

ALTO INDEPENDENT SCHOOL DISTRICT
Alto, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2019

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INTRODUCTORY SECTION

ALTO INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2019

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, 2019, at a meeting of the Board of Trustees of such school district on the 18th day of November, 2019.



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, 2019, 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, 2019, 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 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 18, 2019, 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 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 18, 2019


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, 2019. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

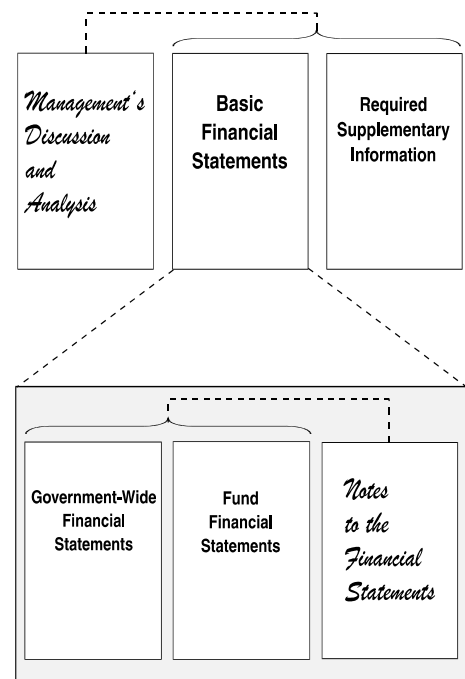
- The District's total combined net position was \$1,739,904 at August 31, 2019.
- During the year, the District's expenses were \$750,110 more than the \$9,277,528 generated in taxes and other revenues for governmental activities, excluding extraordinary items.
- The fund balance of the general fund is \$4,276,856 which increased \$1,909,607 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.

Summary ↔ Detail

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 \$1,739,904 as of August 31. (See Table A-1).

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

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2019	2018	
Current Assets:			
Cash and cash equivalents	\$ 4 666 107	\$ 2 613 481	78.54%
Taxes receivable, net	25 483	24 321	4.78%
Due from other governments	468 198	377 697	23.96%
TOTAL CURRENT ASSETS	<u>5 159 788</u>	<u>3 015 499</u>	71.11%
Noncurrent Assets:			
Land	221 081	221 081	- %
Buildings and improvements, net	6 214 029	6 451 914	(3.69)%
Furniture, vehicles and equipment, net	669 872	641 793	4.38%
TOTAL NONCURRENT ASSETS	<u>7 104 982</u>	<u>7 314 788</u>	(2.87)%
Deferred Outflows:			
Deferred outflows	1 385 810	576 754	140.28%
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>13 650 580</u>	<u>10 907 041</u>	25.15%
Current Liabilities:			
Accounts payable and accrued liabilities	684 045	356 395	91.93%
Due within one year	715 000	520 000	37.50%
TOTAL CURRENT LIABILITIES	<u>1 399 045</u>	<u>876 395</u>	59.64%
Long-Term Liabilities:			
Due in more than one year	9 492 890	5 567 516	70.50%
TOTAL LIABILITIES	<u>10 891 935</u>	<u>6 443 911</u>	69.03%
Deferred Inflows:			
Deferred inflows	1 018 741	1 223 610	- %
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>11 910 676</u>	<u>7 667 521</u>	55.34%
Net Position:			
Invested in capital assets	4 799 982	4 309 244	11.39%
Restricted	177 173	270 992	(34.62)%
Unrestricted	(3 237 521)	(1 340 716)	141.46%
TOTAL NET POSITION	<u>\$ 1 739 904</u>	<u>\$ 3 239 520</u>	(46.29)%

Changes in Net Position. The District's total revenues were \$9,277,528. A significant portion, 20 percent, of the District's revenue comes from taxes. (See Figure A-3) 65 percent comes from state aid - formula grants, while only 15 percent relates to operating grants.

The total cost of all programs and services was \$8,527,418; 55 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
	2019	2018	
Program Revenues:			
Charges for services	\$ 54 177	\$ 59 801	(9.40)%
Operating grants and contributions	1 178 834	576 260	104.57%
General Revenues:			
Property taxes	1 887 483	1 823 984	3.48%
State aid - Formula	6 042 110	5 739 272	5.28%
Investment earnings	78 208	42 879	82.39%
Other	36 716	29 495	24.48%
TOTAL REVENUES	<u>9 277 528</u>	<u>8 271 691</u>	12.16%
Instruction	4 675 011	3 934 345	18.83%
Instructional resources and media services	89 128	74 762	19.22%
Curriculum development and instructional staff development	39 635	33 740	17.47%
Instructional leadership	151 924	19 087	695.96%
School leadership	441 724	400 262	10.36%
Guidance, counseling and evaluation	270 902	176 100	53.83%
Social work services	-	399	(1.00)%
Health services	93 115	79 118	17.69%
Student transportation	195 155	210 221	(7.17)%
Food services	337 471	295 099	14.36%
Curricular/extracurricular activities	501 394	436 075	14.98%
General administration	473 835	381 043	24.35%
Plant maintenance and operations	654 469	528 908	23.74%
Security and monitoring services	17 524	12 263	42.90%
Data processing	118 610	33 601	253.00%
Interest and fees on long term debt	117 174	48 699	140.61%
Bond issuance costs and fees	750	751	(0.13)%
Facilities acquisition and construction	190 800	-	100.0%
Payments to related SSA's	112 219	105 606	6.26%
Other intergovernmental charges	46 578	34 062	36.74%
TOTAL EXPENSES	<u>8 527 418</u>	<u>6 804 141</u>	25.33%
EXCESS OPERATING REVENUES OVER EXPENDITURES	\$ <u>750 110</u>	\$ <u>1 467 550</u>	(48.89)%
(Before extraordinary items)			

- The cost of all *governmental* activities this year was \$8,527,418.
- However, the amount that our taxpayers paid for these activities through property taxes was \$1,887,483.
- Some of the cost was paid by those who directly benefited from the programs \$54,177 or by grants and contributions of \$1,178,834.

