

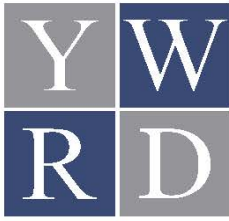
***STAR TRANSIT***

FINANCIAL STATEMENTS  
AND INDEPENDENT AUDITOR'S REPORT

For the Year Ended August 31, 2024

## TABLE OF CONTENTS

	<b>PAGE</b>
INDEPENDENT AUDITOR'S REPORT	1-4
MANAGEMENT'S DISCUSSION AND ANALYSIS (unaudited)	5-8
<b>BASIC FINANCIAL STATEMENTS</b>	
Statement of Net Position	9
Statement of Revenues, Expenses, and Change in Net Position	10
Statement of Cash Flows	11
Notes to the Financial Statements	12-25
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of Changes in Net Pension Liability and Related Ratios	27
Schedule of Contributions	28
<b>SINGLE AUDIT SECTION</b>	
Schedule of Expenditures of Federal Awards	30
Notes to the Schedule of Expenditures of Federal Awards	31
Summary Schedule of Prior Audit Findings	32
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	33-34
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	35-37
Schedule of Findings and Questioned Costs	38



# YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
STAR Transit  
Terrell, Texas

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of STAR Transit, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise STAR Transit's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of STAR Transit, as of August 31, 2024, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

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

***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise STAR Transit's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors  
STAR Transit  
Page Four

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2024, on our consideration of STAR Transit'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 STAR Transit'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 STAR Transit's internal control over financial reporting and compliance.

*YWRD, P.C.*

YWRD, P.C.  
*Certified Public Accountants*

Ennis, Texas  
December 17, 2024

# **STAR TRANSIT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**

As management of STAR Transit, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended August 31, 2024.

### **FINANCIAL HIGHLIGHTS**

- The assets of the District exceeded its liabilities at the close of the most recent fiscal year by \$7,202,949 (net position). Of this amount, \$1,616,027 (unrestricted net position) may be used to meet the government's ongoing obligations to customers and creditors.
- The District's total net position decreased by \$1,192,070.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the District's financial statements. The District's financial statements are comprised of two components: 1) fund financial statements and 2) notes to the financial statements.

**Basic Financial Statements.** The financial statements are designed to provide readers with an overview of the District's finances, in a manner similar to private-sector businesses, using the accrual basis of accounting.

The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Change in Net Position shows the revenue sources and expenses and reflects the net change in position for the fiscal year. This statement can be used to determine whether the District has recovered all of its actual and projected costs through passenger fees and other charges.

The Statement of Cash Flows provides information on the District's cash receipts, cash payments and changes in cash resulting from operations, investments and financing activities.

The basic financial statements can be found on pages 9-11 of this report.

**Notes to Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to financial statements can be found on pages 12-25 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's progress in funding its obligations to provide pension benefits to its employees. Required supplementary information can be found on pages 27-28 of this report.

## FINANCIAL ANALYSIS OF THE ENTITY

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$7,202,949 as of August 31, 2024.

### STAR TRANSIT'S NET POSITION

	<b>2024</b>	<b>2023</b>
Current and other assets	\$ 2,295,230	\$ 2,169,148
Capital assets	5,807,540	6,947,892
Total assets	<u>8,102,770</u>	<u>9,117,040</u>
Deferred Outflows of Resources	<u>112,958</u>	<u>163,122</u>
Long term liabilities	312,370	324,300
Other liabilities	596,121	542,391
Total liabilities	<u>908,491</u>	<u>866,691</u>
Deferred Inflows of Resources	<u>104,288</u>	<u>18,452</u>
Net position:		
Net investment in capital assets	5,483,240	6,611,953
Restricted	103,682	-
Unrestricted	1,616,027	1,783,066
Total net position	<u>\$ 7,202,949</u>	<u>\$ 8,395,019</u>

A large portion of the District's net position (76%) reflects its investments in capital assets (e.g., building and improvements, office furniture and equipment, vehicles, and leased assets). The District uses these capital assets to provide service to customers; consequently these assets are not available for future spending.

An additional portion of the District's net position (1.44%) represents resources that are subject to external restriction on how they may be used.

The remaining balance of unrestricted net position, \$1,616,027, may be used to meet the District's ongoing obligation to customers and creditors.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net position.

The following table provides a summary of the District's operations. The District's operations decreased net position by \$1,192,070 in the current year.



