

**SANTO
INDEPENDENT SCHOOL DISTRICT**

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

Santo Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

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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, 2022, at a meeting of the board of trustees of such school district on the 16th day of November, 2022.


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

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District ("the District"), as of and for the year ended August 31, 2022, and the related notes to the financial statements, which collectively comprise the Santo Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

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

Emphasis of Matter

As described in Note A to the financial statements, in Fiscal Year 2022 Santo Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents, except for Exhibit J-5, are presented for purposes of additional analysis and are not required parts of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applies 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 and the schedule of expenditures of federal awards are fairly stated in, all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and Exhibit J-5 but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 14, 2022 on our consideration of Santo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting and 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.



Snow Garrett Williams
November 14, 2022

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, 2022. 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 and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent period by \$3,583,616 (*net position*). Of this amount, (\$540,629) (*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 \$2,916,287. Approximately 87% of this total amount, \$2,543,165, 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 \$2,543,165, or 41% 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. All of the District's fiduciary activities are reported in a separate statement of 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.



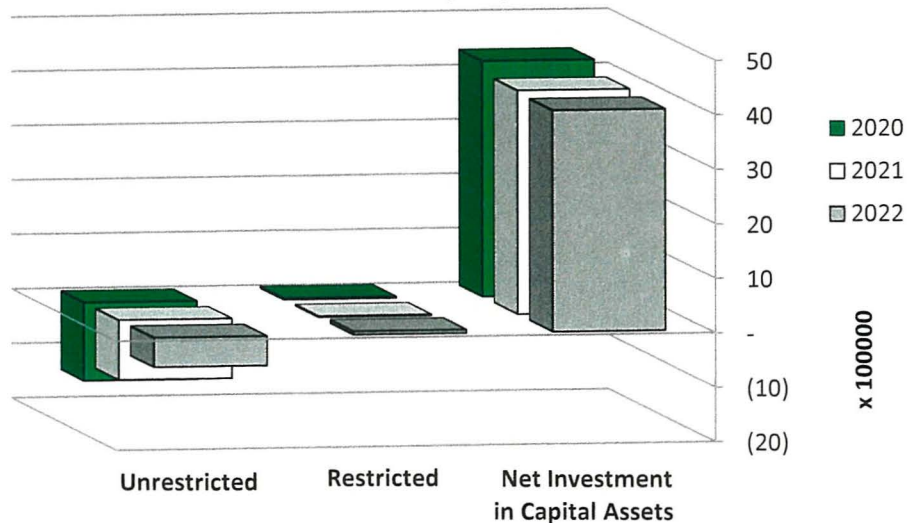
Government-wide Financial Analysis

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 and deferred outflows exceeded liabilities and deferred inflows by \$3,583,616 as of August 31, 2022.

The District's Net Position

	August 31, 2022	August 31, 2021
Current assets	\$ 3,274,267	\$ 2,886,384
Capital assets	4,088,914	4,109,513
Total assets	<u>7,363,181</u>	<u>6,995,897</u>
Deferred outflows of resources:		
Deferred outflow related to pensions	539,374	518,037
Deferred outflow related to OPEB	656,313	475,689
Total deferred outflows of resources	<u>1,195,687</u>	<u>993,726</u>
Current liabilities	278,726	338,186
Long-term liabilities outstanding	2,407,615	2,812,213
Total liabilities	<u>2,686,341</u>	<u>3,150,399</u>
Deferred inflows of resources:		
Deferred inflow related to pensions	798,544	292,400
Deferred inflow related to OPEB	1,490,367	1,514,859
Total deferred inflows of resources	<u>2,288,911</u>	<u>1,807,259</u>
Net position:		
Net investment in capital assets	4,063,435	4,109,513
Restricted	60,810	18,113
Unrestricted	(540,629)	(1,095,661)
Total net position	<u>\$ 3,583,616</u>	<u>\$ 3,031,965</u>