General Fund Budgetary Highlights

The District's budget compared to actual expenditures was \$320,737 under final budget amounts. The District expects no significant changes to the budget for the 2019-2020 year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the District had invested \$6,880,664 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 \$434,124 over last year.

Table A-3

District's Capital Assets

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2019	2018	
Land	\$ 221 081	\$ 221 081	- %
Buildings and improvements	12 973 065	13 179 183	(1.56)%
Vehicles and equipment	2 156 727	1 978 305	9.02%
TOTALS AT HISTORICAL COST	15 350 873	15 378 569	(0.18)%
TOTAL ACCUMULATED DEPRECIATION	(8 470 209)	(8 063 781)	5.04%
NET CAPITAL ASSETS	\$ 6 880 664	\$ 7 314 788	(5.93)%

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 \$5,790,000 in long term debt and \$4,276,222 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
	2019	2018	
General obligation bonds	\$ 2 305 000	\$ 2 825 000	104.96%
Maintenance tax notes	3 485 000	-	-
Net pension liability	1 772 862	1 024 209	73.10%
Net OPEB liability	2 503 360	2 061 222	21.45%
TOTAL LONG-TERM LIABILITIES	\$ 10 066 222	\$ 5 910 431	70.31%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- General operating fund spending per student is not expected to change significantly in the 2019-2020 school year.
- The District does not expect any significant change in the 2019 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2019. The District will use current resources to finance programs we currently offer.

The District has added no major new programs or initiatives to the 2019-2020 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, 2019

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 4 666 107
1225	Property taxes receivable (net allowance of \$101,931)	25 483
1240	Due from other governments	468 198
	Capital Assets:	
1510	Land	221 081
1520	Buildings and improvements, net	6 214 029
1530	Furniture and equipment, net	<u>669 872</u>
1000	TOTAL ASSETS	<u>12 264 770</u>
	Deferred Outflows:	
	Deferred outflows - Pension	1 024 654
	Deferred outflows - OPEB	<u>361 156</u>
1700	TOTAL DEFERRED OUTFLOWS	<u>1 385 810</u>
	TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>13 650 580</u>
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	376 661
2140	Interest payable	3 952
2150	Payroll and withholding payable	34 544
2160	Accrued liabilities	268 888
2501	Due within one year	715 000
	Noncurrent Liabilities:	
2516	Premium on issuance of bond	141 668
2502	Due in more than one year	5 075 000
2540	Net pension liability	1 772 862
2545	Net OPEB	<u>2 503 360</u>
2000	TOTAL LIABILITIES	<u>10 891 935</u>
	Deferred Inflows:	
	Deferred inflows - Pension	227 118
	Deferred inflows - OPEB	<u>791 623</u>
2600	TOTAL DEFERRED INFLOWS	<u>1 018 741</u>
	NET POSITION	
3200	Net investment in capital assets	4 799 982
	Restricted for:	
3820	Federal and state programs	79 864
3850	Debt service	97 309
3900	Unrestricted	<u>(3 237 251)</u>
3000	TOTAL NET POSITION	<u>\$ 1 739 904</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2019

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	\$ 4 675 011	\$ -	\$ 704 425	\$ (3 970 586)	
12	Instruction resources and media services	89 128	-	6 469	(82 659)	
13	Curriculum and staff development	39 635	-	29 309	(10 326)	
21	Instructional leadership	151 924	-	16 888	(135 036)	
23	School leadership	441 724	-	34 064	(407 660)	
31	Guidance, counseling, and evaluation services	270 902	-	20 727	(250 175)	
33	Health services	93 115	-	-	(93 115)	
34	Student transportation	195 155	-	13 940	(181 215)	
35	Food services	337 471	22 570	293 310	(21 591)	
36	Cocurricular/extracurricular activities	501 394	31 607	19 376	(450 411)	
41	General administration	473 835	-	23 386	(450 449)	
51	Plant maintenance and operations	654 469	-	8 807	(645 662)	
52	Security and monitoring services	17 524	-	-	(17 524)	
53	Data processing services	118 610	-	8 133	(110 477)	
72	Interest on long-term debt	117 174	-	-	(117 174)	
73	Bond issuance costs and fees	750	-	-	(750)	
81	Capital outlay	190 800	-	-	(190 800)	
93	Payments related to shared services arrangements	112 219	-	-	(112 219)	
99	Other intergovernmental charges	46 578	-	-	(46 578)	
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>8 527 418</u>	<u>54 177</u>	<u>1 178 834</u>	<u>(7 294 407)</u>	
TP	TOTAL PRIMARY GOVERNMENT	<u>\$ 8 527 418</u>	<u>\$ 54 177</u>	<u>\$ 1 178 834</u>	<u>(7 294 407)</u>	
General Revenues:						
MT	Property taxes, levied for general purposes				1 511 200	
DT	Property taxes, levied for debt service				376 283	
IE	Investment earnings				78 208	
GC	Grants and contributions not restricted to specific programs				6 042 110	
MI	Miscellaneous				36 716	
E1	Extraordinary source				3 465 640	
E2	Extraordinary use				(5 715 366)	
TR	TOTAL GENERAL REVENUES				<u>5 794 791</u>	
CN	CHANGE IN NET POSITION				(1 499 616)	
NB	Net position - Beginning				<u>3 239 520</u>	
NE	NET POSITION - ENDING				<u>\$ 1 739 904</u>	

