

ITALY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2018

Italy Independent School District
Annual Financial Report
For The Year Ended August 31, 2018

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Introductory Section

CERTIFICATE OF BOARD

Italy Independent School District
Name of School District

Ellis
County

070-907
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2018, at a meeting of the board of trustees of such school district on the 21st day of January, 2019



Signature of Board Secretary



Signature of Board President

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

Financial Section

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

Independent Auditors' Report

To the Board of Trustees
Italy Independent School District
300 S College
Italy, Texas 76651

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Italy Independent School District ("the District") as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 District'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 District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Italy Independent School District as of August 31, 2018, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2018, Italy Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2018, Italy Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 85, *Omnibus 2017*. Our opinion is not modified with respect to this matter.

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 information, schedule of the District's proportionate share of the net pension liability and schedule of District pension contributions, and schedule of the District's proportionate share of the net OPEB liability and schedule of District OPEB contributions identified as Required Supplementary Information in the table of contents 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 Italy Independent School District's basic financial statements. The introductory section and combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements. The accompanying other supplementary information is presented for purposes of additional analysis and is also not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and other supplementary information 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 and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 21, 2019 on our consideration of Italy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Italy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 21, 2019



Italy Independent School District

Office of the Superintendent

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of Italy Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the year ended August 31, 2018. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

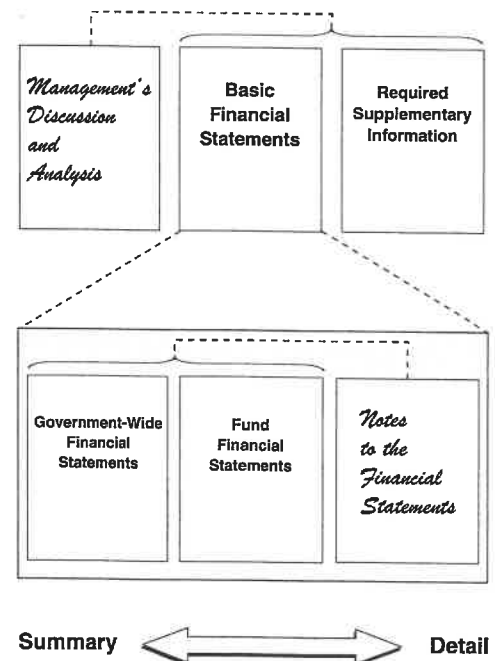
- The District's total combined net position on financial statement exhibit A-1 was \$1,654,042 at August 31, 2018.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$1,355,765 less than the \$7,268,662 generated in taxes and other revenues for governmental activities.
- The total cost of the District's programs on financial statement exhibit C-2 decreased \$4,326,394 from last year. A decrease in capital outlay from the prior year accounted for a substantial portion of this decrease.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$783,403. The District began the current year with a fund balance in the amount of \$2,847,388.

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.
- *Proprietary fund & internal service fund* statements provide information about for-profit activities and services provided to other funds.
- *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 and liabilities. 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 it has changed. Net position—the difference between the District's assets and liabilities—is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position is 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 nonfinancial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and 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 the following 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 readily 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 you determine whether there are more or fewer financial resources that can be spent in the near 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 funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. 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 position and a statement of changes in fiduciary net position. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$1.65 million at August 31, 2018. (See Table A-1).

Table A-1
Italy Independent School District's Net position
(In million dollars)

	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Current assets:			
Cash and cash equivalents	\$ 0.8	\$ 4.0	-80
Investments	2.6	1.5	73
Due from other governments	1.0	1.5	-33
Due from other funds	.0	.0	**
Other receivables	.1	.1	0
Debt Issuance Costs-Net	.0	.0	**
Total current assets:	4.5	7.1	-37
Noncurrent assets:			
Land, furniture and equipment	20.6	16.9	22
Less accumulated depreciation	(4.3)	(3.9)	-10
Total noncurrent assets	16.3	13.0	25
Total Assets	20.8	20.1	3
Deferred Outflows of Resources	.7	1.0	-30
Current liabilities:			
Accounts payable and accrued liabilities	.4	.8	-50
Claims payable	.0	.0	**
Due to other funds	.0	.0	**
Deferred revenue	.0	.0	**
Total current liabilities	.4	.8	-50
Long-term liabilities:			
Noncurrent liabilities due in one year	.3	.2	50
Noncurrent liabilities due more than 1 yr	13.6	13.1	4
Net Pension Liability	1.2	1.7	-29
Net OPEB Liability	2.8	0.0	**
Total Liabilities	18.3	15.8	16
Deferred Inflows of Resources	1.6	.1	1500
Net Position:			
Invested in capital assets, net of debt	3.5	2.9	121
Restricted	.2	.2	0
Unrestricted	(2.1)	2.1	-200
Total Net Position	\$ 1.6	\$ 5.2	-69

The District has \$244,230 in restricted net position that represents \$208,776 proceeds from debt service, \$33,143 proceeds for state and federal programs, and \$2,311 for campus activities. These proceeds, when spent, are restricted for the above purposes. The \$(2,085,648) of unrestricted net position represents a deficit of resources to be available to fund the programs of the District next year.

