

ALTO INDEPENDENT SCHOOL DISTRICT
Alto, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2017

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INTRODUCTORY SECTION

ALTO INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2017

Alto Independent School District
Name of School District

Cherokee
County

037-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 13th day of November.


Signature of Board Secretary


Signature of Board President

If the Board of Trustees disapproved of the auditors' report, the reason(s) for disapproving it is (are):
(attach list as necessary)

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Alto Independent School District
Alto, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Alto Independent School District ("the District"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of August 31, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 8-12 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2017, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report on page 53-54 is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
November 13, 2017

ALTO INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Alto Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2017. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

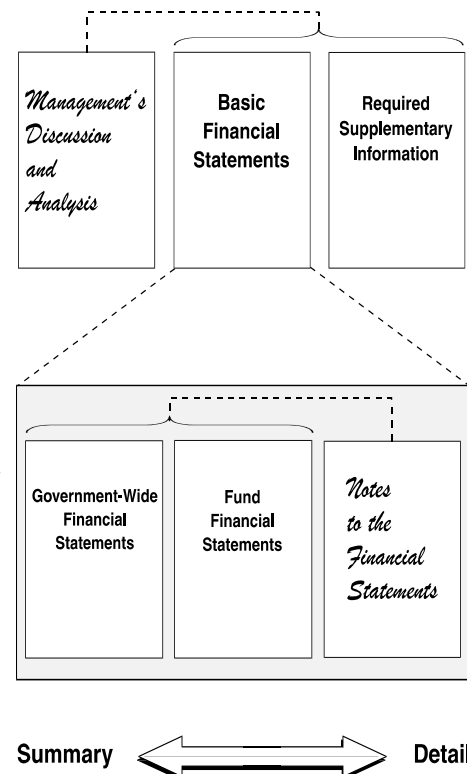
- The District's total combined net position was \$5,410,954 at August 31, 2017.
- During the year, the District's expenses were \$321,531 less than the \$7,419,290 generated in taxes and other revenues for governmental activities.
- The fund balance of the general fund is \$2,097,447 which increased \$124,417 from the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts -*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, liabilities, deferred inflows and outflows. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the District's net position and how they have changed. Net position - the difference between the District's assets and liabilities - is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the governmental activities of the District. These are the basic services such as instruction, extracurricular activities, curriculum and staff development, health services, and administration. Property taxes, state aid, and federal grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds* - not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

Governmental Funds - Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental fund statement, or on the subsequent page, that explains the relationship (or differences) between them.

Fiduciary Funds - The District is the trustee, or *fiduciary*, for money raised by student activities. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was \$5,410,954 as of August 31. (See Table A-1).

Table A-1
Alto Independent School District's Net Position

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	
Current Assets:			
Cash and investments	\$ 2 578 240	\$ 2 357 764	9.35%
Taxes receivable	22 324	22 576	- %
Due from other governments	191 460	221 235	(13.46)%
Prepaid expenses	38	-	100.00%
TOTAL CURRENT ASSETS	<u>2 792 062</u>	<u>2 601 575</u>	7.32%
Noncurrent Assets:			
Land	221 081	221 081	- %
Buildings and improvements, net	6 174 739	6 538 506	(5.56)%
Furniture, vehicles and equipment, net	551 512	634 662	(13.10)%
Construction in progress	302 251	-	100.00%
TOTAL NONCURRENT ASSETS	<u>7 249 583</u>	<u>7 394 249</u>	(1.96)%
Deferred Outflows:			
Deferred outflows - pension	798 060	956 781	16.59%
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>10 839 705</u>	<u>10 952 605</u>	(1.03)%
Current Liabilities:			
Accounts payable and accrued liabilities	420 055	583 715	218.65%
Due within one year	500 000	465 000	7.53%
TOTAL CURRENT LIABILITIES	<u>920 055</u>	<u>1 048 715</u>	125.04%
Long-Term Liabilities:			
Due in more than one year	4 264 942	4 590 306	(38.46)%
TOTAL LIABILITIES	<u>5 184 997</u>	<u>5 639 021</u>	(8.05)%
Deferred Inflows:			
Deferred inflows - Pension	243 754	224 161	8.74%
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>5 428 751</u>	<u>5 863 182</u>	(7.41)%
Net Position:			
Invested in capital assets	3 708 188	3 356 330	10.48%
Restricted	256 128	271 369	(5.62)%
Unrestricted	1 446 638	1 461 724	(1.03)%
TOTAL NET POSITION	<u>\$ 5 410 954</u>	<u>\$ 5 089 423</u>	6.32%

Changes in Net Position. The District's total revenues were \$7,419,290. A significant portion, 23 percent, of the District's revenue comes from taxes. (See Figure A-3) 68 percent comes from state aid - formula grants, while only 9 percent relates to operating grants.

The total cost of all programs and services was \$7,097,759; 58 percent of these costs are for instructional and student services.

Table A-2
Changes in Alto School District's Net Position

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	
Program Revenues:			
Charges for services	\$ 37 215	\$ 42 153	(11.71)%
Operating grants and contributions	564 066	617 028	(8.58)%
General Revenues:			
Property taxes	1 707 522	1 639 577	4.14%
State aid - Formula	5 047 100	5 220 797	(3.33)%
Investment earnings	18 515	6 872	169.43%
Other	44 872	82 037	(45.3)%
TOTAL REVENUES	<u>7 419 290</u>	<u>7 608 464</u>	(2.49)%
Instruction	4 125 709	4 296 564	(3.98)%
Instructional resources and media services	77 102	80 360	(4.05)%
Curriculum development and instructional staff development	33 906	16 745	102.48%
Instructional leadership	20 743	20 264	2.36%
School leadership	443 562	416 604	6.47%
Guidance, counseling and evaluation	113 994	110 701	2.97%
Health services	50 726	56 326	(9.94)%
Student transportation	225 438	224 222	0.54%
Food services	397 487	432 662	(8.13)%
Curricular/extracurricular activities	479 027	472 643	1.35%
General administration	392 022	365 985	7.11%
Plant maintenance and operations	507 030	486 284	4.27%
Security and monitoring services	3 503	22 321	(84.31)%
Data processing	24 498	23 757	3.12%
Interest and fees on long term debt	65 758	108 740	(39.53)%
Bond issuance costs and fees	750	125 452	(99.40)%
Payments to related SSA's	93 034	95 884	(2.97)%
Other intergovernmental charges	43 470	36 990	17.52%
TOTAL EXPENSES	<u>7 097 759</u>	<u>7 392 504</u>	(3.99)%
INCREASE IN NET POSITION	\$ <u>321 531</u>	\$ <u>215 960</u>	48.89%

- The cost of all *governmental* activities this year was \$7,097,759.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,707,522.
- Some of the cost was paid by those who directly benefited from the programs \$37,215 or by grants and contributions of \$564,066.

