

SANTO INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

Introductory Section

Santo Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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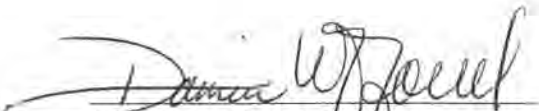
CERTIFICATE OF BOARD

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, 2018, at a meeting of the board of trustees of such school district on the 15th day of November, 2018.


Signature of Board Secretary


Signature of Board President

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

Financial Section



SNOW GARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Santo Independent School District ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District as of August 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Santo Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

The other supplementary information, except for Exhibit J-2, is the responsibility of management and was derived from and 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.

The introductory section and Exhibit J-2 of the other supplementary information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2018 on our consideration of Santo Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Santo Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Snow Garrett Williams
November 12, 2018

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, 2018. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the most recent period by \$3,427,980 (*net position*). Of this amount, (\$1,394,860) (*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 \$1,677,677. Approximately 80% of this total amount, \$1,346,884, 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 \$1,346,884, or 26% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District adopts an annual appropriated budget for its general fund, debt service fund and food service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 14-17 of this report.
- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 18.
- **Notes to the financial statements.** The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 19-40 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 41-47 of this report.



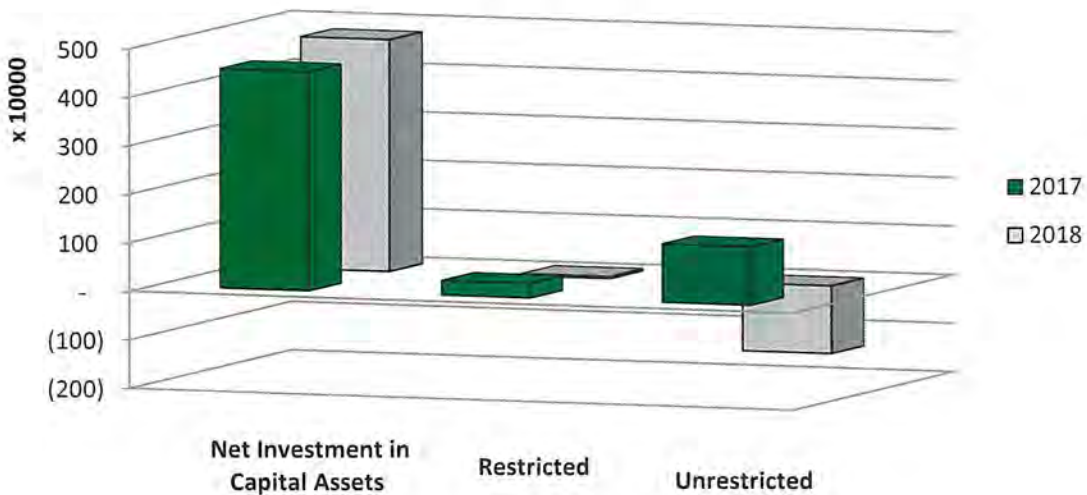
Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$3,427,980 as of August 31, 2018.

The District's Net Position

	August 31, 2018	August 31, 2017
Current assets	\$ 2,165,086	\$ 2,285,598
Capital assets	4,780,496	5,084,580
Total assets	<u>6,945,582</u>	<u>7,370,178</u>
Deferred outflows of resources:		
Deferred outflow related to pensions	367,658	539,582
Deferred outflow related to OPEB	34,370	-
Total deferred outflows of resources	<u>402,028</u>	<u>539,582</u>
Current liabilities	372,596	440,807
Long-term liabilities outstanding	2,644,089	1,320,159
Total liabilities	<u>3,016,685</u>	<u>1,760,966</u>
Deferred inflows of resources:		
Deferred inflow related to pensions	117,041	143,348
Deferred inflow related to OPEB	785,904	-
Total deferred inflows of resources	<u>902,945</u>	<u>143,348</u>
Net position:		
Net investment in capital assets	4,780,496	4,513,055
Restricted	42,344	295,063
Unrestricted	(1,394,860)	1,197,328
Total net position	<u>\$ 3,427,980</u>	<u>\$ 6,005,446</u>

