

**SOUTH TEXAS
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
AUGUST 31, 2011

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2011

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
 <u>Basic Financial Statements</u>	
<i>Government Wide Statements:</i>	
A-1 Statement of Net Assets	11
B-1 Statement of Activities	12
<i>Governmental Fund Financial Statements:</i>	
C-1 Balance Sheet	13
C-2 Reconciliation for C-1	14
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	15
C-4 Reconciliation for C-3	16
 <i>Fiduciary Fund Financial Statements:</i>	
E-1 Statement of Fiduciary Net Assets	17
Notes to the Financial Statements	18
 <u>Budget Comparisons</u>	
G-1 Budgetary Comparison Schedule - General Fund	30
G-2 Budgetary Comparison Schedule - Child Nutrition Program	31
 <u>Combining Schedules</u>	
<i>Nonmajor Governmental Funds:</i>	
H-1 Combining Balance Sheet	32
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	36
H-3 Statement of Changes in Assets and Liabilities	40
 <u>Required Supplementary Schedules</u>	
J-1 Schedule of Delinquent Taxes	41
J-2 Schedule of Expenditures for Computation of Indirect Cost	43
J-3 Fund Balance and Cash Flow Calculation Worksheet	44
 <u>Federal Awards Section</u>	
Report Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	45
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133	47
Schedule of Findings and Questioned Costs	49
Summary Schedule of Prior Audit Findings	50
Corrective Action Plan	51
K-1 Schedule of Expenditures of Federal Awards	52
Notes to Schedule of Expenditures of Federal Awards	53

CERTIFICATE OF BOARD

South Texas Independent School District
Name of District

Hidalgo
County

031-916
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, 2011 at a meeting of the Board of Trustees of such school district on the _____ day of December, 2011.

Signature of Board Secretary

Signature of Board President

INDEPENDENT AUDITORS' REPORT

Board of Trustees
South Texas Independent School District
Mercedes, Texas

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, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District as of August 31, 2011, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 22, 2011, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 4 through 10 and the budgetary comparison information on pages 30 and 31, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's financial statements as a whole. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

PATTILLO, BROWN & HILL, LLP

November 22, 2011

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, 2011. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements which begin on page 11.

FINANCIAL HIGHLIGHTS

The District's net assets increased by \$11,044,421 as a result of this year's operations. Net assets of our governmental activities increased by \$11,121,224.

During the year, the District had expenses that were \$11,121,224 less than the \$49,968,616 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$10,341,315.

The General Fund ended the year with a fund balance of \$35,600,651, of which \$7,945,558 is unreserved, undesignated.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Assets 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 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 Assets and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 11. 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 Assets 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 of from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All 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 assets and changes in them. The District's net assets (the difference between assets and liabilities) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net assets 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 Assets and the Statement of Activities, one kind of activity is reported for the District:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

·Governmental funds—Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-

term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Assets 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 Assets and the Statement of Activities. In fact, the District's internal service funds (the other category of proprietary funds) report activities that provide supplies and services for the District's other programs and activities—such as the District's self-insurance programs, the print shop, and transportation.

The District as 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 Assets. 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 ANALYSIS

The District implemented GASB Statement #34 during fiscal year August 31, 2002. Our analysis focuses on the net assets (Table I) and changes in net assets (Table II) of the District's governmental activities.

Net assets of the District's governmental activities increased from \$75,630,172 to \$86,674,593. Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$11,596,325 at August 31, 2011. This increase is relatively significant to the overall operations of the District.

TABLE 1				
		Governmental Activities		
		2011		2010
Current Assets:				
	Cash and cash equivalents	34,481,422		26,236,147
	Property taxes receivable, net	4,175,671		4,105,486
	Allowance for uncollectible taxes	(417,568)		(410,549)
	Due from other government	3,950,779		3,461,871
	Accrued interest	108,400		204,136
	Internal balances	14,151		
	Other receivable	2,700		39,511
	Deferred expenditures/expenditures	4,326		46,307
	Total current assets	42,319,881		33,682,909
Non current assets:				
	Land	3,395,807		2,653,134
	Building	36,357,142		51,170,804
	Furniture & equipment	4,773,780		9,351,051
	Leased property under capital leases	878,870		878,870
	Construction in progress	1,629,079		1,629,079
	Less:			
	Accumulated Depreciation	(23,135,424)		(21,041,451)
	Total noncurrent assets	23,899,254		44,641,487
	Total assets	66,219,135		78,324,396
Current Liabilities				
	Accounts Payable	841,651		1,140,998
	Payroll deductions/withholdings	285,256		231,660
	Accrued wages payable	1,274,924		1,287,538
	Deferred revenues	278,135		34,028
Non current liabilities				
	Due within one year	-		-
	Due in more than one year	-		-
	Total liabilities	2,679,966		2,694,224
Net assets:				
	Invested in capital assets, net of related debt	47,034,678		44,641,487
	Restricted for federal and state programs	281,160		301,883
	Restricted fo other purposes	24,004,326		19,046,307
	Unrestricted net assets	15,354,429		11,640,495
	Total net assets	86,674,593		75,630,172

Table II				
Changes in South Texas Independent School District's Net Assets				
		Governmental		
		Activities		
		2011		2010
Program revenues:				
	Charges for services	\$ 973,068		\$ 929,410
	Operating grants and contributions	7,249,988		6,152,050
	State aid - formula grants	19,296,629		18,850,050
	Grants and contributions - not restricted	95,185		599,541
	Investment earnings	151,508		192,456
	Misc. local and intermediate revenues	78,555		177,799
	Property taxes	21,998,613		21,671,566
	Special items	125,070		297
	Total revenues	<u>49,968,616</u>		<u>48,573,169</u>
Expenses:				
	Instruction	18,684,616		19,617,800
	Instructional resources and media services	1,702,848		1,514,756
	Curriculum and staff development	314,505		351,767
	Instructional and school leadership	174,465		2,440,701
	School leadership	2,127,294		-
	Guidance, counseling and evaluation services	1,794,714		1,820,725
	Social work services	152,156		149,969
	Health services	275,256		304,325
	Student (pupil) transportation	3,521,560		2,985,576
	Food services	1,347,881		1,267,633
	Curricular/extracurricular activities	536,991		540,651
	General administration	1,675,562		1,523,728
	Plant maintenance and operations	5,115,898		4,636,349
	Security and monitoring services	262,770		248,650
	Data processing services	728,790		645,242
	Community services	19,340		21,234
	Debt service	-		50,630
	Bond issuance cost and fees	-		9,300
	Facilities acquisition and construction	-		138,674
	Payments to juvenile justice alternative ed. prog.	4,560		6,300
	Other Intergovernmental Charges	<u>408,186</u>		<u>402,400</u>
	Total expenses	<u>38,847,392</u>		<u>38,676,410</u>
	Excess (deficiency) before			
	other resources, uses & transfers	11,121,224		9,896,759
	Transfers in (out)			444,556
	Prior Period Adjustment	(76,803)		
	Net Assets at Beginning of Year	<u>75,630,172</u>		<u>65,288,857</u>
	Net Assets at Ending of the Year	<u>\$ 86,674,593</u>		<u>\$ 75,630,172</u>

The cost of all governmental activities this year was \$38,847,392 compared to \$38,676,410 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 \$21,998,613 because the rest of the costs (\$16,848,779) 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 \$35,600,651 which is more than last year's total of \$26,991,865. The increase is primarily due to a decrease in the district's operational expenses.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2011, the District had \$47,034,678 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. This amount represents a net increase of just over \$2,393,191, or 5.4 percent, above last year.