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2019

EXHIBIT C-1

DATA CONTROL CODES		10 GENERAL FUND	NONMAJOR GOVERN- MENTAL FUNDS	98 TOTAL FUNDS
	ASSETS			
1110	Cash and cash investments	\$ 4 502 531	\$ 163 576	\$ 4 666 107
1225	Taxes receivable, net	20 386	5 097	25 483
1240	Due from other governments	402 865	65 333	468 198
1260	Due from other funds	<u>18 903</u>	<u>-</u>	<u>18 903</u>
1000	TOTAL ASSETS	<u>\$ 4 944 685</u>	<u>\$ 234 006</u>	<u>\$ 5 178 691</u>
	LIABILITIES AND FUND BALANCE			
	Current Liabilities:			
2110	Accounts payable	\$ 367 418	\$ 9 243	\$ 376 661
2150	Payroll and withholding payable	34 544	-	34 544
2160	Accrued wages payable	245 480	23 408	268 888
2170	Due from other funds	<u>-</u>	<u>18 903</u>	<u>18 903</u>
2000	TOTAL LIABILITIES	<u>647 442</u>	<u>51 554</u>	<u>698 996</u>
	DEFERRED INFLOWS			
2600	Unavailable revenue	<u>20 387</u>	<u>5 097</u>	<u>25 484</u>
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>667 829</u>	<u>56 651</u>	<u>724 480</u>
	Fund Balances:			
	Restricted:			
3450	State/Federal grants	-	79 864	79 864
3480	Retirement of long-term debt	-	97 309	97 309
3550	Assigned - Construction and technology	2 500 000	182	2 500 182
3600	Unassigned	<u>1 776 856</u>	<u>-</u>	<u>1 776 856</u>
3000	TOTAL FUND BALANCE	<u>4 276 856</u>	<u>177 355</u>	<u>4 454 211</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 4 944 685</u>	<u>\$ 234 006</u>	<u>\$ 5 178 691</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, 2019

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$	4 454 211
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.		7 104 982
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		25 484
Payables for bond principal which are not due in the current period are not reported in the funds.		(5 931 668)
Payables for bond interest which are not due in the current period are not reported in the funds.		(3 952)
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		(1 772 862)
Net OPEB liability		(2 503 360)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds		797 536
Deferred outflows and inflows or resources related to OPEB are applicable to future periods and therefore, are not reported in the funds		<u>(430 467)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$	<u>1 739 904</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, 2019

EXHIBIT C-2

DATA CONTROL CODES		10 GENERAL FUND	NONMAJOR GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	Revenues:			
5700	Local and intermediate sources	\$ 1 656 563	\$ 398 859	\$ 2 055 422
5800	State program revenues	5 314 292	369 430	5 683 722
5900	Federal program revenues	494 848	542 733	1 037 581
5020	TOTAL REVENUES	<u>7 465 703</u>	<u>1 311 022</u>	<u>8 776 725</u>
	Expenditures:			
	Current:			
0011	Instruction	3 586 875	357 552	3 944 427
0012	Instructional resources and media services	76 584	-	76 584
0013	Curriculum and staff development	10 326	29 309	39 635
0021	Instructional leadership	131 159	5 936	137 095
0023	School leadership	389 784	-	389 784
0031	Guidance, counseling and evaluation services	165 439	-	165 439
0033	Health services	56 747	-	56 747
0034	Student transportation	218 486	5 527	224 013
0035	Food services	-	295 333	295 333
0036	Cocurricular/extracurricular activities	478 958	-	478 958
0041	General administration	431 021	1 125	432 146
0051	Plant maintenance and operations	677 941	-	677 941
0052	Security and monitoring services	17 524	-	17 524
0053	Data processing services	107 598	-	107 598
0071	Principal on long-term debt	77 748	520 000	597 748
0072	Interest on long-term debt	-	74 350	74 350
0073	Bond issuance costs and fees	-	750	750
0081	Capital outlay	175 000	15 800	190 800
0093	Payments to SSA	112 219	-	112 219
0099	Other intergovernmental charges	46 578	-	46 578
6030	TOTAL EXPENDITURES	<u>6 759 987</u>	<u>1 305 682</u>	<u>8 065 669</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>705 716</u>	<u>5 340</u>	<u>711 056</u>
	Other Financing Sources:			
7914	Proceeds from debt issue	3 485 000	-	3 485 000
7919	Extraordinary source - Insurance recovery	3 465 640	-	3 465 640
8913	Extraordinary use - Tornado cost	(5 845 726)	-	(5 845 726)
7915	Transfers in	98 977	18 081	117 058
8911	Transfers out	-	(117 058)	(117 058)
	TOTAL OTHER FINANCING SOURCES	<u>1 203 891</u>	<u>(98 977)</u>	<u>1 104 914</u>
1200	NET CHANGE IN FUND BALANCES	1 909 607	(93 637)	1 815 970
0100	Fund balance - Beginning	<u>2 367 249</u>	<u>270 992</u>	<u>2 638 241</u>
3000	FUND BALANCE - ENDING	<u>\$ 4 276 856</u>	<u>\$ 177 355</u>	<u>\$ 4 454 211</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, 2019

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 1 815 970
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.	(518 588)
Capital outlays are not reported as expenses in the SOA.	308 782
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	1 162
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	520 000
(Increase) decrease in accrued interest, issue cost and premium from beginning of period to end of period.	34 924
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.	(176 866)
Governmental funds report debt proceeds as other sources.	<u>(3 485 000)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u>(1 499 616)</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 August 31, 2019

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 153 287
1000	TOTAL ASSETS	\$ <u>153 287</u>
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ 153 287
2000	TOTAL LIABILITIES	\$ <u>153 287</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2019

