

South Texas Independent School District

ANNUAL FINANCIAL REPORT

**For the Year Ended
August 31, 2019**



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INGRAM

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South Texas Independent School District
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August 31, 2019

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CERTIFICATE OF THE BOARD

South Texas Independent School District
Name of District

Hidalgo
County

031-916
County District 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, 2019 at a meeting of the Board of Trustees of such school district on the ____ day of January 13, 2020

Signature of Board Secretary

Signature of Board President

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees
South Texas Independent School District

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the South Texas Independent School District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the District as of August 31, 2019, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Revenues, Expenditures, and Changes in Fund Balance Budget to Actual – General Fund, the Schedule of District's Proportionate Share of Net Pension Liability – Teacher Retirement System of Texas, the Schedule of District's Contributions – Teacher Retirement System of Texas, the Schedule of District's Proportionate Share of the Net OPEB Liability – Teacher Retirement System of Texas, the Schedule of the District's OPEB Contributions – Teacher Retirement System of Texas and the related notes to the required supplementary information as listed in the table of contents 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining fund financial statements, other supplementary information, 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements, other supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Emphasis of Matter

As discussed in Note 3. M to the financial statements, the 2018 financial statements have been restated to correct a misstatement of amounts previously reported for bond liability as of August 31, 2018. Our opinions are not modified with respect to that matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas
January 13, 2020

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, 2019. Please read it in conjunction with the independent auditors' report on page 1 and the District's Basic Financial Statements which begin on Page 12.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$5,670,668 as a result of this year's District's operations.

During the year, the District had net changes in functional activities that were \$5,670,668 less than the \$70,344,760 generated in tax and other revenues for governmental programs (before special items). This compares to last year when revenues exceeded expenses by \$13,573,233.

The General Fund ended the year with a fund balance of \$65,050,009, of which \$16,248,159 is unassigned.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net position and the Statement of Activities. These provide information about the activities of the District as a whole and present a long-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements report the District's operations in more detail than the government-wide financial statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the District.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for non-major funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required

Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 12. Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities or from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All of the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets and liabilities) provides one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider non-financial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

In the Statement of Net Position and the Statement of Activities, one kind of activity is reported for the District:

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

- Governmental funds – Most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.
- Proprietary funds – The District reports the activities for which it charges users (whether outside customers or other units of the District) in proprietary funds using the same accounting methods employed in the Statement of Net Position and the Statement of Activities. Currently, the District has no proprietary funds.

The District as a Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

GOVERNMENT-WIDE FINANCIAL STATEMENTS ANALYSIS

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Net position of the District's governmental activities increased from \$130,921,716 to \$134,482,384. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$41,370,522 at August 31, 2019. This represents an increase in unrestricted net position of \$3,592,728 over the prior year.

TABLE I

	Governmental Activities	
	2019	<i>Restated</i> 2018
Current assets		
Cash and cash equivalents	\$ 2,235,968	\$ 58,665,163
Current investments	62,073,065	-
Property taxes receivable	3,998,169	3,893,154
Allowance for uncollectible taxes	(399,817)	(389,316)
Due from other government	4,457,926	5,575,668
Accrued interest	42,311	41,347
Other receivables, net	3,703	63
Inventories	32,786	34,250
Prepayments	139,450	-
Total current assets	<u>72,583,561</u>	<u>67,820,329</u>
Non current assets		
Land	4,114,411	4,114,411
Building, net	85,315,875	75,033,839
Furniture and equipment, net	7,099,199	7,057,779
Construction in progress	17,601	8,792,344
Restricted assets	<u>2,530,000</u>	<u>2,112,304</u>
Total non current assets	<u>99,077,086</u>	<u>97,110,677</u>
Total assets	<u>171,660,647</u>	<u>164,931,006</u>
Deferred outflows of resources		
Deferred outflow related to TRS pension	6,361,403	3,853,561
Deferred outflow related to TRS OPEB	<u>2,661,665</u>	<u>273,319</u>
Total deferred outflows of resources	<u>9,023,068</u>	<u>4,126,880</u>

TABLE I (Continued)

	Governmental Activities	
	2019	<i>Restated</i> 2018
Current liabilities		
Accounts payable	647,819	1,638,091
Interest payable	14,403	-
Payroll deductions and withholdings	315,755	-
Accrued wages payable	2,767,038	2,316,053
Due to fiduciary funds	-	298,064
Due to student groups	-	1,540
Accrued expenses	108,145	45,242
Unearned revenues	7,335	24,150
Non current liabilities		
Due in more than one year	6,310,000	6,310,000
Net pension liability (District's share)	9,631,334	5,674,134
Net OPEB liability (District's share)	19,598,181	16,266,867
Total liabilities	<u>39,400,010</u>	<u>32,574,141</u>
Deferred Inflows of resources		
Deferred inflow related to TRS pension	603,904	867,568
Deferred inflow related to TRS OPEB	6,197,417	6,804,461
Total deferred inflows of resources	<u>6,801,321</u>	<u>7,672,029</u>
Net position:		
Net investment in capital assets	90,222,683	88,688,373
Restricted for federal and state programs	312,398	235,549
Restricted for debt service	2,576,781	2,110,000
Unrestricted	41,370,522	37,777,794
Total net position	<u>\$ 134,482,384</u>	<u>\$ 128,811,716</u>

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

	Governmental Activities	
	2019	<i>Restated</i> 2018
Program revenues		
Charges for services	\$ 782,671	\$ 825,396
Operating grants and contributions	4,614,498	4,014,709
General revenues		
Property taxes	27,749,608	27,623,168
State aid-formula	40,486,383	28,006,787
Investment earnings	1,673,483	1,077,883
Miscellaneous	435,286	83,955
Total revenues	<u>75,741,929</u>	<u>61,631,898</u>
Expenses		
Instruction	35,119,134	23,460,079
Instructional resources and media services	2,037,260	1,635,074
Curriculum and instructional staff development	592,449	419,461
Instructional leadership	466,872	257,677
School leadership	3,763,149	2,321,679
Guidance, counseling and evaluation services	3,223,299	2,018,327
Social work services	288,927	188,490
Health services	537,915	344,408
Student (pupil) transportation	5,727,731	3,826,076
Food services	1,994,765	1,619,743
Curricular/extracurricular activities	1,190,820	847,390
General administration	3,387,411	2,086,017
Facilities maintenance and operations	8,898,768	6,611,888
Security and monitoring services	1,102,456	915,497
Data processing services	828,406	599,452
Community services	24,748	21,349
Debt service - interest on long-term debt	345,678	331,275
Debt service - bond issuance cost and fees	1,100	1,100
Other intergovernmental charges	540,373	543,773
Total expenses	<u>70,071,261</u>	<u>48,048,755</u>

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

	Governmental Activities	
	2019	<i>Restated</i> 2018
Excess (deficiency) before other resources, uses and transfers	5,670,668	13,583,143
Transfers in(out)	-	(9,910)
Change in net position	5,670,668	13,573,233
Net position beginning	128,811,716	145,445,944
Prior period adjustment	-	(30,207,461)
Net position ending	<u>\$ 134,482,384</u>	<u>\$ 128,811,716</u>

The cost of all governmental activities this year was \$70,071,261 compared to \$48,048,755 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 \$27,749,608 because the rest of the costs (\$42,448,093) 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 \$67,978,064 which is more than last year's total of \$62,105,655. The increase is primarily due to a decrease in the district's operational expenses in proportion to revenues.

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At end of 2019, the District had \$96,547,086 (net of depreciation) invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, administration, and maintenance. This amount represents a net increase of just over \$1,548,713, or 2 percent, above last year.

This year's major additions included:

District's Capital Assets		
		2019
Improvements to gym roof, HVAC improvements and renovations to campuses and parking lot additions	\$	3,551,485
Purchases for new buses and audio and visual equipment		1,019,109
Construction in progress for administration building		671,305
Total capital assets before depreciation		5,241,899
Less accumulated depreciation		(3,689,859)
Net capital assets	\$	1,552,040

At year-end, the District has \$6,310,000 in bonds outstanding, and has made payments totaling \$2,530,000 to a sinking fund as required per the debt agreement.

Additional information about the District's capital assets and long term debt is presented in Note 3 – E. and Note 3 – F. respectively.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

These indicators were taken into account when adopting the General Fund budget for 2020. Amounts available for appropriation in the General Fund budget are \$72,132,467, an increase of approximately 9 percent from the final 2019 budget of \$65,885,040, resulting from state per capita payments and grant revenue increases. The District will use its revenues to finance programs we currently offer.

