

SANTO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2019

Santo Independent School District
Annual Financial Report
For The Year Ended August 31, 2019

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Introductory Section

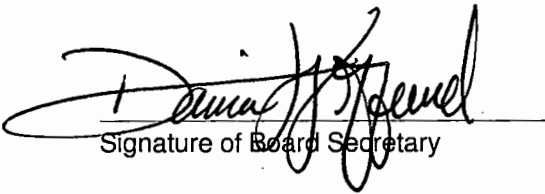
CERTIFICATE OF BOARD

Santo Independent School District
Name of School District

Palo Pinto
County

182-904
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2019, at a meeting of the board of trustees of such school district on the 21st day of November, 2019.


Signature of Board Secretary


Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):
(attach list as necessary)

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Trustees
Santo Independent School District
P.O. Box 67
Santo, Texas 76472

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santo 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 control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 auditor's 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 District'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 District'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, each major fund, and the aggregate remaining fund information of Santo Independent School 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, budgetary comparison information, schedule of the District's proportionate share of the net pension liability, schedule of District pension contributions, schedule of the District's proportionate share of the net OPEB liability, and schedule of District OPEB contributions identified as Required Supplementary Information 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 Santo Independent School District's basic financial statements. The introductory section and the accompanying other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The other supplementary information, except for Exhibit J-2, 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. 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 other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section and Exhibit J-2 of the other supplementary information have 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2019 on our consideration of Santo Independent School 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 Santo Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
November 18, 2019

Management's Discussion and Analysis (Unaudited)

As management of the District, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended August 31, 2019. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$2,982,869 (*net position*). Of this amount, (\$1,456,948) (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,809,398. Approximately 82% of this total amount, \$1,486,000, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,486,000, or 30% of the total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

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 activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 12-13 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds-not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into two categories: governmental funds and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-17 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 18.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-41 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 42-48 of this report.



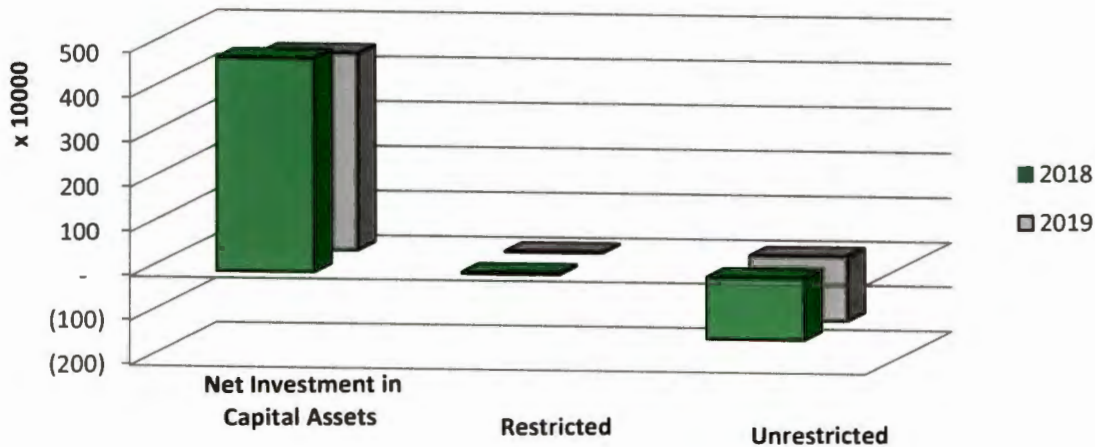
Government-wide Financial Analysis

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 \$2,982,869 as of August 31, 2019.

The District's Net Position

	August 31, 2019	August 31, 2018
Current assets	\$ 2,180,607	\$ 2,165,086
Capital assets	4,409,484	4,780,496
Total assets	<u>6,590,091</u>	<u>6,945,582</u>
Deferred outflows of resources:		
Deferred outflow related to pensions	855,826	367,658
Deferred outflow related to OPEB	542,281	34,370
Total deferred outflows of resources	<u>1,398,107</u>	<u>402,028</u>
Current liabilities	249,109	372,596
Long-term liabilities outstanding	3,897,872	2,644,089
Total liabilities	<u>4,146,981</u>	<u>3,016,685</u>
Deferred inflows of resources:		
Deferred inflow related to pensions	78,444	117,041
Deferred inflow related to OPEB	779,904	785,904
Total deferred inflows of resources	<u>858,348</u>	<u>902,945</u>
Net position:		
Net investment in capital assets	4,409,484	4,780,496
Restricted	30,333	42,344
Unrestricted	(1,456,948)	(1,394,860)
Total net position	<u>\$ 2,982,869</u>	<u>\$ 3,427,980</u>