General Fund Budgetary Highlights

The District's budget compared to actual expenditures was \$273,116 under final budget amounts. The District expects no significant changes to the budget for the 2017-18 year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had invested \$7,249,583 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-3). This amount represents a net decrease (including additions and deductions, and depreciation) of \$144,666 over last year.

Table A-3
District's Capital Assets

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	
Land	\$ 221 081	\$ 221 081	- %
Buildings and improvements	12 536 065	12 536 065	- %
Vehicles and equipment	1 752 425	1 724 071	1.64%
Construction in progress	302 251	-	100.00%
TOTALS AT HISTORICAL COST	14 811 822	14 481 217	2.35%
TOTAL ACCUMULATED DEPRECIATION	(7 562 239)	(7 086 968)	6.71%
NET CAPITAL ASSETS	\$ 7 249 583	\$ 7 394 249	(1.96)%

More detailed information about the District's capital assets is presented in the notes to the financial statements.

Long-term Liabilities

At year-end the District had \$3,325,000 in general obligation bonds outstanding and \$1,227,440 in net pension liability as shown in Table A-4. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

Table A-4
District's Long-term Liabilities

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2017	2016	
General obligation bonds	\$ 3 325 000	\$ 3 790 000	(12.3)%
Net pension liability	1 227 440	1 265 306	(3.0)%
TOTAL LONG-TERM LIABILITIES	\$ 4 552 440	\$ 5 055 306	(10.0)%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General operating fund spending per student is not expected to change significantly in the 2017-2018 school year.
- The District does not expect any significant change in the 2017 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2017. The District will use current resources to finance programs we currently offer.

The District has added no major new programs or initiatives to the 2017-2018 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Business Office.

BASIC FINANCIAL STATEMENTS

ALTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2017

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 2 578 240
1225	Property taxes receivable (net allowance of \$89,296)	22 324
1240	Due from other governments	191 460
1410	Prepaid expenditures	38
	Capital Assets:	
1510	Land	221 081
1580	Construction in progress	302 251
1520	Buildings and improvements, net	6 174 739
1530	Furniture and equipment, net	<u>551 512</u>
1000	TOTAL ASSETS	<u>10 041 645</u>
	Deferred Outflows:	
1700	Deferred outflows - Pension	<u>798 060</u>
	TOTAL DEFERRED OUTFLOWS	<u>798 060</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>10 839 705</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	167 939
2140	Interest payable	3 893
2150	Payroll and withholding payable	56 780
2160	Accrued liabilities	191 443
2501	Due within one year	500 000
2516	Premium on issuance of bond	212 502
	Noncurrent Liabilities:	
2502	Due in more than one year	2 825 000
2540	Net pension liability	<u>1 227 440</u>
2000	TOTAL LIABILITIES	<u>5 184 997</u>
	Deferred Inflows:	
2600	Deferred inflows - Pension	<u>243 754</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>5 428 751</u>
	NET POSITION	
3200	Net investment in capital assets	3 708 188
	Restricted for:	
3820	Federal and state programs	180 131
3850	Debt service	75 997
3900	Unrestricted	<u>1 446 638</u>
3000	TOTAL NET POSITION	<u>\$ 5 410 954</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2017

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1 EXPENSES	3 PROGRAM REVENUES		4 OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
			CHARGES FOR SERVICES			GOVERNMENTAL ACTIVITIES
	Governmental Activities:					
11	Instruction	\$ 4 125 709	\$ -	\$ 231 091	\$ (3 894 618)	
12	Instruction resources and media services	77 102	-	-	(77 102)	
13	Curriculum and staff development	33 906	-	29 966	(3 940)	
21	Instructional leadership	20 743	-	7 832	(12 911)	
23	School leadership	443 562	-	-	(443 562)	
31	Guidance, counseling, and evaluation services	113 994	-	-	(113 994)	
33	Health services	50 726	-	-	(50 726)	
34	Student transportation	225 438	-	4 818	(220 620)	
35	Food services	397 487	4 015	289 059	(104 413)	
36	Cocurricular/extracurricular activities	479 027	33 200	-	(445 827)	
41	General administration	392 022	-	1 300	(390 722)	
51	Plant maintenance and operations	507 030	-	-	(507 030)	
52	Security and monitoring services	3 503	-	-	(3 503)	
53	Data processing services	24 498	-	-	(24 498)	
72	Interest on long-term debt	65 758	-	-	(65 758)	
73	Bond issuance costs and fees	750	-	-	(750)	
93	Payments related to shared services arrangements	93 034	-	-	(93 034)	
99	Other intergovernmental charges	43 470	-	-	(43 470)	
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>7 097 759</u>	<u>37 215</u>	<u>564 066</u>	<u>(6 496 478)</u>	
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 7 097 759</u>	<u>\$ 37 215</u>	<u>\$ 564 066</u>	<u>(6 496 478)</u>	
	General Revenues:					
MT	Property taxes, levied for general purposes				1 352 109	
DT	Property taxes, levied for debt service				355 413	
IE	Investment earnings				18 515	
GC	Grants and contributions not restricted to specific programs				5 047 100	
MI	Miscellaneous				44 872	
TR	TOTAL GENERAL REVENUES				<u>6 818 009</u>	
CN	CHANGE IN NET POSITION				321 531	
NB	Net position - Beginning				<u>5 089 423</u>	
NE	NET POSITION - ENDING				<u>\$ 5 410 954</u>	

