

ALTO INDEPENDENT SCHOOL DISTRICT  
Alto, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2020

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## INTRODUCTORY SECTION

ALTO INDEPENDENT SCHOOL DISTRICT  
CERTIFICATE OF BOARD  
August 31, 2020

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, 2020, at a meeting of the Board of Trustees of such school district on the 14<sup>th</sup> day of December, 2020.



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, fiduciary funds and the aggregate remaining fund information of Alto Independent School District ("the District"), as of and for the year ended August 31, 2020, 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, fiduciary funds and the aggregate remaining fund information of the District as of August 31, 2020, 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 December 14, 2020, 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  
December 14, 2020

  
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, 2020. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

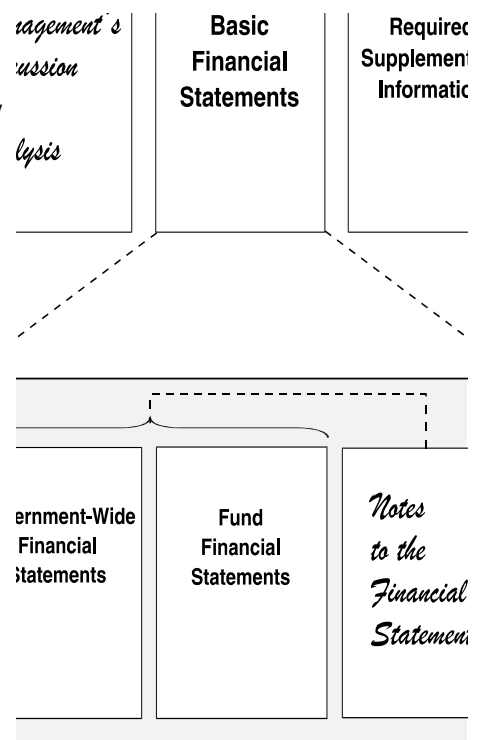
- The District's total combined net position was \$3,627,748 at August 31, 2020.
- During the year, the District's expenses were \$1,129,461 less than the \$11,425,985 generated in taxes and other revenues for governmental activities, excluding extraordinary items.
- The fund balance of the general fund is \$3,579,464 which decreased \$561,484 from the prior year.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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



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

**Government-wide Statements**

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

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

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



## Fund Financial Statements

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

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

The District has two kinds of funds:

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

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

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

**Net Position.** The District's combined net position was \$3,627,748 as of August 31. (See Table A-1).

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

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2020	2019	
Current Assets:			
Cash and cash equivalents	\$ 14 504 244	\$ 4 666 107	210.84%
Taxes receivable, net	27 115	25 483	%
Due from other governments	72 335	468 198	(84.55)%
TOTAL CURRENT ASSETS	<u>14 603 694</u>	<u>5 159 788</u>	183.03%
Noncurrent Assets:			
Land	221 081	221 081	-%
Buildings and improvements, net	8 417 542	6 214 029	35.46%
Furniture, vehicles and equipment, net	700 024	669 872	4.50%
Construction in progress	519 277	-	100.00%
TOTAL NONCURRENT ASSETS	<u>9 857 924</u>	<u>7 104 982</u>	38.75%
Deferred Outflows:			
Deferred outflows	<u>1 834 165</u>	<u>1 385 810</u>	32.35%
TOTAL ASSETS AND DEFERRED OUTFLOWS	<u>26 295 783</u>	<u>13 650 580</u>	92.63%
Current Liabilities:			
Accounts payable and accrued liabilities	601 445	684 045	(12.08)%
Due within one year	<u>755 000</u>	<u>715 000</u>	5.59%
TOTAL CURRENT LIABILITIES	<u>1 356 445</u>	<u>1 399 045</u>	(3.04)%
Long-Term Liabilities:			
Due in more than one year	<u>19 741 544</u>	<u>9 492 890</u>	107.96%
TOTAL LIABILITIES	<u>21 097 989</u>	<u>10 891 935</u>	93.70%
Deferred Inflows:			
Deferred inflows	<u>1 570 046</u>	<u>1 018 741</u>	-%
TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>22 668 035</u>	<u>11 910 676</u>	90.32%
Net Position:			
Invested in capital assets	8 087 924	4 799 982	68.50%
Restricted	443 639	177 173	150.40%
Unrestricted	<u>(4 903 815)</u>	<u>(3 237 521)</u>	54.47%
TOTAL NET POSITION	\$ <u>3 627 748</u>	\$ <u>1 739 904</u>	108.54%

**Changes in Net Position.** The District's total revenues were \$11,425,985. A significant portion, 18 percent, of the District's revenue comes from taxes. (See Figure A-3) 66 percent comes from state aid - formula grants, while only 16 percent relates to operating grants.

The total cost of all programs and services was \$10,296,524; 56 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
	2020	2019	
Program Revenues:			
Charges for services	\$ 32 717	\$ 54 177	(39.61)%
Operating grants and contributions	1 710 218	1 178 834	45.08%
General Revenues:			
Property taxes	2 037 868	1 887 483	7.97%
State aid - Formula	7 508 828	6 042 110	24.27%
Investment earnings	71 013	78 208	(9.20)%
Other	65 341	36 716	77.96%
TOTAL REVENUES	<u>11 425 985</u>	<u>9 277 528</u>	23.16%
Instruction	5 726 093	4 675 011	22.48%
Instructional resources and media services	191 748	89 128	115.14%
Curriculum development and instructional staff development	42 388	39 635	6.95%
Instructional leadership	178 344	151 924	17.39%
School leadership	496 777	441 724	12.46%
Guidance, counseling and evaluation	284 032	270 902	4.85%
Health services	105 613	93 115	17.37%
Student transportation	159 538	195 155	(18.25)%
Food services	409 713	337 471	21.41%
Curricular/extracurricular activities	590 230	501 394	17.72%
General administration	565 122	473 835	19.27%
Plant maintenance and operations	679 115	654 469	3.20%
Security and monitoring services	56 779	17 524	224.01%
Data processing	152 741	118 610	28.78%
Interest and fees on long term debt	254 750	117 174	117.41%
Bond issuance costs and fees	212 957	750	28,294.27%
Facilities acquisition and construction	23 686	190 800	(87.59)%
Payments to related SSA's	118 965	112 219	6.01%
Other intergovernmental charges	47 933	46 578	2.91%
TOTAL EXPENSES	<u>10 296 524</u>	<u>8 527 418</u>	20.75%
EXCESS OPERATING REVENUES OVER EXPENDITURES (BEFORE EXTRAORDINARY ITEMS)	\$ <u>1 129 461</u>	\$ <u>750 110</u>	50.57%

- The cost of all *governmental* activities this year was \$10,296,524.
- However, the amount that our taxpayers paid for these activities through property taxes was \$2,037,868.
- Some of the cost was paid by those who directly benefited from the programs \$32,717 or by grants and contributions of \$1,710,218.