This year's major additions (construction in progress) included:

District's Capital Assets	
	2011
Land	\$ 10,288
Buildings and improvements	27,650
Furniture and equipment	599,937
Capital leases	-
Construction in progress	3,849,289
Total at historical cost	4,487,164
Less:	
Accumulated depreciation	(2,093,973)
Net capital assets	\$ 2,393,191

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the General Fund budget for 2012. Amounts available for appropriation in the General Fund budget are \$11,596,325, a decrease of approximately 1.8 percent from the final 2012 budget of \$42,189,000 resulting from state per capita payments, and grant revenue decreases. The District will use its revenues to finance programs we currently offer.

The budget approved by the Board of Trustees was not a balanced budget.

Expenditures are budgeted to increase 2.9% to \$40,880,000. The decrease is mainly due to construction.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase constant by the close of 2012, less any amounts from fund balance for major renovations and new district initiatives.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2011

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 34,481,422
1220 Property Taxes Receivable (Delinquent)	4,175,671
1230 Allowance for Uncollectible Taxes	(417,568)
1240 Due from Other Governments	3,950,779
1250 Accrued Interest	108,400
1290 Other Receivables, net	14,151
1300 Inventories	2,700
1410 Deferred Expenses	4,326
Capital Assets:	
1510 Land	3,514,669
1520 Buildings, Net	37,410,909
1530 Furniture and Equipment, Net	4,773,780
1550 Leased Property Under Capital Leases, Net	878,870
1580 Construction in Progress	456,450
1000 Total Assets	89,354,559
LIABILITIES	
2110 Accounts Payable	841,651
2150 Payroll Deductions & Withholdings	285,256
2160 Accrued Wages Payable	1,274,924
2300 Deferred Revenues	278,135
2000 Total Liabilities	2,679,966
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	47,034,678
3820 Restricted for Federal and State Programs	281,160
3890 Restricted for Other Purposes	24,004,326
3900 Unrestricted Net Assets	15,354,429
3000 Total Net Assets	\$ 86,674,593

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, 2011

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Expenses	3	4	6	Net (Expense) Revenue and Changes in Net Assets
Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities		
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 18,684,616	\$ 482,846	\$ 4,799,209	\$ (13,402,561)
12 Instructional Resources and Media Services	1,702,848	-	170,096	(1,532,752)
13 Curriculum and Staff Development	314,505	-	282,625	(31,880)
21 Instructional Leadership	174,465	7,416	-	(167,049)
23 School Leadership	2,127,294	-	5,428	(2,121,866)
31 Guidance, Counseling and Evaluation Services	1,794,714	-	187,095	(1,607,619)
32 Social Work Services	152,156	-	118,501	(33,655)
33 Health Services	275,256	-	-	(275,256)
34 Student (Pupil) Transportation	3,521,560	-	-	(3,521,560)
35 Food Services	1,347,881	469,623	1,397,431	519,173
36 Extracurricular Activities	536,991	-	-	(536,991)
41 General Administration	1,675,562	13,183	-	(1,662,379)
51 Facilities Maintenance and Operations	5,115,898	-	208,412	(4,907,486)
52 Security and Monitoring Services	262,770	-	-	(262,770)
53 Data Processing Services	728,790	-	61,851	(666,939)
61 Community Services	19,340	-	19,340	-
95 Payments to Juvenile Justice Alternative Ed. Prg.	4,560	-	-	(4,560)
99 Other Intergovernmental Charges	408,186	-	-	(408,186)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 38,847,392	\$ 973,068	\$ 7,249,988	(30,624,336)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			21,998,613
SF	State Aid - Formula Grants			19,296,629
GC	Grants and Contributions not Restricted			95,185
IE	Investment Earnings			151,508
MI	Miscellaneous Local and Intermediate Revenue			78,555
SI	Special Item - Resource			125,070
TR	Total General Revenues and Special Items			41,745,560
CN	Change in Net Assets			11,121,224
NB	Net Assets--Beginning			75,630,172
PA	Prior Period Adjustment			(76,803)
NE	Net Assets--Ending			\$ 86,674,593

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2011

Data Control Codes	10 General Fund	Title XIV ARRA State Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 33,857,020	\$ -	\$ 624,402	\$ 34,481,422
1220 Property Taxes - Delinquent	4,175,671	-	-	4,175,671
1230 Allowance for Uncollectible Taxes	(417,568)	-	-	(417,568)
1240 Receivables from Other Governments	2,572,115	793,099	585,565	3,950,779
1250 Accrued Interest	108,400	-	-	108,400
1260 Due from Other Funds	1,342,490	-	-	1,342,490
1290 Other Receivables	-	-	14,151	14,151
1300 Inventories	-	-	2,700	2,700
1410 Deferred Expenditures	4,326	-	-	4,326
1000 Total Assets	<u>\$ 41,642,454</u>	<u>\$ 793,099</u>	<u>\$ 1,226,818</u>	<u>\$ 43,662,371</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 779,741	\$ -	\$ 61,910	\$ 841,651
2150 Payroll Deductions and Withholdings Payable	285,256	-	-	285,256
2160 Accrued Wages Payable	1,218,702	-	56,222	1,274,924
2170 Due to Other Funds	-	793,099	549,391	1,342,490
2300 Deferred Revenues	3,758,104	-	278,135	4,036,239
2000 Total Liabilities	<u>6,041,803</u>	<u>793,099</u>	<u>945,658</u>	<u>7,780,560</u>
Fund Balances:				
Nonspendable Fund Balance:				
3430 Prepaid Items	4,326	-	-	4,326
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	281,160	281,160
Committed Fund Balance:				
3510 Construction	24,000,000	-	-	24,000,000
3600 Unassigned Fund Balance	11,596,325	-	-	11,596,325
3000 Total Fund Balances	<u>35,600,651</u>	<u>-</u>	<u>281,160</u>	<u>35,881,811</u>
4000 Total Liabilities and Fund Balances	<u>\$ 41,642,454</u>	<u>\$ 793,099</u>	<u>\$ 1,226,818</u>	<u>\$ 43,662,371</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 ASSETS
AUGUST 31, 2011

