services	631,055	-	631,055
34 Student (Pupil) Transportation	8,811,022	-	8,811,022
35 Food Service	3,548,614	-	3,548,614
36 Extracurricular Activities	2,529,312	-	2,529,312
41 General Administration	4,957,789	73,784	5,031,573
51 Facilities Maintenance and Operations	15,588,268	533,063	16,121,331
52 Security and Monitoring Services	3,220,885	-	3,220,885
53 Data Processing Services	2,076,104	-	2,076,104
61 Community Services	-	35,285	35,285
Debt Service:			
71 Principal on Long-Term Debt	191,954	-	191,954
72 Interest on Long-Term Debt	6,296	-	6,296
Capital Outlay:			
81 Facilities Acquisition and Construction	20,824,752	-	20,824,752
Intergovernmental:			
93 Payment to Fiscal Agent of SSA	345,365	-	345,365
99 Other Intergovernmental Charges	633,721	-	633,721
6030 Total Expenditures	<u>114,944,864</u>	<u>6,905,084</u>	<u>121,849,948</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(6,775,174)</u>	<u>(1,315,374)</u>	<u>(8,090,548)</u>
OTHER FINANCING SOURCES (USES):			
7915 Transfers in	742,856	17	742,873
8911 Transfers out	(739,627)	(3,246)	(742,873)
7080 Total Other Financing Sources (Uses)	<u>3,229</u>	<u>(3,229)</u>	<u>-</u>
EXTRAORDINARY ITEMS			
7919 Extraordinary Items	301,385	-	301,385
Total Other Financing Sources (Uses)	<u>301,385</u>	<u>-</u>	<u>301,385</u>
1200 Net Change in Fund Balances	(6,470,560)	(1,318,603)	(7,789,163)
0100 Fund Balance - (Beginning)	128,299,800	4,519,683	132,819,483
1300 Restatements	678,969	(339,480)	339,489
3000 Fund Balance - (Ending)	<u>\$ 122,508,209</u>	<u>\$ 2,861,600</u>	<u>\$ 125,369,809</u>

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
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, 2025

	Total Net Change in Fund Balances - Governmental Funds	\$ (7,789,163)
1	Capital outlays are reported in the governmental funds as expenditures. In the statement of activities these costs totaling \$26,443,191 are capitalized. The cost of capital assets is allocated over their useful lives as depreciation expense which totaled (\$5,950,849) for the year. Assets retired during the period resulted in a decrease of net position of (\$2,861).	20,489,481
2	Because some property taxes receivables will not be collected for several months after the District's year end, they are not considered "available" revenues in the governmental funds. This is the change in unavailable revenue.	1,351,736
3	Repayment of principal on long-term debt is an expenditure in the funds but is not an expense in the statement of activities.	191,954
4	Compensated absences expenses are reported in the statement of activities do not require the use of current financial measurement resources and, therefore, are not reported as expenditures in the governmental funds.	(809,794)
5	GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$1,187,916. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net pension liability. This caused a decrease in net position totaling \$(959,526). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$(463,118). The net results is a decrease in the change in net position.	(234,728)
6	GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resources outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$398,542. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability. This caused a decrease in net position totaling \$(346,752). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$1,656,217. The net results is an increase in the change in net position.	1,708,007
7	Change in Net Position of Governmental Activities	\$ 14,907,493

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
AUGUST 31, 2025

	Governmental Activities
	Total Internal Service Funds
ASSETS	
Current Assets:	
Other receivables	\$ 47,162
Total Current Assets	47,162
Total Assets	47,162
LIABILITIES	
Accounts Payable	47,162
Total Liabilities	47,162
NET POSITION	
Unrestricted Net Position	-
Total Net Position	\$ -

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Governmental Activities Total Internal Service Funds
OPERATING REVENUES:	
Local and Intermediate Sources	\$ 47,162
Total Operating Revenue	47,162
OPERATING EXPENSES:	
Insurance Claims and Expenses	47,162
Total Operating Expenses	47,162
Operating Income (Loss)	-
Change in Net Position	-
Total Net Position - Beginning	-
Total Net Position - Ending	\$ -

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2025

	Governmental Activities
	Total Internal Service Funds
<u>Cash Flows from Operating Activities:</u>	
Cash Received from User Charges	\$ -
Net Cash Provided By Operating Activities	-
Net increase in Cash and Cash Equivalents	-
Cash and Cash Equivalents at Beginning of Year	-
Cash and Cash Equivalents at End of Year	\$ -
<u>Reconciliation of Operating Income to Net Cash Provided By Operating Activities:</u>	
Operating Income (Loss):	\$ -
Effects of Increases and Decreases in Current Assets and Liabilities:	
Decrease (increase) in Receivables	(47,162)
Increase (decrease) in Accounts Payable	47,162
Net Cash Provided By Operating Activities	\$ -

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

	Custodial Funds
ASSETS	
Cash and Cash Equivalents	\$ 179,655
Due from Other Funds	619,407
Total Assets	799,062
LIABILITIES	
Accounts Payable	631,781
Payroll Deductions and Withholdings Payable	360
Total Liabilities	632,141
NET POSITION	
Restricted for Student Activities	166,921
Total Net Position	\$ 166,921

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Funds
ADDITIONS:	
Miscellaneous Revenue - Student Activities	\$ 381,634
Contributions, Gifts and Donations	<u>6,095</u>
Total Additions	<u>387,729</u>
DEDUCTIONS:	
Miscellaneous Deductions	<u>394,323</u>
Total Deductions	<u>394,323</u>
Change in Net Position	(6,594)
Total Net Position - Beginning	<u>173,515</u>
Total Net Position - Ending	<u><u>\$ 166,921</u></u>

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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 Directors (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 Directors (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 the 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.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Governmental Funds:

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 types:

Special Revenue Funds - 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 special revenue funds, 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.

Proprietary Fund:

Internal Service Fund - Revenues and expenses related to services provided to organizations inside the District on a cost reimbursement basis are accounted for in an internal service fund. The District established an internal service fund to account for the operations of the District's self-funded employee health insurance plan set to begin operations in fiscal year 2026. Start up costs were incurred in the current fiscal year.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. 101, *Compensated Absences*. 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.

The District adopted GASB Statement No. 102, *Certain Risk Disclosures*. 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 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. GASB Statement No. 102 did not have a material impact on the District's financial statements.

Future Accounting Standards

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

- *Statement No. 103, Financial Reporting Model Improvements*
- *Statement No. 104 Disclosure of Certain Capital Assets*

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

Future Accounting Standards (Continued)

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 assets 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.