## STAR TRANSIT'S CHANGE IN NET POSITION

	<b>2024</b>	<b>2023</b>
Revenues:		
Operating	\$ 6,778,383	\$ 7,339,926
Total revenues	6,778,383	7,339,926
Expenses:		
Depreciation and amortization	1,128,713	707,839
Other operating	6,940,372	7,072,847
Nonoperating	(98,632)	(21,066)
Total expenses	7,970,453	7,759,620
Income (loss) before capital contributions	(1,192,070)	(419,694)
Capital contributions	-	3,596,154
Changes in net position	(1,192,070)	3,176,460
Net position - beginning	8,395,019	5,218,559
Net position - ending	\$ 7,202,949	\$ 8,395,019

### CAPITAL ASSETS

The District's investment in capital assets as of August 31, 2024 amounts to \$5,807,540 (net of accumulated depreciation).

Major capital asset events during the current fiscal year included the following:

- Disposal of approximately \$1,956,000 of vehicles.

#### Capital Assets at Year-End Net of Accumulated Depreciation

	<b>2024</b>	<b>2023</b>
Buildings and improvements	\$ 2,478,147	\$ 2,561,213
Office furniture and equipment	42,699	53,414
Vehicles	2,962,394	3,997,326
Leased land	324,300	335,939
Total	\$ 5,807,540	\$ 6,947,892

Additional information on the District's capital assets can be found in note 2.C on page 18 of this report.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In the 2025 budget, operating revenues are budgeted to increase by 7% from the 2024 budget year with contracted revenues and operating grants making up about 97% of budgeted revenues. The District's rates for contracted services and grant awards are reviewed by staff and the Board of Directors on an annual basis.

## **REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director, 500 Industrial Blvd, Terrell, Texas 75160.

**STAR TRANSIT**  
STATEMENT OF NET POSITION  
August 31, 2024

**ASSETS**

Current assets:	
Cash	\$ 601,889
Restricted cash	103,682
Investments	250,000
Receivables (net of allowance for uncollectibles)	112,563
Due from other governments	1,012,286
Inventory	4,986
Prepaid items	50
Total current assets	<u>2,085,456</u>
Noncurrent assets:	
Lease receivable	28,350
Net pension asset	181,424
Capital assets:	
Depreciable (net of accumulated depreciation)	<u>5,807,540</u>
Total noncurrent assets	<u>6,017,314</u>
Total assets	<u>8,102,770</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflows of resources related to pension	<u>112,958</u>
Total deferred outflows of resources	<u>112,958</u>

**LIABILITIES**

Current liabilities:	
Accounts payable	214,409
Accrued expenses	369,782
Lease liability	<u>11,930</u>
Total current liabilities	<u>596,121</u>
Noncurrent liabilities:	
Lease liability	<u>312,370</u>
Total noncurrent liabilities	<u>312,370</u>
Total liabilities	<u>908,491</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources related to lease	66,150
Deferred inflows of resources related to pension	<u>38,138</u>
Total deferred inflows of resources	<u>104,288</u>

**NET POSITION**

Net investment in capital assets	5,483,240
Restricted for:	
Capital transit project	103,682
Unrestricted	<u>1,616,027</u>
Total net position	<u>\$ 7,202,949</u>

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

**STAR TRANSIT**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION**  
For the Year Ended August 31, 2024

**OPERATING REVENUES**

Passenger revenues	\$	189,663
Contracted revenues		109,210
Intergovernmental revenues		1,815,800
Operating grants		4,640,741
Other		22,969
Total operating revenues		6,778,383

**OPERATING EXPENSES**

Payroll		3,793,448
Payroll taxes		285,397
Employee benefits		484,055
Insurance		232,035
Advertising and marketing		28,659
Depreciation		1,128,713
Fuel and oil		611,479
IT license and maintenance		4,212
Legal and professional fees		115,644
Office expense		68,512
Other		100,047
Pre-employment, physical and drug testing		12,949
Telephone and communication		149,858
Training and education		7,793
Vehicle repairs and maintenance		1,046,284
Total operating expenses		8,069,085

OPERATING INCOME (LOSS) (1,290,702)

**NONOPERATING REVENUES (EXPENSES)**

Gain on disposal of capital assets		98,632
Total nonoperating revenues (expenses)		98,632

CHANGE IN NET POSITION (1,192,070)

TOTAL NET POSITION, BEGINNING 8,395,019

TOTAL NET POSITION, ENDING \$ 7,202,949

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

**STAR TRANSIT**  
**STATEMENT OF CASH FLOWS**  
For the Year Ended August 31, 2024

**CASH FLOWS FROM OPERATING ACTIVITIES**

Received from providing services	\$ 2,119,643
Received from operating grants	4,557,243
Payments to suppliers	(2,289,867)
Payments to employees	<u>(4,552,556)</u>
Net cash provided by (used for) operating activities	<u>(165,537)</u>

**CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES**

Proceeds from the disposal of capital assets	<u>98,632</u>
Net cash provided by capital and related financing activities	<u>98,632</u>

**CASH FLOWS FROM INVESTING ACTIVITIES**

Purchase of investments	<u>(250,000)</u>
Net cash provided by (used for) investing activities	<u>(250,000)</u>

NET DECREASE IN CASH (316,905)

Cash September 1 1,022,476

Cash August 31 (including \$103,682, reported in restricted accounts) \$ 705,571

**Reconciliation of operating income to net cash provided by (used for) operating activities:**

Operating income (loss)	\$ (1,290,702)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation and amortization	1,128,713
(Increase) decrease in accounts receivable	(17,999)
(Increase) decrease in due from other governments	(83,498)
(Increase) decrease in inventory	6,706
(Increase) decrease in prepaid items	300
(Increase) decrease in net pension asset	(98,496)
(Increase) decrease in pension related deferred outflows	50,164
Increase (decrease) in accounts payable	14,449
Increase (decrease) in accrued expenses	38,990
Increase (decrease) in lease related deferred inflows	66,150
Increase (decrease) in pension related deferred inflows	<u>19,686</u>
Total adjustments	<u>1,125,165</u>
Net cash provided by (used for) operating activities	<u>\$ (165,537)</u>

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

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting entity**

STAR Transit (the "District") was established in 1988 to provide public transportation. The District became a political subdivision in 2002 created under the Interlocal Corporation Act of 1971, operating as a rural transit District, as set forth in Chapter 458 of the Texas Transportation Code. The basic operations of the District are financed primarily by Federal Transit Administration and Texas Department of Transportation funds. Approximately 63% of the District's operating revenues came from federal and state grants.

Accounting principles generally accepted in the United States of America require that this financial statement present the District (the primary government) and its component units. Component units generally are legally separate entities for which a primary government is financially accountable. Financial accountability ordinarily involves meeting both the following criteria; the primary government is accountable for the potential component unit (i.e., the primary government appoints the voting majority of its board) and the primary government is able to impose its will upon the potential component unit, or there is a possibility that the potential component unit may provide specific financial benefits or impose specific financial burdens on the primary government. The District does not have any component units that meet these criteria.

As a political subdivision of the State of Texas, the District is exempt from federal income taxes, state and local sales and use taxes, and local real and personal property taxes. The District has no taxing authority.

**B. Measurement focus, basis of accounting, and basis of presentation**

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The District's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

Government entities included: All activities over which the Board of Directors exercises control and has fiscal responsibility and control are included in the financial statements.

Fund accounting: The accounts of the District are organized on the basis of funds. The District has a single fund - the transportation fund. It is an enterprise fund, which is a proprietary fund type. An enterprise fund is used to account for operations (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees charged from the activity; or (ii) that are required by laws or regulations that the activity's costs of providing services, including capital costs (such as depreciation and debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation and debt service).

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Measurement focus, basis of accounting, and basis of presentation (continued)**

The accounting and financial reporting treatment applied to the District is determined by its measurement focus. The transactions of the District are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities and deferred outflows of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into net investment in capital assets, restricted, and unrestricted components.

The District distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the District's principal ongoing operation. The principal operating revenues are charges to customers for transportation services. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

**C. Assets, liabilities, deferred outflows/inflows of resources, and net position**

**1. Cash**

For purposes of the statement of cash flows, cash on hand and demand deposits are considered to be cash and cash equivalents.

**2. Investments**

Investments maturing more than three months from the date acquired are classified as investments held to maturity. Investments for the District are reported at fair value.

**3. Restricted assets**

Restricted assets are financial resources generated for a specific purpose such as capital projects. These assets are for the benefit of a specified purpose and, as such, are legally or contractually restricted by an external third-party agreement.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, liabilities, deferred outflows/inflows of resources, and net position (continued)**

**4. Receivables**

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of sixty days typically comprise the trade accounts receivable allowance for uncollectibles. No allowance has been recorded as management considers all receivables collectible.

**5. Inventory and prepaid items**

Inventory is valued at cost using the first-in/first-out (FIFO) method and consist of fuel. The cost of such inventory is recorded as expenses when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

**6. Capital assets and leased assets**

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 acquisition 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 asset lives are not capitalized.