Total Fund Balances - Governmental Funds	\$	35,881,811
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$65,682,938 and the accumulated depreciation was \$21,041,451. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		44,641,487
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2011 capital outlays and debt principal payments is to increase net assets.		4,487,164
The 2011 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net assets.		(2,093,973)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue and eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		3,758,104
Net Assets of Governmental Activities	\$	86,674,593

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 BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes		10 General Fund	Title XIV ARRA State Stabilization	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 23,138,100	\$ -	\$ 719,819	\$ 23,857,919
5800	State Program Revenues	19,302,716	-	113,312	19,416,028
5900	Federal Program Revenues	89,098	3,323,798	3,093,536	6,506,432
5020	Total Revenues	<u>42,529,914</u>	<u>3,323,798</u>	<u>3,926,667</u>	<u>49,780,379</u>
EXPENDITURES:					
Current:					
0011	Instruction	13,062,784	3,115,386	1,689,335	17,867,505
0012	Instructional Resources and Media Services	1,422,827	-	170,096	1,592,923
0013	Curriculum and Instructional Staff Development	31,880	-	282,625	314,505
0021	Instructional Leadership	174,465	-	-	174,465
0023	School Leadership	2,031,791	-	5,640	2,037,431
0031	Guidance, Counseling and Evaluation Services	1,540,331	-	187,095	1,727,426
0032	Social Work Services	33,655	-	118,501	152,156
0033	Health Services	275,256	-	-	275,256
0034	Student (Pupil) Transportation	3,454,825	-	-	3,454,825
0035	Food Services	-	-	1,397,431	1,397,431
0036	Extracurricular Activities	536,991	-	-	536,991
0041	General Administration	1,661,234	-	-	1,661,234
0051	Facilities Maintenance and Operations	4,618,335	208,412	-	4,826,747
0052	Security and Monitoring Services	185,428	-	-	185,428
0053	Data Processing Services	639,620	-	77,327	716,947
0061	Community Services	-	-	19,340	19,340
Capital Outlay:					
0081	Facilities Acquisition and Construction	3,887,227	-	-	3,887,227
Intergovernmental:					
0095	Payments to Juvenile Justice Alternative Ed. Prg.	4,560	-	-	4,560
0099	Other Intergovernmental Charges	408,186	-	-	408,186
6030	Total Expenditures	<u>33,969,395</u>	<u>3,323,798</u>	<u>3,947,390</u>	<u>41,240,583</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>8,560,519</u>	<u>-</u>	<u>(20,723)</u>	<u>8,539,796</u>
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	5,988	-	-	5,988
7956	Insurance Recovery	119,082	-	-	119,082
7080	Total Other Financing Sources (Uses)	<u>125,070</u>	<u>-</u>	<u>-</u>	<u>125,070</u>
1200	Net Change in Fund Balances	8,685,589	-	(20,723)	8,664,866
0100	Fund Balance - September 1 (Beginning)	26,991,865	-	301,883	27,293,748
1300	Increase (Decrease) in Fund Balance	(76,803)	-	-	(76,803)
3000	Fund Balance - August 31 (Ending)	<u>\$ 35,600,651</u>	<u>\$ -</u>	<u>\$ 281,160</u>	<u>\$ 35,881,811</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, 2011

Total Net Change in Fund Balances - Governmental Funds	\$	8,664,866
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2011 capital outlays and debt principal payments is to increase net assets.		4,487,164
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to (decrease) net assets.		(2,093,973)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions. The net effect of these reclassifications and recognitions is to increase net assets.		63,167
Change in Net Assets of Governmental Activities	<u>\$</u>	<u>11,121,224</u>

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

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
AUGUST 31, 2011

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 465,291
Total Assets	<u>\$ 465,291</u>
LIABILITIES	
Due to Student Groups	\$ 465,291
Total Liabilities	<u>\$ 465,291</u>

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

**SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2011**

I. 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. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified Public Accountants; 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 School Trustees ("Board"), a twenty-one group, has governance responsibilities over all activities related to public special and secondary school education within the jurisdiction of the South Texas Independent School District. The District has no exclusive jurisdiction but instead recruits students from other districts within Cameron, Hidalgo and Willacy counties. Because members of the Board of Trustees are elected by the public and appointed; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters; the District is not included in any other governmental "reporting entity" as defined by Governmental Accounting Standards Board ("GASB"), Statement No. 14, *The Financial Reporting Entity*.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include or exclude a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14. Based upon the application of these criteria, the component unit disclosed below is included in the District's reporting entity because of the significance of their operational and financial relationship with the District.

Since the District receives funding from local, state and federal government sources, it must comply with the requirements of the entities providing those funds.

Component unit included:

South Texas Independent School District Public Facilities Corporation ("PFC") was formed as an independent separate entity to finance the construction of various school facilities by issuing revenue bonds. The PFC is used to finance the payment of bonds by leasing the school buildings to the District. Enough revenue should be realized from the annual lease proceeds to service the principal and interest on the bonds.

The PFC was formed by the District to facilitate the construction of several school buildings. The PFC Board of Directors are also members of the School Board.

PFC is included in these financial statements in a blended presentation since the entity has essentially the same Board as the District; it receives all of its revenue from the lease solely from the District and is a mere extension of the District. Financial information on the PFC is available for review at the District's administrative offices.

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on the entire District with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds and other intergovernmental revenues.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on the entire District with the interfund activities removed. *Governmental activities* include programs supported primarily by grants, state foundation funds 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 services provided to student within the District, refunds, and miscellaneous income, 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 through the Department of Education and Department of Agriculture. If revenue is not program revenue, it is general revenue used to support all of the District’s functions.

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Assets and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements.

The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. All other revenues and expenses are nonoperating.

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, as do the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Revenues from local sources consist primarily of property taxes. 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 deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors some times require the District to refund all or part of the unused amount.

The Proprietary Fund Types and Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, 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 Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

D. BASIS OF PRESENTATION - FUND ACCOUNTING

The District reports the following major governmental funds:

1. **General Fund** - is used to account for financial resources used for general operations. This is a budgeted fund and any fund balances are considered resources available for current operations. All revenues and expenditures not required to be accounted for in other funds, are accounted for in this fund.

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

Governmental Funds:

1. **Special Revenue Funds** - are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Normally, unused balances are returned to the grantor at the close of specified project periods.

Fiduciary funds:

1. **Agency Funds** – are used to account for assets held by the District in a trustee capacity or as an agent for individual, private organizations, other governments and/or other funds. Agency Funds are custodial in nature (assets and liabilities) and do not involve measurement of results of operations.