Net Position as of 8/31/2022

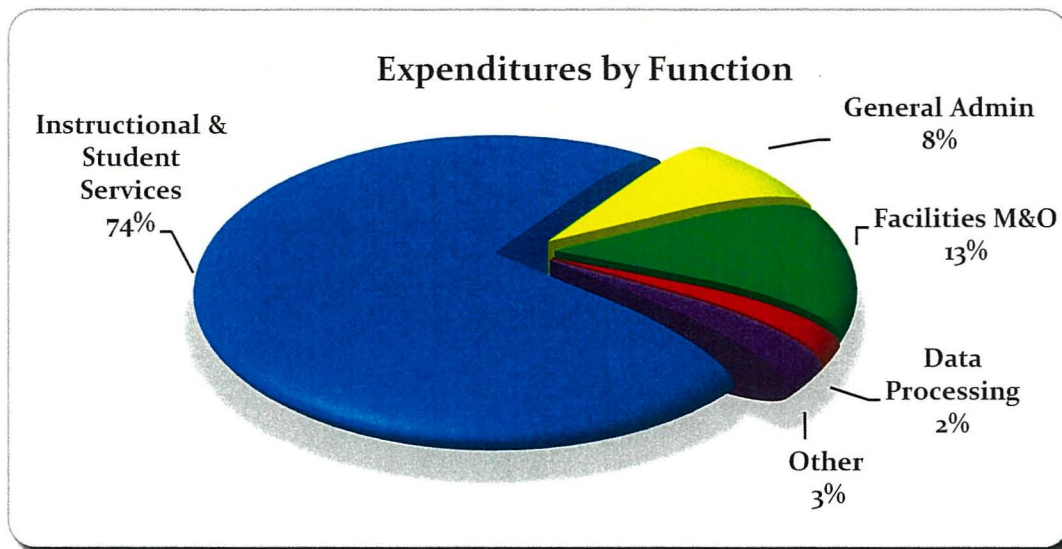


The net investment in capital assets and right to use assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$4,063,435. The District uses these capital assets and right to use assets to provide services to students; consequently, these assets are *not* available for 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 and right to use assets themselves cannot be used to liquidate these liabilities. An additional \$60,810 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* is a negative \$540,629. 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 \$551,651. The total cost of all *governmental activities* this year was \$6,762,827. The amount that our taxpayers paid for these activities through property taxes was \$3,775,554 or 56%.

Changes in the District's Net Position

	Fiscal Year August 31, 2022	Fiscal Year August 31, 2021
Revenues:		
Program revenues		
Charges for services	\$ 103,947	\$ 62,230
Operating grants and contributions	975,916	896,408
General revenues		
Property taxes	3,775,554	3,446,819
Grants and Contributions	2,350,773	2,181,843
Other	108,288	94,410
Total revenues	7,314,478	6,681,710
Expenses:		
Instruction	3,112,540	3,242,089
Instructional resources and media services	108,868	43,411
Curriculum and staff development	3,142	627
Instructional leadership	11,863	-
School leadership	430,161	453,752
Guidance, counseling & evaluation services	121,231	123,895
Health services	64,320	70,922
Student transportation	327,043	294,864
Food service	365,633	342,239
Cocurricular/extracurricular activities	429,768	369,126
General administration	553,702	552,069
Facilities maintenance and operations	887,869	807,959
Security and monitoring services	26,807	6,772
Data processing services	146,135	124,372
Community services	91,359	76,336
Interest on long-term debt	1,310	-
Payments related to shared service arrangements	81,076	71,935
Other intergovernmental charges	-	7,950
Total expenses	6,762,827	6,588,318
Increase (decrease) in net position	551,651	94,392
Beginning net position	3,031,965	2,922,722
Prior period adjustment	-	14,851
Beginning net position - as restated	3,031,965	2,937,573
Ending net position	\$ 3,583,616	\$ 3,031,965



Financial Analysis of the District's Funds

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$2,916,287, an increase of \$490,576. Approximately 87% of this total amount (\$2,543,165) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted and assigned* to indicate that it is not available for new spending because it is *restricted* for the for federal/state grant restrictions (\$42,319), for retirements of long-term debt (\$16,415) for *other committed fund balance-campus activity* (\$14,388), and *assigned* to pay for other expenditures as needed (\$300,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,543,165, out of a total fund balance of \$2,843,165. 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 41% of the total general fund expenditures.

The fund balance of the District's general fund increased \$446,896 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:

- Significant increase in student enrollment
- Purchase of two school buses
- Addition of baseball and softball field dressing facility
- Resurfacing of parking lot
- Purchased transportation vehicle

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 \$166,093, primary related to increases in state program revenues; and
- Actual expenditures were lower than budgeted by \$272,931, primarily due to decreases within instruction, general administration, and student transportation.

Capital Asset and Debt Administration

Capital assets. The District’s investment in capital assets and right to use assets for its governmental activities as of August 31, 2022, amounts to \$4,064,379 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and improvements, and furniture and equipment and right to use assets.

Major capital asset acquisitions during the year consisted of the purchase of two Blue Bird buses.

Districts Capital Assets (net of depreciation/amortization)

	<u>August 31, 2022</u>	<u>August 31, 2021</u>
Land	\$ 144,286	\$ 144,286
Buildings and improvements	3,079,409	3,330,038
Furniture and equipment	840,684	635,189
Right to Use Assets	24,535	
Total at historical cost	<u>\$ 4,088,914</u>	<u>\$ 4,109,513</u>

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

Long-term debt. As of August 31, 2022, the District had paid balances on general outstanding debt. The net pension liability for fiscal year 2022 had an ending balance of \$643,037, a decrease of \$547,056 from the prior year. And finally, the net OPEB liability for fiscal year 2022 had an ending balance of \$1,739,099, an increase of \$116,979 over the prior year. The lease liability for fiscal year 2022 is \$25,479 due to implementation of GASB 87 in the current 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 \$413,616,995.

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

Economic Factors and Next Year’s Budgets and Rates

- District enrollment increased significantly to 505 students which increases state revenue.
- The district’s total tax rate decreased from the preceding year from \$0.96 to \$0.94 per \$100 appraised value. (\$0.94 M&O and \$0.00 I&S).
- The school district has appropriated revenues and expenditures (federal, state, local) in 2022-2023 budget of \$7,014,052 and \$7,974,356 respectively.
- Federal ESSER money continues to be utilized through the 2023 school year.
- Property values in the district continue to increase significantly increasing the local revenue share and decreasing the state revenue share of SISD funding.