**General Fund Budgetary Highlights**

The District's budget compared to actual expenditures was \$529,454 under final budget amounts. The District expects no significant changes to the budget for the 2020-2021 year.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of 2020, the District had invested \$9,857,924 in a broad range of capital assets, including land, equipment, buildings, and vehicles (See Table A-3). This amount represents a net increase (including additions and deductions, and depreciation) of \$2,977,260 over last year.

**Table A-3**  
District's Capital Assets

	GOVERNMENTAL ACTIVITIES		TOTAL PERCENTAGE CHANGE
	2020	2019	
Land	\$ 221 081	\$ 221 081	-%
Construction in progress	519 277	-	100.00%
Buildings and improvements	15 166 079	12 973 065	16.90%
Vehicles and equipment	2 061 706	2 156 727	(4.40)%
TOTALS AT HISTORICAL COST	17 968 143	15 350 873	17.00%
TOTAL ACCUMULATED DEPRECIATION	(8 110 219)	(8 470 209)	(4.30)%
NET CAPITAL ASSETS	\$ 9 857 924	\$ 6 880 664	43.30%

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 \$15,005,000 in long term debt and \$4,461,625 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
	2020	2019	
General obligation and building bonds	\$ 11 700 000	\$ 2 305 000	408.00%
Maintenance tax notes	3 305 000	3 485 000	(5.00)%
Net pension liability	1 769 638	1 772 862	(0.18)%
Net OPEB liability	2 691 987	2 503 360	7.53%
TOTAL LONG-TERM LIABILITIES	\$ 19 466 625	\$ 10 066 222	93.39%

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

- General operating fund spending per student is not expected to change significantly in the 2020-2021 school year.
- The District does not expect any significant change in the 2020 refined average daily attendance.

These indicators were taken into account when adopting the general fund budget for 2020. The District will use current resources to finance programs we currently offer.

The District has added no major new programs or initiatives to the 2020-2021 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, 2020

EXHIBIT A-1

DATA CONTROL CODES		1 GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 14 504 244
1225	Property taxes receivable (net allowance of \$108,456)	27 115
1240	Due from other governments	72 335
	Capital Assets:	
1510	Land	221 081
1520	Buildings and improvements, net	8 417 542
1530	Furniture and equipment, net	700 024
1580	Construction in progress	519 277
1000	TOTAL ASSETS	24 461 618
	Deferred Outflows:	
	Deferred outflows - Pension	1 001 485
	Deferred outflows - OPEB	832 680
1700	TOTAL DEFERRED OUTFLOWS	1 834 165
	TOTAL ASSETS AND DEFERRED OUTFLOWS	26 295 783
	LIABILITIES	
	Current Liabilities:	
2110	Accounts payable	232 877
2140	Interest payable	19 650
2150	Payroll and withholding payable	48 344
2165	Accrued liabilities	295 357
2177	Due to fiduciary fund	5 217
2501	Due within one year	755 000
	Noncurrent Liabilities:	
2502	Due in more than one year	14 250 000
2516	Premium on issuance of bond	1 029 919
2540	Net pension liability	1 769 638
2545	Net OPEB	2 691 987
2000	TOTAL LIABILITIES	21 097 989
	Deferred Inflows:	
	Deferred inflows - Pension	405 394
	Deferred inflows - OPEB	1 164 652
2600	TOTAL LIABILITIES AND DEFERRED INFLOWS	22 668 035
	NET POSITION	
3200	Net investment in capital assets	8 087 924
	Restricted for:	
3820	Federal and state programs	306 206
3850	Debt service	137 433
3900	Unrestricted	(4 903 815)
3000	TOTAL NET POSITION	\$ 3 627 748

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
For the Year Ended August 31, 2020

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	\$ 5 726 093	\$ -	\$	919 043	\$ (4 807 050)
12	Instruction resources and media services	191 748	-		10 238	(181 510)
13	Curriculum and staff development	42 388	-		37 299	(5 089)
21	Instructional leadership	178 344	-		26 921	(151 423)
23	School leadership	496 777	-		56 784	(439 993)
31	Guidance, counseling, and evaluation services	284 032	-		33 976	(250 056)
33	Health services	105 613	-		-	(105 613)
34	Student transportation	159 538	-		12 487	(147 051)
35	Food services	409 713	1 416		486 369	78 072
36	Cocurricular/extracurricular activities	590 230	31 301		35 313	(523 616)
41	General administration	565 122	-		38 532	(526 590)
51	Plant maintenance and operations	679 115	-		14 499	(664 616)
52	Security and monitoring services	56 779	-		25 000	(31 779)
53	Data processing services	152 741	-		13 757	(138 984)
72	Interest on long-term debt	254 750	-		-	(254 750)
73	Bond issuance costs and fees	212 957	-		-	(212 957)
81	Capital outlay	23 686	-		-	(23 686)
93	Payments related to shared services arrangements	118 965	-		-	(118 965)
99	Other intergovernmental charges	47 933	-		-	(47 933)
TG	TOTAL GOVERNMENTAL ACTIVITIES	<u>10 296 524</u>	<u>32 717</u>		<u>1 710 218</u>	<u>(8 553 589)</u>
TP	TOTAL PRIMARY GOVERNMENT	\$ <u>10 296 524</u>	\$ <u>32 717</u>	\$	<u>1 710 218</u>	<u>(8 553 589)</u>
	General Revenues:					
MT	Property taxes, levied for general purposes					1 637 185
DT	Property taxes, levied for debt service					400 683
IE	Investment earnings					71 013
GC	Grants and contributions not restricted to specific programs					7 508 828
MI	Miscellaneous					65 341
E1	Extraordinary source					3 169 367
E2	Extraordinary use					(2 498 031)
TR	TOTAL GENERAL REVENUES					<u>10 354 386</u>
CN	CHANGE IN NET POSITION					<u>1 800 797</u>
NB	Net position - Beginning					1 739 904
PA	Prior period adjustment					87 047
NB	NET POSITION - BEGINNING RESTATED					<u>1 826 951</u>
NE	NET POSITION - ENDING					<u>\$ 3 627 748</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET - GOVERNMENTAL FUNDS  
August 31, 2020

