

**SANTO INDEPENDENT SCHOOL DISTRICT**

***ANNUAL FINANCIAL REPORT***

***FOR THE YEAR ENDED AUGUST 31, 2021***

Santo Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2021

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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, 2021, at a meeting of the board of trustees of such school district on the 17<sup>th</sup> day of November, 2021.

  
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 Audit of the Financial Statements**

We have audited the 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, 2021, 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 Responsibilities for the Audit of the Financial Statements**

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, 2021, 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.

## **Emphasis of Matter**

### *Change in Accounting Principle*

As described in Note A to the financial statements, in Fiscal Year 2021, Santo Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santo Independent School District's basic financial statements. The introductory section and 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 Exhibit J-5, 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.

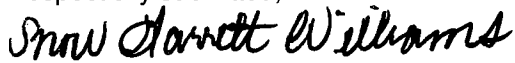
The introductory section and Exhibit J-5 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.



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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2021 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 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,



Snow Garrett Williams

November 8, 2021

## 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, 2021. 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 \$3,031,965 (*net position*). Of this amount, (\$1,095,661) (*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 \$2,425,711. Approximately 86% of this total amount, \$2,096,269, 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 \$2,096,269, or 37% 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 deferred outflows and liabilities and deferred inflows, 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. The District's fiduciary activities are reported in a separate statement of fiduciary net position and statement of changes in fiduciary net position that can be found on page 18-19.
- **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 20-41 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.

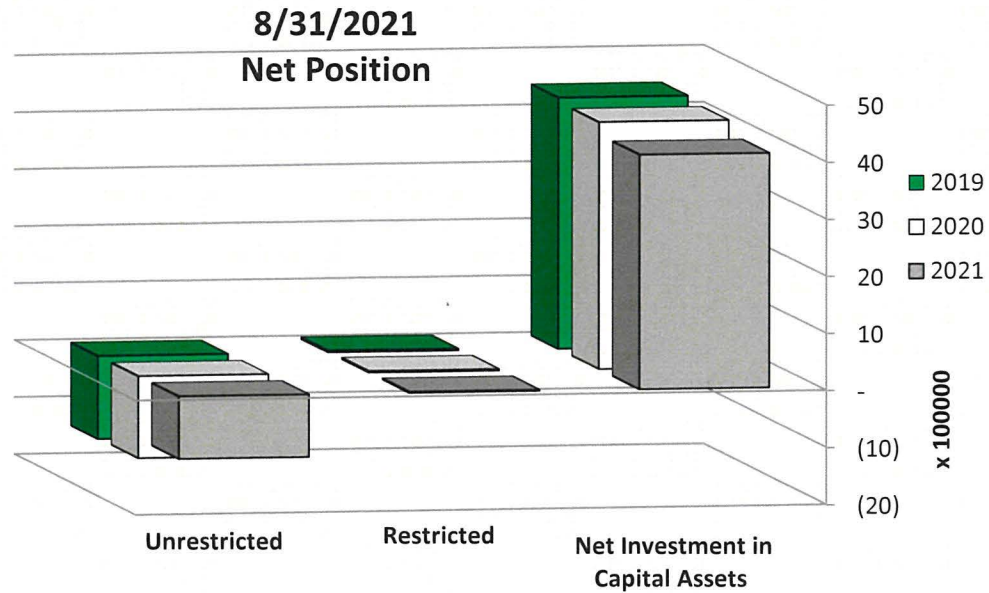


**Government-wide Financial Analysis**

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 \$3,031,965 as of August 31, 2021.

**The District's Net Position**

	<u>August 31, 2021</u>	<u>August 31, 2020</u>
Current assets	\$ 2,886,384	\$ 2,440,525
Capital assets	4,109,513	4,332,225
Total assets	<u>6,995,897</u>	<u>6,772,750</u>
Deferred outflows of resources:		
Deferred outflow related to pensions	518,037	707,786
Deferred outflow related to OPEB	475,689	542,301
Total deferred outflows of resources	<u>993,726</u>	<u>1,250,087</u>
Current liabilities	338,186	257,851
Long-term liabilities outstanding	2,812,213	3,382,067
Total liabilities	<u>3,150,399</u>	<u>3,639,918</u>
Deferred inflows of resources:		
Deferred inflow related to pensions	292,400	220,971
Deferred inflow related to OPEB	1,514,859	1,239,226
Total deferred inflows of resources	<u>1,807,259</u>	<u>1,460,197</u>
Net position:		
Net investment in capital assets	4,109,513	4,332,225
Restricted	18,113	26,463
Unrestricted	(1,095,661)	(1,435,966)
Total net position	<u>\$ 3,031,965</u>	<u>\$ 2,922,722</u>