Changes in net position. The District's total revenues were \$7,268,662. A significant portion, 25 percent, of the District's revenue comes from taxes. (See Figure A-3.) 54 percent comes from state aid – formula grants, while only 1 percent relates to charges for services.

The total cost of all programs and services was \$5,912,897; 79 percent of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

- Property tax rates increased only slightly. However, due to increased values, tax revenues increased by \$74,875 or 4%.

Table A-2
Changes in Italy Independent School District's Net Position
(In million dollars)

	Governmental Activities		Total % Change
	<u>2018</u>	<u>2017</u>	
Program Revenues:			
Charges for Services	\$.1	\$.1	0
Operating Grants and Contributions	1.1	1.3	-15
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	1.8	1.7	6
State Aid – Formula	3.9	4.8	-19
Investment Earnings	.1	.1	0
Other	.2	.1	100
Total Revenues	<u>7.2</u>	<u>8.1</u>	-11
Instruction	2.7	4.1	-34
Instructional Resources and Media Services	.1	.1	0
Curriculum Dev. And Instructional Staff Dev.	.0	.0	**
Instructional Leadership	.0	.0	**
School Leadership	.2	.4	-50
Guidance, Counseling and Evaluation Services	.1	.0	**
Social Work Services	.0	.0	**
Health Services	.1	.1	0
Student (Pupil) Transportation	.1	.1	0
Food Services	.2	.2	0
Curricular/Extracurricular Activities	.3	.4	-25
General Administration	.4	.5	-20
Plant Maintenance & Oper.	.7	.9	-22
Security & Monitoring Svcs.	.0	.0	**
Data Processing Services	.1	.1	0
Community Services	.0	.0	**
Debt Services	.5	.4	25
Facilities Acquisition and Construction	.0	.0	**
Contracted Instr. Services Between Public Schools	.0	.0	**
Increment Costs Associated Chapter 41 (WADA)	.0	.0	**
Payments to Fiscal Agent/Member Dist. - SSA	.4	.3	33
Public Education Grant Program	.0	.0	**
Payments to Juvenile Justice Alternative Ed. Program	.0	.0	**
Payments to Charter Schools	.0	.0	**
Other	.0	.0	**
Total Expenses	<u>5.9</u>	<u>7.6</u>	-22
Excess (Deficiency) Before Other Resources, Uses & Transfers	1.3	.5	160
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Prior Period Adjustment	(4.9)	.0	**
Increase (Decrease) in Net Position	<u>\$(3.6)</u>	<u>\$.5</u>	-820

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$5.9 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$1.8 million.
- Some of the cost was paid by those who directly benefited from the programs \$.10 million, or
- By grants and contributions \$1.154 million.

Table A-3
Net Cost of Selected District Functions
(in millions of dollars)

	Total Cost of Services			Net Cost of Services		
	<u>2018</u>	<u>2017</u>	% Change	<u>2018</u>	<u>2017</u>	% Change
Instruction	2.7	4.1	-34	2.2	3.4	-35
School administration	.4	.5	-20	.3	.4	-25
Plant Maintenance & Operations	.7	.9	-22	.7	.9	-22
Debt Service – Interest & Fiscal Charges	.5	.4	25	.3	.2	50

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$8.4 million, while the previous year it was \$8.0 million. The increase in local revenues is due to increased valuations. The increase in state revenues is a result of student population changes and changes in state funding formulas. The change in federal revenues is due to grant funding formulas distributed through other agencies.

General Fund Budgetary Highlights

Over the course of the year, the District revised its budget one time. Actual expenditures were \$100,196 below final budget amounts in the General Fund.

On the other hand, resources available were \$159,110 below the final budgeted amount with state revenue being under budget by \$154,070.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had invested \$20,621,324 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase of \$3,715,539 (including additions and deductions) from last year.

Table A-4
District's Capital Assets
(In millions of dollars)

	Governmental Activities		Total Percentage Change <u>2018-2017</u>
	<u>2018</u>	<u>2017</u>	
Land	.186	.186	0
Interim Construction	.537	8.939	-94
Buildings and improvements	16.775	5.785	190
Equipment	3.123	1.996	56
Totals at historical cost	20.621	16.906	22
Total accumulated depreciation	<u>(4.255)</u>	<u>(3.856)</u>	-10
Net capital assets	<u>16.366</u>	<u>13.050</u>	25

The District's fiscal year 2019 capital budget projects will require more than \$2,000,000 to be spent out of the general fund, bringing the general fund fund balance below TEA minimum standards.

Long Term Debt

At year-end the District had \$17.834 million in bonds, pension and OPEB liability, and notes outstanding as shown in Table A-5. More detailed information about the District’s debt is presented in the notes to the financial statements.

Table A-5
 District’s Long-Term Debt
 (In millions of dollars)

	Governmental Activities		Total Percentage Change
	2018	2017	2018-2017
Leases payable	.000	.000	**
Bonds payable	12.530	12.725	-2
Notes payable	1.031	.305	238
Pension liability	1.221	1.734	-30
OPEB liability	2.770	4.890*	-43
Premiums on debt	.282	.292	-3
Total bonds & notes payable	<u>17.834</u>	<u>19.946</u>	-11

*Part of PPA

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- Appraised value used for the 2019 budget preparation is \$130,245,696, an increase of 24% from 2018.
- General operating fund spending per student increased in the 2019 budget from \$13,083 to \$14,292. This is a 9.2% increase.
- The District’s 2019 refined average daily attendance is expected to be 555, slightly below last year.