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, 2022

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 Cash and Cash Equivalents	\$ 92,787
1120 Current Investments	2,728,811
1225 Property Taxes Receivable (Net)	79,254
1240 Due from Other Governments	373,415
Capital Assets and Right to Use Assets:	
1510 Land	144,286
1520 Buildings and Improvements (Net)	3,079,409
1530 Furniture and Equipment (Net)	840,684
1550 Right to Use Assets (Net)	<u>24,535</u>
1000 Total Assets	<u>7,363,181</u>
DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions 539,374
	Deferred Outflow Related to OPEB <u>656,313</u>
1700 Total Deferred Outflows of Resources	<u>1,195,687</u>
LIABILITIES:	
2165 Accrued Liabilities	278,726
Noncurrent Liabilities:	
2501 Due Within One Year	7,451
2502 Due in More Than One Year	18,028
2540 Net Pension Liability	643,037
2545 Net OPEB Liability	<u>1,739,099</u>
2000 Total Liabilities	<u>2,686,341</u>
DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions 798,544
	Deferred Inflow Related to OPEB <u>1,490,367</u>
2600 Total Deferred Inflows of Resources	<u>2,288,911</u>
NET POSITION:	
3200 Net Investment in Capital Assets and Right to Use Assets	4,063,435
Restricted For:	
3820 Federal and State Programs	42,319
3850 Debt Service	18,491
3900 Unrestricted	<u>(540,629)</u>
3000 Total Net Position	<u>\$ 3,583,616</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
ASSETS:			
1110 Cash and Cash Equivalents	\$ 73,458	\$ 19,329	\$ 92,787
1120 Current Investments	2,728,811	--	2,728,811
1225 Taxes Receivable, Net	199,843	12,866	212,709
1230 Allowance for Uncollectable Taxes (Credit)	(122,665)	(10,790)	(133,455)
1240 Due from Other Governments	305,406	68,009	373,415
1260 Due from Other Funds	16,488	89,209	105,697
1000 Total Assets	<u>\$ 3,201,341</u>	<u>\$ 178,623</u>	<u>\$ 3,379,964</u>
LIABILITIES:			
Current Liabilities:			
2150 Payroll Deductions and Withholdings	\$ 1,501	\$ --	\$ 1,501
2160 Accrued Wages Payable	186,355	80,971	267,326
2170 Due to Other Funds	89,209	16,488	105,697
2200 Accrued Expenditures	3,933	5,965	9,898
2000 Total Liabilities	<u>280,998</u>	<u>103,424</u>	<u>384,422</u>
DEFERRED INFLOWS OF RESOURCES:			
Property Taxes	77,178	2,076	79,254
2600 Total Deferred Inflows of Resources	<u>77,178</u>	<u>2,076</u>	<u>79,254</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450 Federal/State Funds Grant Restrictions	--	42,319	42,319
3480 Retirement of Long-Term Debt	--	16,415	16,415
Committed Fund Balances:			
3545 Other Committed Fund Balance-Campus Activity	--	14,388	14,388
Assigned Fund Balances:			
3590 Other Assigned Fund Balance-Major Projects	300,000	--	300,000
3600 Unassigned	2,543,165	--	2,543,165
3000 Total Fund Balances	<u>2,843,165</u>	<u>73,122</u>	<u>2,916,287</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 3,201,341</u>	<u>\$ 178,623</u>	<u>\$ 3,379,964</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, 2022

Total fund balances - governmental funds balance sheet	\$ 2,916,287
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	79,254
Capital assets and right to use assets used in governmental activities are not reported in the funds.	4,088,914
Deferred Resource Outflows related to the pension plan are not reported in the funds.	539,374
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	656,313
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(643,037)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,739,099)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(798,544)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,490,367)
Payables for right to use leases which are not due in the current period are not reported in the funds.	<u>(25,479)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,583,616</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICTSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 Local and Intermediate Sources	\$ 3,965,095	\$ 65,927	\$ 4,031,022
5800 State Program Revenues	2,621,947	51,279	2,673,226
5900 Federal Program Revenues	--	995,746	995,746
5020 Total Revenues	<u>6,587,042</u>	<u>1,112,952</u>	<u>7,699,994</u>
EXPENDITURES:			
Current:			
0011 Instruction	2,648,110	621,433	3,269,543
0012 Instructional Resources and Media Services	105,381	--	105,381
0013 Curriculum and Staff Development	2,960	--	2,960
0021 Instructional Leadership	11,175	--	11,175
0023 School Leadership	386,986	58,438	445,424
0031 Guidance, Counseling, and Evaluation Services	125,700	--	125,700
0033 Health Services	66,619	--	66,619
0034 Student Transportation	513,008	--	513,008
0035 Food Service	--	370,904	370,904
0036 Cocurricular/Extracurricular Activities	404,765	18,629	423,394
0041 General Administration	551,663	--	551,663
0051 Facilities Maintenance and Operations	948,687	--	948,687
0052 Security and Monitoring Services	10,072	24,601	34,673
0053 Data Processing Services	144,135	--	144,135
0061 Community Services	92,538	--	92,538
0071 Principal on Long-term Debt	7,126	--	7,126
0072 Interest on Long-term Debt	1,310	--	1,310
0081 Capital Outlay	46,707	--	46,707
0093 Payments Related to Shared Service Arrangements	81,076	--	81,076
6030 Total Expenditures	<u>6,148,018</u>	<u>1,094,005</u>	<u>7,242,023</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>439,024</u>	<u>18,947</u>	<u>457,971</u>
Other Financing Sources and (Uses):			
7913 Issuance of Right to Use Leased Assets	32,605	--	32,605
7915 Transfers In	--	24,733	24,733
8911 Transfers Out	(24,733)	--	(24,733)
7080 Total Other Financing Sources and (Uses)	<u>7,872</u>	<u>24,733</u>	<u>32,605</u>
1200 Net Change in Fund Balances	446,896	43,680	490,576
0100 Fund Balances - Beginning	<u>2,396,269</u>	<u>29,442</u>	<u>2,425,711</u>
3000 Fund Balances - Ending	<u>\$ 2,843,165</u>	<u>\$ 73,122</u>	<u>\$ 2,916,287</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, 2022