E. OTHER ACCOUNTING POLICIES

1. For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have maturity of three months or less when purchased.
2. Inventories of supplies on the balance sheet are stated at weighted average cost and they include consumable maintenance, instructional and office items. Supplies are recorded as expenditures when they are consumed.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. OTHER ACCOUNTING POLICIES (Continued)

3. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets.
4. Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of equal or more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	40
Buses	10
Other Vehicles	7
Equipment	5

5. 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.
6. 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.
7. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts and service centers to display these codes in the financial statements filed with the agency in order to insure accuracy in building a statewide database for policy development and funding plans.
8. The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2004, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net assets for governmental activities as reported in the government-wide statement of net assets.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

A. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET ASSETS (Continued)

One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including capital leases payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

<u>Capital Assets at the Beginning of Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of Year</u>	<u>Change in Net Assets</u>
Land	\$ 2,653,134	\$ -	\$ 2,653,134	
Buildings	51,170,804	(16,597,128)	34,573,676	
Furniture & Equipment	9,351,051	(4,444,323)	4,906,728	
Leased Property	878,870	-	878,870	
Construction in Progress	<u>1,629,079</u>	<u>-</u>	<u>1,629,079</u>	
Change in Net Assets				\$ 44,641,487
<u>Long -term liabilities at the Beginning of Year</u>			<u>Payable at the Beginning of Year</u>	
Bonds Payable			<u>-</u>	
Change in Net Assets				<u>-</u>
Net Adjustment to Net Assets				<u>\$ 44,641,487</u>

B. EXPLANATION OF DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures and changes in fund balances and the changes in net assets of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in net assets. The details of this adjustment are as follows:

<u>Current Year Capital Outlay</u>	<u>Amount</u>	<u>Adjustments to Changes in Net Assets</u>	<u>Adjustments in Net Assets</u>
Land	\$ 742,673	\$ 742,673	
Buildings & Improvements	3,144,554	3,144,554	
Furniture & Equipment	<u>599,937</u>	<u>599,937</u>	
Total Capital Outlay			\$ 4,487,164
Net Adjustment to Net Assets			<u>\$ 4,487,164</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. BUDGETARY DATA

The official budget was prepared for adoption for the General Fund and the Food Service Fund, which is included within the Special Revenue Funds, which is included within the General Funds. The General Fund and Food Service Fund Budget reports appear in Exhibits G-1 and G-2, respectively. The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

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

1. Prior to August 20th the District prepares a budget for the next succeeding fiscal year beginning September 1st. 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. Public notice of the meeting must be given at least ten days prior to the meeting.
3. Prior to September 1st, 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. During the year, the budget was amended as necessary. These were no significant budget amendments passed during the 2010-2011 school year.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function or 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, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2011, the carrying amount of the District's deposits (cash, and interest bearing savings accounts) was (\$206,430) and the bank balance was \$250,977. The District's cash deposits at August 31, 2011 and the year ended were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

IV. **DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS** (Continued)

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

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Frost National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$5,354,616.
- c. Highest combined balances of cash, saving and time deposit accounts amounted to \$5,742,697 and occurred during the month of July 2011.
- d. Total amount of FDIC coverage at the time of the highest combined balance was \$250,000.

District Policies and Legal 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 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 risk for deposits.

Foreign Currency Risk for Deposits – The District limits the risk that changes in exchange rates will adversely affect the fair value of a deposit. At year-end, the District was not exposed to foreign currency risk.

District Policies and Legal Contractual Provisions Governing Investments

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 the District 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, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6)

bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

The District’s temporary investments at August 31, 2011 are shown below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
Certificates of Deposit	\$ 28,000,000	\$ 28,000,000	\$ -	\$ -	\$ -
TexPool	6,687,852	6,687,852	-	-	-
Total	<u>\$ 34,687,852</u>	<u>\$ 34,687,852</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

A. DEPOSITS AND INVESTMENTS (Continued)

Additional policies and contractual provisions governing deposits and 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, 2011, the District’s investments in TexPool was rated AAAM by Standard and Poor’s (S&P).

Custodial Risk for Investments – 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 specific class of investments, specific maturity or specific issuer. As of August, 31, 2011, the District had 80% of its investments in certificates of deposits in its depository bank, Texas State Bank. These certificate of deposit were fully covered by eligible pledged securities. The District had 20% of its investments in TASB investment pools rated AAA as noted above.

Interest Rate Risk – In accordance with state law and the District’s investment policy, the District does not purchase any investments greater than five (5) years for its operating funds.

Foreign Currency Risk for Investments – The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment. At year-end, the District was not exposed to foreign currency risk.

The Public Funds Investment Act requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the general purpose financial statements, disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

B. PROPERTY TAXES

Property taxes are levied by October 1st in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1st of the year following the year in which imposed. On January 1st 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 when they become due or past due and receivable within the current period and those expected to be collected during a 60 day period after the close of the school fiscal year.

The District’s 2011 tax rate was \$0.04920 for maintenance, per \$100 assessed valuation. The assessed valuation of \$44,826,248,880 used to determine the tax rates, represents 100% of the fair market value of the property. Allowances for uncollectible 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.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

C. INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at August 31, 2011 consisted of the following individual fund balances:

	<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
<u>General Fund:</u>		
Special Revenue Fund	\$ 1,342,490	\$ -
Total General Fund	<u>1,342,490</u>	<u>-</u>
<u>Special Revenue Funds:</u>		
General Fund	<u>-</u>	<u>1,342,490</u>
Total Special Revenue Funds	<u>-</u>	<u>1,342,490</u>
Totals	<u>\$ 1,342,490</u>	<u>\$ 1,342,490</u>

Balances resulted from the time lag between the dates that interfund goods and services are provided and/or reimbursement expenditures occur.

