

ALTO INDEPENDENT SCHOOL DISTRICT  
Alto, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2018

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INTRODUCTORY SECTION

ALTO INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2018

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, 2018, at a meeting of the Board of Trustees of such school district on the 12th day of November, 2018.

  
\_\_\_\_\_  
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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2018, 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, budgetary comparison, pension and other post-employment benefit information on pages 8-12 and 43 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 12, 2018, 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 59-60 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.

Lufkin, Texas  
November 12, 2018

  
CERTIFIED PUBLIC ACCOUNTANTS

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, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

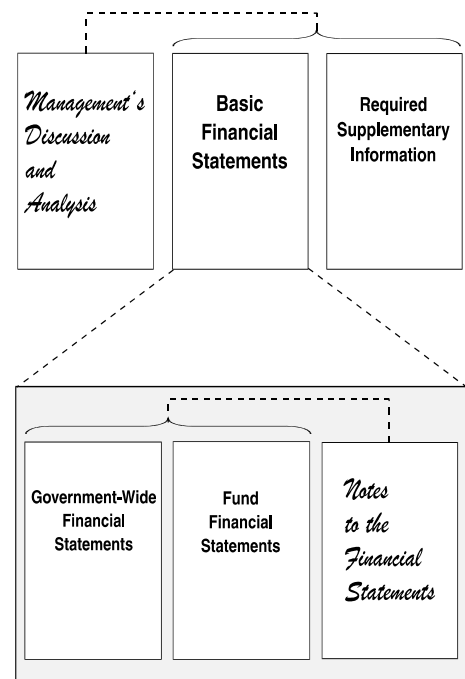
- The District's total combined net position was \$3,239,520 at August 31, 2018.
- During the year, the District's expenses were \$1,467,549 more than the \$8,271,691 generated in taxes and other revenues for governmental activities.
- The fund balance of the general fund is \$2,367,249 which increased \$269,802 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

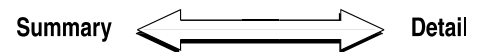
This annual report consists of three parts -*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- 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, liabilities, deferred inflows and outflows - 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 \$3,239,520 as of August 31. (See Table A-1).

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

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2018	2017	
Current Assets:			
Cash and investments	\$ 2 613 481	\$ 2 578 240	1.37%
Taxes receivable, net	24 321	22 324	%
Due from other governments	377 697	191 460	97.27%
Prepaid expenses	-	38	(100.00)%
TOTAL CURRENT ASSETS	<u>3 015 499</u>	<u>2 792 062</u>	8.00%
Noncurrent Assets:			
Land	221 081	221 081	- %
Buildings and improvements, net	6 451 914	6 174 739	4.49%
Furniture, vehicles and equipment, net	641 793	551 512	16.37%
Construction in progress	-	302 251	(100.00)%
TOTAL NONCURRENT ASSETS	<u>7 314 788</u>	<u>7 249 583</u>	0.90%
Deferred Outflows:			
Deferred outflows	<u>576 754</u>	<u>798 060</u>	(27.73)%
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>10 907 041</u>	<u>10 839 705</u>	0.62%
Current Liabilities:			
Accounts payable and accrued liabilities	356 395	420 055	(15.16)%
Due within one year	<u>520 000</u>	<u>500 000</u>	4.00%
TOTAL CURRENT LIABILITIES	<u>876 395</u>	<u>920 055</u>	(4.75)%
Long-Term Liabilities:			
Due in more than one year	<u>5 567 516</u>	<u>4 264 942</u>	30.54%
TOTAL LIABILITIES	<u>6 443 911</u>	<u>5 184 997</u>	24.28%
Deferred Inflows:			
Deferred inflows	<u>1 223 610</u>	<u>243 754</u>	- %
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>7 667 521</u>	<u>5 428 751</u>	41.24%
Net Position:			
Invested in capital assets	4 309 244	3 708 188	16.21%
Restricted	270 992	256 128	5.80%
Unrestricted	<u>(1 340 716)</u>	<u>1 446 638</u>	(192.68)%
TOTAL NET POSITION	<u>\$ 3 239 520</u>	<u>\$ 5 410 954</u>	(40.13)%

**Changes in Net Position.** The District's total revenues were \$8,271,691. A significant portion, 22 percent, of the District's revenue comes from taxes. (See Figure A-3) 69 percent comes from state aid - formula grants, while only 7 percent relates to operating grants.

