

SANTO INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2013*

*Introductory Section*

Santo Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2013

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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, 2013, at a meeting of the board of trustees of such school district on the 21<sup>st</sup> day of NOVEMBER, 2013.

Jill Moran  
Signature of Board Secretary

Randy Parker  
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*



**SNOWGARRETT WILLIAMS**  
CERTIFIED PUBLIC ACCOUNTANTS

**Independent Auditor's Report**

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District ("the District") as of and for the year ended August 31, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District as of August 31, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Santo Independent School District's basic financial statements. The introductory section and accompanying other supplementary information are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The accompanying other supplementary information, except for Exhibit J-3, is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Exhibit J-3 of the other supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2013 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santo Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Snow Garrett Williams  
November 19, 2013

## 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, 2013. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

### Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$5,427,488 (*net position*). Of this amount, \$1,580,846 (*unrestricted net position*) may be used to meet the District's ongoing obligations.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,944,118. Approximately 74% of this total amount, \$1,456,648, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,456,648, or 31% of the total general fund expenditures.

### Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 11-12 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 13-16 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 assets that can be found on page 17.
- **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 18-29 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 30-32 of this report.

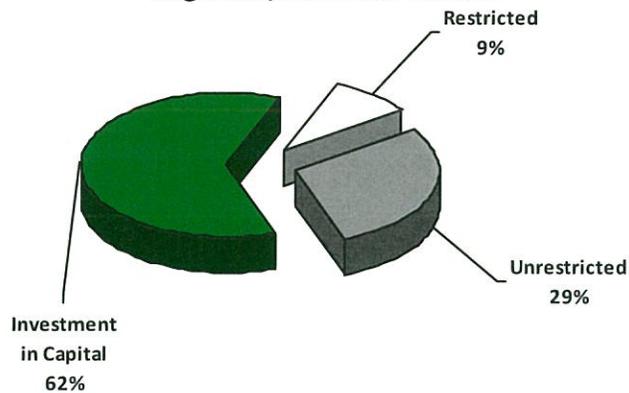
### Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$5,427,488 as of August 31, 2013.

#### The District's Net Position

	August 31, 2013	August 31, 2012
Current assets	\$ 2,429,379	\$ 1,916,949
Capital assets	5,594,397	5,164,863
Total assets	<u>8,023,776</u>	<u>7,081,812</u>
Current liabilities	424,108	149,893
Long-term liabilities outstanding	2,172,180	1,919,153
total liabilities	<u>2,596,288</u>	<u>2,069,046</u>
Net position:		
Net investment in capital assets	3,344,120	3,281,710
Restricted	502,522	266,474
Unrestricted	1,580,846	1,464,582
Total net position	<u>\$ 5,427,488</u>	<u>\$ 5,012,766</u>

#### August 31, 2013 Net Position



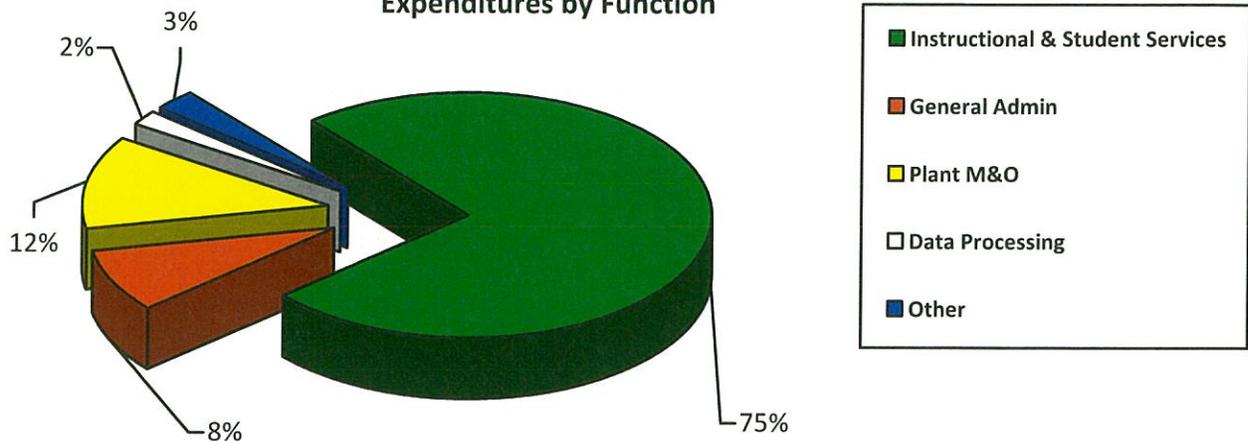
Investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$3,344,120. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional \$502,522 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* \$1,580,846 may be used to meet the District's ongoing obligations. This surplus is not an indication that the District has significant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are less than currently available resources.

**Governmental activities.** The District's total net position increased by \$414,722. The total cost of all *governmental activities* this year was \$5,167,141. The amount that our taxpayers paid for these activities through property taxes was \$3,413,990 or 66%.