The budget approved by the Board of Trustees was a balanced budget.

Expenditures are budgeted to increase 12% to \$83,724,295. The increase is mainly due to growth and salary increases.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by the close of 2020, 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.

SOUTH TEXAS ISD
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,235,968
1120 Current Investments	62,073,065
1220 Property Taxes - Delinquent	3,998,169
1230 Allowance for Uncollectible Taxes	(399,817)
1240 Due from Other Governments	4,457,926
1250 Accrued Interest	42,311
1290 Other Receivables, Net	3,703
1300 Inventories	32,786
1410 Prepayments	139,450
Capital Assets:	
1510 Land	4,114,411
1520 Buildings, Net	85,315,875
1530 Furniture and Equipment, Net	7,099,199
1580 Construction in Progress	17,601
1800 Restricted Assets	2,530,000
1000 Total Assets	171,660,647
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Related to TRS Pension	6,361,403
1706 Deferred Related to TRS OPEB	2,661,665
1700 Total Deferred Outflows of Resources	9,023,068
LIABILITIES	
2110 Accounts Payable	647,819
2140 Interest Payable	14,403
2150 Payroll Deductions and Withholdings	315,755
2160 Accrued Wages Payable	2,767,038
2200 Accrued Expenses	108,145
2300 Unearned Revenue	7,335
Noncurrent Liabilities:	
2502 Due in More Than One Year	6,310,000
2540 Net Pension Liability (District's Share)	9,631,334
2545 Net OPEB Liability (District's Share)	19,598,181
2000 Total Liabilities	39,400,010
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	603,904
2606 Deferred Inflow Related to TRS OPEB	6,197,417
2600 Total Deferred Inflows of Resources	6,801,321
NET POSITION	
3200 Net Investment in Capital Assets	90,222,683
3820 Restricted for Federal and State Programs	312,398
3850 Restricted for Debt Service	2,576,781
3900 Unrestricted	41,370,522
3000 Total Net Position	\$ 134,482,384

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

SOUTH TEXAS ISD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		3	4	
	Expenses	Charges for Services	Operating Grants and Contributions	6 Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 35,119,134	\$ 25,726	\$ 2,191,146	\$ (32,902,262)
12 Instructional Resources and Media Services	2,037,260	-	-	(2,037,260)
13 Curriculum and Instructional Staff Development	592,449	-	147,731	(444,718)
21 Instructional Leadership	466,872	-	-	(466,872)
23 School Leadership	3,763,149	-	8,246	(3,754,903)
31 Guidance, Counseling and Evaluation Services	3,223,299	-	317,869	(2,905,430)
32 Social Work Services	288,927	-	-	(288,927)
33 Health Services	537,915	-	-	(537,915)
34 Student (Pupil) Transportation	5,727,731	-	-	(5,727,731)
35 Food Services	1,994,765	631,340	1,926,015	562,590
36 Extracurricular Activities	1,190,820	-	-	(1,190,820)
41 General Administration	3,387,411	125,605	-	(3,261,806)
51 Facilities Maintenance and Operations	8,898,768	-	-	(8,898,768)
52 Security and Monitoring Services	1,102,456	-	-	(1,102,456)
53 Data Processing Services	828,406	-	-	(828,406)
61 Community Services	24,748	-	23,491	(1,257)
72 Debt Service - Interest on Long-Term Debt	345,678	-	-	(345,678)
73 Debt Service - Bond Issuance Cost and Fees	1,100	-	-	(1,100)
99 Other Intergovernmental Charges	540,373	-	-	(540,373)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 70,071,261</u>	<u>\$ 782,671</u>	<u>\$ 4,614,498</u>	<u>(64,674,092)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			27,749,608
GC	Grants and Contributions not Restricted			40,486,383
IE	Investment Earnings			1,673,483
MI	Miscellaneous Local and Intermediate Revenue			435,286
TR	Total General Revenues			<u>70,344,760</u>
CN	Change in Net Position			5,670,668
NB	Net Position - Beginning			130,921,716
PA	Prior Period Adjustment			(2,110,000)
NE	Net Position--Ending			<u>\$ 134,482,384</u>

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

SOUTH TEXAS ISD
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,846,204	\$ 389,764	\$ 2,235,968
1120 Current Investments	62,073,065	-	62,073,065
1220 Property Taxes - Delinquent	3,998,169	-	3,998,169
1230 Allowance for Uncollectible Taxes	(399,817)	-	(399,817)
1240 Due from Other Governments	4,168,268	289,658	4,457,926
1250 Accrued Interest	38,575	3,736	42,311
1260 Due from Other Funds	238,005	-	238,005
1290 Other Receivables, Net	3,703	-	3,703
1300 Inventories	-	32,786	32,786
1410 Prepayments	139,450	-	139,450
1800 Restricted Assets	-	2,530,000	2,530,000
1000 Total Assets	<u>\$ 72,105,622</u>	<u>\$ 3,245,944</u>	<u>\$ 75,351,566</u>
LIABILITIES			
2110 Accounts Payable	\$ 643,519	\$ 4,300	\$ 647,819
2150 Payroll Deductions and Withholdings Payable	315,755	-	315,755
2160 Accrued Wages Payable	2,707,304	59,734	2,767,038
2170 Due to Other Funds	-	238,005	238,005
2200 Accrued Expenditures	99,630	8,515	108,145
2300 Unearned Revenue	-	7,335	7,335
2000 Total Liabilities	<u>3,766,208</u>	<u>317,889</u>	<u>4,084,097</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	<u>3,289,405</u>	<u>-</u>	<u>3,289,405</u>
2600 Total Deferred Inflows of Resources	<u>3,289,405</u>	<u>-</u>	<u>3,289,405</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	32,786	32,786
3430 Prepaid Items	139,450	-	139,450
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	312,398	312,398
3480 Retirement of Long-Term Debt	-	2,576,781	2,576,781
Committed Fund Balance:			
3510 Construction	17,162,400	6,090	17,168,490
3545 Other Committed Fund Balance	31,500,000	-	31,500,000
3600 Unassigned Fund Balance	16,248,159	-	16,248,159
3000 Total Fund Balances	<u>65,050,009</u>	<u>2,928,055</u>	<u>67,978,064</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 72,105,622</u>	<u>\$ 3,245,944</u>	<u>\$ 75,351,566</u>

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

SOUTH TEXAS ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2019

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 67,978,064
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$135,475,131 and the accumulated depreciation was (\$40,476,758). In addition, long-term liabilities, including bonds payable (\$6,310,000) which includes a prior period adjustment to bonds payable of (\$2,110,000), are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	88,688,373
2 Current year capital outlays of \$5,241,899 are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. In addition, loss on disposal of assets and interest payable are decreases to net position. The net effect of these items is to increase net position.	5,224,169
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS was a Deferred Resource Outflow in the amount of \$6,361,403, a Deferred Resource Inflow in the amount of \$603,904 and a net pension liability in the amount of \$9,631,334. This resulted in a decrease in net position.	(3,873,835)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a Deferred Resource Outflow of \$2,661,665, a Deferred Resource Inflow of \$6,197,417 and a net OPEB liability of \$19,598,181. This resulted in a decrease in net position.	(23,133,933)
5 The 2019 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(3,689,859)
6 Recognizing unavailable revenue from property taxes as revenue are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. The net effect of these reclassifications and recognitions is to increase net position.	3,289,405
19 Net Position of Governmental Activities	\$ 134,482,384