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2017

EXHIBIT C-1

DATA CONTROL CODES		10 GENERAL FUND	60 CAPITAL PROJECTS FUNDS	OTHER GOVERN- MENTAL FUNDS	98 TOTAL FUNDS
	ASSETS				
1110	Cash and cash investments	\$ 2 205 706	\$ 112 712	\$ 259 822	\$ 2 578 240
1225	Taxes receivable, net	17 676	-	4 648	22 324
1240	Due from other governments	154 893	-	36 567	191 460
1260	Due from other funds	18 396	-	-	18 396
1410	Prepaid expenditures	-	-	38	38
1000	TOTAL ASSETS	<u>2 396 671</u>	<u>112 712</u>	<u>301 075</u>	<u>2 810 458</u>
1700	DEFERRED OUTFLOWS	-	-	-	-
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>\$ 2 396 671</u>	<u>\$ 112 712</u>	<u>\$ 301 075</u>	<u>\$ 2 810 458</u>
	LIABILITIES AND FUND BALANCE				
	Current Liabilities:				
2110	Accounts payable	\$ 50 127	\$ 112 712	\$ 5 100	\$ 167 939
2150	Payroll and withholding payable	56 780	-	-	56 780
2160	Accrued liabilities	174 640	-	15 392	190 032
2170	Due to other funds	-	-	18 396	18 396
2210	Accrued expenses	-	-	1 411	1 411
2000	TOTAL LIABILITIES	<u>281 547</u>	<u>112 712</u>	<u>40 299</u>	<u>434 558</u>
	DEFERRED INFLOWS				
2300	Unearned revenue	<u>17 677</u>	-	<u>4 648</u>	<u>22 325</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>299 224</u>	<u>112 712</u>	<u>44 947</u>	<u>456 883</u>
	Fund Balances:				
	Restricted:				
3450	State/Federal grants	-	-	180 131	180 131
3480	Retirement of long-term debt	-	-	75 997	75 997
3550	Assigned - Construction and technology	650 000	-	-	650 000
3600	Unassigned	<u>1 447 447</u>	-	-	<u>1 447 447</u>
3000	TOTAL FUND BALANCE	<u>2 097 447</u>	-	<u>256 128</u>	<u>2 353 575</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2 396 671</u>	<u>\$ 112 712</u>	<u>\$ 301 075</u>	<u>\$ 2 810 458</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2017

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 2 353 575
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Capital assets used in governmental activities are not reported in the funds.	7 249 583
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	22 325
Payables for bond principal which are not due in the current period are not reported in the funds.	(3 537 502)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3 893)
Some Liabilities, Including Net Pension Obligations, are not Due and Payable in the Current Period and, therefore, are not reported in the Funds:	
Net pension liability (from pension schedule)	(1 227 440)
Deferred Outflows and Inflows or Resources Related to Pensions are Applicable to Future Periods and therefore, are not Reported in the Funds:	
Deferred outflows of resources related to pensions	798 060
Deferred inflows of resources related to pensions (from pension schedule)	<u>(243 754)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	<u>\$ 5 410 954</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2017

EXHIBIT C-2

DATA CONTROL CODES		10 GENERAL FUND	60 CAPITAL PROJECTS FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	Revenues:				
5700	Local and intermediate sources	\$ 1 441 310	\$ -	\$ 367 066	\$ 1 808 376
5800	State program revenues	4 802 846	-	241 158	5 044 004
5900	Federal program revenues	28 950	-	538 212	567 162
5020	TOTAL REVENUES	<u>6 273 106</u>	<u>-</u>	<u>1 146 436</u>	<u>7 419 542</u>
	Expenditures:				
	Current:				
0011	Instruction	3 528 602	-	221 241	3 749 843
0012	Instructional resources and media services	71 780	-	-	71 780
0013	Curriculum and staff development	3 940	-	29 966	33 906
0021	Instructional leadership	12 911	-	7 832	20 743
0023	School leadership	427 946	-	-	427 946
0031	Guidance, counseling and evaluation services	109 959	-	-	109 959
0033	Health services	48 594	-	-	48 594
0034	Student transportation	155 300	-	4 818	160 118
0035	Food services	-	-	329 772	329 772
0036	Cocurricular/extracurricular activities	428 130	-	-	428 130
0041	General administration	372 359	-	1 300	373 659
0051	Plant maintenance and operations	528 246	-	-	528 246
0052	Security and monitoring services	3 503	-	-	3 503
0053	Data processing services	21 183	-	-	21 183
0071	Principal on long-term debt	-	-	465 000	465 000
0072	Interest on long-term debt	-	-	101 175	101 175
0073	Bond issuance costs and fees	-	-	750	750
0081	Capital outlay	-	302 251	-	302 251
0093	Payments to SSA	93 034	-	-	93 034
0099	Other intergovernmental charges	43 470	-	-	43 470
6030	TOTAL EXPENDITURES	<u>5 848 957</u>	<u>302 251</u>	<u>1 161 854</u>	<u>7 313 062</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>424 149</u>	<u>(302 251)</u>	<u>(15 418)</u>	<u>106 480</u>
	Other Financing Sources:				
7915	Transfers in	-	299 555	177	299 732
8911	Transfers out	(299 732)	-	-	(299 732)
	TOTAL OTHER FINANCING SOURCES	<u>(299 732)</u>	<u>299 555</u>	<u>177</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	124 417	(2 696)	(15 241)	106 480
0100	Fund balance - Beginning	<u>1 973 030</u>	<u>2 696</u>	<u>271 369</u>	<u>2 247 095</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 097 447</u>	<u>\$ -</u>	<u>\$ 256 128</u>	<u>\$ 2 353 575</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES, AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended August 31, 2017

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 106 480
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(485 221)
Capital outlays are not reported as expenses in the SOA.	340 555
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(252)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	465 000
(Increase) decrease in accrued interest, issue cost and premium from beginning of period to end of period.	35 417
Governmental funds report District pension contributions as expenditures in the government wide statements the cost of pension benefits earned net of employee contributions is reported as pension expense.	<u>(140 448)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ 321 531</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2017

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 47 534
1000	TOTAL ASSETS	\$ <u>47 534</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ 47 534
2000	TOTAL LIABILITIES	\$ <u>47 534</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of Alto 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.

A. 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" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund is used to account for financial resources to be used for the acquisition, renovation, or construction of major capital facilities.

In addition, the District reports the following fund types:

Debt Service Fund: This debt service fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Special Revenue Fund: These funds are used to account for the proceeds of specific revenue sources (other than agency funds or capital projects) such as federal, state, or locally financed programs where unused balances are returned to the grantor at the close of specified project periods. Funds are legally restricted to expenditures for specified purposes.

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

Measurement Focus, Basis of Accounting:

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

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

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

Fund Balance:

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- Nonspendable fund balance - amounts that are not in spendable form (such as inventory and prepaid expense) or are required to be maintained intact.
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

- Committed fund balance - amounts constrained to specific purposes by the District itself, using its highest level of decision-making authority (i.e., School Board). To be reported as committed, amounts cannot be used for any other purpose unless the District takes the same highest level action to remove or change the constraint.
- Assigned fund balance - amounts the District intends to use for a specific purpose. Intent can be expressed by the School Board or by an official or body to which the School Board delegates the authority.
- Unassigned fund balance - amounts that are available for any purpose. Positive amounts are reported only in the general fund.