**Changes in the District's Net Position**

	Fiscal Year August 31, 2013	Fiscal Year August 31, 2012
Revenues:		
Program revenues		
Charges for services	\$ 186,332	\$ 180,473
Operating grants and contributions	460,260	571,623
General revenues		
Property taxes	3,413,990	3,333,141
Grants and Contributions	1,427,449	1,237,917
Other	93,832	41,545
Total revenues	<u>5,581,863</u>	<u>5,364,699</u>
Expenses:		
Instruction	2,490,648	2,451,059
Instructional resources and media services	42,771	38,127
Curriculum and staff development	726	4,170
Instructional leadership	2,023	1,250
School leadership	290,043	275,069
Guidance, counseling & evaluation services	83,346	83,516
Health services	48,324	28,073
Student transportation	296,519	264,118
Food service	300,584	271,271
Cocurricular/extracurricular activities	309,134	264,737
General administration	430,736	407,314
Plant maintenance and operations	633,388	639,844
Data processing services	94,097	110,960
Community services	108	633
Interest on long-term debt	58,224	65,222
Bond issuance costs	7,395	7,395
Payments related to shared service arrangements	78,475	98,189
Payments to juvenile justice alternative ed program	600	-
Total expenses	<u>5,167,141</u>	<u>5,010,947</u>
Increase (decrease) in net position	414,722	353,752
Beginning net position	5,012,766	4,659,014
Ending net position	<u>\$ 5,427,488</u>	<u>\$ 5,012,766</u>

**August 31, 2013  
Expenditures by Function**



**Financial Analysis of the District’s Funds**

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

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

As of the end of the current fiscal year, the District’s governmental funds reported combined ending fund balances of \$1,944,118, an increase of \$343,560. Approximately 74% of this total amount (\$1,456,648) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it is restricted (1) to pay debt service (\$214,988), (2) for federal/state grant restrictions (\$17,482) and (3) for capital acquisitions and contractual obligations (\$255,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,456,648. 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 31% of the total general fund expenditures.

The fund balance of the District’s general fund increased \$107,731 during the current fiscal year. Key factors in this increase are:

- Continued tax revenue from TRE
- State funding formulas were beneficial to the district in 2012-2013
- Formula funded school district
- Strong tax revenue, decreased state money due to enrollment decrease
- Supplanting of 2 personnel units to federal funds

The capital projects fund has a total fund balance of \$255,000, all of which is restricted for the payment of capital acquisitions and contractual obligations.

**Budgetary Highlights**

Over the course of the year, the District recommended and the Board approved several revisions to budgeted revenue and appropriations. These amendments were due to allow for unexpected occurrences and to better reflect the activities of the District. The revised budgeted revenue was primarily due to:

- Increase in Title money
- AB Gilbert donation - \$45,000

- IMAT revenue
- New construction revenue

The revisions to appropriations budget were primarily due to the following:

- Improvements to facility

Following is a summary of amendments made to appropriations:

- New capital equipment technology
- Increase in legal expenses
- Increase in contract labor
- Increase in CATE supplies

### Capital Asset and Debt Administration

**Capital assets.** The District's investment in capital assets for its governmental activities as of August 31, 2013, amounts to \$5,594,397 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

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

	<u>August 31, 2013</u>	<u>August 31, 2012</u>
Land	\$ 144,286	\$ 144,286
Buildings and improvements	5,065,435	4,720,185
Furniture and equipment	384,676	300,392
Total at historical cost	<u>\$ 5,594,397</u>	<u>\$ 5,164,863</u>

Additional information on the District's capital assets can be found in Note C on page 24 of this report.

**Long-term debt.** As of August 31, 2013, the District had total general obligation bonded debt outstanding of \$1,530,000, a decrease of \$275,000 over the prior year. The District's amortization on bond premiums was \$9,754, resulting in an ending balance of \$43,889. The District's capital leases outstanding decreased \$29,786, resulting in an ending balance of \$30,724. The District received note proceeds of \$675,005 in fiscal year 2013. No principal payments were made during the year. The resulting balances create a combined long-term debt obligation of \$2,279,618 for the District as of August 31, 2013.

The District's bond is rated "AAA" by virtue of the guarantee of the Permanent School Fund of the State of Texas by S&P.

State statutes limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total assessed valuation. The current debt limitation for the District is \$25,887,920.

Additional information on the District's long-term debt can be found in Note D on pages 25-26 of this report.

## **Economic Factors and Next Year's Budgets and Rates**

- District enrollment trended downward as the year progressed reducing overall enrollment.
- District ADA decreased to 502 students which ultimately affects WADA that drives the state funding formulas.
- The district's total tax rate stayed the same from the preceding year at \$1.30059 per \$100 appraised value. (\$1.17 M&O and \$.13059 I&S).
- The I&S (interest in sinking) rate for 2013-2014 is \$.13059 per \$100 of assessed value which is the same as last year.
- The school district has appropriated revenues and expenditures (federal, state, local) in 2013-2014 budget of \$5,415,215 and \$5,521,187 respectively. The board did not commit any dollars to the committed fund balance. A deficit budget of \$105,000 was adopted based on a taxing rate of \$1.17 M&O at the beginning of the 2013-2014 school year and based on a projected increase in student enrollment and efficiencies in the budgetary process.