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

SOUTH TEXAS ISD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 30,810,934	\$ 675,887	\$ 31,486,821
5800 State Program Revenues	38,026,665	587,927	38,614,592
5900 Federal Program Revenues	207,636	3,705,967	3,913,603
5020 Total Revenues	69,045,235	4,969,781	74,015,016
EXPENDITURES:			
Current:			
0011 Instruction	29,314,174	2,191,146	31,505,320
0012 Instructional Resources and Media Services	1,838,339	-	1,838,339
0013 Curriculum and Instructional Staff Development	393,755	147,731	541,486
0021 Instructional Leadership	413,290	-	413,290
0023 School Leadership	3,334,377	8,246	3,342,623
0031 Guidance, Counseling and Evaluation Services	2,518,642	317,869	2,836,511
0032 Social Work Services	254,333	-	254,333
0033 Health Services	475,878	-	475,878
0034 Student (Pupil) Transportation	5,756,032	-	5,756,032
0035 Food Services	-	1,850,630	1,850,630
0036 Extracurricular Activities	1,086,806	-	1,086,806
0041 General Administration	2,910,691	-	2,910,691
0051 Facilities Maintenance and Operations	8,208,641	-	8,208,641
0052 Security and Monitoring Services	1,048,533	-	1,048,533
0053 Data Processing Services	753,521	-	753,521
0061 Community Services	-	23,491	23,491
Debt Service:			
0072 Interest on Long-Term Debt	-	331,275	331,275
0073 Bond Issuance Cost and Fees	-	1,100	1,100
Capital Outlay:			
0081 Facilities Acquisition and Construction	4,222,790	-	4,222,790
Intergovernmental:			
0099 Other Intergovernmental Charges	540,373	-	540,373
6030 Total Expenditures	63,070,175	4,871,488	67,941,663
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	5,975,060	98,293	6,073,353
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	1,172,375	1,172,375
8911 Transfers Out (Use)	(441,639)	(730,736)	(1,172,375)
8949 Other (Uses)	(200,944)	-	(200,944)
7080 Total Other Financing Sources (Uses)	(642,583)	441,639	(200,944)
1200 Net Change in Fund Balances	5,332,477	539,932	5,872,409
0100 Fund Balance - September 1 (Beginning)	61,829,836	275,819	62,105,655
1300 Prior Period Adjustment	(2,112,304)	2,112,304	-
3000 Fund Balance - August 31 (Ending)	\$ 65,050,009	\$ 2,928,055	\$ 67,978,064

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

SOUTH TEXAS ISD
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 5,872,409
Current year capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of removing the 2019 capital outlays is to increase net position.	5,224,169
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.	(3,689,859)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and recognizing the liabilities associated with interest. The net effect of these reclassifications and recognitions is to decrease net position.	(214,433)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$606,074. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling \$589,475. Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$1,202,293. The net result is a decrease in the change in net position.	(1,185,694)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$280,567. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in net position totaling \$270,773. Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense decreased the change in net position by \$345,718. The net result is a decrease in the change in net position.	(335,924)
Change in Net Position of Governmental Activities	\$ 5,670,668

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

SOUTH TEXAS ISD
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2019

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 399,831
Total Assets	<u>\$ 399,831</u>
LIABILITIES	
Due to Student Groups	\$ 399,831
Total Liabilities	<u>\$ 399,831</u>

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

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a twenty-four-member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles (GAAP) promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources identified in GASB Statement No. 76, and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

A. REPORTING ENTITY

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, *The Financial Reporting Entity*. There are no component units included within the reporting entity.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT's nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Net Position.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (Continued)

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The District considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the "susceptible to accrual" concept; that is, when they are both measurable and available. The District considers them "available" if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

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

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The proprietary fund types and fiduciary funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and expenses in the accounting period in which they are incurred. The District applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements, unless these pronouncements conflict or contradict GASB pronouncements. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets. The District currently has no proprietary fund types.

Agency Funds utilize the accrual basis of accounting but do not have a measurement focus as they report only assets and liabilities.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

General Fund – The General fund is the District’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

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

Governmental Funds:

Special Revenue Fund - The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.

Debt Service Fund - The District accounts for resources accumulated and payments made for principal and interest on long-term debt of governmental funds in a debt service fund.

Capital Projects Fund - The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

D. FUND ACCOUNTING (Continued)

Fiduciary Funds:

Agency Fund - The District uses this fund to report student activity funds held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment and remittance of the fiduciary resources to individuals, private organizations, or other governments.

E. OTHER ACCOUNTING POLICES

New Accounting Standards

In fiscal year 2019, the District implemented GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

Statement No. 88 improves the information that is disclosed in notes to government's financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

Future possible applicable accounting standards to the District that have been issued by the Governmental Accounting Standards Board are Statement No. 84, *Fiduciary Activities* and Statement No. 87, *Leases*.

Statement No. 84 establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018.

Statement No. 87 improves the accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Inventory

The District uses the purchase method of accounting for inventory, which is comprised of purchased food and food commodities. Purchases of inventory items are recognized as expenditures when the goods are received and adjusted at year end after physical inventory is conducted. Commodity inventory is recorded at market value supplied by the Texas Department of Human Services.

Capital Assets

Capital assets, which include land, buildings, and furniture and equipment are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	40
Furniture and Equipment	
- Buses	10
- Other Vehicles	7
- Equipment	5

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Long-term Obligations

Long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Issuance costs for insurance premiums are recorded as deferred charges.

Government-wide Net Position

Net position represents the difference between assets and liabilities. The District's net position is composed of the following:

Net Investment in Capital Assets- The component of net position that represents capital assets less capital debt.

Restricted for State and Federal Programs- The component of net position that reports the difference between assets and liabilities of the Federal and State special revenue programs that consists of assets with constraints placed on their use by the Departments of Education and Agriculture, the Texas Education Agency and other entities.

Restricted for Debt Service- The component of net position that reports the difference between assets and liabilities of the Debt Service Funds, restricted by the bond covenants.

Unrestricted- The difference between the assets and liabilities that are not reported in net position invested in capital assets, net position restricted for debt service and net position restricted for state and federal programs.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first unless unrestricted assets will have to be returned because they were not used.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Fund Balance

In the fund financial statements, governmental funds report fund balance as nonspendable if the amounts cannot be spent because they are either not in spendable form or are legally or contractually required to remain intact. Restrictions of fund balance are for amounts that are restricted to specific purposes by an external entity (creditors, grantors, governmental regulations) or the restriction is imposed by law through constitutional provision or enabling legislation. Commitments of fund balance represent amounts that can only be used for specific purposes pursuant to constraints imposed by the District's Board. Assigned fund balances are amounts set aside by the District's Superintendent or his designee with the intent that they be used for specific purposes. Unassigned fund balances are not constrained for a particular purpose.

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used. Committed amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same actions (i.e. resolution) it employed to previously commit those amounts. Unlike commitments, assignments generally only exist temporarily. An additional action does not have to be taken for the removal of an assigned fund balance.

Investments

Money market investments which are short-term, highly liquid debt instruments including commercial paper, banker's acceptances and U.S. Treasury and agency obligations that have a remaining maturity at time of purchase of one year or less are reported at amortized cost. Investments in entities (such as investment pools) that calculate Net Asset Value per Share and follow the requirements of GASB Statement No. 79 are also reported at amortized cost. Nonparticipating interest-earning investment contracts are reported using a cost-based measure. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. All other investments are reported at fair value.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Fair Value Measurements

The District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements. Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs (other than quoted prices included within Level 1) that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, such as management's assumption of the default rate among underlying mortgages of a mortgage-backed security.

There are three general valuation techniques that may be used to measure fair value. The market approach uses prices generated by market transactions involving identical or comparable assets or liabilities. The cost approach uses the amount that currently would be required to replace the service capacity of an asset (replacement cost). The income approach uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Deferred Outflows of Resources and Deferred Inflows of Resources/Other Assets and Liabilities

Certain defined transactions that do not qualify for treatment as either assets or liabilities are required to be accounted for and reported as either deferred outflows of resources (a separate subheading following assets but before liabilities) or deferred inflows of resources (a separate subheading following liabilities but before equity).

Deferred outflows of resources—a consumption of net assets by the government that is applicable to a future reporting period and so will not be recognized as an outflow of resources (expenditure/expenses) until then. It has a positive effect on net position, similar to assets.

Deferred inflows of resources—an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

F. OTHER ACCOUNTING POLICES (Continued)

Deferred Outflows of Resources

Deferred outflows of resources for pension are reported in the government-wide financial statement of net position. Deferred outflows result from pension plan contributions made after the measurement date of the net pension liability. Deferred outflows also include the District's proportionate share of the deferred outflows of resources of the TRS plan. These deferred outflows include the differences between expected and actual economic experience and changes in actuarial assumptions. The deferred outflows of resources related to the District's contributions which are subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year.

The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

Deferred Inflows of Resources

Grant amounts received in advance of meeting timing requirements and advances of revenue from imposed nonexchange transactions such as property taxes or transactions recorded as a receivable prior to the period when resources are required to be used or are available, are reported as deferred inflows of resources at the fund level and are recognized as revenues at the government-wide level.

Deferred inflows of resources for pension are reported in the government-wide financial statement of net position. These deferred inflows result primarily from differences between projected and actual earnings on pension plan investments.