EXHIBIT C-1

DATA CONTROL CODES		10 GENERAL FUND	CAPITAL PROJECTS FUND	NONMAJOR GOVERN- MENTAL FUNDS	98 TOTAL FUNDS
	ASSETS				
1110	Cash and cash investments	\$ 4 032 877	\$ 10 055 461	\$ 415 906	\$ 14 504 244
1225	Taxes receivable, net	21 814	-	5 301	27 115
1240	Due from other governments	149	-	72 186	72 335
1260	Due from other funds	14 640	-	-	14 640
1000	TOTAL ASSETS	<u>\$ 4 069 480</u>	<u>\$ 10 055 461</u>	<u>\$ 493 393</u>	<u>\$ 14 618 334</u>
	LIABILITIES AND FUND BALANCE				
	Current Liabilities:				
2110	Accounts payable	\$ 149 096	\$ 83 781	\$ -	\$ 232 877
2150	Payroll and withholding payable	48 344	-	-	48 344
2160	Accrued wages payable	270 761	-	24 153	294 914
2170	Due from other funds	-	-	19 857	19 857
2200	Other accrued liabilities	-	-	443	443
2000	TOTAL LIABILITIES	<u>468 201</u>	<u>83 781</u>	<u>44 453</u>	<u>596 435</u>
	DEFERRED INFLOWS				
2600	Unavailable revenue	21 815	-	5 301	27 116
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>490 016</u>	<u>83 781</u>	<u>49 754</u>	<u>623 551</u>
	Fund Balances:				
	Restricted:				
3450	State/Federal grants	-	-	306 206	306 206
3480	Retirement of long-term debt	-	-	137 433	137 433
3490	Capital projects	-	9 971 680	-	9 971 680
3550	Assigned - Construction and technology	2 500 000	-	-	2 500 000
3600	Unassigned	1 079 464	-	-	1 079 464
3000	TOTAL FUND BALANCE	<u>3 579 464</u>	<u>9 971 680</u>	<u>443 639</u>	<u>13 994 783</u>
4000	TOTAL LIABILITIES DEFERRED INFLOWS AND FUND BALANCE	<u>\$ 4 069 480</u>	<u>\$ 10 055 461</u>	<u>\$ 493 393</u>	<u>\$ 14 618 334</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, 2020

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$ 13 994 783
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.	9 857 924
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	27 116
Payables for bond principal which are not due in the current period are not reported in the funds.	(16 034 919)
Payables for bond interest which are not due in the current period are not reported in the funds.	(19 650)
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	(1 769 638)
Net OPEB liability	(2 691 987)
Deferred outflows and inflows or resources related to pensions are applicable to future periods and therefore, are not reported in the funds	596 091
Deferred outflows and inflows or resources related to OPEB are applicable to future periods and therefore, are not reported in the funds	<u>(331 972)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$ <u>3 627 748</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, 2020

EXHIBIT C-2

DATA CONTROL CODES	10	CAPITAL PROJECTS FUND	NONMAJOR GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	GENERAL FUND			
<b>Revenues:</b>				
5700	Local and intermediate sources	\$ 1 773 443	\$ -	\$ 431 864
5800	State program revenues	6 733 026	-	318 652
5900	Federal program revenues	551 831	-	734 342
5020	TOTAL REVENUES	<u>9 058 300</u>	<u>-</u>	<u>1 484 858</u>
<b>Expenditures:</b>				
<b>Current:</b>				
0011	Instruction	4 262 959	-	319 766
0012	Instructional resources and media services	84 574	-	87 871
0013	Curriculum and staff development	5 089	-	37 299
0021	Instructional leadership	145 440	-	8 637
0023	School leadership	415 501	-	227
0031	Guidance, counseling and evaluation services	168 653	-	1 178
0033	Health services	69 317	-	-
0034	Student transportation	260 553	-	-
0035	Food services	-	-	356 980
0036	Cocurricular/extracurricular activities	460 012	-	10 319
0041	General administration	502 726	-	1 328
0051	Plant maintenance and operations	681 316	-	15 207
0052	Security and monitoring services	31 779	-	25 000
0053	Data processing services	134 302	-	181
0071	Principal on long-term debt	264 221	-	535 000
0072	Interest on long-term debt	-	-	190 248
0073	Bond issuance costs and fees	-	-	212 957
0081	Capital outlay	866 364	528 502	-
0093	Payments to SSA	118 965	-	-
0099	Other intergovernmental charges	47 933	-	-
6030	TOTAL EXPENDITURES	<u>8 519 704</u>	<u>528 502</u>	<u>1 802 198</u>
1100	NET CHANGE IN FUND BALANCE	538 596	(528 502)	(317 340)
<b>Other Financing Sources:</b>				
7914	Proceeds from debt issue	-	-	9 930 000
7916	Premium on bond issue	-	-	923 668
7919	Extraordinary source - Insurance recovery	3 169 367	-	-
8913	Extraordinary use - Tornado cost	(4 262 264)	-	-
7915	Transfers in	-	10 500 000	10 459
8911	Transfers out	(7 183)	-	(10 503 276)
	TOTAL OTHER FINANCING SOURCES	<u>(1 100 080)</u>	<u>10 500 000</u>	<u>360 851</u>
1200	NET CHANGE IN FUND BALANCES	(561 484)	9 971 498	43 511
0100	Fund balance - Beginning	4 140 948	182	313 081
1300	Prior period adjustment	-	-	87 047
3000	FUND BALANCE - ENDING	<u>\$ 3 579 464</u>	<u>\$ 9 971 680</u>	<u>\$ 443 639</u>
			\$	<u>\$ 13 994 783</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, 2020

EXHIBIT C-3

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$	9 453 525
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.		(567 032)
Capital outlays are not reported as expenses in the SOA.		3 711 485
Disposals of capital assets is not reported in the SOA.		(391 511)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		1 632
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.		715 000
(Increase) decrease in accrued interest, issue cost and premium from beginning of period to end of period.		19 719
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.		(288 353)
Governmental funds report debt proceeds and premium as other sources.		<u>(10 853 668)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$	<u>1 800 797</u>

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
August 31, 2020

EXHIBIT E-1

DATA CONTROL CODES		AGENCY FUNDS
	ASSETS	
1110	Cash and cash equivalents	\$ 47 228
1261	Due from other fund	5 217
1000	TOTAL ASSETS	\$ 52 445
	LIABILITIES	
	Current Liabilities:	
2190	Due to student groups	\$ 52 445
2000	TOTAL LIABILITIES	\$ 52 445

The accompanying notes are an integral part of this statement.