The School Board establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by School Board through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

Deferred Outflows/Inflows of Resources:

In addition to assets, the statement of financial position 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 or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement 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 or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

C. Financial Statement Amounts

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.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 77: Tax Abatement Disclosures:

This standard became effective for the District in fiscal year 2017. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

1. Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
2. The gross dollar amount of taxes abated during the period.
3. Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

This District does not have any abatements at this time, therefore, the implementation had no effect on the District's financial statements.

Inventories and Prepaid Items:

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

Capital Assets:

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

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

<u>ASSET CLASS</u>	<u>ESTIMATED USEFUL LIVES</u>
Buildings	15-30
Improvements (including infrastructure)	15-30
Transportation equipment	5-10
Furniture, fixtures and equipment	5-10

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.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the use of management's estimates, that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

Data Control Codes:

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

Budgetary Data:

The Board of Trustees adopts an annual budget consistent with generally accepted accounting principles for the General Fund, Debt Service Fund, and the Child Nutrition Fund (which is included in the Special Revenue Funds). The District is required to present the adopted and final budgeted revenues and expenditures for each of these funds.

The following procedures are followed in establishing the budgetary data reflected in the budgetary comparison schedules.

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meeting. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after the fiscal year end. During the fiscal year ended August 31, 2017, the District did not make any significant budget amendments that increased overall appropriations over the original budget.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Each budget is monitored by the business manager at the revenue and expenditure function/object level. Budgeted amounts are amended by the Board. All budget appropriations lapse at year end.
5. Encumbrances for goods or purchased services are documented by the purchase order or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. The District did not have any outstanding encumbrances as of August 31, 2017 that were to be provided for in the 2017-2018 budget.

Pensions:

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

Subsequent Events:

Management has evaluated subsequent events through November 13, 2017, the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS

A. Deposits and Investments

Legal and Contractual Provisions Governing Deposits and Investments

The funds of the District must be deposited and invested under the terms of a contract, contents of which are set out in the Depository Contract Law. The depository bank places approved pledged securities for safekeeping and trust with the District's agent bank 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.

At August 31, the bank amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$258,232.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District 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, (9) and bid solicitation preferences for certificates of deposits. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The district is in substantial compliance with the requirements of the Act and with local policies.

As of August 31, the District had the following investments:

NAME	CARRYING AMOUNT	MARKET VALUE	WEIGHTED AVERAGE MATURITY (DAYS)
Lone Star Investment Pool	\$ 2 367 086	\$ 2 367 086	22

Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

Lone Star Investment Pool was organized in 1991 in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Pool is administered by First Public, formerly known as Texas Association of School Boards Financial Services. Lone Star investment Pool is governed by an 11-member board, all of whom are participants in the Pool. An independent, third-party investment consultant reports directly to the Board of Trustees. The independent consultant, RBC Dain Rauscher, Inc., Dallas, Texas, reviews the daily operations of the Pool, analyzes all investment transactions for compliance with the Investment Policy, monitors activities of the custodian bank, and compares the investment advisor's performance with benchmarks and a peer group of similarly managed funds. The Pool also employs an independent, third-party bank, The Bank of New York, headquartered in New York, New York, to perform custody and valuation services. The Lone Star Investment Pool is subject to annual review by an independent auditor consistent with the Public Funds Investment Act. Ernst & Young, 700 Lavaca Street, Suite 1400, Austin, Texas 78701, performs the annual audit.

Policies Governing Deposits and Investments

In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. That policy does address the following risks:

Custodial Credit Risk - Deposits: This is the risk that in the event of bank failure, the District's deposits may not be returned to it. The District was not exposed to custodial credit risk since its deposits at year-end were covered by depository insurance or by pledged collateral held by the District's agent bank in the District's name.

Custodial Credit Risk - Investments: This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments are subject to custodial credit risk only if they are evidenced by securities that exist in physical or book entry form; thus, positions in external investment pools are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED

Other Credit Risk - There is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. To minimize credit risk, Lone Star Investment Pool only invests in investments authorized under the Public Funds Investment Act. As of August 31, Lone Star Investment Pool's investment credit quality rating was AAA (Standard & Poor's).

NOTE 3 - DUE TO AND FROM OTHER FUNDS

Balance due to and due from other funds at August 31, 2017, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Other Governmental Fund	\$ 18 396	Short-term loans
	TOTAL	<u>\$ 18 396</u>	

All amounts due are scheduled to be repaid within one year

NOTE 4 - TRANSFERS

<u>TRANSFER TO FUND</u>	<u>TRANSFER FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
Capital Project Fund	General Fund	\$ 299 555	Short-term loans
Other Governmental Fund	General Fund	177	Short-term loans
	TOTAL	<u>\$ 299 732</u>	

All amounts due are scheduled to be repaid within one year

NOTE 5 - CAPITAL ASSETS

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

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ -	\$ 302 251	\$ -	\$ 302 251
Land	221 081	-	-	221 081
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>221 081</u>	<u>302 251</u>	<u>-</u>	<u>523 332</u>
Capital Assets Being Depreciated:				
Buildings and improvements	12 536 065	-	-	12 536 065
Vehicles and equipment	1 724 071	38 304	(9 950)	1 752 425
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>14 260 136</u>	<u>38 304</u>	<u>(9 950)</u>	<u>14 288 490</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(5 997 559)	(363 767)	-	(6 361 326)
Vehicles and equipment	(1 089 409)	(121 454)	9 950	(1 200 913)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 086 968)</u>	<u>(485 221)</u>	<u>9 950</u>	<u>(7 562 239)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>7 173 168</u>	<u>(446 917)</u>	<u>-</u>	<u>6 726 251</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 7 394 249</u>	<u>\$ (144 666)</u>	<u>\$ -</u>	<u>\$ 7 249 583</u>

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2017

NOTE 5 - CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Instruction	\$	276 340
Instructional resources and media services		3 785
School leadership		6 117
Guidance, counseling and evaluation services		972
Health services		260
Student transportation		63 165
Food services		58 498
Extracurricular activities		45 824
General administration		11 547
Plant maintenance and operations		15 398
Data processing services		3 315
	\$	485 221

NOTE 6 - LONG-TERM OBLIGATIONS

Long-Term Obligation Activity:

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

		BEGINNING BALANCE		INCREASES		DECREASES		ENDING BALANCE		AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:										
General obligation bonds	\$	3 790 000	\$	-	\$	465 000	\$	3 325 000	\$	500 000
Premium on bond		247 919		-		35 417		212 502		-
TOTAL GOVERNMENTAL ACTIVITIES	\$	4 037 919	\$	-	\$	500 417	\$	3 537 502	\$	500 000

Debt Service Requirements:

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

YEAR ENDING AUGUST 31,	GOVERNMENTAL ACTIVITIES		
	PRINCIPAL	INTEREST	TOTAL
2018	\$ 500 000	\$ 84 550	\$ 584 550
2019	520 000	74 350	594 350
2020	535 000	61 125	596 125
2021	565 000	44 625	609 625
2022	590 000	27 300	617 300
2023	615 000	9 225	624 225
TOTALS	\$ 3 325 000	\$ 301 175	\$ 3 626 175

The refunding bonds payable have an interest rate from 2.0% to 3.0%.