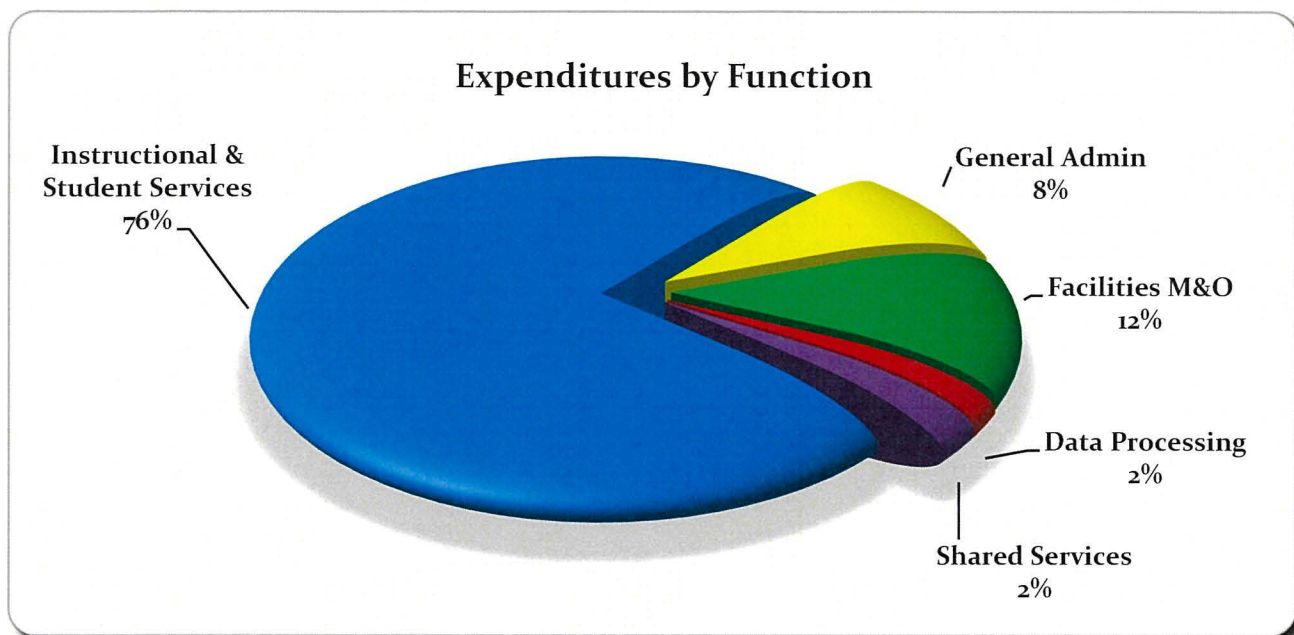


The net investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$4,109,513. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment 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 \$18,113 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 \$1,095,661, 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 increased by \$94,392. The total cost of all *governmental activities* this year was \$6,588,318. The amount that our taxpayers paid for these activities through property taxes was \$3,446,819 or 52%.

### Changes in the District's Net Position

	<u>Fiscal Year August 31, 2021</u>	<u>Fiscal Year August 31, 2020</u>
Revenues:		
Program revenues		
Charges for services	\$ 62,230	\$ 132,275
Operating grants and contributions	896,408	806,055
General revenues		
Property taxes	3,446,819	3,264,249
Grants and Contributions	2,181,843	2,223,177
Other	94,410	72,400
Total revenues	<u>6,681,710</u>	<u>6,498,156</u>
Expenses:		
Instruction	3,242,089	3,311,156
Instructional resources and media services	43,411	34,314
Curriculum and staff development	627	771
School leadership	453,752	439,343
Guidance, counseling & evaluation services	123,895	125,432
Health services	70,922	75,284
Student transportation	294,864	283,294
Food service	342,239	314,891
Cocurricular/extracurricular activities	369,126	344,847
General administration	552,069	561,369
Facilities maintenance and operations	807,959	800,188
Security and monitoring services	6,772	10,478
Data processing services	124,372	124,042
Community services	76,336	61,035
Payments related to shared service arrangements	71,935	66,622
Other intergovernmental charges	7,950	5,237
Total expenses	<u>6,588,318</u>	<u>6,558,303</u>
Increase (decrease) in net position	94,392	(60,147)
Beginning net position	<u>2,922,722</u>	<u>2,982,869</u>
Prior period adjustment	14,851	-
Beginning net position - as restated	<u>2,937,573</u>	<u>2,982,869</u>
Ending net position	<u>\$ 3,031,965</u>	<u>\$ 2,922,722</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.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,425,711, an increase of \$368,504. Approximately 86% of this total amount (\$2,096,269) 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 retirement of long-term debt (\$14,892), for *other committed fund balance-campus activity* (\$14,552), and *assigned* to pay for major projects (\$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 \$2,096,269, out of a total fund balance of \$2,396,269. 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 37% of the total general fund expenditures.

The fund balance of the District's general fund increased \$374,955 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:

- HVAC units
- Chromebooks for all teachers.
- COVID supplies for Elementary and Secondary

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

- Actual revenues were higher than the budgeted amount by \$268,701, primary related to increases in local revenues; and
- Actual expenditures were lower than budgeted by \$174,412, 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, 2021, amounts to \$4,109,513 (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 batting cages, stadium improvements, and a 2021 Chevrolet Suburban.

**Districts Capital Assets (net of depreciation)**

	<b>August 31, 2021</b>	<b>August 31, 2020</b>
Land	\$ 144,286	\$ 144,286
Buildings and improvements	3,330,038	3,521,548
Furniture and equipment	635,189	666,391
Total at historical cost	<u>\$ 4,109,513</u>	<u>\$ 4,332,225</u>

Additional information on the District’s capital assets can be found in Note C on page 27 of this report.

**Long-term debt.** As of August 31, 2021, the District had paid balances on general outstanding debt. The net pension liability for fiscal year 2021 had an ending balance of \$1,190,093, a decrease of \$166,056 from the prior year. The net OPEB liability for fiscal year 2021 had an ending balance of \$1,622,120, a decrease of \$403,798 from 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 \$33,803,344.

Additional information on the District’s long-term debt can be found in Note E on page 28 of this report.

**Economic Factors and Next Year’s Budgets and Rates**

- District ADA decreased significantly to 450 students due to COVID which ultimately affects WADA that drives the state funding formulas.
- The district’s total tax rate decreased from the preceding year from \$1.0077 to \$.96030.
- The district no longer has any I & S tax rate.
- The District’s 2021-2022 budget includes \$6,731,849 for both revenues and expenditures (federal, state, local).