Net change in fund balances - total governmental funds	\$ 490,576
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.	(43,233)
Capital outlays are not reported as expenses in the SOA.	421,486
The depreciation of capital assets used in governmental activities is not reported in the funds.	(442,085)
GASB 68 requires 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.	146,887
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to the net pension liability.	(107,651)
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 financial statements. The effect of the change is a increase in net position.	23,013
GASB 75 requires 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.	41,954
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.	(35,202)
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 financial statements. The effect of the change is an increase in net position.	81,385
Proceeds from right to use asset leases do not provide revenue in the SOA, but are reported as other financing sources in the funds.	(32,605)
Repayment of right to use lease liability principal is an expenditure in the funds but is not an expense in the SOA.	7,126
Change in net position of governmental activities - Statement of Activities	<u>\$ 551,651</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2022

<u>Data Control Codes</u>	<u>Custodial Funds</u>
ASSETS:	
1110 Cash and Cash Equivalents	\$ 114,997
1000 Total Assets	<u>114,997</u>
LIABILITIES:	
2000 Total Liabilities	<u>--</u>
NET POSITION:	
3800 Restricted for Scholarships and Other Activities	<u>114,997</u>
3000 Total Net Position	<u>\$ 114,997</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, 2022

	<u>Custodial Funds</u>
ADDITIONS:	
Revenue from Student Activities	\$ 134,270
Investment Earnings	<u>13</u>
Total Additions	<u>134,283</u>
DEDUCTIONS:	
Scholarships Awarded	2,689
Payments for Student Activities	<u>122,845</u>
Total Deductions	<u>125,534</u>
Change in Fiduciary Net Position	8,749
Net Position-Beginning of the Year	<u>106,248</u>
Net Position-End of the Year	<u><u>\$ 114,997</u></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, 2022

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

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 the fiduciary resources to individuals, private organizations, or other governments.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or custodian 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.

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.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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. Right to use lease assets are reported at present value of the future lease payments (lease liability), plus any ancillary cost to place the asset in service, plus any additional payments made at or beginning of the lease term, less any lease incentives received from the lessor prior to the commencement of the lease term. The cost of 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 / amortized using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings & Improvements	10-30 years
Equipment	5-15 years
Right to Use Lease Equipment	51 months

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.

g. Use of Estimates

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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 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, 2022

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

In the current fiscal year, the District implemented the following new standard. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements. There was no effect on beginning net position or fund balances due to the implementation of this standard.

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation

Food Service Fund total actual expenditures exceeded final budgeted amounts.

Action Taken

The district will closely review the approved budgeted amounts adopted by the School Board and propose amendments for unexpected resources needed during the year to prevent future overspending.

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,936,595 and the bank balance was \$3,035,140. The District's cash deposits at August 31, 2022 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, 2022 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 C-1.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Value</u>
Comanche National Bank		
Money Market Savings Account	N/A	\$ 2,209,834
Certificate of Deposit	>6 months	518,977
Total Investments		<u>\$ 2,728,811</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.

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, 2022

D. Capital Assets

Capital asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated / amortized:				
Land	\$ 144,286	\$ --	\$ --	\$ 144,286
Total capital assets not being depreciated / amortized	<u>144,286</u>	<u>--</u>	<u>--</u>	<u>144,286</u>
Capital assets being depreciated / amortized:				
Buildings and improvements	10,575,169	52,059	--	10,627,228
Equipment	1,957,810	336,822	--	2,294,632
Leased Equipment (intangible asset)	--	32,605	--	32,605
Total capital assets being depreciated / amortized	<u>12,532,979</u>	<u>421,486</u>	<u>--</u>	<u>12,954,465</u>
Less accumulated depreciation / amortization for:				
Buildings and improvements	(7,245,131)	(302,688)	--	(7,547,819)
Equipment	(1,322,621)	(131,327)	--	(1,453,948)
Leased equipment (intangible asset)	--	(8,070)	--	(8,070)
Total accumulated depreciation / amortization	<u>(8,567,752)</u>	<u>(442,085)</u>	<u>--</u>	<u>(9,009,837)</u>
Total capital assets being depreciated / amortized, net	<u>3,965,227</u>	<u>(20,599)</u>	<u>--</u>	<u>3,944,628</u>
Governmental activities capital assets, net	<u>\$ 4,109,513</u>	<u>\$ (20,599)</u>	<u>\$ --</u>	<u>\$ 4,088,914</u>