NOTE 7 - 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 the fiscal year 2017, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlement exceeding insurance coverage for each of the past three fiscal years.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 8 - PENSION PLAN

A. Plan Description

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

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

B. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

C. Benefits Provided

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

D. Contributions

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

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2017

NOTE 8 - PENSION PLAN - CONTINUED

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017. *Contribution Rates can be found in the TRS 2016 CAFR, Note 12, on page 82.*

	CONTRIBUTION RATES	
	2016	2017
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions	\$ 105 990	\$ 103 203
Member Contributions	\$ 92 909	\$ 95 616
NECE On-behalf Contributions	\$ 216 218	\$ 228 785

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

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

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2016

NOTE 8 - PENSION PLAN - CONTINUED

E. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions: *Actuarial Assumptions can be found in the 2016 TRS CAFR, Note 12, page 85.*

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term Expected Investment Rate of Return	8.00%
Inflation	2.50%
Salary Increases	3.50% to 9.50% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

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

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2017

NOTE 8 - PENSION PLAN - CONTINUED

F. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. *The Discount Rate can be found in the 2016 TRS CAFR on page 85.* There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN</u>	<u>EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS*</u>
Global Equity			
U.S.	18.0%	4.6%	1.0%
Non-U.S. Developed	13.0%	5.1%	0.8%
Emerging Markets	9.0%	5.9%	0.7%
Directional Hedge Funds	4.0%	3.2%	0.1%
Private Equity	13.0%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11.0%	0.7%	0.1%
Absolute Return	0.0%	1.8%	0.0%
Stable Value Hedge Funds	4.0%	3.0%	0.1%
Cash	1.0%	(0.2)%	0.0%
Real Return			
Global Inflation Linked Bonds	3.0%	0.9%	0.0%
Real Assets	16.0%	5.1%	1.1%
Energy and Natural Resources	3.0%	6.6%	0.2%
Commodities	0.0%	1.2%	0.0%
Risk Parity			
Risk Parity	5.0%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	<u>100.0%</u>		<u>8.7%</u>

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

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2017

NOTE 8 - PENSION PLAN - CONTINUED

G. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability. *The discount rate can be found in the 2016 TRS CAFR, Note 12, page 85.*

	1% DECREASE IN DISCOUNT RATE (7.0%)	DISCOUNT RATE (8.0%)	1% INCREASE IN DISCOUNT RATE (9.0%)
District proportionate share of the net pension liability	\$ 1 899 664	\$ 1 227 440	\$ 657 259

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

At August 31, 2017, the District reported a liability of \$1,227,440 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1 227 440
State's proportionate share that is associated with the District	829 723
TOTAL	\$ <u>2 057 163</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2016 the District's proportion of the collective net pension liability was 0.0032% which was an increase (decrease) of 0.0003% from its proportion measured as of August 31, 2015.

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

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

For the year ended August 31, 2017, the District recognized pension expense of \$198,112 and revenue of \$228,785 for support provided by the State.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2017

NOTE 8 - PENSION PLAN - CONTINUED

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: *Current year amounts can be found on the Schedule of Future Deferrals, columns H-N.*

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 19 246	\$ 36 651
Changes in actuarial assumptions	37 410	34 023
Difference between projected and actual investment earnings	236 529	132 592
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	276 199	40 488
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	228 676	-
TOTAL	\$ 798 060	\$ 243 754

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2018	\$ 58 950
2019	\$ 58 950
2020	\$ 125 246
2021	\$ 53 856
2022	\$ 32 647
Thereafter	\$ (4 019)

NOTE 9 - HEALTH CARE COVERAGE

Plan Description - The Alto School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit postemployment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Website at www.trs.state.tx.us, by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1.800.223.8778.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2017

NOTE 9 - HEALTH CARE COVERAGE - CONTINUED

Funding Policy - Contribution requirements are not actuarially determined, but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203 and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contributing a percentage of payroll set at 0.55% for fiscal years 2017, 2016 and 2015. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. The contribution rates and amounts for fiscal years 2017-2015 are shown below:

CONTRIBUTION RATES AND AMOUNTS						
YEAR	MEMBER		STATE		SCHOOL DISTRICT	
	RATE	AMOUNT	RATE	AMOUNT	RATE	AMOUNT
2016	0.65%	\$ 26 182	1.00%	\$ 40 280	0.55%	\$ 22 154
2015	0.65%	\$ 26 231	1.00%	\$ 40 356	0.55%	\$ 22 196
2014	0.65%	\$ 25 672	1.00%	\$ 39 496	0.55%	\$ 21 723

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 Texas Public School Retiree Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2017, 2016 and 2015, the subsidy payments received by TRS-Care on behalf of the District were:

YEAR	AMOUNT
2017	\$ 18 288
2016	\$ 15 017
2015	\$ 15 787

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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.

Litigation:

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

Workers Compensation Fund:

The District has joined together with other area districts to form a self-insurance workers' compensation risk pool. Claims administration and processing for the Pool is provided by Claim Administrative Services, Inc. The agreement for the formation of the Pool provides that the Pool will be self sustaining through member premiums and will reinsure through commercial insurance companies for claims in excess of \$225,000 for each insured event, with unlimited aggregate. The Pool contracts with Safety National Casualty Corporation for reinsurance.

The District maintains a bank account that is administered by Claims Administrative Services, Inc. for the payment of claims. The balance of the account at August 31 was \$1,955. This is less than the claims unpaid at year end.

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.