The total cost of all programs and services was \$8,605,729; 61 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
	2018	2017	
Program Revenues:			
Charges for services	\$ 59 801	\$ 37 215	60.69%
Operating grants and contributions	576 260	564 066	2.16%
General Revenues:			
Property taxes	1 823 984	1 707 522	6.82%
State aid - Formula	5 739 272	5 047 100	13.71%
Investment earnings	42 879	18 515	131.59%
Other	29 495	44 872	(34.27)%
TOTAL REVENUES	<u>8 271 691</u>	<u>7 419 290</u>	11.49%
Instruction	3 934 345	4 125 709	(4.64)%
Instructional resources and media services	74 762	77 102	(3.03)%
Curriculum development and instructional staff development	33 740	33 906	(0.49)%
Instructional leadership	19 087	20 743	(7.98)%
School leadership	400 262	443 562	(9.76)%
Guidance, counseling and evaluation	176 100	113 994	54.48%
Social work services	399	-	
Health services	79 118	50 726	55.97%
Student transportation	210 221	225 438	(6.75)%
Food services	295 099	397 487	(25.76)%
Curricular/extracurricular activities	436 075	479 027	(8.97)%
General administration	381 043	392 022	(2.8)%
Plant maintenance and operations	528 908	507 030	4.31%
Security and monitoring services	12 263	3 503	250.07%
Data processing	33 601	24 498	37.16%
Interest and fees on long term debt	48 699	65 758	(25.94)%
Bond issuance costs and fees	751	750	0.13%
Payments to related SSA's	105 606	93 034	13.51%
Other intergovernmental charges	34 062	43 470	(21.64)%
TOTAL EXPENSES	<u>6 804 142</u>	<u>7 097 759</u>	(4.14)%
INCREASE IN NET POSITION	\$ <u>1 467 549</u>	\$ <u>321 531</u>	356.43%

- The cost of all *governmental* activities this year was \$6,804,142.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,823,984.
- Some of the cost was paid by those who directly benefited from the programs \$59,801 or by grants and contributions of \$576,260.

### General Fund Budgetary Highlights

The District's budget compared to actual expenditures was \$49,141 under final budget amounts. The District expects no significant changes to the budget for the 2018-19 year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2018, the District had invested \$7,314,788 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 \$65,205 over last year.

**Table A-3**

District's Capital Assets

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2018	2017	
Land	\$ 221 081	\$ 221 081	-
Buildings and improvements	13 179 183	12 536 065	5.13%
Vehicles and equipment	1 978 305	1 752 425	12.89%
Construction in progress	-	302 251	100%
TOTALS AT HISTORICAL COST	15 378 569	14 811 822	3.83%
TOTAL ACCUMULATED DEPRECIATION	(8 063 781)	(7 562 239)	6.63%
NET CAPITAL ASSETS	\$ 7 314 788	\$ 7 249 583	0.90%

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 \$2,825,000 in general obligation bonds outstanding and \$3,085,431 in net pension and OPEB 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
	2018	2017	
General obligation bonds	\$ 2 825 000	\$ 3 325 000	(25.5)%
Net pension liability	1 024 209	1 227 440	(19.1)%
Net OPEB liability	2 061 222	-	-
TOTAL LONG-TERM LIABILITIES	\$ 5 910 431	\$ 4 552 440	(16.9)%

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General operating fund spending per student is not expected to change significantly in the 2018-2019 school year.
- The District does not expect any significant change in the 2018 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2018. The District will use current resources to finance programs we currently offer.

The District has added no major new programs or initiatives to the 2018-2019 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, 2018

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 2 613 481
1225	Property taxes receivable (net allowance of \$97,287)	24 321
1240	Due from other governments	377 697
	Capital Assets:	
1510	Land	221 081
1520	Buildings and improvements, net	6 451 914
1530	Furniture and equipment, net	641 793
1000	TOTAL ASSETS	10 330 287
	Deferred Outflows:	
1700	Deferred outflows - Pension	542 718
1700	Deferred outflows - OPEB	34 036
	TOTAL DEFERRED OUTFLOWS	576 754
	TOTAL ASSETS AND DEFERRED OUTFLOWS	10 907 041
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	76 665
2140	Interest payable	3 459
2150	Payroll and withholding payable	33 761
2160	Accrued liabilities	242 510
2501	Due within one year	520 000
2516	Premium on issuance of bond	177 085
	Noncurrent Liabilities:	
2502	Due in more than one year	2 305 000
2540	Net pension liability	1 024 209
2545	Net OPEB	2 061 222
2000	TOTAL LIABILITIES	6 443 911
	Deferred Inflows:	
2600	Deferred inflows - Pension	361 397
2600	Deferred inflows - OPEB	862 213
	TOTAL LIABILITIES AND DEFERRED INFLOWS	7 667 521
	NET POSITION	
3200	Net investment in capital assets	4 309 244
	Restricted for:	
3820	Federal and state programs	187 842
3850	Debt service	83 150
3900	Unrestricted	(1 340 716)
3000	TOTAL NET POSITION	\$ 3 239 520

