Santo Independent School District

Annual Financial Report

For the Year Ended August 31, 2025

Santo Independent School District
Annual Financial Report
For The Year Ended August 31, 2025

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Introductory Section

CERTIFICATE OF BOARD

Santo Independent School District	Palo Pinto	182-904
Name of School District	County	Co. Dist. Number

We, the undersigned, certify that the attached financial reports of the above named school district were reviewed and (check one) ✓ approved ____ disapproved for the year ended August 31, 2025, at a meeting of the board of trustees of such school district on the 20th day of November, 2025.

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

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District ("the District"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Santo Independent School District's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2025, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter

As described in Note A to the financial statements, in Fiscal Year 2025, Santo Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 101 *Compensated Absences*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Santo Independent School District's basic financial statements. The accompanying financial information listed as other supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures 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.

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated November 17, 2025 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 Santo Independent School 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.



Snow Garrett Williams
November 17, 2025

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, 2025. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The assets and deferred outflows of the District exceeded its liabilities and deferred inflows at the close of the most recent period by $7,864,847 (*net position*). Of this amount, negative $208,809 (*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 $14,716,444. Approximately 20% of this total amount, $2,893,603, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was $2,893,603, or 36% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

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

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 14-15 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 16-21 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 and statement of changes in fiduciary net position that can be found on pages 22-23.

- **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 24-48 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 50-56 of this report.

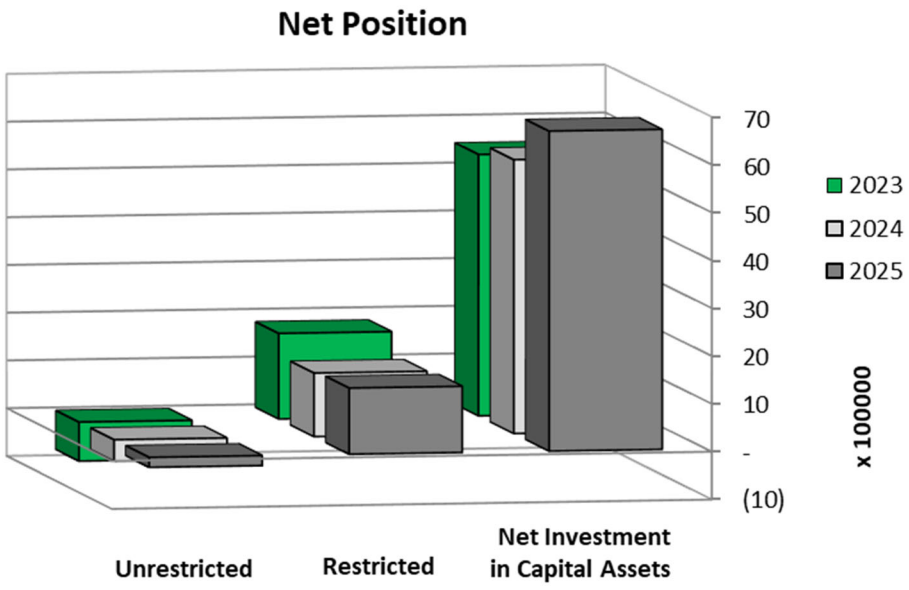


Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by $7,864,847 as of August 31, 2025.

The District's Net Position

	August 31, 2025	August 31, 2024
Current assets	$ 16,053,318	$ 22,993,765
Capital assets	14,831,840	6,710,184
Total assets	30,885,158	29,703,949
Deferred outflows of resources:		
Deferred outfow related to pensions	729,672	1,266,441
Deferred outfow related to OPEB	1,186,274	920,717
Total deferred outflows of resources	1,915,946	2,187,158
Current liabilities	1,210,984	637,407
Long-term liabilities outstanding	22,115,680	22,571,943
Total liabilities	23,326,664	23,209,350
Deferred inflows of resources:		
Deferred inflow related to pensions	75,958	146,900
Deferred inflow related to OPEB	1,533,635	1,927,190
Total deferred outflows of resources	1,609,593	2,074,090
Net position:		
Net investment in capital assets	6,690,246	5,729,479
Restricted	1,383,410	1,329,289
Unrestricted	(208,809)	(451,101)
Total net position	$ 7,864,847	$ 6,607,667

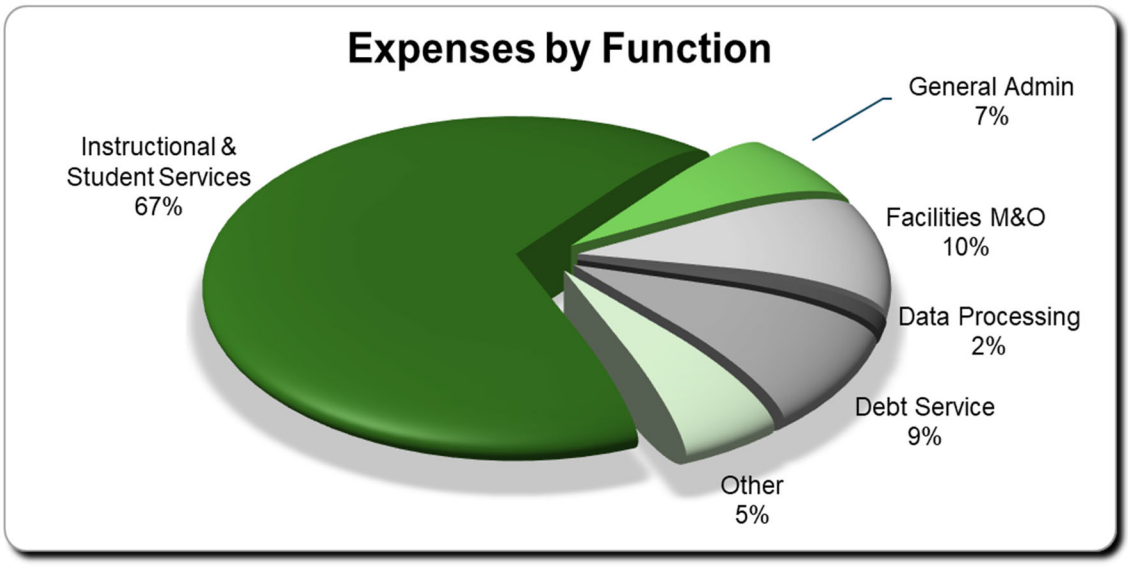


The net investment in capital assets and right to use assets (e.g., land, buildings, furniture and equipment, construction in progress, and right to use assets) is $6,690,246. The District uses these capital assets and right to use assets to provide services to students; consequently, these assets are *not* available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets and right to use assets themselves cannot be used to liquidate these liabilities. An additional $1,383,410 of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net position is a* negative $208,809. This deficit is not an indication that the District has insignificant resources available to meet financial obligations next year, but rather the result of having *long-term* commitments that are in excess of currently available resources.

Governmental activities. The District's total net position increased by $1,257,180. The total cost of all *governmental activities* this year was $10,564,367. The amount that our taxpayers paid for these activities through property taxes was $6,574,831 or 62%.