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, 2019

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, 2019

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, 2019

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 2019. 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, 2019

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, 2019, 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, 2019

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, 2019 that were to be provided for in the 2019-2020 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 18, 2019, 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 \$519,799.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

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	\$ 4,292,715	\$ 4,292,715	27

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, 2019

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, 2019, consisted of the following:

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
None			

NOTE 4 - TRANSFERS

TRANSFER TO FUND	TRANSFER FROM FUND	AMOUNT	PURPOSE
General Fund	Other Governmental Fund	\$ 36 931	Short-term loans
	TOTAL	\$ 36 931	

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:

	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 221 081	\$ -	\$ -	\$ 221 081
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	221 081	-	-	221 081
Capital Assets Being Depreciated:				
Buildings and improvements	13 179 183	130 360	(336 478)	12 973 065
Vehicles and equipment	1 978 305	178 422	-	2 156 727
TOTAL CAPITAL ASSETS BEING DEPRECIATED	15 157 488	308 782	(336 478)	15 129 792
Less Accumulated Depreciation for:				
Buildings and improvements	(6 727 269)	(368 245)	112 160	(6 983 354)
Vehicles and equipment	(1 336 512)	(150 343)	-	(1 486 855)
TOTAL ACCUMULATED DEPRECIATION	(8 063 781)	(518 588)	112 160	(8 470 209)
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	7 093 707	(209 806)	(224 318)	6 659 583
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	\$ 7 314 788	\$ (209 806)	\$ (224 318)	\$ 6 880 664

During the year there were two extraordinary events, see NOTE 11, which caused extensive damage to buildings. Portions of the high school and middle school buildings are idle at year end. They are expected to be repaired in the following year and will be temporarily impaired next year when the restoration cost approach can be used to calculate the impairment.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 5 - CAPITAL ASSETS - CONTINUED

Depreciation was charged to functions as follows:

Instruction	\$	275 953
Instructional resources and media services		3 785
School leadership		5 818
Guidance, counseling and evaluation services		77 399
Health services		36 368
Student transportation		16 779
Food services		21 829
Extracurricular activities		53 138
General administration		11 548
Plant maintenance and operations		15 971
	\$	518 588

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 refunding bond	\$	2 825 000	-	(520 000)	\$ 2 305 000	\$ 535 000
Premium on bond - Refunding		177 085	-	(35 417)	141 668	-
Maintenance tax note		-	3 485 000	-	3 485 000	180 000
TOTAL GOVERNMENTAL ACTIVITIES	\$	3 002 085	3 485 000	(555 417)	5 931 668	715 000

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
2020	\$ 715 000	\$ 145 346	\$ 860 346
2021	755 000	127 251	882 251
2022	785 000	105 176	890 176
2023	815 000	82 225	897 225
2024	210 000	68 000	278 000
2025-2029	1 150 000	258 002	1 408 002
2030-2034	1 360 000	103 876	1 463 876
TOTALS	\$ 5 790 000	\$ 889 876	\$ 6 679 876

The refunding bonds payable have an interest rate from 2.0% to 3.0%. The maintenance tax note has an interest rate of 2.5%.

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 2019, 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, 2019

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 <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

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, 2019

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. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2018 and 2019.

	CONTRIBUTION RATES	
	2018	2019
Member	7.2%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2019		\$ 113 979
Member Contributions - 2019		\$ 322 780
NECE On-behalf Contributions - 2018		\$ 228 285

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, 2019

NOTE 8 - PENSION PLAN - CONTINUED

E. Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term Expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Benefit Changes During the Year	None
Ad Hoc Post-Employment Benefit Changes	None

F. Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. 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 sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. 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 arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED ARITHMETIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	- %	- %	- %
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	- %
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	- %	- %	- %
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag**			(0.79)%
Total	<u>100%</u>		<u>7.25%</u>

* Target allocations are based on the FY2016 policy model.

** 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, 2019

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 (5.907%)	DISCOUNT RATE (6.907%)	1% INCREASE IN DISCOUNT RATE (7.907%)
District proportionate share of the net pension liability	\$ 2 675 674	\$ 1 772 862	\$ 1 041 982

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

At August 31, 2019, the District reported a liability of \$1,772,862 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	\$ 1 772 862
State's proportionate share that is associated with the District	<u>3 732 301</u>
TOTAL	<u>\$ 5 505 163</u>

The net pension liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018 the District's proportion of the collective net pension liability was 0.0032% which was the same proportion measured as of August 31, 2017.

Changes Since the Prior Actuarial Valuation - The following changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

The total pension liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2017.

Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.

The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.

The long term assumed rate of return changed from 8.0 percent to 7.25 percent.

The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the net pension liability.

For the year ended August 31, 2019, the District recognized pension expense of \$369,398 and revenue of \$369,398 for support provided by the State.

ALTO INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2019

NOTE 8 - PENSION PLAN - CONTINUED

At August 31, 2019, 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: (The amounts shown below will be the cumulative layers from the current and prior years combined.)

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 11 051	\$ 43 499
Changes in actuarial assumptions	639 202	19 975
Difference between projected and actual investment earnings	92 134	125 773
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	168 288	37 871
Contributions paid to TRS subsequent to the measurement date	113 979	-
TOTAL	\$ 1 024 654	\$ 227 118

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
2020	\$ 1 892 999
2021	\$ 118 508
2022	\$ 97 432
2023	\$ 102 583
2024	\$ 105 066
Thereafter	\$ 70 669

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

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, 2019

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 a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees			
January 1, 2018 - December 31, 2018			
	<u>Medicare</u>		<u>Non-Medicare</u>
Retiree*	\$ 135	\$	200
Retiree and Spouse	529		689
Retiree* and Children	468		408
Retiree and Family	1 020		999

* 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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.75% 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, 2019

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

	<u>Contribution Rates</u>	
	2018	2019
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer Contributions - 2019	\$ 36 053	
Member Contributions - 2019	\$ 27 132	
NECE On-behalf Contributions - 2018	\$ 49 401	

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 \$182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$212 million in one-time, supplemental funding for the fiscal years 2018-19 biennium to continue to support the program. This was also received in fiscal year 2018 bringing the total appropriations received in fiscal year 2018 to \$394.6 million.

E. Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	3.69% as of August 31, 2018
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2017.
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 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020.
Election Rates	Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 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, 2018 TRS pension actuarial valuation:

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

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

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

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 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018.

F. Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was a change of 0.27% 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.

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 (3.69%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (2.69%)	Current Single Discount Rate (3.69%)	1% Increase in Discount Rate (4.69%)
District's proportionate share of the Net OPEB Liability	\$ 2 979 858	\$ 2 503 360	\$ 2 126 419

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

At August 31, 2019, the District reported a liability of \$2,503,360 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	\$ 2 503 360
State's proportionate share that is associated with District	3 580 660
TOTAL	\$ 6 084 020

The Net OPEB Liability was measured as of August 31, 2018 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, 2017 thru August 31, 2018.

At August 31, 2018, the employer's proportion of the collective Net OPEB Liability was 0.0050% which increased 0.0003% from the proportion measured as of August 31, 2017.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

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

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate is used.

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of the Net OPEB Liability	\$ 2 079 081	\$ 2 503 360	\$ 3 062 144

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. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.42% as of August 31, 2017 to 3.69% as of August 31, 2018. This change lowered the Total OPEB Liability.
5. Change of Benefit Terms Since the Prior Measurement Date - Please see the 2018 TRS CAFR, page 68, section G. for a list of changes made effective September 1, 2017 by the 85th Texas Legislature.

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

For the year ended August 31, 2019, the District recognized OPEB expense of \$130,243 and revenue of \$130,243 for support provided by the State.

At August 31, 2019, 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	\$ 132 844	\$ 39 507
Changes in actuarial assumptions	41 774	752 116
Difference between projected and actual investment earnings	438	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	150 047	-
Contributions paid to TRS subsequent to the measurement date	36 053	-
TOTAL	\$ 361 156	\$ 791 623

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

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

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
2020	\$ (79 859)
2021	\$ (79 859)
2022	\$ (79 859)
2023	\$ (79 942)
2024	\$ (79 991)
Thereafter	\$ (67 010)

The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care received payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submissions by reporting entities for the month of May. For the fiscal years ended August 31, 2019, 2018 and 2017, the subsidy payments received by TRS-Care on behalf of the District were \$16,257, \$12,603 and \$11,797, respectively.

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.

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 2018, the District participated in pools designed for school districts to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three years.

ALTO INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2019

NOTE 10 - COMMITMENTS AND CONTINGENCIES - CONTINUED

The District participates in a partially self-funded workers' compensation pool administered by Claims Administrative Services, Inc. The District pays a contribution for the fund year to cover the servicing of programs administration, claims handling, loss control and stop loss coverage. Provided the District remains in the pool, there are no additional fees for services. The District has retained the services of an independent plan supervisor experienced in claims processing. The agreement for formation of the Plan provides that the Plan will be self-sustaining through member premiums and will reinsure through commercial companies for excessive claims. Changes in the balances of workers' compensation claim liabilities during the past three years are as follows:

<u>YEAR ENDED</u> <u>AUGUST 31,</u>	<u>BEGINNING</u> <u>BALANCE</u>	<u>INCURRED</u> <u>CLAIMS</u>	<u>CLAIMS</u> <u>PAID</u>	<u>ENDING</u> <u>BALANCE</u>
2017	\$ 27 519	\$ (15 258)	\$ 4 621	\$ 38 155
2018	\$ 38 155	\$ (31 655)	\$ 35 874	\$ 33 937
2019	\$ 33 937	\$ (5 416)	\$ 4 809	\$ 34 544

NOTE 11 - EXTRAORDINARY ITEMS

On April 8, 2019 a series of severe storms moved through the campus causing an estimated \$3,215,100 in hail damage to the roofs of the schools. Additionally, on April 13, 2019 during repairs of previous hail damage, a tornado rated EF3 struck through the campus causing additional estimated extensive damage of \$8,521,550 to the District's property. During 2019, the District received approximately \$3,465,640 in insurance proceeds and expended \$5,845,726 in repairs and replacement of damaged property. Of this, \$130,360 was capitalized in the government wide statement of net position with the remainder expensed for damages.