**8/31/2018
Net Position**

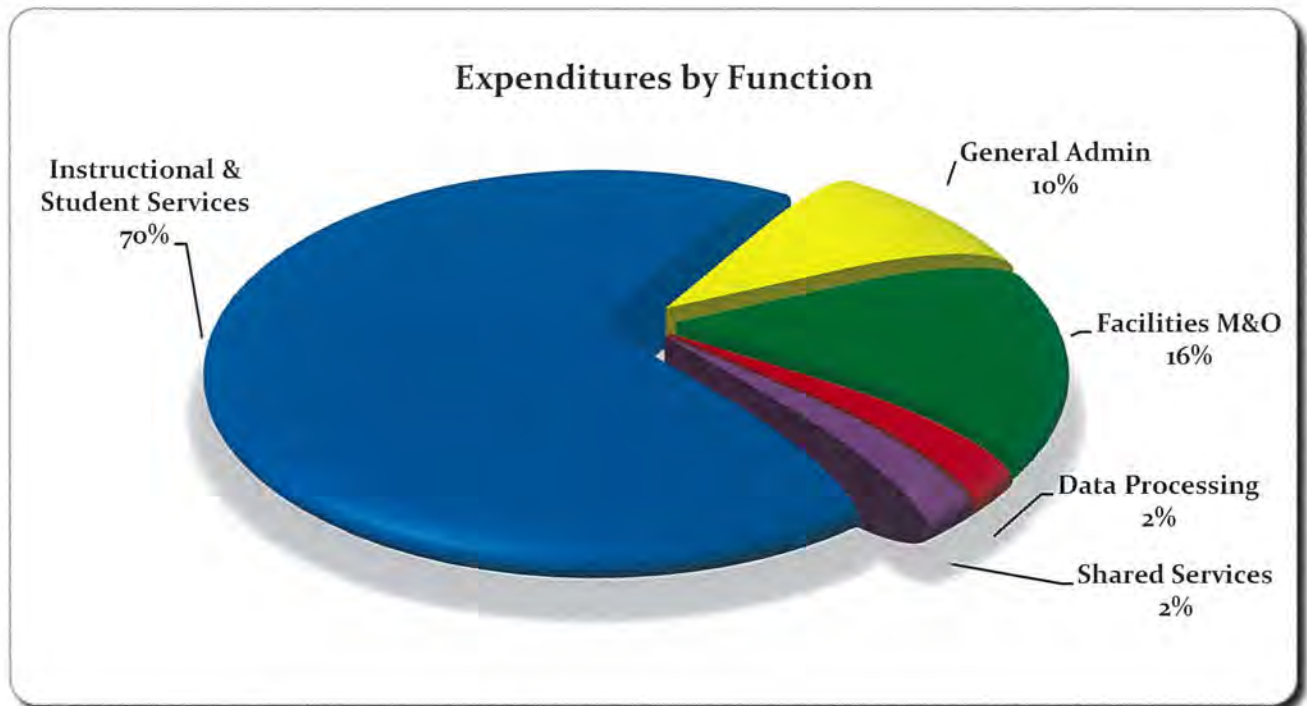


The net investment in capital assets (e.g., land, buildings, furniture and equipment, and construction in progress) is \$4,780,496. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment 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 \$42,344 of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position*, negative \$1,394,860, may be used to meet the District's ongoing obligations. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are in excess of currently available resources.

Governmental activities. The District's total net position increased \$717,526. The total cost of all *governmental activities* this year was \$4,182,874. The amount that our taxpayers paid for these activities through property taxes was \$3,566,915 or 85%.

Changes in the District's Net Position

	<u>Fiscal Year</u> <u>August 31, 2018</u>	<u>Fiscal Year</u> <u>August 31, 2017</u>
Revenues:		
Program revenues		
Charges for services	\$ 141,317	\$ 138,619
Operating grants and contributions	(277,356)	526,603
General revenues		
Property taxes	3,566,915	3,527,205
Grants and Contributions	1,350,504	1,324,773
Other	119,020	150,891
Total revenues	4,900,400	5,668,091
Expenses:		
Instruction	1,834,578	2,663,834
Instructional resources and media services	32,115	49,712
Curriculum and staff development	4,535	1,666
School leadership	197,897	391,431
Guidance, counseling & evaluation services	58,329	80,277
Health services	35,565	55,310
Student transportation	239,253	268,419
Food service	221,689	290,851
Cocurricular/extracurricular activities	290,781	374,088
General administration	405,898	526,165
Facilities maintenance and operations	655,171	747,638
Data processing services	104,848	109,962
Community services	1,515	1,622
Interest on long-term debt	12,507	24,377
Bond issuance costs	431	431
Payments related to shared service arrangements	81,657	85,502
Other intergovernmental charges	6,105	-
Total expenses	4,182,874	5,671,285
Increase (decrease) in net position	717,526	(3,194)
Beginning net position	6,005,446	6,008,640
Prior period adjustment	(3,294,992)	-
Beginning net position - as restated	2,710,454	6,008,640
Ending net position	\$ 3,427,980	\$ 6,005,446



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 \$1,677,677, a decrease of \$162,108. Approximately 80% of this total amount (\$1,346,884) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted and assigned* to indicate that it is not available for new spending because it is *restricted* for the for federal/state grant restrictions (\$30,793), and *assigned* to pay for other expenditures as needed (\$300,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,346,884. 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 26% of the total general fund expenditures.



The fund balance of the District's general fund increased \$89,715 during the current fiscal year.

Budgetary Highlights

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

- Purchase of a route bus - \$95,000.
- Payoff improvements at WA Lewis football field - \$120,000.
- Purchase of tractor for AG - \$14,000.
- Technology improvements - \$12,000
- Facility improvement Old Gym - \$14,000
- MOE repayment to the State - \$6,000

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

- Actual revenues were higher than the budgeted amount by \$116,417 primary related to increases in local and intermediate sources; and
- Actual expenditures were lower than budgeted by \$154,439 primarily due to decreases within instruction, school leadership, general administration, and cocurricular/extracurricular activities.

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets for its governmental activities as of August 31, 2018, amounts to \$4,780,495 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, and furniture and equipment.

Major capital asset acquisitions during the year consisted of the purchase of equipment, such as a Kubota tractor and a 2019 Blue Bird passenger bus.