**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, 2021

Data Control Codes	1	Governmental Activities
<b>ASSETS:</b>		
1110	<i>Cash and Cash Equivalents</i>	\$ 549,639
1120	<i>Current Investments</i>	2,169,883
1225	<i>Property Taxes Receivable (Net)</i>	122,487
1240	<i>Due from Other Governments</i>	44,375
Capital Assets:		
1510	<i>Land</i>	144,286
1520	<i>Buildings and Improvements (Net)</i>	3,330,038
1530	<i>Furniture and Equipment (Net)</i>	635,189
1000	Total Assets	<u>6,995,897</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>		
	<i>Deferred Outflow Related to Pensions</i>	518,037
	<i>Deferred Outflow Related to OPEB</i>	475,689
1700	Total Deferred Outflows of Resources	<u>993,726</u>
<b>LIABILITIES:</b>		
2165	<i>Accrued Liabilities</i>	222,922
2180	<i>Due to Other Governments</i>	7,950
2300	<i>Unearned Revenue</i>	107,314
Noncurrent Liabilities:		
2540	<i>Net Pension Liability</i>	1,190,093
2545	<i>Net OPEB Liability</i>	1,622,120
2000	Total Liabilities	<u>3,150,399</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
	<i>Deferred Inflow Related to Pensions</i>	292,400
	<i>Deferred Inflow Related to OPEB</i>	1,514,859
2600	Total Deferred Inflows of Resources	<u>1,807,259</u>
<b>NET POSITION:</b>		
3200	Net Investment in Capital Assets	4,109,513
Restricted For:		
3850	Debt Service	18,113
3900	Unrestricted	(1,095,661)
3000	Total Net Position	<u>\$ 3,031,965</u>

The accompanying notes are an integral part of this statement.

## SANTO INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 3,242,089	\$ 2,320		\$ 440,536	\$ (2,799,233)
12	Instructional Resources and Media Services	43,411	34		2,386	(40,991)
13	Curriculum and Staff Development	627	--		29	(598)
23	School Leadership	453,752	307		80,087	(373,358)
31	Guidance, Counseling, & Evaluation Services	123,895	96		7,464	(116,335)
33	Health Services	70,922	55		4,192	(66,675)
34	Student Transportation	294,864	232		16,074	(278,558)
35	Food Service	342,239	41,641		221,099	(79,499)
36	Cocurricular/Extracurricular Activities	369,126	17,088		25,677	(326,361)
41	General Administration	552,069	434		30,897	(520,738)
51	Facilities Maintenance and Operations	807,959	709		47,091	(760,159)
52	Security and Monitoring Services	6,772	5		322	(6,445)
53	Data Processing Services	124,372	98		6,888	(117,386)
61	Community Services	76,336	60		4,436	(71,840)
81	Capital Outlay	--	90		5,479	5,569
93	Payments Related to Shared Services Arrangements	71,935	61		3,751	(68,123)
99	Other Intergovernmental Charges	7,950	--		--	(7,950)
TG	Total Governmental Activities	<u>6,588,318</u>	<u>63,230</u>		<u>896,408</u>	<u>(5,628,680)</u>
TP	Total Primary Government	<u>\$ 6,588,318</u>	<u>\$ 63,230</u>		<u>\$ 896,408</u>	<u>(5,628,680)</u>
	General Revenues:					
MT	Property Taxes, Levied for General Purposes					3,445,537
DT	Property Taxes, Levied for Debt Service					1,282
IE	Investment Earnings					10,724
GC	Grants and Contributions Not Restricted to Specific Programs					2,181,843
MI	Miscellaneous					83,686
TR	Total General Revenues					<u>5,723,072</u>
CN	Change in Net Position					94,392
NB	Net Position - Beginning					2,922,722
PA	Prior Period Adjustment					14,851
	Net Position - Beginning, as Restated					2,937,573
NE	Net Position - Ending					<u>\$ 3,031,965</u>

The accompanying notes are an integral part of this statement.

**SANTO INDEPENDENT SCHOOL DISTRICT***BALANCE SHEET - GOVERNMENTAL FUNDS*

AUGUST 31, 2021

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 546,859	\$ 2,780	\$ 549,639
1120	Current Investments	2,169,883	--	2,169,883
1225	Taxes Receivable	255,544	13,467	269,011
1230	Allowance for Uncollectible Taxes ( Credit)	(136,280)	(10,244)	(146,524)
1240	Due from Other Governments	873	43,502	44,375
1260	Due from Other Funds	16,488	37,508	53,996
1000	Total Assets	<u>\$ 2,853,367</u>	<u>\$ 87,013</u>	<u>\$ 2,940,380</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2160	Accrued Wages Payable	\$ 181,032	\$ 34,795	\$ 215,827
2170	Due to Other Funds	37,508	16,488	53,996
2180	Due to Other Governments	7,950	--	7,950
2200	Accrued Expenditures	4,030	3,065	7,095
2300	Unearned Revenue	107,314	--	107,314
2000	Total Liabilities	<u>337,834</u>	<u>54,348</u>	<u>392,182</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
	Property Taxes	119,264	3,223	122,487
2600	Total Deferred Inflows of Resources	<u>119,264</u>	<u>3,223</u>	<u>122,487</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3480	Retirement of Long-Term Debt	--	14,890	14,890
Committed Fund Balances:				
3545	Other Committed Fund Balance-Campus Activity	--	14,552	14,552
Assigned Fund Balances:				
3590	Other Assigned Fund Balance-Major Projects	300,000	--	300,000
3600	Unassigned	2,096,269	--	2,096,269
3000	Total Fund Balances	<u>2,396,269</u>	<u>29,442</u>	<u>2,425,711</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 2,853,367</u>	<u>\$ 87,013</u>	<u>\$ 2,940,380</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, 2021