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<b>Capital asset classes</b>	<b>Lives</b>
Buildings and improvements	40-45
Office furniture and equipment	3-7
Vehicles	3-10

Leased assets are amortized on a straight-line basis over the life of the lease term.



**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, liabilities, deferred outflows/inflows of resources, and net position (continued)**

**7. *Deferred outflows/inflows of resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. Deferred outflows of resources reported in this year's financial statements include (1) a deferred outflow of resources related to changes in actuarial assumptions of the District's defined benefit pension plan, (2) a deferred outflow of resources for contributions made to the District's defined benefit plan between the measurement date of the net pension liabilities from that plan and the end of the District's fiscal year, (3) a deferred outflow of resources related to the difference between expected and actual pension experience data used by the actuary, and (4) a deferred outflow of resources related to the differences between the projected and actual investment earnings for the District's defined benefit pension plan. Deferred outflows for changes in actuarial assumptions is attributed to pension expense over a total of 4 years. Deferred outflows for pension contributions will be recognized in the subsequent fiscal year. Deferred outflows for differences in expected and actual pension experience is attributed to pension expense over a total of 3 years. The differences between the projected and actual investment earnings are attributed to pension expense over a total of 5 years, including the current year.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources reported in this year's financial statements are related to the difference between expected and actual pension experience data used by the actuary. Deferred inflows for differences in expected and actual pension experience is attributed to pension expense over a total of 4 years. The District also reports a deferred inflow of resources related to a lease.

**8. *Compensated absences***

Employees are granted vacation leave based on hours accrued. Vacation leave earned within a calendar year carries over into the next year. Vacation leave begins to accrue at the time of hire. Vacation leave is accrued when earned.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Assets, liabilities, deferred outflows/inflows of resources, and net position (continued)**

**9. Net position**

Net position comprise the various net earnings from operating income, nonoperating revenues and expenses, and capital contributions. Net position is classified in the following three components:

*Net investment in capital assets* – This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.

*Restricted* – This component of net position consists of constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* – This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**10. Defined benefit pension plan**

The District participates in a multiple-employer, defined benefit pension plan that is administered by the State, the Texas Counties and Districts Retirement System (TCDRS). For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the TCERS and additions to/deductions from TCERS' fiduciary net position have been determined on the same basis as they are reported by TCERS. For this purpose, plan member contributions are recognized in the period in which the contributions are due. The District's employer contributions are recognized when due and the District has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of TCERS.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES**

**A. Deposits and investments**

**1. Deposits**

Custodial credit risk-deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. At year end, the District's bank balance was \$733,594. Of the bank balance, \$250,000 was covered by federal depository insurance and the remaining balance was covered by collateral pledged in the District's name. The collateral was held in the District's name by the safekeeping department of the pledging bank's agent and had a fair value of approximately \$1,275,000.

**2. Investments**

Public funds of the District may be invested in obligations of the United States of America, its agencies and instrumentalities; direct obligations of the State of Texas and agencies thereof; other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or the United States of America; obligations of the States, agencies thereof, Counties, Cities, Districts and other political subdivisions; certificates of deposit; fully collateralized direct repurchase agreements; joint pools of political subdivisions in the State of Texas and no load money market mutual funds registered with and regulated by the Securities and Exchange Commission.

The District's investments carried at fair value as of August 31, 2024 are:

	<b>Category of Risk</b>	<b>Fair Value</b>
Certificates of deposit	N/A	\$ 250,000

**B. Receivables**

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectibles) line. Below is the detail of receivables, including the applicable allowances for uncollectible accounts:

<b>Receivables:</b>	<b>Total</b>
Accounts	\$ 74,763
Lease	37,800
Gross receivables	112,563
Less: allowance for uncollectibles	-
Net receivables	\$ 112,563

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES (continued)**

**C. Capital assets**

Capital asset activity for the year ended August 31, 2024, was as follows:

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
Capital assets being depreciated:				
Buildings and improvements	\$ 3,264,608	\$ -	\$ -	\$ 3,264,608
Office furniture and equipment	1,118,371	-	-	1,118,371
Vehicles	9,325,300	-	(1,955,942)	7,369,358
Leased land	358,372	-	-	358,372
Total capital assets being depreciated	<u>14,066,651</u>	<u>-</u>	<u>(1,955,942)</u>	<u>12,110,709</u>
Less accumulated depreciation and amortization for:				
Buildings and improvements	(703,395)	(83,066)	-	(786,461)
Office furniture and equipment	(1,064,957)	(10,715)	-	(1,075,672)
Vehicles	(5,327,974)	(1,034,932)	1,955,942	(4,406,964)
Leased land	(22,433)	(11,639)	-	(34,072)
Total accumulated depreciation and amortization	<u>(7,118,759)</u>	<u>(1,140,352)</u>	<u>1,955,942</u>	<u>(6,303,169)</u>
Total capital assets being depreciated, net	<u>6,947,892</u>	<u>(1,140,352)</u>	<u>-</u>	<u>5,807,540</u>
Capital assets, net	<u>\$ 6,947,892</u>	<u>\$ (1,140,352)</u>	<u>\$ -</u>	<u>\$ 5,807,540</u>