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

The District reports the following major governmental funds:

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

Capital Project Fund: This fund is used to account for capital projects.

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.

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.

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.
- 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.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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.

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:

ASSET CLASS	ESTIMATED USEFUL LIVES
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, 2020

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, 2020, the District did not make any significant budget amendments that increased overall appropriations over the original budget.
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, 2020 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.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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 December 14, 2020, 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 \$4,496,011.

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	\$ 14 676 916	\$ 14 676 916	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.



ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 2 - DEPOSITS AND INVESTMENTS - CONTINUED**

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.

**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, 2020, consisted of the following:

<u>DUE TO FUND</u>	<u>DUE FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
General Fund	Other Governmental Fund	\$ 14 640	Short-term loans
Student Activities	Other Governmental Fund	5 217	Short-term loans
	TOTAL	<u>\$ 19 857</u>	

**NOTE 4 - TRANSFERS**

<u>TRANSFER TO FUND</u>	<u>TRANSFER FROM FUND</u>	<u>AMOUNT</u>	<u>PURPOSE</u>
Capital Project	Debt Service	\$ 10 500 000	Capital project
Other Governmental Funds	General/Other gov. fund	10 459	Short-term loans
	TOTAL	<u>\$ 10 510 459</u>	

All amounts due are scheduled to be repaid within one year

**NOTE 5 - CAPITAL ASSETS**

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

	<u>BEGINNING BALANCES</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCES</u>
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ -	\$ 519 277	\$ -	\$ 519 277
Land	221 081	-	-	221 081
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>221 081</u>	<u>519 277</u>	<u>-</u>	<u>740 358</u>
Capital Assets Being Depreciated:				
Buildings and improvements	12 973 065	3 023 718	(830 704)	15 166 079
Vehicles and equipment	2 156 727	168 490	(263 511)	2 061 706
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>15 129 792</u>	<u>3 192 208</u>	<u>(1 094 215)</u>	<u>17 227 785</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(6 983 354)	(428 694)	663 511	(6 748 537)
Vehicles and equipment	(1 486 855)	(138 338)	263 511	(1 361 682)
TOTAL ACCUMULATED DEPRECIATION	<u>(8 470 209)</u>	<u>(567 032)</u>	<u>927 022</u>	<u>(8 110 219)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>6 659 583</u>	<u>2 625 176</u>	<u>(167 193)</u>	<u>9 117 566</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 6 880 664</u>	<u>\$ 3 144 453</u>	<u>\$ (167 193)</u>	<u>\$ 9 857 924</u>

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, 2020

**NOTE 5 - CAPITAL ASSETS - CONTINUED**

Depreciation was charged to functions as follows:

Instruction	\$	311 975
Instructional resources and media services		5 715
School leadership		5 684
Guidance, counseling and evaluation services		69 107
Health services		36 296
Student transportation		18 675
Food services		21 794
Extracurricular activities		73 030
General administration		11 547
Plant maintenance and operations		13 209
	\$	567 032

**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	\$ 2 305 000	\$ -	\$ (535 000)	\$ 1 770 000	\$ 565 000
Premium on bond - Refunding	141 668	-	(35 417)	106 251	-
Maintenance tax note	3 485 000	-	(180 000)	3 305 000	190 000
Tax School Building Bonds, Series 2020	-	9 930 000	-	9 930 000	-
Premium on building bond	-	923 668	-	923 668	-
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 5 931 668</b>	<b>\$ 10 853 668</b>	<b>\$ (750 417)</b>	<b>\$ 16 034 919</b>	<b>\$ 755 000</b>

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
2021	\$ 755 000	\$ 443 469	\$ 1 198 469
2022	785 000	421 394	1 206 394
2023	815 000	398 443	1 213 443
2024	625 000	373 843	998 843
2025	655 000	347 218	1 002 218
2026-2030	3 745 000	1 290 217	5 035 217
2031-2035	4 195 000	593 566	4 788 566
2036-2040	3 430 000	187 543	3 617 543
<b>TOTALS</b>	<b>\$ 15 005 000</b>	<b>\$ 4 055 693</b>	<b>\$ 19 060 693</b>

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%. The school building bonds have interest rates from 2.0% to 5.0%.

**NOTE 7 - RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year 2020, 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.

**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.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

NOTE 8 - PENSION PLAN - CONTINUED

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.

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

	CONTRIBUTION RATES	
	2019	2020
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer Contributions - 2020		\$ 168 983
Member Contributions - 2020		\$ 361 607
NECE On-behalf Contributions - 2019		\$ 219 987

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.

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 8 - PENSION PLAN - CONTINUED**

- 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.

**E. Actuarial Assumptions**

The total pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
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 7.25%. 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, 2019 are summarized below:

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

\* 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, 2020

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 (7.25%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
District proportionate share of the net pension liability	\$ 2 720 190	\$ 1 769 638	\$ 999 507

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

At August 31, 2020, the District reported a liability of \$1,769,638 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	\$ 1 769 638
State's proportionate share that is associated with the District	3 267 341
TOTAL	\$ 5 036 979

The net pension liability was measured as of August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the District's proportion of the collective net pension liability was 0.0034% which was an increase of 0.0002% from its proportion measured as of August 31, 2018.

**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, 2019 was developed using a roll-forward method from the August 31, 2018 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, 2018.

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

The discount rate changed from 6.907 percent as of August 31, 2018 to 7.25 percent as of August 31, 2019.

With the enactment of SB 3 by the 2019 Legislature, an assumption has been made about how this legislation would impact future salaries. We have assumed that eligible active members would each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected based on the actuarial assumptions.

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, 2020, the District recognized pension expense of \$513,253 and revenue of \$513,253 for support provided by the State.