Total fund balances - governmental funds balance sheet	\$ 2,425,711
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	122,487
Capital assets used in governmental activities are not reported in the funds.	4,109,513
Deferred Resource Outflows related to the pension plan are not reported in the funds.	518,037
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	475,689
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,190,093)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,622,120)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(292,400)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	<u>(1,514,859)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,031,965</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, 2021**

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 3,577,154	\$ 50,920	\$ 3,628,074
5800 <i>State Program Revenues</i>	2,458,365	1,222	2,459,587
5900 <i>Federal Program Revenues</i>	16,488	532,683	549,171
5020 <b>Total Revenues</b>	<u>6,052,007</u>	<u>584,825</u>	<u>6,636,832</u>
<b>EXPENDITURES:</b>			
Current:			
0011 <i>Instruction</i>	2,716,369	260,498	2,976,867
0012 <i>Instructional Resources and Media Services</i>	40,131	--	40,131
0013 <i>Curriculum and Staff Development</i>	586	--	586
0023 <i>School Leadership</i>	360,207	55,568	415,775
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	113,535	--	113,535
0033 <i>Health Services</i>	65,108	--	65,108
0034 <i>Student Transportation</i>	272,858	--	272,858
0035 <i>Food Service</i>	15,690	306,577	322,267
0036 <i>Cocurricular/Extracurricular Activities</i>	335,750	6,083	341,833
0041 <i>General Administration</i>	509,640	--	509,640
0051 <i>Facilities Maintenance and Operations</i>	833,315	--	833,315
0052 <i>Security and Monitoring Services</i>	6,329	--	6,329
0053 <i>Data Processing Services</i>	114,785	--	114,785
0061 <i>Community Services</i>	70,198	--	70,198
0081 <i>Capital Outlay</i>	105,216	--	105,216
0093 <i>Payments to Shared Service Arrangements</i>	71,935	--	71,935
0099 <i>Other Intergovernmental Charges</i>	7,950	--	7,950
6030 <b>Total Expenditures</b>	<u>5,639,602</u>	<u>628,726</u>	<u>6,268,328</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under)</b>			
1100 <b>Expenditures</b>	<u>412,405</u>	<u>(43,901)</u>	<u>368,504</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	--	37,450	37,450
8911 <i>Transfers Out</i>	(37,450)	--	(37,450)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>(37,450)</u>	<u>37,450</u>	<u>--</u>
1200 <b>Net Change in Fund Balances</b>	<u>374,955</u>	<u>(6,451)</u>	<u>368,504</u>
0100 <b>Fund Balances - Beginning</b>	2,021,314	21,042	2,042,356
1300 <b>Prior Period Adjustment</b>	--	14,851	14,851
<b>Fund Balances - Beginning, as Restated</b>	<u>2,021,314</u>	<u>35,893</u>	<u>2,057,207</u>
3000 <b>Fund Balances - Ending</b>	<u>\$ 2,396,269</u>	<u>\$ 29,442</u>	<u>\$ 2,425,711</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, 2021

Net change in fund balances - total governmental funds	\$	368,504
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(17,831)
Capital outlays are not reported as expenses in the SOA.		201,222
The depreciation of capital assets used in governmental activities is not reported in the funds.		(423,934)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.		
These pension contributions made after the measurement date of the plan increased ending net position.		107,651
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.		(92,439)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financials statements. The effect of the change is a decrease in net position.		(110,334)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows.		
These OPEB contributions made after the measurement date of the plan increased net position.		35,202
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.		(32,968)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financials statements. The effect of the change is an increase in net position.		59,319
		<u>59,319</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>94,392</u>

The accompanying notes are an integral part of this statement.

**SANTO INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2021

Data Control Codes		Custodial Funds
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 106,248
1000	Total Assets	<u>106,248</u>
	<b>LIABILITIES:</b>	
2000	Total Liabilities	<u>--</u>
	<b>NET POSITION:</b>	
3800	<i>Restricted for Student Scholarships and Other Activities</i>	106,248
3000	Total Net Position	<u>\$ 106,248</u>

The accompanying notes are an integral part of this statement.



**SANTO INDEPENDENT SCHOOL DISTRICT**  
*STATEMENT OF CHANGES IN FIDUCIARY NET POSITION*  
*FIDUCIARY FUNDS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

	Custodial Funds
<b>ADDITIONS:</b>	
Revenue from Student Activities	\$ 115,636
Investment Earnings	1
Total Additions	<u>115,637</u>
<b>DEDUCTIONS:</b>	
Payments for Student Activities	<u>116,213</u>
Total Deductions	<u>116,213</u>
<b>Change in Fiduciary Net Position</b>	(576)
Net Position-Beginning of the Year	--
Prior Period Adjustment	106,824
Net Position-Beginning, As Restated	<u>106,824</u>
Net Position-End of the Year	<u>\$ 106,248</u>

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, 2021*

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 fund:

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.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

In addition, the District reports the following fund types:

**Custodial Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity. Custodial 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 when they become due or past due and receivable within the current period.