Pension

The District is a member employer of the Teacher Retirement System of Texas (TRS) and, therefore, records its proportionate share of the pension liability and related accounts in these financial statements. The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

South Texas Independent School District Notes to the Financial Statements

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICES (Continued)

E. OTHER ACCOUNTING POLICES (Continued)

Pension (Continued)

Other post-employment benefits – The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Accounting System

In accordance with the Resource Guide, the District has adopted and installed an accounting system which meets the minimum requirements prescribed by the State Board of Education and approved by the State Auditor. Specifically, the District's accounting system uses codes and the code structure prescribed by Texas Education Agency (TEA) in the Resource Guide. Mandatory codes are recorded in the order provided in that section.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the Financial Accountability System Resource Guide. TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide data base for policy development and funding plans.

South Texas Independent School District Notes to the Financial Statements

Note 2 – STEWADRSHP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDEGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the General Fund. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 in the RSI and the other two reports are in Exhibit J-4 and J-5.

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

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

South Texas Independent School District Notes to the Financial Statements

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

B. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At August 31, 2019, the District's other intergovernmental charges exceeded the Budget by \$14,373.

C. DEFICIT FUND EQUITY

For the fiscal year ended August 31, 2019 the District did not have deficit fund equity.

NOTE 3 - DETAILED NOTES ON ALL FUNDS AND ACCOUNTING GROUPS

A. DEPOSITS AND INVESTMENTS

Cash and Cash Equivalents

District Policies and Legal and Contractual Provisions Governing Deposits

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

As of August 31, 2019, the following are the District's cash and cash equivalents with respective maturities of less than one year.

Cash	\$	4,765,968	
Investments:			
Certificates of Deposit	\$	17,694,000	29%
Lone Star Investment Pool		43,652,040	70%
TexPool		727,025	1%
Total Investments:	\$	62,073,065	100%

South Texas Independent School District Notes to the Financial Statements

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

A. DEPOSITS AND INVESTMENTS (Continued)

Investments

District Policies and Legal and Contractual Provisions Governing Investments

Compliance with the Public Funds Investment Act The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas Public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. South Texas Independent School District is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for South Texas Independent School District are specified below:

Credit Risk In accordance with state law and the District's investment policy, investments in mutual funds and investment pools must be rated at least AAA or have an equivalent rating. Commercial paper must be rated at least A-1, P-1 or have an equivalent rating, and obligations of states, agencies, counties, and cities must be at least A or its equivalent. As of August 31, 2019, the District's investments in Lonestar Investment Pool and TexPool were rated AAAM by Standard and Poor's (S&P).

South Texas Independent School District Notes to the Financial Statements

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

A. DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk for Investment For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All investments held by third parties were fully collateralized and held in the District's name.

Concentration of Credit Risk The investment portfolio is diversified in terms of investment instruments and maturity scheduling to reduce risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity or specific issuer. As of August 31, 2019, the District had 29% of its investments in certificates of deposits. These certificates of deposits were fully covered by eligible pledged securities. The District had 71% of its investments in TexPool and Lonestar Investment Pool, which are rated AAAm.

The District's investments at August 31, 2019 are shown as follows:

Investment Type	Reported at Amortized Cost	weighted Average Maturity (days)	Standard & Poor's Rating
Certificates of Deposit	\$ 17,694,000	n/a	n/a
Lone Star Investment Pool			
Corporate Overnight Fund	2,526,077	39	
Corporate Overnight Plus Fund	41,125,928	44	
Government Overnight Fund	35	27	
Total Lone Star Investment Pool	43,652,040		AAAm
TexPool	727,025	36	AAAm
Total Investments:	<u>\$ 62,073,065</u>		

Interest Rate Risk In accordance with state law and the District's investment policy, the District does not purchase any investments greater than one year for its operating funds.

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

South Texas Independent School District Notes to the Financial Statements

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

B. PROPERTY TAXES

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period, and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The allowance for uncollectible taxes receivable within the General Fund is based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

C. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation and Per Capita Programs. Amounts due from other governments as of August 31, 2019, are summarized below.

Fund	State	
	Entitlements	Total
General	\$ 4,168,268	\$ 4,168,268
Special Revenue	289,658	289,658
Total	\$ 4,457,926	\$ 4,457,926

South Texas Independent School District Notes to the Financial Statements

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

D. INTERFUND BALANCES AND TRANSFERS

The composition of Interfund balances as of August 31, 2019 is as follows:

Receivable	Payable Fund	Receivable (Payable) Amount
General Fund	Special Revenue	\$ 237,931
General Fund	Capital Projects	74
Total		\$ 238,005

Interfund transfers are defined as flow of assets without equivalent flows of assets in return and without requirement of repayment. Interfund transfers for the year ended August 31, 2019 were as follows:

Fund	Transfer In (Out)
Debt Service	\$ (752,375)
Debt Service - PFC	(420,000)
General Fund	441,639
Debt Service	420,000
Debt Service - PFC	310,736
Total	\$ -

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided and/or reimbursable expenditures occur, and 2) transactions are recorded in the accounting system, and 3) payments between funds are made. Interfund transfers between the general fund and the debt service funds are for required deposits to the sinking fund and debt interest payments.

South Texas Independent School District Notes to the Financial Statements

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

E. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2019 was as follows:

Governmental Activities:	9/1/2018	Additions	Retirements	Reclass Adjustments	Balance 8/31/2019
Land	\$ 4,114,411	\$ -	\$ -	\$ -	\$ 4,114,411
Buildings and Improvements	107,437,527	3,551,485	-	9,446,048	120,435,060
Furniture and Equipment	15,130,849	1,019,109	(2,005,343)	-	14,144,615
Construction in Progress	8,792,344	671,305	-	(9,446,048)	17,601
Totals	135,475,131	5,241,899	(2,005,343)	-	138,711,687
Less Accumulated Depreciation:					
Buildings and Improvements	(32,403,687)	(2,715,498)	-	-	(35,119,185)
Furniture and Equipment	(8,073,070)	(974,361)	2,002,015	-	(7,045,416)
Total Accumulated Depreciation	(40,476,757)	(3,689,859)	2,002,015	-	(42,164,601)
Governmental Activities Capital Assets, Net	\$ 94,998,374	\$ 1,552,040	\$ (3,328)	\$ -	\$ 96,547,086

Depreciation Expense was charged to governmental functions as follows:

Instruction	\$ 1,876,657
Instructional Resources and Media Services	118,547
Curriculum and Instructional Staff Development	29,914
Instructional Leadership	22,843
School Leadership	194,562
Guidance, Counseling and Evaluation Services	170,192
Social Work Services	15,850
Health Services	28,305
Student (Pupil) Transportation	326,854
Food Services	109,637
Extracurricular Activities	60,643
General Administration	151,960
Facilities Maintenance and Operations	483,213
Security and Monitoring Services	53,923
Data Processing Services	45,503
Community Services	1,256
	<u>\$ 3,689,859</u>

South Texas Independent School District Notes to the Financial Statements

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

F. LONG-TERM OBLIGATIONS

Qualified School Construction Bonds

On December 1, 2013, the South Texas Independent School District Public Facilities Corporation issued \$6,310,000 in School Facility Lease Revenue Qualified School Construction Bonds, Taxable Series 2013 to finance the construction and equipping of school facilities and to pay for professional fees and services along with the costs of issuing the Bonds. Annual installments of \$420,000 to a sinking fund are payable until the bonds mature in 2028. The bonds were issued with an interest rate of 5.250% due semi-annually, August 31, 2014 to August 31, 2028.

All bond requirements to term, including the required installments that must be made to a sinking fund are as follows:

Year Ending August 31,	Sinking Fund	Interest	Estimated Interest Subsidy Available	Total Requirements
2020	\$ 420,000	\$ 331,275	\$ (309,328)	\$ 441,947
2021	420,000	331,275	(309,328)	441,947
2022	420,000	331,275	(309,328)	441,947
2023	420,000	331,275	(309,328)	441,947
2024	420,000	331,275	(309,328)	441,947
2025-2028	1,680,000	1,325,100	(1,237,312)	1,767,788
	<u>3,780,000</u>	<u>\$ 2,981,475</u>	<u>\$ (2,783,952)</u>	<u>3,977,523</u>
Restricted Asset	<u>\$ 2,530,000</u>			<u>2,530,000</u>
Total Requirements	<u>\$ 6,310,000</u>			<u>\$ 6,507,523</u>

Bonded indebtedness of the District is reflected within the statement of net position and current requirements for sinking fund deposits and interest expenditures are accounted for in the Debt Service Fund.