Depreciation / amortization was charged to functions as follows:

Instruction	\$ 204,818
Instructional Resources and Media Services	6,487
Curriculum and Staff Development	182
Instructional Leadership	688
School Leadership	27,420
Guidance, Counseling, & Evaluation Services	7,738
Health Services	4,101
Student Transportation	31,580
Food Services	22,833
Extracurricular Activities	26,064
General Administration	35,589
Plant Maintenance and Operations	57,881
Security and Monitoring Services	2,134
Data Processing Services	8,873
Community Services	5,697
	<u>\$ 442,085</u>

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 16,488
Nonmajor Governmental Funds	General Fund	89,209
Total		<u>\$ 105,697</u>

The outstanding balances between funds result mainly from the time lag between the dates that reimbursable expenditures occur or deposits of revenue are received, the dates the transactions are recorded in the accounting system, and the date the interfund payments are actually settled. All interfund receivables and payables will be liquidated within the next fiscal year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2022, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
General Fund	Nonmajor Governmental Funds	\$ 24,733	Supplement other fund sources
Total		<u>\$ 24,733</u>	

F. Long-Term Obligations

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, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Net Pension Liability *	1,190,093	--	547,056	643,037	--
Net OPEB Liability*	1,622,120	152,200	35,221	1,739,099	
Lease Liability*	--	32,605	7,126	25,479	7,451
Total Governmental Activities	<u>\$ 2,812,213</u>	<u>\$ 184,805</u>	<u>\$ 589,403</u>	<u>\$ 2,407,615</u>	<u>\$ 7,451</u>

* Other long-term liabilities

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability*	Governmental	General Fund
Lease Liability*	Governmental	General Fund

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G. Leases

1. The District recognized leases in the current year due to the implementation of GASB Statement No. 87, *Leases*.

The lease with Canon matures on December 10, 2025 and is for copier equipment totaling \$32,605 payable in monthly installments of \$703 at an interest rate of 4.46%.

Future lease payment maturity schedule is as follows:

Year ended August 31	Principal	Interest	Total
2023	\$ 7,451	\$ 985	\$ 8,436
2024	7,790	646	8,436
2025	8,145	291	8,436
2026	2,093	16	2,109
	\$ 25,479	\$ 1,938	\$ 27,417

H. 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 2022, 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). 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 \$6,839 incurred but not reported claims. Estimates of claims payable and of claims incurred, but not reported at August 31, 2022, are reflected as accounts and claims payable, if material. The plan is funded to discharge liabilities of the fund as they become due.

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

	Year Ended 08/31/2022	Year Ended 8/31/2021
Unpaid claims, beginning of year	\$ 20,571	\$ 20,377
Incurred claims	3,733	3,074
Claim payments	(2,724)	(2,880)
Unpaid claims, end of fiscal year	\$ 21,580	\$ 20,571

Unemployment Compensation

During the year ended August 31, 2022, 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, 2022, 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, 2021, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

I. 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>; 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 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 in the manner 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% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the System during the fiscal year.
- 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.

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.70%	8.00%
Non-Employer Contributing Entity (State)	7.50%	7.75%
Employers	7.50%	7.75%
District's 2022 Employer Contributions	\$ 146,887	
District's 2022 Member Contributions	\$ 310,013	
2021 NECE On-Behalf Contributions (State)	\$ 213,392	

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 1.6% of the member's salary beginning in fiscal year 2021, 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, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

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

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

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 those 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.

SANTO INDEPENDENT SCHOOL DISTRICT
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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, 2021 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0%)	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	<u>100.0%</u>		<u>6.90%</u>

* Absolute Return includes Credit Sensitive Investments.
** Target allocations are based on the FY2021 policy model.
*** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021).
**** The volatility drag results from the conversion between arithmetic and geometric mean returns.

SANTO INDEPENDENT SCHOOL DISTRICT
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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% lower (6.25%) or 1% 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:	\$ 1,405,138	\$ 643,037	\$ 24,742

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

At August 31, 2022, the District reported a liability of \$643,037 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	\$ 643,037
State's proportionate share that is associated with District	<u>1,273,430</u>
Total	<u>\$ 1,916,467</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.002525% which was an increase of 0.000303% from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, the District recognized pension expense of \$89,729 which includes revenue of \$5,019 representing pension expense incurred by the State on Behalf of the District.

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At August 31, 2022, 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 Actuarial Experience	\$ 1,076	\$ 45,270
Changes in Actuarial Assumptions	227,301	99,084
Difference Between Projected and Actual Investment Earnings	--	539,178
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	164,110	115,012
Contributions paid to TRS subsequent to the measurement date	146,887	--
Total	\$ 539,374	\$ 798,544

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
2023	\$ (61,369)
2024	\$ (70,757)
2025	\$ (123,705)
2026	\$ (166,066)
2027	\$ 10,160
Thereafter	\$ 5,680

J. 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.

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

Detail 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>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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3. Benefits Provided

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

Eligible 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.

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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.