D. DUE FROM AND TO 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 and to federal and state governments as of August 31, 2011, are summarized below:

	<u>Due from Other Gov'ts</u>	<u>Due to Other Gov'ts</u>
<u>General Fund</u>		
Texas Education Agency	\$ 1,719,045	\$ -
Various School Districts	720,595	-
Cameron County	26,393	-
Willacy County	4,607	-
Hidalgo County	101,475	-
Total General Fund	<u>2,572,115</u>	<u>-</u>
<u>Special Revenue Funds</u>		
ESEA Title I Part A	81,696	-
ESEA Title I, Part A - ARRA	30,214	-
IDEA Part B, Formula	17,117	-
IDEA Part B, Formula - ARRA	244,133	-
ESEA, Title I, Part C	24,267	-
ESEA, Title II, Part A	9,119	-
National School Lunch Program	39,679	-
Title XIV, State Stabilization Fund ARRA	793,099	-
Technology Allotment	2,350	-
Education Jobs Fund	136,990	-
Total Special Revenue Funds	<u>1,378,664</u>	<u>-</u>
Total	<u>\$ 3,950,779</u>	<u>\$ -</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2011, was as follows:

	Balance 9/1/2010	Changes During Year			Balance 8/31/2011
		Additions	Retirements	Adjustments/ Reclassifications	
Governmental Activities:					
Land	\$ 2,653,134	\$ 10,288	\$ -	\$ 851,247	\$ 3,514,669
Buildings & Improvements	51,170,804	27,650	-	4,170,671	55,369,125
Furniture & Equipment	9,351,051	599,937	-	-	9,950,988
Leased Property	878,870	-	-	-	878,870
Construction in Progress	<u>1,629,079</u>	<u>3,849,289</u>	<u>-</u>	<u>(5,021,918)</u>	<u>456,450</u>
Totals at Historic Cost	<u>65,682,938</u>	<u>4,487,164</u>	<u>-</u>	<u>-</u>	<u>70,170,102</u>
Less Accumulated Depreciation:					
Buildings & Improvements	(16,597,128)	(1,361,088)	-	-	(17,958,216)
Furniture & Equipment	<u>(4,444,323)</u>	<u>(732,885)</u>	<u>-</u>	<u>-</u>	<u>(5,177,208)</u>
Total Accum. Depreciation	<u>(21,041,451)</u>	<u>(2,093,973)</u>	<u>-</u>	<u>-</u>	<u>(23,135,424)</u>
Governmental Activities					
Capital Assets, Net	<u>\$ 44,641,487</u>	<u>\$ 2,393,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$47,034,678</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 957,097
Instructional Resources & Media Services	121,994
School Leadership	89,863
Guidance, Counseling & Evaluation Services	67,288
Student (Pupil) Transportation	366,938
Food Services	98,128
General Administration	14,328
Plant Maintenance and Operations	91,330
Security Monitoring Services	77,342
Data Processing Services	11,843
Facilities Processing Services	<u>197,822</u>
Total Depreciation Expense	<u>\$ 2,093,973</u>

F. DEFERRED REVENUE

Deferred revenue at year-end consisted of the following:

	General Fund	Special Revenue	Total
Net tax revenue	\$ 3,758,104	\$ -	\$ 3,758,104
Other	<u>-</u>	<u>278,135</u>	<u>278,135</u>
Totals	<u>\$ 3,758,104</u>	<u>\$ 278,135</u>	<u>\$ 4,036,239</u>

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

G. **DEFINED PENSION PLAN**

Plan Description. The District contributes to the Teacher Retirement System of Texas (the “System”), a public employee retirement system. It is a cost-sharing, multi-employer defined pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code. Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698, by calling (800) 223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Funding Policy. State law provides a state contribution rate of 6.4% and a member contribution rate of 6.4%. In certain instances the reporting district (I.S.D., college, university, or state agency) is required to make all or a portion of the state's 6.4% contribution. Contribution requirements are not actuarially determined but are legally established each biennium pursuant to the following state funding policy: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.4% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10.0% of the aggregate annual compensation of all members of the system during that fiscal year; (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a the particular action, the time required to amortize TRS's 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. The district's employees' contributions to the System for the fiscal periods ending in 2011, 2010 and 2009 were \$1,459,080, \$1,693,272 and \$1,511,803, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the fiscal periods ending in 2011, 2010 and 2009 were \$430,966, \$195,012 and \$184,133, respectively, and were equal to the required contributions for each year.

Medicare Part D. Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. As a result, this provision allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree 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 South Texas ISD participants for the years ended August 31, 2009, 2010, and 2011 were \$54,193, \$63,786, and \$59,857 respectively.

H. **RISK MANAGEMENT**

On September 1, 2009, the District entered into an interlocal agreement with the Texas Association State Board (TASB) for the purpose of providing the statutory workers' compensation benefits for employees. The TASB Board establishes an experience rating formula for each Fund member and a specific contribution amount. The District's contribution amount for the year was \$244,670. This contribution to the plan was accrued throughout the year and paid in one installment by the District. The District assumes no joint or several liabilities beyond the annual contribution amount. However, should the District continue in this Plan, it would be subject to annual rate contribution adjustments, which would be based on claims experience.

IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (Continued)

I. LITIGATION

The District is a party to various litigation under which it may be required to pay certain monies upon decision of the courts. The District's attorney reports various possible contingent liabilities based on the amount of damages alleged in various cases. However, it is the opinion of the District's attorney that these cases are covered by liability insurance. In the opinion of the District's management, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and, accordingly, no provisions or losses have been recorded.

J. COMMITMENTS AND CONTINGENCIES

The District participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

K. USE OF ESTIMATES IN THE PREPARATION OF FINANCIAL STATEMENTS

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and/or disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. MAINTENANCE OF EFFORT

The amount paid by the District for employee health care premiums is as follows:

a. Total District premium paid for health care for 2010-2011:		\$ 1,656,360
b. Subtract any non-medical expenditures:		
Life insurance	\$ 29,400	
Dental insurance	80,438	
Vision insurance	-	
Long-term disability	26,460	
Short-term disability	-	
Alternate plans	-	
Cobra expense	-	
Retiree expense	-	136,298
c. 2010-2011 Maintenance of Effort:		<u>\$ 1,520,062</u>

M. INCREASE (DECREASE) IN FUND BALANCES

Adjustments to the fund balance during the 2010-2011 school year consisted of an adjustment to a receivable account. The effect was a decrease in fund balance in the amount of \$76,803.