**8/31/2019
Net Position**

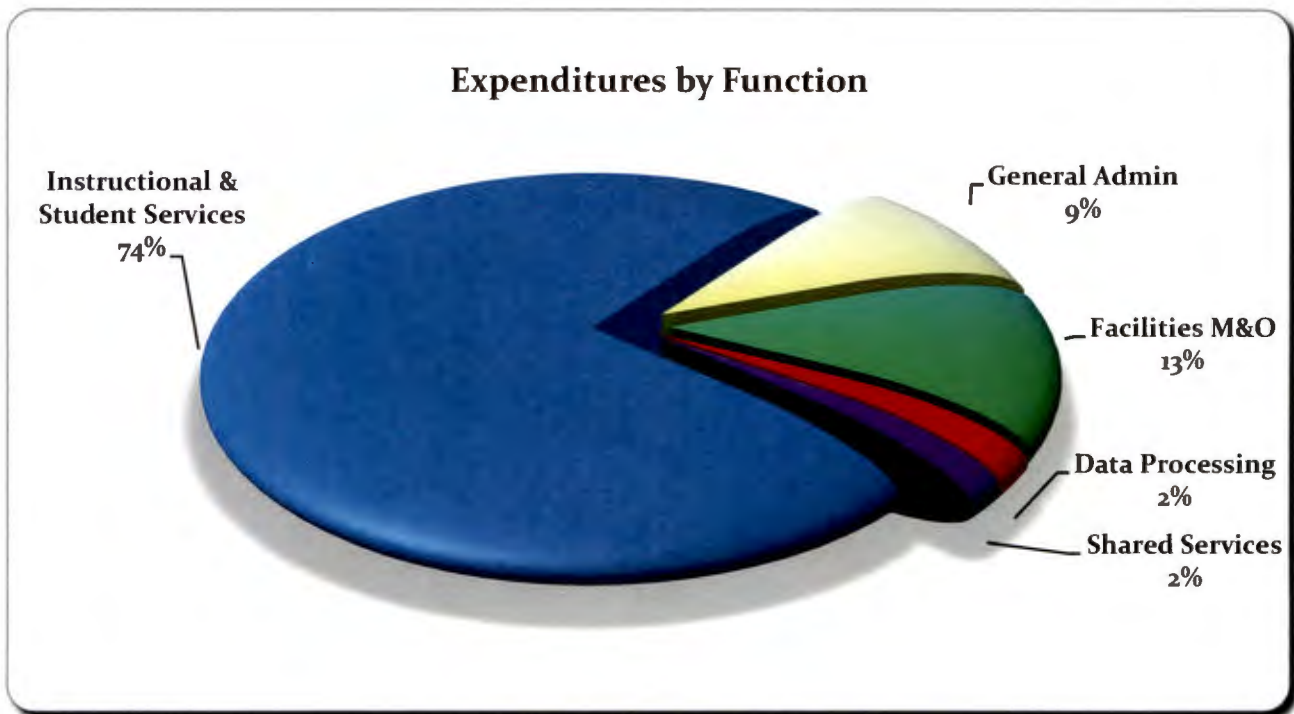


The net investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$4,409,484. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$30,333 of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, negative \$1,456,948, may be used to meet the District's ongoing obligations. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are in excess of currently available resources.

Governmental activities. The District's total net position decreased \$445,111. The total cost of all *governmental activities* this year was \$6,195,205. The amount that our taxpayers paid for these activities through property taxes was \$3,321,745 or 54%.

Changes in the District's Net Position

	<u>Fiscal Year August 31, 2019</u>	<u>Fiscal Year August 31, 2018</u>
Revenues:		
Program revenues		
Charges for services	\$ 161,077	\$ 141,317
Operating grants and contributions	752,239	(277,356)
General revenues		
Property taxes	3,321,745	3,566,915
Grants and Contributions	1,464,174	1,350,504
Other	50,859	119,020
Total revenues	<u>5,750,094</u>	<u>4,900,400</u>
Expenses:		
Instruction	2,974,514	1,834,578
Instructional resources and media services	34,772	32,115
Curriculum and staff development	43	4,535
School leadership	415,489	197,897
Guidance, counseling & evaluation services	113,237	58,329
Health services	62,137	35,565
Student transportation	300,957	239,253
Food service	328,038	221,689
Cocurricular/extracurricular activities	372,606	290,781
General administration	579,826	405,898
Facilities maintenance and operations	769,053	655,171
Security and monitoring services	29,359	-
Data processing services	133,579	104,848
Community services	13,362	1,515
Interest on long-term debt	-	12,507
Bond issuance costs	-	431
Payments related to shared service arrangements	68,233	81,657
Other intergovernmental charges	-	6,105
Total expenses	<u>6,195,205</u>	<u>4,182,874</u>
Increase (decrease) in net position	(445,111)	717,526
Beginning net position	3,427,980	6,005,446
Prior period adjustment	-	(3,294,992)
Beginning net position - as restated	3,427,980	2,710,454
Ending net position	<u>\$ 2,982,869</u>	<u>\$ 3,427,980</u>



Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements, bond covenants, and segregation for particular purposes.

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,809,398, an increase of \$131,721. Approximately 82% of this total amount (\$1,486,000) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted and assigned* to indicate that it is not available for new spending because it is *restricted* for the for federal/state grant restrictions (\$16,108), for the retirement of long-term debt (\$7,290), and *assigned* to pay for other expenditures as needed (\$300,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,486,000. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to the total fund expenditures. Unassigned fund balance represents 30% of the total general fund expenditures.

The fund balance of the District's general fund increased \$139,116 during the current fiscal year.

Budgetary Highlights

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments fall into the following categories:

- Technology improvements in excess of \$25,000 dollars.
- Purchase of major band instruments in excess of \$20,000 dollars.
- Purchase of new football score board costing \$25,000.

The following are significant variations between the final budget and actual amounts for the general fund:

- Actual revenues were lower than the budgeted amount by \$11,007, primary related to decreases in state program revenues; and
- Actual expenditures were lower than budgeted by \$292,757, primarily due to decreases within instruction, cocurricular/extracurricular activities, general administration, and plant maintenance and operations.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2019, amounts to \$4,409,484 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset acquisitions during the year consisted of the purchase of equipment, such as a 2019 Chevrolet Silverado truck and baseball scoreboard.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2019</u>	<u>August 31, 2018</u>
Land	\$ 144,286	\$ 144,286
Buildings and improvements	3,642,232	4,086,712
Furniture and equipment	622,966	549,497
Total at historical cost	<u>\$ 4,409,484</u>	<u>\$ 4,780,495</u>

Additional information on the District's capital assets can be found in Note C on page 26 of this report.