These indicators were considered when adopting the general fund budget for 2019. Amounts available for appropriation in the general fund budget are \$7,932,015, an increase of 4.9 percent from the final 2018 budget.

If these estimates are realized, the District’s budgetary general fund fund balance is expected to decline by the close of 2019 due to support of capital projects.

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 Italy Independent School District’s Business Services Department at 300 S. College, Italy, Texas 76651 or phone number 972-483-1815.

Basic Financial Statements

ITALY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION

AUGUST 31, 2018

1

Data Control Codes	Governmental Activities
ASSETS:	
1110 <i>Cash and Cash Equivalents</i>	\$ 754,023
1120 <i>Current Investments</i>	2,567,389
1225 <i>Property Taxes Receivable (Net)</i>	71,305
1240 <i>Due from Other Governments</i>	1,030,038
1290 <i>Other Receivables (Net)</i>	3,501
Capital Assets:	
1510 <i>Land</i>	186,158
1520 <i>Buildings and Improvements, Net</i>	14,104,011
1530 <i>Furniture and Equipment, Net</i>	1,539,406
1580 <i>Construction in Progress</i>	536,501
1000 Total Assets	<u>20,792,332</u>
DEFERRED OUTFLOWS OF RESOURCES:	
1705 <i>Deferred Outflow Related to Pensions</i>	703,191
	<u>41,945</u>
1700 Total Deferred Outflows of Resources	<u>745,136</u>
LIABILITIES:	
2110 <i>Accounts Payable</i>	226,101
2140 <i>Interest Payable</i>	28,048
2165 <i>Accrued Liabilities</i>	208,897
2300 <i>Unearned Revenue</i>	11,213
Noncurrent Liabilities:	
2501 <i>Due Within One Year</i>	273,345
2502 <i>Due in More Than One Year</i>	13,569,296
2540 <i>Net Pension Liability</i>	1,221,203
2545 <i>Net OPEB Liability</i>	2,769,681
2000 Total Liabilities	<u>18,307,784</u>
DEFERRED INFLOWS OF RESOURCES:	
2605 <i>Deferred Inflow Related to Pensions</i>	417,079
	<u>1,158,563</u>
2600 Total Deferred Inflows of Resources	<u>1,575,642</u>
NET POSITION:	
3200 Net Investment in Capital Assets	3,495,460
Restricted For:	
3820 <i>State and Federal Programs</i>	33,143
3850 <i>Debt Service</i>	208,776
3870 <i>Campus Activities</i>	2,311
3900 <i>Unrestricted</i>	(2,085,648)
3000 Total Net Position	<u>\$ 1,654,042</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues		4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
			Charges for Services	Governmental Activities		
	Governmental Activities:					
11	Instruction	\$ 2,702,151	\$ --	\$ 533,458	\$ (2,168,693)	
12	Instructional Resources and Media Services	86,902	--	6,053	(80,849)	
13	Curriculum and Staff Development	31,506	--	2,073	(29,433)	
23	School Leadership	233,553	--	15,955	(217,598)	
31	Guidance, Counseling, & Evaluation Services	93,923	--	17,238	(76,685)	
33	Health Services	34,272	--	2,726	(31,546)	
34	Student Transportation	62,469	--	3,258	(59,211)	
35	Food Service	218,880	67,969	208,460	57,549	
36	Cocurricular/Extracurricular Activities	329,304	35,029	12,394	(281,881)	
41	General Administration	349,861	--	13,260	(336,601)	
51	Facilities Maintenance and Operations	700,169	--	26,924	(673,245)	
52	Security and Monitoring Services	14,907	--	--	(14,907)	
53	Data Processing Services	128,706	--	9,290	(119,416)	
72	Interest on Long-term Debt	505,777	--	279,207	(226,570)	
73	Bond Issuance Costs and Fees	36,392	--	--	(36,392)	
93	Payments Related to Shared Services Arrangements	384,125	--	23,741	(360,384)	
TG	Total Governmental Activities	5,912,897	102,998	1,154,037	(4,655,862)	
TP	Total Primary Government	\$ 5,912,897	\$ 102,998	\$ 1,154,037	(4,655,862)	
	General Revenues:					
MT	Property Taxes, Levied for General Purposes				1,343,412	
DT	Property Taxes, Levied for Debt Service				468,339	
IE	Investment Earnings				75,857	
GC	Grants and Contributions Not Restricted to Specific Programs				3,888,826	
MI	Miscellaneous				235,193	
TR	Total General Revenues				6,011,627	
CN	Change in Net Position				1,355,765	
NB	Net Position - Beginning				5,154,973	
PA	Prior Period Adjustment				(4,856,696)	
	Net Position - Beginning, as Restated				298,277	
NE	Net Position - Ending				\$ 1,654,042	