Contribution Rates		
	<u>2022</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers*	1.25%	1.25%

District's 2022 Employer Contributions	\$	41,954
District's 2022 Member Contributions	\$	25,513
2021 NECE On-Behalf Contributions (state)	\$	47,188

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. 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. 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

- | | |
|----------------------|---------------------|
| Rates of Mortality | Rates of Disability |
| Rates of Retirement | General Inflation |
| Rates of Termination | Wage Inflation |

SANTO INDEPENDENT SCHOOL DISTRICT
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Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65. *
Ad hoc post-employment benefit changes	None

The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females. 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 mortality projection scale MP-2018.

The initial medical trend rates were 8.50% for Medicare retirees and 7.10% for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50% for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25% over a period of 12 years.

6. Discount Rate

A single discount rate of 1.95% was used to measure the Total OPEB Liability. This was a decrease of 0.38% 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, 2021 using the Fixed Income Market Data/Yield Curve/ Data 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% lower than and 1% higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 2,097,754	\$ 1,739,099	\$ 1,456,826

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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, 2022, the District reported a liability of \$1,739,099 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	\$ 1,739,099
State's proportionate share that is associated with the District	<u>2,330,005</u>
Total	<u>\$ 4,069,104</u>

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 through August 31, 2021.

At August 31, 2021 the District's proportion of the collective net OPEB liability was .004508%, which was a increase of .000241% from its proportion measured as of August 31, 2020.

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 Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 1,408,613	\$ 1,739,099	\$ 2,182,530

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 2.33% as of August 31, 2020 to 1.95% as of August 31, 2021. This change increased 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, 2022, the District recognized pension expense of (\$132,178), which includes revenue of (\$85,995) representing pension expense incurred by the State on behalf of the District.

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At August 31, 2022, 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 74,876	\$ 841,846
Changes in actuarial assumptions	192,626	367,787
Difference between projected and actual investment earnings	1,888	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	344,969	280,734
Contributions paid to TRS subsequent to the measurement date	41,954	--
Total	\$ <u>656,313</u>	\$ <u>1,490,367</u>

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
2023	\$ (171,331)
2024	\$ (171,375)
2025	\$ (171,364)
2026	\$ (125,585)
2027	\$ (63,610)
Thereafter	\$ (172,743)

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, 2022, the subsidy payment received by TRS-Care on behalf of the District was \$16,183.

K. Employee Health Care Coverage

During the year ended August 31, 2022, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$325 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, 2022

L. 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, 2022.

M. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for 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.

The District became the fiscal agent of the aforementioned special education shared services arrangement at the end of fiscal year 2022. The member districts are the same as listed above, with the exception of Mineral Wells ISD. Start-up costs were incurred at the end of fiscal 2022 and covered by the District. The allocation of these costs to the member districts will be determined in fical year 2023 and charged to the member districts at that time.

N. Subsequent Events

The District evaluated subsequent events through November 14, 2022, 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, 2022

EXHIBIT G-1
 Page 1 of 2

Data Control Codes		1		2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual		
		Original	Final			
REVENUES:						
5700	Local and Intermediate Sources	\$ 4,023,099	\$ 4,023,099	\$ 3,965,095	\$ (58,004)	
5800	State Program Revenues	2,397,850	2,397,850	2,621,947	224,097	
5020	Total Revenues	<u>6,420,949</u>	<u>6,420,949</u>	<u>6,587,042</u>	<u>166,093</u>	
EXPENDITURES:						
Current:						
Instruction and Instructional Related Services:						
0011	Instruction	2,862,572	2,693,377	2,648,110	45,267	
0012	Instructional Resources and Media Services	104,370	108,450	105,381	3,069	
0013	Curriculum and Staff Development	4,900	4,900	2,960	1,940	
	Total Instruction and Instr. Related Services	<u>2,971,842</u>	<u>2,806,727</u>	<u>2,756,451</u>	<u>50,276</u>	
Instructional and School Leadership:						
0021	Instructional Leadership	--	12,000	11,175	825	
0023	School Leadership	<u>387,926</u>	<u>396,926</u>	<u>386,986</u>	<u>9,940</u>	
	Total Instructional and School Leadership	<u>387,926</u>	<u>408,926</u>	<u>398,161</u>	<u>10,765</u>	
Support Services - Student (Pupil):						
0031	Guidance, Counseling and Evaluation Services	125,490	128,490	125,700	2,790	
0033	Health Services	72,715	72,715	66,619	6,096	
0034	Student (Pupil) Transportation	518,980	554,095	513,008	41,087	
0036	Cocurricular/Extracurricular Activities	411,380	437,380	404,765	32,615	
	Total Support Services - Student (Pupil)	<u>1,128,565</u>	<u>1,192,680</u>	<u>1,110,092</u>	<u>82,588</u>	
Administrative Support Services:						
0041	General Administration	<u>568,665</u>	<u>584,665</u>	<u>551,663</u>	<u>33,002</u>	
	Total Administrative Support Services	<u>568,665</u>	<u>584,665</u>	<u>551,663</u>	<u>33,002</u>	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	831,825	966,320	948,687	17,633	
0052	Security and Monitoring Services	52,200	14,600	10,072	4,528	
0053	Data Processing Services	137,101	147,101	144,135	2,966	
	Total Support Services - Nonstudent Based	<u>1,021,126</u>	<u>1,128,021</u>	<u>1,102,894</u>	<u>25,127</u>	
Ancillary Services:						
0061	Community Services	<u>104,325</u>	<u>104,325</u>	<u>92,538</u>	<u>11,787</u>	
	Total Ancillary Services	<u>104,325</u>	<u>104,325</u>	<u>92,538</u>	<u>11,787</u>	
Debt Service:						
0071	Principal on Long-Term Debt	--	8,500	7,126	1,374	
0072	Interest on Long-Term Debt	<u>--</u>	<u>--</u>	<u>1,310</u>	<u>(1,310)</u>	
	Total Debt Service	<u>--</u>	<u>8,500</u>	<u>8,436</u>	<u>64</u>	
Capital Outlay:						
0081	Capital Outlay	<u>150,000</u>	<u>66,000</u>	<u>46,707</u>	<u>19,293</u>	
	Total Capital Outlay	<u>150,000</u>	<u>98,605</u>	<u>46,707</u>	<u>51,898</u>	