## **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, 2013**

Data Control Codes		1	Governmental Activities
	<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$	2,223,532
1225	Property Taxes Receivable (Net)		139,250
1240	Due from Other Governments		9,778
1290	Other Receivables (Net)		25,000
1420	Capitalized Bond and Other Debt Issuance Costs		31,819
	Capital Assets:		
1510	Land		144,286
1520	Buildings and Improvements, Net		5,065,435
1530	Furniture and Equipment, Net		384,676
1000	Total Assets		<u>8,023,776</u>
	<b>LIABILITIES:</b>		
2110	Accounts Payable		157,388
2120	Short-Term Debt Payable		107,438
2140	Interest Payable		2,478
2165	Accrued Liabilities		135,057
2300	Unearned Revenue		21,747
	Noncurrent Liabilities:		
2501	Due Within One Year		315,723
2502	Due in More Than One Year		1,856,457
2000	Total Liabilities		<u>2,596,288</u>
	<b>NET POSITION</b>		
3200	Net Investment in Capital Assets		3,344,120
	Restricted For:		
3850	Debt Service		230,040
3860	Capital Projects		255,000
3890	Food Service		17,482
3900	Unrestricted		1,580,846
3000	Total Net Position	\$	<u>5,427,488</u>

The accompanying notes are an integral part of this statement.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	Governmental Activities		
	<b>Governmental Activities:</b>					
11	<i>Instruction</i>	\$ 2,490,648	\$ 2,076	\$ 333,929	\$ (2,154,643)	
12	<i>Instructional Resources and Media Services</i>	42,771	--	--	(42,771)	
13	<i>Curriculum and Staff Development</i>	726	--	--	(726)	
21	<i>Instructional Leadership</i>	2,023	--	1,868	(155)	
23	<i>School Leadership</i>	290,043	--	--	(290,043)	
31	<i>Guidance, Counseling, &amp; Evaluation Services</i>	83,346	--	--	(83,346)	
33	<i>Health Services</i>	48,324	--	--	(48,324)	
34	<i>Student Transportation</i>	296,519	--	816	(295,703)	
35	<i>Food Service</i>	300,584	143,355	123,647	(33,582)	
36	<i>Cocurricular/Extracurricular Activities</i>	309,134	40,901	--	(268,233)	
41	<i>General Administration</i>	430,736	--	--	(430,736)	
51	<i>Plant Maintenance and Operations</i>	633,388	--	--	(633,388)	
53	<i>Data Processing Services</i>	94,097	--	--	(94,097)	
61	<i>Community Services</i>	108	--	--	(108)	
72	<i>Interest on Long-term Debt</i>	58,224	--	--	(58,224)	
73	<i>Bond Issuance Costs and Fees</i>	7,395	--	--	(7,395)	
93	<i>Payments Related to Shared Services Arrangements</i>	78,475	--	--	(78,475)	
95	<i>Payments to Juvenile Justice Alternative Ed. Programs</i>	600	--	--	(600)	
TG	Total Governmental Activities	5,167,141	186,332	460,260	(4,520,549)	
TP	Total Primary Government	\$ 5,167,141	\$ 186,332	\$ 460,260	(4,520,549)	
	<b>General Revenues:</b>					
MT	<i>Property Taxes, Levied for General Purposes</i>				3,070,619	
DT	<i>Property Taxes, Levied for Debt Service</i>				343,371	
IE	<i>Investment Earnings</i>				22,891	
GC	<i>Grants and Contributions Not Restricted to Specific Programs</i>				1,427,449	
MI	<i>Miscellaneous</i>				70,941	
TR	Total General Revenues				4,935,271	
CN	Change in Net Position				414,722	
NB	Net Position - Beginning				5,012,766	
NE	Net Position - Ending				\$ 5,427,488	

The accompanying notes are an integral part of this statement.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**AUGUST 31, 2013**

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ 1,624,819	\$ 370,000	\$ 228,713	\$ 2,223,532
1225 Taxes Receivable	217,713	--	27,189	244,902
1,230 Allowance for uncollectible taxes (credit)	(93,515)	--	(12,137)	(105,652)
1240 Due from Other Governments	6,021	--	3,757	9,778
1290 Other Receivables	--	25,000	--	25,000
1000 Total Assets	<u>1,755,038</u>	<u>395,000</u>	<u>247,522</u>	<u>2,397,560</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 17,388	\$ 140,000	\$ --	\$ 157,388
2160 Accrued Wages Payable	132,608	--	--	132,608
2200 Accrued Expenditures	2,449	--	--	2,449
2300 Unearned Revenue	145,945	--	15,052	160,997
2000 Total Liabilities	<u>298,390</u>	<u>140,000</u>	<u>15,052</u>	<u>453,442</u>
<b>FUND BALANCES:</b>				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	17,482	17,482
3470 Capital Acquisitions & Contractual Obligations	--	255,000	--	255,000
3480 Retirement of Long-Term Debt	--	--	214,988	214,988
3600 Unassigned	1,456,648	--	--	1,456,648
3000 Total Fund Balances	<u>1,456,648</u>	<u>255,000</u>	<u>232,470</u>	<u>1,944,118</u>
4000 Total Liabilities and Fund Balances	<u>\$ 1,755,038</u>	<u>\$ 395,000</u>	<u>\$ 247,522</u>	<u>\$ 2,397,560</u>