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2018

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 GOVERNMENTAL ACTIVITIES
			CHARGES FOR SERVICES			
Governmental Activities:						
11	Instruction	\$ 3 934 346	\$ -	\$ 250 790	\$ (3 683 556)	
12	Instruction resources and media services	74 762	-	-	(74 762)	
13	Curriculum and staff development	33 740	-	29 058	(4 682)	
21	Instructional leadership	19 087	-	5 523	(13 564)	
23	School leadership	400 262	-	-	(400 262)	
31	Guidance, counseling, and evaluation services	176 100	-	-	(176 100)	
32	Social work services	399	-	-	(399)	
33	Health services	79 118	-	-	(79 118)	
34	Student transportation	210 221	-	5 610	(204 611)	
35	Food services	295 099	24 312	283 979	13 192	
36	Cocurricular/extracurricular activities	436 075	35 489	-	(400 586)	
41	General administration	381 043	-	1 300	(379 743)	
51	Plant maintenance and operations	528 908	-	-	(528 908)	
52	Security and monitoring services	12 263	-	-	(12 263)	
53	Data processing services	33 601	-	-	(33 601)	
72	Interest on long-term debt	48 699	-	-	(48 699)	
73	Bond issuance costs and fees	751	-	-	(751)	
93	Payments related to shared services arrangements	105 606	-	-	(105 606)	
99	Other intergovernmental charges	34 062	-	-	(34 062)	
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>6 804 141</u>	<u>59 801</u>	<u>576 260</u>	<u>(6 168 081)</u>	
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 6 804 142</u>	<u>\$ 59 801</u>	<u>\$ 576 260</u>	<u>(6 168 081)</u>	
General Revenues:						
MT	Property taxes, levied for general purposes				1 459 445	
DT	Property taxes, levied for debt service				364 539	
IE	Investment earnings				42 879	
GC	Grants and contributions not restricted to specific programs				5 739 272	
MI	Miscellaneous				29 495	
TR	TOTAL GENERAL REVENUES				<u>7 635 630</u>	
CN	CHANGE IN NET POSITION				<u>1 467 550</u>	
NB	Net position - Beginning				5 410 954	
PA	Prior period adjustment				<u>(3 638 983)</u>	
NB	NET POSITION - RESTATED				<u>1 771 971</u>	
NE	NET POSITION - ENDING				<u>\$ 3 239 520</u>	

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2018

EXHIBIT C-1

DATA CONTROL CODES		10 GENERAL FUND	NONMAJOR GOVERN- MENTAL FUNDS	98 TOTAL FUNDS
	ASSETS			
1110	Cash and cash investments	\$ 2 343 194	270 287	\$ 2 613 481
1225	Taxes receivable, net	19 457	4 864	24 321
1240	Due from other governments	<u>330 384</u>	<u>47 313</u>	<u>377 697</u>
1000	TOTAL ASSETS	<u>2 693 035</u>	<u>322 464</u>	<u>3 015 499</u>
	LIABILITIES AND FUND BALANCE			
	Current Liabilities:			
2110	Accounts payable	\$ 57 689	\$ 18 976	\$ 76 665
2150	Payroll and withholding payable	33 761	-	33 761
2160	Accrued wages payable	214 878	25 618	240 496
2210	Accrued expenses	<u>-</u>	<u>2 014</u>	<u>2 014</u>
2000	TOTAL LIABILITIES	<u>306 328</u>	<u>46 608</u>	<u>352 936</u>
	DEFERRED INFLOWS			
2600	Unearned revenue	<u>19 458</u>	<u>4 864</u>	<u>24 322</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>325 786</u>	<u>51 472</u>	<u>377 258</u>
	Fund Balances:			
	Restricted:			
3450	State/Federal grants	-	187 842	187 842
3480	Retirement of long-term debt	-	83 150	83 150
3550	Assigned - Construction and technology	350 000	-	350 000
3600	Unassigned	<u>2 017 249</u>	<u>-</u>	<u>2 017 249</u>
3000	TOTAL FUND BALANCE	<u>2 367 249</u>	<u>270 992</u>	<u>2 638 241</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 2 693 035</u>	<u>\$ 322 464</u>	<u>\$ 3 015 499</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, 2018

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 2 638 241
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.	7 314 788
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	24 322
Payables for bond principal which are not due in the current period are not reported in the funds.	(3 002 085)
Payables for bond interest which are not due in the current period are not reported in the funds.	(3 459)
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	(1 024 209)
Net OPEB liability	(2 061 222)
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	542 718
Deferred outflows of resources related to OPEB	34 036
Deferred inflows of resources related to pensions	(361 397)
Deferred inflows of resources related to OPEB	<u>(862 213)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$ <u><u>3 239 520</u></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, 2018

EXHIBIT C-2

DATA CONTROL CODES		10 GENERAL FUND	NONMAJOR GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	Revenues:			
5700	Local and intermediate sources	\$ 1 565 305	\$ 388 857	\$ 1 954 162
5800	State program revenues	5 479 752	264 637	5 744 389
5900	Federal program revenues	31 611	539 532	571 143
5020	TOTAL REVENUES	<u>7 076 668</u>	<u>1 193 026</u>	<u>8 269 694</u>
	Expenditures:			
	Current:			
0011	Instruction	3 830 813	239 925	4 080 799
0012	Instructional resources and media services	77 320	-	76 150
0013	Curriculum and staff development	4 682	29 058	33 740
0021	Instructional leadership	13 564	5 523	19 087
0023	School leadership	433 567	-	435 270
0031	Guidance, counseling and evaluation services	115 883	-	115 230
0032	Social work services	-	399	399
0033	Health services	50 477	-	50 477
0034	Student transportation	403 670	5 610	409 734
0035	Food services	-	311 151	311 151
0036	Cocurricular/extracurricular activities	431 287	-	428 287
0041	General administration	393 020	1 300	388 174
0051	Plant maintenance and operations	565 433	-	564 184
0052	Security and monitoring services	12 263	-	12 263
0053	Data processing services	33 601	-	33 601
0071	Principal on long-term debt	-	500 000	500 000
0072	Interest on long-term debt	-	84 550	84 550
0073	Bond issuance costs and fees	-	751	751
0081	Capital outlay	-	301 513	301 513
0093	Payments to SSA	105 606	-	105 606
0099	Other intergovernmental charges	34 062	-	34 062
6030	TOTAL EXPENDITURES	<u>6 505 248</u>	<u>1 479 780</u>	<u>7 985 028</u>
1100	Excess (deficiency) of revenues over expenditures	<u>571 420</u>	<u>(286 754)</u>	<u>284 666</u>
	Other Financing Sources:			
7915	Transfers in	-	301 681	301 681
8911	Transfers out	<u>(301 618)</u>	<u>-</u>	<u>(301 681)</u>
	TOTAL OTHER FINANCING SOURCES	<u>(301 618)</u>	<u>301 618</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	269 802	14 864	284 666
0100	Fund balance - Beginning	<u>2 097 447</u>	<u>256 128</u>	<u>2 353 575</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 367 249</u>	<u>\$ 270 992</u>	<u>\$ 2 638 241</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, 2018