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds	
ASSETS:					
1110	Cash and Cash Equivalents	\$ 662,520	\$ --	\$ 91,503	\$ 754,023
1120	Current Investments	1,257,790	1,161,919	147,680	2,567,389
1225	Taxes Receivable, Net	50,830	--	20,475	71,305
1240	Due from Other Governments	742,774	--	287,264	1,030,038
1260	Due from Other Funds	576,976	2,242,892	--	2,819,868
1290	Other Receivables	1,152	--	2,349	3,501
1000	Total Assets	\$ 3,292,042	\$ 3,404,811	\$ 549,271	\$ 7,246,124
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 53,292	\$ 161,846	\$ 10,963	\$ 226,101
2150	Payroll Deductions & Withholdings	4,035	--	--	4,035
2160	Accrued Wages Payable	154,761	--	46,313	201,074
2170	Due to Other Funds	2,242,892	341,383	235,593	2,819,868
2200	Accrued Expenditures	2,829	--	959	3,788
2300	Unearned Revenue	--	--	11,213	11,213
2000	Total Liabilities	2,457,809	503,229	305,041	3,266,079
DEFERRED INFLOWS OF RESOURCES:					
	Deferred Revenue-Property Taxes	50,830	--	20,475	71,305
2600	Total Deferred Inflows of Resources	50,830	--	20,475	71,305
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	33,143	33,143
3470	Capital Acquisitions & Contractual Obligations	--	2,901,582	--	2,901,582
3480	Retirement of Long-Term Debt	--	--	188,301	188,301
3490	Other Restrictions of Fund Balance-Campus Ac	--	--	2,311	2,311
3600	Unassigned	783,403	--	--	783,403
3000	Total Fund Balances	783,403	2,901,582	223,755	3,908,740
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 3,292,042	\$ 3,404,811	\$ 549,271	\$ 7,246,124

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2018*

Total fund balances - governmental funds balance sheet	\$ 3,908,740
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:	
Capital assets used in governmental activities are not reported in the funds.	16,366,076
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	71,305
Payables for bond principal which are not due in the current period are not reported in the funds.	(12,530,000)
Payables for bond interest which are not due in the current period are not reported in the funds.	(28,048)
Payables for notes which are not due in the current period are not reported in the funds.	(1,030,621)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,221,203)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(417,079)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	703,191
Bond premiums are amortized in the SNA but not in the funds.	(282,020)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,769,681)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(1,158,563)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>41,945</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 1,654,042</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	10 General Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
REVENUES:				
5700 Local and Intermediate Sources	\$ 1,638,260	\$ 39,049	\$ 546,317	\$ 2,223,626
5800 State Program Revenues	5,278,016	--	394,335	5,672,351
5900 Federal Program Revenues	23,741	--	475,426	499,167
5020 Total Revenues	<u>6,940,017</u>	<u>39,049</u>	<u>1,416,078</u>	<u>8,395,144</u>
EXPENDITURES:				
Current:				
0011 Instruction	3,638,835	--	417,817	4,056,652
0012 Instructional Resources and Media Services	116,870	--	--	116,870
0013 Curriculum and Staff Development	43,102	--	--	43,102
0023 School Leadership	345,389	--	--	345,389
0031 Guidance, Counseling, & Evaluation Services	121,169	--	10,186	131,355
0033 Health Services	51,865	--	--	51,865
0034 Student Transportation	70,400	--	967	71,367
0035 Food Service	2,022	--	274,354	276,376
0036 Cocurricular/Extracurricular Activities	448,696	--	2,445	451,141
0041 General Administration	421,503	--	--	421,503
0051 Facilities Maintenance and Operations	844,172	--	--	844,172
0052 Security and Monitoring Services	14,066	--	--	14,066
0053 Data Processing Services	174,337	--	--	174,337
0071 Principal on Long-term Debt	18,964	--	195,000	213,964
0072 Interest on Long-term Debt	3,759	--	505,453	509,212
0073 Bond Issuance Costs and Fees	35,000	--	1,392	36,392
0081 Capital Outlay	729,959	2,588,190	--	3,318,149
0093 Payments to Shared Service Arrangements	384,125	--	--	384,125
6030 Total Expenditures	<u>7,464,233</u>	<u>2,588,190</u>	<u>1,407,614</u>	<u>11,460,037</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>(524,216)</u>	<u>(2,549,141)</u>	<u>8,464</u>	<u>(3,064,893)</u>
Other Financing Sources and (Uses):				
7912 Sale of Real or Personal Property	4,000	--	--	4,000
7914 Issuance of Non-Current Debt	744,559	--	--	744,559
7915 Transfers In	--	2,242,892	45,436	2,288,328
8911 Transfers Out	<u>(2,288,328)</u>	--	--	<u>(2,288,328)</u>
7080 Total Other Financing Sources and (Uses)	<u>(1,539,769)</u>	<u>2,242,892</u>	<u>45,436</u>	<u>748,559</u>
1200 Net Change in Fund Balances	<u>(2,063,985)</u>	<u>(306,249)</u>	<u>53,900</u>	<u>(2,316,334)</u>
0100 Fund Balances - Beginning	2,847,388	3,207,831	169,855	6,225,074
3000 Fund Balances - Ending	<u>\$ 783,403</u>	<u>\$ 2,901,582</u>	<u>\$ 223,755</u>	<u>\$ 3,908,740</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2018*

Net change in fund balances - total governmental funds	\$ (2,316,334)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	3,715,539
The depreciation of capital assets used in governmental activities is not reported in the funds.	(399,302)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,825)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	3,435
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	195,000
Repayment of note principal is an expenditure in the funds but is not an expense in the SOA.	18,964
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(744,559)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	(85,550)
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	970,397
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,355,765</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2018