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
**AUGUST 31, 2013**

Total fund balances - governmental funds balance sheet	\$ 1,944,118
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not reported in the funds.	5,594,397
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	139,250
Payables for bond principal which are not due in the current period are not reported in the funds.	(1,530,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(30,724)
Payables for bond interest which are not due in the current period are not reported in the funds.	(2,478)
Payables for notes which are not due in the current period are not reported in the funds.	(675,005)
Capitalized bond issuance costs are not reported in the funds.	31,819
Payables for bond premiums amortized over the life of the bonds are not reported in the funds.	<u>(43,889)</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 5,427,488</u>

The accompanying notes are an integral part of this statement.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 Local and Intermediate Sources	\$ 3,195,751	\$ --	\$ 488,353	\$ 3,684,104
5800 State Program Revenues	1,597,517	--	28,952	1,626,469
5900 Federal Program Revenues	--	--	261,240	261,240
5020 Total Revenues	<u>4,793,268</u>	<u>--</u>	<u>778,545</u>	<u>5,571,813</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	2,151,858	--	163,861	2,315,719
0012 Instructional Resources and Media Services	39,500	--	--	39,500
0013 Curriculum and Staff Development	671	--	--	671
0021 Instructional Leadership	--	--	1,868	1,868
0023 School Leadership	271,574	--	--	271,574
0031 Guidance, Counseling, & Evaluation Services	76,972	--	--	76,972
0033 Health Services	44,629	--	--	44,629
0034 Student Transportation	273,027	--	816	273,843
0035 Food Service	--	--	286,640	286,640
0036 Cocurricular/Extracurricular Activities	292,916	--	--	292,916
0041 General Administration	401,508	--	--	401,508
0051 Plant Maintenance and Operations	637,640	--	2,723	640,363
0053 Data Processing Services	95,414	--	--	95,414
0061 Community Services	100	--	--	100
0071 Principal on Long-term Debt	29,786	--	275,000	304,786
0072 Interest on Long-term Debt	1,906	--	66,485	68,391
0073 Bond Issuance Costs and Fees	--	--	323	323
0081 Capital Outlay	290,261	420,005	--	710,266
0093 Payments to Shared Service Arrangements	78,475	--	--	78,475
0095 Payments to Juvenile Justice Alternative Education Programs	600	--	--	600
6030 Total Expenditures	<u>4,686,837</u>	<u>420,005</u>	<u>797,716</u>	<u>5,904,558</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>106,431</u>	<u>(420,005)</u>	<u>(19,171)</u>	<u>(332,745)</u>
Other Financing Sources and (Uses):				
7912 Sale of Real or Personal Property	1,300	--	--	1,300
7914 Issuance of Non-Current Debt	--	675,005	--	675,005
7080 Total Other Financing Sources and (Uses)	<u>1,300</u>	<u>675,005</u>	<u>--</u>	<u>676,305</u>
1200 Net Change in Fund Balances	<u>107,731</u>	<u>255,000</u>	<u>(19,171)</u>	<u>343,560</u>
0100 Fund Balances - Beginning	1,348,917	--	251,641	1,600,558
3000 Fund Balances - Ending	<u>\$ 1,456,648</u>	<u>\$ 255,000</u>	<u>\$ 232,470</u>	<u>\$ 1,944,118</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, 2013*

Net change in fund balances - total governmental funds	\$ 343,560
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	822,176
The depreciation of capital assets used in governmental activities is not reported in the funds.	(392,642)
The gain or loss on the sale of capital assets is not reported in the funds.	1,300
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(1,300)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	8,752
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	275,000
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	29,786
Bond issuance costs and similar items are amortized in the SOA but not in the funds.	(7,072)
(Increase) decrease in accrued interest from beginning of period to end of period.	413
Bond premiums are amortized in the SOA but not in the funds.	9,754
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	<u>(675,005)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 414,722</u>

The accompanying notes are an integral part of this statement.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
 STATEMENT OF FIDUCIARY NET POSITION  
 FIDUCIARY FUNDS  
 AUGUST 31, 2013

Data Control Codes		Agency Fund
		Student Activity
<b>ASSETS:</b>		
1110	Cash and Cash Equivalents	\$ 77,478
1000	Total Assets	<u>77,478</u>
<b>LIABILITIES:</b>		
Current Liabilities:		
2190	Due to Student Groups	\$ 77,478
2000	Total Liabilities	<u>77,478</u>
<b>NET POSITION:</b>		
3000	Total Net Position	<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, 2013*

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.

Capital Projects Fund: This fund is used to account for and report financial resources that are restricted, committed, or assigned for capital outlay expenditures for the acquisition or construction of major capital facilities and other capital assets.