Districts Capital Assets (net of depreciation)

	<u>August 31, 2018</u>	<u>August 31, 2017</u>
Land	\$ 144,286	\$ 144,286
Buildings and improvements	4,086,712	4,281,986
Furniture and equipment	549,497	658,308
Total at historical cost	<u>\$ 4,780,495</u>	<u>\$ 5,084,580</u>

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

Santo ISD is



Exciting News

Santo ISD is completely debt-free; this means a lower school district tax rate due to no outstanding debt. Thank you to all past and present Board members who committed to making Santo ISD debt-free.



Long-term debt. As of August 31, 2018, the District had paid the remaining balances on general obligation bonded debt outstanding, bond premiums, and notes payable balances, resulting in an outstanding balance of \$0. The net pension liability for fiscal year 2018 had an ending balance of \$765,293, derived from GASB 68, a decrease of \$100,003 from the prior year. And finally, the net OPEB liability for fiscal year 2018 had an ending balance of \$1,878,796 due to the implementation of GASB 75.

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 \$27,085,991.

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

Economic Factors and Next Year's Budgets and Rates

- District ADA decreased slightly to 467 students which ultimately affects WADA that drives the state funding formulas.
- The district's total tax rate decreased from the preceding year from \$1.30101 to \$1.17 per \$100 appraised value. (\$1.17 M&O and \$0 I&S).
- The district no longer has any I & S debt decreasing annual debt rate approximately .12 cents.
- The school district has appropriated revenues and expenditures (federal, state, local) in 2018-2019 budget of \$5,370,816 and \$5,535,005 respectively.

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, 2018

Data Control Codes	1	Governmental Activities
ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 612,977
1120	<i>Current Investments</i>	1,400,835
1225	<i>Property Taxes Receivable (Net)</i>	114,814
1240	<i>Due from Other Governments</i>	16,460
1410	<i>Unrealized Expenses</i>	20,000
	Capital Assets:	
1510	<i>Land</i>	144,286
1520	<i>Buildings and Improvements, Net</i>	3,957,390
1530	<i>Furniture and Equipment, Net</i>	678,820
1000	Total Assets	<u>6,945,582</u>
DEFERRED OUTFLOWS OF RESOURCES:		
	<i>Deferred Outflow Related to Pensions</i>	367,658
	<i>Deferred Outflow Related to OPEB</i>	34,370
1700	Total Deferred Outflows of Resources	<u>402,028</u>
LIABILITIES:		
2110	<i>Accounts Payable</i>	3,326
2165	<i>Accrued Liabilities</i>	193,418
2180	<i>Due to Other Governments</i>	175,852
	Noncurrent Liabilities:	
2540	<i>Net Pension Liability</i>	765,293
2545	<i>Net OPEB Liability</i>	1,878,796
2000	Total Liabilities	<u>3,016,685</u>
DEFERRED INFLOWS OF RESOURCES:		
	<i>Deferred Inflow Related to Pensions</i>	117,041
	<i>Deferred Inflow Related to OPEB</i>	785,904
2600	Total Deferred Inflows of Resources	<u>902,945</u>
NET POSITION:		
3200	Net Investment in Capital Assets	4,780,496
	Restricted For:	
3820	Federal and State Programs	30,793
3850	Debt Service	11,551
3900	Unrestricted	(1,394,860)
3000	Total Net Position	<u>\$ 3,427,980</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	i Expenses	3 Program Revenues		4 Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Operating Grants and Contributions	
	Governmental Activities:				
11	Instruction	\$ 1,834,578	\$ 3,511	\$ (263,820)	\$ (2,094,887)
12	Instructional Resources and Media Services	32,115	38	(2,767)	(34,844)
13	Curriculum and Staff Development	4,535	4	--	(4,531)
23	School Leadership	197,897	327	(61,395)	(258,965)
31	Guidance, Counseling, & Evaluation Services	58,329	74	(7,077)	(65,332)
33	Health Services	35,565	45	(4,266)	(39,786)
34	Student Transportation	239,253	331	(11,865)	(250,787)
35	Food Service	221,689	97,774	143,173	19,258
36	Cocurricular/Extracurricular Activities	290,781	37,936	(16,846)	(269,691)
41	General Administration	405,898	444	(29,981)	(435,435)
51	Facilities Maintenance and Operations	655,171	652	(20,261)	(674,780)
53	Data Processing Services	104,848	104	(2,732)	(107,476)
61	Community Services	1,515	1	--	(1,514)
72	Interest on Long-term Debt	12,507	--	481	(12,026)
73	Bond Issuance Costs and Fees	431	--	--	(431)
93	Payments Related to Shared Services Arrangements	81,657	76	--	(81,581)
99	Other Intergovernmental Charges	6,105	--	--	(6,105)
TG	Total Governmental Activities	4,182,874	141,317	(277,356)	(4,318,913)
TP	Total Primary Government	\$ 4,182,874	\$ 141,317	\$ (277,356)	(4,318,913)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				3,207,648
DT	Property Taxes, Levied for Debt Service				359,267
IE	Investment Earnings				29,445
GC	Grants and Contributions Not Restricted to Specific Programs				1,350,504
MI	Miscellaneous				89,575
TR	Total General Revenues				5,036,439
CN	Change in Net Position				717,526
NB	Net Position - Beginning				6,005,446
PA	Prior Period Adjustment				(3,294,992)
	Net Position - Beginning, as Restated				2,710,454
NE	Net Position - Ending				\$ 3,427,980