Changes in the District's Net Position

	Fiscal Year August 31, 2025	Fiscal Year August 31, 2024
Revenues:		
Program revenues		
Charges for services	$ 618,314	$ 210,240
Operating grants and contributions	886,480	1,378,984
General revenues		
Property taxes	6,574,831	4,188,588
Grants and Contributions	3,020,533	3,072,106
Other	721,389	967,378
Total revenues	11,821,547	9,817,296
Expenses:		
Instruction	5,015,115	4,440,286
Instructional resources and media services	105,485	111,281
Instructional leadership	-	6,615
School leadership	549,515	465,701
Guidance, counseling & evaluation services	112,247	195,956
Health services	77,576	77,413
Student transportation	313,796	434,538
Food service	412,566	404,725
Cocurricular/extracurricular activities	497,826	468,450
General administration	713,120	698,112
Facilities maintenance and operations	1,091,577	1,056,510
Security and monitoring services	47,657	43,171
Data processing services	146,671	165,896
Community services	110,225	110,535
Interest on long-term debt	965,752	65,695
Bond issuance costs and fees	-	240,207
Capital outlay	-	351,930
Contracted instructional services	70,224	40,213
Payments related to shared service arrangements	335,015	279,809
Total expenses	10,564,367	9,657,043
Increase (decrease) in net position	1,257,180	160,253
Beginning net position	6,607,667	6,447,414
Ending net position	$ 7,864,847	$ 6,607,667



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 $14,716,444, a decrease of $7,575,628 primarily as a result of spending previously issued bond proceeds. Approximately 20% of this total amount ($2,893,603) constitutes *unassigned fund balance*. The remainder of fund balance is *restricted, committed and assigned* to indicate that it is not available for new spending because it is *restricted* for the for federal/state grant restrictions ($3,931), for capital acquisitions ($10,152,797), for retirement of long-term debt ($330,674), for shared services arrangement ($1,024,526), committed for campus activity ($10,913), and assigned to pay for other major project expenditures as needed ($300,000).

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was $2,893,603, out of a total fund balance of $3,193,603. 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 36% of the total general fund expenditures.

The fund balance of the District's general fund increased $238,273 during the current fiscal year. Key factors in this increase were:

- The District adopted a significant deficit budget in late August, but after increased enrollment and several property value audits with the state, revenue projections were considerably more than anticipated resulting in an increase in fund balance. House Bill 2 provided additional revenue for the 25-26 budget along with new expenditure cost mandates. The district was able to adopt a balanced budget for the 25-26 school year.

The capital projects fund has an ending fund balance of $10,152,797, which was a decrease of $7,843,960 mainly due to spending previously issued debt proceeds. The entire balance is restricted for capital acquisitions and contractual obligations.

The debt service fund has a fund balance of $330,674, all of which is restricted for the payment of debt service. The net increase in fund balance during the period was $321,494.

During the current fiscal year, the debt service fund met the criteria for classification as a major governmental fund. Under GASB 100, this change in presentation is reported as a change within the financial reporting entity. As a result, the beginning fund balance for nonmajor governmental funds was decreased by $9,180. Additional information about this restatement can be found in Note O on page 48 of this report.

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:

- Revisions to the 2024-2025 budget included additional dollars for a new Ag vehicle.
- Wind and hail damage repairs from May 18th including gymnasium roof, stadium light pole all in excess of 100K.
- 6 new HVAC systems.
- Commercial water heater in gymnasium.
- Classroom technology upgrades for academic learning.
- 42K in legal fees to Perdue Brandon, property tax attorney, for fees associated with successful property value appeals with the state.

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 $1,179,283, primarily related to increases in state program revenues; and
- Actual expenditures were higher than budgeted by $10,497 as a result of costs for contracted instructional services and principal on long-term debt being higher than expected offset by lower than anticipated costs in facilities maintenance and operations and school leadership

Capital Asset and Debt Administration

Capital assets. The District's investment in capital assets and right to use assets for its governmental activities as of August 31, 2025, amounts to $14,831,840 (net of accumulated depreciation/amortization). This investment in capital assets includes land, construction in progress, buildings and improvements, furniture and equipment, and right to use assets.

Major capital asset acquisitions during the year consisted of construction on a new academic wing at the high school and a multi-purpose gym as well as the purchase of a new bus and Ford F-250 pick-up truck.

District's Capital Assets

(Net of Depreciation/Amortization)

	August 31, 2025	August 31, 2024
Land	$ 312,595	$ 312,595
Construction in progress	8,262,546	165,614
Buildings and improvements	4,903,679	5,184,508
Furniture and equipment	1,351,102	1,017,732
Right to use assets	1,918	29,735
Total at historical cost	$ 14,831,840	$ 6,710,184

Additional information on the District's capital assets can be found in Note D on page 32 of this report.

Long-term debt. As of August 31, 2025, the District had total general obligation bonded debt outstanding of $16,685,000, a decrease of $515,000 from the prior year due to regularly scheduled debt service payments. Premium on bonds decreased $114,807 from the prior year resulting in an ending balance of $1,607,298. The net pension liability for fiscal year 2025 had an ending balance of $2,140,598, a decrease of $282,090 from the prior year. The net OPEB liability had an ending balance of $1,680,691, an increase of $484,320 over the prior year. The lease liability for fiscal year 2025 is $2,093, a decrease of $8,145. The SBITA liability for fiscal year 2025 decreased $20,541 resulting in an ending balance of $0.

Additional information on the District's long-term debt can be found in Note F on pages 33-34 of this report.

Economic Factors and Next Year's Budgets and Rates

- Property values increased approximately 5% over the preceding year and student enrollment appears to be trending flat.
- The district entered year 2 of bond indebtedness with no change to the rate of .32. The total tax rate fell one penny from the prior year.
- The Districts M&O rate remained flat at $0.75 and the I&S rate of $0.32 was maintained for a total tax rate of $1.07743 per $100 of appraisal value. ($0.75 M&O and $0.32 I&S)
- The District personnel costs increased dramatically due to mandated teacher increase from the state following the passage of HB2 with tenured teachers receiving $8,000 additional dollars in annual compensation.

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

Exhibit A-1

STATEMENT OF NET POSITION
AUGUST 31, 2025

Data Control Codes		1 Governmental Activities
	ASSETS:	
1110	Cash and Cash Equivalents	$ 4,347,273
1120	Current Investments	11,201,585
1225	Property Taxes Receivable (Net)	157,312
1240	Due from Other Governments	347,148
	Capital Assets:	
1510	Land	312,595
1520	Buildings and Improvements (Net)	4,903,679
1530	Furniture and Equipment (Net)	1,351,102
1550	Right to Use Assets (Net)	1,918
1580	Construction in Progress	8,262,546
1000	Total Assets	30,885,158
	DEFERRED OUTFLOWS OF RESOURCES:	
	Deferred Outflow Related to Pensions	729,672
	Deferred Outflow Related to OPEB	1,186,274
1700	Total Deferred Outflows of Resources	1,915,946
	LIABILITIES:	
2110	Accounts Payable	693,951
2140	Interest Payable	31,422
2165	Accrued Liabilities	424,194
2190	Due to Student Groups	250
2300	Unearned Revenue	61,167
	Noncurrent Liabilities	
2501	Due Within One Year	907,093
2502	Due in More Than One Year	17,387,298
2540	Net Pension Liability	2,140,598
2545	Net OPEB Liability	1,680,691
2000	Total Liabilities	23,326,664
	DEFERRED INFLOWS OF RESOURCES:	
	Deferred Inflow Related to Pensions	75,958
	Deferred Inflow Related to OPEB	1,533,635
2600	Total Deferred Inflows of Resources	1,609,593
	NET POSITION	
3200	Net Investment in Capital Assets	6,690,246
	Restricted For:	
3820	Federal and State Programs	3,931
3850	Debt Service	354,953
3890	Shared Services Arrangement	1,024,526
3900	Unrestricted	(208,809)
3000	Total Net Position	$ 7,864,847