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, 2021*

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, 2021*

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 designate 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, 2021*

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's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

*GASB Statement No. 84, Fiduciary Activities*

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

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.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

1. Cash Deposits:

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,825,770 and the bank balance was \$2,895,761. The District's cash deposits at August 31, 2021 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 in 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, 2021 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 Savings Account	N/A	\$ 1,656,068
Certificate of Deposit	>6 months	513,815
Total Investments		<u>\$ 2,169,883</u>

3. 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.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

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, 2021**

C. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 144,286	\$ --	\$ --	\$ 144,286
Total capital assets not being depreciated	144,286	--	--	144,286
<i>Capital assets being depreciated:</i>				
Buildings and improvements	10,469,952	105,217	--	10,575,169
Equipment	1,861,805	96,005	--	1,957,810
Total capital assets being depreciated	12,331,757	201,222	--	12,532,979
Less accumulated depreciation for:				
Buildings and improvements	(6,948,404)	(296,727)	--	(7,245,131)
Equipment	(1,195,414)	(127,207)	--	(1,322,621)
Total accumulated depreciation	(8,143,818)	(423,934)	--	(8,567,752)
Total capital assets being depreciated, net	4,187,939	(222,712)	--	3,965,227
Governmental activities capital assets, net	\$ 4,332,225	\$ (222,712)	\$ --	\$ 4,109,513

Depreciation was charged to functions as follows:

Instruction	\$ 206,429
Instructional Resources and Media Services	2,811
Curriculum and Staff Development	41
School Leadership	29,122
Guidance, Counseling, & Evaluation Services	7,952
Health Services	4,560
Student Transportation	19,112
Food Services	22,747
Extracurricular Activities	23,537
General Administration	35,696
Plant Maintenance and Operations	58,367
Security and Monitoring Services	443
Data Processing Services	8,200
Community Services	4,917
	\$ 423,934

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**D. Interfund Balances and Activities**

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Nonmajor Governmental Fund	\$ 16,488	Short-term loan until grant revenue is received for reimbursable expenses
Nonmajor Governmental Fund	General Fund	37,508	Employees meals paid by the District
	Total	<u>\$ 53,996</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, 2021, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Nonmajor Governmental Fund	\$ 37,450	Employee meals paid by the District
	Total	<u>\$ 37,450</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, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Net Pension Liability *	\$ 1,356,149	\$ --	\$ 166,056	\$ 1,190,093	\$ --
Net OPEB Liability*	2,025,918	--	403,798	1,622,120	--
Total governmental activities	<u>\$ 3,382,067</u>	<u>\$ --</u>	<u>\$ 569,854</u>	<u>\$ 2,812,213</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, 2021, as follows:

<u>Year Ending August 31</u>		
2022	\$	8,436
2023		8,436
2024		7,592
2025		2,812
Total Minimum Rentals	\$	<u>27,276</u>
Rental Expenditures in 2021	\$	<u>8,436</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 fiscal year 2021, the District purchased commercial insurance from Hibbs Hallmark to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**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 worker's 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 \$7,381 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, 2021, are reflected as accounts and claims payable, if material. The plan is funded to discharge liabilities as they become due.

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

	<u>Year Ended</u> <u>08/31/2021</u>	<u>Year Ended</u> <u>8/31/2020</u>
Unpaid claims, beginning of year	\$ 20,377	\$ 23,155
Incurred claims	3,074	1,232
Claim payments	(2,880)	(4,010)
Unpaid claims, end of fiscal year	<u>\$ 20,571</u>	<u>\$ 20,377</u>

**Unemployment Compensation**

During the year ended August 31, 2021, Santo ISD 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.

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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, 2021, 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, 2020, 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 that has a special funding situation. The plan is administered by the Teacher Retirement System of Texas (TRS). It is a defined benefit pension plan established and administered in accordance with the Texas Constitution, Article XVI, Section 67, and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified pension trust under section 401(a) of the Internal Revenue Code. The Texas Legislature establishes benefits and contribution rates within the guidelines of the Texas Constitution. The pension's Board of Trustees does not have the authority to establish or amend benefit terms.

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/pages/aboutpublications.aspx>, 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% (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.

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided are determined by the System's actuary.

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In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for the gradual contribution increases from the State, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

4. Contributions

Contribution requirements are established or amended pursuant to the following state laws:

- Article 16, Section 67 of the Texas Constitution requires the legislature to establish a member contribution rate of not less than 6 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10% of the aggregate annual compensation paid to members of the System during the fiscal year.
- Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 through 2025.

	<b>Contribution Rates</b>	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	7.5%	7.5%
Employers	7.5%	7.5%
District's 2021 Employer Contributions	\$ 107,651	
District's 2021 Member Contributions	\$ 270,184	
2020 NECE On-Behalf Contributions (State)	\$ 213,301	

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 the current employer contribution rate times the aggregate annual compensation of all members of the Plan during the fiscal year, reduced by the amounts described below which are paid by the employers.

All participating employers and the State of Texas, as the employer for senior universities and medical schools, are required to pay the employer contribution rate in the following situations:

- 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.

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

- All public schools, charter schools, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.
- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	2.33%
Last year ending August 31 in Projection Period	2119
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

6. Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50% of payroll in fiscal year 2020 gradually increasing to 9.55% of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2020 are summarized below:

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Asset Class	Target Allocation *	Long-Term Expected Arithmetic Real Rate of Return **	Expected Contribution to Long-Term Portfolio Returns
<b>Global Equity</b>			
USA	18.00%	3.90%	0.99%
Non-U.S. Developed	13.00%	5.10%	0.92%
Emerging Markets	9.00%	5.60%	0.83%
Private Equity	14.00%	6.70%	1.41%
<b>Stable Value</b>			
Government Bonds	16.00%	(0.70)%	(0.05)%
Stable Value Hedge Funds	5.00%	1.90%	0.11%
<b>Real Return</b>			
Real Estate	15.00%	4.60%	1.01%
Energy, Natural Resources & Infrastructure	6.00%	6.00%	0.42%
<b>Risk Parity</b>			
Risk Parity	8.00%	3.00%	0.30%
<b>Leverage</b>			
Cash	2.00%	1.50%	(0.03)%
Asset Allocation Leverage	(6.00%)	1.30%	0.08%
<b>Inflation Expectation</b>			2.00%
<b>Volatility Drag ***</b>	-		(0.67)%
<b>Total</b>	<u>100.0%</u>		<u>7.33%</u>
* Target allocations are based on the FY2020 policy model.			
** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)			
*** The volatility drag results from the conversion between arithmetic and geometric mean returns.			