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 Agriculture.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

Capital Assets (Continued)

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

Asset Class	Estimated Useful Lives
Buildings and improvements	40
Furniture and equipment	
Buses	10
Other vehicles	7
Equipment	5

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

Government-wide Net Position (Continued)

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.

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.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

Fair Value Measurement (Continued)

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 (expenditures/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.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources (Continued)

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 and Other Post-Employment Benefits

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.

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
AUGUST 31, 2025

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Directors adopts an "appropriated budget" for the General 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 food service budget in Exhibit J-2.

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

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At August 31, 2025, the District did not have expenditures over appropriations by function.

C. DEFICIT FUND EQUITY

For the fiscal year ended August 31, 2025 the District did not have deficit fund equity.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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, 2025, the following are the District's cash and cash equivalents with respective maturities of less than one year.

Carrying amount of deposits	\$	13,442,463
Investments		
Plains Capital Certificates of Deposit		15,682,000
LoneStar Investment Pool		94,273,190
TexPool		851,083
Cash and investments statement of net position	\$	<u>124,248,736</u>

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

A. DEPOSITS AND INVESTMENTS (Continued)

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 the 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, 2025, the District's investments in Lonestar Investment Pool and TexPool were rated AAAM by Standard and Poor's (S&P).

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, 2025, the District had the following investments:

<u>Current Investments</u>	<u>Governmental Activities</u>	<u>Credit Rating</u>	<u>Exposure</u>	<u>Weighted Average Maturity (Days)</u>
<i>Reported at Amortized Cost</i>				
PlainsCapital CDs	\$ 15,682,000	N/A	14.15%	
LoneStar Investment Pool				
Corporate Overnight Fund	1,265,610	AAAm	1.14%	44
Corporate Overnight Fund Plus	93,007,540	AAAm	83.94%	52
Government Overnight Fund	40	AAAm	0.00%	26
TexPool	851,083	AAAm	0.77%	41
	<u>\$ 110,806,273</u>		<u>100%</u>	

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

A. DEPOSITS AND INVESTMENTS (Continued)

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.

The District had investments in two external local governmental investment pool at August 31, 2025, 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
AUGUST 31, 2025

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 was 4%; however the uncollectible levy for prior year taxes receivable was modified due to the collection rate. The average collection rate for delinquent property taxes for the 2022, 2023, and 2024 tax year was 27% for Hidalgo County, 34% for Cameron County and 19% for Willacy County.

Property tax receivables at August 31, 2025 are as follows:

	General Fund	Other Funds	Total
Property taxes receivable	5,368,318	\$ -	\$ 5,368,318
Less: allowance for uncollectible	(2,508,557)	-	(2,508,557)
Property taxes receivable, net	\$ 2,859,761	\$ -	\$ 2,859,761

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, 2025, are summarized below.

	General Fund	Other Funds	Total
Due from other governments			
Texas Education Agency	\$ 6,349,653	\$ 660,147	\$ 7,009,800
Texas Workforce Commission	-	18,926	18,926
TCEQ	351,288	-	351,288
Other	175,914	4,898	180,812
Total due from other governments	\$ 6,876,855	\$ 683,971	\$ 7,560,826

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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, 2025 is as follows:

Receivable Fund:	Total	Payable Fund:	Total
General Fund	\$ 860,717	Nonmajor funds	\$ 860,717
Nonmajor funds	164,926	General fund	164,926
Custodial fund	619,407	General fund	619,407
Total Due From Other Funds	\$ 1,645,050	Total Due To Other Funds	\$ 1,645,050

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, 2025 were as follows:

Transfers In	Transfers Out			Total Transfers In
	General Fund (199)	Debt Service	Capital Projects	
General Fund (101)	\$ 739,627	\$ 3,229	\$ -	\$ 742,856
Debt Service	-	-	17	17
Total Transfers Out	\$ 739,627	\$ 3,229	\$ 17	\$ 742,873

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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, 2025 was as follows:

	Beginning Balance 9/1/2024	Increases	Decreases	Transfers In/out	Ending Balance 8/31/2025
Governmental activities:					
Capital Assets, Not Being Depreciated:					
Land	\$ 2,150,074	\$ 60,000	\$ -	\$ -	\$ 2,210,074
Construction in Progress	20,070,890	20,298,555	-	(16,791,960)	23,577,485
Total Capital Assets, Not Being Depreciated	<u>22,220,964</u>	<u>20,358,555</u>	<u>-</u>	<u>(16,791,960)</u>	<u>25,787,559</u>
Capital Assets, Being Depreciated:					
Buildings and Improvements	127,297,372	466,197	-	16,791,960	144,555,529
Furniture and Equipment	22,954,993	5,618,439	(395,843)	-	28,177,589
Total Capital Assets, Being Depreciated	<u>150,252,365</u>	<u>6,084,636</u>	<u>(395,843)</u>	<u>16,791,960</u>	<u>172,733,118</u>
Less Accumulated Depreciation For:					
Buildings and Improvements	(52,102,672)	(3,399,206)	-	-	(55,501,878)
Furniture and Equipment	(13,258,603)	(2,378,706)	392,984	-	(15,244,325)
Total Accumulated Depreciation	<u>(65,361,275)</u>	<u>(5,777,912)</u>	<u>392,984</u>	<u>-</u>	<u>(70,746,203)</u>
Total Capital Assets, Being Depreciated, Net	<u>84,891,090</u>	<u>306,724</u>	<u>(2,859)</u>	<u>16,791,960</u>	<u>101,986,915</u>
Right-to-use Lease Assets Being Amortized:					
Furniture and Equipment	520,187	-	-	-	520,187
Less accumulated amortization	(218,687)	(172,937)	-	-	(391,624)
Total Right-to-use Assets Being Amortized, Net	<u>301,500</u>	<u>(172,937)</u>	<u>-</u>	<u>-</u>	<u>128,563</u>
Governmental Activities Capital Assets, net	<u>\$ 107,413,554</u>	<u>\$ 20,492,342</u>	<u>\$ (2,859)</u>	<u>\$ -</u>	<u>\$ 127,903,037</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

E. CAPITAL ASSET ACTIVITY (Continued)

Depreciation and amortization expense was charged to governmental functions as follows:

	<u>Depreciation</u>	<u>Amortization</u>
11 Instruction	\$ 2,539,784	\$ 76,018
12 Instructional Resources and Media	78,233	2,342
13 Curriculum Development & Instructional Staff Development	35,355	1,058
21 Instructional Development	156,732	4,691
23 School Leadership	267,217	7,998
31 Guidance and Counseling Services	232,151	6,948
32 Social Work Services	18,876	565
33 Health Services	40,798	1,221
34 Student (Pupil) Transportation	569,633	17,050
35 Food Service	4,865	146
36 Cocurricular/Extracurricular Activities	163,521	4,894
41 General Administration	320,518	9,593
51 Facilities Maintenance and Operations	1,007,778	30,164
52 Security and Monitoring Services	208,230	6,232
53 Data Processing Services	134,221	4,017
Total depreciation and amortization	\$ 5,777,912	\$ 172,937

F. LONG-TERM OBLIGATIONS

Leases

Leases payable at August 31, 2025 are as follows:

Leases of 48 copiers from Xerox corporation with monthly payments for each copier ranging from \$24.28 to \$833.08. All leases have a 36 month term with the latest extending through December 2026. Interest is imputed at 8.5%.	\$ 123,036
Total	\$ 123,036

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

F. LONG-TERM OBLIGATIONS (Continued)

Debt service requirements for leases are as follows:

<u>Year Ended August 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2026	\$ 120,366	\$ 1,870	\$ 122,236
2027	2,670	26	2,696
	<u>\$ 123,036</u>	<u>\$ 1,896</u>	<u>\$ 124,932</u>

Compensated Absences

Employees of the District earn state and local days for compensated absences in accordance with board policy. Under GASB Statement No. 101, *Compensated Absences*, the District recognizes a liability for leave that is attributable to services already rendered, accumulates from period to period, and is probable of resulting in payment, either through cash settlement or paid time off.

The liability for compensated absences includes amounts expected to be paid upon termination or retirement as well as benefits expected to be used for time off. The liability is measured using the pay rates and benefit costs in effect at the reporting date.

At August 31, 2025, the District recognized a liability of \$3,306,632, of which \$918,233 is expected to be paid or used as paid time off by employees within one year.

Long-term Debt

Changes in long-term debt obligations for the year ended August 31, 2025 are as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Lease liability	\$ 314,990	\$ -	\$ (191,954)	\$ 123,036	\$ 120,366
Compensated Absences	2,496,838	809,794	-	3,306,632	918,233
Net Pension Liability	11,632,009	-	(1,212,545)	10,419,464	-
Net OPEB Liability	8,424,489	3,200,877	-	11,625,366	-
	<u>\$ 22,868,326</u>	<u>\$ 4,010,671</u>	<u>\$ (1,404,499)</u>	<u>\$ 25,474,498</u>	<u>\$ 1,038,599</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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

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 in the 2024-2025 school year and included South Texas ISD, Rio Hondo ISD and La Villa ISD. Santa Maria ISD and San Perlita ISD joined the cooperative in the 2025-2026 fiscal year; however, expenditures for the month of August 2025 are reflected below. Expenditures of the SSA are summarized below:

Participants	Expenditures
South Texas ISD	\$ 275,506
Rio Hondo ISD	425,190
La Villa ISD	137,669
Santa Maria ISD	3,096
San Perlita ISD	1,804
	\$ 843,265

H. DEFINED BENEFIT PENSION PLAN

Plan Description. The District participates in a multiple-employer, cost-sharing, 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/learning-resources/publications> by writing to TRS at attention Finance Division, PO Box 149676, Austin, TX, 78714-0185; or by calling 1-800-223-8778.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

H. DEFINED BENEFIT PENSION PLAN (Continued)

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 in (A) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-time Stipends. Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time \$7,500 stipend to eligible annuitants who are 75 years or age or older.
- A one-time \$2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment. A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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
 AUGUST 31, 2025

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	
	2024	2025
Member (Employee)	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers (District)	8.25%	8.25%
Current fiscal year employer contributions		\$ 1,187,916
Current fiscal year member contributions		\$ 4,127,020
NECE on-behalf contributions		\$ 3,479,781

Contributors to the plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is also the employer for senior colleges and universities, medical schools, and other entities, including TRS. In each respective role, 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 (public schools, junior colleges, other entities, or the State of Texas as the employer for senior colleges, universities and medical 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 of all of an employee’s salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees and 100% of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is a surcharge an employer is subject to.

- All public schools, charter schools, and regional education service centers must contribute 1.9% of the member’s salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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

H. DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions. The total pension liability in the August 31, 2023 actuarial valuation rolled forward to August 31, 2024 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term Expected Rate	7.00%
Municipal Bond Rate as of August 2023	3.87% - The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.
Last year ending August 31 in Projection Period (100 years)	2123
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, 2023. For a full description of these assumptions please see the TRS actuarial valuation report dated November 21, 2023.

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 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

H. DEFINED BENEFIT PENSION PLAN (Continued)

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, 2024 summarized below:

Asset Class	Target Allocation** %	Long-Term Expected Arithmetic Real Rate of Return***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity*	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Absolute Return*	0.00%	4.00%	0.00%
Stable Value Hedge	5.00%	3.00%	0.20%
Real Return:			
Real Estate	15.00%	6.60%	1.20%
Energy, natural resources & Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation expectation			2.40%
Volatility Drag****			-0.70%
Total	100.0%		7.90%

*Absolute Return includes Credit Sensitive Investments.

** Target allocations are based on the FY2024 policy model.

*** Capital Market Assumptions come from 2024 SAA Study CMA Survey (as of 12/31/2023)

****The volatility drag results from the conversion between arithmetic and geometric mean returns

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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 net pension liability.

	1% Decrease (6.00%)	Current Single Discount Rate (7.00%)	1% Increase (8.00%)
District's proportional share of the net pension liability	\$16,642,524	\$10,419,464	\$5,263,216

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions. On August 31, 2024, the District reported a liability of \$10,419,464 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 were as follows:

District's proportionate share of the net pension liability	\$ 10,419,464
State's proportionate share of the net pension liability associated with the District	37,718,939
Total	\$ 48,138,403

The net pension liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 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, 2023 through August 31, 2024.

On August 31, 2024 the employer's proportion of the collective net pension liability was 0.0170575499% which was an increase of 0.0001235724% from its proportion measured as of August 31, 2023.

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.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of \$1.645 billion for one-time stipends and \$3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

H. DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended August 31, 2024, the District recognized pension expense of \$5,930,688 and revenue of \$4,508,044 for support provided by the State.