In addition, the District reports the following fund types:

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

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

a. Basis of Presentation (continued)

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

b. Measurement Focus, Basis of Accounting

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

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Property Taxes

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

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, 2013*

c. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	7-30
Equipment	5-12

d. 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.

e. 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 positions.

f. Use of Estimates

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

g. 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 insure accuracy in building a statewide database for policy development and funding plans.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

**Committed Fund Balance** - represents amounts that can only be used for a specific purpose because of a formal action by the District's governing board. Committed amounts cannot be used for any other purpose unless the governing board 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 governing board. 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 governing board or by an official or body to which the governing board 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 conveys 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 of Trustees delegates to the Superintendent of Santo ISD the authority to assign amounts to be used 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.

i. 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.

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, 2013*

**B. Deposits and Investments**

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

**1. Cash Deposits:**

At August 31, 2013, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,301,010 and the bank balance was \$2,372,965. The District's cash deposits at August 31, 2013 and during the year ended August 31, 2013, 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 has no investments at August 31, 2013.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

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, 2013**

**C. Capital Assets**

Capital asset activity for the year ended August 31, 2013, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 144,286	\$ --	\$ --	\$ 144,286
Total capital assets not being depreciated	<u>144,286</u>	<u>--</u>	<u>--</u>	<u>144,286</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	9,147,959	660,670	--	9,808,629
Equipment	968,906	161,506	8,597	1,121,815
Total capital assets being depreciated	<u>10,116,865</u>	<u>822,176</u>	<u>8,597</u>	<u>10,930,444</u>
Less accumulated depreciation for:				
Buildings and improvements	(4,427,774)	(315,419)	--	(4,743,193)
Equipment	(668,514)	(77,223)	(8,597)	(737,140)
Total accumulated depreciation	<u>(5,096,288)</u>	<u>(392,642)</u>	<u>(8,597)</u>	<u>(5,480,333)</u>
Total capital assets being depreciated, net	<u>5,020,577</u>	<u>429,534</u>	<u>--</u>	<u>5,450,111</u>
Governmental activities capital assets, net	<u>\$ 5,164,863</u>	<u>\$ 429,534</u>	<u>\$ --</u>	<u>\$ 5,594,397</u>

Depreciation was charged to functions as follows:

Instruction	\$ 191,754
Instructional Resources and Media Services	3,271
Curriculum and Staff Development	55
Instructional Leadership	155
School Leadership	22,488
Guidance, Counseling, & Evaluation Services	6,374
Health Services	3,695
Student Transportation	22,676
Food Services	23,735
Extracurricular Activities	24,255
General Administration	33,247
Plant Maintenance and Operations	53,026
Data Processing Services	7,901
Community Services	8
	<u>\$ 392,642</u>

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**D. Long-Term Obligations**

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

**1. Long-Term Obligation Activity**

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2013, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds	\$ 1,805,000	\$ --	\$ 275,000	\$ 1,530,000	\$ 285,000
Premium (amortized)	53,643	--	9,754	43,889	--
Capital leases	60,510	--	29,786	30,724	30,724
Notes payable	--	675,005	--	675,005	107,438
<b>Total governmental activities</b>	<b>\$ 1,919,153</b>	<b>\$ 675,005</b>	<b>\$ 314,540</b>	<b>\$ 2,279,618</b>	<b>\$ 423,162</b>

The interest rate on the Unlimited Tax School Building Bonds Series 2003 range from 3.45% to 3.85% and matures on August 15, 2018.

The interest rate on the 2013 Promissory Note is 2.85% and matures on May 1, 2019.

**2. Debt Service Requirements**

Debt service requirements on long-term bonds payable at August 31, 2013, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 285,000	\$ 56,998	\$ 341,998
2015	295,000	46,880	341,880
2016	305,000	36,112	341,112
2017	315,000	24,676	339,676
2018	330,000	12,705	342,705
<b>Totals</b>	<b>\$ 1,530,000</b>	<b>\$ 177,371</b>	<b>\$ 1,707,371</b>

Debt service requirements on long-term notes payable at August 31, 2013, are as follows:

Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 107,438	\$ 15,970	\$ 123,408
2015	107,232	16,176	123,408
2016	110,253	13,155	123,408
2017	113,431	9,977	123,408
2018	116,663	6,745	123,408
2019-2023	119,988	3,420	123,408
<b>Totals</b>	<b>\$ 675,005</b>	<b>\$ 65,443</b>	<b>\$ 740,448</b>

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2013, as follows:

<u>Year Ending August 31:</u>	
2014	\$ 31,692
Total Minimum Rentals	<u>\$ 31,692</u>
Less amount representing interest	<u>968</u>
Present value of minimum lease payments	<u>\$ 30,724</u>

The effective interest rate on capital leases is 3.150%.

E. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2013, as follows:

<u>Year Ending August 31,</u>	
2014	\$ 8,436
2015	8,436
2016	7,030
Total Minimum Rentals	<u>\$ 23,902</u>
Rental Expenditures in 2013	<u>\$ 8,436</u>

F. Risk Management

1. Property Casualty Program

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 2013, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Equipment Breakdown, General Liability, Property, Sexual Misconduct Endorsement and School Professional Legal Liability. The Fund was created under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating the Fund execute Interlocal Agreements that define the responsibilities of the parties. 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 years.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2013, the Fund anticipates Santo ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2012 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

2. Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers compensation self-insurance plan includes \$5,740 incurred but not reported claims. Costs are allocated to other funds and the retained earnings are fully reserved for self-funded insurance. Estimates of claims payable and of claims incurred, but not reported at August 31, 2013, are reflected as accounts and claims payable of the Fund. The plan is funded to discharge liabilities of the fund as they become due.