BUDGETARY COMPARISON SCHEDULES

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 21,733,000	\$ 21,733,000	\$ 23,138,100	\$ 1,405,100
5800 State Program Revenues	21,180,000	21,180,000	19,302,716	(1,877,284)
5900 Federal Program Revenues	50,000	107,018	89,098	(17,920)
5020 Total Revenues	42,963,000	43,020,018	42,529,914	(490,104)
EXPENDITURES:				
Current:				
0011 Instruction	19,189,950	16,074,244	13,062,784	3,011,460
0012 Instructional Resources and Media Services	1,516,550	1,516,550	1,422,827	93,723
0013 Curriculum and Instructional Staff Development	81,500	81,500	31,880	49,620
0021 Instructional Leadership	271,100	271,100	174,465	96,635
0023 School Leadership	2,220,350	2,220,350	2,031,791	188,559
0031 Guidance, Counseling and Evaluation Services	1,836,700	1,836,700	1,540,331	296,369
0032 Social Work Services	46,500	46,500	33,655	12,845
0033 Health Services	332,800	332,800	275,256	57,544
0034 Student (Pupil) Transportation	4,362,250	4,362,250	3,454,825	907,425
0036 Extracurricular Activities	599,250	599,250	536,991	62,259
0041 General Administration	1,820,600	1,820,600	1,661,234	159,366
0051 Facilities Maintenance and Operations	4,879,890	4,879,890	4,618,335	261,555
0052 Security and Monitoring Services	202,000	202,000	185,428	16,572
0053 Data Processing Services	607,800	607,800	639,620	(31,820)
Capital Outlay:				
0081 Facilities Acquisition and Construction	1,263,000	4,685,424	3,887,227	798,197
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	25,000	25,000	4,560	20,440
0099 Other Intergovernmental Charges	440,000	440,000	408,186	31,814
6030 Total Expenditures	39,695,240	40,001,958	33,969,395	6,032,563
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	3,267,760	3,018,060	8,560,519	5,542,459
OTHER FINANCING SOURCES (USES):				
7912 Sale of Real and Personal Property	-	-	5,988	5,988
7956 Insurance Recovery	-	-	119,082	119,082
7080 Total Other Financing Sources (Uses)	-	-	125,070	125,070
1200 Net Change in Fund Balances	3,267,760	3,018,060	8,685,589	5,667,529
0100 Fund Balance - September 1 (Beginning)	26,991,865	26,991,865	26,991,865	-
1300 Increase (Decrease) in Fund Balance	-	-	(76,803)	(76,803)
3000 Fund Balance - August 31 (Ending)	\$ 30,259,625	\$ 30,009,925	\$ 35,600,651	\$ 5,590,726

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, 2011

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP Basis - See Note III A)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 362,900	\$ 362,900	\$ 469,623	\$ 106,723
5800 State Program Revenues	6,700	6,700	7,110	410
5900 Federal Program Revenues	942,000	982,400	898,497	(83,903)
5020 Total Revenues	<u>1,311,600</u>	<u>1,352,000</u>	<u>1,375,230</u>	<u>23,230</u>
EXPENDITURES:				
0035 Food Services	<u>1,311,600</u>	<u>1,499,900</u>	<u>1,374,753</u>	<u>125,147</u>
6030 Total Expenditures	<u>1,311,600</u>	<u>1,499,900</u>	<u>1,374,753</u>	<u>125,147</u>
1200 Net Change in Fund Balances	-	(147,900)	477	148,377
0100 Fund Balance - September 1 (Beginning)	<u>270,821</u>	<u>270,821</u>	<u>270,821</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 270,821</u>	<u>\$ 122,921</u>	<u>\$ 271,298</u>	<u>\$ 148,377</u>

COMBINING STATEMENTS

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS				
1110 Cash and Cash Equivalents	\$ 12,060	\$ -	\$ 216,039	\$ 310,236
1240 Receivables from Other Governments	81,695	24,267	17,117	32,696
1290 Other Receivables	-	-	-	14,151
1300 Inventories	-	-	-	2,700
1000 Total Assets	<u>\$ 93,755</u>	<u>\$ 24,267</u>	<u>\$ 233,156</u>	<u>\$ 359,783</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 537	\$ -	\$ -	\$ 58,203
2160 Accrued Wages Payable	11,523	-	17,117	27,582
2170 Due to Other Funds	81,695	24,267	17,117	-
2300 Deferred Revenues	-	-	198,922	2,700
2000 Total Liabilities	<u>93,755</u>	<u>24,267</u>	<u>233,156</u>	<u>88,485</u>
Fund Balances:				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	-	271,298
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>271,298</u>
4000 Total Liabilities and Fund Balances	<u>\$ 93,755</u>	<u>\$ 24,267</u>	<u>\$ 233,156</u>	<u>\$ 359,783</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	350 SSA - III, A English Lang. Acquisition
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
6,983	-	9,120	-	244,133	30,214	136,990	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 6,983</u>	<u>\$ -</u>	<u>\$ 9,120</u>	<u>\$ -</u>	<u>\$ 244,133</u>	<u>\$ 30,214</u>	<u>\$ 136,990</u>	<u>\$ -</u>
\$ -	\$ -	\$ 1,128	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
6,983	-	7,992	-	244,133	30,214	136,990	-
-	-	-	-	-	-	-	-
<u>6,983</u>	<u>-</u>	<u>9,120</u>	<u>-</u>	<u>244,133</u>	<u>30,214</u>	<u>136,990</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 6,983</u>	<u>\$ -</u>	<u>\$ 9,120</u>	<u>\$ -</u>	<u>\$ 244,133</u>	<u>\$ 30,214</u>	<u>\$ 136,990</u>	<u>\$ -</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NON MAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2011

Data Control Codes	397 Advanced Placement Incentives	411 Technology Allotment	429 Other State Special Revenue Funds	481 Nat'l Library of Medicine Grant
ASSETS				
1110 Cash and Cash Equivalents	\$ 13,683	\$ 9,004	\$ 63,380	\$ -
1240 Receivables from Other Governments	-	2,350	-	-
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ 13,683</u>	<u>\$ 11,354</u>	<u>\$ 63,380</u>	<u>\$ -</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
2110 Accounts Payable	\$ 550	\$ 1,492	\$ -	\$ -
2160 Accrued Wages Payable	-	-	-	-
2170 Due to Other Funds	-	-	-	-
2300 Deferred Revenues	13,133	-	63,380	-
2000 Total Liabilities	<u>13,683</u>	<u>1,492</u>	<u>63,380</u>	<u>-</u>
Fund Balances:				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	9,862	-	-
3000 Total Fund Balances	<u>-</u>	<u>9,862</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 13,683</u>	<u>\$ 11,354</u>	<u>\$ 63,380</u>	<u>\$ -</u>

483	Total
Strategies	Nonmajor
Grant	Governmental
Grant	Funds
\$ -	\$ 624,402
-	585,565
-	14,151
-	2,700
<u>\$ -</u>	<u>\$ 1,226,818</u>
\$ -	\$ 61,910
-	56,222
-	549,391
-	278,135
<u>-</u>	<u>945,658</u>
-	281,160
<u>-</u>	<u>281,160</u>
<u>\$ -</u>	<u>\$ 1,226,818</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, 2011

Data Control Codes	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 469,623
5800 State Program Revenues	-	-	-	7,110
5900 Federal Program Revenues	816,800	52,989	104,781	898,497
5020 Total Revenues	<u>816,800</u>	<u>52,989</u>	<u>104,781</u>	<u>1,375,230</u>
EXPENDITURES:				
Current:				
0011 Instruction	609,033	52,989	44,704	-
0012 Instructional Resources and Media Services	-	-	-	-
0013 Curriculum and Instructional Staff Development	73,688	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	60,077	-
0032 Social Work Services	118,501	-	-	-
0035 Food Services	-	-	-	1,374,753
0053 Data Processing Services	-	-	-	-
0061 Community Services	15,578	-	-	-
6030 Total Expenditures	<u>816,800</u>	<u>52,989</u>	<u>104,781</u>	<u>1,374,753</u>
1200 Net Change in Fund Balance	-	-	-	477
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,821</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,298</u>