**D. Leases**

*Lease receivable*

The District has a two-year lease agreement and receives monthly payments of \$3,150. The District recognized \$9,450 in lease revenue during the current fiscal year related to this lease. As of August 31, 2024, the District's receivable for lease payments and deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term was \$66,150 and \$66,150, respectively.

Future minimum lease payments are as follows:

<b>Year Ending August 31</b>	<b>Amount</b>
2025	\$ 37,800
2026	28,350
	<u>\$ 66,150</u>

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES (continued)**

**D. Leases (continued)**

*Lease payable*

The District entered into a 30-year lease agreement, effective March 2015 with the City of Terrell, Texas, for a tract of land for a storage facility for its transportation vehicles that expires on December 31, 2045. The lease requires escalating annual payments from \$12,022 to \$20,038. The total rent expense for the year ended August 31, 2024 was \$20,038.

At the time of the initial measurement, there was no interest rate specified in the original lease agreement. The District has used the risk free rate of 2.5% at the time of commencement, which was used to discount the annual lease payments to recognize the intangible right to use this asset and the lease liability.

Annual requirements to amortize this lease liability and related interest are as follows:

<b>Year Ending August 31</b>	<b>Principal</b>	<b>Interest</b>
2025	\$ 11,930	\$ 8,107
2026	12,228	7,809
2027	12,534	7,504
2028	12,847	7,190
2029	13,169	6,869
2030-2034	70,949	29,239
2035-2039	80,272	19,916
2040-2044	90,821	9,367
2045	19,550	489
	<u>\$ 324,300</u>	<u>\$ 96,490</u>

**E. Economic dependence**

The District's primary source of revenues and contributions is from U.S. Department of Transportation and Texas Department of Transportation funds. Due to the concentration of support from federal and state funds, the District is vulnerable to the risk of future program cuts or funding delays. Funding delays or even program cuts due to budget cuts can have a severe impact on the District's ability to continue to provide transportation services at the current level.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 2 – DETAILED NOTES ON ALL ACTIVITIES (continued)**

**F. Risk management**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the District. Settled claims have not materially exceeded this commercial coverage in any of the past three fiscal years.

**G. Subsequent event**

Subsequent to year end, the District approved the execution of a software agreement for approximately \$990,000.

**NOTE 3 - DEFINED BENEFIT PENSION PLANS**

**A. Plan description**

The Texas County & District Retirement System (TCDRS) is a statewide, agent multiple-employer, public-employee retirement system. The system serves over 865 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCERS Act. Because of that, the District has the flexibility and local control to adjust benefits and pay for those benefits based on its needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer's plan assets may be used only for the payment of benefits to the members of that employer's plan. In accordance with Texas law, it is intended that the pension plan be construed and administered in a manner that the retirement system will be considered a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TCERS issues a publicly available comprehensive annual financial report that can be obtained at [www.tcdrs.org](http://www.tcdrs.org).

All eligible employees (except temporary staff) of the District must be enrolled in the plan.

**B. Benefits provided**

A brief description of benefit terms:

1. All full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 3 - DEFINED BENEFIT PENSION PLANS**

**B. Benefits provided (continued)**

2. The plan provides retirement, disability and survivor benefits.
3. TCDRS is a savings-based plan. For the district's plan, 4.00% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7.00% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 100%) and is then converted to an annuity.
4. There are no automatic COLAs. Each year, the district may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation.
5. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 of each year, but must remain in conformity with the Act.

***Employees covered by benefit terms***

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees (or their beneficiaries) receiving benefits	5
Inactive employees entitled to, but not yet receiving benefits	79
Active employees	84
	<hr/> 168

**C. Contributions**

A combination of three elements funds each employer's plan: employee deposits, employer contributions, and investment income.

- The deposit rate for employees is 4.00%, 5.00%, 6.00% and 7.00% of compensation, as adopted by the employer's governing body.
- Participating employer's are required, by law, to contribute at a minimum the actuarially required rates, which are determined annually.
- Investment income funds a large part of the benefits employees earn.