Data Control Codes	Agency Fund	Student Activity
	<u> </u>	<u> </u>
		<u> </u>
ASSETS:		
1110 <i>Cash and Cash Equivalents</i>	\$	54,926
1000 Total Assets		<u>54,926</u>
		<u> </u>
LIABILITIES:		
Current Liabilities:		
2190 <i>Due to Student Groups</i>		50,467
2400 <i>Scholarships Payable</i>		<u>4,459</u>
2000 Total Liabilities		<u>54,926</u>
		<u> </u>
NET POSITION:		
3000 Total Net Position	\$	<u> --</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Significant Accounting Policies

The basic financial statements of 2018 (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

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

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

The District reports the following major governmental funds:

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

Capital Projects Fund: This fund accounts for the capital spending associated the District's bond program.

In addition, the District reports the following fund types:

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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

b. Measurement Focus, Basis of Accounting

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

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

3. Financial Statement Amounts

a. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

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. For the current fiscal year, an allowance of \$20,591 is included in the financial statements.

b. 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.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

c. 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 the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	8-15
Office Equipment	5-10
Computer Equipment	5-10

d. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

g. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

h. Data Control Codes

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

i. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the District's Board of Trustees. Committed amounts cannot be used for any other purpose unless the Board of Trustees removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the Board of Trustees. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the District intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the Board of Trustees or by an official or body to which the Board of Trustees delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the District itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

j. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the District's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

k. Fund Balance Flow Assumptions

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

l. Negative Operating Grants and Contributions - Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for the proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities.

Following are the effects on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions As Reported	Negative On-Behalf Accruals	Operating Grants and Contributions (Excluding On- Behalf Accruals)
11 - Instruction	\$ 533,458	\$ (605,524)	\$ 1,138,982
12 - Instructional Resources and Media Services	6,053	(22,835)	28,888
13 - Curriculum and Instructional Staff Development	2,073	(7,819)	9,892
23 - School Leadership	15,955	(60,185)	76,140
31 - Guidance, Counseling and Evaluation Services	17,238	(26,608)	43,846
33 - Health Services	2,726	(10,284)	13,010
34 - Student (Pupil) Transportation	3,258	(8,642)	11,900
35 - Food Services	208,460	(32,335)	240,795
36 - Extracurricular Activities	12,394	(46,752)	59,146
41 - General Administration	13,260	(50,020)	63,280
51 - Facilities Maintenance and Operations	26,924	(101,565)	128,489
53 - Data Processing Services	9,290	(35,045)	44,335
72 - Interest on Long Term Debt	279,207	--	279,207
93 - Payments Related to Shared Services Arrangements	23,741	--	23,741
	<u>\$ 1,154,037</u>	<u>\$ (1,007,614)</u>	<u>\$ 2,161,651</u>

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

4. Pensions

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

5. New Accounting Standards Adopted

In fiscal year 2018, the District adopted two new statements of financial accounting standards Governmental Accounting Standards Board (GASB):

Statement No. 75-Accounting and Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans.

Statement No. 85-Omnibus 2017.

- a. The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, as amended, and No. 57, OPEB measurements by Agent Employers and Agent Multiple-Employer Plans for OPEB.

- b. The requirements of Statement No. 85 will enhance consistency in the application of accounting and financial reporting requirements. Consistent reporting will improve the usefulness of information for users of state and local government financial statements.

The financial statements and note disclosures have been updated for the effects of the adoption of GASB Statements No. 75 and No. 85.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

C. Deposits and Investments

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

1. Cash Deposits:

At August 31, 2018, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$808,949 and the bank balance was \$1,053,929. The District's cash deposits at August 31, 2018 and during the year ended August 31, 2018, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

2. Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

The District's investments at August 31, 2018 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Logic	N/A	\$ 1,161,919
Texpool	N/A	1,405,470
Total Investments		\$ <u>2,567,389</u>

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

3. Analysis of Specific Deposit and Investment Risks

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

a. Credit Risk

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

At August 31, 2018, the District's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

At year end, the District was not exposed to custodial credit risk.

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

LOGIC

The District invests in the Local Government Investment Cooperative (LOGIC), which is a local government investment pool organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. LOGIC's governing body is a five-member board of directors comprised of employees, officers or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two advisory board members represent the co-administrators of LOGIC. The co-administrators of the day to day administration of LOGIC are First Southwest Company and J. P. Morgan Investment Management, Inc. LOGIC is rated at a AAA or equivalent rating from at least one nationally recognized rating agency and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a net asset value of \$1.00 per unit and is designed to be used for investment of funds which may be needed at any time.