242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	279 Title II, D ARRA - Ed. Technology	283 IDEA, Pt. B ARRA Formula	285 ESEA I,A Improving Basic Program	287 Education Jobs Fund	350 SSA - III, A English Lang. Acquisition
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
22,678	31,472	171,845	-	333,658	112,854	547,962	-
<u>22,678</u>	<u>31,472</u>	<u>171,845</u>	<u>-</u>	<u>333,658</u>	<u>112,854</u>	<u>547,962</u>	<u>-</u>
-	31,472	-	-	194,908	104,627	547,962	-
-	-	-	-	-	-	-	-
-	-	171,845	-	11,732	4,465	-	-
-	-	-	-	-	-	-	-
-	-	-	-	127,018	-	-	-
-	-	-	-	-	-	-	-
22,678	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	3,762	-	-
<u>22,678</u>	<u>31,472</u>	<u>171,845</u>	<u>-</u>	<u>333,658</u>	<u>112,854</u>	<u>547,962</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<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, 2011

Data Control Codes	397 Advanced Placement Incentives	411 Technology Allotment	429 Other State Special Revenue Funds	481 Nat'l Library of Medicine Grant	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 170,096
5800	State Program Revenues	20,895	85,307	-	-
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	<u>20,895</u>	<u>85,307</u>	<u>-</u>	<u>170,096</u>
EXPENDITURES:					
Current:					
0011	Instruction	-	27,851	-	-
0012	Instructional Resources and Media Services	-	-	-	170,096
0013	Curriculum and Instructional Staff Development	20,895	-	-	-
0023	School Leadership	-	1,329	-	-
0031	Guidance, Counseling and Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	-
0035	Food Services	-	-	-	-
0053	Data Processing Services	-	77,327	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	<u>20,895</u>	<u>106,507</u>	<u>-</u>	<u>170,096</u>
1200	Net Change in Fund Balance	-	(21,200)	-	-
0100	Fund Balance - September 1 (Beginning)	<u>-</u>	<u>31,062</u>	<u>-</u>	<u>-</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ 9,862</u>	<u>\$ -</u>	<u>\$ -</u>

483	Total
Strategies	Nonmajor
Grant	Governmental
Grant	Funds
\$ 80,100	\$ 719,819
-	113,312
-	3,093,536
<u>80,100</u>	<u>3,926,667</u>
75,789	1,689,335
-	170,096
-	282,625
4,311	5,640
-	187,095
-	118,501
-	1,397,431
-	77,327
-	19,340
<u>80,100</u>	<u>3,947,390</u>
-	(20,723)
-	301,883
<u>\$ -</u>	<u>\$ 281,160</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2011

	BALANCE SEPTEMBER 1 2010	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2011
STUDENT ACTIVITY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 405,244	\$ 879,463	\$ 819,416	\$ 465,291
Liabilities:				
Due to Student Groups	\$ 405,244	\$ 879,463	\$ 819,416	\$ 465,291
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 405,244	\$ 879,463	\$ 819,416	\$ 465,291
Liabilities:				
Due to Student Groups	\$ 405,244	\$ 879,463	\$ 819,416	\$ 465,291

REQUIRED SUPPLEMENTARY SCHEDULES

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2011

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2002 and prior years	Various	Various	\$ Various
2003	0.039200	0.000000	25,098,158,017
2004	0.039200	0.000000	26,848,912,853
2005	0.039200	0.000000	30,097,163,050
2006	0.039200	0.000000	32,522,770,968
2007	0.039200	0.000000	36,038,520,908
2008	0.049200	0.000000	40,603,060,838
2009	0.049200	0.000000	44,825,923,627
2010	0.049200	0.000000	44,296,074,153
2011 (School year under audit)	0.049200	0.000000	44,826,248,880
1000 TOTALS			

(10) Beginning Balance 9/1/2010	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2011
\$ 473,571	\$ -	\$ 28,381	\$ -	\$ (22,274)	\$ 422,916
92,935	-	8,112	-	(1,441)	83,382
116,316	-	14,699	-	(1,872)	99,745
146,132	-	18,632	-	(2,899)	124,601
199,706	-	30,168	-	(7,836)	161,702
259,672	-	49,663	-	(12,540)	197,469
480,857	-	113,168	-	(2,595)	365,094
775,591	-	255,248	-	(4,685)	515,658
1,560,706	-	740,964	-	(22,787)	796,955
-	22,076,145	20,676,411	-	8,415	1,408,149
<u>\$ 4,105,486</u>	<u>\$ 22,076,145</u>	<u>\$ 21,935,446</u>	<u>\$ -</u>	<u>\$ (70,514)</u>	<u>\$ 4,175,671</u>

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF EXPENDITURES FOR COMPUTATIONS OF INDIRECT COST FOR 2012-2013
 GENERAL AND SPECIAL REVENUE FUNDS
 AUGUST 31, 2011

FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION, 99 - APPRAISAL DISTRICT COST

Account Number	Account Name	1	2	3	4	5	6	7
		(702) School Board	(703) Tax Collections	(701) Supt's Office	(750) Indirect Cost	(720) Direct Cost	(other) Miscellaneous	Total
611X-6146	PAYROLL COSTS	\$ 41,330	\$ -	\$ 332,191	\$ 627,934	\$ 101,902	\$ -	\$ 1,103,357
6149	Leave for Separating Employees in Fn 41 & 53	-	-	-	-	-	-	-
6149	Leave - Separating Employees not in 41 & 53	-	-	-	-	-	-	-
6211	Legal Services	-	-	56,703	-	-	-	56,703
6212	Audit Services	-	-	-	23,000	-	-	23,000
6213	Tax Appraisal/Collection - Appraisal in Fn 99	-	408,186	-	-	-	-	408,186
621X	Other Professional Services	-	-	53,615	13,968	-	-	67,583
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	2,000	72,849	-	-	74,849
6240	Contr. Maint. and Repair	-	-	204	953	-	-	1,157
6250	Utilities	-	-	-	-	-	-	-
6260	Rentals	431	-	5,671	3,018	6,418	-	15,538
6290	Miscellaneous Contr.	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	-	856	-	-	-	856
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies Materials	28,643	-	104,647	31,280	10,394	-	174,964
6410	Travel, Subsistence, Stipends	108,269	-	15,610	19,696	4,340	-	147,915
6420	Ins. and Bonding Costs	6,124	-	-	-	-	-	6,124
6430	Election Costs	-	-	-	-	-	-	-
6490	Miscellaneous Operating	5,215	-	70,311	(15,525)	2,034	-	62,035
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	-	-
6000	TOTAL	\$ 190,012	\$ 408,186	\$ 641,808	\$ 777,173	\$ 125,088	\$ -	\$ 2,142,267