At August 31, 2025, 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 actuarial experience	\$ 574,307	\$ 81,350
Changes in actuarial assumptions	537,979	72,125
Differences between projected and actual investment earnings	63,336	-
Changes in proportion and differences between District contributions and proportionate share of contributions	752,991	787,031
Contributions paid to TRS subsequent to the measurement date	1,187,916	-
Total	\$ 3,116,529	\$ 940,506

The District recognized \$1,187,916 as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of net pension liability in the measurement year ended August 31, 2025. 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,	Amount
2026	\$ 21,421
2027	1,177,178
2028	116,596
2029	(369,553)
2030	42,466
Thereafter	(1)
	\$ 988,107

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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

I. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined other post-employment benefit (OPEB) plan that has a special funding situation. The 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 <https://www.trs.texas.gov/learningresources/publications>; by writing to TRS at P.O. Box 149676, Austin, Texas, 78714-0185; or by calling (800) 223-8778.

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 retirees are reflected in the following table.

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
 AUGUST 31, 2025

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

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

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.

	Contribution Rates	
	Plan Fiscal Year	
	2024	2025
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%
Employer contributions (District)		\$ 398,542
Member (Employee)		325,162
Non-employer contributing agency (State)		435,938

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.

Actuarial Assumptions. The total OPEB liability in the August 31, 2023 actuarial valuation was rolled forward to August 31, 2024. 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.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 AUGUST 31, 2025

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

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

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, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024.

Rates of Mortality	Rates of Disability	Rates of Termination
Rates of Retirement	General Inflation	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, 2023 rolled forward to August 31, 2024
Actuarial Cost method	Individual Entry Age Normal
Inflation	2.30%
Single discount rate	3.87% as of August 31, 2024
Aging factors	Based on the Society Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Salary increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

Discount Rate. A single discount rate of 3.87% was used to measure the total OPEB liability. This was an decrease of 0.26 percent in the discount rate since the previous year.

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 Bond Buyer's "20-Bond GO Index" as of August 31, 2024, using the Fixed Income 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
AUGUST 31, 2025

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate 2.87%	Current Single Discount Rate 3.87%	1% Increase in Discount Rate 4.87%
District's proportional share of the net OPEB liability	\$13,811,478	\$11,625,366	\$9,858,955

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportional share of the net OPEB liability	\$9,467,135	\$11,625,366	\$14,437,757

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 \$11,625,366 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 net OPEB liability	\$ 11,625,366
State's proportionate share of the net OPEB liability associated with the District	14,566,426
Total	\$ 26,191,792

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024 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, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net OPEB liability was 0.0383024028% which was an increase of 0.0002484996% from its proportion measured as of August 31, 2023.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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

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

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

- The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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

For the year ended August 31, 2025, the District recognized OPEB expense of (\$3,202,832) and revenue of (\$1,893,367) for support provided by the State.

At August 31, 2025, 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	\$ 2,228,192	\$ 5,801,688
Changes in actuarial assumptions	1,487,910	3,793,222
Differences between projected and actual investment earnings	-	32,555
Changes in proportion and differences between District contributions and the proportionate share of contributions	1,716,949	1,796,016
Contributions paid to TRS subsequent to the measurement date	398,542	-
Total	\$ 5,831,593	\$ 11,423,481

The District recognized \$398,542 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the measurement year ended August 31, 2025. The net amount of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31,	OPEB Expense Amount
2025	\$ (1,610,896)
2026	(1,084,367)
2027	(1,368,683)
2028	(1,149,941)
2029	(631,013)
Thereafter	(145,530)
	\$ (5,990,430)

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

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, 2025, employees of the District were covered by the state-wide health insurance plan, TRS Active Care. The District contributed up to \$984 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](https://trs.texas.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, 2025, 2024, and 2023 were \$339,552, \$235,922, and \$225,567 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.

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

L. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

At August 31, 2025, the District had the following remaining construction commitments:

Project Name	Authorized	Expended	Remaining Commitment
Rising Scholars Academy - Land	\$ 6,806,250	\$ 60,000	\$ 6,746,250
Rising Scholars Academy - New Campus	13,193,750	93,132	13,100,618
Athletic Facilities	12,698,826	10,850,117	1,848,709
Science Academy - CTE Automotive	2,000,000	402,617	1,597,383
Medical Professions - Audio Visual	3,119,784	2,974,981	144,803
Health Professions - Gym	5,665,433	5,192,116	473,317
Portable Buildings	885,782	589,132	296,650
Maintenance Facility	3,800,000	-	3,800,000
Special Programs Building	5,000,000	-	5,000,000
Health Professions - Entrance & Other	753,381	520,331	233,050
Total	<u>\$ 53,923,206</u>	<u>\$ 20,682,426</u>	<u>\$ 33,240,780</u>

M. FUND BALANCE

The District has classified its fund balances as follows:

	General Fund	Other Funds			Total Governmental Funds
		Special Revenue Funds	Debt Service Funds	Capital Projects Funds	
Fund Balances					
Nonspendable					
Inventories	\$ 98,280	\$ -	\$ -	\$ -	\$ 98,280
Prepaid items	659,272	-	-	-	659,272
Restricted					
Grant Restriction	241,200	-	-	-	241,200
Committed					
Construction	46,564,921	-	-	-	46,564,921
Projects	34,166,670	-	-	-	34,166,670
Unassigned	40,777,866	2,861,600	-	-	43,639,466
Total Fund Balances	<u>\$ 122,508,209</u>	<u>\$ 2,861,600</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 125,369,809</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

N. RESTATEMENT OF BEGINNING BALANCES

The District's beginning net position and fund balances as of September 1, 2024 have been restated to reflect a change within the reporting entity, corrections of errors and the implementation of a new accounting standard. The following is a summary of these restatements:

	Governmental Funds		
	10	240	
	General Fund	National Breakfast and Lunch Program	Governmental Activities
Beginning fund balance/net position, as previously reported	\$ 128,299,800	\$ 339,480	\$218,801,017
Change in Reporting Entity: In the prior year, the activities of the National Breakfast and Lunch Program were accounted for in a special revenue fund (Fund 240). In the current year, these activities were accounted for in fund 101, which is part of the general fund.	339,480	(339,480)	-
Correction of an error: To account for property tax revenue that should have been recognized as revenue in the prior year.	339,489	-	-
Correction of an Error: To correct accumulated depreciation of capital assets.	-	-	(4,390,905)
Correction of an Error: To correct the effect of duplicated leased assets.			
Duplicated leased assets:	-	-	(379,637)
Duplicated accumulated amortization on leased assets:	-	-	378,025
Implementation of New Accounting Standard: GASB Statement No. 101, <i>Compensated Absences</i> .	-	-	(2,496,838)
Total Restatements	<u>678,969</u>	<u>(339,480)</u>	<u>(6,889,355)</u>
Beginning fund balance/net position, as restated	<u>\$ 128,978,769</u>	<u>\$ -</u>	<u>\$211,911,662</u>

O. EXTRAORDINARY ITEM

On April 28, 2023, the District submitted an insurance claim for damage to the World Scholars High School and Health Professions due to lightning. The building automation system for the HVAC units sustained damage from a power outage during a storm. On March 12, 2025, the District received \$301,385 from this claim for repairs.