ALTO INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2017

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL	FINAL		
		BUDGET	BUDGET		
	Revenues:				
5700	Local and intermediate sources	\$ 1 335 610	\$ 1 335 610	\$ 1 441 310	\$ 105 700
5800	State program revenues	4 741 463	4 741 463	4 802 846	61 383
5900	Federal program revenues	45 000	45 000	28 950	(16 050)
5020	TOTAL REVENUES	<u>6 122 073</u>	<u>6 122 073</u>	<u>6 273 106</u>	<u>151 033</u>
	Expenditures:				
	Current:				
0011	Instruction	3 635 093	3 635 093	3 528 602	106 491
0012	Instructional resources and media services	76 100	76 100	71 780	4 320
0013	Curriculum and staff development	9 000	9 000	3 940	5 060
0021	Instructional leadership	15 000	15 000	12 911	2 089
0023	School leadership	426 557	426 957	427 946	11
0031	Guidance, counseling and evaluation services	109 836	109 961	109 959	2
0033	Health services	53 508	53 508	48 594	4 914
0034	Student (pupil) transportation	180 516	180 516	155 300	25 216
0036	Cocurricular/extracurricular activities	448 047	448 047	428 130	19 917
0041	General administration	402 248	402 248	372 359	29 889
0051	Plant maintenance and operations	588 768	587 243	528 246	58 997
0052	Security and monitoring services	8 500	8 500	3 503	4 997
0053	Data processing	21 900	21 900	21 183	717
0093	Shared service arrangements	95 000	95 000	93 034	1 966
0099	Other intergovernmental charges	52 000	52 000	43 470	8 530
6030	TOTAL EXPENDITURES	<u>6 122 073</u>	<u>6 122 073</u>	<u>5 848 957</u>	<u>273 116</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>424 149</u>	<u>424 149</u>
	Other Financing Sources (Uses):				
8911	Transfer out	-	-	(299 732)	(299 732)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(299 732)</u>	<u>(299 732)</u>
1200	NET CHANGE IN FUND BALANCES	-	-	124 417	124 417
0100	Fund balance - Beginning	<u>1 973 030</u>	<u>1 973 030</u>	<u>1 973 030</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 1 973 030</u>	<u>\$ 1 973 030</u>	<u>\$ 2 097 447</u>	<u>\$ 124 417</u>

See independent auditors' report.

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

EXHIBIT G-2

	2017	2016	2015
District's proportion of the net pension liability (asset)	0.0032%	0.0036%	0.0021%
District's proportionate share of the net pension liability (asset)	\$ 1 227 440	\$ 1 265 306	\$ 567 132
State's proportionate share of the net pension liability (asset) associated with the District	829 723	858 657	438 793
TOTAL	\$ 2 057 163	\$ 2 123 963	\$ 1 005 925
District's covered-employee payroll	\$ 4 027 971	\$ 4 035 591	\$ 3 949 563
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.47%	31.40%	14.40%
Plan fiduciary net position as a percentage of the total pension liability	78.00%	78.43%	83.30%

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

ALTO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT CONTRIBUTIONS
 TEACHER RETIREMENT SYSTEM
 LAST TEN FISCAL YEARS*

EXHIBIT G-3

	2017	2016	2015
Contractually required contribution	\$ 198 113	\$ 106 234	\$ 53 532
Contributions in relation to the contractually required contribution	198 113	106 234	53 532
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4 027 971	\$ 4 035 591	\$ 3 949 563
Contributions as a percentage of covered-employee payroll	4.9%	2.6%	1.4%

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

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

ALTO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 August 31, 2017

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	ASSETS			
1110	Cash	\$ 183 825	\$ 75 997	\$ 259 822
1225	Taxes receivable, net	-	4 648	4 648
1240	Due from other governments	36 567	-	36 567
1410	Prepaid expenditures	38	-	38
1000	TOTAL ASSETS	\$ 220 430	\$ 80 645	\$ 301 075
	LIABILITIES			
	Current Liabilities:			
2110	Accounts payable	\$ 5 100	\$ -	\$ 5 100
2160	Accrued liabilities	15 392	-	15 392
2170	Due to other funds	18 396	-	18 396
2210	Other accrued expenses	1 411	-	1 411
2000	TOTAL LIABILITIES	40 299	-	40 299
	DEFERRED INFLOWS			
2300	Unearned revenue	-	4 648	4 648
	TOTAL LIABILITIES AND DEFERRED INFLOWS	40 299	4 648	44 947
	FUND BALANCES			
	Restricted Fund Balances:			
3450	State/Federal grants	180 131	-	180 131
3480	Retirement of long-term debt	-	75 997	75 997
3000	TOTAL FUND BALANCES	180 131	75 997	256 128
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 220 430	\$ 80 645	\$ 301 075

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2017

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 11 649	\$ 355 417	\$ 367 066
5800	State program revenues	25 854	215 304	241 158
5900	Federal program revenues	538 212	-	538 212
5020	TOTAL REVENUES	<u>575 715</u>	<u>570 721</u>	<u>1 146 436</u>
	Expenditures:			
	Current:			
0011	Instruction	221 241	-	221 241
0013	Curriculum and staff development	29 966	-	29 966
0021	Instructional leadership	7 832	-	7 832
0034	Student transportation	4 818	-	4 818
0035	Food service	329 772	-	329 772
0041	General administration	1 300	-	1 300
0071	Principal on long-term debt	-	465 000	465 000
0072	Interest on long-term debt	-	101 175	101 175
0073	Bond issuance cost and fees	-	750	750
6030	TOTAL EXPENDITURES	<u>594 929</u>	<u>566 925</u>	<u>1 161 854</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(19 214)</u>	<u>3 796</u>	<u>(15 418)</u>
	Other Financing Sources:			
7915	Transfers in	177	-	177
	TOTAL OTHER FINANCING SOURCES	<u>177</u>	<u>-</u>	<u>177</u>
1200	NET CHANGE IN FUND BALANCES	(19 037)	3 796	(15 241)
0100	Fund balances - Beginning	<u>199 168</u>	<u>72 201</u>	<u>271 369</u>
3000	FUND BALANCES - ENDING	<u>\$ 180 131</u>	<u>\$ 75 997</u>	<u>\$ 256 128</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2017

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA B FORMULA	225 IDEA B PRESCHOOL	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM
	ASSETS				
1120	Investments	\$ 9 490	\$ -	\$ -	\$ 46 965
1242	Due from other governments	10 570	19 720	-	4 549
1410	Prepaid expense	-	-	-	38
1000	TOTAL ASSETS	<u>\$ 20 060</u>	<u>\$ 19 720</u>	<u>\$ -</u>	<u>\$ 51 552</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ -	\$ 5 100
2160	Accrued liabilities	9 118	1 187	-	3 578
2170	Due from other funds	-	18 396	-	-
2210	Other accrued expenses	1 107	137	-	-
2000	TOTAL LIABILITIES	<u>10 225</u>	<u>19 720</u>	<u>-</u>	<u>8 678</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	State/Federal grants	9 835	-	-	42 874
3000	TOTAL FUND BALANCES	<u>9 835</u>	<u>-</u>	<u>-</u>	<u>42 874</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 20 060</u>	<u>\$ 19 720</u>	<u>\$ -</u>	<u>\$ 51 552</u>

See independent auditor's report.