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 576,901	\$ 36,077	\$ 612,978
1120	Current Investments	1,400,835	--	1,400,835
1225	Taxes Receivable	202,555	23,932	226,487
1230	Allowance for Uncollectible Taxes (credit)	(99,292)	(12,381)	(111,673)
1240	Due from Other Governments	11,751	4,709	16,460
1260	Due from Other Funds	--	4,896	4,896
1410	Unrealized Expenditures	20,000	--	20,000
1000	Total Assets	<u>\$ 2,112,750</u>	<u>\$ 57,233</u>	<u>\$ 2,169,983</u>
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 3,326	\$ --	\$ 3,326
2160	Accrued Wages Payable	184,353	4,908	189,261
2170	Due to Other Funds	4,896	--	4,896
2180	Due to Other Governments	165,976	9,876	175,852
2200	Accrued Expenditures	4,052	105	4,157
2000	Total Liabilities	<u>362,603</u>	<u>14,889</u>	<u>377,492</u>
DEFERRED INFLOWS OF RESOURCES:				
	Property Taxes	103,263	11,551	114,814
2600	Total Deferred Inflows of Resources	<u>103,263</u>	<u>11,551</u>	<u>114,814</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	--	30,793	30,793
Assigned Fund Balances:				
3590	Other Assigned Fund Balance	300,000	--	300,000
3600	Unassigned	1,346,884	--	1,346,884
3000	Total Fund Balances	<u>1,646,884</u>	<u>30,793</u>	<u>1,677,677</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 2,112,750</u>	<u>\$ 57,233</u>	<u>\$ 2,169,983</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2018*

Total fund balances - governmental funds balance sheet	\$ 1,677,677
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.	4,780,495
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	114,814
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(1,878,796)
Deferred Resource Inflows related to OPEB are not reported in the funds.	(785,904)
Deferred Resource Outflows related to OPEB are not reported in the funds.	34,370
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(765,293)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(117,041)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	<u>367,658</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 3,427,980</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, 2018

Data Control Codes	10 General Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 3,374,322	\$ 460,164	\$ 3,834,486
5800 <i>State Program Revenues</i>	1,560,958	42,516	1,603,474
5900 <i>Federal Program Revenues</i>	2,464	328,944	331,408
5020 Total Revenues	<u>4,937,744</u>	<u>831,624</u>	<u>5,769,368</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	2,313,080	201,212	2,514,292
0012 <i>Instructional Resources and Media Services</i>	40,523	--	40,523
0013 <i>Curriculum and Staff Development</i>	4,190	--	4,190
0023 <i>School Leadership</i>	349,229	--	349,229
0031 <i>Guidance, Counseling, & Evaluation Services</i>	79,312	--	79,312
0033 <i>Health Services</i>	48,205	--	48,205
0034 <i>Student Transportation</i>	352,940	1,954	354,894
0035 <i>Food Service</i>	--	259,731	259,731
0036 <i>Cocurricular/Extracurricular Activities</i>	323,954	--	323,954
0041 <i>General Administration</i>	473,359	--	473,359
0051 <i>Facilities Maintenance and Operations</i>	696,285	2,158	698,443
0053 <i>Data Processing Services</i>	111,339	--	111,339
0061 <i>Community Services</i>	1,400	--	1,400
0071 <i>Principal on Long-term Debt</i>	236,480	330,000	566,480
0072 <i>Interest on Long-term Debt</i>	6,745	11,187	17,932
0073 <i>Bond Issuance Costs and Fees</i>	--	431	431
0093 <i>Payments to Shared Service Arrangements</i>	81,657	--	81,657
0099 <i>Other Intergovernmental Charges</i>	6,105	--	6,105
6030 Total Expenditures	<u>5,124,803</u>	<u>806,673</u>	<u>5,931,476</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(187,059)</u>	<u>24,951</u>	<u>(162,108)</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	285,104	8,330	293,434
8911 <i>Transfers Out</i>	(8,330)	(285,104)	(293,434)
7080 Total Other Financing Sources and (Uses)	<u>276,774</u>	<u>(276,774)</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>89,715</u>	<u>(251,823)</u>	<u>(162,108)</u>
0100 Fund Balances - Beginning	<u>1,557,169</u>	<u>282,616</u>	<u>1,839,785</u>
3000 Fund Balances - Ending	<u>\$ 1,646,884</u>	<u>\$ 30,793</u>	<u>\$ 1,677,677</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, 2018

Net change in fund balances - total governmental funds	\$ (162,108)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	129,323
The depreciation of capital assets used in governmental activities is not reported in the funds.	(433,408)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(7,405)
Reconciling difference for early payoff of note payable.	171
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	330,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	236,480
Bond premiums are amortized in the SOA but not in the funds.	4,874
(Increase) decrease in accrued interest from beginning of period to end of period.	551
Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.	(21,927)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan increased net position by:	34,075
The proportionate share of the TRS Care expense on the plan as a whole had to be recorded. This increased net position by:	652,514
Contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to NPL.	(78,383)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan increased net position by:	87,186
The proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased net position by:	(54,417)
Change in net position of governmental activities - Statement of Activities	<u>\$ 717,526</u>