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit B-1

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues: Charges for Services	4 Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
	Governmental Activities:				
11	Instruction	$ 5,015,115	$ 282,459	$ 550,095	$ (4,182,561)
12	Instructional Resources and Media Services	105,485	834	(941)	(105,592)
23	School Leadership	549,515	42,831	7,076	(499,608)
31	Guidance, Counseling, and Evaluation Services	112,247	914	(4,608)	(115,941)
33	Health Services	77,576	612	(564)	(77,528)
34	Student Transportation	313,796	73,432	8,036	(232,328)
35	Food Service	412,566	119,817	183,555	(109,194)
36	Cocurricular/Extracurricular Activities	497,826	3,603	11,165	(483,058)
41	General Administration	713,120	11,022	13,216	(688,882)
51	Facilities Maintenance and Operations	1,091,577	10,249	33,869	(1,047,459)
52	Security and Monitoring Services	47,657	280	54,897	7,520
53	Data Processing Services	146,671	1,133	2,324	(143,214)
61	Community Services	110,225	879	7,730	(101,616)
72	Interest on Long-term Debt	965,752	71	-	(965,681)
73	Bond Issuance Costs and Fees	-	-	-	-
81	Capital Outlay	-	496	3,107	3,603
91	Contracted Instructional Services between Schools	70,224	561	3,519	(66,144)
93	Payments to Shared Services Arrangements	335,015	69,121	14,004	(251,890)
TG	Total Governmental Activities	10,564,367	618,314	886,480	(9,059,573)
TP	Total Primary Government	$ 10,564,367	$ 618,314	$ 886,480	(9,059,573)
	General Revenues:				
MT	Property Taxes, Levied for General Purposes				4,603,137
DT	Property Taxes, Levied for Debt Service				1,971,694
IE	Investment Earnings				499,047
SF	State Aid-Formula Grants				3,020,533
MI	Miscellaneous				222,342
TR	Total General Revenues				10,316,753
CN	Change in Net Position				1,257,180
NB	Net Position - Beginning				6,607,667
NE	Net Position - Ending				$ 7,864,847

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
	ASSETS:			
1110	Cash and Cash Equivalents	$ 2,798,514	$ 323,877	$ 192,381
1120	Current Investments	547,218	-	10,654,367
1225	Taxes Receivable	303,318	47,117	-
1230	Allowance for Uncollectible Taxes (Credit)	(170,285)	(22,838)	-
1240	Due from Other Governments	269,166	6,797	-
1260	Due from Other Funds	1,328	-	-
1000	Total Assets	$ 3,749,259	$ 354,953	$ 10,846,748
	LIABILITIES:			
2110	Accounts Payable	$ -	$ -	$ 693,951
2150	Payroll Deductions and Withholdings	67	-	-
2160	Accrued Wages Payable	344,161	-	-
2170	Due to Other Funds	71,003	-	-
2200	Accrued Expenditures	7,392	-	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	422,623	-	693,951
	DEFERRED INFLOWS OF RESOURCES:			
	Property Taxes	133,033	24,279	-
2600	Total Deferred Inflows of Resources	133,033	24,279	-
	FUND BALANCES:			
	Restricted:			
3450	Federal/State Funds Grant Restrictions	-	-	-
3470	Capital Acquisitions and Contractual Obligations	-	-	10,152,797
3480	Retirement of Long-Term Debt	-	330,674	-
3490	Other Restrictions of Fund Balance - SSA	-	-	-
	Committed:			
3545	Other - Campus Activity	-	-	-
	Assigned:			
3590	Other - Major Projects	300,000	-	-
3600	Unassigned	2,893,603	-	-
3000	Total Fund Balances	3,193,603	330,674	10,152,797
4000	Total Liabilities and Fund Balances	$ 3,749,259	$ 354,953	$ 10,846,748

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit C-1

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2025

Data Control Codes		Other Governmental Funds	98 Total Governmental Funds
	ASSETS:		
1110	Cash and Cash Equivalents	$ 1,032,501	$ 4,347,273
1120	Current Investments	-	11,201,585
1225	Taxes Receivable	-	350,435
1230	Allowance for Uncollectible Taxes (Credit)	-	(193,123)
1240	Due from Other Governments	71,185	347,148
1260	Due from Other Funds	71,003	72,331
1000	Total Assets	$ 1,174,689	$ 16,125,649
	LIABILITIES:		
2110	Accounts Payable	$ -	$ 693,951
2150	Payroll Deductions and Withholdings	-	67
2160	Accrued Wages Payable	67,689	411,850
2170	Due to Other Funds	1,328	72,331
2200	Accrued Expenditures	5,135	12,527
2300	Unearned Revenue	61,167	61,167
2000	Total Liabilities	135,319	1,251,893
	DEFERRED INFLOWS OF RESOURCES:		
	Property Taxes	-	157,312
2600	Total Deferred Inflows of Resources	-	157,312
	FUND BALANCES:		
	Restricted:		
3450	Federal/State Funds Grant Restrictions	3,931	3,931
3470	Capital Acquisitions and Contractual Obligations	-	10,152,797
3480	Retirement of Long-Term Debt	-	330,674
3490	Other Restrictions of Fund Balance - SSA	1,024,526	1,024,526
	Committed:		
3545	Other - Campus Activity	10,913	10,913
	Assigned:		
3590	Other - Major Projects	-	300,000
3600	Unassigned	-	2,893,603
3000	Total Fund Balances	1,039,370	14,716,444
4000	Total Liabilities and Fund Balances	$ 1,174,689	$ 16,125,649

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit C-1R

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2025

Total fund balances - governmental funds balance sheet	$	14,716,444
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		157,312
Capital assets used in governmental activities are not reported in the funds.		14,831,840
Deferred resource outflows related to the pension plan are not reported in the funds.		729,672
Deferred resource outflows related to the OPEB plan are not reported in the funds.		1,186,274
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.		(2,140,598)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.		(1,680,691)
Deferred resource inflows related to the pension plan are not reported in the funds.		(75,958)
Deferred resource inflows related to the OPEB plan are not reported in the funds.		(1,533,635)
Payables for bond principal which are not due in the current period are not reported in the funds.		(16,685,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.		(2,093)
Payables for bond interest which are not due in the current period are not reported in the funds.		(31,422)
Premiums on bonds which are not due and payable in the current period are not reported in the funds.		(1,607,298)
Net position of governmental activities - Statement of Net Position	$	7,864,847

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects Fund
	REVENUES:			
5700	Local and Intermediate Sources	$ 4,869,902	$ 1,948,700	$ 479,231
5800	State Program Revenues	3,418,786	-	-
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	8,288,688	1,948,700	479,231
	EXPENDITURES:			
	Current:			
0011	Instruction	3,929,073	-	-
0012	Instructional Resources and Media Services	104,297	-	-
0023	School Leadership	463,353	-	-
0031	Guidance, Counseling, and Evaluation Services	114,317	-	-
0033	Health Services	76,584	-	-
0034	Student Transportation	293,200	-	-
0035	Food Service	-	-	-
0036	Cocurricular/Extracurricular Activities	450,586	-	-
0041	General Administration	666,304	-	6,500
0051	Facilities Maintenance and Operations	1,210,674	-	26,944
0052	Security and Monitoring Services	35,003	-	-
0053	Data Processing Services	141,662	-	-
0061	Community Services	109,885	-	-
	Debt Service:			
0071	Principal on Long-term Debt	28,686	515,000	-
0072	Interest on Long-term Debt	1,107	1,112,206	-
0081	Facilities Acquisition and Construction	62,000	-	8,289,747
	Intergovernmental:			
0091	Contracted Instructional Services			
0091	Between Public Schools	70,224	-	-
0093	Payments to Shared Service Arrangements	219,600	-	-
6030	Total Expenditures	7,976,555	1,627,206	8,323,191
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	312,133	321,494	(7,843,960)
	Other Financing Sources and (Uses):			
7912	Sale of Real or Personal Property	7,631	-	-
7915	Transfers In	-	-	-
8911	Transfers Out	(81,491)	-	-
7080	Total Other Financing Sources and (Uses)	(73,860)	-	-
1200	Net Change in Fund Balances	238,273	321,494	(7,843,960)
0100	Fund Balances - Beginning	2,955,330	-	17,996,757
	Change within financial reporting entity (nonmajor to major fund)	-	9,180	-
	Fund Balances - Beginning, as Restated	2,955,330	9,180	17,996,757
3000	Fund Balances - Ending	$ 3,193,603	$ 330,674	$ 10,152,797