Employers have the option of paying more than the required contribution rate each year. Extra contributions can help employer's "prefund" benefit increases, such as cost-of-living adjustment to retirees, and they can be used to help offset or mitigate future increases in the required rate due to negative plan experience. There are two approaches for making extra contributions:

- (a) paying an elected contribution rate higher than the required rate and
- (b) making an extra lump-sum contribution to the employer account.

Employees for the District were required to contribute 4.00% of their annual gross earnings during the year. The contribution rate for the District was 2.4% in calendar year 2023. The District's contributions to TCDRS for the year ended August 31, 2024 were \$94,124, and exceeded the required contributions.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)**

**D. Net pension liability (asset)**

The District's Net Pension Liability (Asset) (NPL) was measured as of December 31, 2023 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

***Actuarial assumptions***

The actuarial assumptions that determine the TPL as of December 31, 2023 were based on the results of an actuarial experience study for the period January 1, 2017 through December 31, 2020, except where required to be different by GASB 68.

Key assumptions used in the December 31, 2023 actuarial valuation are as follows:

Valuation Timing	Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal
Amortization Method	
Recognition of economic/ demographics gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation
Investment Rate of Return	7.50%, net of administrative and investments expenses, including inflation
Cost of Living Adjustments	Cost-of-Living Adjustments for STAR Transit are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in the funding valuation.
Mortality	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Service retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Retirees Amount-Weighted Mortality Table for males and 120% Pub-2010 General Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.



**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)**

**D. Net pension liability (asset) (continued)**

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The target allocation and best estimate of geometric real rate of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Benchmark</b>	<b>Target Allocation</b>	<b>Geometrical Real Rate of Return (Expected Minus Inflation)</b>
U.S. Equities	Dow Jones U.S. Total Stock Market Index	11.50%	4.75%
Global Equities	MSCI World (net) Index	2.50%	4.75%
Int'l Equities - Developed	MSCI World Ex USA (net) Index	5.00%	4.75%
Int'l Equities - Emerging	MSCI Emerging Markets (net) Index	6.00%	4.75%
Investment-Grade Bonds	Bloomberg U.S. Aggregate Bond Index	3.00%	2.35%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	9.00%	3.65%
Direct Lending	Morningstar LSTA Leveraged Loan Index	16.00%	7.25%
Distressed Debt	Cambridge Associates Distressed Securities	4.00%	6.90%
REIT Equities	67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.10%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.20%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index	6.00%	5.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index	25.00%	7.75%
Hedge Funds	Hedge Funds Research, Inc. (HFRI) Fund of Funds Composite Index	6.00%	3.25%
Cash Equivalents	90-Day U.S. Treasury	2.00%	0.60%

***Discount rate***

The discount rate used to measure the TPL was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)**

**D. Net pension liability (asset) (continued)**

***Changes in the net pension liability (asset)***

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(A)	(B)	(A) - (B)
Balances as of December 31, 2022	\$ 1,308,549	\$ 1,391,477	\$ (82,928)
Changes for the year:			
Service cost	225,827	-	225,827
Interest	113,776	-	113,776
Effect of economic/demographic gains/losses	(39,909)	-	(39,909)
Refund of contributions	(71,152)	(71,152)	-
Benefit payments	(4,887)	(4,887)	-
Administrative expenses	-	(895)	895
Member contributions	-	147,182	(147,182)
Net investment income	-	154,508	(154,508)
Employer contributions	-	89,038	(89,038)
Other	-	8,357	(8,357)
Balances as of December 31, 2023	<u>\$ 1,532,204</u>	<u>\$ 1,713,628</u>	<u>\$ (181,424)</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate -

The following presents the NPL of the District, calculated using the discount rate of 7.60%, as well as what the District's NPL would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

	1% Decrease in Discount Rate (6.60%)	Discount Rate (7.60%)	1% Increase in Discount Rate (8.60%)
District's net pension liability (asset)	\$ 28,312	\$ (181,424)	\$ (357,754)

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in a separately-issued TCDRS financial report. That report may be obtained on the Internet at [www.tcdrs.org](http://www.tcdrs.org).

**Payables to the Pension Plan** - Legally required contributions outstanding at the end of the year totaled \$18,138.

**STAR TRANSIT**  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2024

**NOTE 3 - DEFINED BENEFIT PENSION PLANS (continued)**

**E. Pension expense and deferred outflows/inflows of resources related to pensions**

For the fiscal year ended August 31, 2024, the District recognized pension expense of \$64,992.