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 284 666
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.	(501 542)
Capital outlays are not reported as expenses in the SOA.	566 747
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1 997
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	500 000
(Increase) decrease in accrued interest, issue cost and premium from beginning of period to end of period.	35 851
Governmental funds report District pension and OPEB contributions as expenditures in the government wide statements the cost of pension and OPEB benefits earned net of employee contributions is reported as pension and OPEB expense.	<u>(1 221 757)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	<u>\$ (334 038)</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2018

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 41 842
1000	TOTAL ASSETS	\$ 41 842
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	\$ 2 562
2190	Due to student groups	39 280
2000	TOTAL LIABILITIES	\$ 41 842

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2018

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.

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.

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.

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

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, 2018

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, 2018

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 2018. 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, 2018

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 National School Breakfast and Lunch Program 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, 2018, 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, 2018

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, 2018 that were to be provided for in the 2018-2019 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.

Other Post-Employment Benefits:

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

Subsequent Events:

Management has evaluated subsequent events through November 12, 2018, 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 \$258,151.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

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	\$ 2 407 107	\$ 2 407 107	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, 2018

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, 2018, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
None			

NOTE 4 - TRANSFERS

<u>TRANSFER TO FUND</u>	<u>TRANSFER FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
Capital Project Fund	General Fund	\$ 301 518	Construction
Other Governmental Fund	General Fund	105	Short-term loans
	TOTAL	<u>\$ 301 618</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	\$ 302 087	\$ (604 338)	\$ -
Land	221 081	-	-	221 081
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>523 332</u>	<u>302 087</u>	<u>(604 338)</u>	<u>221 081</u>
Capital Assets Being Depreciated:				
Buildings and improvements	12 536 065	643 118	-	13 179 183
Vehicles and equipment	1 752 425	225 880	-	1 978 305
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>14 288 490</u>	<u>868 998</u>	<u>-</u>	<u>15 157 488</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(6 361 326)	(365 943)	-	(6 727 269)
Vehicles and equipment	(1 200 913)	(135 599)	-	(1 336 512)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 562 239)</u>	<u>(501 542)</u>	<u>-</u>	<u>(8 063 781)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>6 726 251</u>	<u>367 456</u>	<u>-</u>	<u>7 093 707</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 7 249 583</u>	<u>\$ 669 543</u>	<u>\$ (604 338)</u>	<u>\$ 7 314 788</u>

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 5 - CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Instruction	\$	274 496
Instructional resources and media services		3 785
School leadership		5 910
Guidance, counseling and evaluation services		72 861
Health services		36 368
Student transportation		8 300
Food services		22 000
Extracurricular activities		48 951
General administration		14 862
Plant maintenance and operations		14 009
	\$	501 542

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	\$	3 325 000	\$	-	\$	(500 000)	\$	2 825 000	\$	520 000
Premium on bond		212 502		-		(35 417)		177 085		-
TOTAL GOVERNMENTAL ACTIVITIES	\$	3 537 502	\$	-	\$	(535 417)	\$	3 002 085	\$	520 000

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
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	\$ 2 825 000	\$ 216 625	\$ 3 041 625

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 2018, 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, 2018

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](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, 2018

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	
	2017	2018
Member	7.2%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2018		\$ 103 702
Member Contributions - 2018		\$ 323 831
NECE On-behalf Contributions - 2017		\$ 223 208

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, 2018

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:

Valuation Date	August 31, 2017
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, 2018

NOTE 8 - PENSION PLAN - CONTINUED

F. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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, 2017 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>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	-	1.8%	-
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2)%	-
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	-
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	-	1.2%	-
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

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

\*\* The Expected Contribution to Long-Term Portfolio 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, 2018

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.

	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	\$ 1 726 614	\$ 1 024 209	\$ 439 343

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

At August 31, 2018, the District reported a liability of \$1,024,209 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	\$ 1 024 209
State's proportionate share that is associated with the District	<u>2 182 201</u>
TOTAL	<u>\$ 3 206 410</u>

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

At August 31, 2017 the District's proportion of the collective net pension liability was 0.0032% which was an increase (decrease) of 0.00% from its proportion measured as of August 31, 2016.