SANTO INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT G-1
Page 2 of 2

Data Control Codes	1	2	3	Variance with Final Budget Positive (Negative)	
	Budgeted Amounts		Actual		
	Original	Final			
	Intergovernmental Charges:				
0093	Payments to Fiscal Agent/Member Dist.-SSA	86,000	86,000	81,076	4,924
0095	Payments to Juvenile Justice Alternative				
0095	Education Programs	2,500	2,500	--	2,500
	Total Intergovernmental Charges	88,500	88,500	81,076	7,424
6030	Total Expenditures	6,420,949	6,420,949	6,148,018	272,931
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	--	--	439,024	439,024
	Other Financing Sources (Uses):				
7913	Issuance of Right to Use Leased Assets	--	--	32,605	32,605
8911	Transfers Out	--	--	(24,733)	(24,733)
7080	Total Other Financing Sources and (Uses)	--	--	7,872	7,872
1200	Net Change in Fund Balance	--	--	446,896	446,896
0100	Fund Balance - Beginning	2,396,269	2,396,269	2,396,269	--
3000	Fund Balance - Ending	\$ 2,396,269	\$ 2,396,269	\$ 2,843,165	\$ 446,896

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

	Measurement Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability	0.002525%	0.002222%	0.002609%	0.002601%	0.002393%	0.002290%	0.002300%	0.001166%	--	--
District's proportionate share of the net pension liability	\$ 643,037	\$ 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 associated with the District	1,273,430	2,768,766	2,401,151	2,592,073	1,600,369	1,986,350	1,952,916	1,682,839	--	--
Total	\$ 1,916,467	\$ 3,958,859	\$ 3,757,300	\$ 4,023,643	\$ 2,365,662	\$ 2,851,646	\$ 2,765,865	\$ 1,994,373	\$ --	\$ --
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	--	\$ --
District's proportionate share of the net pension liability as a percentage of its covered payroll	18.33%	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	88.79%	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 THE DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 146,887	\$ 107,651	\$ 92,439	\$ 91,184	\$ 87,186	\$ 78,383	\$ 72,754	\$ 68,098	\$ 29,569	--
Contributions in relation to the contractually required contribution	(146,887)	(107,651)	(92,439)	(91,184)	(87,186)	(78,383)	(72,754)	(68,098)	(29,569)	--
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 3,875,159	\$ 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	3.79%	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 MEASUREMENT YEARS *

	Measurement Year									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective net OPEB liability	0.004508%	0.004267%	0.004284%	0.004939%	0.004320%	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 1,739,099	\$ 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	2,330,005	2,179,741	2,691,995	2,514,182	2,321,612	--	--	--	--	--
Total	<u>\$ 4,069,104</u>	<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>
District's covered payroll	\$ 3,508,884	\$ 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	49.56%	48.07%	65.22%	84.59%	64.50%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	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
TEXAS RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statorily or contractually required District contribution	\$ 41,954	\$ 35,202	\$ 32,968	\$ 30,390	\$ 34,075	--	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	(41,954)	(35,202)	(32,968)	(30,390)	(34,075)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 3,875,159	\$ 3,508,884	\$ 3,374,741	\$ 3,106,449	\$ 2,915,537	--	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	1.08%	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, 2022

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 I).

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 J).

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 I).

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 J).

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, 2022

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2013 and Prior Years	\$	Various	\$	Various	\$	Various
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		1.0077		--		338,033,442
2022 (School Year Under Audit)		.9603		--		413,616,995

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 9/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/22
\$ 72,994	\$ --	\$ 547	\$ 66	\$ (1,380)	\$ 71,001
14,983	--	77	9	(10)	14,887
13,639	--	77	8	16	13,570
9,367	--	2,265	240	(1,507)	5,355
11,219	--	2,107	249	(1,572)	7,291
8,715	--	2,094	234	(794)	5,593
8,353	--	3,696	--	706	5,363
84,622	--	4,350	--	(52,395)	27,877
45,119	--	20,531	--	(16,959)	7,629
--	3,971,964	3,736,354	--	(181,467)	54,143
<u>\$ 269,011</u>	<u>\$ 3,971,964</u>	<u>\$ 3,772,098</u>	<u>\$ 806</u>	<u>\$ (255,362)</u>	<u>\$ 212,709</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