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, 2019

EXHIBIT G-1

DATA CONTROL CODES		BUDGETED AMOUNTS		ACTUAL	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		ORIGINAL BUDGET	FINAL BUDGET		
Revenues:					
5700	Local and intermediate sources	\$ 1 514 453	\$ 1 514 453	\$ 1 656 563	\$ 142 110
5800	State program revenues	5 167 271	5 167 271	5 314 292	147 021
5900	Federal program revenues	155 000	155 000	494 848	339 848
5020	TOTAL REVENUES	<u>6 836 724</u>	<u>6 836 724</u>	<u>7 465 703</u>	<u>628 979</u>
Expenditures:					
Current:					
0011	Instruction	3 731 988	3 713 988	3 586 875	127 113
0012	Instructional resources and media services	78 822	78 822	76 584	2 238
0013	Curriculum and staff development	10 700	10 700	10 326	374
0021	Instructional leadership	136 647	136 647	131 159	5 488
0023	School leadership	396 212	396 212	389 784	6 428
0031	Guidance, counseling and evaluation services	179 844	179 844	165 439	14 405
0033	Health services	60 802	60 802	56 747	4 055
0034	Student (pupil) transportation	265 664	240 664	218 486	22 178
0036	Cocurricular/extracurricular activities	522 689	507 689	478 958	28 731
0041	General administration	425 081	440 081	431 021	9 060
0051	Plant maintenance and operations	723 223	757 223	677 941	79 282
0052	Security and monitoring services	17 000	17 550	17 524	26
0053	Data processing	122 446	115 246	107 598	7 648
0071	Debt service	-	78 000	77 748	252
0081	Capital outlay	-	175 000	175 000	-
0093	Shared service arrangements	105 606	112 256	112 219	37
0099	Other intergovernmental charges	60 000	60 000	46 578	13 422
6030	TOTAL EXPENDITURES	<u>6 836 724</u>	<u>7 080 724</u>	<u>6 759 987</u>	<u>320 737</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(244 000)</u>	<u>705 716</u>	<u>949 716</u>
Other Financing Sources (Uses):					
7914	Proceeds from debt issue	-	-	3 485 000	3 485 000
7919	Extraordinary source - Insurance recovery	-	-	3 465 640	3 465 640
8913	Extraordinary use - Tornado cost	-	-	(5 845 726)	(5 845 726)
8915	Transfer out	-	(601 187)	98 977	700 164
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(601 187)</u>	<u>1 203 891</u>	<u>1 805 078</u>
1200	NET CHANGE IN FUND BALANCES	-	(845 187)	1 909 607	2 754 794
0100	Fund balance - Beginning	<u>2 367 249</u>	<u>2 367 249</u>	<u>2 367 249</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 2 367 249</u>	<u>\$ 1 522 062</u>	<u>\$ 4 276 856</u>	<u>\$ 2 754 794</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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0032%	0.0032%	0.0032%	0.0036%	0.0036%
District's proportionate share of the net pension liability (asset)	\$ 1 772 862	\$ 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	<u>3 732 301</u>	<u>2 182 201</u>	<u>829 723</u>	<u>858 657</u>	<u>2 246 311</u>
TOTAL	<u>\$ 5 505 163</u>	<u>\$ 3 206 410</u>	<u>\$ 2 057 163</u>	<u>\$ 2 123 963</u>	<u>2 813 473</u>
District's covered-employee payroll	\$ 4 205 590	\$ 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	42.15%	25.43%	30.47%	32.04%	14.59%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	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

See Note 8 for changes.

Changes of Assumptions

See Note 8 for changes.

See independent auditors' report.

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

EXHIBIT G-3

	2019	2018	2017	2016	2015
Contractually required contribution	\$ 113 979	\$ 103 702	\$ 99 973	\$ 97 992	\$ 100 092
Contributions in relation to the contractually required contribution	(113 979)	(103 702)	(99 973)	(97 992)	(100 092)
CONTRIBUTION DEFICIENCY (EXCESS)	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 4 191 944	\$ 4 205 590	\$ 4 027 971	\$ 4 025 591	\$ 3 949 563
Contributions as a percentage of covered-employee payroll	2.72%	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

See Note 8 for changes.

Changes of Assumptions

See Note 8 for changes.

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

District's Proportionate Share of Liability	2018	2017
District's proportion of the OPEBL	0.0050%	0.0047%
District's proportionate share of the OPEBL	\$ 2 503 360	\$ 2 061 222
State share of the OPEBL associated with the District	3 580 660	3 143 813
TOTAL	<u>\$ 6 084 020</u>	<u>\$ 5 205 035</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 4 205 590	\$ 4 027 971
Proportionate share/covered payroll	59.52%	51.17%
Plan fiduciary net position/total OPEB liability	1.57%	0.91%

District Contributions	2019	2018
Contractually required contribution	\$ 36 053	\$ 33 712
Contributions to required contribution	(36 053)	(33 712)
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>
Current fiscal year TRS gross	\$ 4 191 944	\$ 4 205 590
Contributions to covered payroll	0.86%	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.

NOTE 1 - CHANGE IN BENEFIT TERMS AND ASSUMPTIONS

See Note 9 for changes in benefit terms and assumptions.

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, 2019

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	\$ 66 085	\$ 97 309	\$ 182	\$ 163 576
1225	Taxes receivable, net	-	5 097	-	5 097
1240	Due from other governments	65 333	-	-	65 333
1000	TOTAL ASSETS	<u>\$ 131 418</u>	<u>\$ 102 406</u>	<u>\$ 182</u>	<u>\$ 234 006</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ 9 243	\$ -	\$ -	\$ 9 243
2160	Accrued liabilities	23 408	-	-	23 408
2170	Due to other funds	18 903	-	-	18 903
2000	TOTAL LIABILITIES	<u>51 554</u>	<u>-</u>	<u>-</u>	<u>51 554</u>
	DEFERRED INFLOWS				
2600	Unavailable revenue	-	5 097	-	5 097
	TOTAL DEFERRED INFLOWS	<u>-</u>	<u>5 097</u>	<u>-</u>	<u>5 097</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3490	Other reserved of fund balance	79 864	97 309	182	177 355
3000	TOTAL FUND BALANCES	<u>79 864</u>	<u>97 309</u>	<u>182</u>	<u>177 355</u>
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	<u>\$ 131 418</u>	<u>\$ 102 406</u>	<u>\$ 182</u>	<u>\$ 228 909</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, 2019