TexPool

The District invests in the Texas Local Government Investment Pool (TexPool), which is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and operates under the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The State Comptroller of Public Accounts oversees TexPool. Federated Investors, Inc. is the administrator and investment manager of TexPool under a contract with the State Comptroller. In accordance with the Public Funds Investment Act, the State Comptroller has appointed the TexPool Investment Advisory Board to advise with respect to TexPool. The board is composed equally of participants in TexPool Portfolios and other persons who do not have a business relationship with TexPool Portfolios and are qualified to advise in respect to TexPool Portfolios. The Advisory Board members review the investment policy and management fee structure. TexPool is rated AAA by Standard & Poor's and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All investments are stated at amortized cost, which usually approximates the market value of the securities. The stated objective of TexPool is to maintain a stable average \$1.00 per unit net asset value; however, the \$1.00 net asset value is not guaranteed or insured. The financial statements can be obtained from the Texas Trust Safekeeping Trust Company website at www.ttstc.org.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

D. Capital Assets

Capital asset activity for the August 31, 2018, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<i>Governmental activities:</i>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 186,158	\$ --	\$ --	\$ 186,158
Construction in progress	8,938,791	2,588,190	10,990,480	536,501
Total capital assets not being depreciated	9,124,949	2,588,190	10,990,480	722,659
<i>Capital assets being depreciated:</i>				
Buildings and improvements	5,784,632	--	(10,990,480)	16,775,112
Equipment	1,996,204	1,127,349	--	3,123,553
Total capital assets being depreciated	7,780,836	1,127,349	(10,990,480)	19,898,665
Less accumulated depreciation for:				
Buildings and improvements	(2,445,004)	(226,097)	--	(2,671,101)
Equipment	(1,410,942)	(173,205)	--	(1,584,147)
Total accumulated depreciation	(3,855,946)	(399,302)	--	(4,255,248)
Total capital assets being depreciated, net	3,924,890	728,047	(10,990,480)	15,643,417
Governmental activities capital assets, net	\$ 13,049,839	\$ 3,316,237	\$ --	\$ 16,366,076

Depreciation was charged to functions as follows:

Instruction	\$ 229,327
Instructional Resources and Media Services	6,986
Curriculum and Staff Development	2,576
School Leadership	20,645
Guidance, Counseling, & Evaluation Services	7,852
Health Services	3,100
Student Transportation	4,266
Food Services	16,520
Extracurricular Activities	23,312
General Administration	25,195
Plant Maintenance and Operations	48,261
Security and Monitoring Services	841
Data Processing Services	10,421
	\$ 399,302

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2018, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Capital Projects Fund	General Fund	\$ 2,242,892	Short-term loans
General Fund	Capital Projects Fund	341,383	Short-term loans
General Fund	Other Governmental Funds	235,593	Short-term loans
	Total	\$ 2,819,868	

All amounts due are scheduled to be repaid within one year.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

2. Transfers To and From Other Funds

The transfers to and from other funds at August 31, 2018 are below.

Transfers From	Transfers To	Amount	Reason
General Fund	Capital Projects Fund	\$ 2,242,892	Supplement other funds sources
General Fund	Other Governmental Funds	45,436	Supplement other funds sources
	Total	<u>\$ 2,288,328</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2018, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
General obligation bonds	\$ 12,725,000	\$ --	\$ (195,000)	\$ 12,530,000	\$ 210,000
Notes	305,026	744,559	(18,964)	1,030,621	63,345
Premium on School Bonds	292,248	--	(10,228)	282,020	--
Net Pension Liability *	1,734,363	(387,986)	(125,174)	1,221,203	--
Net OPEB Liability *z	4,889,732	(2,086,938)	(33,113)	2,769,681	--
Total governmental activities	<u>\$ 19,946,369</u>	<u>\$ (1,730,365)</u>	<u>\$ (382,479)</u>	<u>\$ 17,833,525</u>	<u>\$ 273,345</u>

* Other long-term liabilities

z Part of Prior Period Adjustment

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability *	Governmental	General Fund
Net OPEB Liability*	Governmental	General Fund

Bonds

The District issued School Tax Refunding Bonds, Series 2011 for \$1,505,000 in 2011. It is repayable in installments of \$35,000 to \$145,000 maturing in 2024 at the rate of 2% to 4%. The balance at August 31, 2018 is \$700,000.

The District issued Unlimited School Tax Bonds, Series 2015 for \$8,455,000 in 2015. It is repayable in installments of \$15,000 to \$515,000 maturing in 2045 at the rate of 3% to 4%. The balance at August 31, 2018 is \$8,330,000.

The District issued School Tax Bonds, Series 2017 for \$3,500,000 in 2017. It is repayable in installments of \$5,000 to \$660,000 maturing in 2048 at the rate of 3% to 4%. The balance at August 31, 2018 is \$3,500,000.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Notes

The District issued QZAB Series 2017 notes during 2017 in the amount of \$305,026 at the rate of 1.45%. It is repayable in installments of \$18,964 to \$22,400 maturing in 2032. The balance at August 31, 2018 is \$286,062.