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25%, and what the net position liability would be if it were calculated using a discount rate that is 1% point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease in Discount Rate 6.25%	Discount Rate 7.25%	1% Increase in Discount Rate 8.25%
District's proportionate share of the net pension liability:	\$ 1,835,101	\$ 1,190,093	\$ 666,037

8. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At August 31, 2021, the District reported a liability of \$1,190,093 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	\$ 1,190,093
State's proportionate share that is associated with District	<u>2,768,766</u>
Total	<u>\$ 3,958,859</u>

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The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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, 2019 through August 31, 2020.

At August 31, 2021 the District's proportion of the collective net pension liability was .002222%, which was a decrease of .000386% from its proportion measured as of August 31, 2019.

9. Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2020, the District recognized pension expense of \$535,794 which includes revenue of \$333,021 representing pension expense incurred by the State on Behalf of the District.

At August 31, 2021, 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 2,173	\$ 33,212
Changes in actuarial assumptions	276,144	117,414
Difference between projected and actual investment earnings	24,093	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	107,976	141,774
Contributions paid to TRS subsequent to the measurement date	107,651	--
Total	\$ 518,037	\$ 292,400

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
2022	\$ 60,203
2023	\$ 56,598
2024	\$ 47,542
2025	\$ 21
2026	\$ (38,144)
Thereafter	\$ (8,234)

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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.



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The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.texas.gov/pages/aboutpublications.aspx>, by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional service centers, and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs).

The premium rates for retirees are reflected in the following table.

TRS-Care Monthly Premium Rates		
	Medicare	Non-Medicare
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

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 0.65% 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 or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

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Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding *	1.25%	1.25%
Total		
* Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate.		

District's 2021 Employer Contributions	\$	35,202
District's 2021 Member Contributions	\$	22,808
2020 NECE On-Behalf Contributions (State)	\$	43,582

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 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 \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Salary Increases
Rates of Disability	

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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65. *
Ad Hoc Post-Employment Benefit Changes	None

\* 25% of pre-65 retirees are addumed to discontinue coverage at age 65.

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

The initial medical trend rates were 9.0% for Medicare retirees and 7.3% for non-Medicare retirees. There was an initial prescription drug trend rate of 9.0% for all retirees. The intital trend rates decrease to an ultimate trend rate of 4.25% over a period of 13 years.

6. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. This was a decrease of .30% 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of net OPEB liability	\$ 1,946,541	\$ 1,622,120	\$ 1,365,875

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8. OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At August 31, 2021, the District reported a liability of \$1,622,120 for its proportionate share of the TRS's Net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$	1,622,120
State's proportionate share that is associated with the District		<u>2,179,741</u>
Total	\$	<u><u>3,801,861</u></u>

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2021 the District's proportion of the collective net OPEB liability was .004267%, which was a decrease of .000017% from its proportion measured as of August 31, 2019.

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 health trend rates assumed.

	1% Decrease in Healthcare Trend (7.5%) Rate	Current Single Healthcare Trend (8.5%) Rate	1% Increase in Healthcare Trend (9.5%) Rate
District's proportionate share of net OPEB liability	\$ 1,325,064	\$ 1,622,120	\$ 2,017,757

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 (TOL) since the prior measurement period:

- The discount rate was changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability
- The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of (\$41,486) which includes revenue of (\$15,135) representing pension expense incurred by the State on behalf of the District.

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At August 31, 2021, the District reported its proportionate share of the TRS's 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	\$ 84,934	\$ 742,365
Changes in actuarial assumptions	100,051	445,443
Differences between projected and actual investment earnings	527	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	254,975	327,051
Contributions paid to TRS subsequent to the measurement date	35,202	--
<b>Total</b>	<b>\$ 475,689</b>	<b>\$ 1,514,859</b>

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	OPEB Expense Amount
2022	\$ (171,127)
2023	\$ (171,197)
2024	\$ (171,239)
2025	\$ (171,228)
2026	\$ (127,900)
Thereafter	\$ (261,681)

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, 2021, the subsidy payment received by TRS-Care on behalf of the District was \$16,956.

J. Employee Health Care Coverage

During the year ended August 31, 2021, 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.

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.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

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, 2021.

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. Prior Period Adjustments

During the current fiscal year, the District implemented GASB Statement No. 84, *Fiduciary Activities*. As a result, the beginning fund balance / net position of the District's governmental funds / governmental activities and the beginning net position of the District's custodial funds have been restated as follows:

	Nonmajor Governmental Funds	Custodial Fund	Governmental Activities
Beginning fund balance / net position, as originally presented	\$ 21,042	\$ --	\$ 2,922,722
Record scholarship funds identified as fiduciary activities of the District not previously reported	--	2,675	--
Reclassification of Due to Student Groups liability to Fiduciary Net Position	--	119,000	--
Reclassification of groups moved from a custodial fund to a special revenue fund	14,851	(14,851)	14,851
Beginning fund balance / net position, as restated	<u>\$ 35,893</u>	<u>\$ 106,824</u>	<u>\$ 2,937,573</u>

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

N. Subsequent Events

The District evaluated subsequent events through November 8, 2021, 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, 2021