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

	Year Ended 8/31/2013	Year Ended 8/31/2012
Unpaid claims, beginning of year	13,949	14,228
Incurred claims	2,888	1,968
Claim payments	(2,991)	(2,247)
Unpaid claims, end of fiscal year	\$ 13,845	\$ 13,949

3. Unemployment Compensation

During the year ended August 31, 2013, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2012, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

G. Pension Plan

1. Plan Description

The District contributes to the Teacher Retirement System of Texas (TRS), a cost-sharing multiple employer defined benefit pension plan. TRS administers retirement and disability annuities, and death and survivor benefits to employees and beneficiaries of employees of the public school systems of Texas. It operates primarily under the provisions of the Texas Constitution, Article XVI, Sec. 67, and Texas Government Code, Title 8, Subtitle C. TRS also administers proportional retirement benefits and service credit transfer under Texas Government Code, Title 8, Chapters 803 and 805, respectively. The Texas state legislature has the authority to establish and amend benefit provisions of the pension plan and may, under certain circumstances, grant special authority to the TRS Board of Trustees. TRS issues a publicly available financial report that includes financial statements and required supplementary information for the defined benefit pension plan. That report may be obtained by downloading the report from the TRS internet website, [www.trs.state.tx.us](http://www.trs.state.tx.us), under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

2. Funding Policy

Contribution requirements are not actuarially determined but are established and amended by the Texas state legislature. The state funding policy is as follows: (1) The state constitution requires the legislature to establish a member contribution rate of not less than 6.0% of the member's annual compensation and a state contribution rate of not less than 6.0% and not more than 10% of the aggregate annual compensation of all members of the system. (2) A state statute prohibits benefit improvements or contribution reductions if, as a result of a 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. State law provides for a member contribution rate of 6.4% for fiscal years 2013, 2012 and 2011, and a state contribution rate of 6.4% for fiscal year 2013, 6.0 % for fiscal year 2012, and 6.644% for fiscal year 2011. In certain instances the reporting district is required to make all or a portion of the state's contribution. State contributions to TRS made on behalf of the District's employees for the years ending August 31, 2013, 2012 and 2011 were \$170,068, \$171,900 and \$181,000, respectively. The District paid additional state contributions for the years ending August 31, 2013, 2012 and 2011 in the amount of \$22,026, \$20,692 and \$21,521, respectively, on portion of the employees' salaries that exceeded the statutory minimum and federal grant salaries.

H. Retiree Health Care Plans

1. TRS-Care

a. Plan Description

The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas (TRS). TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS web site at [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling the TRS Communications Department at 1-800-223-8778.

b. Funding Policy

Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% for 2012 and 2011 and .50% and .65% in 2013 for public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2013, 2012 and 2011. For the years ended August 31, 2013, 2012, and 2011, the State's contributions to TRS-Care were \$13,114, \$26,085, and \$25,209, respectively, the active member contributions were \$17,049, \$16,955, and \$16,386, respectively, and the District's contributions were \$14,426, \$14,347, and \$13,865, respectively, which equaled the required contributions each year.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO THE FINANCIAL STATEMENTS*  
*FOR THE YEAR ENDED AUGUST 31, 2013*

2. 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 years ended August 31, 2013, 2012, and 2011, the subsidy payments received by TRS-Care on behalf of the District were \$10,068, \$5,810, and \$6,720, respectively.

I. Employee Health Care Coverage

During the year ended August 31, 2013, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 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 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.

J. 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, 2013.

K. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts

Mineral Wells ISD	Graford ISD
Palo Pinto ISD	Strawn ISD
Gordon 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, 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.