Long-term debt. As of August 31, 2019, the District had paid balances on general outstanding debt. The net pension liability for fiscal year 2019 had an ending balance of \$1,431,570, derived from GASB 68, an increase of \$666,277 from the prior year. And finally, the net OPEB liability for fiscal year 2019 had an ending balance of \$2,466,302, derived from GASB 75 and an increase of \$587,506 over the prior year.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10% of its total assessed valuation. The current debt limitation for the District is \$28,256,530.

Additional information on the District's long-term debt can be found in Note E on page 27 of this report.

Economic Factors and Next Year's Budgets and Rates

- District enrollment decreased to 455 students, which ultimately lowers WADA that drives the state funding formulas.
- The district's total tax rate remained unchanged from the preceding year @ \$1.17 per \$100 appraised value. (\$1.17 M&O and \$0 I&S).
- The district has no I & S debt.
- The school district has appropriated revenues and expenditures (federal, state, local) in 2019-2020 budget of \$6,221,416 and \$6,088,487 respectively.
- Transportation repairs in excess of \$15,000.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Santo Independent School District, P.O. Box 67, Santo, Texas 76472.



Basic Financial Statements

SANTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2019

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 87,443
1120	<i>Current Investments</i>	1,897,966
1225	<i>Property Taxes Receivable (Net)</i>	122,100
1240	<i>Due from Other Governments</i>	73,098
Capital Assets:		
1510	<i>Land</i>	144,286
1520	<i>Buildings and Improvements, Net</i>	3,642,232
1530	<i>Furniture and Equipment, Net</i>	622,966
1000	Total Assets	<u>6,500,091</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	855,826
	<i>Deferred Outflow Related to OPEB</i>	542,281
1700	Total Deferred Outflows of Resources	<u>1,398,107</u>
LIABILITIES:		
2165	<i>Accrued Liabilities</i>	215,085
2180	<i>Due to Other Governments</i>	63
2300	<i>Unearned Revenue</i>	33,961
Noncurrent Liabilities:		
2540	<i>Net Pension Liability</i>	1,431,570
2545	<i>Net OPEB Liability</i>	2,466,302
2000	Total Liabilities	<u>4,146,981</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	78,444
	<i>Deferred Inflow Related to OPEB</i>	779,904
2600	Total Deferred Inflows of Resources	<u>858,348</u>
NET POSITION:		
3200	Net Investment in Capital Assets	4,409,484
Restricted For:		
3820	Federal and State Programs	16,108
3850	Debt Service	14,225
3900	Unrestricted	(1,456,948)
3000	Total Net Position	<u>\$ 2,982,869</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
	Governmental Activities:				
11	Instruction	\$ 2,974,514	\$ 2,292	\$ 455,307	\$ (2,516,915)
12	Instructional Resources and Media Services	34,772	29	2,126	(32,617)
13	Curriculum and Staff Development	43	--	--	(43)
23	School Leadership	415,489	333	30,256	(384,900)
31	Guidance, Counseling, & Evaluation Services	113,237	96	8,638	(104,503)
33	Health Services	62,137	53	4,333	(57,751)
34	Student Transportation	300,957	266	13,957	(286,734)
35	Food Service	328,038	112,265	163,551	(52,222)
36	Cocurricular/Extracurricular Activities	372,606	43,936	15,981	(312,689)
41	General Administration	579,826	498	26,579	(552,749)
51	Facilities Maintenance and Operations	769,053	1,089	25,028	(742,936)
52	Security and Monitoring Services	29,359	26	72	(29,261)
53	Data Processing Services	133,579	116	6,199	(127,264)
61	Community Services	13,362	12	33	(13,317)
93	Payments Related to Shared Services Arrangements	68,233	66	179	(67,988)
TG	Total Governmental Activities	6,195,205	161,077	752,239	(5,281,889)
TP	Total Primary Government	\$ 6,195,205	\$ 161,077	\$ 752,239	(5,281,889)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				3,319,110
DT	Property Taxes, Levied for Debt Service				2,635
IE	Investment Earnings				28,149
GC	Grants and Contributions Not Restricted to Specific Programs				1,464,174
MI	Miscellaneous				22,710
TR	Total General Revenues				4,836,778
CN	Change in Net Position				(445,111)
NB	Net Position - Beginning				3,427,980
NE	Net Position - Ending				\$ 2,982,869

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2019

Data Control Codes	10	State	Other	98	
	General Fund	Instructional Materials Fund	Governmental Funds	Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 48,736	\$ --	\$ 38,707	\$ 87,443
1120	Current Investments	1,897,966	--	--	1,897,966
1225	Taxes Receivable	228,245	--	17,342	245,587
1230	Allowance for Uncollectible Taxes (credit)	(113,080)	--	(10,407)	(123,487)
1240	Due from Other Governments	8,539	55,118	9,441	73,098
1260	Due from Other Funds	55,118	--	--	55,118
1000	Total Assets	<u>\$ 2,125,524</u>	<u>\$ 55,118</u>	<u>\$ 55,083</u>	<u>\$ 2,235,725</u>
LIABILITIES:					
Current Liabilities:					
2150	Payroll Deductions & Withholdings	\$ 1,402	\$ --	\$ --	\$ 1,402
2160	Accrued Wages Payable	194,532	--	13,941	208,473
2170	Due to Other Funds	--	55,118	--	55,118
2180	Due to Other Governments	--	--	63	63
2200	Accrued Expenditures	4,340	--	870	5,210
2300	Unearned Revenue	24,085	--	9,876	33,961
2000	Total Liabilities	<u>224,359</u>	<u>55,118</u>	<u>24,750</u>	<u>304,227</u>
DEFERRED INFLOWS OF RESOURCES:					
	Property Taxes	115,165	--	6,935	122,100
2600	Total Deferred Inflows of Resources	<u>115,165</u>	<u>--</u>	<u>6,935</u>	<u>122,100</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	16,108	16,108
3480	Retirement of Long-Term Debt	--	--	7,290	7,290
Assigned Fund Balances:					
3590	Other Assigned Fund Balance - Major Projects	300,000	--	--	300,000
3600	Unassigned	1,486,000	--	--	1,486,000
3000	Total Fund Balances	<u>1,786,000</u>	<u>--</u>	<u>23,398</u>	<u>1,809,398</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 2,125,524</u>	<u>\$ 55,118</u>	<u>\$ 55,083</u>	<u>\$ 2,235,725</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2019*