P. RELATED PARTIES

The District has a vendor who has a relationship with a member of the Board of Directors. During the fiscal year ended August 31, 2025, the District paid this vendor \$1,665,399. The transactions were conducted in the ordinary course of business.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
AUGUST 31, 2025

Q. SUBSEQUENT EVENTS

The District has evaluated subsequent events through December 16, 2025, which is the date these financial statements were available to be issued. There are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

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SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Actual Amounts	Variance With Final Budget	
	Original	Final	(GAAP Basis)	Positive or (Negative)	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 48,663,800	\$ 50,646,000	\$ 52,241,189	\$ 1,595,189
5800	State Program Revenues	50,206,788	52,808,702	53,079,620	270,918
5900	Federal Program Revenues	2,682,636	2,682,636	2,848,881	166,245
5020	Total Revenues	<u>101,553,224</u>	<u>106,137,338</u>	<u>108,169,690</u>	<u>2,032,352</u>
EXPENDITURES:					
Current:					
0011	Instruction	44,469,330	41,689,200	39,285,327	2,403,873
0012	Instructional Resources and Media Services	1,414,200	1,414,200	1,210,065	204,135
0013	Curriculum and Instructional Staff Development	989,038	1,077,038	546,876	530,162
0021	Instructional Leadership	2,632,200	2,689,200	2,521,284	167,916
0023	School Leadership	4,280,890	4,354,233	4,133,287	220,946
0031	Guidance, Counseling and Evaluation Services	4,464,590	4,129,590	3,590,896	538,694
0032	Social Work Services	386,863	386,863	291,992	94,871
0033	Health Services	645,079	675,079	631,055	44,024
0034	Student (Pupil) Transportation	9,244,800	10,216,200	8,811,022	1,405,178
0035	Food Service	3,035,600	4,106,986	3,548,614	558,372
0036	Extracurricular Activities	2,260,928	2,727,840	2,529,312	198,528
0041	General Administration	6,292,900	6,231,181	4,957,789	1,273,392
0051	Facilities Maintenance and Operations	15,117,870	17,188,316	15,588,268	1,600,048
0052	Security and Monitoring Services	2,771,600	3,761,200	3,220,885	540,315
0053	Data Processing Services	2,930,936	2,930,936	2,076,104	854,832
0061	Community Services	-	-	-	-
Debt Service:					
0071	Principal on Long-Term Debt	229,800	229,800	191,954	37,846
0072	Interest on Long-Term Debt	20,200	20,200	6,296	13,904
0073	Bond Issuance Cost and Fees	-	-	-	-
Capital Outlay:					
0081	Facilities Acquisition and Construction	23,086,000	54,065,533	20,824,752	33,240,781
Intergovernmental:					
0093	Payment to Fiscal Agent of SSA	345,365	345,365	345,365	-
0099	Other Intergovernmental Charges	560,500	649,500	633,721	15,779
6030	Total Expenditures	<u>125,178,689</u>	<u>158,888,460</u>	<u>114,944,864</u>	<u>43,943,596</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(23,625,465)</u>	<u>(52,751,122)</u>	<u>(6,775,174)</u>	<u>45,975,948</u>
OTHER FINANCING SOURCES (USES):					
7915	Transfers in	-	1,439,800	742,856	(696,944)
8911	Transfers out	-	(1,548,116)	(739,627)	808,489
7080	Total Other Financing Sources (Uses)	<u>-</u>	<u>(108,316)</u>	<u>3,229</u>	<u>111,545</u>
EXTRAORDINARY ITEMS					
7919	Extraordinary Items	-	301,385	301,385	-
	Total Other Financing Sources (Uses)	<u>-</u>	<u>301,385</u>	<u>301,385</u>	<u>-</u>
1200	Net Change in Fund Balances	(23,625,465)	(52,859,438)	(6,470,560)	46,388,878
0100	Fund Balance - (Beginning)	-	-	128,299,800	128,299,800
1300	Restatements	-	-	678,969	678,969
3000	Fund Balance - (Ending)	<u>\$ (23,625,465)</u>	<u>\$ (52,859,438)</u>	<u>\$ 122,508,209</u>	<u>\$ 175,367,647</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	2024	2023	2022	2021
District's proportion of the net pension liability	0.017057550%	0.016933978%	0.019040004%	0.016256801%
District's proportionate share of the net pension liability	\$ 10,419,464	\$ 11,632,009	\$ 11,303,561	\$ 4,140,032
State's proportionate share of the net pension liability associated with the District	37,718,939	42,192,183	37,486,485	16,175,626
Total	<u>\$ 48,138,403</u>	<u>\$ 53,824,192</u>	<u>\$ 48,790,046</u>	<u>\$ 20,315,658</u>
District's Covered Payroll	\$ 44,769,858	\$ 42,114,594	\$ 41,303,768	\$ 37,479,436
District's Proportionate Share of the Net Pension Liability as a percentage of its Covered Payroll	23.27%	27.62%	27.37%	11.05%

EXHIBIT G-2

Measurement Year Ended August 31,

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
0.015525927%	0.017322918%	0.017498019%	0.017745746%	0.017104145%	0.015819300%
\$ 8,315,370	\$ 9,004,994	\$ 9,631,334	\$ 5,674,134	\$ 6,463,402	\$ 5,591,912
<u>35,656,218</u>	<u>34,347,204</u>	<u>36,830,983</u>	<u>21,691,440</u>	<u>24,107,596</u>	<u>20,500,455</u>
<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>
\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263	\$ 26,212,695
22.01%	25.00%	27.70%	16.83%	21.10%	21.33%

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTION FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually required contributions	\$ 1,187,916	\$ 959,526	\$ 871,235
Contributions in relation to the contractual required contributions	<u>(1,187,916)</u>	<u>(959,526)</u>	<u>(871,235)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 50,024,554	\$ 44,769,858	\$ 42,114,594
Contributions as a percentage of covered payroll	2.37%	2.14%	2.07%