**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, 2018, the District recognized pension expense of \$166,450 and revenue of \$166,450 for support provided by the State.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 8 - PENSION PLAN - CONTINUED

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to 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	\$ 14 985	\$ 55 234
Changes in actuarial assumptions	46 654	26 709
Difference between projected and actual investment earnings	157 511	232 154
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	219 866	47 300
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	103 702	-
TOTAL	\$ 542 718	\$ 361 397

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2019	\$ 13 440
2020	\$ 78 817
2021	\$ 8 416
2022	\$ (12 575)
2023	\$ (7 722)
Thereafter	\$ (2 757)

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

**A. Plan Description**

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

**B. OPEB Plan Fiduciary Net Position**

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

**C. Benefits Provided**

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

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

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

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

\* or surviving spouse

**D. Contributions**

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

	<u>Contribution Rates</u>	
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
Employer Contributions - 2018	\$	33 712
Member Contributions - 2018	\$	27 327
NECE On-behalf Contributions - 2017	\$	37 586

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

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

**E. Actuarial Assumptions**

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

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2017
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Single Discount Rate	3.42% as of August 31, 2017
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2014.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using Scale BB.
Healthcare Trend Rates	Initial medical trend rates of 7.00% for non-Medicare retirees and 10.00% for Medicare retirees. Initial prescription drug trend rate of 12.00% for all retirees.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years. Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

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

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

**Other Information:** There was a significant plan change adopted in fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will be offered and all retirees will be required to contribute monthly premiums for coverage. Assumption changes made for the August 31, 2017 valuation include a change to the assumption regarding the phase-out of the Medicare Part D subsidies and a change to the discount rate from 2.98% as of August 31, 2016 to 3.42% as of August 31, 2017.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

**NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED**

**F. Discount Rate**

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44 % in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. ***The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.***

<b>Teacher Retirement System of Texas</b>			
<b>Asset Allocation and Long-Term Expected Rate of Return</b>			
<b>As of August 31, 2016</b>			
<b>Asset Class</b>	<b>Target Allocation*</b>	<b>Long-Term Expected Geometric Real Rate of Return</b>	<b>Expected Contribution to Long-Term Portfolio Returns**</b>
<b>Global Equity</b>			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	- %	1.8%	- %
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	(0.2)%	- %
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	- %
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources Commodities	3%	6.6%	0.2%
	- %	1.2%	- %
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
<b>TOTAL</b>	100%		8.7%
*Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.			
**The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.			

**G. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of the Net OPEB Liability	\$ 2 432 754	\$ 2 061 222	\$ 1 762 594

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

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

At August 31, 2018, the District reported a liability of \$2,061,222 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2 061 222
State's proportionate share that is associated with District	3 143 813
TOTAL	\$ <u><u>5 205 035</u></u>

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017, the employer's proportion of the collective Net OPEB Liability was 0.0047% which was the same proportion measured as of August 31, 2016.

**Changes Since the Prior Actuarial Valuation** - The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

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

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

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2018

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS - CONTINUED

For the year ended August 31, 2018, the District recognized OPEB expense of \$1,052,003 and revenue of \$1,052,003 for support provided by the State.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 43 030
Changes in actuarial assumptions	-	819 183
Difference between projected and actual investment earnings	313	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	11	-
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	33 712	-
TOTAL	\$ 34 036	\$ 862 213

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2019	\$ (113 727)
2020	\$ (113 727)
2021	\$ (113 727)
2022	\$ (113 727)
2023	\$ (113 805)
Thereafter	\$ (293 176)

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.



ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2018

NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED

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 \$33,937. This is less than the claims unpaid at year end.

NOTE 11 - PRIOR PERIOD ADJUSTMENT

With the implementation of GASB 75, the District recognized a prior period adjustment of \$3,638,983 for previously unrecognized Other Post-Employment Benefits (OPEB) in the government-wide statements.

## 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, 2018

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	\$ 1 392 738	\$ 1 392 738	\$ 1 565 305	\$ 172 567
5800	State program revenues	4 895 691	4 895 691	5 479 752	584 061
5900	Federal program revenues	90 000	90 000	31 611	(58 389)
5020	TOTAL REVENUES	<u>6 378 429</u>	<u>6 378 429</u>	<u>7 076 668</u>	<u>698 239</u>
	Expenditures:				
	Current:				
0011	Instruction	3 830 813	3 830 813	3 830 813	-
0012	Instructional resources and media services	77 320	77 320	77 320	-
0013	Curriculum and staff development	10 200	7 200	4 682	2 518
0021	Instructional leadership	15 000	15 000	13 564	1 436
0023	School leadership	430 067	433 567	433 567	-
0031	Guidance, counseling and evaluation services	115 883	115 883	115 883	-
0033	Health services	57 362	53 862	50 477	3 385
0034	Student (pupil) transportation	203 710	403 670	403 670	-
0036	Cocurricular/extracurricular activities	452 845	452 845	431 287	21 558
0041	General administration	389 520	393 020	393 020	-
0051	Plant maintenance and operations	588 503	573 103	565 433	7 670
0052	Security and monitoring services	16 500	12 400	12 263	137
0053	Data processing	33 100	33 700	33 601	99
0093	Shared service arrangements	105 606	105 606	105 606	-
0099	Other intergovernmental charges	52 000	46 400	34 062	12 338
6030	TOTAL EXPENDITURES	<u>6 378 429</u>	<u>6 554 389</u>	<u>6 505 248</u>	<u>49 141</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(175 960)</u>	<u>571 420</u>	<u>747 380</u>
	Other Financing Sources (Uses):				
8911	Transfer out	-	-	(301 618)	(301 618)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>(301 618)</u>	<u>(301 618)</u>
1200	NET CHANGE IN FUND BALANCES	-	(175 960)	269 802	445 762
0100	Fund balance - Beginning	<u>2 097 447</u>	<u>2 097 447</u>	<u>2 097 447</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 097 447</u>	<u>\$ 1 921 487</u>	<u>\$ 2 367 249</u>	<u>\$ 445 762</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	2014
District's proportion of the net pension liability (asset)	0.0032%	0.0032%	0.0036%	0.0036%
District's proportionate share of the net pension liability (asset)	\$ 1 024 209	\$ 1 227 440	\$ 1 265 306	567 162
State's proportionate share of the net pension liability (asset) associated with the District	2 182 201	829 723	858 657	2 246 311
TOTAL	\$ 3 206 410	\$ 2 057 163	\$ 2 123 963	2 813 473
District's covered-employee payroll	\$ 4 027 971	\$ 4 025 591	\$ 3 949 563	3 888 099
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	25.43%	30.47%	32.04%	14.59%
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.40%	83.25%