At August 31, 2020, 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	\$ 7 434	\$ 61 445
Changes in actuarial assumptions	549 029	226 885
Difference between projected and actual investment earnings	106 391	88 622
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	169 648	28 442
Contributions paid to TRS subsequent to the measurement date	168 983	-
TOTAL	\$ 1 001 485	\$ 405 394

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

**NOTE 8 - PENSION PLAN - CONTINUED**

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
2021	\$ 111 496
2022	\$ 89 530
2023	\$ 97 779
2024	\$ 100 061
2025	\$ 40 588
Thereafter	\$ (12 346)

**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.

**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.

<b>TRS-Care Monthly for Retirees</b>			
January 1, 2019 - December 31, 2019			
		<b>Medicare</b>	<b>Non-Medicare</b>
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.

ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

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

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.

	<u>Contribution Rates</u>	
	2019	2020
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 - 2020	\$ 43 793	
Member Contributions - 2020	\$ 30 281	
NECE On-behalf Contributions - 2019	\$ 53 679	

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 \$73.6 million in fiscal year 2019.

**E. Actuarial Assumptions**

The total OPEB liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

**Actuarial Methods and Assumptions:**

<b>Valuation Date</b>	August 31, 2019
<b>Methods and Assumptions:</b>	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2018.
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.
Aging Factors	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Expenses	Based on plan specific experience. 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, 2019 TRS pension actuarial valuation:

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

**Other Information:** There was a significant plan change adopted in fiscal year ending August 31, 2018. Effective January 1, 2019, 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, 2018 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 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019.

ALTO INDEPENDENT SCHOOL DISTRICT  
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
 August 31, 2020

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

**F. Discount Rate**

A single discount rate of 2.63% 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 (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
District's proportionate share of the net OPEB liability	\$ 3 250 092	\$ 2 691 987	\$ 2 255 381

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

At August 31, 2020, the District reported a liability of \$2,691,987 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	\$ 2 691 987
State's proportionate share that is associated with District	3 577 048
TOTAL	\$ 6 269 035

The Net OPEB Liability was measured as of August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective Net OPEB Liability was 0.0057% which increased 0.0007% from the proportion measured as of August 31, 2018.

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 4.5% rate is used.

	1% Decrease in Healthcare Trend Rate (3.5%)	Current Single Healthcare Trend Rate (4.5%)	1% Increase in Healthcare Trend Rate (5.5%)
District's proportionate share of the net OPEB liability	\$ 2 196 028	\$ 2 691 987	\$ 3 356 343

**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 2019. 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, 2018. This change increased the Total OPEB Liability.
4. The discount rate was changed from 3.69% as of August 31, 2018 to 2.63% as of August 31, 2019. This change lowered the Total OPEB Liability
5. Change of Benefit Terms Since the Prior Measurement Date - Please see the 2019 TRS CAFR, page 68, section G. for a list of changes made effective September 1, 2018 by the 85<sup>th</sup> Texas Legislature.



ALTO INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED  
August 31, 2020

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

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, 2020, the District recognized OPEB expense of \$94,276 and revenue of \$94,276 for support provided by the State.

At August 31, 2020, 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	\$ 132 065	\$ 440 515
Changes in actuarial assumptions	149 519	724 078
Difference between projected and actual investment earnings	349	59
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	506 954	-
Contributions paid to TRS subsequent to the measurement date	43 793	-
TOTAL	\$ 832 680	\$ 1 164 652

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
2021	\$	(83 120)
2022	\$	(83 120)
2023	\$	(83 214)
2024	\$	(83 269)
2025	\$	(83 255)
Thereafter	\$	40 213

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, 2020, 2019 and 2018, the subsidy payments received by TRS-Care on behalf of the District were \$21,376, \$16,257 and \$12,603, 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 2019, 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, 2020

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:

YEAR ENDED AUGUST 31,	BEGINNING BALANCE	INCURRED CLAIMS	CLAIMS PAID	ENDING BALANCE
2018	\$ 38 155	\$ (31 655)	\$ 35 874	\$ 33 937
2019	\$ 33 937	\$ (5 416)	\$ 4 809	\$ 34 544
2020	\$ 34 544	\$ 624	\$ 4 993	\$ 30 175

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 2020, the District received approximately \$3,169,367 in insurance proceeds and expended \$4,262,264 in repairs and replacement of damaged property. Of this, \$2,155,745 was capitalized in the government wide statement of net position with the remainder expensed for damages.

NOTE 12 - RELATED PARTY TRANSACTION

During the year, the District contracted with two board member businesses. A total of \$101,104 was paid to related parties for these services.

NOTE 13 - COVID-19 PANDEMIC IMPACT

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2020. However, the impact of response efforts on future operations cannot be predicted.

#### 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, 2020

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	\$ 1 608 707	\$ 1 608 707	\$ 1 773 443	\$ 164 736
5800	State program revenues	6 759 131	6 759 131	6 733 026	(26 105)
5900	Federal program revenues	606 320	606 320	551 831	(54 489)
5020	TOTAL REVENUES	<u>8 974 158</u>	<u>8 974 158</u>	<u>9 058 300</u>	<u>84 142</u>
	Expenditures:				
	Current:				
0011	Instruction	4 393 353	4 379 853	4 262 959	116 894
0012	Instructional resources and media services	84 824	90 324	84 574	5 750
0013	Curriculum and staff development	15 100	15 100	5 089	10 011
0021	Instructional leadership	146 320	151 320	145 440	5 880
0023	School leadership	430 022	425 022	415 501	9 521
0031	Guidance, counseling and evaluation services	192 050	192 050	168 653	23 397
0033	Health services	70 354	70 354	69 317	1 037
0034	Student (pupil) transportation	314 054	343 554	260 553	83 001
0036	Cocurricular/extracurricular activities	501 074	501 074	460 012	41 062
0041	General administration	539 301	539 301	502 726	36 575
0051	Plant maintenance and operations	807 689	807 689	681 316	126 373
0052	Security and monitoring services	33 000	46 500	31 779	14 721
0053	Data processing	135 081	135 081	134 302	779
0071	Debt service	282 751	282 751	264 221	18 530
0081	Capital outlay	890 185	890 185	866 364	23 821
0093	Shared service arrangements	119 000	119 000	118 965	35
0099	Other intergovernmental charges	60 000	60 000	47 933	12 067
6030	TOTAL EXPENDITURES	<u>9 014 158</u>	<u>9 049 158</u>	<u>8 519 704</u>	<u>529 454</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(40 000)</u>	<u>(75 000)</u>	<u>538 596</u>	<u>613 596</u>
	Other Financing Sources (Uses):				
7919	Extraordinary source - Insurance recovery	-	-	3 169 367	3 169 367
8913	Extraordinary use - Tornado cost	-	-	(4 262 264)	(4 262 264)
8915	Transfer out	-	(601 187)	(7 183)	594 004
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>(601 187)</u>	<u>(1 100 080)</u>	<u>(498 893)</u>
1200	NET CHANGE IN FUND BALANCES	(40 000)	(676 187)	(561 484)	114 703
0100	Fund balance - Beginning	<u>4 140 948</u>	<u>4 140 948</u>	<u>4 140 948</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 4 100 948</u>	<u>\$ 3 464 761</u>	<u>\$ 3 579 464</u>	<u>\$ 114 703</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0034%	0.0032%	0.0032%	0.0032%	0.0036%	0.0036%
District's proportionate share of the net pension liability (asset)	\$ 1 769 638	\$ 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>3 267 341</u>	<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>\$ 5 036 979</u>	<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	\$ 4 191 944	\$ 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	42.22%	42.15%	25.43%	30.47%	32.04%	14.59%
Plan fiduciary net position as a percentage of the total pension liability	75.24%	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.