242	255	270	410	429	TOTAL
SUMMER FEEDING PROGRAM	ESEA TITLE II TRAINING AND RECRUITING	TITLE VI, PART B RURAL AND LOW INCOME SCHOOL	TEXTBOOK FUND	MATH ACHIEVEMENT ACADEMICS	NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
\$ 5 676	\$ 115 309	\$ 3 010	\$ 3 375	\$ -	\$ 183 825
-	1 728	-	-	-	36 567
-	-	-	-	-	38
<u>\$ 5 676</u>	<u>\$ 117 037</u>	<u>\$ 3 010</u>	<u>\$ 3 375</u>	<u>\$ -</u>	<u>\$ 220 430</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5 100
-	1 509	-	-	-	15 392
-	-	-	-	-	18 396
-	167	-	-	-	1 411
-	1 676	-	-	-	40 299
<u>5 676</u>	<u>115 361</u>	<u>3 010</u>	<u>3 375</u>	<u>-</u>	<u>180 131</u>
<u>5 676</u>	<u>115 361</u>	<u>3 010</u>	<u>3 375</u>	<u>-</u>	<u>180 131</u>
<u>\$ 5 676</u>	<u>\$ 117 037</u>	<u>\$ 3 010</u>	<u>\$ 3 375</u>	<u>\$ -</u>	<u>\$ 220 430</u>

ALTO INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2017

DATA CONTROL CODES	211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA B FORMULA	225 IDEA B PRESCHOOL	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	
Revenues:					
5700	Local and intermediate services	\$ -	\$ -	\$ -	\$ 11 649
5800	State program revenues	-	-	-	10 690
5900	Federal program revenues	<u>189 155</u>	<u>19 705</u>	<u>367</u>	<u>269 643</u>
5020	TOTAL REVENUES	<u>189 155</u>	<u>19 705</u>	<u>367</u>	<u>291 982</u>
Expenditures:					
Current:					
0011	Instruction	145 747	19 719	367	-
0013	Curriculum and staff development	22 570	-	-	-
0021	Instructional leadership	6 185	-	-	-
0034	Student transportation	4 818	-	-	-
0035	Food service	-	-	-	321 251
0041	General administration	-	-	-	-
6030	TOTAL EXPENDITURES	<u>179 320</u>	<u>19 719</u>	<u>367</u>	<u>321 251</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>9 835</u>	<u>(14)</u>	<u>-</u>	<u>(29 269)</u>
Other Financing Sources:					
7915	Transfer in	-	14	-	-
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	9 835	-	-	(29 269)
0100	Fund balances - Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>72 143</u>
3000	FUND BALANCES ENDING	<u>\$ 9 835</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42 874</u>

See independent auditor's report.

242	255	270	410	429	TOTAL
SUMMER FEEDING PROGRAM	ESEA TITLE II TRAINING AND RECRUITING	TITLE VI, PART B RURAL AND LOW INCOME SCHOOL	TEXTBOOK FUND	MATH ACHIEVEMENT ACADEMICS	NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 11 649
368	-	-	11 738	3 058	25 854
<u>8 358</u>	<u>39 863</u>	<u>11 121</u>	<u>-</u>	<u>-</u>	<u>538 212</u>
<u>8 726</u>	<u>39 863</u>	<u>11 121</u>	<u>11 738</u>	<u>3 058</u>	<u>575 715</u>
-	34 764	3 773	12 600	4 271	221 241
-	927	6 469	-	-	29 966
-	1 047	600	-	-	7 832
-	-	-	-	-	4 818
8 521	-	-	-	-	329 772
<u>-</u>	<u>1 300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 300</u>
<u>8 521</u>	<u>38 038</u>	<u>10 842</u>	<u>12 600</u>	<u>4 271</u>	<u>594 929</u>
<u>205</u>	<u>1 825</u>	<u>279</u>	<u>(862)</u>	<u>(1 213)</u>	<u>(19 214)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163</u>	<u>177</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163</u>	<u>177</u>
205	1 825	279	(862)	(1 050)	(19 037)
<u>5 471</u>	<u>113 536</u>	<u>2 731</u>	<u>4 237</u>	<u>1 050</u>	<u>199 168</u>
\$ <u>5 676</u>	\$ <u>115 361</u>	\$ <u>3 010</u>	\$ <u>3 375</u>	\$ <u>-</u>	\$ <u>180 131</u>

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.

ALTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
For the Year Ended August 31, 2017

YEAR ENDED AUGUST 31,	(1) TAX RATES		(2)	(3)
	MAINTENANCE	DEBT SERVICE	ASSESSED/APPRaisal	VALUE FOR SCHOOL TAX PURPOSES
2008 and prior years	Various	Various		Various
2009	1.040	0.0543	\$	147 664 316
2010	1.040	0.2365	\$	159 541 571
2011	1.040	0.2444	\$	145 401 223
2012	1.040	0.2735	\$	137 104 301
2013	1.040	0.2735	\$	136 509 937
2014	1.040	0.2735	\$	125 403 850
2015	1.040	0.2735	\$	129 502 943
2016	1.040	0.2735	\$	128 950 011
2017 (School year under audit)	1.040	0.2735	\$	134 905 146
TOTALS				

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2016	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2017
\$ 14 890	\$ -	\$ 379	\$ 14	\$ (4 305)	\$ 10 192
2 175	-	74	17	(161)	1 923
3 928	-	324	76	(169)	3 359
4 541	-	874	230	(173)	3 264
6 123	-	1 662	437	(168)	3 856
7 835	-	1 761	463	(168)	5 443
9 057	-	1 369	360	(582)	6 746
15 900	-	4 109	1 081	(180)	10 530
48 430	-	25 898	6 811	(403)	15 318
-	1 691 136	1 291 009	339 511	(9 627)	50 989
<u>\$ 112 879</u>	<u>\$ 1 691 136</u>	<u>\$ 1 327 459</u>	<u>\$ 349 000</u>	<u>\$ (15 936)</u>	<u>\$ 111 620</u>