EXHIBIT G-3

<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 757,758	\$ 676,353	\$ 640,057	\$ 606,721	\$ 589,475	\$ 581,602	\$ 543,442
<u>(757,758)</u>	<u>(676,353)</u>	<u>(640,057)</u>	<u>(606,721)</u>	<u>(589,475)</u>	<u>(581,602)</u>	<u>(543,442)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 41,303,768	\$ 37,479,436	\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263
1.83%	1.80%	1.69%	1.68%	1.70%	1.72%	1.77%

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	2024	2023	2022
District's proportion of the net liability for OPEB	0.0383024028%	0.0380539032%	0.0408009671%
District's proportionate share of the net OPEB liability	\$ 11,625,366	\$ 8,424,489	\$ 9,769,386
State's proportionate share of the net OPEB liability associated with the District	14,566,426	10,165,441	11,917,116
Total	<u>\$ 26,191,792</u>	<u>\$ 18,589,930</u>	<u>\$ 21,686,502</u>
District's Covered Payroll	\$ 44,769,858	\$ 42,114,594	\$ 41,303,768
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	25.97%	20.00%	23.65%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%

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.

Measurement Year Ended August 31,				
2021	2020	2019	2018	2017
0.0375289074%	0.0385260634%	0.0394317114%	0.0392505944%	0.0374069210%
\$ 14,476,577	\$ 14,645,496	\$ 18,647,738	\$ 19,598,181	\$ 16,266,867
19,395,386	19,680,037	24,778,674	30,790,614	27,302,058
<u>\$ 33,871,963</u>	<u>\$ 34,325,533</u>	<u>\$ 43,426,412</u>	<u>\$ 50,388,795</u>	<u>\$ 43,568,925</u>
\$ 37,479,436	\$ 37,772,237	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831
38.63%	38.77%	51.77%	56.37%	48.24%
6.18%	4.99%	2.66%	1.57%	0.91%

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Contractually required contributions	\$ 398,542	\$ 346,752	\$ 330,472
Contributions in relation to the contractual required contributions	<u>(398,542)</u>	<u>(346,752)</u>	<u>(330,472)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 50,024,837	\$ 44,769,858	\$ 42,114,594
Contributions as a percentage of covered payroll	0.80%	0.77%	0.78%

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

Fiscal Year Ended August 31,				
2022	2021	2020	2019	2018
\$ 464,842	\$ 335,298	\$ 336,212	\$ 279,809	\$ 270,773
(464,842)	(335,298)	(336,212)	(279,809)	(270,773)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 41,303,768	\$ 37,479,436	\$ 37,772,237	\$ 36,017,459	\$ 34,768,128
1.13%	0.89%	0.89%	0.78%	0.78%

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AUGUST 31, 2025

Budgetary Information

The Board of Directors adopts an “appropriated budget” for the General 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 budgetary comparison schedules is 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 INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2025

Data Control Codes	211 ESEA I, A Improving Basic Programs	212 ESEA Title I, Part C Migrant	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
ASSETS				
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -
1240	Due from Other Governments	274,248	1,375	2,024
1260	Due from Other Funds	-	-	-
1000	Total Assets	<u>\$ 274,248</u>	<u>\$ 1,375</u>	<u>\$ 2,024</u>
LIABILITIES				
2110	Accounts Payable	53,256	24	-
2160	Accrued Wages Payable	-	-	-
2170	Due to Other Funds	220,992	1,351	2,024
2200	Accrued Expenses	-	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	<u>274,248</u>	<u>1,375</u>	<u>2,024</u>
FUND BALANCES				
3600	Unassigned Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities & Fund Balances	<u>\$ 274,248</u>	<u>\$ 1,375</u>	<u>\$ 2,024</u>

**EXHIBIT H-1
(CONTINUED)**

255 ESEA II, A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	313 SSA IDEA, Part B Formula	397 Advanced Placement Incentives	410 State Instructional Materials	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
53,190	32,950	13,597	132,964	-	30,194	138,529
-	-	74,619	3,705	7,542	-	-
<u>\$ 53,190</u>	<u>\$ 32,950</u>	<u>\$ 88,216</u>	<u>\$ 136,669</u>	<u>\$ 7,542</u>	<u>\$ 30,194</u>	<u>\$ 138,529</u>
250	11,659	3,161	8,452	-	-	-
-	-	-	26,186	-	-	-
52,940	21,291	555	98,974	-	30,194	138,529
-	-	-	3,057	-	-	-
-	-	84,500	-	7,542	-	-
<u>53,190</u>	<u>32,950</u>	<u>88,216</u>	<u>136,669</u>	<u>7,542</u>	<u>30,194</u>	<u>138,529</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 53,190</u>	<u>\$ 32,950</u>	<u>\$ 88,216</u>	<u>\$ 136,669</u>	<u>\$ 7,542</u>	<u>\$ 30,194</u>	<u>\$ 138,529</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2025

Data Control Codes	437 SSA Special Education	485 Mckenzie Scott Donation	486 CCMR	Total Nonmajor Special Revenue	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ 2,944,804	\$ -	\$ 2,944,804
1240	Due from Other Governments	4,900	-	-	683,971
1260	Due from Other Funds	20,671	-	58,389	164,926
1000	Total Assets	<u>\$ 25,571</u>	<u>\$ 2,944,804</u>	<u>\$ 58,389</u>	<u>\$ 3,793,701</u>
LIABILITIES					
2110	Accounts Payable	15,207	-	-	92,009
2160	Accrued Wages Payable	-	-	-	26,186
2170	Due to Other Funds	4,868	83,204	43,784	698,706
2200	Accrued Expenses	-	-	-	3,057
2300	Unearned Revenue	5,496	-	14,605	112,143
2000	Total Liabilities	<u>25,571</u>	<u>83,204</u>	<u>58,389</u>	<u>932,101</u>
FUND BALANCES					
3600	Unassigned Fund Balance	-	2,861,600	-	2,861,600
3000	Total Fund Balances	<u>-</u>	<u>2,861,600</u>	<u>-</u>	<u>2,861,600</u>
4000	Total Liabilities & Fund Balances	<u>\$ 25,571</u>	<u>\$ 2,944,804</u>	<u>\$ 58,389</u>	<u>\$ 3,793,701</u>