This debt will be paid by the Debt Service Fund from transfers made from the General Fund for deposits into the sinking fund. Under Code Section 6431(f), the District receives federal assistance on the interest requirements. For the fiscal year 2018-2019, the District received federal assistance of \$310,736. The estimated future subsidy amounts in the table above are based on historical average of subsidy amount received by the District.

Funds are required to be set aside to pay the bonds at maturity. The fair market value of investments in the sinking fund is \$2,572,995 and is recorded as restricted assets in the Debt Service Fund. These funds are managed by a Trustee and are currently invested in federal agency obligations.

South Texas Independent School District Notes to the Financial Statements

G. DEFINED BENEFIT PENSION PLAN

Plan Description – The District participates in a cost-sharing multiple-employer defined benefit pension that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under Section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

South Texas Independent School District Notes to the Financial Statements

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

G. DEFINED BENEFIT PENSION PLAN (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non - Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$	606,074
District's 2019 Member Contributions	\$	2,773,345
District's 2018 NECE On-Behalf Contributions	\$	2,252,754

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, the State of Texas contributes to the retirement system an amount equal to the current employer contribution rate times the aggregate annual compensation of all participating members of the pension trust fund during that fiscal year reduced by the amounts described below which are paid by the employers. Employers (including public schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

South Texas Independent School District Notes to the Financial Statements

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

G. DEFINED BENEFIT PENSION PLAN (Continued)

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases Including Inflation	3.05% to 9.05% including inflation
Payroll Growth Rate	3.00%
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

The source for the Municipal Bond rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that involve only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index".

The Actuarial methods and assumptions are based primarily on a study of actual experience for the three-year period ending August 31, 2017 and adopted on July 27, 2018.

Discount Rate. The single discount rate used to measure the total pension liability was 6.907% and was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date.

South Texas Independent School District Notes to the Financial Statements

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

G. DEFINED BENEFIT PENSION PLAN (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2018 are summarized below:

Asset Class	Target Allocation ¹	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Return
GlobalEquity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	0%	0.00%	0.00%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	-0.30%	0.00%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	0%	0.00%	0.00%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag ²			-0.79%
Total	100%		7.25%

¹ Target allocations are based on FY2016 policy model.

² The volatility drag results from the conversion between arithmetic and geometric mean returns.

South Texas Independent School District Notes to the Financial Statements

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

G. DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
Proportionate share of the net pension liability:	\$ 14,535,993	\$ 9,631,334	\$ 5,660,722

Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions. At August 31, 2019, the District reported a liability of \$9,631,334 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support, and the total portion of the net pension liability that was associated with the District at August 31, 2019 were as follows:

District's Proportionate share of the collective net pension liability	\$ 9,631,334
State's proportionate share that is associated with the District	46,830,983
Total	<u>\$ 56,462,317</u>

The net pension liability was measured as of August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At the measurement date of August 31, 2018 the employer's proportion of the collective net pension liability was 0.0174980192% which was a decrease of 0.0002477270% from its proportion measured as of August 31, 2017.

South Texas Independent School District Notes to the Financial Statements

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

G. DEFINED BENEFIT PENSION PLAN (Continued)

Changes Since the Prior Actuarial Valuation – There were changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement date.

- The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0% as of August 31, 2017 to 6.907% as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0% to 7.25%.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For the year ended August 31, 2019, the District recognized pension expense of \$5,437,054 and revenue of \$3,645,286 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 60,034	\$ 236,315
Changes in actuarial assumptions	3,472,560	108,518
Differences between projected and actual investment earnings contributions	-	182,747
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	2,222,735	76,324
Total as of August 31, 2018 measurement date	5,755,329	603,904
Contributions paid to TRS subsequent to the measurement date	606,074	-
Total as of fiscal year-end	\$ 6,361,403	\$ 603,904

South Texas Independent School District Notes to the Financial Statements

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

H. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

The net amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended August 31	Pension Expense Amount
2020	\$ 1,455,367
2021	1,070,782
2022	935,667
2023	730,359
2024	587,153
Thereafter	372,097

	Beginning Balance	Additions	Retirements	Ending Balance
Net Pension Liability	\$ 5,674,134	\$ 4,546,664	\$ 589,464	\$9,631,334

Plan Description. The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detailed information about TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

South Texas Independent School District Notes to the Financial Statements

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

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

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare and without Medicare coverage.

TRS-Care Monthly for Retirees Effective January 1, 2018 - December 31, 2018		
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1,020	999
*or surviving spouse		

Contributions. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school.

	<u>2018</u>	<u>2019</u>
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding Remitted by Employers	1.25%	1.25%
Current fiscal year employer contributions	\$ 280,567	
Current fiscal year member contributions	\$ 234,113	
2018 measurement year NECE On-Behalf Contributions	\$ 424,804	

With Senate Bill 1, 85th Legislature, Regular Session, TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. House Bill 30 of the 85th Legislature provided an additional \$212 million in a one-time supplemental funding for the FY 2018-2019 biennium. One-time supplemental contributions during fiscal year 2018 totaled \$394.6 million.

South Texas Independent School District Notes to the Financial Statements

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

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

Actuarial Assumptions. The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those used in the respective TRS pension valuation.

The following assumptions used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation that was rolled forward to August 31, 2018:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.3%
Single Discount Rate	3.69%. Sourced from fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GL AA Index" as of August 31, 2018
Aging Factors	Based on Plan Specific Experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs
Projected Salary Increases	3.50% - 9.50% including inflation
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc Post Employment Benefit Changes	None

Discount Rate. A single discount rate used to measure the total OPEB liability was 3.69%. There was a change of 0.27% in the discount rate since the previous year. The Discount Rate can be found in the 2018 TRS CAFR on page 77. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate.

South Texas Independent School District Notes to the Financial Statements

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

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

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
Proportionate share of the net OPEB liability:	\$ 23,328,569	\$ 19,598,181	\$ 16,647,204

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability:	\$ 16,276,609	\$ 19,598,181	\$ 23,972,764

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. At August 31, 2019, the District reported a liability of \$ 19,598,181 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related state support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	\$ 19,598,181
State's Proportionate share that is associated with the District	30,790,614
Total	<u>\$ 50,388,795</u>

The Net OPEB Liability was measured as of August 31, 2018 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 through August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net OPEB liability was 0.0392505944% which was an increase of 0.0018436734% from its proportion measured as of August 31, 2017.

South Texas Independent School District Notes to the Financial Statements

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

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

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

- Adjustments were made for retirees that were known to have discontinued their healthcare coverage in fiscal year 2018. This change increased the total OPEB liability.
- The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the total OPEB liability.
- Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the total OPEB liability.
- The discount rate changed from 3.42% as of August 31, 2017 to 3.69%, as of August 31, 2018. This change lowered the total OPEB liability \$2.3 billion.

Changes in Benefit Terms: The 85th Legislature, Regular Session passed the following statutory changes which became effective on September 1, 2017:

- Created a high-deductible health plan that provides a zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees on or before January 1, 2017 who are not eligible to enroll in Medicare.
- Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
- Allowed the System to provide other appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
- Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
- Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$200 per month toward their health insurance premiums.

For the year ended August 31, 2018, the District recognized OPEB expense of \$1,736,469 and revenue of \$1,119,978 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

South Texas Independent School District Notes to the Financial Statements

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 1,040,003	\$ 309,288
Changes in actuarial assumptions	327,041	5,888,129
Differences between projected and actual investment earnings	3,427	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	1,010,627	-
Total as of August 31, 2018 measurement date	2,381,098	6,197,417
Contributions paid to TRS subsequent to the measurement date	280,567	-
Total as of fiscal year-end	\$ 2,661,665	\$ 6,197,417

The net amount of the employer's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31	Pension Expense Amount
2020	\$ (645,615)
2021	(645,615)
2022	(645,615)
2023	(646,263)
2024	(646,634)
Thereafter	(586,577)

	Beginning Balance	Additions	Retirements	Ending Balance
Net OPEB Liability	\$ 16,266,867	\$ 3,602,087	\$ 270,773	\$ 19,598,181

South Texas Independent School District Notes to the Financial Statements

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

I. HEALTH CARE COVERAGE – ACTIVE EMPLOYEES

Plan Description - During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the "Plan"). The District contributed \$464 per month per employee and dependents to the Plan, which includes \$225 in state mandated contribution. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third-party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The Teachers Retirement System (TRS) manages TRS Active Care. The medical plan is administered by AETNA, Allegian HMO Plan. Caremark administers the prescription drug plan. The latest financial information on the state-wide plan may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by calling the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading.