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION

FIDUCIARY FUNDS

AUGUST 31, 2018

Data Control Codes		Agency Fund	Student Activity
	ASSETS:		
1110	<i>Cash and Cash Equivalents</i>	\$ 119,825	
1000	Total Assets	<u>119,825</u>	
	LIABILITIES:		
	Current Liabilities:		
2190	<i>Due to Student Groups</i>	\$ 119,825	
2000	Total Liabilities	<u>119,825</u>	
	NET POSITION:		
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, 2018

A. Summary of Significant Accounting Policies

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

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

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, 2018

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

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Property Taxes

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

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

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, 2018

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 & Improvements	10 - 30
Equipment	5 - 15

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Use of Estimates

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

n. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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, 2018

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB measurements by Agent Employers and Agent Multiple-Employer Plans*.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statement No. 75.

B. Deposits and Investments

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,133,638 and the bank balance was \$2,246,802. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

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

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

The District's investments at August 31, 2018 consisted of a money market savings account which is entirely covered by FDIC and pledged collateral by the bank and is included in the cash balance in Note B-1.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Comanche National Bank		
Money Market	Various	1,400,835
Total Investments		\$ <u>1,400,835</u>

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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, 2018

G. Capital Assets

Capital asset activity for the year ended August 31, 2018, 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	10,298,033	129,323	--	10,427,356
Equipment	1,510,062	--	--	1,510,062
Total capital assets being depreciated	<u>11,808,095</u>	<u>129,323</u>	<u>--</u>	<u>11,937,418</u>
Less accumulated depreciation for:				
Buildings and improvements	(6,016,047)	(324,596)	--	(6,340,644)
Equipment	(851,754)	(108,812)	--	(960,565)
Total accumulated depreciation	<u>(6,867,801)</u>	<u>(433,408)</u>	<u>--</u>	<u>(7,301,209)</u>
Total capital assets being depreciated, net	4,940,294	(304,085)	--	4,636,209
Governmental activities capital assets, net	<u>\$ 5,084,580</u>	<u>\$ (304,085)</u>	<u>\$ --</u>	<u>\$ 4,780,495</u>

Depreciation was charged to functions as follows:

Instruction	\$ 207,214
Instructional Resources and Media Services	3,340
Curriculum and Staff Development	345
School Leadership	28,782
Guidance, Counseling, & Evaluation Services	6,536
Health Services	3,973
Student Transportation	29,248
Food Services	21,406
Extracurricular Activities	26,699
General Administration	39,012
Plant Maintenance and Operations	57,562
Data Processing Services	9,176
Community Services	115
	<u>\$ 433,408</u>

D. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Debt Service Fund	\$ 4,896	Short-term loans
	Total	<u>\$ 4,896</u>	

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2018, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Special Revenue Fund	\$ 8,330	Supplement Food Service Fund Move excess funds after debt payoff
Debt Service Fund	General Fund	285,104	
	Total	<u>\$ 293,434</u>	

E. Long-Term Obligations

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

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<i>Governmental activities:</i>					
General obligation bonds	\$ 330,000	\$ --	\$ 330,000	\$ --	\$ --
Premium (amortized)	4,874	--	4,874	--	--
Notes Payable	236,651	--	236,651	--	--
Net Pension Liability *	865,296	(21,560)	78,443	765,293	--
Net OPEB Liability *	3,316,919	(1,415,661)	22,462	1,878,796	--
Total governmental activities	<u>\$ 4,753,740</u>	<u>\$ (1,437,221)</u>	<u>\$ 672,430</u>	<u>\$ 2,644,089</u>	<u>\$ --</u>

* Other long-term liabilities

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

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

F. Commitments Under Noncapitalized Leases

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2018, as follows:

<u>Year Ending August 31,</u>	
2019	\$ 30,824
2020	9,829
2021	1,406
Total Minimum Rentals	<u>\$ 42,059</u>
Rental Expenditures in 2018	<u>\$ 30,824</u>

SANTO INDEPENDENT SCHOOL DISTRICT
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G. Risk Management

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 2018, the District participated in the Texas Association of School Boards Risk Management Fund (the Fund) with coverage in Auto Liability, Auto Physical Damage, Privacy & Information Security, Property, and Legal Liability. The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating 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 its Auto, Liability and Property programs. The terms and limits of the stop-loss program vary by line coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2018, the Fund anticipates Santo ISD has no additional liability beyond the contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

Workers' Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain workers compensation risks up to an agreed upon retention limit. The plan for worker's compensation benefits is authorized by Section 504.011 of the Labor Code. Claims are paid by a third party administrator acting on behalf of the District under the terms of a contractual agreement. Administrative fees are included within the provisions of that agreement. The liability of the workers' compensation self-insurance plan includes \$7,592 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, 2018, 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 8/31/2018	Year Ended 8/31/2017
Unpaid claims, beginning of year	\$ 19,480	\$ 16,207
Incurred claims	5,428	5,959
Claim payments	(2,798)	(2,686)
Unpaid claims, end of fiscal year	<u>\$ 22,110</u>	<u>\$ 19,480</u>

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Unemployment Compensation

During the year ended August 31, 2018, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop loss coverage for the Unemployment Compensation pool. For the year ended August 31, 2018, the Fund anticipates that Santo ISD has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2017, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

H. Pension Plan

1. Plan Description

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

All employees of public, state-supported educational institutions in Texas who are employed for one-half or more of the standard work load and who are not exempted from membership under Texas Government Code, Title 8, Section 822.002 are covered by the system.