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

EXHIBIT G-3

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 168 983	\$ 113 979	\$ 103 702	\$ 99 973	\$ 97 992	\$ 100 092
Contributions in relation to the contractually required contribution	<u>(168 983)</u>	<u>(113 979)</u>	<u>(103 702)</u>	<u>(99 973)</u>	<u>(97 992)</u>	<u>(100 092)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 4 696 190	\$ 4 191 944	\$ 4 205 590	\$ 4 027 971	\$ 4 025 591	\$ 3 949 563
Contributions as a percentage of covered-employee payroll	3.60%	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.

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

<u>District's Proportionate Share of Liability</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the OPEBL	0.0057%	0.0050%	0.0047%
District's proportionate share of the OPEBL	\$ 2 691 987	\$ 2 503 360	\$ 2 061 222
State share of the OPEBL associated with the District	<u>3 577 048</u>	<u>3 580 660</u>	<u>3 143 813</u>
TOTAL	\$ <u>6 269 035</u>	\$ <u>6 084 020</u>	\$ <u>5 205 035</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 4 191 944	\$ 4 205 590	\$ 4 027 971
Proportionate share/covered payroll	64.22%	59.52%	51.17%
Plan fiduciary net position/total OPEB liability	2.66%	1.57%	0.91%

<u>District Contributions</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 43 793	\$ 36 053	\$ 33 712
Contributions to required contribution	<u>(43 793)</u>	<u>(36 053)</u>	<u>(33 712)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Current fiscal year TRS gross	\$ 4 696 190	\$ 4 191 944	\$ 4 205 590
Contributions to covered payroll	0.93%	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.

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, 2020

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	ASSETS			
1110	Cash	\$ 278 473	\$ 137 433	\$ 415 906
1225	Taxes receivable, net	-	5 301	5 301
1240	Due from other governments	72 186	-	72 186
1000	TOTAL ASSETS	\$ 350 659	\$ 142 734	\$ 493 393
	LIABILITIES			
	Current Liabilities:			
2160	Accrued wages payable	\$ 24 153	\$ -	\$ 24 153
2170	Due to other funds	19 857	-	19 857
2210	Other accrued expenses	443	-	443
2000	TOTAL LIABILITIES	44 453	-	44 453
	DEFERRED INFLOWS			
2600	Unavailable revenue	-	5 301	5 301
	TOTAL DEFERRED INFLOWS	-	5 301	5 301
	FUND BALANCES			
	Restricted Fund Balances:			
3490	Other reserved of fund balance	306 206	137 433	443 639
3000	TOTAL FUND BALANCES	306 206	137 433	443 639
4000	TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 350 659	\$ 142 734	\$ 493 393

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, 2020

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	DEBT SERVICE FUND	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 31 174	\$ 400 690	\$ 431 864
5800	State program revenues	94 681	223 971	318 652
5900	Federal program revenues	734 342	-	734 342
5020	TOTAL REVENUES	<u>860 197</u>	<u>624 661</u>	<u>1 484 858</u>
	Expenditures:			
	Current:			
0011	Instruction	319 766	-	319 766
0012	Instructional resources and media services	87 871	-	87 871
0013	Curriculum and staff development	37 299	-	37 299
0021	Instructional leadership	8 637	-	8 637
0023	School leadership	227	-	227
0034	Student transportation	1 178	-	1 178
0035	Food service	356 980	-	356 980
0036	Cocurricular/extracurricular activities	10 319	-	10 319
0041	General administration	1 328	-	1 328
0051	Plant maintenance and operations	15 207	-	15 207
0052	Security and monitoring services	25 000	-	25 000
0053	Data processing services	181	-	181
0071	Principal on long-term debt	-	535 000	535 000
0072	Interest on long-term debt	-	190 248	190 248
0073	Bond issuance cost and fees	-	212 957	212 957
6030	TOTAL EXPENDITURES	<u>863 993</u>	<u>938 205</u>	<u>1 802 198</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3 796)</u>	<u>(313 544)</u>	<u>(317 340)</u>
	Other Financing Sources:			
7911	Proceeds from bond issuance	-	9 930 000	9 930 000
7916	Premium on bond issue	-	923 668	923 668
8911	Transfers in	10 459	-	10 459
8911	Transfers out	(3 276)	(10 500 000)	(10 503 276)
	TOTAL OTHER FINANCING SOURCES	<u>7 183</u>	<u>353 668</u>	<u>360 851</u>
1200	NET CHANGE IN FUND BALANCES	<u>3 387</u>	<u>40 124</u>	<u>43 511</u>
0100	Fund balances - Beginning	215 772	97 309	313 081
1300	Prior period adjustment	87 047	-	87 047
	FUND BALANCES - BEGINNING RESTATED	<u>302 819</u>	<u>97 309</u>	<u>400 128</u>
3000	FUND BALANCES - ENDING	<u>\$ 306 206</u>	<u>\$ 137 433</u>	<u>\$ 443 639</u>

See independent auditors' report.