Notes

The District issued QZAB Series 2017B notes during 2018 in the amount of \$744,559 at the rate of 1.57%. It is repayable in installments of \$56,070 maturing in 2033. The balance at August 31, 2018 is \$744,559.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2018, are as follows:

Year Ending August 31,	Governmental Activities-Bonds		
	Principal	Interest	Total
2019	\$ 210,000	462,713	672,713
2020	230,000	455,263	685,263
2021	230,000	447,363	677,363
2022	245,000	438,938	683,938
2023	260,000	430,050	690,050
2024-2028	1,500,000	1,977,950	3,477,950
2029-2033	1,830,000	1,714,677	3,544,677
2034-2038	2,200,000	1,370,152	3,570,152
2039-2043	2,685,000	904,475	3,589,475
2044-2048	3,140,000	318,200	3,458,200
Totals	\$ 12,530,000	\$ 8,519,781	\$ 21,049,781

Year Ending August 31,	Governmental Activities-Notes		
	Principal	Interest	Total
2019	\$ 63,345	15,448	78,793
2020	63,929	14,866	78,795
2021	64,909	13,884	78,793
2022	65,905	12,888	78,793
2023	67,202	11,876	79,078
2024-2028	350,309	45,127	395,436
2029-2033	355,022	15,938	370,960
Totals	\$ 1,030,621	\$ 130,027	\$ 1,160,648

G. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2018, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

H. Pension Plan

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://www.trs.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.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 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 (1.) above.

4. Contributions

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 through 2017. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>Contribution Rates</u>	
	2017	2018
Member	7.7%	7.7%
Non-Employer Contributing Entity (NECE - State)	6.8%	6.8%
Employers	6.8%	6.8%
District's 2018 Employer Contributions	\$ 122,671	
District's 2018 Member Contributions	\$ 315,635	
NECE 2017 On-Behalf Contributions to District	\$ 213,345	

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

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

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

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

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

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

5. Actuarial Assumptions

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

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8%
Long-term expected Investment Rate of Return	8%
Inflation	2.5%
Salary Increases including inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 are summarized below:

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Teacher Retirement System of Texas			
Asset Allocation and Long-Term Expected Real Rate of Return			
As of August 31, 2017			
Asset Class	Target Allocation*	Long-term Expected Geometric Real Rate of Return	Expected Contribution to Long-term Portfolio Returns **
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy & Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectation			2.2%
Alpha			1.0%
Total	100%		8.7%

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

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

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate 7%	Discount Rate 8%	1% Increase in Discount Rate 9%
District's proportionate share of the net pension liability	\$ 2,058,707	\$ 1,221,203	\$ 523,845

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

At August 31, 2018, the District reported a liability of \$1,221,203 for its proportionate share of the TRS' net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 1,221,203
State's proportionate share that is associated with District	<u>2,085,783</u>
Total	<u>\$ 3,306,986</u>

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

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0038192888%, which was an increase (decrease) of -0.0007703675% from its proportion measured as of August 31, 2016.

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

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

For the year ended August 31, 2018, the District recognized pension expense of \$367,316 and revenue of \$159,095 for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS' deferred outflows of resources and deferred inflows of resources related to pensions from the following sources: (The amounts 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	\$ 17,867	\$ 65,858
Changes in actuarial assumptions	55,628	31,846
Difference between projected and actual investment earnings	--	88,998
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	507,025	230,377
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	<u>122,671</u>	<u>--</u>
Total	<u>\$ 703,191</u>	<u>\$ 417,079</u>

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The net amounts of the District's balances of deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended August 31	Pension Expense Amount
2019	\$ 41,301
2020	\$ 119,254
2021	\$ 35,311
2022	\$ 8,777
2023	\$ (10,037)
Thereafter	\$ (31,165)

I. Defined Other Post-Employment Benefit Plans

1. Plan Description

The District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost-sharing defined Other Post-Employment Benefit (OPEB) plan 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.

2. 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, TX 78701-2698; or by calling (512) 542-6592.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability:</u>	<u>Total</u>
Total OPEB liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.91%

3. 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 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.

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

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

* or surviving spouse

4. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent 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.

Contribution Rates		
	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (NECE) - State	1.00%	1.25%
Employers	0.55%	0.75%
Federal/Private Funding Remitted by Employers	1.00%	1.25%
Current fiscal year District contributions		\$ 41,509
Current fiscal year Member contributions		\$ 26,841
2017 measurement year NECE contributions		\$ 36,000

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to, regardless of whether they participate in the TRS-Care OPEB program. When 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 NECE in the amount of \$15.6 million in fiscal year 2017 and \$182.6 million in fiscal year 2018.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

5. Actuarial Assumptions

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

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

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

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

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate *	3.42% *
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50% **
Healthcare Trend Rates ***	4.50% to 12.00% ***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad Hoc Post-Employment Benefit Changes	None

*Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

**Includes inflation at 2.50%

***Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

6. Discount Rate

A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of 0.44% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, there are no investments and 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 not to be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact on the net OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used in measuring the net OPEB liability.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
District's proportionate share of net OPEB liability	\$ 3,268,911	\$ 2,769,681	\$ 2,368,412

8. Healthcare Cost Trend Rates Sensitivity Analysis

The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% less than and 1% greater than the assumed healthcare cost trend rate:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
District's proportionate share of net OPEB liability	\$ 2,306,036	\$ 2,769,681	\$ 3,378,041

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

At August 31, 2018, the District reported a liability of \$2,769,681 for its proportionate share of the TRS' net OPEB liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 2,769,681
State's proportionate share that is associated with the District	\$ 3,011,158
Total	\$ 5,780,839

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

At August 31, 2017 the District's proportion of the collective net OPEB liability was 0.0063691%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2016, The Notes to the Financial Statements for August 31, 2016 for TRS stated that the change in proportion was immaterial and, therefore, disregarded this year.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

10. Changes Since the Prior Actuarial Valuation.

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

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

The Affordable Care Act includes a 40% excise tax on high-cost health plans known as the "Cadillac tax." In this valuation the impact of this tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- a. 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50%.
- b. Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- c. There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis-point addition to the long-term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provision or applicable law.