Total fund balances - governmental funds balance sheet	\$ 1,809,398
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	4,409,484
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	122,100
Recognition of the District's proportionate share of the GASB 75 net OPEB liability is not reported in the funds.	(2,466,302)
Deferred Resource Inflows related to GASB 75 OPEB are not reported in the funds.	(779,904)
Deferred Resource Outflows related to GASB 75 OPEB are not reported in the funds.	542,281
Recognition of the District's proportionate share of the GASB 68 net pension liability is not reported in the funds.	(1,431,570)
Deferred Resource Inflows related to the GASB 68 pension plan are not reported in the funds.	(78,444)
Deferred Resource Outflows related to the GASB 68 pension plan are not reported in the funds.	<u>855,826</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 2,982,869</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	10 General Fund	State Instructional Materials Fund	Other Governmental Funds	9E Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 3,406,445	\$ --	\$ 119,949	\$ 3,526,394
5800 State Program Revenues	1,673,319	87,358	8,552	1,769,229
5900 Federal Program Revenues	13,005	--	290,014	303,019
5020 Total Revenues	<u>5,092,769</u>	<u>87,358</u>	<u>418,515</u>	<u>5,598,642</u>
EXPENDITURES:				
Current:				
0011 Instruction	2,362,195	87,358	140,441	2,589,994
0012 Instructional Resources and Media Services	29,947	--	--	29,947
0013 Curriculum and Staff Development	40	--	--	40
0023 School Leadership	343,141	--	--	343,141
0031 Guidance, Counseling, & Evaluation Services	98,873	--	--	98,873
0033 Health Services	54,622	--	--	54,622
0034 Student Transportation	274,834	--	--	274,834
0035 Food Service	--	--	290,146	290,146
0036 Cocurricular/Extracurricular Activities	328,061	--	--	328,061
0041 General Administration	513,411	--	--	513,411
0051 Facilities Maintenance and Operations	716,019	--	1,018	717,037
0052 Security and Monitoring Services	27,188	--	--	27,188
0053 Data Processing Services	119,020	--	--	119,020
0061 Community Services	12,374	--	--	12,374
0093 Payments to Shared Service Arrangements	68,233	--	--	68,233
6030 Total Expenditures	<u>4,947,958</u>	<u>87,358</u>	<u>431,605</u>	<u>5,466,921</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>144,811</u>	<u>--</u>	<u>(13,090)</u>	<u>131,721</u>
Other Financing Sources and (Uses):				
7915 Transfers In	--	--	5,695	5,695
8911 Transfers Out	(5,695)	--	--	(5,695)
7080 Total Other Financing Sources and (Uses)	<u>(5,695)</u>	<u>--</u>	<u>5,695</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>139,116</u>	<u>--</u>	<u>(7,395)</u>	<u>131,721</u>
0100 Fund Balances - Beginning	<u>1,646,884</u>	<u>--</u>	<u>30,793</u>	<u>1,677,677</u>
3000 Fund Balances - Ending	<u>\$ 1,786,000</u>	<u>\$ --</u>	<u>\$ 23,398</u>	<u>\$ 1,809,398</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

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

Net change in fund balances - total governmental funds	\$ 131,721
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	60,045
The depreciation of capital assets used in governmental activities is not reported in the funds.	(431,056)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	7,286
GASB 75 OPEB contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net OPEB liability.	(34,075)
GASB 75 required certain expenditures be de-expended and recorded as deferred resource outflows.	
These contributions made after the measurement date of the plan caused an increase in ending net position.	30,390
The proportionate share of the TRS-Care OPEB expense on the plan as a whole had to be recorded.	
This resulted in a decrease in net position.	(69,910)
GASB 68 pension contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability.	(87,186)
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 an increase in ending net position.	91,184
The proportionate share of the TRS pension expense on the plan as a whole had to be recorded.	
This resulted in a decrease in net position.	<u>(143,510)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (445,111)</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2019

Data Control Codes	Agency Fund
	Student Activity
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 115,204
1000 Total Assets	115,204
LIABILITIES:	
Current Liabilities:	
2190 <i>Due to Student Groups</i>	\$ 115,204
2000 Total Liabilities	115,204
NET POSITION:	
3000 Total Net Position	\$ --

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

A. Summary of Significant Accounting Policies

The basic financial statements of Santo Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state, and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental reporting entity and there are no component units included within the District's reporting entity.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Financial Statements: The statement of net position and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The District reports the following major governmental funds:

General Fund: This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

State Instructional Materials Fund: This fund is used to account for funds awarded to the District under the instructional allotment. Instructional materials include textbooks, software, supplemental material, DVDs and CD-ROMs, online services, open-source materials, and other means of conveying information electronically.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

In addition, the District reports the following fund types:

Agency Funds: These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. **Measurement Focus, Basis of Accounting**

Government-wide and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty 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. 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. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. **Financial Statement Amounts**

a. **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 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 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 fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are 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.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

b. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	10 - 30
Equipment	5 - 15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) 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 and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements, or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

g. Use of Estimates

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

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to ensure accuracy in building a statewide database for policy development and funding plans.