SANTO INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-2

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
5700 Local and Intermediate Sources	\$ 98,060	\$ 45,937	\$ (52,123)
5800 State Program Revenues	10,000	11,729	1,729
5900 Federal Program Revenues	<u>202,840</u>	<u>355,558</u>	<u>152,718</u>
5020 Total Revenues	<u>310,900</u>	<u>413,224</u>	<u>102,324</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	<u>310,900</u>	<u>370,905</u>	<u>(60,005)</u>
Total Support Services - Student (Pupil)	<u>310,900</u>	<u>370,905</u>	<u>(60,005)</u>
6030 Total Expenditures	<u>310,900</u>	<u>370,905</u>	<u>(60,005)</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>42,319</u>	<u>42,319</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>42,319</u>	<u>42,319</u>
0100 Fund Balance - Beginning	<u>--</u>	<u>--</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ --</u>	<u>\$ 42,319</u>	<u>\$ 42,319</u>

SANTO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-3

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	1	2	3
	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ 1,525	\$ 1,525
5020 Total Revenues	<u>--</u>	<u>1,525</u>	<u>1,525</u>
EXPENDITURES:			
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>--</u>	<u>1,525</u>	<u>1,525</u>
1200 Net Change in Fund Balance	<u>--</u>	<u>1,525</u>	<u>1,525</u>
0100 Fund Balance - Beginning	<u>14,890</u>	<u>14,890</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 14,890</u>	<u>\$ 16,415</u>	<u>\$ 1,525</u>

SANTO INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2022

<u>Data Control Codes</u>		<u>Responses</u>
<u>Section A: Compensatory Education Programs</u>		
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.	\$ 280,511
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)	\$ 469,786
<u>Section B: Bilingual Education Programs</u>		
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.	\$ 11,756
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 17,575

SANTO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2022

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2022 (Exhibit C-1 object 3000 for the General Fund only)	\$ <u>2,843,165</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>512,335</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>1,024,670</u>
8	Estimate of delayed payments from state sources (58XX)	<u>280,309</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>2,117,314</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	<u>\$ 725,851</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, 2022, 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 14, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 or significant deficiencies may exist that have not been identified.

Report on 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 14, 2022.

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.



Snow Garrett Williams
November 14, 2022



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Santo Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Santo Independent School District's major federal programs for the year ended August 31, 2022. Santo Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Santo Independent School District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2022.

Basis for Opinion on Each Major Federal Program

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

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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

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

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

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



Snow Garrett Williams
November 14, 2022

SANTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

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

Version of compliance supplement used in audit: April 2022

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes No

Identification of major programs:

<u>ALNs</u>	<u>Name of Federal Program or Cluster</u>
84.425D,U	Elementary and Secondary School Emergency Relief Fund Relief Fund (ESSER)

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

SANTO INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2022

A corrective action plan is not needed.

SANTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT K-1

(1)	(2)	(2A)	(3)
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	71402201	\$ 83,566
National School Lunch Program	10.555	71302201	<u>231,060</u>
Total Passed Through State Department of Education			<u>314,626</u>
Passed Through Texas Department of Agriculture:			
Commodity Supplemental Food Program (Non-cash)	10.555	NT4XL1YGLGC5	22,894
Supply Chain Assistance	10.555	NT4XL1YGLGC5	<u>17,424</u>
Total ALN 10.555			<u>40,318</u>
Total Passed Through Texas Department of Agriculture			<u>40,318</u>
Total U. S. Department of Agriculture			<u>354,944</u>
Total Child Nutrition Cluster			<u>354,944</u>
OTHER PROGRAMS:			
<u>U. S. Department of Education</u>			
Direct Program:			
ESEA Title V, Part B, Subpart 2 - REAP	84.358A	19055301182904	21,114
Passed Through State Department of Education:			
ESEA Title I, Part A - Improving Basic Programs	84.010A	22610101182904	112,089
ESEA Title II, Part A - Teacher & Principal Training & Recruiting	84.367A	22694501182904	15,748
Title IV, Part A, Subpart 1	84.424A	22680101182904	9,874
Title IV, Part A, Subpart 1	84.424A	23680101182904	<u>677</u>
Total ALN 84.424A			<u>10,551</u>
Elementary and Secondary School Emergency Relief Fund (ESSER II-COVID 19)	84.425D	21521001182904	208,331
Elementary and Secondary School Emergency Relief Fund (ESSER III-COVID 19)	84.425U	21528001182904	272,355
Total ALN 84.425			<u>480,686</u>
Total Passed Through State Department of Education			<u>619,074</u>
Total U.S. Department of Education			<u>640,188</u>
<u>U. S. Department of Agriculture</u>			
Passed Through Texas Department of Agriculture:			
State Pandemic Electronic Benefit Transfer (P-EBT- COVID-19) Administrative Costs Grants	10.649	NT4XL1YGLGC5	614
Total Passed Through Texas Department of Agriculture			<u>614</u>
Total U. S. Department of Agriculture			<u>614</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>995,746</u>

The accompanying notes are an integral part of this schedule.

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

Basis of Presentation

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

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Santo Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

SANTO INDEPENDENT SCHOOL DISTRICTSCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2022

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 warrant hold was issued, the school district is considered to not have made timely payments.) 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.	Yes
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	\$ --