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Other Governmental Funds	98 Total Governmental Funds
	REVENUES:		
5700	Local and Intermediate Sources	$ 580,219	$ 7,878,052
5800	State Program Revenues	123,318	3,542,104
5900	Federal Program Revenues	680,554	680,554
5020	Total Revenues	1,384,091	12,100,710
	EXPENDITURES:		
	Current:		
0011	Instruction	962,138	4,891,211
0012	Instructional Resources and Media Services	-	104,297
0023	School Leadership	67,034	530,387
0031	Guidance, Counseling, and Evaluation Services	-	114,317
0033	Health Services	-	76,584
0034	Student Transportation	121,792	414,992
0035	Food Service	397,022	397,022
0036	Cocurricular/Extracurricular Activities	26,003	476,589
0041	General Administration	13,496	686,300
0051	Facilities Maintenance and Operations	974	1,238,592
0052	Security and Monitoring Services	53,143	88,146
0053	Data Processing Services	-	141,662
0061	Community Services	-	109,885
	Debt Service:		
0071	Principal on Long-term Debt	-	543,686
0072	Interest on Long-term Debt	-	1,113,313
0081	Facilities Acquisition and Construction	-	8,351,747
	Intergovernmental:		
0091	Contracted Instructional Services		
0091	Between Public Schools	-	70,224
0093	Payments to Shared Service Arrangements	115,415	335,015
6030	Total Expenditures	1,757,017	19,683,969
1100	Excess (Deficiency) of Revenues Over (Under)		
1100	Expenditures	(372,926)	(7,583,259)
	Other Financing Sources and (Uses):		
7912	Sale of Real or Personal Property	-	7,631
7915	Transfers In	372,215	372,215
8911	Transfers Out	(290,724)	(372,215)
7080	Total Other Financing Sources and (Uses)	81,491	7,631
1200	Net Change in Fund Balances	(291,435)	(7,575,628)
0100	Fund Balances - Beginning	1,339,985	22,292,072
	Change within financial reporting entity (nonmajor to major fund)	(9,180)	-
	Fund Balances - Beginning, as Restated	1,330,805	22,292,072
3000	Fund Balances - Ending	$ 1,039,370	$ 14,716,444

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit C-3

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, 2025

Net change in fund balances - total governmental funds	$	(7,575,628)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		28,852
Capital outlays are not reported as expenses in the SOA.		8,776,217
The depreciation / amortization of capital assets used in governmental activities is not reported in the funds.		(654,561)
The gain or loss on the sale of capital assets is not reported in the funds.		(7,631)
Proceeds from the sale of capital assets are reported in the funds but not in the SOA.		7,631
GASB 68 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These pension contributions made after the measurement date of the plan increased ending net position.		196,309
Pension contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction to net pension liability.		(198,556)
Changes in the net pension liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is a decrease in net position.		(181,490)
GASB 75 requires that certain plan expenditures be de-expended and recorded as deferred resource outflows. These OPEB contributions made after the measurement date of the plan increased net position.		50,748
OPEB contributions made before the measurement date and during the previous fiscal year were expended and recorded as a reduction in the net OPEB liability.		(49,475)
Changes in the net OPEB liability and related deferred inflows and outflows are recognized in the government wide financials but are not reported in the fund financial statements. The net effect of the change is an increase in net position.		173,519
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		515,000
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.		8,145
Repayment of right-to-use SBITA principal is an expenditure in the funds but is not an expense in the SOA.		20,541
Changes in accrued interest on bonds from beginning of period to end of period.		32,752
Premiums on bonds are amortized in the SOA but not in the funds.		114,807
Change in net position of governmental activities - Statement of Activities	$	1,257,180

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit E-1

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2025

Data Control Codes		Custodial Funds
	ASSETS:	
1110	Cash and Cash Equivalents	$ 128,752
1000	Total Assets	128,752
	LIABILITIES:	
2000	Total Liabilities	-
	NET POSITION:	
3800	Restricted for Student Activities	128,752
3000	Total Net Position	$ 128,752

The accompanying notes are an integral part of this statement.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit E-2

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2025

	Custodial Funds
ADDITIONS:	
Revenues from Student Activities	$ 165,816
Total Additions	165,816
DEDUCTIONS:	
Payments for Student Activities	159,261
Total Deductions	159,261
Change in Fiduciary Net Position	6,555
Net Position-Beginning of the Year	122,197
Net Position-End of the Year	$ 128,752

The accompanying notes are an integral part of this statement.

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.

Debt Service Fund: This fund is used to account for and report financial resources, restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Fund: This fund is used to account for all financial resources restricted, committed, or assigned to expenditures for the acquisition or construction of capital assets.

In addition, the District reports the following fund types:

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

Custodial funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee 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 lease contracts and subscription-based information technology arrangements 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

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

c. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items are recorded at their acquisition value at the date of donation. The cost of maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of $5,000 is used. Significant accounting policies for right-to-use assets are located at Note G for leases and Note H for Subscription-Based IT Arrangements (SBITAS)

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

Asset Class	Estimated Useful Lives
Buildings and Improvements	10-30 years
Furniture and Equipment	5-15 years
Right-to-Use Assets Leases	27 months
Right-to Use Assets SBITAs	1-2 years

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.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds can consist of the following:

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, which is a Board resolution. 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 designates the authority to assign fund balance to the Superintendent.

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 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.

k. Fund Balance Flow Assumptions

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

4. Pensions

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

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

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

GASB Statement No. 101, *Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means.

The District reviewed its compensated absence policies, historical leave usage, and accrual practices to determine whether liability should be recognized under the new standard. Based on this review the District determined that there was no liability that met the recognition criteria under GASB 101. Accordingly, there was no effect on the District’s financial statements as a result of implementing GASB Statement No. 101.

B. Compliance and Accountability

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

Violation	Action Taken
General Fund and Food Service Fund total expenditures exceeded final budgeted amounts.	The District will closely review the approved amounts adopted by the School Board and propose amendments for unexpected resources needed during the year to prevent future overspending.

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2025, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $5,023,200 and the bank balance was $5,224,982. The District's cash deposits at August 31, 2025 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, 2025 consist of U.S. Treasury Notes and certificates of deposit. The certificates of deposit are entirely covered by FDIC and pledged collateral by the bank, and are included in the cash balance in Note C-1. The District's investments at August 31, 2025 are shown below.

Investment or Investment Type	Maturity	Fair Value
Simmons Bank		
Certificates of Deposit	6 months	$ 547,175
Hilltop Securities Asset Management		
U.S. Treasury Notes	12 months	10,654,410
Total Investments		$ 11,201,585

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Hilltop Securities Asset Management

Hilltop Securities Asset Management assists the District with the management of their invested bond proceeds in the State and Local Government Series Securities (SLGS). The SLGS program was initiated in 1972, following federal legislation enacted in 1969, restricting state and local government entities from earning arbitrage profits from investing bond proceeds in higher yielding investments. Under the SLGS program, special low-interest bearing Treasury securities are offered to tax exempt entities for the investment of bond proceeds subject to IRS arbitrage restrictions. The District's investments are in a Demand Deposit SLGS account and are one-day Certificates of Indebtedness that are automatically rolled over with interest each day until redemption is requested.

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. GASB Statement No. 72, *Fair Value Measurement and Application*, provides a framework for measuring fair value which establishes a three-level fair value hierarchy that describes the inputs that are used to measure the assets and liabilities.