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service, or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself. The Board shall delegate to the Superintendent the authority to assign amounts to be expended for specific purposes.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

k. Fund Balance Flow Assumptions

Sometimes the District will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

4. Pensions

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' 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.

5. 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.

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB 88 - Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements

The primary objective of this statement is to improve the information that is disclosed in notes to government 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.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

For the year ended August 31, 2019, the District did not have any direct borrowings or direct placements as defined by GASB No. 88. Additionally, the District did not have any lines of credit, assets of which are pledged as collateral for debt, or debt with terms specified in debt agreements related to significant events of default with finance-related consequences, or subjective acceleration clauses as of August 31, 2019.

B. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2019, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,100,613 and the bank balance was \$2,158,776. The District's cash deposits at August 31, 2019 and during the year ended August 31, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, 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.

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

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2019 consisted of a money market savings account and certificates of deposit which are entirely covered by FDIC and pledged collateral by the bank and are included in the cash balance in Note B-1.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Comanche National Bank		
Money Market	Various	\$ 1,397,966
Certificates of Deposit	Various	500,000
Total Investments		<u>\$ 1,897,966</u>

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

2. Analysis of Specific Deposit and Investment Risks

GASB Statement No. 40 requires a determination as to whether the District was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the District was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the District's name.

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy

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.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

C. Capital Assets

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

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 144,286	\$ --	\$ --	\$ 144,286
Total capital assets not being depreciated	<u>144,286</u>	<u>--</u>	<u>--</u>	<u>144,286</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	10,298,034	--	--	10,298,034
Equipment	1,639,384	60,045	--	1,699,429
Total capital assets being depreciated	<u>11,937,418</u>	<u>60,045</u>	<u>--</u>	<u>11,997,463</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,340,644)	(315,158)	--	(6,655,802)
Equipment	(960,565)	(115,898)	--	(1,076,463)
Total accumulated depreciation	<u>(7,301,209)</u>	<u>(431,056)</u>	<u>--</u>	<u>(7,732,265)</u>
Total capital assets being depreciated, net	<u>4,636,209</u>	<u>(371,011)</u>	<u>--</u>	<u>4,265,198</u>
Governmental activities capital assets, net	<u>\$ 4,780,495</u>	<u>\$ (371,011)</u>	<u>\$ --</u>	<u>\$ 4,409,484</u>

Depreciation was charged to functions as follows:

Instruction	\$ 206,819
Instructional Resources and Media Services	2,391
Curriculum and Staff Development	3
School Leadership	27,401
Guidance, Counseling, & Evaluation Services	7,895
Health Services	4,362
Student Transportation	21,946
Food Services	23,125
Extracurricular Activities	26,197
General Administration	40,997
Plant Maintenance and Operations	57,257
Security and Monitoring Services	2,171
Data Processing Services	9,504
Community Services	988
	<u>\$ 431,056</u>

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Special Revenue Fund	\$ 55,118	For transfer of state receipts
	Total	<u>\$ 55,118</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2019, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Revenue Fund	\$ 5,695	Employee Meals paid by the District
	Total	<u>\$ 5,695</u>	

E. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Net Pension Liability *	\$ 765,293	\$ 753,893	\$ 87,616	\$ 1,431,570	\$ --
Net OPEB Liability *	1,878,796	621,581	34,075	2,466,302	--
Total governmental activities	<u>\$ 2,644,089</u>	<u>\$ 1,375,474</u>	<u>\$ 121,691</u>	<u>\$ 3,897,872</u>	<u>\$ --</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability *	Governmental	General Fund

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F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2019, as follows:

<u>Year Ending August 31,</u>	
2020	\$ 9,829
2021	1,406
Total Minimum Rentals	<u>\$ 11,235</u>
 Rental Expenditures in 2019	 <u>\$ 30,824</u>

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year ended August 31, 2019, the District carried insurance through various plans described below. There were no significant reductions in any coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

Property Casualty Program

During fiscal year 2019, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Privacy and Information Security, Property, and Legal Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for its Auto, Liability, and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2019, the Fund anticipates Santo ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

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Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed-upon retention limit. The plan for workers' compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$7,431 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred but not reported at August 31, 2019, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

Changes in the balances of claim liabilities during the past year are as follows:

	Year Ended 8/31/2019	Year Ended 8/31/2018
Unpaid claims, beginning of year	\$ 22,110	\$ 19,480
Incurred claims	4,470	5,428
Claim payments	(3,425)	(2,798)
Unpaid claims, end of fiscal year	<u>\$ 23,155</u>	<u>\$ 22,110</u>

Unemployment Compensation

During the year ended August 31, 2019, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2019, the Fund anticipates that Santo ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2018, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. Pension Plan

1. Plan Description

The District participates in a cost-sharing multiple-employer defined benefit pension plan that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS) and is 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.

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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.

2. Pension Plan Fiduciary Net Position

Detail 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 on the Internet at <https://www.trs.state.tx.us/about/documents.cafr.pdf#CAFR>; or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

3. 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 cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. 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.

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) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

Contribution Rates

	2018	2019
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2019 Employer Contributions	\$ 91,184	
District's 2019 Member Contributions	\$ 239,197	
2018 NECE On-Behalf Contributions (state)	\$ 158,543	

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Contributors to the plan include members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools, and state agencies including TRS. In each respective role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any 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.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- 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 or charter school 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 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%
Payroll Growth Rate	3.00%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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 in July 2018.