\* 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.

NOTE 1 - Change in Benefit Terms and Assumptions

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

See independent auditors' report.

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

EXHIBIT G-3

	2018	2017	2016	2015
Contractually required contribution	\$ 103 702	\$ 99 973	\$ 97 992	\$ 100 092
Contributions in relation to the contractually required contribution	103 702	99 973	97 992	100 092
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4 205 590	\$ 4 027 971	\$ 4 025 591	\$ 3 949 563
Contributions as a percentage of covered-employee payroll	2.47%	2.48%	2.43%	2.53%

\* 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.

NOTE 1 - Changes in Benefit Terms and Assumptions

*Changes of Benefit Terms*

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

*Changes of Assumptions*

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

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY  
 AND DISTRICT'S OPEB CONTRIBUTIONS  
 TEACHER RETIREMENT SYSTEM  
 LAST TEN FISCAL YEARS\*

EXHIBIT G-4

<b>District's Proportionate Share of Liability</b>	<b>2017</b>
District's proportion of the OPEBL	0.0047%
District's proportionate share of the OPEBL	\$ 2 061 222
State share of the OPEBL associated with the District	3 143 813
TOTAL	\$ 5 205 035
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 4 027 971
Proportionate share/covered payroll	51.17%
Plan fiduciary net position/total OPEB liability	0.91%
<b>District Contributions</b>	
<b>District Contributions</b>	<b>2018</b>
Contractually required contribution	\$ 33 712
Contributions to required contribution	(33 712)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -
Current fiscal year TRS gross	\$ 4 205 590
Contributions to covered payroll	0.80%

Information provided by the Teacher Retirement System of Texas.

\* 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.

See independent auditors' report.

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, 2018

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	ASSETS				
1110	Cash	\$ 187 137	\$ 83 150	\$ -	\$ 270 287
1225	Taxes receivable, net	-	4 864	-	4 864
1240	Due from other governments	47 313	-	-	47 313
1000	TOTAL ASSETS	<u>\$ 234 450</u>	<u>\$ 88 014</u>	<u>\$ -</u>	<u>\$ 322 464</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 18 976	\$ -	\$ -	\$ 18 976
2160	Accrued liabilities	25 618	-	-	25 618
2210	Other accrued expenses	2 014	-	-	2 014
2300	Deferred revenue	-	4 864	-	4 864
2000	TOTAL LIABILITIES	<u>46 608</u>	<u>4 864</u>	<u>-</u>	<u>51 472</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	Grant funds	187 842	-	-	187 842
3480	Debt service	-	83 150	-	83 150
3000	TOTAL FUND BALANCES	<u>187 842</u>	<u>83 150</u>	<u>-</u>	<u>270 992</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 234 450</u>	<u>\$ 88 014</u>	<u>\$ -</u>	<u>\$ 322 464</u>

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, 2018

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	CAPITAL PROJECTS FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
Revenues:					
5700	Local and intermediate sources	\$ 24 312	\$ 364 545	\$ -	\$ 388 857
5800	State program revenues	36 728	227 909	-	264 637
5900	Federal program revenues	539 532	-	-	539 532
5020	TOTAL REVENUES	<u>600 572</u>	<u>592 454</u>	<u>-</u>	<u>1 193 026</u>
Expenditures:					
Current:					
0011	Instruction	239 925	-	-	239 925
0013	Curriculum and staff development	29 058	-	-	29 058
0021	Instructional leadership	5 523	-	-	5 523
0032	Social work services	399	-	-	399
0034	Student transportation	5 610	-	-	5 610
0035	Food service	311 151	-	-	311 151
0041	General administration	1 300	-	-	1 300
0071	Principal on long-term debt	-	500 000	-	500 000
0072	Interest on long-term debt	-	84 550	-	84 550
0073	Bond issuance cost and fees	-	751	-	751
0081	Facilities acquisition	-	-	301 513	301 513
6030	TOTAL EXPENDITURES	<u>592 966</u>	<u>585 301</u>	<u>301 513</u>	<u>1 479 780</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>7 606</u>	<u>7 153</u>	<u>(301 513)</u>	<u>(286 754)</u>
Other Financing Sources:					
7915	Transfers in	105	-	301 513	301 781
	TOTAL OTHER FINANCING SOURCES	<u>105</u>	<u>-</u>	<u>301 513</u>	<u>301 618</u>
1200	NET CHANGE IN FUND BALANCES	7 711	7 153	-	14 864
0100	Fund balances - Beginning	<u>180 131</u>	<u>75 997</u>	<u>-</u>	<u>256 128</u>
3000	FUND BALANCES - ENDING	<u>\$ 187 842</u>	<u>\$ 83 150</u>	<u>\$ -</u>	<u>\$ 270 992</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 August 31, 2018