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

SANTO INDEPENDENT SCHOOL DISTRICT
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3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs, can be granted by the Texas Legislature as noted in the Plan description in (1.) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 87,186	
District's 2018 Member Contributions	\$ 223,477	
NECE 2017 On-Behalf Contributions to District	\$ 163,695	

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.

SANTO INDEPENDENT SCHOOL DISTRICT
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- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

5. Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial evaluation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the four year period ending August 31, 2014 and adopted on September 24, 2015.

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SANTO INDEPENDENT SCHOOL DISTRICT
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The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long term expected geometric real rate of return or expected contribution to long-term portfolio returns.

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 1,290,133	\$ 765,293	\$ 328,279

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

At August 31, 2018, the District reported a liability of \$765,293 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 765,293
State's proportionate share that is associated with District	<u>1,600,369</u>
Total	<u>\$ 2,365,662</u>

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0023934%. which was a decrease of 0.0001036% from its proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation - There were no changes to the actuarial assumptions of other inputs that affected measurement of the total pension liability since the prior measurement period:

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

For the year ended August 31, 2018, the District recognized pension expense of \$122,070 and revenue of \$122,070 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts below will be the cumulative layers from the current and prior years combined)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 11,197	\$ 41,271
Changes in actuarial assumptions	34,860	19,957
Difference between projected and actual investment earnings	--	55,773
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	234,415	40
Contributions paid to TRS subsequent to the measurement date	<u>87,186</u>	<u>--</u>
Total	<u>\$ 367,658</u>	<u>\$ 117,041</u>

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

Year Ended August 31	Pension Expense Amount
2019	\$ 31,000
2020	\$ 79,851
2021	\$ 27,248
2022	\$ 11,384
2023	\$ 10,675
Thereafter	\$ 3,273

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

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The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans:

Monthly TRS-Care Plan Premium Rates Effective September 1, 2016 - December 31, 2017			
	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ --	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children Only	28	62	82

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 34,075
Current fiscal year Member contributions		\$ 18,865
2017 measurement year NECE contributions		\$ 27,756

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

TRS-Care received supplemental appropriations from the State of Texas as the NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

SANTO INDEPENDENT SCHOOL DISTRICT
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5. Actuarial Assumptions

The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

SANTO INDEPENDENT SCHOOL DISTRICT
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6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 2,217,446	\$ 1,878,796	\$ 1,606,598

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 1,564,285	\$ 1,878,796	\$ 2,291,474

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

At August 31, 2018, the District reported a liability of \$1,878,796 for its proportionate share of the TRS's net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 1,878,796
State's proportionate share that is associated with the District	<u>2,321,612</u>
Total	<u>\$ 4,200,408</u>

The net OPEB liability was measured as of August 31, 2017 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to their OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 through August 31, 2017.

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0043204%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016. The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

SANTO INDEPENDENT SCHOOL DISTRICT
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10. Changes Since the Prior Actuarial Valuation.

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

- a. Significant plan changes were adopted during the fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
- b. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
- c. The discount rate changed from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017. This change lowered total OPEB liability.

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

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

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

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of \$(776,873) and revenue of \$(776,873) for support provided by the State.

SANTO INDEPENDENT SCHOOL DISTRICT
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At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 39,221
Changes in actuarial assumptions	--	746,683
Differences between projected and actual investment earnings	285	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	10	--
Contributions paid to TRS subsequent to the measurement date	34,075	
	\$ 34,370	\$ 785,904

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

Year ended August 31,	Amount
2019	\$ (103,661)
2020	\$ (103,661)
2021	\$ (103,661)
2022	\$ (103,661)
2023	\$ (103,733)
Thereafter	\$ (267,232)

J. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$275 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the District at August 31, 2018.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

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

Member Districts
Mineral Wells ISD
Palo Pinto ISD
Gordon ISD
Graford ISD
Santo ISD
Strawn ISD

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

M. Subsequent Events

No subsequent events existed as of November 12, 2018.

N. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled \$(3,294,992) which resulted in a restated beginning net position balance of \$2,710,454.