- Level 1 inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 inputs are inputs- other than quoted prices included within Level 1- that are observable for an asset or liability, either directly or indirectly.
- Level 3 inputs are unobservable inputs for an assets or liability

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. If a price for an identical asset or liability is not observable, a government should measure fair value using another valuation technique that maximizes the use of relevant observable inputs and minimizes the use of unobservable inputs. If the fair value of an asset or a liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

Investments' fair value measurements are as follows at August 31, 2025:

		Fair Value Measure Using		
Investments	Fair Value	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Hilltop Securities				
U.S. Treasury Notes	$ 10,654,410	$ -	$ 10,654,410	$ -
Total Investments	$ 10,654,410	$ -	$ 10,654,410	$ -

D. Capital Assets

Capital asset activity for the year ended August 31, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated / amortized:				
Land	$ 312,595	$ -	$ -	$ 312,595
Construction in Progress	165,614	8,096,932	-	8,262,546
Total capital assets not being depreciated / amortized	478,209	8,096,932	-	8,575,141
Capital assets being depreciated / amortized:				
Buildings and improvements	13,355,023	127,422	30,000	13,452,445
Equipment	2,595,630	551,863	-	3,147,493
Right-to-use assets - Leases	32,605	-	-	32,605
Right-to-use assets - SBITAs	66,325	-	66,325	-
Total capital assets being depreciated / amortized	16,049,583	679,285	96,325	16,632,543
Less accumulated depreciation / amortization for:				
Buildings and improvements	(8,170,515)	(408,251)	(30,000)	(8,548,766)
Equipment	(1,577,898)	(218,493)	-	(1,796,391)
Right-to-use assets - Leases	(23,015)	(7,672)	-	(30,687)
Right-to-use assets - SBITAs	(46,180)	(20,145)	(66,325)	-
Total accumulated depreciation / amortization	(9,817,608)	(654,561)	(96,325)	(10,375,844)
Total capital assets being depreciated / amortized, net	6,231,975	24,724	-	6,256,699
Governmental activities capital assets, net	$ 6,710,184	$ 8,121,656	$ -	$ 14,831,840

Depreciation / amortization was charged to functions as follows:

Instruction	$ 358,749
Instructional resources and media services	7,003
School leadership	35,990
Guidance, counseling, and evaluation services	7,675
Health services	5,142
Student transportation	27,863
Food service	26,627
Cocurricular/Extracurricular activities	31,999
General administration	46,079
Facilities maintenance and operations	84,627
Security and monitoring services	5,918
Data processing services	9,511
Community services	7,378
	$ 654,561

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2025, consisted of the following:

Due To Fund	Due From Fund	Amount
General Fund	Nonmajor Governmental Funds	$ 1,328
Nonmajor Governmental Funds	General Fund	71,003
		$ 72,331

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

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2025, consisted of the following:

Transfers To	Transfers From	Amount	Reason
Nonmajor Governmental Funds	General Fund	$ 81,491	To supplement food service fund
Nonmajor Governmental Funds	Nonmajor Governmental Funds	290,724	To supplement Fund 437 with Fund 455
	Total	$ 372,215	

F. 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, 2025, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General Obligation Bonds	$ 17,200,000	$ -	$ 515,000	$ 16,685,000	$ 905,000
Premium on Bond Issuance	1,722,105	-	114,807	1,607,298	-
Net Pension Liability*	2,422,688	-	282,090	2,140,598	-
Net OPEB Liability*	1,196,371	484,320	-	1,680,691	-
Lease Liability	10,238	-	8,145	2,093	2,093
SBITA Liability	20,541	-	20,541	-	-
Total governmental activities	$ 22,571,943	$ 484,320	$ 940,583	$ 22,115,680	$ 907,093

* 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

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2025, are as follows:

Year Ending August 31	Governmental Activities Bonds Principal	Interest	Total
2026	$ 905,000	$ 722,650	$ 1,627,650
2027	950,000	677,400	1,627,400
2028	1,000,000	629,900	1,629,900
2029	1,030,000	599,900	1,629,900
2030	1,060,000	569,000	1,629,000
2031-2035	5,970,000	2,165,850	8,135,850
2036-2040	5,770,000	738,750	6,508,750
Totals	$ 16,685,000	$ 6,103,450	$ 22,788,450

General Obligation Bonds	Interest Rate	Maturity Date	Amount of Original Issue	Amount Outstanding 8/31/2025
2024 Unlimited Tax School Building Bonds	3% to 5%	8/15/2039	$ 17,200,000	$ 16,685,000

The District did not have any unused lines of credit, assets pledged as collateral for debt, or terms specified in debt agreements related to significant events of default with finance-related consequences, termination events with finance-related consequences, or subjective acceleration clauses as of August 31, 2025.

G. Leases

The District is a lessee for noncancelable leases of equipment. The District recognizes a lease liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes lease liabilities with an initial, individual value of $5,000 or more.

At the commencement of a lease, the District measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments. The lease asset is initially measured at the initial amount of the lease liability, adjusted for lease payments made at or before the commencement of the lease term, plus initial direct costs that are ancillary charges necessary to place the lease in service. Subsequently, the lease asset is amortized on a straight-line basis over the shorter of the lease term or its useful life.

Key estimates and judgments related to leases include how the District determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The District uses its estimated incremental borrowing rate as the discount rate for the lease.
- The lease term includes the noncancelable period of the lease.
- Lease payments included in the measurement of the liability are composed of fixed payments and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the lease. The District did not have any commitments under leases not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2025.

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

Future lease payment maturity schedule is as follows:

Year Ending August 31	Principal	Interest	Total
2026	$ 2,093	$ 16	$ 2,109
Totals	$ 2,093	$ 16	$ 2,109

H. Subscription Based IT Arrangements

The District is a contractee for noncancelable Subscriptions Based IT Arrangements (SBITAs). The District recognizes a SBITA liability, reported with long-term debt, and a right-to-use lease asset, reported with other capital assets, in the government-wide financial statements. The District recognizes SBITA liabilities with an initial, individual value of $5,000 or more.

At the commencement of a of a SBITA, the District measures the SBITA liability at the present value of payments expected to be made during the SBITA term. Subsequently, the SBITA liability is reduced by the principal portion of SBITA payments. The SBITA asset is initially measured at the initial amount of the SBITA liability, adjusted for SBITA payments made at or before the commencement of the SBITA term, plus capitalizable initial implementation costs as described in GASB 96 paragraph 29b. Subsequently, the SBITA asset is amortized on a straight-line basis over the shorter of the SBITA term or its useful life.

Key estimates and judgments related to SBITAs include how the District determines (1) the discount rate it uses to discount the expected SBITA payments to present value, (2) SBITA term, and (3) SBITA payments.

- The District uses its estimated incremental borrowing rate as the discount rate for the SBITA.
- The SBITA term includes the noncancelable period of the SBITA.
- SBITA payments included in the measurement of the liability are composed of fixed payments and any other payments that are reasonably certain of being required based on an assessment of all relevant factors.

The District monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect the amount of the SBITA liability.

There were no variable payments or residual value guarantees or penalties not included in the measurement of the SBITA. The District did not have any commitments under SBITAs not yet commenced at year-end, components of losses associated with asset impairments, or sublease transactions for fiscal year 2025.

The District had SBITAs during fiscal year 2025; however, they were fully paid with no outstanding balances as of August 31, 2025.

I. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, the District purchased commercial insurance from Hibbs Hallmark to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

Workers Compensation

The District has established a partially self-funded workers' compensation plan by participating in the Texas Educational Insurance Association. The Association is a public entity risk pool currently operating as a common risk management and insurance program for member colleges and school districts. The main purpose of the Association is to partially self-insure certain worker’s 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 $7,003 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, 2025, are reflected as accounts and claims payable, if material. The plan is funded to discharge liabilities of the fund as they become due.

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

	Year ended 8/31/2025	Year ended 8/31/2024
Unpaid claims, beginning of year	$ 20,106	$ 21,289
Incurred claims	927	640
Claim payments	(2,375)	(1,823)
Unpaid claims, end of year	$ 18,658	$ 20,106

Unemployment Compensation

During the year ended August 31, 2025, 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, 2025, the Fund anticipates that Santo ISD will have 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, 2024, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

J. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately issued Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the internet; by writing to TRS attention Finance Division, PO BOX 149676, Austin, TX, 78714-0185, or by calling 1-800-223-8778.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3% (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic cost of living adjustments (COLAs). Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above. Accordingly, the 2023 Texas Legislature passed Senate Bill (SB) 10 and House Joint Resolution (HJR) 2 to provide eligible retirees with a one-time stipend and an ad hoc cost-of-living-adjustment (COLA).

One-Time Stipends

Stipends, regardless of annuity amount, were paid in September 2023 to annuitants who met the qualifying age requirement on or before August 31, 2023:

- A one-time $7,500 stipend to eligible annuitants who are 75 years of age and older.
- A one-time $2,400 stipend to eligible annuitants age 70 to 74.