Medicare Part D. Federal legislation enacted in January 2006 established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. This provision allows for the Texas Public School Retired Employee Group program (TRS-Care) to receive drug subsidy payments from the federal government to offset pharmacy claims paid by TRS-Care on behalf of plan participants. GASB Statement No. 24 requires recognition of these on-behalf payments in the financial statements. Medicare Part D payments made on behalf of the District's participants for the years ended August 31, 2019, 2018, and 2017 were \$134,595, \$105,477, and \$117,795 respectively.

J. CONTINGENT LIABILITIES

The District is involved in various legal proceedings arising from its operations. Management in consultation with its attorney believes the outcomes will have no material effect on the District's financial position.

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

K. CONTRUCTION AND OTHER SIGNIFICANT COMMITMENTS AND CONTINGENCIES

At August 31, 2019 the District had the following remaining construction commitments:

Project	Authorization	Expended	Remaining
Administration Building	\$ 6,500,000	\$ 17,600	\$ 6,482,400

South Texas Independent School District Notes to the Financial Statements

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

L. FUND BALANCE

The District has classified its fund balances as follows:

Description	General Fund	Other Governmental Funds			Total Governmental Funds
		Special Revenue Funds	Debt Service Funds	Capital Projects Fund	
Fund Balances					
Nonspendable					
Inventories	\$ -	\$ 32,786	\$ -	\$ -	\$ 32,786
Prepaid Items	139,450	-	-	-	139,450
Restricted					
Federal or State Funds					
Grant Restriction	-	312,398	-	-	312,398
Retirement of Long-Term Debt	-	-	2,576,781	-	2,576,781
Committed					
Construction	17,162,400	-	-	6,090	17,168,490
Future Construction Projects	31,500,000	-	-	-	31,500,000
Unassigned	16,248,159	-	-	-	16,248,159
Total Fund Balance	<u>\$ 65,050,009</u>	<u>\$ 345,184</u>	<u>\$ 2,576,781</u>	<u>\$ 6,090</u>	<u>\$ 67,978,064</u>

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

M. PRIOR PERIOD ADJUSTMENTS

The prior period adjustment of \$2,110,000 on the Statement of Activities is to correct the total bond liability which was understated in prior years. At the fund level, the prior period of \$2,112,304 in the general fund and in the other funds, is due to the sinking fund balance (described in note 3.F) from the prior year which was presented in the general fund instead of the debt service fund. These prior period adjustments netted out on the total governmental funds on the statement of revenues, expenditures, and changes in fund balances.

N. SUBSEQUENT EVENTS

The District has evaluated subsequent events through January 13, 2020, which is the date these financial statements were available to be issued. There are no subsequent events that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 28,999,000	\$ 29,828,000	\$ 30,810,934	\$ 982,934
5800 State Program Revenues	36,536,040	36,136,040	38,026,665	1,890,625
5900 Federal Program Revenues	350,000	515,000	207,636	(307,364)
5020 Total Revenues	65,885,040	66,479,040	69,045,235	2,566,195
EXPENDITURES:				
Current:				
0011 Instruction	32,603,391	32,526,391	29,314,174	3,212,217
0012 Instructional Resources and Media Services	2,004,562	2,004,562	1,838,339	166,223
0013 Curriculum and Instructional Staff Development	526,142	537,232	393,755	143,477
0021 Instructional Leadership	485,604	486,514	413,290	73,224
0023 School Leadership	3,525,951	3,525,951	3,334,377	191,574
0031 Guidance, Counseling and Evaluation Services	2,889,510	2,889,510	2,518,642	370,868
0032 Social Work Services	286,329	286,329	254,333	31,996
0033 Health Services	543,589	543,589	475,878	67,711
0034 Student (Pupil) Transportation	6,781,394	6,781,394	5,756,032	1,025,362
0036 Extracurricular Activities	1,224,400	1,264,400	1,086,806	177,594
0041 General Administration	3,421,725	3,364,058	2,910,691	453,367
0051 Facilities Maintenance and Operations	8,931,643	8,931,643	8,208,641	723,002
0052 Security and Monitoring Services	1,167,000	1,167,000	1,048,533	118,467
0053 Data Processing Services	1,154,100	1,236,767	753,521	483,246
Capital Outlay:				
0081 Facilities Acquisition and Construction	7,272,000	11,735,043	4,222,790	7,512,253
Intergovernmental:				
0095 Payments to Juvenile Justice Alternative Ed. Prg.	25,000	25,000	-	25,000
0099 Other Intergovernmental Charges	526,000	526,000	540,373	(14,373)
6030 Total Expenditures	73,368,340	77,831,383	63,070,175	14,761,208
1100 Excess (Deficiency) of Revenues Over (Under)	(7,483,300)	(11,352,343)	5,975,060	17,327,403
Expenditures				
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	(753,275)	(753,275)	(441,639)	311,636
8949 Other (Uses)	-	-	(200,944)	(200,944)
7080 Total Other Financing Sources (Uses)	(753,275)	(753,275)	(642,583)	110,692
1200 Net Change in Fund Balances	(8,236,575)	(12,105,618)	5,332,477	17,438,095
0100 Fund Balance - September 1 (Beginning)	61,829,836	61,829,836	61,829,836	-
1300 Prior Period Adjustment	(2,112,304)	(2,112,304)	(2,112,304)	-
3000 Fund Balance - August 31 (Ending)	\$ 51,480,957	\$ 47,611,914	\$ 65,050,009	\$ 17,438,095

See accompanying note to the Schedule

SOUTH TEXAS ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016
District's Proportion of the Net Pension Liability (Asset)	0.017498019%	0.017745746%	0.017104145%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 9,631,334	\$ 5,674,134	\$ 6,463,402
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	36,830,983	21,691,440	24,107,596
Total	<u>\$ 46,462,317</u>	<u>\$ 27,365,574</u>	<u>\$ 30,570,998</u>
District's Covered Payroll	\$ 34,768,128	\$ 33,720,831	\$ 30,625,263
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	27.70%	16.83%	21.10%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.74%	82.17%	78.00%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only five years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FY 2016 Plan Year 2015		FY 2015 Plan Year 2014	
0.0158193%		0.0024553%	
\$	5,591,912	\$	655,844
20,500,455		17,599,519	
\$	26,092,367	\$	18,255,363
\$	26,212,695	\$	25,175,664
21.33%		2.61%	
78.43%		83.25%	

SOUTH TEXAS ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018	2017
Contractually Required Contribution	\$ 606,074	\$ 589,475	\$ 581,602
Contribution in Relation to the Contractually Required Contribution	(606,074)	(589,475)	(581,602)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 36,017,459	\$ 34,768,128	\$ 33,720,831
Contributions as a Percentage of Covered Payroll	1.68%	1.70%	1.72%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

2016		2015	
\$	543,442	\$	468,417
	(543,442)		(468,417)
\$	-	\$	-
\$	30,625,263	\$	26,212,695
	1.77%		1.79%

SOUTH TEXAS ISD
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2019

	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.039250594%	0.037406921%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 19,598,181	\$ 16,266,867
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	30,790,614	27,302,058
Total	<u>\$ 50,388,795</u>	<u>\$ 43,568,925</u>
District's Covered Payroll	\$ 34,768,128	\$ 33,720,831
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.37%	48.24%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.57%	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

SOUTH TEXAS ISD
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2019

	2019	2018
Contractually Required Contribution	\$ 280,567	\$ 270,773
Contribution in Relation to the Contractually Required Contribution	(280,567)	(270,773)
Contribution Deficiency (Excess)	\$ -	\$ -
District's Covered Payroll	\$ 36,017,459	\$ 34,768,128
Contributions as a Percentage of Covered Payroll	0.78%	0.78%

Note: GASB Codification, Vol. 2, P50.238 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31 of the preceding year.