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, 2018

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1		2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual		
		Original	Final			
REVENUES:						
5700	Local and Intermediate Sources	\$ 3,053,378	\$ 3,053,378	\$ 3,374,322	\$ 320,944	
5800	State Program Revenues	1,767,949	1,767,949	1,560,958	(206,991)	
5900	Federal Program Revenues	--	--	2,464	2,464	
5020	Total Revenues	<u>4,821,327</u>	<u>4,821,327</u>	<u>4,937,744</u>	<u>116,417</u>	
EXPENDITURES:						
Current:						
Instruction & Instructional Related Services:						
0011	Instruction	2,374,795	2,372,295	2,313,080	59,215	
0012	Instructional Resources and Media Services	47,285	42,885	40,523	2,362	
0013	Curriculum and Staff Development	4,900	4,900	4,190	710	
	Total Instruction & Instr. Related Services	<u>2,426,980</u>	<u>2,420,080</u>	<u>2,357,793</u>	<u>62,287</u>	
Instructional and School Leadership:						
0023	School Leadership	367,738	369,238	349,229	20,009	
	Total Instructional & School Leadership	<u>367,738</u>	<u>369,238</u>	<u>349,229</u>	<u>20,009</u>	
Support Services - Student (Pupil):						
0031	Guidance, Counseling and Evaluation Services	77,450	81,850	79,312	2,538	
0033	Health Services	50,775	50,775	48,205	2,570	
0034	Student (Pupil) Transportation	263,760	359,696	352,940	6,756	
0036	Cocurricular/Extracurricular Activities	340,530	341,530	323,954	17,576	
	Total Support Services - Student (Pupil)	<u>732,515</u>	<u>833,851</u>	<u>804,411</u>	<u>29,440</u>	
Administrative Support Services:						
0041	General Administration	518,330	493,630	473,359	20,271	
	Total Administrative Support Services	<u>518,330</u>	<u>493,630</u>	<u>473,359</u>	<u>20,271</u>	
Support Services - Nonstudent Based:						
0051	Plant Maintenance and Operations	669,150	693,450	696,285	(2,835)	
0053	Data Processing Services	123,775	123,775	111,339	12,436	
	Total Support Services - Nonstudent Based	<u>792,925</u>	<u>817,225</u>	<u>807,624</u>	<u>9,601</u>	
Ancillary Services:						
0061	Community Services	1,500	1,500	1,400	100	
	Total Ancillary Services	<u>1,500</u>	<u>1,500</u>	<u>1,400</u>	<u>100</u>	
Debt Service:						
0071	Principal on Long-Term Debt	123,500	236,568	236,480	88	
0072	Interest on Long-Term Debt	-	6,750	6,745	5	
	Total Debt Service	<u>123,500</u>	<u>243,318</u>	<u>243,225</u>	<u>93</u>	
Capital Outlay:						
0081	Capital Outlay	20,000	10,000	-	10,000	
	Total Capital Outlay	<u>20,000</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>	
Intergovernmental Charges:						
0093	Payments to Fiscal Agent/Member Dist. -SSA	86,000	81,700	81,657	43	
0095	Payments to Juvenile Justice Alternative Education Programs	2,500	2,500	-	2,500	
0099	Other Intergovernmental Charges	-	6,200	6,105	95	
	Total Intergovernmental Charges	<u>88,500</u>	<u>90,400</u>	<u>87,762</u>	<u>2,638</u>	

SANTO INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
6030	Total Expenditures	<u>5,071,988</u>	<u>5,279,242</u>	<u>5,124,803</u>	<u>154,439</u>
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	<u>(250,661)</u>	<u>(457,915)</u>	<u>(187,059)</u>	<u>270,856</u>
	Other Financing Sources (Uses):				
7915	Transfers In	<u>--</u>	<u>290,000</u>	<u>285,104</u>	<u>(4,896)</u>
8911	Transfers Out	<u>--</u>	<u>(8,500)</u>	<u>(8,330)</u>	<u>170</u>
7080	Total Other Financing Sources and (Uses)	<u>--</u>	<u>281,500</u>	<u>276,774</u>	<u>(4,726)</u>
1200	Net Change in Fund Balance	<u>(250,661)</u>	<u>(176,415)</u>	<u>89,715</u>	<u>266,130</u>
0100	Fund Balance - Beginning	<u>1,557,169</u>	<u>1,557,169</u>	<u>1,557,169</u>	<u>--</u>
3000	Fund Balance - Ending	<u>\$ 1,306,508</u>	<u>\$ 1,380,754</u>	<u>\$ 1,646,884</u>	<u>\$ 266,130</u>

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

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
District's proportion of the net pension liability (asset)	0.0023934%	0.0022898%	0.0022998%	0.0011663%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 765,293	\$ 865,296	\$ 812,949	\$ 311,534	--	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	1,600,369	1,986,350	1,952,916	1,682,839	--	--	--	--	--	--
Total	\$ 2,365,662	\$ 2,851,646	\$ 2,765,865	\$ 1,994,373	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,913,014	\$ 2,830,679	\$ 2,831,310	\$ 2,754,569	--	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	26.27%	30.57%	28.71%	11.31%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--	--

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

** This schedule displays amounts for the measurement year (i.e. Fiscal Year 2018 displays amounts for measurement year 2017).

SANTO INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS **

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 87,186	\$ 78,383	\$ 72,754	\$ 68,098	\$ 29,569	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(87,186)	(78,383)	(72,754)	(68,098)	(29,569)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,915,537	\$ 2,913,014	\$ 2,830,679	\$ 2,831,310	\$ 2,754,569	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.99%	2.69%	2.57%	2.41%	1.07%	--	--	--	--	--

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

** This schedule displays fiscal year amounts (i.e. Fiscal Year 2018 amounts are for the current fiscal year, not the measurement year).

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

	Measurement Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.0043204%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 1,878,796	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 2,321,612	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 4,200,408	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,913,014	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	64.50%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

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

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

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statutorily or contractually required District contribution	\$ 34,075	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	34,075	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 2,915,537	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	1.17%	--	--	--	--	--	--	--	--	--

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

** This schedule displays amounts for the fiscal year (Fiscal Year 2018 displays amounts for the current fiscal year, not the measurement year).