Cost-of-Living Adjustment

A cost-of-living adjustment (COLA) was dependent on Texas voters approving a constitutional amendment (Proposition 9) to authorize the COLA. Voters approved the amendment in the November 2023 election and the following COLA was applied to eligible annuitants' payments beginning with their January 2024 payment:

- 2% COLA for eligible retirees who retired between September 1, 2013 through August 31, 2020.
- 4% COLA for eligible retirees who retired between September 1, 2001 through August 31, 2013.
- 6% COLA for eligible retirees who retired on or before August 31, 2001.

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

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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2019 through 2025.

Contribution Rates

	2024	2025
Member	8.25%	8.25%
Non-Employer Contributing Entity (State)	8.25%	8.25%
Employers	8.25%	8.25%

District's 2025 Employer Contributions	$	196,309
District's 2025 Member Contributions	$	428,495
2024 NECE On-Behalf Contributions (State)	$	269,924

Contributors to the plan include active members, employers, and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges and universities, medical schools and state entities 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 colleges, universities and medical schools) are required to pay the employer contribution rate in the following instances:

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any 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 is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.9% of the member's salary beginning in fiscal year 2024, gradually increasing to 2% in fiscal year 2025.

- When employing a retiree of the Teacher Retirement System, the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

5. Actuarial Assumptions

The total pension liability in the August 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.00%
Long-term expected Investment Rate of Return	7.00%
Municipal Bond Rate as of August 2024	3.87% *
Last year ending August 31 in Projection Period (100 years)	2123
Inflation	2.30%
Salary Increases including inflation	2.95% to 8.95%
Ad hoc post-employment benefit changes	None

* The source for the rate is the Bond Buyers 20 Index which represents the estimated yield of a portfolio of 20 general obligation bonds maturing in 20 years based on a survey of municipal bond traders.

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2023. For a full description of these assumptions, please see the actuarial valuation report dated November 21, 2023.

6. Discount Rate

A single discount rate of 7.00% was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.00%. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 9.54% of payroll in fiscal year 2025 and thereafter. This includes all employer and state contributions for active and rehired retirees.

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

The long-term expected rate of return on pension plan investments is 7.00%. The long-term expected rate of return on plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of August 31, 2024 are summarized below:

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.00%	4.40%	1.00%
Non-U.S. Developed	13.00%	4.20%	0.80%
Emerging Markets	9.00%	5.20%	0.70%
Private Equity	14.00%	6.70%	1.20%
Stable Value			
Government Bonds	16.00%	1.90%	0.40%
Stable Value Hedge Funds	5.00%	3.00%	0.20%
Absolute Return*	0.00%	4.00%	0.00%
Real Return			
Real Estate	15.00%	6.60%	1.20%
Energy, Natural Resources and Infrastructure	6.00%	5.60%	0.40%
Commodities	0.00%	2.50%	0.00%
Risk Parity	8.00%	4.00%	0.40%
Asset Allocation Leverage			
Cash	2.00%	1.00%	0.00%
Asset Allocation Leverage	-6.00%	1.30%	-0.10%
Inflation Expectation			2.40%
Volatility Drag ****			-0.70%
Expected Return	**100.00%**		**7.90%**

* Absolute Return includes Credit Sensitive Investments.
** Target allocations are based on the FY2024 policy model.
*** Capital Market Assumptions (CMA) come from 2024 SAA Study CMA Survey (as of 12/31/2023).
**** The volatility drag results 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 percentage point lower than and 1 percentage point higher than the discount rate that was used (7.00%) in measuring the net pension liability.

	1% Decrease in Discount Rate (6.00%)	Discount Rate (7.00%)	1% Increase in Discount Rate (8.00%)
District's proportionate share of the net pension liability:	$ 3,419,078	$ 2,140,598	$ 1,081,287

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

At August 31, 2025, the District reported a liability of $2,140,598 for its proportionate share of the TRS net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	$	2,140,598
State's proportionate share that is associated with District		2,925,829
Total	$	5,066,427

The net pension liability was measured as of August 31, 2023, and rolled forward to August 31, 2024, 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, 2023 through August 31, 2024.

At August 31, 2024 the employer's proportion of the collective net pension liability was 0.003504%, which was a decrease of 0.000023% from its proportion measured as of August 31, 2023.

9. Changes in Assumptions and Benefits Since the Prior Actuarial Valuation

The actuarial assumptions and methods are the same as used in the determination of the prior year's net pension liability.

The 2023 Texas Legislature passed Senate Bill 10 (SB 10), which provided a stipend payment to certain retirees and variable ad hoc cost-of-living adjustments (COLA) to certain retirees in early fiscal year 2024. Due to its timing, the legislation and payments were not reflected in the August 31, 2023 actuarial valuation. Under the roll forward method, an adjustment was made to reflect the legislation in the rolled forward liabilities for the current measurement year, August 31, 2024. SB 10 and House Joint Resolution 2 (HJR 2) of the 88th Regular Legislative Session appropriated payments of $1.645 billion for one-time stipends and $3.355 billion for COLAs. This appropriation is treated as a supplemental contribution and included in other additions. Since the Legislature appropriated funds for this one-time stipend and COLA, there was no impact on the Net Pension Liability of TRS.

For the fiscal year ended August 31, 2025, the District recognized pension expense of $729,731 and revenue of $349,685 for support provided by the State.

At August 31, 2025, the District reported its proportionate share of the TRS deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Actuarial Experience	$ 117,987	$ 16,713
Changes in Actuarial Assumptions	110,524	14,817
Difference Between Projected and Actual Investment Earnings	13,012	-
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	291,840	44,428
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	196,309	-
Total	$ 729,672	$ 75,958

The District recognized $196,309 as deferred outflows of resources related to pension resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the measurement year ended August 31, 2025. The other amounts of the employer's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended August 31	Pension Expense Amount
2026	$ 80,174
2027	317,524
2028	90,843
2029	(37,000)
2030	5,863
Thereafter	1

K. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

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

2. OPEB Plan Fiduciary Net Position

Detailed information about the TRS-Care's fiduciary net position is available in the separately issued TRS Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet; by writing to TRS at P.O. Box 149676, Austin, TX, 78714-0185; or by calling (800) 223-8778.

3. Benefits Provided

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

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

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

TRS-Care Monthly Premium Rates

	Medicare	Non-Medicare
Retiree or Surviving Spouse	$ 135	$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

4. Contributions

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

Section 1575.202 of the Texas Insurance Code establishes the State's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of Salary. Section 1575.204 establishes a public school contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the employer. The actual public school contribution rate is prescribed by the Legislature in the General Appropriations Act, which is 0.75% of each active employee's pay for fiscal year 2024.The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates

	2024	2025
Member	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

District's 2025 Employer Contributions	$ 50,748
District's 2025 Member Contributions	$ 34,184
2024 NECE On-Behalf Contributions (State)	$ 63,024

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

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2023. Update procedures were used to roll forward the total OPEB liability to August 31, 2024.

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2021. The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2023 TRS pension actuarial valuation that was rolled forward to August 31, 2024:

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

The active mortality rates were based on PUB(2010), Amount-Weighted, Below-Median Income, Teacher male and female tables (with a two-year set forward for males). The post-retirement mortality rates for healthy lives were based on the 2021 TRS of Texas Healthy Pensioner Mortality Tables. The rates were projected on a fully generational basis using the ultimate improvement rates from mortality projection scale MP-2021.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2023 rolled forward to August 31, 2024
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	3.87% as of August 31, 2024
Aging Factors	Based on the Society of Actuaries' 2013 Study "Health Care Costs - From Birth to Death".
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases	2.95% to 8.95%, including inflation
Ad hoc post-employment benefit changes	None

6. Discount Rate

A single discount rate of 3.87% was used to measure the Total OPEB Liability. This was a decrease of 0.26% in the discount rate since the previous year.

Because the investments are held in cash and there is no intentional objective to advance fund the benefits, the Single Discount Rate is equal to the prevailing municipal bond rate.