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

South Texas Independent School District Notes to Required Supplementary Information

Budgetary Information

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

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

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

COMBINING STATEMENTS

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		204 Title IV Part A SubPart 1	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1240	Due from Other Governments	-	4,632	-	52,389
1250	Accrued Interest	-	-	-	-
1300	Inventories	-	-	-	-
1800	Restricted Assets	-	-	-	-
1000	Total Assets	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ -</u>	<u>\$ 52,389</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-	25,116
2170	Due to Other Funds	-	4,632	-	24,544
2200	Accrued Expenditures	-	-	-	2,729
2300	Unearned Revenue	-	-	-	-
2000	Total Liabilities	<u>-</u>	<u>4,632</u>	<u>-</u>	<u>52,389</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	-
3480	Retirement of Long-Term Debt	-	-	-	-
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 4,632</u>	<u>\$ -</u>	<u>\$ 52,389</u>

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	288 HEAL2 Project	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 313,923	\$ 19,297	\$ -	\$ -	\$ -	\$ -	\$ 7,335	\$ -
58,829	31,554	-	2,346	1,299	28,077	-	110,532
-	-	-	-	-	-	-	-
32,786	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 405,538</u>	<u>\$ 50,851</u>	<u>\$ -</u>	<u>\$ 2,346</u>	<u>\$ 1,299</u>	<u>\$ 28,077</u>	<u>\$ 7,335</u>	<u>\$ 110,532</u>
\$ 653	\$ -	\$ -	\$ -	\$ -	\$ 3,647	\$ -	\$ -
34,618	-	-	-	-	-	-	-
19,297	50,851	-	2,346	1,299	24,430	-	110,532
5,786	-	-	-	-	-	-	-
-	-	-	-	-	-	7,335	-
<u>60,354</u>	<u>50,851</u>	<u>-</u>	<u>2,346</u>	<u>1,299</u>	<u>28,077</u>	<u>7,335</u>	<u>110,532</u>
32,786	-	-	-	-	-	-	-
312,398	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>345,184</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 405,538</u>	<u>\$ 50,851</u>	<u>\$ -</u>	<u>\$ 2,346</u>	<u>\$ 1,299</u>	<u>\$ 28,077</u>	<u>\$ 7,335</u>	<u>\$ 110,532</u>

SOUTH TEXAS ISD
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2019

Data Control Codes		Total Nonmajor Special Revenue Funds	516 Debt Service	518 Debt Service (PFC)	Total Nonmajor Debt Service Funds
ASSETS					
1110	Cash and Cash Equivalents	\$ 340,555	\$ 59	\$ 42,995	\$ 43,054
1240	Due from Other Governments	289,658	-	-	-
1250	Accrued Interest	-	-	3,727	3,727
1300	Inventories	32,786	-	-	-
1800	Restricted Assets	-	-	2,530,000	2,530,000
1000	Total Assets	<u>\$ 662,999</u>	<u>\$ 59</u>	<u>\$ 2,576,722</u>	<u>\$ 2,576,781</u>
LIABILITIES					
2110	Accounts Payable	\$ 4,300	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	59,734	-	-	-
2170	Due to Other Funds	237,931	-	-	-
2200	Accrued Expenditures	8,515	-	-	-
2300	Unearned Revenue	7,335	-	-	-
2000	Total Liabilities	<u>317,815</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	32,786	-	-	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	312,398	-	-	-
3480	Retirement of Long-Term Debt	-	59	2,576,722	2,576,781
Committed Fund Balance:					
3510	Construction	-	-	-	-
3000	Total Fund Balances	<u>345,184</u>	<u>59</u>	<u>2,576,722</u>	<u>2,576,781</u>
4000	Total Liabilities and Fund Balances	<u>\$ 662,999</u>	<u>\$ 59</u>	<u>\$ 2,576,722</u>	<u>\$ 2,576,781</u>

616 Capital Fund (PFC)	Total Nonmajor Governmental Funds
\$ 6,155	\$ 389,764
-	289,658
9	3,736
-	32,786
-	2,530,000
<u>\$ 6,164</u>	<u>\$ 3,245,944</u>
\$ -	\$ 4,300
-	59,734
74	238,005
-	8,515
-	7,335
<u>74</u>	<u>317,889</u>
-	32,786
-	312,398
-	2,576,781
6,090	6,090
<u>6,090</u>	<u>2,928,055</u>
<u>\$ 6,164</u>	<u>\$ 3,245,944</u>

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	204 Title IV Part A SubPart 1	211 ESEA I, A Improving Basic Program	212 ESEA Title I Part C Migrant	224 IDEA - Part B Formula
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-	-
5900 Federal Program Revenues	73,824	1,104,411	76,841	542,509
5020 Total Revenues	73,824	1,104,411	76,841	542,509
EXPENDITURES:				
Current:				
0011 Instruction	73,824	1,080,920	76,841	224,640
0013 Curriculum and Instructional Staff Development	-	-	-	-
0023 School Leadership	-	-	-	-
0031 Guidance, Counseling and Evaluation Services	-	-	-	317,869
0035 Food Services	-	-	-	-
0061 Community Services	-	23,491	-	-
Debt Service:				
0072 Interest on Long-Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	73,824	1,104,411	76,841	542,509
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	-
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	-	-
8911 Transfers Out (Use)	-	-	-	-
7080 Total Other Financing Sources (Uses)	-	-	-	-
1200 Net Change in Fund Balance	-	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ -

240 National Breakfast and Lunch Program	242 Summer Feeding Program	244 Career and Technical - Basic Grant	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang Acquisition	288 HEAL2 Project	397 Advanced Placement Incentives	410 State Textbook Fund
\$ 607,867	\$ 23,473	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7,281	-	-	-	-	-	22,719	557,927
1,255,840	31,554	51,315	138,913	9,245	110,779	-	-
1,870,988	55,027	51,315	138,913	9,245	110,779	22,719	557,927
-	-	51,315	-	8,004	108,979	8,696	557,927
-	-	-	138,913	1,241	1,800	5,777	-
-	-	-	-	-	-	8,246	-
-	-	-	-	-	-	-	-
1,795,603	55,027	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,795,603	55,027	51,315	138,913	9,245	110,779	22,719	557,927
75,385	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
75,385	-	-	-	-	-	-	-
269,799	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 345,184	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

SOUTH TEXAS ISD
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Total Nonmajor Special Revenue Funds	516 Debt Service	518 Debt Service (PFC)	Total Nonmajor Debt Service Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 631,340	\$ 11	\$ 44,418	\$ 44,429
5800 State Program Revenues	587,927	-	-	-
5900 Federal Program Revenues	3,395,231	-	310,736	310,736
5020 Total Revenues	4,614,498	11	355,154	355,165
EXPENDITURES:				
Current:				
0011 Instruction	2,191,146	-	-	-
0013 Curriculum and Instructional Staff Development	147,731	-	-	-
0023 School Leadership	8,246	-	-	-
0031 Guidance, Counseling and Evaluation Services	317,869	-	-	-
0035 Food Services	1,850,630	-	-	-
0061 Community Services	23,491	-	-	-
Debt Service:				
0072 Interest on Long-Term Debt	-	331,275	-	331,275
0073 Bond Issuance Cost and Fees	-	1,100	-	1,100
6030 Total Expenditures	4,539,113	332,375	-	332,375
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	75,385	(332,364)	355,154	22,790
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	752,375	420,000	1,172,375
8911 Transfers Out (Use)	-	(420,000)	(310,736)	(730,736)
7080 Total Other Financing Sources (Uses)	-	332,375	109,264	441,639
1200 Net Change in Fund Balance	75,385	11	464,418	464,429
0100 Fund Balance - September 1 (Beginning)	269,799	48	-	48
1300 Prior Period Adjustment	-	-	2,112,304	2,112,304
3000 Fund Balance - August 31 (Ending)	\$ 345,184	\$ 59	\$ 2,576,722	\$ 2,576,781

616 Capital Fund (PFC)		Total Nonmajor Governmental Funds	
\$	118	\$	675,887
	-		587,927
	-		3,705,967
	118		4,969,781
	-		2,191,146
	-		147,731
	-		8,246
	-		317,869
	-		1,850,630
	-		23,491
	-		331,275
	-		1,100
	-		4,871,488
	118		98,293
	-		1,172,375
	-		(730,736)
	-		441,639
	118		539,932
	5,972		275,819
	-		2,112,304
\$	6,090	\$	2,928,055

SOUTH TEXAS ISD
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 AGENCY FUND
 FOR THE YEAR ENDED AUGUST 31, 2019

	BALANCE SEPTEMBER 1 2018	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2019
STUDENT ACTIVITY				
Assets:				
Cash and Temporary Investments	\$ 521,601	\$ 721,636	\$ 843,406	\$ 399,831
Liabilities:				
Due to Student Groups	\$ 521,601	\$ 721,636	\$ 843,406	\$ 399,831

REQUIRED TEA SCHEDULES

SOUTH TEXAS ISD
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2019

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2010 and prior years	\$ 0.049200	\$ 0.000000	\$ 44,296,074,153
2011	0.049200	0.000000	44,826,248,880
2012	0.049200	0.000000	44,598,967,735
2013	0.049200	0.000000	45,453,159,906
2014	0.049200	0.000000	47,359,178,507
2015	0.049200	0.000000	48,449,752,110
2016	0.049200	0.000000	50,709,994,122
2017	0.049200	0.000000	52,817,128,049
2018	0.049200	0.000000	54,803,203,165
2019 (School year under audit)	0.049200	0.000000	57,937,510,962
1000 TOTALS			