ALTO INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR SPECIAL REVENUE FUNDS  
 August 31, 2020

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA B FORMULA	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING
	ASSETS					
1110	Cash	\$ 20 735	\$ -	\$ 123 559	\$ 4 370	\$ 113 985
1242	Due from other governments	16 581	-	37 614	-	3 351
1000	TOTAL ASSETS	<u>\$ 37 316</u>	<u>\$ -</u>	<u>\$ 161 173</u>	<u>\$ 4 370</u>	<u>\$ 117 336</u>
	LIABILITIES					
	Current Liabilities:					
2160	Accrued wages payable	\$ 14 340	\$ -	\$ 6 811	\$ -	\$ 3 002
2170	Due from other funds	-	-	-	-	-
2210	Other accrued expenses	356	-	-	-	87
2000	TOTAL LIABILITIES	<u>14 696</u>	<u>-</u>	<u>6 811</u>	<u>-</u>	<u>3 089</u>
	FUND BALANCES					
	Restricted Fund Balances:					
3490	Other reserved of fund balance	22 620	-	154 362	4 370	114 247
3000	TOTAL FUND BALANCES	<u>66 620</u>	<u>-</u>	<u>154 362</u>	<u>4 370</u>	<u>114 247</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37 316</u>	<u>\$ -</u>	<u>\$ 161 173</u>	<u>\$ 4 370</u>	<u>\$ 117 336</u>

See independent auditor's report.

266	270	289	410	429	461	TOTAL
ESSER	TITLE VI, PART B RURAL AND LOW INCOME SCHOOL	KATRINA IMPACT AID	TEXTBOOK FUND	SCHOOL SAFETY AND SECURITY	LOCAL DONATIONS	NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-1)
\$ -	\$ 3 010	\$ -	\$ 7 597	\$ -	\$ 5 217	\$ 278 473
<u>12 000</u>	<u>-</u>	<u>2 640</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>72 186</u>
\$ <u>117 336</u>	\$ <u>3 010</u>	\$ <u>2 640</u>	\$ <u>7 597</u>	\$ <u>-</u>	\$ <u>5 217</u>	\$ <u>350 659</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24 153
<u>12 000</u>	<u>-</u>	<u>2 640</u>	<u>-</u>	<u>-</u>	<u>5 217</u>	<u>19 857</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>443</u>
\$ <u>12 000</u>	\$ <u>-</u>	\$ <u>2 640</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>5 217</u>	\$ <u>44 453</u>
<u>-</u>	<u>3 010</u>	<u>-</u>	<u>7 597</u>	<u>-</u>	<u>-</u>	<u>306 206</u>
<u>-</u>	<u>3 010</u>	<u>-</u>	<u>7 597</u>	<u>-</u>	<u>-</u>	<u>306 206</u>
\$ <u>12 000</u>	\$ <u>3 010</u>	\$ <u>2 640</u>	\$ <u>7 597</u>	\$ <u>-</u>	\$ <u>5 217</u>	\$ <u>350 659</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, 2020

DATA CONTROL CODES	211 ESEA TITLE I IMPROVING BASIC PROGRAMS	224 IDEA B FORMULA	240 NATIONAL SCHOOL BREAKFAST/ LUNCH PROGRAM	242 SUMMER FEEDING PROGRAM	255 ESEA TITLE II TRAINING AND RECRUITING
Revenues:					
5700	Local and intermediate services	\$ -	\$ -	\$ 1 416	\$ -
5800	State program revenues	-	-	12 917	-
5900	Federal program revenues	225 553	-	450 141	28 653
5020	TOTAL REVENUES	<u>225 553</u>	<u>-</u>	<u>464 474</u>	<u>28 653</u>
Expenditures:					
Current:					
0011	Instruction	182 245	20 869	-	25 879
0012	Instructional resources and media	-	-	-	-
0013	Curriculum and staff development	35 900	-	-	628
0021	Instructional leadership	6 229	-	-	808
0023	School leadership	-	-	-	-
0034	Student transportation	1 178	-	-	-
0035	Food service	-	-	356 917	63
0036	Cocurricular/extracurricular activities	-	-	-	-
0041	General administration	-	-	-	1 220
0051	Plant maintenance and operations	-	-	-	-
0052	Security and monitoring services	-	-	-	-
0053	Data processing services	-	-	-	-
6030	TOTAL EXPENDITURES	<u>225 552</u>	<u>20 869</u>	<u>356 917</u>	<u>63</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1</u>	<u>(20 869)</u>	<u>107 557</u>	<u>(63)</u>
Other Financing Sources:					
7915	Transfer in	3 276	1 966	-	-
8911	Transfer out	-	-	-	(3 276)
	TOTAL OTHER FINANCING SOURCES	<u>3 276</u>	<u>1 966</u>	<u>-</u>	<u>(3 276)</u>
1200	NET CHANGE IN FUND BALANCES	3 277	(18 903)	107 557	(63)
0100	Fund balances - Beginning	19 343	18 903	46 805	117 405
	Prior period adjustment	-	-	-	-
3000	FUND BALANCES ENDING	<u>\$ 22 620</u>	<u>\$ -</u>	<u>\$ 154 362</u>	<u>\$ 4 370</u>
		<u>\$ 114 247</u>			

See independent auditor's report.

266	270	289	410	429	461	TOTAL
ESSER	TITLE VI, PART B RURAL AND LOW INCOME SCHOOL	KATRINA IMPACT AID	TEXTBOOK FUND	SCHOOL SAFETY AND SECURITY	LOCAL DONATIONS	NONMAJOR SPECIAL REVENUE FUNDS (SEE EXHIBIT H-2)
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29 758	\$ 31 174
-	-	-	56 764	25 000	-	94 681
12 000	7 395	10 600	-	-	-	734 342
<u>12 000</u>	<u>7 395</u>	<u>10 600</u>	<u>56 764</u>	<u>25 000</u>	<u>29 758</u>	<u>860 197</u>
12 000	5 824	9 800	55 040	-	8 109	319 766
-	-	-	-	-	87 871	87 871
-	771	-	-	-	-	37 299
-	800	800	-	-	-	8 637
-	-	-	-	-	227	227
-	-	-	-	-	-	1 178
-	-	-	-	-	-	356 980
-	-	-	-	-	10 319	10 319
-	-	-	-	-	108	1 328
-	-	-	-	-	15 207	15 207
-	-	-	-	25 000	-	25 000
-	-	-	-	-	181	181
<u>12 000</u>	<u>7 395</u>	<u>10 600</u>	<u>55 040</u>	<u>25 000</u>	<u>122 022</u>	<u>863 993</u>
-	-	-	1 724	-	(92 264)	(3 796)
-	-	-	-	-	5 217	10 459
-	-	-	-	-	-	(3 276)
-	-	-	-	-	5 217	7 183
-	-	-	1 724	-	(87 047)	3 387
-	3 010	-	5 873	-	-	215 772
-	-	-	-	-	87 047	87 047
\$ -	\$ 3 010	\$ -	\$ 7 597	\$ -	\$ -	\$ 306 206