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA B FORMULA	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM
	ASSETS				
1110	Cash	\$ 17 976	\$ (16 935)	\$ 58 538	\$ 3 601
1242	Due from other governments	<u>16 184</u>	<u>18 632</u>	<u>10 522</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 34 160</u>	<u>\$ 1 697</u>	<u>\$ 69 060</u>	<u>\$ 3 601</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 18 976	\$ -
2160	Accrued liabilities	14 552	1 527	7 995	-
2210	Other accrued expenses	<u>1 676</u>	<u>170</u>	<u>-</u>	<u>-</u>
2000	TOTAL LIABILITIES	<u>16 228</u>	<u>1 697</u>	<u>26 971</u>	<u>-</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3450	State/Federal grants	<u>17 932</u>	<u>-</u>	<u>42 089</u>	<u>3 601</u>
3000	TOTAL FUND BALANCES	<u>17 932</u>	<u>-</u>	<u>42 089</u>	<u>3 601</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 34 160</u>	<u>\$ 1 697</u>	<u>\$ 69 060</u>	<u>\$ 3 601</u>

See independent auditor's report.

255 ESEA TITLE II TRAINING AND RECRUITING	270 TITLE VI, PART B RURAL AND LOW INCOME SCHOOL	289 KATRINA IMPACT AID	410 TEXTBOOK FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
\$ 116 834	\$ 3 010	\$ 53	\$ 4 060	\$ 187 137
<u>1 975</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>47 313</u>
<u>\$ 118 809</u>	<u>\$ 3 010</u>	<u>\$ 53</u>	<u>\$ 4 060</u>	<u>\$ 234 450</u>
\$ -	\$ -	\$ -	\$ -	\$ 18 976
1 496	-	48	-	25 618
<u>163</u>	<u>-</u>	<u>5</u>	<u>-</u>	<u>2 014</u>
<u>1 659</u>	<u>-</u>	<u>53</u>	<u>-</u>	<u>46 608</u>
<u>117 150</u>	<u>3 010</u>	<u>-</u>	<u>4 060</u>	<u>187 842</u>
<u>117 150</u>	<u>3 010</u>	<u>-</u>	<u>4 060</u>	<u>187 842</u>
<u>\$ 118 809</u>	<u>\$ 3 010</u>	<u>\$ 53</u>	<u>\$ 4 060</u>	<u>\$ 234 450</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, 2018

DATA CONTROL CODES	211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA B FORMULA	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	
Revenues:					
5700	Local and intermediate services	\$ -	\$ -	\$ 24 312	\$ -
5800	State program revenues	-	-	10 575	307
5900	Federal program revenues	204 008	18 632	268 824	4 273
5020	TOTAL REVENUES	<u>204 008</u>	<u>18 632</u>	<u>303 711</u>	<u>4 580</u>
Expenditures:					
Current:					
0011	Instruction	163 730	18 634	-	-
0013	Curriculum and staff development	22 099	-	-	-
0021	Instructional leadership	4 073	-	-	-
0032	Social work services	399	-	-	-
0034	Student transportation	5 610	-	-	-
0035	Food service	-	-	304 496	6 655
0041	General administration	-	-	-	-
6030	TOTAL EXPENDITURES	<u>195 911</u>	<u>18 634</u>	<u>304 496</u>	<u>6 655</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>8 097</u>	<u>(2)</u>	<u>(785)</u>	<u>(2 075)</u>
Other Financing Sources:					
7915	Transfer in	-	2	-	-
8911	Transfer out	-	-	-	-
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>2</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	8 097	-	(785)	(2 075)
0100	Fund balances - Beginning	<u>9 835</u>	<u>-</u>	<u>42 874</u>	<u>5 676</u>
3000	FUND BALANCES ENDING	<u>\$ 17 932</u>	<u>\$ -</u>	<u>\$ 42 089</u>	<u>\$ 3 601</u>

See independent auditor's report.