**EXHIBIT H-1
(CONCLUDED)**

516	518	Total	616	Total
Debt Service	Debt Service	Nonmajor	Capital	Nonmajor
Fund	Fund	Debt Service	Projects Fund	Governmental
	(PFC)	Funds	(PFC)	Funds
\$ 162,011	\$ -	\$ 162,011	\$ -	\$ 3,106,815
-	-	-	-	683,971
-	-	-	-	164,926
<u>\$ 162,011</u>	<u>\$ -</u>	<u>\$ 162,011</u>	<u>\$ -</u>	<u>\$ 3,955,712</u>
-	-	-	-	92,009
-	-	-	-	26,186
162,011	-	162,011	-	860,717
-	-	-	-	3,057
-	-	-	-	112,143
<u>162,011</u>	<u>-</u>	<u>162,011</u>	<u>-</u>	<u>1,094,112</u>
-	-	-	-	2,861,600
-	-	-	-	2,861,600
<u>\$ 162,011</u>	<u>\$ -</u>	<u>\$ 162,011</u>	<u>\$ -</u>	<u>\$ 3,955,712</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	211 ESEA I, A Improving Basic Programs	212 ESEA Title I, Part C Migrant	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES:				
5700	\$ -	\$ -	\$ -	\$ -
5800	-	-	-	-
5900	2,038,708	26,690	-	179,997
5020	<u>2,038,708</u>	<u>26,690</u>	<u>-</u>	<u>179,997</u>
EXPENDITURES:				
Current:				
11	1,923,922	26,690	-	74,531
13	572	-	-	-
21	79,358	-	-	-
23	-	-	-	-
31	-	-	-	105,466
32	-	-	-	-
41	-	-	-	-
51	-	-	-	-
61	34,856	-	-	-
6030	<u>2,038,708</u>	<u>26,690</u>	<u>-</u>	<u>179,997</u>
1100	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915	-	-	-	-
8911	-	-	-	-
7080	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	-	-	-	-
0100	-	-	339,480	-
1300	-	-	(339,480)	-
3000	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	437 SSA Special Education	485 Mckenzie Scott Donation	486 CCMR	Total Nonmajor Special Revenue Funds
REVENUES:				
5700	\$ 843,264	\$ -	\$ -	\$ 843,264
5800	-	-	84,395	856,877
5900	-	-	-	3,886,357
5020	<u>843,264</u>	<u>-</u>	<u>84,395</u>	<u>5,586,498</u>
EXPENDITURES:				
Current:				
11	94,497	1,318,586	-	3,999,289
13	-	-	-	336,704
21	257,519	-	-	337,877
23	-	-	-	4,120
31	417,464	-	84,395	1,530,962
32	-	-	-	54,000
41	73,784	-	-	73,784
51	-	-	-	533,063
61	-	-	-	35,285
6030	<u>843,264</u>	<u>1,318,586</u>	<u>84,395</u>	<u>6,905,084</u>
1100	-	(1,318,586)	-	(1,318,586)
OTHER FINANCING SOURCES (USES):				
7915	-	-	-	-
8911	-	-	-	-
7080	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200	-	(1,318,586)	-	(1,318,586)
0100	-	4,180,186	-	4,519,666
1300	-	-	-	(339,480)
3000	<u>\$ -</u>	<u>\$ 2,861,600</u>	<u>\$ -</u>	<u>\$ 2,861,600</u>

**EXHIBIT H-2
(CONCLUDED)**

516	518	Total Nonmajor Debt Service Funds	616	Total Nonmajor Governmental Funds
Debt Service Fund	Debt Service Fund (PFC)		Capital Projects Fund (PFC)	
\$ -	\$ 3,212	\$ 3,212	\$ -	\$ 846,476
-	-	-	-	856,877
-	-	-	-	3,886,357
-	3,212	3,212	-	5,589,710
-	-	-	-	3,999,289
-	-	-	-	336,704
-	-	-	-	337,877
-	-	-	-	4,120
-	-	-	-	1,530,962
-	-	-	-	54,000
-	-	-	-	73,784
-	-	-	-	533,063
-	-	-	-	35,285
-	-	-	-	6,905,084
-	3,212	3,212	-	(1,315,374)
-	17	17	-	17
-	(3,229)	(3,229)	(17)	(3,246)
-	(3,212)	(3,212)	(17)	(3,229)
-	-	-	(17)	(1,318,603)
-	-	-	17	4,519,683
-	-	-	-	(339,480)
\$ -	\$ -	\$ -	\$ -	\$ 2,861,600

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 AUGUST 31, 2025

	863	865	
	Payroll Clearing	Student Activity Fund	Total Custodial Funds
ASSETS			
Cash and Cash Equivalents	\$ 12,734	\$ 166,921	\$ 179,655
Due from Other Funds	619,407	-	619,407
Total Assets	<u>632,141</u>	<u>166,921</u>	<u>799,062</u>
LIABILITIES			
Accounts Payable	631,781	-	631,781
Payroll Deductions and Withholdings Payable	360	-	360
Total Liabilities	<u>632,141</u>	<u>-</u>	<u>632,141</u>
NET POSITION			
Restricted for Student Activities	-	166,921	166,921
Total Net Position	<u>\$ -</u>	<u>\$ 166,921</u>	<u>\$ 166,921</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 CUSTODIAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2025

	863 Payroll Clearing	865 Student Activity Fund	Total Custodial Funds
ADDITIONS:			
Miscellaneous Revenue - Student Activities	\$ -	\$ 381,634	\$ 381,634
Contributions, Gifts and Donations	-	6,095	6,095
Total Additions	-	387,729	387,729
DEDUCTIONS:			
Miscellaneous Deductions	-	394,323	394,323
Total Deductions	-	394,323	394,323
Change in Net Position	-	(6,594)	(6,594)
Total Net Position - Beginning	-	173,515	173,515
Total Net Position - Ending	\$ -	\$ 166,921	\$ 166,921

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REQUIRED TEA SCHEDULES

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2025**

Last 10 Fiscal Years Ended	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2016 and Prior Years	Various	Various	\$ Various
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	0.049200	0.000000	87,451,205,138
2025 (School Year Under Audit)	0.049200	0.000000	94,114,715,017
1000	TOTALS		

EXHIBIT J-1

(10) Beginning Balance 9/1/2024	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2025	(99) Taxes Refunded Under Section 26.115c
\$ 942,850	\$ -	\$ 47,032	\$ -	\$ (42,381)	\$ 853,437	
128,492	-	9,115	-	(4,269)	\$ 115,108	
141,304	-	12,265	-	(3,919)	\$ 125,120	
172,150	-	16,075	-	(6,239)	\$ 149,836	
202,446	-	21,924	-	(4,854)	\$ 175,668	
259,983	-	37,910	-	(16,004)	\$ 206,069	
392,687	-	96,547	-	10,881	\$ 307,021	
732,335	-	234,778	-	15,186	\$ 512,743	
1,853,808	-	902,816	-	(21,106)	\$ 929,886	
-	46,073,601	44,150,281	-	70,109	\$ 1,993,429	
<u>\$ 4,826,055</u>	<u>\$ 46,073,601</u>	<u>\$ 45,528,743</u>	<u>\$ -</u>	<u>\$ (2,596)</u>	<u>\$ 5,368,317</u>	