At August 31, 2024, the District reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes in actuarial assumptions	\$ 9,957	\$ 927
Pension contributions after measurement date	62,518	-
Differences in projected and actual earnings on pension assets	25,478	-
Difference in expected and actual pension experience	15,005	37,211
Total	<u>\$ 112,958</u>	<u>\$ 38,138</u>

\$62,518 reported as deferred outflows of resources related to pensions resulting from contributions made subsequent to the measurement date will be recognized as a reduction of the net pension asset for the year ended August 31, 2025. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended December 31</b>	
2024	\$ 239
2025	182
2026	20,383
2027	<u>(8,502)</u>
Total	<u>\$ 12,302</u>

## REQUIRED SUPPLEMENTARY INFORMATION

These supplementary schedules are included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

**STAR TRANSIT**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
Last 10 Calendar Years (will ultimately be displayed)

	2017	2018	2019	2020	2021	2022	2023
<b>Total Pension Liability</b>							
Service Cost	\$ 179,338	\$ 177,286	\$ 182,665	\$ 167,777	\$ 194,974	\$ 200,096	\$ 225,827
Interest on total pension liability	14,481	29,483	45,789	59,697	75,948	91,564	113,776
Effect of assumption changes or inputs	270	-	-	49,781	(3,708)	-	-
Effect of economic/demographic gains/losses	1,339	8,295	(19,473)	(6,318)	(24,065)	30,008	(39,909)
Benefit payments/refunds of contributions	(1,138)	(15,467)	(22,963)	(21,790)	(50,336)	(34,984)	(76,039)
<b>Net Change in Total Pension Liability</b>	194,290	199,597	186,018	249,147	192,813	286,684	223,655
<b>Total Pension Liability - Beginning</b>	-	194,290	393,887	579,905	829,052	1,021,865	1,308,549
<b>Total Pension Liability - Ending (a)</b>	\$ 194,290	\$ 393,887	\$ 579,905	\$ 829,052	\$ 1,021,865	\$ 1,308,549	\$ 1,532,204
<b>Plan Fiduciary Net Position</b>							
Employer contributions	\$ 85,797	\$ 89,889	\$ 61,843	\$ 61,371	\$ 69,715	\$ 94,116	\$ 89,038
Member contributions	122,990	128,874	118,947	117,962	135,035	143,673	147,182
Investment income net of investment expenses	3,340	(1,709)	68,969	67,755	211,441	(90,580)	154,508
Benefit payments/refunds of contributions	(1,138)	(15,467)	(22,963)	(21,790)	(50,336)	(34,984)	(76,039)
Administrative expenses	(142)	(338)	(497)	(645)	(677)	(815)	(895)
Other	2,781	6,078	5,495	4,366	4,723	28,398	8,357
<b>Net Change in Plan Fiduciary Net Position</b>	213,628	207,327	231,794	229,019	369,901	139,808	322,151
<b>Plan Fiduciary Net Position - Beginning</b>	-	213,628	420,955	652,749	881,768	1,251,669	1,391,477
<b>Plan Fiduciary Net Position - Ending (b)</b>	\$ 213,628	\$ 420,955	\$ 652,749	\$ 881,768	\$ 1,251,669	\$ 1,391,477	\$ 1,713,628
<b>Net Pension (Asset) Liability - Ending (a) - (b)</b>	\$ (19,338)	\$ (27,068)	\$ (72,844)	\$ (52,716)	\$ (229,804)	\$ (82,928)	\$ (181,424)
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	109.95%	106.87%	112.56%	106.36%	122.49%	106.34%	111.84%
<b>Covered Payroll</b>	3,074,738	3,221,859	2,973,681	2,949,044	3,375,869	3,591,821	3,679,549
<b>Net Pension (Asset) Liability as a Percentage of Covered Payroll</b>	(0.63%)	(0.84%)	(2.45%)	(1.79%)	(6.81%)	(2.31%)	(4.93%)

Notes to Schedule:  
N/A

**STAR TRANSIT**  
**SCHEDULE OF CONTRIBUTIONS**  
Last 10 Fiscal Years (will ultimately be displayed)

	2017	2018	2019	2020	2021	2022	2023	2024
Actuarially Determined Contribution	\$ 49,584	\$ 92,668	\$ 69,809	\$ 61,027	\$ 67,340	\$ 76,453	\$ 90,928	\$ 90,797
Contributions in relation to the actuarially determined contribution	49,584	92,668	69,809	61,027	67,340	83,722	91,430	94,124
Contribution deficiency (excess)	-	-	-	-	-	(7,269)	(502)	(3,327)
Covered payroll	1,797,778	3,321,953	1,745,216	2,906,035	3,206,678	3,550,995	3,651,714	3,730,161
Contributions as a percentage of covered payroll	2.8%	2.8%	4.0%	2.1%	2.1%	2.4%	2.5%	2.5%