255 ESEA TITLE II TRAINING AND RECRUITING	270 TITLE VI, PART B RURAL AND LOW INCOME SCHOOL	289 KATRINA IMPACT AID	410 TEXTBOOK FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)
\$ -	\$ -	\$ -	\$ -	\$ 24 312
-	-	-	25 846	36 728
<u>25 702</u>	<u>10 333</u>	<u>7 760</u>	<u>-</u>	<u>539 532</u>
<u>25 702</u>	<u>10 333</u>	<u>7 760</u>	<u>25 846</u>	<u>600 572</u>
21 115	3 672	7 613	25 161	239 925
898	6 061	-	-	29 058
600	600	250	-	5 523
-	-	-	-	399
-	-	-	-	5 610
-	-	-	-	311 151
<u>1 300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 300</u>
<u>23 913</u>	<u>10 333</u>	<u>7 863</u>	<u>25 161</u>	<u>592 966</u>
<u>1 789</u>	<u>-</u>	<u>(103)</u>	<u>685</u>	<u>7 606</u>
-	-	103	-	105
-	-	-	-	-
-	-	103	-	105
1 789	-	-	685	7 711
-	-	-	-	-
<u>115 361</u>	<u>3 010</u>	<u>-</u>	<u>3 375</u>	<u>180 131</u>
\$ <u>117 150</u>	\$ <u>3 010</u>	\$ <u>-</u>	\$ <u>4 060</u>	\$ <u>187 842</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, 2018

YEAR ENDED AUGUST 31,	(1) TAX RATES (2)		(3)
	MAINTENANCE	DEBT SERVICE	ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2009 and prior years	Various	Various	\$ Various
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	1.040	0.2735	\$ 134 905 146
2018 (School year under audit)	1.040	0.2600	\$ 138 286 863
TOTALS			

See independent auditors' report.

## EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2017	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2018
\$ 12 114	\$ -	\$ 882	\$ 63	\$ (118)	\$ 11 051
3 359	-	661	155	-	2 543
3 264	-	773	203	-	2 288
3 856	-	620	163	-	3 073
5 443	-	1 007	265	-	4 171
6 746	-	1 654	435	(65)	4 592
10 530	-	3 932	1 034	-	5 564
15 318	-	5 980	1 573	-	7 765
50 989	-	24 194	6 363	(1 581)	18 851
-	1 797 729	1 384 379	346 094	(5 546)	61 710
<u>\$ 111 619</u>	<u>\$ 1 797 729</u>	<u>\$ 1 424 082</u>	<u>\$ 356 348</u>	<u>\$ (7 310)</u>	<u>\$ 121 608</u>



ALTO INDEPENDENT SCHOOL DISTRICT  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2018

EXHIBIT J-3

DATA CONTROL CODES	1		ACTUAL AMOUNTS	3	
	BUDGETED AMOUNTS			VARIANCE	
	ORIGINAL BUDGET	FINAL		POSITIVE (NEGATIVE)	
Revenues:					
5700	Local and intermediate sources	\$ 29 265	\$ 29 265	\$ 24 312	\$ (4 953)
5800	State program revenues	11 070	11 070	10 575	(495)
5900	Federal program revenues	<u>322 613</u>	<u>322 613</u>	<u>268 824</u>	<u>(53 789)</u>
5020	TOTAL REVENUES	<u>362 948</u>	<u>362 948</u>	<u>303 711</u>	<u>(59 237)</u>
Expenditures:					
Current:					
Support Services - Student:					
0035	Food services	<u>362 948</u>	<u>362 948</u>	<u>304 496</u>	<u>58 452</u>
6030	TOTAL EXPENDITURES	<u>362 948</u>	<u>362 948</u>	<u>304 496</u>	<u>58 452</u>
1200	NET CHANGE IN FUND BALANCE	-	-	(785)	(785)
0100	Fund balance - Beginning	<u>42 874</u>	<u>42 874</u>	<u>42 874</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 42 874</u>	<u>\$ 42 874</u>	<u>\$ 42 089</u>	<u>\$ (785)</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2018

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	\$ 375 127	\$ 375 127	\$ 364 545	\$ (10 582)
5800	State program revenues	210 423	210 423	227 909	17 486
5020	TOTAL REVENUES	<u>585 550</u>	<u>585 550</u>	<u>592 454</u>	<u>6 904</u>
Expenditures:					
Debt Service:					
0071	Principal on long-term debt	500 000	500 000	500 000	-
0072	Interest on long-term debt	84 550	84 550	84 550	-
0073	Bond issuance costs and fees	1 000	1 000	751	249
6030	TOTAL EXPENDITURES	<u>585 550</u>	<u>585 550</u>	<u>585 301</u>	<u>249</u>
1200	NET CHANGE IN FUND BALANCE	-	-	7 153	7 153
0100	Fund balance - Beginning	<u>75 997</u>	<u>75 997</u>	<u>75 997</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 75 997</u>	<u>\$ 75 997</u>	<u>\$ 83 150</u>	<u>\$ 7 153</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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 12, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered 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 2018-01 we consider to be a significant deficiency.

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 12, 2018

  
CERTIFIED PUBLIC ACCOUNTANTS

ALTO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION  
For the Year Ended August 31, 2018

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

2018-01 - 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

*Timeframe:* Ongoing

ALTO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION - CONTINUED  
For the Year Ended August 31, 2018

**Corrective Action Plan**

2018-01 - 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, 2018

<u>Findings/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation if Not Implemented</u>
2017-01 - Segregation of Duties	Continuing	
<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>		

ALTO INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
SCHOOL FIRST INDICATORS  
As of August 31, 2018

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.	\$ 1 024 209
SF13	Pension Expense (6147) at fiscal year-end.	\$ -