\$ 308,135

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL – CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Budgeted Amounts		Amounts (GAAP Basis)	Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 532,000	\$ 132,000	\$ 99,149	\$ (32,851)
5800	State Program Revenues	10,000	10,000	8,495	(1,505)
5900	Federal Program Revenues	2,418,600	2,532,636	2,626,113	93,477
5020	Total Revenues	2,960,600	2,674,636	2,733,757	59,121
EXPENDITURES:					
Current:					
35	Food Services	2,960,600	4,024,636	3,473,317	551,319
6030	Total Expenditures	2,960,600	4,024,636	3,473,317	551,319
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	(1,350,000)	(739,560)	610,440
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	1,439,800	739,627	(700,173)
7080	Total Other Financing Sources (Uses)	-	1,439,800	739,627	(700,173)
1200	Net Change in Fund Balances	-	89,800	67	(89,733)
0100	Fund Balance - (Beginning)	339,480	339,480	339,480	-
3000	Fund Balance - (Ending)	\$ 339,480	\$ 429,280	\$ 339,547	\$ (89,733)

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2025**

Data Control Codes			
Section A: Compensatory Education Programs			
AP1	Did your LEA expend any state compensatory education program state allotment funds during the District's fiscal year?		Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?		Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$	4,138,365
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28, 29, 30)	\$	2,938,608
Section B: Bilingual Education Programs			
AP5	Did your district expend any bilingual education program state allotment funds during the LEA's fiscal year?		Yes
AP6	Does the district have written policies and procedures for its bilingual education program?		Yes
AP7	List the total state allotment funds received for bilingual education programs during the District's fiscal year.	\$	361,637
AP8	List the actual direct program expenditures for bilingual education programs during the District's fiscal year. (PICs 25)	\$	295,535

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REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS

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**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
FOR THE YEAR ENDED AUGUST 31, 2025**

<u>Data Codes</u>		<u>Responses</u>
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 Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	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, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$0

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SINGLE AUDIT SECTION

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INDEPENDENT AUDITOR'S 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*

To the Board of Directors
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 (the District) as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 16, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 the District'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 the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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.

Burton, McCumber, & Longoria L.P.

McAllen, Texas
December 16, 2025

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
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 (the District) 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 the District's major federal programs for the year ended August 31, 2025. The 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, the 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, 2025.

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; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* 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 the 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 the 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 the 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 the 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 generally accepted auditing standards, *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 the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the 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 the 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 the 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.

Burton, McCumber, & Longoria LLP

McAllen, Texas
December 16, 2025

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2025

Section I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s report issued: Unmodified

Internal Control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiencies identified that are not considered to be material weaknesses? _____ yes X none reported

Type of auditor’s report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? _____ yes X no

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
84.010A	Title I Grants to Local Education Agencies
84.367A	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualifies as a low-risk auditee? X yes _____ no

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2025

SECTION II – FINANCIAL STATEMENT FINDINGS

None.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through Texas Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010A	24-610101031916	\$ 41,323
Title I Grants to Local Educational Agencies	84.010A	25-610101031916	2,084,842
Total ALN 84.010A			2,126,165
Migrant Education State Grant Program	84.011A	24-615001031916	21
Migrant Education State Grant Program	84.011A	25-615001031916	27,815
Total ALN 84.011A			27,836
Special Education Cluster (IDEA)			
*Special Education Grants to States	84.027A	25-6600010319166600	1,035,927
*Special Education Grants to States	84.027A	26-6600010319166600	14,895
Total ALN 84.027A			1,050,822
Total Special Education Cluster (IDEA)			1,050,822
Career and Technical Ed - Basic Grants to States	84.048A	25-420006031916	77,735
Total ALN 84.048A			77,735
ESSA Title II, Part A - Supporting Effective Instruction	84.367A	25-694501031916	279,469
Total ALN 84.367A			279,469
English Language Acquisition State Grants	84.365A	25-671001031916	76,743
Total ALN Number 84.365A			76,743
ESSA Title IV, Part A SubPart 1 - Student Support Academic Enrichm	84.424A	24-680101031916	1,109
ESSA Title IV, Part A SubPart 1 - Student Support Academic Enrichm	84.424A	25-680101031916	134,951
Total ALN 84.424A			136,060
Total Passed Through Texas Department of Education			3,774,830
<u>Passed Through Region One Education Service Center</u>			
Effective Advising Planning Grant	84.048A	25-4200327110015	110,000
Total ALN 84.048A			110,000
Total Passed Through Region One Education Service Center			110,000
<u>Passed Through University of Texas Rio Grande Valley</u>			
UTRGV Mental Health Grant	84.184X	5184X230163-23A	161,318
Total ALN 84.184X			161,318
Total Passed Through University of Texas Rio Grande Valley			161,318
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ 4,046,148

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
 FOR THE YEAR ENDED AUGUST 31, 2025

FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(1) Federal Assistance Listing Number	(2a) Pass-Through Entity Identifying Number	(3) Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through State Department of Education</u>			
Child Nutrition Cluster			
*School Breakfast Program	10.553	256TX332N1199	\$ 1,158,763
Total ALN 10.553			<u>1,158,763</u>
*National School Lunch Program	10.555	256TX332N1199	1,236,796
*National School Lunch Program (Non cash assistance)	10.555	031916	32,182
Total ALN 10.555			<u>1,268,978</u>
Total Child Nutrition Cluster			<u>2,427,741</u>
Total Passed Through State Department of Education			<u>2,427,741</u>
<u>Passed Through State Department of Agriculture</u>			
Summer Feeding Program	10.559	031916	44,487
Total ALN 10.559			<u>44,487</u>
*Supply Chain Assistance (SCA)	10.555	226TX400N8903	148,728
Total ALN 10.555			<u>148,728</u>
Total Passed Through State Department of Agriculture			<u>193,215</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>\$ 2,620,956</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,667,104</u>

*Clustered Programs

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED AUGUST 31, 2025

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, 2025, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2025, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2025, the District had no federally funded insurance.

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

Total Federal Awards Expended, per Exhibit K-1	\$	6,667,104
Federal Revenues Distributed Directly		68,134
Total Federal Revenues, per Exhibit C-3	\$	6,735,238