(10) Beginning Balance 9/1/2018	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2019
\$ 779,972	\$ -	\$ 48,071	\$ -	\$ (19,358)	\$ 712,543
153,257	-	12,448	-	(2,225)	138,584
159,215	-	14,853	-	(2,108)	142,254
183,449	-	20,367	-	(6,304)	156,778
212,822	-	34,496	-	(3,412)	174,914
270,432	-	53,566	-	(10,040)	206,826
380,138	-	93,054	-	(292)	286,792
576,923	-	198,406	-	(508)	378,009
1,176,946	-	591,939	-	(23,950)	561,057
-	28,373,839	27,153,810	-	20,383	1,240,412
<u>\$ 3,893,154</u>	<u>\$ 28,373,839</u>	<u>\$ 28,221,010</u>	<u>\$ -</u>	<u>\$ (47,814)</u>	<u>\$ 3,998,169</u>

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 745,060	\$ 745,060	\$ 607,867	\$ (137,193)
5800 State Program Revenues	9,000	9,000	7,281	(1,719)
5900 Federal Program Revenues	1,863,388	1,863,388	1,255,840	(607,548)
5020 Total Revenues	2,617,448	2,617,448	1,870,988	(746,460)
EXPENDITURES:				
Current:				
0035 Food Services	2,617,448	2,617,448	1,795,603	821,845
6030 Total Expenditures	2,617,448	2,617,448	1,795,603	821,845
1200 Net Change in Fund Balances	-	-	75,385	75,385
0100 Fund Balance - September 1 (Beginning)	-	269,799	269,799	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 269,799	\$ 345,184	\$ 75,385

SOUTH TEXAS ISD
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - DEBT SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 44,429	\$ 44,429
5900 Federal Program Revenues	-	-	310,736	310,736
5020 Total Revenues	-	-	355,165	355,165
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	753,275	420,000	-	420,000
0072 Interest on Long-Term Debt	-	331,275	331,275	-
0073 Bond Issuance Cost and Fees	-	2,000	1,100	900
6030 Total Expenditures	753,275	753,275	332,375	420,900
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(753,275)	(753,275)	22,790	776,065
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	753,275	753,275	1,172,375	419,100
8911 Transfers Out (Use)	-	-	(730,736)	(730,736)
7080 Total Other Financing Sources (Uses)	753,275	753,275	441,639	(311,636)
1200 Net Change in Fund Balances	-	-	464,429	464,429
0100 Fund Balance - September 1 (Beginning)	-	48	48	-
1300 Prior Period Adjustment	-	2,112,304	2,112,304	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 2,112,352	\$ 2,576,781	\$ 464,429

FEDERAL AWARDS SECTION

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

To the Board of Trustees
South Texas Independent School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the South Texas Independent School District (the District) as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-01 that we consider to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

South Texas Independent School District's Response to Findings

South Texas Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. South Texas Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Carr, Riggs & Ingram, L.L.C.

McAllen, Texas
January 13, 2020

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

To the Board of Trustees
South Texas Independent School District

Report on Compliance for Each Major Federal Program

We have audited South Texas Independent School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2019. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, South Texas Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2019.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

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

Car, Riggs & Ingram, L.L.C.

McAllen, Texas
January 13, 2020

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? X yes

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ yes X no
- Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ yes X no

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

Type of auditors' report issued on compliance for major programs: Unmodified

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster

Dollar threshold used to distinguish Between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes _____ no

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
FOR THE YEAR ENDED AUGUST 31, 2019

Section II – Financial Statement Findings

	Description
Reference No. 2019-01	Significant Deficiency - Incorrect Recording of Long-term Debt
Criteria:	Total outstanding long term debt must be recorded in the statement of net position. The deposits to the respective sinking fund should be recorded as cash transfers and not as principal payments on debt or equity adjustments.
Condition:	The long term debt liability on the District's books did not agree to the confirmed outstanding balance. In addition, beginning equity in fund 199 did not agree to prior year ending balance by the amount of the deposit to the sinking fund.
Cause:	Cash deposits made into the sinking fund were treated as principal debt payments reducing the total outstanding debt liability. In addition, the balance of the sinking fund was being adjusted to the new balance by crediting equity.
Effect:	The long term debt liability was understated by \$2,110,000, net investment in capital assets was overstated by \$2,110,000 and beginning fund balance was overstated by \$420,000.
Context:	The District only has one outstanding long term bond (QSCB) with a respective sinking fund. Balances at year end were confirmed with Wilmington Trust.
Auditor's Recommendation	The District should review bond documents to ensure their financial statements reflect the full amount of outstanding debt and review their methodology for recording the deposits to the sinking fund.

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*CONTINUED*)
FOR THE YEAR ENDED AUGUST 31, 2019

Section II – Federal Award Findings and Questioned Costs

None

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2019



100 MEDHIGHDR., MERCEDES, TX 78570
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Financial Statement Findings:

	CORRECTIVE ACTION PLAN
Reference No. 2019-01	Significant Deficiency – Incorrect Recording of Long-term Debt
Management Response:	The District strongly disagrees with this finding. The debt was issued in 2013, and has been audited for several years. Taking in the recommendation from the previous auditors, the debt has been recorded correctly in the past in compliance with auditors and accounting standards. The district has been making payments on the debt every year, and was recording the payments as such. The previous balance before the debt was made whole by this audit firm, was reflective of those payments. The adjustments that were made were at the recommendation of this audit firm, therefore reflecting this “Significant Deficiency” finding.

Federal Award Findings:

Not applicable

MARCO ANTONIO LARA, JR., ED.D.
Superintendent

JEFF HEMBREE
Deputy Superintendent

MARLA R. KNAUB
Assistant Superintendent for Finance

SOUTH TEXAS INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
STATUS OF PRIOR YEAR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2019

Financial Statement Findings:

Not applicable

Federal Award Findings:

Not applicable

SOUTH TEXAS ISD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

(1) FEDERAL GRANTER/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Funds provided to Subrecipients	(5) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
<u>Passed Through State Department of Education</u>				
Title I Grants to Local Education Agencies	84.010A	19-610101031916	-	\$ 1,156,561
Migrant Education - State Grant Program	84.011A	19-615001031916	-	80,468
*Special Education - Grants to State	84.027A	19-6600010319166000	-	568,341
Career and Technical Education - Basic Grants to States	84.048	19-420006031916	-	53,737
English Language Acquisition State Grants	84.365A	19-671001031916	-	9,685
Supporting Effective Instruction State Grants	84.367A	19-694501031916	-	145,495
Student Support and Academic Enrichment Program	84.424	19-680101031916	-	77,392
Total Passed Through State Department of Education			-	2,091,679
<u>Passed Through Region One</u>				
Education Innovation and Research	84.411	U411C160117	-	110,779
Total Passed Through Region One			-	110,779
TOTAL U.S. DEPARTMENT OF EDUCATION			-	2,202,458
U.S. DEPARTMENT OF AGRICULTURE				
<u>Passed Through State Department of Education</u>				
*School Breakfast Progra	10.553	71401901	-	307,402
*National School Lunch Program - Cash Assistanc	10.555	71301901	-	883,757
*Summer Feeding Program - Non-Cash Assistanc	10.559	031916	-	64,680
*Summer Feeding Program - Cash Assistanc	10.559	031916	-	31,554
Total CFDA Number 10.559			-	96,234
Total Child Nutrition Cluster			-	1,287,393
Total Passed Through State Department of Education			-	1,287,393
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	1,287,393
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 3,489,851

*Cluster Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

SOUTH TEXAS ISD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2019

Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of South Texas Independent School District. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

Summary of Significant Accounting Policies:

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and OMB Compliance Supplement, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate:

South Texas Independent School District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

Sub-recipients:

During the year ended August 31, 2019, the District had no sub-recipients.

Federal Loans and Loan Guarantees:

During the year ended August 31, 2019, the District had no outstanding federal loans payable or loan guarantees.

Federally Funded Insurance:

During the year ended August 31, 2019, the District had no federally funded insurance.

Noncash awards:

During the year ended August 31, 2019, the District received \$64,680 as noncash-assistance under the National School Lunch Program.

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

Total Federal Award Expended	\$ 3,489,851
Federal Revenues Distributed Directly	423,751
Exhibit C-3	<u>\$ 3,913,602</u>