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

Budget

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

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

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings.

Each amendment must have Board approval. Such amendments are made before the fact, are reflected in the official minutes of the Board and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan and OPEB Plans

Changes of benefit terms

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

Changes of assumptions

There were no changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

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

Other Supplementary Information

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

SANTO INDEPENDENT SCHOOL DISTRICT

*SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018*

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2009 and Prior Years	\$	Various	\$	Various	\$	Various
2010		1.04		.1435		260,483,078
2011		1.17		.1462		253,990,503
2012		1.17		.1422		247,638,909
2013		1.17		.1306		258,879,201
2014		1.17		.1306		261,114,417
2015		1.17		.1166		275,892,868
2016		1.17		.1241		272,027,844
2017		1.17		.1380		267,674,824
2018 (School Year Under Audit)		1.17		.1310		270,859,905

1000 Totals

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

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

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

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 34,042	\$ --	\$ 1,009	\$ 146	\$ (2,352)	\$ 30,534
10,103	--	482	67	--	9,554
10,535	--	226	28	--	10,280
13,697	--	1,314	160	--	12,223
22,360	--	288	32	(38)	22,002
19,569	--	180	20	(432)	18,937
23,785	--	3,265	326	(458)	19,736
36,921	--	14,875	1,577	(16)	20,453
59,781	--	37,707	4,448	7,221	24,847
--	3,523,914	3,116,408	348,958	(629)	57,919
<u>\$ 230,793</u>	<u>\$ 3,523,914</u>	<u>\$ 3,175,755</u>	<u>\$ 355,762</u>	<u>\$ 3,297</u>	<u>\$ 226,487</u>
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --

SANTO INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2018

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2018 (Exhibit C-1 object 3000 for the General Fund only)	\$ 1,646,884
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	-
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	-
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	-
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	300,000
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	427,067
7	Estimate of two months' average cash disbursements during the fiscal year	854,134
8	Estimate of delayed payments from state sources (58XX)	828
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)	1,582,029
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ 64,855

Excess fund balance will be used for facility improvements in transportation and improvements to the baseball and softball facility following signing of new 10-year contract.

SANTO INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 115,330	\$ 97,774	\$ (17,556)
5800 <i>State Program Revenues</i>	7,400	8,684	1,284
5900 <i>Federal Program Revenues</i>	162,835	159,479	(3,356)
5020 Total Revenues	<u>285,565</u>	<u>265,937</u>	<u>(19,628)</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	291,915	259,731	32,184
Total Support Services - Student (Pupil)	<u>291,915</u>	<u>259,731</u>	<u>32,184</u>
Support Services - Nonstudent Based:			
0051 <i>Plant Maintenance and Operations</i>	4,000	2,158	1,842
Total Support Services - Nonstudent Based	<u>4,000</u>	<u>2,158</u>	<u>1,842</u>
6030 Total Expenditures	<u>295,915</u>	<u>261,889</u>	<u>34,026</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(10,350)</u>	<u>4,048</u>	<u>14,398</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	--	8,330	8,330
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>8,330</u>	<u>8,330</u>
1200 Net Change in Fund Balance	<u>(10,350)</u>	<u>12,378</u>	<u>22,728</u>
0100 Fund Balance - Beginning	<u>18,415</u>	<u>18,415</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 8,065</u>	<u>\$ 30,793</u>	<u>\$ 22,728</u>

SANTO INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

DEBT SERVICE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 350,000	\$ 362,390	\$ 12,390
5800 State Program Revenues	-	481	481
5020 Total Revenues	<u>350,000</u>	<u>362,871</u>	<u>12,871</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	330,000	330,000	--
0072 Interest on Long-Term Debt	12,800	11,187	1,613
0073 Bond Issuance Costs and Fees	500	431	69
Total Debt Service	<u>343,300</u>	<u>341,618</u>	<u>1,682</u>
6030 Total Expenditures	<u>343,300</u>	<u>341,618</u>	<u>1,682</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>6,700</u>	<u>21,253</u>	<u>14,553</u>
Other Financing Sources (Uses):			
8911 Transfers Out	(290,000)	(285,104)	4,896
7080 Total Other Financing Sources and (Uses)	<u>(290,000)</u>	<u>(285,104)</u>	<u>4,896</u>
1200 Net Change in Fund Balance	<u>(283,300)</u>	<u>(263,851)</u>	<u>19,449</u>
0100 Fund Balance - Beginning	263,851	263,851	-
3000 Fund Balance - Ending	<u>\$ (19,449)</u>	<u>\$ -</u>	<u>\$ 19,449</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, 2018, 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 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Santo Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Santo Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Santo Independent School District's internal control.

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

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

Compliance and Other Matters

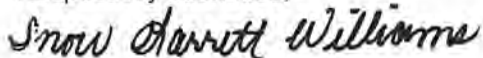
As part of obtaining reasonable assurance about whether the Santo Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could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

We noted certain matters that we reported to management of Santo Independent School District in a separate letter dated November 12, 2018.

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 12, 2018

SANTO INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 765,293
SF13	Pension Expense (object 6147) at fiscal year-end.	N/A