The source of the municipal bond rate is e Bond Buyer’s “20-Bond GO Index” as of August 31, 2024, using the Fixed Income Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the net OPEB liability if the discount rate used was 1% lower than and 1% higher than the discount rate that was used (3.87%) in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.87%)	Discount Rate (3.87%)	1% Increase in Discount Rate (4.87%)
District's proportionate share of the net OPEB liability:	$ 1,996,739	$ 1,680,691	$ 1,425,319

8. Healthcare Trend Rate Sensitivity Analysis

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

	1% Decrease in the Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in the Healthcare Trend Rate
District's proportionate share of the net OPEB liability:	$ 1,368,673	$ 1,680,691	$ 2,087,281

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

At August 31, 2025, the District reported a liability of $1,680,691 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	$ 1,680,691
State's proportionate share that is associated with District	2,105,883
Total	$ 3,786,574

The net OPEB liability was measured as of August 31, 2023 and rolled forward to August 31, 2024; and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The District's proportion of the net OPEB liability was based on the District's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2023 through August 31, 2024.

At August 31, 2024 the District's proportion of the collective net OPEB liability was 0.005537%, which was an increase of 0.000133% from its proportion measured as of August 31, 2023.

10. Changes Since the Prior Actuarial Valuation

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

- The single discount rate changed from 4.13% as of August 31, 2023 to 3.87% as of August 31, 2024, accompanied by revised demographic and economic assumptions based on the TRS experience study.
- The tables used to model the impact of aging on the underlying claims were revised.

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

The amount of OPEB expense recognized by the District in the reporting period was ($397,770) and revenue of ($273,726) for support provided by the State.

At August 31, 2025, 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 Actuarial Experience	$ 322,132	$ 838,756
Changes in Actuarial Assumptions	215,109	548,390
Difference Between Projected and Actual Investment Earnings	-	4,706
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	598,285	141,783
Contributions paid to TRS subsequent to the measurement date of the Net OPEB Liability	50,748	-
Total	$ 1,186,274	$ 1,533,635

The District recognized $50,478 as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, which will be recognized as a reduction of the net OPEB liability in the fiscal year ended August 31, 2026. The other amounts of the District's balances of deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended August 31	OPEB Expense Amount
2026	$ (166,965)
2027	(90,844)
2028	(155,073)
2029	(79,031)
2030	(9,417)
Thereafter	103,221

11. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal year ended August 31, 2025, the subsidy payment received by TRS-Care on behalf of the District was $34,753.

L. Employee Health Care Coverage

During the year ended August 31, 2025, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of $325 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third-party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

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

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

M. Commitments and Contingencies

1. Commitments

The District has a commitment for a construction project to complete the high school expansion. The contract was in progress but not completed as of fiscal year end. The total contractual commitments outstanding as of August 31, 2025 total approximately $13,393,225.

2. 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 collectability 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.

3. Litigation

No reportable litigation was pending against the District at August 31, 2025.

N. Shared Services Arrangements

Shared Services Arrangement – Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in funds 437 (SSA Operating Fund) and 455 (SSA SHARs Fund) and are accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member Districts		Expenditures
Gordon ISD	$	136,575
Graford ISD		177,549
Palo Pinto ISD		34,140
Santo ISD		314,581
Strawn ISD		81,944
Total	$	744,789

O. Adjustments to Beginning Balances

The Debt Service Fund became a major fund due to current year activity. Accordingly, GASB Statement 100 *Accounting Changes and Error Corrections* applies. As a result the beginning fund balances of the nonmajor governmental funds has been changed as follows:

	Governmental		
	Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
Beginning fund balance, as previously reported	$ -	$ 1,339,985	$ 1,339,985
Change from nonmajor to major fund	9,180	(9,180)	-
Beginning fund balance, as adjusted	$ 9,180	$ 1,330,805	$ 1,339,985

P. Subsequent Events

The District evaluated subsequent events through November 17, 2025, the date the financial statements were available to be issued and no subsequent events were noted.

Required Supplementary Information

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

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
	REVENUES:				
5700	Local and Intermediate Sources	$ 4,685,853	$ 4,685,853	$ 4,869,902	$ 184,049
5800	State Program Revenues	2,423,552	2,423,552	3,418,786	995,234
5020	Total Revenues	7,109,405	7,109,405	8,288,688	1,179,283
	EXPENDITURES:				
	Current:				
	Instruction and Instructional Related Services:				
0011	Instruction	4,085,821	3,930,876	3,929,073	1,803
0012	Instructional Resources and Media Services	115,500	106,217	104,297	1,920
0013	Curriculum and Instructional Staff Development	4,900	4,900	-	4,900
	Total Instruction and Instr. Related Services	4,206,221	4,041,993	4,033,370	8,623
	Instructional and School Leadership:				
0023	School Leadership	455,015	471,260	463,353	7,907
	Total Instructional and School Leadership	455,015	471,260	463,353	7,907
	Student Support Services:				
0031	Guidance, Counseling and Evaluation Services	151,755	121,738	114,317	7,421
0033	Health Services	80,625	80,625	76,584	4,041
0034	Student Transportation	362,910	300,911	293,200	7,711
0036	Extracurricular Activities	430,560	452,992	450,586	2,406
	Total Student Support Services	1,025,850	956,266	934,687	21,579
	Administrative Support Services:				
0041	General Administration	642,260	673,494	666,304	7,190
	Total Administrative Support Services	642,260	673,494	666,304	7,190
	Support Services:				
0051	Facilities Maintenance and Operations	1,017,060	1,236,776	1,210,674	26,102
0052	Security and Monitoring Services	26,000	39,500	35,003	4,497
0053	Data Processing Services	154,050	147,550	141,662	5,888
	Total Support Services	1,197,110	1,423,826	1,387,339	36,487
	Ancillary Services:				
0061	Community Services	111,550	111,550	109,885	1,665
	Total Ancillary Services	111,550	111,550	109,885	1,665
	Debt Service:				
0071	Principal on Long-Term Debt	4,000	7,734	28,686	(20,952)
0072	Interest on Long-Term Debt	-	-	1,107	(1,107)
	Total Debt Service	4,000	7,734	29,793	(22,059)
	Capital Outlay:				
0081	Facilities Acquisition and Construction	110,000	63,600	62,000	1,600
	Total Capital Outlay	110,000	63,600	62,000	1,600
	Intergovernmental Charges:				
0091	Contracted Instr. Services Between Public Schools	-	-	70,224	(70,224)
0093	Payments to Shared Service Arrangements	219,600	219,600	219,600	-
	Total Intergovernmental Charges	219,600	219,600	289,824	(70,224)
6030	Total Expenditures	7,971,606	7,969,323	7,976,555	(10,497)

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit G-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budgeted Amounts Original	2 Budgeted Amounts Final	3 Actual	Variance with Final Budget Positive (Negative)
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	$ (862,201)	$ (859,918)	$ 312,133	$ 1,172,051
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	-	-	7,631	7,631
8911	Transfers Out	-	(10,488)	(81,491)	(71,003)
7080	Total Other Financing Sources and (Uses)	-	(10,488)	(73,860)	(63,372)
1200	Net Change in Fund Balance	(862,201)	(870,406)	238,273	1,108,679
0100	Fund Balance - Beginning	2,955,330	2,955,330	2,955,330	-
3000	Fund Balance - Ending	$ 2,093,129	$ 2,084,924	$ 3,193,603	$ 1,108,679

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit G-2

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

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the net pension liability	0.004%	0.004%	0.003%	0.003%	0.002%	0.003%	0.003%	0.002%	0.002%	0.002%
District's proportionate share of the net pension liability	$ 2,140,598	$ 2,422,688	$ 1,873,644	$ 643,067	$ 1,190,093	$ 1,356,149	$ 1,431,570	$ 765,293	$ 865,296	$ 812,949
State's proportionate share of the net pension liability associated with the District	2,925,829	3,279,052	2,736,831	1,273,430	2,768,766	2,401,151	2,592,073	1,600,369	1,986,350	1,952,916
Total	$ 5,066,427	$ 5,701,740	$ 4,610,475	$ 1,916,497	$ 3,958,859	$ 3,757,300	$ 4,023,643	$ 2,365,662	$ 2,851,646	$ 2,765,865
District's covered payroll	$ 4,716,923	$ 4,459,042	$ 3,875,159	$ 3,508,884	$ 3,374,741	$ 3,106,449	$ 2,915,537	$ 2,913,014	$ 2,830,679	$ 2,831,310
District's proportionate share of the net pension liability as a percentage of its covered payroll	45.38%	54.33%	48.35%	18.33%	35.26%	43.66%	49.10%	26.27%	30.57%	28.71%
Plan fiduciary net position as a percentage of the total pension liability	77.51%	73.15%	75.62%	88.79%	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit G-3