#### 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, 2020

YEAR ENDED AUGUST 31,	(1) TAX RATES (2)		(3) ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES	
	MAINTENANCE	DEBT SERVICE		
2011 and prior years	Various	Various	\$	Various
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	1.040	0.2600	\$	142 650 426
2020 (School year under audit)	1.0683	0.2600	\$	151 014 379
TOTALS				

See independent auditors' report.



EXHIBIT J-1

(10) BEGINNING BALANCE 09/01/2019	(20) CURRENT YEAR'S TOTAL LEVY	(31) MAINTENANCE COLLECTIONS	(32) DEBT SERVICE COLLECTIONS	(40) ENTIRE YEAR'S ADJUSTMENTS	(50) ENDING BALANCE 08/31/2020
\$ 9 886	\$ -	\$ 630	\$ 137	\$ (354)	\$ 8 765
2 073	-	485	127	(77)	1 384
3 056	-	651	171	(77)	2 157
3 531	-	728	191	(77)	2 535
3 991	-	866	228	(77)	2 820
4 962	-	802	211	(78)	3 871
12 071	-	3 268	860	(83)	7 860
28 962	-	13 248	3 312	(875)	11 527
58 882	-	28 729	7 182	(2 774)	20 197
-	2 005 924	1 547 666	378 731	(5 072)	74 455
<u>\$ 127 414</u>	<u>\$ 2 005 924</u>	<u>\$ 1 597 073</u>	<u>\$ 391 150</u>	<u>\$ (9 544)</u>	<u>\$ 135 571</u>

ALTO INDEPENDENT SCHOOL DISTRICT  
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM  
 BUDGETARY COMPARISON SCHEDULE  
 For the Year Ended August 31, 2020

EXHIBIT J-3

DATA CONTROL CODES	1 BUDGETED AMOUNTS		ACTUAL AMOUNTS	3	
	ORIGINAL BUDGET	FINAL		VARIANCE POSITIVE (NEGATIVE)	
	Revenues:				
5700	Local and intermediate sources	\$ 25 514	\$ 25 514	\$ 1 416	\$ (24 098)
5800	State program revenues	12 763	12 763	12 917	154
5900	Federal program revenues	295 500	295 500	450 141	154 641
5020	TOTAL REVENUES	<u>333 777</u>	<u>333 777</u>	<u>464 474</u>	<u>130 697</u>
	Expenditures:				
	Current:				
	Support Services - Student:				
0035	Food services	<u>333 777</u>	<u>333 777</u>	<u>356 917</u>	<u>(23 140)</u>
6030	TOTAL EXPENDITURES	<u>333 777</u>	<u>333 777</u>	<u>356 917</u>	<u>(23 140)</u>
1200	NET CHANGE IN FUND BALANCE	-	-	107 557	107 557
0100	Fund balance - Beginning	<u>46 805</u>	<u>46 805</u>	<u>46 805</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 46 805</u>	<u>\$ 46 805</u>	<u>\$ 154 362</u>	<u>\$ 107 557</u>

ALTO INDEPENDENT SCHOOL DISTRICT  
DEBT SERVICE FUND  
BUDGETARY COMPARISON SCHEDULE  
For the Year Ended August 31, 2020

EXHIBIT J-4

DATA CONTROL CODES		1		2	3
		BUDGETED AMOUNTS		ACTUAL	VARIANCE
		ORIGINAL	FINAL	AMOUNTS	POSITIVE
		BUDGET	BUDGET		(NEGATIVE)
	Revenues:				
5700	Local and intermediate sources	\$ 424 574	\$ 424 574	\$ 400 690	\$ (23 884)
5800	State program revenues	172 551	172 551	223 971	51 420
5020	TOTAL REVENUES	<u>597 125</u>	<u>597 125</u>	<u>624 661</u>	<u>27 536</u>
	Expenditures:				
	Debt Service:				
0071	Principal on long-term debt	535 000	535 000	535 000	-
0072	Interest on long-term debt	61 125	61 125	190 248	(127 123)
0073	Bond issuance costs and fees	1 000	1 000	212 957	(211 957)
6030	TOTAL EXPENDITURES	<u>597 125</u>	<u>597 125</u>	<u>938 205</u>	<u>(341 080)</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>-</u>	<u>(313 544)</u>	<u>(313 544)</u>
	Other Financing Sources (Uses):				
7911	Proceeds from bond issue	-	-	9 930 000	9 930 000
7916	Premium on bond issue	-	-	923 668	923 668
8911	Transfers out	-	-	(10 500 000)	(10 500 000)
	TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>353 668</u>	<u>353 668</u>
1200	NET CHANGE IN FUND BALANCE	-	-	40 124	40 124
0100	Fund balance - Beginning	<u>97 309</u>	<u>97 309</u>	<u>97 309</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 97 309</u>	<u>\$ 97 309</u>	<u>\$ 137 433</u>	<u>\$ 40 124</u>

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, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated December 14, 2020.

### **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  
December 14, 2020

*Axley & Rode LLP*  
CERTIFIED PUBLIC ACCOUNTANTS

ALTO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF FINDINGS, QUESTIONED COSTS, AND CORRECTIVE ACTION  
 For the Year Ended August 31, 2020

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		\$ 734 342
Other Federal Programs:		
School Health and Related Services Program	93.778	537 971
E-Rate	93.000	<u>13 860</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C-2		<u>\$ 1 286 173</u>

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, 2020

Prior Audit Findings

None

ALTO INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED  
 SCHOOL FIRST INDICATORS  
 As of August 31, 2020

Exhibit L-1

DATA CONTROL CODES		RESPONSES
SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any debt agreement at fiscal year end?	No
SF3	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
SF4	Was the school district issued a warrant hold?	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administration Code and other statutes, laws, rules that were in effect at the school district fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	\$ N/A