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	\$ 22 570	\$ 376 289	\$ -	\$ 398 859
5800	State program revenues	136 460	232 970	-	369 430
5900	Federal program revenues	542 733	-	-	542 733
5020	TOTAL REVENUES	<u>701 763</u>	<u>609 259</u>	<u>-</u>	<u>1 311 022</u>
Expenditures:					
Current:					
0011	Instruction	357 552	-	-	357 552
0013	Curriculum and staff development	29 309	-	-	29 309
0021	Instructional leadership	5 936	-	-	5 936
0034	Student transportation	5 527	-	-	5 527
0035	Food service	295 333	-	-	295 333
0041	General administration	1 125	-	-	1 125
0071	Principal on long-term debt	-	520 000	-	520 000
0072	Interest on long-term debt	-	74 350	-	74 350
0073	Bond issuance cost and fees	-	750	-	750
0081	Facilities acquisition	-	-	15 800	15 800
6030	TOTAL EXPENDITURES	<u>694 782</u>	<u>595 100</u>	<u>15 800</u>	<u>1 305 682</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>6 981</u>	<u>14 159</u>	<u>(15 800)</u>	<u>5 340</u>
Other Financing Sources:					
8911	Transfers in	2 099	-	15 982	18 081
8911	Transfers out	<u>(117 058)</u>	<u>-</u>	<u>-</u>	<u>(117 058)</u>
	TOTAL OTHER FINANCING SOURCES	<u>(114 959)</u>	<u>-</u>	<u>15 982</u>	<u>(98 977)</u>
1200	NET CHANGE IN FUND BALANCES	(107 978)	14 159	182	(93 637)
0100	Fund balances - Beginning	<u>187 842</u>	<u>83 150</u>	<u>-</u>	<u>270 992</u>
3000	FUND BALANCES - ENDING	<u>\$ 79 864</u>	<u>\$ 97 309</u>	<u>\$ 182</u>	<u>\$ 177 355</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2019

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	\$ 8 310	\$ -	\$ 44 692	\$ 4 433
1242	Due from other governments	<u>22 151</u>	<u>21 002</u>	<u>19 327</u>	<u>-</u>
1000	TOTAL ASSETS	<u>\$ 30 461</u>	<u>\$ 21 002</u>	<u>\$ 64 019</u>	<u>\$ 4 433</u>
	LIABILITIES				
	Current Liabilities:				
2110	Accounts payable	\$ -	\$ -	\$ 9 243	\$ -
2160	Accrued liabilities	11 118	2 099	7 971	-
2170	Due from other funds	<u>-</u>	<u>18 903</u>	<u>-</u>	<u>-</u>
2000	TOTAL LIABILITIES	<u>11 118</u>	<u>21 002</u>	<u>17 214</u>	<u>-</u>
	FUND BALANCES				
	Restricted Fund Balances:				
3490	Other reserved of fund balance	<u>19 343</u>	<u>-</u>	<u>46 805</u>	<u>4 433</u>
3000	TOTAL FUND BALANCES	<u>19 343</u>	<u>-</u>	<u>46 805</u>	<u>4 433</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 30 461</u>	<u>\$ 21 002</u>	<u>\$ 64 019</u>	<u>\$ 4 433</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)
\$ -	\$ 2 777	\$ -	\$ 5 873	\$ 66 085
<u>2 620</u>	<u>233</u>	<u>-</u>	<u>-</u>	<u>65 333</u>
<u>\$ 2 620</u>	<u>\$ 3 010</u>	<u>\$ -</u>	<u>\$ 5 873</u>	<u>\$ 131 418</u>
\$ -	\$ -	\$ -	\$ -	\$ 9 243
2 220	-	-	-	23 408
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18 903</u>
<u>2 220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>51 554</u>
<u>400</u>	<u>3 010</u>	<u>-</u>	<u>5 873</u>	<u>79 864</u>
<u>400</u>	<u>3 010</u>	<u>-</u>	<u>5 873</u>	<u>79 864</u>
<u>\$ 2 620</u>	<u>\$ 3 010</u>	<u>\$ -</u>	<u>\$ 5 873</u>	<u>\$ 131 418</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, 2019

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	\$ -	\$ -	\$ 22 570	\$ -
5800	State program revenues	-	-	10 863	350
5900	Federal program revenues	<u>203 396</u>	<u>21 002</u>	<u>259 812</u>	<u>7 286</u>
5020	TOTAL REVENUES	<u>203 396</u>	<u>21 002</u>	<u>293 245</u>	<u>7 636</u>
Expenditures:					
Current:					
0011	Instruction	168 678	23 101	-	-
0013	Curriculum and staff development	23 319	-	-	-
0021	Instructional leadership	4 461	-	-	-
0034	Student transportation	5 527	-	-	-
0035	Food service	-	-	288 529	6 804
0041	General administration	-	-	-	-
6030	TOTAL EXPENDITURES	<u>201 985</u>	<u>23 101</u>	<u>288 529</u>	<u>6 804</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1 411</u>	<u>(2 099)</u>	<u>4 716</u>	<u>832</u>
Other Financing Sources:					
7915	Transfer in	-	2 099	-	-
8911	Transfer out	-	-	-	-
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>2 099</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	1 411	-	4 716	832
0100	Fund balances - Beginning	<u>17 932</u>	<u>-</u>	<u>42 089</u>	<u>3 601</u>
3000	FUND BALANCES ENDING	<u>\$ 19 343</u>	<u>\$ -</u>	<u>\$ 46 805</u>	<u>\$ 4 433</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)
\$ -	\$ -	\$ -	\$ -	\$ 22 570
-	-	-	125 247	136 460
<u>28 338</u>	<u>11 826</u>	<u>11 073</u>	<u>-</u>	<u>542 733</u>
<u>28 338</u>	<u>11 826</u>	<u>11 073</u>	<u>125 247</u>	<u>701 763</u>
25 424	6 170	10 745	123 434	357 552
934	5 056	-	-	29 309
600	600	275	-	5 936
-	-	-	-	5 527
-	-	-	-	295 333
<u>1 125</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 125</u>
<u>28 083</u>	<u>11 826</u>	<u>11 020</u>	<u>123 434</u>	<u>694 782</u>
<u>255</u>	<u>-</u>	<u>53</u>	<u>1 813</u>	<u>6 981</u>
-	-	-	-	2 099
<u>(117 005)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>(117 058)</u>
<u>(117 005)</u>	<u>-</u>	<u>(53)</u>	<u>-</u>	<u>(114 959)</u>
(116 750)	-	-	1 813	(107 978)
<u>117 150</u>	<u>3 010</u>	<u>-</u>	<u>4 060</u>	<u>187 842</u>
<u>\$ 400</u>	<u>\$ 3 010</u>	<u>\$ -</u>	<u>\$ 5 873</u>	<u>\$ 79 864</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, 2019