SCHEDULE OF DISTRICT'S PENSION CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	$ 196,309	$ 198,556	$ 180,985	$ 146,887	$ 107,651	$ 92,439	$ 91,184	$ 87,186	$ 78,383	$ 72,754
Contributions in relation to the contractually required contribution	(196,309)	(198,556)	(180,985)	(146,887)	(107,651)	(92,439)	(91,184)	(87,186)	(78,383)	(72,754)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 5,193,882	$ 4,716,923	$ 4,459,042	$ 3,875,159	$ 3,508,884	$ 3,374,741	$ 3,106,449	$ 2,915,537	$ 2,913,014	$ 2,830,679
Contributions as a percentage of covered payroll	3.78%	4.21%	4.06%	3.79%	3.07%	2.74%	2.94%	2.99%	2.69%	2.57%

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit G-4

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

	Measurement Year									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
District's proportion of the collective net OPEB liability	0.006%	0.005%	0.005%	0.005%	0.004%	0.004%	0.005%	0.004%	0.000%	0.000%
District's proportionate share of the collective net OPEB liability	$ 1,680,691	$ 1,196,371	$ 1,224,894	$ 1,739,099	$ 1,622,120	$ 2,025,918	$ 2,466,302	$ 1,878,796	$ -	$ -
State proportionate share of the collective net OPEB liability associated with the District	2,105,883	1,443,605	1,494,178	2,330,005	2,179,741	2,691,995	2,514,182	2,321,612	-	-
Total	$ 3,786,574	$ 2,639,976	$ 2,719,072	$ 4,069,104	$ 3,801,861	$ 4,717,913	$ 4,980,484	$ 4,200,408	$ -	$ -
District's covered payroll	$ 4,716,923	$ 4,459,042	$ 3,875,159	$ 3,508,884	$ 3,374,741	$ 3,106,449	$ 2,915,537	$ 2,913,014	$ -	$ -
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	35.63%	26.83%	31.61%	49.56%	48.07%	65.22%	84.59%	64.50%	0.00%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	13.70%	14.94%	11.52%	6.18%	4.99%	2.66%	1.57%	0.91%	0.00%	0.00%

* 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 inform this schedule provides the information only for those years for which information is available.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit G-5

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

	Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily or contractually required District contribution	$ 50,748	$ 49,475	$ 46,846	$ 41,954	$ 35,202	$ 32,968	$ 30,390	$ 34,075	$ -	$ -
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(50,748)	(49,475)	(46,846)	(41,954)	(35,202)	(32,968)	(30,390)	(34,075)	-	-
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 5,193,882	$ 4,716,923	$ 4,459,042	$ 3,875,159	$ 3,508,884	$ 3,374,741	$ 3,106,449	$ 2,915,537	$ -	$ -
Contributions as a percentage of covered payroll	0.98%	1.05%	1.05%	1.08%	1.00%	0.98%	0.98%	1.17%	-	-

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

SANTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2025

Budget

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

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

b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.

c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

Defined Benefit Pension Plan and Defined Benefit OPEB Plan

Changes of benefit terms

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

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

Changes of assumptions

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

Any 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 K).

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, 2025

Exhibit J-1

Year Ended August 31	1 Tax Rates Maintenance	2 Tax Rates Debt Service	3 Assessed/Appraised Value For School Tax Purposes	10 Beginning Balance 9/1/2024	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/2025	99 Total Taxes Refunded Under Sect. 26.1115(c)
2016 and Prior Years	Various	Various	Various	$ 99,456	$ -	$ 228	$ 25	$ 33	$ 99,236	
2017	1.1700	.1380	267,674,824	6,960	-	335	40	(13)	6,572	
2018	1.1700	.1310	270,859,905	5,268	-	524	59	(3)	4,682	
2019	1.1700	--	282,565,298	4,785	-	656	-	(17)	4,112	
2020	1.0683	--	303,734,075	6,540	-	2,406	-	-	4,134	
2021	1.0077	--	338,033,442	11,318	-	7,298	-	-	4,020	
2022	.9603	--	413,616,995	22,421	-	7,034	-	-	15,387	
2023	.9429	--	554,490,614	54,223	-	9,138	-	(248)	44,837	
2024	.7844	--	531,251,137	89,737	-	37,246	-	(6,290)	46,201	
2025 (School Year Under Audit)	.7552	.3263	627,714,859	-	6,788,673	4,464,522	1,928,399	(274,498)	121,254	
1000 Totals				$ 300,708	$ 6,788,673	$ 4,529,387	$ 1,928,523	$ (281,036)	$ 350,435	

8000 - Total Taxes Refunded under Section 26.1115, Tax Code $ -

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 Palo Pinto and Erath County Tax Offices.

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.

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit J-2

NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budget	2 Actual	3 Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	$ 125,000	$ 120,220	$ (4,780)
5800	State Program Revenues	15,000	15,050	50
5900	Federal Program Revenues	240,000	180,261	(59,739)
5020	Total Revenues	380,000	315,531	(64,469)
	EXPENDITURES:			
	Current			
0035	Food Service	396,795	397,022	(227)
6030	Total Expenditures	396,795	397,022	(227)
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(16,795)	(81,491)	(64,696)
1200	Net Change in Fund Balance	(16,795)	(81,491)	(64,696)
	Other Financing Sources (Uses):			
7915	Transfers In	-	81,491	81,491
7080	Total Other Financing Sources and (Uses)	-	81,491	81,491
1200	Net Change in Fund Balance	(16,795)	-	(16,795)
0100	Fund Balance - Beginning	-	-	-
3000	Fund Balance - Ending	$ (16,795)	$ -	$ (16,795)

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit J-3

DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		1 Budget	2 Actual	3 Variance with Final Budget Positive (Negative)
	REVENUES:			
5700	Local and Intermediate Sources	$ 1,927,706	$ 1,948,700	$ 20,994
5020	Total Revenues	1,927,706	1,948,700	20,994
	EXPENDITURES:			
	Debt Service:			
0071	Principal on Long-Term Debt	550,000	515,000	35,000
0072	Interest on Long-Term Debt	1,377,206	1,112,206	265,000
0073	Bond Issuance Costs and Fees	500	-	500
6030	Total Expenditures	1,927,706	1,627,206	300,500
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	-	321,494	321,494
1200	Net Change in Fund Balance	-	321,494	321,494
0100	Fund Balance - Beginning	9,180	9,180	-
3000	Fund Balance - Ending	$ 9,180	$ 330,674	$ 321,494

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit J-4

USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM

FOR THE YEAR ENDED AUGUST 31, 2025

Data Control Codes		Responses
	Section A: Compensatory Education Programs	
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	$ 322,322
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30)	$ 596,511
	Section B: Bilingual Education Programs	
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	$ 12,234
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PIC 25)	$ 33,037

SNOWGARRETT WILLIAMS
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

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

Members of the Board of Trustees:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Santo Independent School District, as of and for the year ended August 31, 2025, 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 17, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

We noted certain matters that we reported to management of Santo Independent School District in a separate letter dated November 17, 2025.

1207 Santa Fe Drive • Weatherford, Texas 76086 • 817-596-9301 • Fax 817-596-9304

Purpose of this Report

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



Snow Garrett Williams
November 17, 2025

SANTO INDEPENDENT SCHOOL DISTRICT

Exhibit L-1

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS

FOR THE YEAR ENDED AUGUST 31, 2025

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