**NOTES TO SCHEDULE OF CONTRIBUTIONS**

**Valuation Date:** Actuarially determined contribution rates are calculated each December 31, two years prior to the end of fiscal year in which contributions are reported.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/2023 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% average over career including inflation.
Investment Rate of Return	7.5%, net of investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	135% of the Pub-2010 General Retirees Table for males and 120% of the Pub-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected. 2022: New investment return and inflation assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule. 2016: No changes in plan provisions were reflected in the Schedule. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the Schedule. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Schedule. 2023: No changes in plan provisions were reflected in the Schedule.

\* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

SINGLE AUDIT SECTION

**STAR TRANSIT**  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 For the Year Ended August 31, 2024

<b>Federal Grantor/Pass-through Grantor/ Program or Cluster Title</b>	<b>Federal CFDA Number</b>	<b>Agency or Pass-through Number</b>	<b>Federal Disbursements/ Expenditures</b>
U.S. Department of Transportation:			
<b><i>Federal Transit Cluster</i></b>			
Pass-through North Central Texas Council of Governments:			
Federal Transit - Formula Grants	20.507	NCTCOG	\$ 1,902,361
<b><i>Total Federal Transit Cluster</i></b>			1,902,361
<b><i>Transit Services Programs</i></b>			
Pass-through North Central Texas Council of Governments:			
Enhanced Mobility of Seniors and Individuals with Disabilities	20.513	NCTCOG	1,263,254
<b><i>Total Transit Services Programs</i></b>			1,263,254
<b><i>Other Programs</i></b>			
Pass-through Texas Department of Transportation:			
Formula Grants for Rural Areas	20.509	TXDOT	873,873
Total U.S. Department of Transportation			4,039,488
Total expenditures of federal awards			\$ 4,039,488



**STAR TRANSIT**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
August 31, 2024

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of STAR Transit under programs of the federal government for the year ended August 31, 2024. 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). Because the Schedule presents only a selected portion of the operations of STAR Transit, it is not intended to and does not present the financial position, changes in net assets, or cash flows of STAR Transit.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

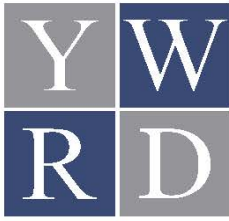
Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

**NOTE 3 - INDIRECT COST RATE**

STAR Transit has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**STAR TRANSIT**  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended August 31, 2024

There are no prior audit findings.



# YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

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

To the Board of Directors  
STAR Transit  
Terrell, Texas

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 STAR Transit, as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise STAR Transit's basic financial statements, and have issued our report thereon dated December 17, 2024.

### **Report on Internal Control Over Financial Reporting**

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

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

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

### **Report on Compliance and Other Matters**

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

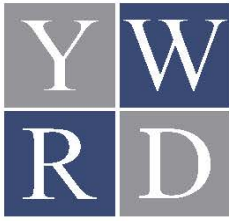
### **Purpose of this Report**

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

*YWRD, P.C.*

YWRD, P.C.  
*Certified Public Accountants*

Ennis, Texas  
December 17, 2024



# YWRD, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Greer Yeldell, CPA | Tracie Wood, CPA | Joyce Reeve, CPA | Bryan Thomas, CPA

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

To the Board of Directors  
STAR Transit  
Terrell, Texas

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

#### ***Opinion on Each Major Federal Program***

We have audited STAR Transit's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of STAR Transit's major federal programs for the year ended August 31, 2024. STAR Transit's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, STAR Transit, 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, 2024.

#### ***Basis for Opinion on Each Major Federal Program***

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

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

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

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

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

## Report on Internal Control Over Compliance

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

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

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

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

*YWRD, P.C.*

YWRD, P.C.  
*Certified Public Accountants*

Ennis, TX  
December 17, 2024

**STAR TRANSIT**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended August 31, 2024

**SUMMARY OF AUDITOR'S RESULTS**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of STAR Transit were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of STAR Transit, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies related to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for STAR Transit expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR section 200.516(a) are reported in this Schedule.
7. The programs tested as a major program were:
  - 20.513 Enhanced Mobility of Seniors and Individuals with Disabilities
8. The threshold used to distinguish between Type A and Type B programs was \$750,000.
9. STAR Transit did qualify as a low-risk auditee.

**FINDINGS - FINANCIAL STATEMENTS AUDIT**

None

**FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL PROGRAMS AUDIT**

None