ALTO INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2017

EXHIBIT J-3

DATA CONTROL CODES	1		ACTUAL AMOUNTS	3	
	BUDGETED AMOUNTS			VARIANCE	
	ORIGINAL BUDGET	FINAL		POSITIVE (NEGATIVE)	
Revenues:					
5700	Local and intermediate sources	\$ 25 000	\$ 25 000	\$ 11 649	\$ (13 351)
5800	State program revenues	10 639	10 639	10 690	51
5900	Federal program revenues	<u>319 113</u>	<u>319 113</u>	<u>269 643</u>	<u>(49 470)</u>
5020	TOTAL REVENUES	<u>354 752</u>	<u>354 752</u>	<u>291 982</u>	<u>(62 770)</u>
Expenditures:					
Current:					
Support Services - Student:					
0035	Food services	<u>354 752</u>	<u>354 752</u>	<u>321 251</u>	<u>33 501</u>
6030	TOTAL EXPENDITURES	<u>354 752</u>	<u>354 752</u>	<u>321 251</u>	<u>33 501</u>
1200	NET CHANGE IN FUND BALANCE	-	-	(29 269)	(29 269)
0100	Fund balance - Beginning	<u>72 143</u>	<u>72 143</u>	<u>72 143</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 72 143</u>	<u>\$ 72 143</u>	<u>\$ 42 874</u>	<u>\$ (29 269)</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2017

EXHIBIT J-4

DATA CONTROL CODES	1		2	3	
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL BUDGET	FINAL BUDGET			
Revenues:					
5700	Local and intermediate sources	\$ 371 718	\$ 371 718	\$ 355 417	\$ (16 301)
5800	State program revenues	225 223	224 832	215 304	(9 528)
5020	TOTAL REVENUES	<u>596 941</u>	<u>596 550</u>	<u>570 721</u>	<u>(25 829)</u>
Expenditures:					
Debt Service:					
0071	Principal on long-term debt	465 000	465 000	465 000	-
0072	Interest on long-term debt	130 550	130 550	101 175	29 375
0073	Bond issuance costs and fees	1 000	1 000	750	250
6030	TOTAL EXPENDITURES	<u>596 550</u>	<u>596 550</u>	<u>566 925</u>	<u>29 625</u>
1200	NET CHANGE IN FUND BALANCE	391	-	3 796	3 796
0100	Fund balance - Beginning	<u>72 201</u>	<u>72 201</u>	<u>72 201</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 72 592</u>	<u>\$ 72 201</u>	<u>\$ 75 997</u>	<u>\$ 3 796</u>

See independent auditor's report.

ALTO INDEPENDENT SCHOOL DISTRICT
 CAPITAL PROJECT FUND
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2017

EXHIBIT J-5

DATA CONTROL CODES	1		2	3	
	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL BUDGET	FINAL BUDGET			
Revenues:					
5700	Local and intermediate sources	\$ 450 000	\$ 450 000	\$ -	\$ (450 000)
5020	TOTAL REVENUES	<u>450 000</u>	<u>450 000</u>	<u>-</u>	<u>(450 000)</u>
Expenditures:					
0081	Capital outlay	450 000	450 000	302 251	147 749
6030	TOTAL EXPENDITURES	<u>450 000</u>	<u>450 000</u>	<u>302 251</u>	<u>147 749</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES					
1000		<u>-</u>	<u>-</u>	<u>(302 251)</u>	<u>(302 251)</u>
Other Financing Sources (Uses):					
7915	Transfers in	-	-	299 555	299 555
	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>299 555</u>	<u>299 555</u>
1200	NET CHANGE IN FUND BALANCE	-	-	(2 696)	(2 696)
0100	Fund balance - Beginning	<u>-</u>	<u>2 696</u>	<u>2 696</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ 2 696</u>	<u>\$ -</u>	<u>\$ (2 696)</u>

See independent auditor's report.

INDEPENDENT AUDITORS' 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
Alto Independent School District
Alto, Texas

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 Alto Independent School District as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alto Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alto Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Alto 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. We noted an instance described in the accompanying schedule of findings and questioned costs as items 2017-01.

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

Compliance and Other Matters

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

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.

Lufkin, Texas
November 13, 2017


CERTIFIED PUBLIC ACCOUNTANTS

ALTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION
For the Year Ended August 31, 2017

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

A single audit is not required since total federal expenditures are less than \$750,000.

B. Financial Statement Findings

2017-01 - Segregation of Duties

Condition: Due to the limited number of personnel, a total segregation of certain accounting functions is not possible.

Criteria: The district should have procedures in place that would ensure proper segregation of certain accounting functions, especially, but not limited to the functions of recording, authorizing and custody.

Effect: As a result, the design or operation of procedures might 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.

Cause: The Board of Trustees has determined it would not be economically feasible to employ additional staff.

Recommendation: We recommend that the Board of Trustees continue to monitor the internal accounting control procedures in use to assure that compensating controls are being utilized to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner. These actions would mitigate, but not eliminate the risk of misstatement or misappropriation.

Contact: Superintendent Kerry Birdwell

Timeframe: Ongoing

ALTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION - CONTINUED
For the Year Ended August 31, 2017

Corrective Action Plan

2017-01 - Segregation of Duties

District management will continue to monitor the internal accounting control procedures in use to assure that compensating controls are being utilized to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner.

ALTO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2017

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
<p>2016-01 - Segregation of Duties</p> <p>The Board of Trustees has determined that it would not be economically feasible to employ additional staff. As a result, the Board of Trustees will continue to monitor the internal accounting control procedures in use to assure that compensating controls are being utilized to provide assurance that assets are safeguarded and transactions are proper and recorded in a timely manner. These actions by the Board would mitigate, but not eliminate the risk for the District.</p>	Continuing	
<p>2016-02 - Expenditures Exceeding Budgetary Amounts</p> <p>The District exceeded the budget in two functions. The District amended the budget in current year for non cash transactions.</p>	Complete	

ALTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2017

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ -
SF11	Net Pension Assets (1920) at fiscal year-end.	\$ -
SF12	Net Pension Liabilities (2540) at fiscal year-end.	\$ 1 227 440
SF13	Pension Expense (6147) at fiscal year-end.	\$ -