### *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, 2013**

**EXHIBIT G-1**  
Page 1 of 2

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
<b>REVENUES:</b>							
5700	Local and Intermediate Sources	\$ 3,131,007	\$ 3,176,007	\$ 3,195,751	\$ 19,744		
5800	State Program Revenues	1,690,094	1,690,094	1,597,517	(92,577)		
5020	Total Revenues	4,821,101	4,866,101	4,793,268	(72,833)		
<b>EXPENDITURES:</b>							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	2,256,118	2,171,448	2,151,858	19,590		
0012	Instructional Resources and Media Services	44,005	44,005	39,500	4,505		
0013	Curriculum and Staff Development	4,600	4,600	671	3,929		
	Total Instruction & Instr. Related Services	2,304,723	2,220,053	2,192,029	28,024		
Instructional and School Leadership:							
0023	School Leadership	281,430	280,700	271,574	9,126		
	Total Instructional & School Leadership	281,430	280,700	271,574	9,126		
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	79,000	79,000	76,972	2,028		
0033	Health Services	43,475	46,375	44,629	1,746		
0034	Student (Pupil) Transportation	283,750	283,750	273,027	10,723		
0036	Cocurricular/Extracurricular Activities	290,000	298,230	292,916	5,314		
	Total Support Services - Student (Pupil)	696,225	707,355	697,544	19,811		
Administrative Support Services:							
0041	General Administration	436,220	409,990	401,508	8,482		
	Total Administrative Support Services	436,220	409,990	401,508	8,482		
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	623,950	659,450	637,640	21,810		
0053	Data Processing Services	110,045	110,045	95,414	14,631		
	Total Support Services - Nonstudent Based	733,995	769,495	733,054	36,441		
Ancillary Services:							
0061	Community Services	1,325	1,325	100	1,225		
	Total Ancillary Services	1,325	1,325	100	1,225		
Debt Service:							
0071	Principal on Long-Term Debt	32,000	30,000	29,786	214		
0072	Interest on Long-Term Debt	--	2,000	1,906	94		
	Total Debt Service	32,000	32,000	31,692	308		
Capital Outlay:							
0081	Capital Outlay	150,000	304,920	290,261	14,659		
	Total Capital Outlay	150,000	304,920	290,261	14,659		
Intergovernmental Charges:							
0091	Contracted Instr. Services Between Public Schools	20,000	--	--	--		
0093	Payments to Fiscal Agent/Member Dist.-SSA	100,000	78,480	78,475	5		
0095	Payments to Juvenile Justice Alternative	--	--	--	--		
0095	Education Programs	4,000	600	600	--		
	Total Intergovernmental Charges	124,000	79,080	79,075	5		
6030	Total Expenditures	4,759,918	4,804,918	4,686,937	118,081		

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**GENERAL FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

**EXHIBIT G-1**  
**Page 2 of 2**

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	61,183	61,183	106,431	45,248
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	--	--	1,300	1,300
8911	Transfers Out	(25,000)	(25,000)	--	25,000
7080	Total Other Financing Sources and (Uses)	(25,000)	(25,000)	1,300	26,300
1200	Net Change in Fund Balance	36,183	36,183	107,731	71,548
0100	Fund Balance - Beginning	1,348,917	1,348,917	1,348,917	--
3000	Fund Balance - Ending	\$ 1,312,734	\$ 1,312,734	\$ 1,456,648	\$ 143,914

**SANTO INDEPENDENT SCHOOL DISTRICT**  
*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION*  
*YEAR ENDED AUGUST 31, 2013*

Budget

The official budget was prepared for adoption for all Governmental Fund Types. 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 reflected in the basic financial statements:

- a. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
- 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 September 1, 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.

### *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, 2013**

Year Ended August 31	1		2		3
	Tax Rates				Assessed/Appraised Value For School Tax Purposes
	Maintenance	Debt Service			
2004 and Prior Years	\$ Various	\$ Various			\$ Various
2005	1.48	.2094			184,481,005
2006	1.50	.1925			180,600,020
2007	1.37	.177			192,906,110
2008	1.04	.1553			218,768,170
2009	1.04	.1564			237,880,509
2010	1.04	.1435			260,483,078
2011	1.17	.1462			253,990,503
2012	1.17	.1422			247,638,909
2013 (School Year Under Audit)	1.17	.1306			258,879,201

1000 Totals

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

Column 20, the current year's levy is the ending levy due provided by Erath County Appraisal District and Palo Pinto Appraisal District

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

10 Beginning Balance 9/1/12	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/13
\$ 36,937	\$ --	\$ --	\$ --	\$ (17,972)	\$ 18,965
6,906	--	166	26	192	6,906
7,768	--	539	69	--	7,160
8,091	--	158	20	(779)	7,134
6,630	--	1,169	175	(8)	5,278
12,251	--	2,271	341	1,983	11,622
28,841	--	8,808	1,214	2,517	21,336
48,015	--	18,354	2,295	2,416	29,782
66,787	--	46,715	5,678	1,791	36,185
	3,366,957	2,938,456	327,977	10	100,534
<u>\$ 242,226</u>	<u>\$ 3,366,957</u>	<u>\$ 3,016,636</u>	<u>\$ 337,795</u>	<u>\$ (9,850)</u>	<u>\$ 244,902</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

**SANTO INDEPENDENT SCHOOL DISTRICT**

**EXHIBIT J-2**

**SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2014-2015  
GENERAL AND SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2013**

**FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION**

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ --	\$ --	\$ 160,808	\$ 74,508	\$ --	\$ 2,500	\$ 237,816
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)				--			--
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)				--			--
6211	Legal Services	--	--	19,769		--		19,769
6212	Audit Services				16,580			16,580
6213	Tax Appraisal and Collection		114,515					114,515
621X	Other Prof. Services	--	--	--	--	--	--	--
6220	Tuition and Transfer Payments							
6230	Education Service Centers	--	--	--	24,592	--	1,634	26,226
6240	Contr. Maint. and Repair					118		118
6250	Utilities							
6260	Rentals	--	--	--	--	--	1,441	1,441
6290	Miscellaneous Contr.	--	90	4,691	--	--	--	4,781
6310	Operational Supplies, Materials	--	--	--	--	--	--	--
6320	Textbooks and Reading	--	--	--	--	--	--	--
6330	Testing Materials	--	--	--	--	--	--	--
63XX	Other Supplies, Materials	409	--	5,323	410	--	--	6,142
6410	Travel, Subsistence, Stipends	2,982	--	1,888	--	--	--	4,870
6420	Ins. and Bonding Costs	--	--	--	--	--	5,098	5,098
6430	Election Costs	--						
6490	Miscellaneous Operating	1,904	--	9,551	710	--	2,163	14,328
6500	Debt Service							
6600	Capital Outlay						4,019	4,019