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6. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on the 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 the 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 projected benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Rate of Return			
As of August 31, 2018			
Asset Class	Target Allocation *	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18.0%	5.7%	1.0%
Non-U.S. Developed	13.0%	6.9%	0.9%
Emerging Markets	9.0%	8.9%	0.8%
Directional Hedge Funds	4.0%	3.5%	0.1%
Private Equity	13.0%	10.2%	1.3%
Stable Value			
U.S. Treasuries	11.0%	1.1%	0.1%
Absolute Return	0.0%	0.0%	0.0%
Stable Value Hedge Funds	4.0%	3.1%	0.1%
Cash	1.0%	-0.3%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.7%	0.0%
Real Assets	14.0%	5.2%	0.7%
Energy & Natural Resources	5.0%	7.5%	0.4%
Commodities	0.0%	0.0%	0.0%
Risk Parity			
Risk Parity	5.0%	3.7%	0.2%
Inflation Expectation			2.3%
Alpha			-0.8%
Total	100.0%		7.1%

* Target allocation are based on the FY 2016 policy model.

** The expected contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

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7. 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 Net Pension Liability.

	1% Decrease in Discount Rate 5.907%	Discount Rate 6.907%	1% Increase in Discount Rate 7.907%
District's proportionate share of the net pension liability	\$ 2,160,582	\$ 1,431,570	\$ 841,391

8. 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 \$1,431,570 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,431,570
State's proportionate share that is associated with District	<u>2,592,073</u>
Total	<u>\$ 4,023,643</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. The District's proportion of the net pension liability was based on the District'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 August 31, 2018 the employer's proportion of the collective net pension liability was 0.0026008%, which was an increase of 0.002074% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation -

The following were changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- 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.

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There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

For the year ended August 31, 2019, the District recognized pension expense of \$256,546 and revenue of \$256,546 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined).

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 8,923	\$ 35,125
Changes in actuarial assumptions	516,150	16,130
Difference between projected and actual investment earnings	--	27,163
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	239,569	26
Contributions paid to TRS subsequent to the measurement date	91,184	--
Total	\$ 855,826	\$ 78,444

The net amounts of the District'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	\$ 181,126
2021	123,964
2022	107,093
2023	109,889
2024	100,418
Thereafter	63,708

I. Defined Other Post-Employment Benefit Plans

1. 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.

2. OPEB Plan Fiduciary Net Position

Detail information about the 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.

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3. 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 cost of living adjustments (COLAs).

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

TRS-Care Monthly Rates for Retirees January 1, 2018 thru 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

4. Contributions

Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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Contribution Rates		
	2018	2019
Active Employee	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%

District's 2019 Employer Contributions	\$ 30,390
District's 2019 Member Contributions	\$ 20,191
2018 NECE On-Behalf Contributions (state)	\$ 34,687

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (regardless of whether they participate in the TRS-Care OPEB program). When hiring a TRS retiree, employers are required to pay to TRS-Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal year 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was rolled forward to August 31, 2018. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed on the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation, salary increases, and general payroll growth, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in the 2018 CAFR for the Teacher Retirement System of Texas.

The following assumptions and other inputs 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	

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate *	3.69% *
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.
Payroll Growth Rate	3.00%
Projected Salary Increases	3.05% to 9.05%, including inflation ***
Healthcare Trend Rates **	8.50% **
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% after age 65.
Ad Hoc Post-Employment Benefit Changes	None

*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 GO AA Index" as of August 31, 2018.

**8.50% for fiscal year 2019, decreasing 0.5% per year to 4.50% for fiscal year 2027 and later years.

*** Includes inflation at 2.5%.

6. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

7. 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 in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of net OPEB liability	\$ 2,935,747	\$ 2,466,302	\$ 2,094,941

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8. 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 \$2,466,302 for its proportionate share of the TRS' 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	\$	2,466,302
State's proportionate share that is associated with the District		2,514,182
Total		\$ 4,980,484

The Net OPEB liability was measured as of August 31, 2017 and rolled forward to 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 District's proportion of the Net OPEB liability was based on the District's contributions to OPEB 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 District's proportion of the collective net OPEB liability was 0.0049394%, which was an increase of 0.0006190% from its proportion measured as of August 31, 2017.

The following schedule shows the impact of the net OPEB liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of net OPEB liability	\$ 2,048,304	\$ 2,466,302	\$ 3,016,815

9. Changes 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 healthcare 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 was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability by \$2.3 billion.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850 / \$2,292 were indexed annually by 2.50%.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

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Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

Changes of benefit terms that affected measurement of the total OPEB liability during the measurement period are listed below:

The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 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 who retired as a disability retiree on or before January 1, 2017 and 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, 2019, the District recognized OPEB expense of \$91,451 and revenue of \$91,451 for support provided by the State.

At August 31, 2019, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 130,877	\$ 38,922
Changes in actuarial assumptions	41,156	740,982
Differences between projected and actual investment earnings	431	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	339,427	--
Contributions paid to TRS subsequent to the measurement date	30,390	--
Total	\$ 542,281	\$ 779,904

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

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

Year ended August 31,	Amount
2020	\$ (54,842)
2021	(54,842)
2022	(54,842)
2023	(54,923)
2024	(54,972)
Thereafter	6,408

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2019, the subsidy payment received by TRS-Care on behalf of the District was \$9,300.

J. Employee Health Care Coverage

During the year ended August 31, 2019, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable annually, and terms of coverage and premium costs are included in the contractual provisions.