EXHIBIT G-1

Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 3,218,143	\$ 3,218,143	\$ 3,577,154	\$ 359,011		
5800	State Program Revenues	2,565,163	2,565,163	2,458,365	(106,798)		
5900	Federal Program Revenues	229,560	--	16,488	16,488		
5020	Total Revenues	<u>6,012,866</u>	<u>5,783,306</u>	<u>6,052,007</u>	<u>268,701</u>		
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,755,016	2,760,756	2,716,369	44,387		
0012	Instructional Resources and Media Services	44,200	46,700	40,131	6,569		
0013	Curriculum and Staff Development	4,900	3,400	586	2,814		
	Total Instruction & Instr. Related Services	<u>2,804,116</u>	<u>2,810,856</u>	<u>2,757,086</u>	<u>53,770</u>		
Instructional and School Leadership:							
0023	School Leadership	353,500	365,500	360,207	5,293		
	Total Instructional & School Leadership	<u>353,500</u>	<u>365,500</u>	<u>360,207</u>	<u>5,293</u>		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	115,550	116,900	113,535	3,365		
0033	Health Services	66,155	67,055	65,108	1,947		
0034	Student (Pupil) Transportation	321,555	299,580	272,858	26,722		
0035	Food Services	311,844	18,510	15,690	2,820		
0036	Cocurricular/Extracurricular Activities	370,447	359,947	335,750	24,197		
	Total Support Services - Student (Pupil)	<u>1,185,551</u>	<u>861,992</u>	<u>802,941</u>	<u>59,051</u>		
Administrative Support Services:							
0041	General Administration	566,745	533,245	509,640	23,605		
	Total Administrative Support Services	<u>566,745</u>	<u>533,245</u>	<u>509,640</u>	<u>23,605</u>		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	825,350	846,425	833,315	13,110		
0052	Security and Monitoring Services	50,000	16,800	6,329	10,471		
0053	Data Processing Services	126,146	124,646	114,785	9,861		
	Total Support Services - Nonstudent Based	<u>1,001,496</u>	<u>987,871</u>	<u>954,429</u>	<u>33,442</u>		
Ancillary Services:							
0061	Community Services	64,950	71,250	70,198	1,052		
	Total Ancillary Services	<u>64,950</u>	<u>71,250</u>	<u>70,198</u>	<u>1,052</u>		
Capital Outlay:							
0081	Capital Outlay	65,000	106,000	105,216	784		
	Total Capital Outlay	<u>65,000</u>	<u>106,000</u>	<u>105,216</u>	<u>784</u>		
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	86,000	72,000	71,935	65		
0099	Other Intergovernmental Charges	2,500	5,300	7,950	(2,650)		
	Total Intergovernmental Charges	<u>88,500</u>	<u>77,300</u>	<u>79,885</u>	<u>(2,585)</u>		
6030	Total Expenditures	<u>6,129,858</u>	<u>5,814,014</u>	<u>5,639,602</u>	<u>174,412</u>		

**SANTO INDEPENDENT SCHOOL DISTRICT**

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

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>(116,992)</u>	<u>(30,708)</u>	<u>412,405</u>	<u>443,113</u>
	Other Financing Sources (Uses):				
8911	Transfers Out	<u>--</u>	<u>--</u>	<u>(37,450)</u>	<u>(37,450)</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>(37,450)</u>	<u>(37,450)</u>
1200	Net Change in Fund Balance	<u>(116,992)</u>	<u>(30,708)</u>	<u>374,955</u>	<u>405,663</u>
0100	Fund Balance - Beginning	<u>2,021,314</u>	<u>2,021,314</u>	<u>2,021,314</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 1,904,322</u>	<u>\$ 1,990,606</u>	<u>\$ 2,396,269</u>	<u>\$ 405,663</u>

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

	Measurement Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the net pension liability (asset)	0.002222%	0.026088%	0.002601%	0.002393%	0.002290%	0.002300%	0.001166%	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,190,093	\$ 1,356,149	\$ 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	2,768,766	2,401,151	2,592,073	1,600,369	1,986,350	1,952,916	1,682,839	--	--	--
<b>Total</b>	<b>\$ 3,958,859</b>	<b>\$ 3,757,300</b>	<b>\$ 4,023,643</b>	<b>\$ 2,365,662</b>	<b>\$ 2,851,646</b>	<b>\$ 2,765,865</b>	<b>\$ 1,994,373</b>	<b>--</b>	<b>\$ --</b>	<b>\$ --</b>
District's covered payroll	\$ 3,374,741	\$ 3,106,449	\$ 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 payroll	35.26%	43.66%	49.10%	26.27%	30.57%	28.71%	11.31%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	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.

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 107,651	\$ 92,439	\$ 91,184	\$ 87,186	\$ 78,383	\$ 72,754	\$ 68,098	\$ 29,569	\$ --	\$ --
Contributions in relation to the contractually required contribution	(107,651)	(92,439)	(91,184)	(87,186)	(78,383)	(72,754)	(68,098)	(29,569)	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 3,508,884	\$ 3,374,741	\$ 3,106,449	\$ 2,915,537	\$ 2,913,014	\$ 2,830,679	\$ 2,831,310	\$ 2,754,569	\$ --	\$ --
Contributions as a percentage of covered payroll	3.07%	2.74%	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.

**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									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
District's proportion of the collective net OPEB liability	0.004%	0.004%	0.005%	0.004%	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 1,622,120	\$ 2,025,918	\$ 2,466,302	\$ 1,878,796	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	2,179,741	2,691,995	2,514,182	2,321,612	--	--	--	--	--	--
Total	<u>\$ 3,801,861</u>	<u>\$ 4,717,913</u>	<u>\$ 4,980,484</u>	<u>\$ 4,200,408</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 3,374,741	\$ 3,106,449	\$ 2,915,537	\$ 2,913,014	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	48.07%	65.22%	84.59%	64.50%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	4.99%	2.66%	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.