YEAR ENDED AUGUST 31,	(1) TAX RATES		(3)
	MAINTENANCE	DEBT SERVICE	ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
2010 and prior years	Various	Various	\$ Various
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	1.040	0.2600	\$ 138 286 863
2019 (School year under audit)	1.040	0.2600	\$ 142 650 426
TOTALS			

See independent auditors' report.

EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2018	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2019
\$ 13 595	\$ -	\$ 2 492	\$ 623	\$ (2 330)	\$ 8 150
2 288	-	175	44	(333)	1 736
3 073	-	529	132	(339)	2 073
4 171	-	621	155	(339)	3 056
4 592	-	648	162	(251)	3 531
5 564	-	1 058	264	(251)	3 991
7 765	-	2 065	516	(222)	4 962
18 851	-	4 059	1 015	(1 706)	12 071
61 709	-	23 503	5 876	(3 368)	28 962
-	1 854 456	1 435 272	358 818	(1 484)	58 882
<u>\$ 121 608</u>	<u>\$ 1 854 456</u>	<u>\$ 1 470 422</u>	<u>\$ 367 605</u>	<u>\$ (10 623)</u>	<u>\$ 127 414</u>

ALTO INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2019

EXHIBIT J-3

DATA CONTROL CODES	1		ACTUAL AMOUNTS	3	
	BUDGETED AMOUNTS			VARIANCE POSITIVE (NEGATIVE)	
	ORIGINAL BUDGET	FINAL			
Revenues:					
5700	Local and intermediate sources	\$ 25 500	\$ 25 500	\$ 22 570	\$ (2 930)
5800	State program revenues	11 016	11 016	10 863	(153)
5900	Federal program revenues	<u>315 063</u>	<u>315 063</u>	<u>259 812</u>	<u>(55 251)</u>
5020	TOTAL REVENUES	<u>351 579</u>	<u>351 579</u>	<u>293 245</u>	<u>(58 334)</u>
Expenditures:					
Current:					
Support Services - Student:					
0035	Food services	<u>351 579</u>	<u>351 579</u>	<u>288 529</u>	<u>63 050</u>
6030	TOTAL EXPENDITURES	<u>351 579</u>	<u>351 579</u>	<u>288 529</u>	<u>63 050</u>
1200	NET CHANGE IN FUND BALANCE	-	-	4 716	4 716
0100	Fund balance - Beginning	<u>42 089</u>	<u>42 089</u>	<u>42 089</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 42 089</u>	<u>\$ 42 089</u>	<u>\$ 46 805</u>	<u>\$ 4 716</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2019

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	\$ 376 689	\$ 376 689	\$ 376 289	\$ (400)
5800	State program revenues	<u>218 661</u>	<u>218 661</u>	<u>232 970</u>	<u>14 309</u>
5020	TOTAL REVENUES	<u>595 350</u>	<u>595 350</u>	<u>609 259</u>	<u>13 909</u>
Expenditures:					
Debt Service:					
0071	Principal on long-term debt	520 000	520 000	520 000	-
0072	Interest on long-term debt	75 350	75 350	74 350	1 000
0073	Bond issuance costs and fees	<u>1 000</u>	<u>1 000</u>	<u>750</u>	<u>250</u>
6030	TOTAL EXPENDITURES	<u>596 350</u>	<u>596 350</u>	<u>595 100</u>	<u>1 250</u>
1200	NET CHANGE IN FUND BALANCE	(1 000)	(1 000)	14 159	15 159
0100	Fund balance - Beginning	<u>83 150</u>	<u>83 150</u>	<u>83 150</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 82 150</u>	<u>\$ 82 150</u>	<u>\$ 97 309</u>	<u>\$ 15 159</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, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated November 18, 2019.

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.

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 18, 2019


CERTIFIED PUBLIC ACCOUNTANTS

ALTO INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION
 For the Year Ended August 31, 2019

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.

Reconciliation to Federal Revenue Per C-2:

TOTAL EXPENDITURE OF FEDERAL AWARDS		\$ 559 313
Other Federal Programs:		
School Health and Related Services Program	93.778	478 268
TOTAL FEDERAL REVENUE PER EXHIBIT C-2		\$ 1 037 581

B. Financial Statement Findings

None noted

C. Corrective Action Plan

Not required

ALTO INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2019

Prior Audit Findings

2018-01 - Segregation of Duties

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

Corrective Action: The district implemented mitigating controls that would assist in detecting and correcting errors, whether due to fraud or error.

Status: Fully corrected

ALTO INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REQUIRED RESPONSES TO SELECTED
SCHOOL FIRST INDICATORS
As of August 31, 2019

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.	\$ 1 772 862
SF13	Pension Expense (6147) at fiscal year-end.	\$ -