The latest financial statements for the Company are available for their year end and have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2019.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2019

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for special education with the following school districts:

Member Districts

Mineral Wells ISD

Palo Pinto ISD

Gordon ISD

Graford ISD

Santo ISD

Strawn ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Mineral Wells ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Subsequent Events

The District evaluated subsequent events through November 18, 2019, the date the financial statements were available to be issued and nothing significant requiring disclosure was noted.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

SANTO INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 3,421,217	\$ 3,325,177	\$ 3,406,445	\$ 81,268
5800	State Program Revenues	1,787,199	1,778,599	1,673,319	(105,280)
5900	Federal Program Revenues	162,400	--	13,005	13,005
5020	Total Revenues	<u>5,370,816</u>	<u>5,103,776</u>	<u>5,092,769</u>	<u>(11,007)</u>
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	2,484,955	2,434,355	2,362,195	72,160
0012	Instructional Resources and Media Services	48,410	48,410	29,947	18,463
0013	Curriculum and Staff Development	4,900	4,900	40	4,860
	Total Instruction & Instr. Related Services	<u>2,538,265</u>	<u>2,487,665</u>	<u>2,392,182</u>	<u>95,483</u>
Instructional and School Leadership:					
0023	School Leadership	344,740	347,440	343,141	4,299
	Total Instructional & School Leadership	<u>344,740</u>	<u>347,440</u>	<u>343,141</u>	<u>4,299</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	103,750	103,750	98,873	4,877
0033	Health Services	53,345	56,745	54,622	2,123
0034	Student (Pupil) Transportation	275,510	290,510	274,834	15,676
0036	Cocurricular/Extracurricular Activities	363,420	368,420	328,061	40,359
	Total Support Services - Student (Pupil)	<u>796,025</u>	<u>819,425</u>	<u>756,390</u>	<u>63,035</u>
Administrative Support Services:					
0041	General Administration	553,050	553,050	513,411	39,639
	Total Administrative Support Services	<u>553,050</u>	<u>553,050</u>	<u>513,411</u>	<u>39,639</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	740,700	763,660	716,019	47,641
0052	Security and Monitoring Services	20,000	30,000	27,188	2,812
0053	Data Processing Services	--	126,975	119,020	7,955
	Total Support Services - Nonstudent Based	<u>760,700</u>	<u>920,635</u>	<u>862,227</u>	<u>58,408</u>
Ancillary Services:					
0061	Community Services	--	14,000	12,374	1,626
	Total Ancillary Services	<u>--</u>	<u>14,000</u>	<u>12,374</u>	<u>1,626</u>
Capital Outlay:					
0081	Capital Outlay	20,000	20,000	--	20,000
	Total Capital Outlay	<u>20,000</u>	<u>20,000</u>	<u>--</u>	<u>20,000</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist. -SSA	86,000	76,000	68,233	7,767
0094	Payments to Other Schools	2,500	--	--	--
0095	Payments to Juvenile Justice Alternative	--	2,500	--	2,500
0095	Education Programs	--	2,500	--	2,500
	Total Intergovernmental Charges	<u>88,500</u>	<u>78,500</u>	<u>68,233</u>	<u>10,267</u>
6030	Total Expenditures	<u>5,101,280</u>	<u>5,240,715</u>	<u>4,947,958</u>	<u>292,757</u>

SANTO INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>269,536</u>	<u>(136,939)</u>	<u>144,811</u>	<u>281,750</u>
	Other Financing Sources (Uses):				
8911	Transfers Out	<u>--</u>	<u>(9,083)</u>	<u>(5,695)</u>	<u>3,388</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>(9,083)</u>	<u>(5,695)</u>	<u>3,388</u>
1200	Net Change in Fund Balance	<u>269,536</u>	<u>(146,022)</u>	<u>139,116</u>	<u>285,138</u>
0100	Fund Balance - Beginning	<u>1,646,884</u>	<u>1,646,884</u>	<u>1,646,884</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 1,916,420</u>	<u>\$ 1,500,862</u>	<u>\$ 1,786,000</u>	<u>\$ 285,138</u>

SANTO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET PENSION LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS *

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
District's proportion of the net pension liability (asset)	0.0026008%	0.0023934%	0.0022898%	0.0022998%	0.0011663%	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,431,570	\$ 765,293	\$ 865,296	\$ 812,949	\$ 311,534	--	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	2,592,073	1,600,369	1,986,350	1,952,916	1,682,839	--	--	--	--	--
Total	\$ 4,023,643	\$ 2,365,662	\$ 2,851,646	\$ 2,765,865	\$ 1,994,373	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,915,537	\$ 2,913,014	\$ 2,830,679	\$ 2,831,310	\$ 2,754,569	--	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	49.10%	26.27%	30.57%	28.71%	11.31%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	73.74%	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** This schedule displays amounts for the measurement year (Fiscal Year 2019 displays Measurement Year 2018 amounts).

SANTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 91,184	\$ 87,186	\$ 78,383	\$ 72,754	\$ 68,098	\$ 29,569	--	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(91,184)	(87,186)	(78,383)	(72,754)	(68,098)	(29,569)	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 3,106,449	\$ 2,915,537	\$ 2,913,014	\$ 2,830,679	\$ 2,831,310	\$ 2,754,569	--	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.94%	2.99%	2.69%	2.57%	2.41%	1.07%	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

** This schedule displays fiscal year amounts (i.e. Fiscal Year 2019 amounts are for the current fiscal year, not the measurement year).

SANTO INDEPENDENT SCHOOL DISTRICT
*SCHEDULE OF THE DISTRICT'S PROPORTIONATE
 SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 LAST TEN FISCAL YEARS **

	Measurement Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the collective net OPEB liability	0.0049394%	0.0043204%	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 2,466,302	\$ 1,878,796	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	2,514,182	2,321,612	--	--	--	--	--	--	--	--
Total	\$ 4,980,484	\$ 4,200,408	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,915,537	\$ 2,913,014	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	84.59%	64.50%	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	1.57%	0.91%	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

** This schedule displays amounts based off of the measurement year (measurement year 2018 displays amounts for Fiscal Year 2019).

SANTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
*LAST TEN FISCAL YEARS **

	Fiscal Year Ended									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Statutorily or contractually required District contribution	\$ 30,390	\$ 34,075	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(30,390)	(34,075)	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 3,106,449	\$ 2,915,537	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	0.98%	1.17%	--	--	--	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

** This schedule displays amounts for the fiscal year (Fiscal Year 2019 displays amounts for the current fiscal year, not the measurement year).

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2019

Budget

The official budget was prepared for adoption for all Governmental Fund Types legally required to adopt a budget (General Funds, Food Service Funds, and Debt Service Funds). The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended at function and fund level only 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. Such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end as required by law.

Each amendment 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.

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 cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension and OPEB Plans

Changes of benefit terms

There were no changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Change of benefit terms that affected the measurement year of the total net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

Changes of assumptions

Changes of assumptions that affected the measurement period of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Change of benefit terms that affected the measurement year of the total net OPEB liability during the measurement period are described in the notes to the financial statements (Note I).

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

SANTO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE

FOR THE YEAR ENDED AUGUST 31, 2019

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1 Maintenance	2 Debt Service	
2010 and Prior Years	\$ Various	\$ Various	\$ Various
2011	1.17	.1462	253,990,503
2012	1.17	.1422	247,638,909
2013	1.17	.1306	258,879,201
2014	1.17	.1306	261,114,417
2015	1.17	.1166	275,892,868
2016	1.17	.1241	272,027,844
2017	1.17	.1380	267,674,824
2018	1.17	.1310	270,859,905
2019 (School Year Under Audit)	1.17	--	282,565,298
1000 Totals			

9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code

Column 20, the current year's levy is the ending levy due provided by Erath County Tax Office and Palo Pinto County Tax Office.

Column 3, Assessed/Appraised Value for School Tax Purposes is calculated based on current year total levy divided by current year total tax rate. This amount includes adjustments for frozen values.

10 Beginning Balance 9/1/18	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/19
\$ 40,088	\$ --	\$ 771	\$ 106	\$ (1,822)	\$ 37,389
10,280	--	102	13	--	10,165
12,223	--	840	102	--	11,281
22,002	--	1,689	189	(754)	19,370
18,937	--	120	13	(1,234)	17,570
19,736	--	879	88	(784)	17,985
20,453	--	4,644	492	(1,856)	13,461
24,847	--	4,640	547	(3,179)	16,481
57,921	--	28,128	3,150	(5,903)	20,740
--	3,306,014	3,224,804	--	(65)	81,145
<u>\$ 226,487</u>	<u>\$ 3,306,014</u>	<u>\$ 3,266,617</u>	<u>\$ 4,700</u>	<u>\$ (15,597)</u>	<u>\$ 245,587</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

SANTO INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2019

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2019 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,786,000
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	300,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	412,330
7	Estimate of two months' average cash disbursements during the fiscal year	824,660
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	1,536,990
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 249,010

Excess fund balance will be used for upgrades in transportation and facility improvements to the child care facility and Cody Park.

SANTO INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2019

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 111,000	\$ 112,660	\$ 1,660
5800 <i>State Program Revenues</i>	8,600	8,552	(48)
5900 <i>Federal Program Revenues</i>	162,400	149,022	(13,378)
5020 Total Revenues	<u>282,000</u>	<u>270,234</u>	<u>(11,766)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	305,250	289,596	15,654
Total Support Services - Student (Pupil)	<u>305,250</u>	<u>289,596</u>	<u>15,654</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	4,000	1,018	2,982
Total Support Services - Nonstudent Based	<u>4,000</u>	<u>1,018</u>	<u>2,982</u>
6030 Total Expenditures	<u>309,250</u>	<u>290,614</u>	<u>18,636</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(27,250)</u>	<u>(20,380)</u>	<u>6,870</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	9,083	5,695	(3,388)
7080 Total Other Financing Sources and (Uses)	<u>9,083</u>	<u>5,695</u>	<u>(3,388)</u>
1200 Net Change in Fund Balance	<u>(18,167)</u>	<u>(14,685)</u>	<u>3,482</u>
0100 Fund Balance - Beginning	30,793	30,793	--
3000 Fund Balance - Ending	<u>\$ 12,626</u>	<u>\$ 16,108</u>	<u>\$ 3,482</u>

SANTO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2019

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 7,290	\$ 7,290
5020 Total Revenues	<u> --</u>	<u> 7,290</u>	<u> 7,290</u>
EXPENDITURES:			
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u> --</u>	<u> 7,290</u>	<u> 7,290</u>
1200 Net Change in Fund Balance	<u> --</u>	<u> 7,290</u>	<u> 7,290</u>
0100 Fund Balance - Beginning	<u> --</u>	<u> --</u>	<u> --</u>
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 7,290</u>	<u>\$ 7,290</u>



SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

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

Board of Trustees
Santo Independent School District
P.O. Box 67
Santo, Texas 76472

Members of the Board of Trustees:

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, each major fund, and the aggregate remaining fund information of Santo Independent School District, as of and for the year ended August 31, 2019, and the related notes to the financial statements, which collectively comprise Santo Independent School District's basic financial statements, and have issued our report thereon dated November 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Santo Independent School 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 Santo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Santo Independent School 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. 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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Santo Independent School 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*.

We noted certain matters that we reported to management of Santo Independent School District in a separate letter dated November 18, 2019.

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.

Respectfully submitted,

A handwritten signature in black ink that reads "Snow Garrett Williams". The signature is written in a cursive, flowing style.

Snow Garrett Williams
November 18, 2019

SANTO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2019

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,431,570
SF13	Pension Expense (object 6147) at fiscal year-end.	\$ N/A