Total expenditures/expenses for General and Special Revenue Funds: (9) \$ 37,916,785

LESS: Deductions of Unallowable Costs

FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 4,487,164
Total Debt & Lease(6500)	(11)	-
Plant Maintenance (Function 51, 6100-6400)	(12)	4,826,747
Food (Function 35, 6341 and 6499)	(13)	451,948
Stipends (6413)	(14)	-
Column 4 (above) - Total Indirect Cost		<u>777,173</u>

SubTotal: 10,543,032

Net Allowed Direct Cost \$ 27,373,753

CUMULATIVE

Total Cost of Buildings before Depreciation (1520)	(15)	\$ 54,315,358
Historical Cost of Building over 50 years old	(16)	\$ -
Amount of Federal Money in Building Cost (Net of #16)	(17)	\$ -
Total Cost of Furniture & Equipment before Depreciation (1530 & 1540)	(18)	\$ 9,950,988
Historical Cost of Furniture & Equipment over 16 years old	(19)	\$ -
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ -

(8) NOTE A: \$72,849 in Function 53 expenditures are included in this report on administrative costs.
 \$408,186 in Function 99 expenditures for appraisal district costs are included in this report on administrative costs.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET
 GENERAL FUNDS AS OF AUGUST 31, 2011

EXHIBIT J-3

UNAUDITED

1	Total General Fund Balance as of 8/31/11 (Exhibit C-1 object 3000 for the General Fund Only)		\$ 35,600,651
2	Total Non-Spendable Fund Balance (from Exhibit C-1 - for the General Fund Only)	\$ 4,326	
3	Total Restricted Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
4	Total Committed Fund Balance (from Exhibit C-1 - for the General Fund Only)	24,000,000	
5	Total Assigned Fund Balance (from Exhibit C-1 - for the General Fund Only)	-	
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (Net of borrowed funds and funds representing deferred revenues.)	2,200,100	
7	Estimate of two month's average cash disbursements during the fiscal year.	8,176,000	
8	Estimate of delayed payments from state sources (58xx).	-	
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount.	-	
10	Estimate of delayed payments from federal sources (59xx)	-	
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-	
12	Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)		<u>34,380,426</u>
13	Excess (Deficit) Unassigned Fund Balance (Line 1 minus Line 12)		<u><u>\$ 1,220,225</u></u>

Explanation of need for and/or projected use of net positive Unassigned General Fund Fund Balance:

The District will use the fund balance to initiate more District-wide capital outlay such as construction and various other projects.

FEDERAL AWARDS SECTION



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**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***

Board of Trustees
South Texas Independent School District
Mercedes, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of South Texas Independent School District (the "District") as of and for the year ended August 31, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 22, 2011. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Texas Independent School District's internal control over financial reporting.

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 District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate letter dated November 22, 2011.

This report is intended for the information and use of the Board of Trustees, management, the Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

PATTILLO, BROWN & HILL, LLP

November 22, 2011



PATTILLO, BROWN & HILL, L.L.P.
CERTIFIED PUBLIC ACCOUNTANTS ■ BUSINESS CONSULTANTS

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A
DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees
South Texas Independent School District
Mercedes, Texas

Compliance

We have audited the compliance of South Texas Independent School District (the "District") with the types of compliance requirements described in the *OMB Circular A-133 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, 2011. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

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 of its are major federal programs for the year ended August 31, 2011.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended for the information and use of the Board of Trustees, management, the Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

PATTILLO, BROWN & HILL, LLP

November 22, 2011

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED AUGUST 31, 2011

I. Summary of the Auditors' Results:

The type of auditors' report on financial statements:	Unqualified
Regarding internal control over financial reporting:	
a. Material weakness(es) identified:	None
b. Significant deficiency(ies) identified that are not considered to be material weaknesses:	None reported
c. Noncompliance which is material to the financial statements:	None
d. Regarding internal control over major programs:	
Material weakness(es) identified:	None reported
Significant deficiency(ies) identified that are not considered to be material weaknesses:	None
e. Type of auditors' report on compliance with major programs:	Unqualified
f. Any audit findings which are required to be reported in accordance with OMB Circular A-133, Sec. 510(a):	No
g. Major programs are as follows:	ESEA Title I, Part A Cluster CFDA 84.010A/84.389A
	Special Education Cluster CFDA 84.027A/84.391A
	Title XIV SFSF - ARRA CFDA 84.394A
	Education Jobs Fund CFDA 84.410A
h. Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
i. Low risk auditee:	Yes

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

None reported

III. Findings and Questioned Costs for Federal Awards.

None reported

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2011

Not Applicable.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2011

Not applicable.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2011

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<i>Passed Through State Department of Education:</i>			
ESEA Title 1, Part A - Improving Basic Programs *	84.010A	10610101031916	\$ <u>816,800</u>
ESEA Title 1, Part A - ARRA *	84.389A	10551001031916	<u>112,854</u>
ESEA Title 1, Part C, - Migratory Children	84.011A	11615001031916	<u>52,989</u>
IDEA - Part B, Formula *	84.027A	106600010319166000	<u>104,781</u>
IDEA - Part B, Formula - ARRA *	84.391A	10554001031916	<u>333,658</u>
Carl D. Perkins - Basic Grant	84.048A	11420006031916	<u>31,472</u>
ESEA Title II, Part A - Teacher & Principal Training	84.367A	08685001031916	<u>171,845</u>
Education Jobs Fund	84.410A	11550101031916	<u>547,962</u>
Title XIV, State Fiscal Stabilization - ARRA	84.394A	11557001031916	<u>3,323,798</u>
Total Passed Through State Dept. of Education			<u>5,496,159</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>5,496,159</u>
U.S. DEPARTMENT OF AGRICULTURE			
<i>Passed Through State Department of Education:</i>			
School Breakfast Program *	10.553	71401101	\$ 224,710
National School Lunch Program - Cash Assistance *	10.555	71301101	629,454
National School Lunch Program - Non-Cash Assistance *	10.555	031916	44,333
Summer Feeding Program *	10.559	031916	<u>22,678</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>921,175</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 6,417,334</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2011

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund types and Trust Funds are accounted for using a current financial resources measurement focus. All Federal grant funds were accounted for in a Special Revenue Fund which is a Governmental Fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the Governmental Fund types, the Trust Funds and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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 deferred revenues until earned.

3. The period of availability 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 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement - Provisional 6/97.

SCHOOLS FIRST QUESTIONNAIRE

South Texas Independent School District

Fiscal Year 2011

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	0