Total \$ 5,295 \$ 114,605 \$ 202,030 \$ 116,800 \$ 118 \$ 16,855 \$ 455,703

Total Expenditures for General and Special Revenue Funds (9) \$ 5,142,745

LESS: Deductions of Unallowable Costs

**FISCAL YEAR**

Total Capital Outlay (6600)	(10)	\$ 402,172
Total Debt & Lease (6500)	(11)	\$ 31,692
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 580,362
Food (Function 35, 6341 and 6499)	(13)	\$ 88,494
Stipends (6413)	(14)	\$ --
Column 4 (above) - Total Indirect Cost		\$ 116,800

Subtotal 1,219,520

Net Allowed Direct Cost \$ 3,923,225

**CUMULATIVE**

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 9,808,629
Historical Cost of Buildings over 50 years old	(16)	46,500
Amount of Federal Money in Building Cost (Net of #16)	(17)	--
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	1,121,815
Historical Cost of Furniture & Equipment over 16 years old	(19)	107,834
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ --

(8) Note A - \$54,195 in Function 53 expenditures and no Function 99 expenditures are included in this report on administrative costs.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2013**

**EXHIBIT J-3**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2013 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,456,648
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	390,570
7	Estimate of two months' average cash disbursements during the fiscal year	781,140
8	Estimate of delayed payments from state sources (58XX)	685
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	1,172,395
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 284,253

The District will utilize additional fund balance to support future building renovation projects as needed on District facilities.

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 135,500	\$ 143,407	\$ 7,907
5800 <i>State Program Revenues</i>	1,000	1,208	208
5900 <i>Federal Program Revenues</i>	130,000	122,439	(7,561)
5020 <b>Total Revenues</b>	<u>266,500</u>	<u>267,054</u>	<u>554</u>
<b>EXPENDITURES:</b>			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	295,900	285,640	10,260
<b>Total Support Services - Student (Pupil)</b>	<u>295,900</u>	<u>285,640</u>	<u>10,260</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	4,000	2,723	277
<b>Total Support Services - Nonstudent Based</b>	<u>3,000</u>	<u>2,723</u>	<u>277</u>
6030 <b>Total Expenditures</b>	<u>299,900</u>	<u>289,363</u>	<u>10,537</u>
1100 <b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>(33,400)</u>	<u>(22,309)</u>	<u>11,091</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	25,000	-	(25,000)
7080 <b>Total Other Financing Sources and (Uses)</b>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>
1200 <b>Net Change in Fund Balance</b>	<u>(8,400)</u>	<u>(22,309)</u>	<u>(13,909)</u>
0100 <b>Fund Balance - Beginning</b>	<u>39,791</u>	<u>39,791</u>	<u>--</u>
3000 <b>Fund Balance - Ending</b>	<u>\$ 31,391</u>	<u>\$ 17,482</u>	<u>\$ (13,909)</u>

**SANTO INDEPENDENT SCHOOL DISTRICT**  
**DEBT SERVICE FUND**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2013**

EXHIBIT J-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
<b>REVENUES:</b>			
5700 <i>Local and Intermediate Sources</i>	\$ 345,000	\$ 344,945	\$ (55)
5020 <i>Total Revenues</i>	<u>345,000</u>	<u>344,945</u>	<u>(55)</u>
<b>EXPENDITURES:</b>			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	275,000	275,000	--
0072 <i>Interest on Long-Term Debt</i>	66,500	66,485	15
0073 <i>Bond Issuance Costs and Fees</i>	350	323	27
<i>Total Debt Service</i>	<u>341,850</u>	<u>341,808</u>	<u>42</u>
6030 <i>Total Expenditures</i>	<u>341,850</u>	<u>341,808</u>	<u>42</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>3,150</u>	<u>3,137</u>	<u>(13)</u>
1200 <i>Net Change in Fund Balance</i>	<u>3,150</u>	<u>3,137</u>	<u>(13)</u>
0100 <i>Fund Balance - Beginning</i>	211,851	211,851	--
3000 <i>Fund Balance - Ending</i>	<u>\$ 215,001</u>	<u>\$ 214,988</u>	<u>\$ (13)</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District, as of and for the year ended August 31, 2013, 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 19, 2013.

**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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

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

We noted certain matters that we reported to management of Santo Independent School District in a separate letter dated November 19, 2013.

## Purpose of this Report

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

Respectfully submitted,



Snow Garrett Williams  
November 19, 2013

**SANTO INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2013*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	What was the total accumulated accretion on capital appreciation bonds included in the government-wide financial statements at fiscal year-end?	\$ --