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

	Fiscal Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily or contractually required District contribution	\$ 35,202	\$ 32,968	\$ 30,390	\$ 34,075	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(35,202)	(32,968)	(30,390)	(34,075)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 3,508,884	\$ 3,374,741	\$ 3,106,449	\$ 2,915,537	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	1.00%	0.98%	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.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*FOR THE YEAR ENDED AUGUST 31, 2021*

**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 Plan and Defined Benefit OPEB Plan**

*Changes of benefit terms*

Any changes of benefit terms that affected the measurement of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Any changes of benefit terms that affected the measurement of the 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 of the net pension liability during the measurement period are described in the notes to the financial statements (Note H).

Changes of assumptions that affected the measurement of the 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, 2021*

Year Ended August 31	Tax Rates		3 Assessed/Appraised Value For School Tax Purposes
	1	2	
	Maintenance	Debt Service	
2012 and Prior Years	\$ Various	\$ Various	\$ Various
2013	1.1700	.1306	258,879,201
2014	1.1700	.1306	261,114,417
2015	1.1700	.1166	275,892,868
2016	1.1700	.1241	272,027,844
2017	1.1700	.1380	267,674,824
2018	1.1700	.1310	270,859,905
2019	1.1700	--	282,565,298
2020	1.0683	--	303,734,075
2021 (School Year Under Audit)	1.0077	--	338,033,442

1000 Totals

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

Column 20, Current Year's Total 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.

10 Beginning Balance 9/1/20	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/21
\$ 57,082	\$ --	\$ 989	\$ 107	\$ (945)	\$ 55,041
18,931	--	878	98	(1)	17,954
17,334	--	2,115	236	--	14,983
17,425	--	2,847	284	(655)	13,639
12,733	--	2,448	260	(658)	9,367
14,113	--	2,790	329	225	11,219
13,891	--	5,360	600	784	8,715
17,722	--	8,283	--	(1,086)	8,353
113,941	--	24,897	--	(4,422)	84,622
--	3,406,363	3,360,780	--	(464)	45,119
<u>\$ 283,172</u>	<u>\$ 3,406,363</u>	<u>\$ 3,411,389</u>	<u>\$ 1,914</u>	<u>\$ (7,221)</u>	<u>\$ 269,011</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2021**

**EXHIBIT J-2**

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 112,000	\$ 41,628	\$ (70,372)
5800 <i>State Program Revenues</i>	10,000	1,222	(8,778)
5900 <i>Federal Program Revenues</i>	160,394	216,617	56,223
5020 <b>Total Revenues</b>	<u>282,394</u>	<u>259,467</u>	<u>(22,927)</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	311,844	306,577	5,267
Total Support Services - Student (Pupil)	<u>311,844</u>	<u>306,577</u>	<u>5,267</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	4,000	--	4,000
Total Support Services - Nonstudent Based	<u>4,000</u>	<u>--</u>	<u>4,000</u>
6030 <b>Total Expenditures</b>	<u>315,844</u>	<u>306,577</u>	<u>9,267</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(33,450)</u>	<u>(47,110)</u>	<u>(13,660)</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	--	37,450	37,450
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>37,450</u>	<u>37,450</u>
1200 Net Change in Fund Balance	<u>(33,450)</u>	<u>(9,660)</u>	<u>23,790</u>
0100 Fund Balance - Beginning	9,660	9,660	--
3000 Fund Balance - Ending	<u>\$ (23,790)</u>	<u>\$ --</u>	<u>\$ 23,790</u>

**SANTO INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-3**

DEBT SERVICE FUND  
 BUDGETARY COMPARISON SCHEDULE  
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ 3,508	\$ 3,508
5020 Total Revenues	<u>    --</u>	<u>    3,508</u>	<u>    3,508</u>
<b>EXPENDITURES:</b>			
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>    --</u>	<u>    3,508</u>	<u>    3,508</u>
1200 Net Change in Fund Balance	<u>    --</u>	<u>    3,508</u>	<u>    3,508</u>
0100 Fund Balance - Beginning	11,382	11,382	--
3000 Fund Balance - Ending	<u>\$ 11,382</u>	<u>\$ 14,890</u>	<u>\$ 3,508</u>

**SANTO INDEPENDENT SCHOOL DISTRICT**

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM  
AS OF AUGUST 31, 2021

Data Control Codes		<u>Responses</u>
<b><u>Section A: Compensatory Education Programs</u></b>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 275,891
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 407,047
<b><u>Section B: Bilingual Education Programs</u></b>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 12,545
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 16,142

**SANTO INDEPENDENT SCHOOL DISTRICT**

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2021

EXHIBIT J-5

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2021 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>2,396,269</u>
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>          --</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>          --</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>          --</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>          300,000</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>          469,967</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>          939,934</u>
8	Estimate of delayed payments from state sources (58XX)	<u>          --</u>
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	<u>          --</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>          --</u>
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)	<u>          --</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>          1,709,901</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ <u><u>          686,368</u></u>



**SNOW GARRETT 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 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, 2021, 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 4, 2021.

**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) as a basis for designing 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 Santo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of 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**

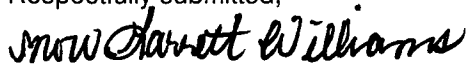
As part of obtaining reasonable assurance about whether Santo Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have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

We noted certain matters that we reported to management of Santo Independent School District in a separate letter dated November 8, 2021.

## **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,



Snow Garrett Williams  
November 8, 2021



**SANTO INDEPENDENT SCHOOL DISTRICT***SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2021*

Data Control Codes		Responses
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF3	Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warranty hold was issued, the school district is considered <b>to not have made</b> timely payments.)	Yes
	Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued.	
	Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued.	
SF4	Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold.	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end	\$ --