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, 2018, the District recognized OPEB expense of \$(1,936,502) and revenue of \$(1,007,614) for support provided by the State.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

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

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	\$ --	\$ 57,819
Changes in actuarial assumptions	--	1,100,744
Differences between projected and actual investment earnings	421	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	15	--
Contributions paid to TRS subsequent to the measurement date	41,509	
	<u>\$ 41,945</u>	<u>\$ 1,158,563</u>

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

Year ended August 31,	Amount
2019	\$ (152,816)
2020	\$ (152,816)
2021	\$ (152,816)
2022	\$ (152,816)
2023	\$ (152,921)
Thereafter	\$ (393,941)

J. Employee Health Care Coverage

During the year ended August 31, 2018, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$350 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable September 1, 2018, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TRS Active Care are available for the year ended December 31, 2017, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

K. Commitments and Contingencies

1. 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 collectibility 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.

2. Commitments

The District issued contracts for construction work in 2019 to complete construction work described in note N.

The District was notified that it would be receiving a donation in 2019 from a church for \$100,000 to purchase laptop computers for students.

3. Litigation

No reportable litigation was pending against the District at August 31, 2018.

L. Shared Services Arrangements

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Carl Perkins Vocational Education; Safe and Drug Free Schools; Title I, Part A, Improving Basic Programs; Title II, Part A, Teacher/Principal Training & Recruitment; and Title III, Limited English Proficiency with the following school districts:

Member Districts

From 18 to 73 Districts

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Region X Education Service Center nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Special Education with the following school districts:

Member Districts

Avalon ISD

Ferris ISD

Milford ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Ferris ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2018

Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for Ellis County School Age Parent Education with the following school districts:

Member Districts

Avalon ISD
Ennis ISD
Ferris ISD
Maypearl ISD
Midlothian ISD
Milford ISD
Palmer ISD
Red Oak ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Waxahachie ISD nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

M. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2018, the District had no liability for accrued sick leave or vacation leave.

District employees accumulate personal leave at the rate of 5 days per year with no accumulation limit.

The District has non vested sick and personal leave benefits at August 31, 2018 which are not recorded on the financial statements in the amount of \$352,160. These benefits are recorded as expenditures as used.

N. Capital Projects Funding

As of August 31, 2018 the District has a capital project under construction that is expected to be completed in fiscal year 2019. The remaining costs to complete is \$3,038,428 and the Capital Projects fund has resources remaining of \$795,536 leaving a shortfall of \$2,242,892. Accordingly this amount has been accrued as a payable from the General Fund to the Capital Projects Fund and a transfer out in the General Fund.

O. Prior Period Adjustment

During fiscal year 2018, the District adopted GASB No. 75 for Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teacher Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$4,856,696) which resulted in a restated beginning net position balance of \$298,277.

P. Ellis County Cooperative

In the August 31, 2019 school year, Italy ISD will account for the activities of the Ellis County Cooperative. Previously Ferris ISD provided the administration for this entity.

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.

ITALY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT G-1

Data Control Codes	1		2		3		Variance with Final Budget Positive (Negative)
	Budgeted Amounts				Actual		
	Original	Final					
REVENUES:							
5700	Local and Intermediate Sources	\$ 1,487,874	\$ 1,615,941	\$ 1,638,260	\$	22,319	
5800	State Program Revenues	5,100,826	5,432,086	5,278,016		(154,070)	
5900	Federal Program Revenues	175,100	51,100	23,741		(27,359)	
5020	Total Revenues	6,763,800	7,099,127	6,940,017		(159,110)	
EXPENDITURES:							
Current:							
Instruction & Instructional Related Services:							
0011	Instruction	3,736,296	3,663,750	3,638,835		24,915	
0012	Instructional Resources and Media Services	129,320	129,320	116,870		12,450	
0013	Curriculum and Staff Development	7,663	43,333	43,102		231	
	Total Instruction & Instr. Related Services	3,873,279	3,836,403	3,798,807		37,596	
Instructional and School Leadership:							
0023	School Leadership	305,283	350,283	345,389		4,894	
	Total Instructional & School Leadership	305,283	350,283	345,389		4,894	
Support Services - Student (Pupil):							
0031	Guidance, Counseling and Evaluation Services	121,823	121,823	121,169		654	
0033	Health Services	57,727	58,727	51,865		6,862	
0034	Student (Pupil) Transportation	98,300	98,300	70,400		27,900	
0035	Food Services	--	2,100	2,022		78	
0036	Cocurricular/Extracurricular Activities	453,431	453,431	448,696		4,735	
	Total Support Services - Student (Pupil)	731,281	734,381	694,152		40,229	
Administrative Support Services:							
0041	General Administration	418,273	425,273	421,503		3,770	
	Total Administrative Support Services	418,273	425,273	421,503		3,770	
Support Services - Nonstudent Based:							
0051	Plant Maintenance and Operations	846,158	852,617	844,172		8,445	
0052	Security and Monitoring Services	5,800	14,787	14,066		721	
0053	Data Processing Services	173,762	175,762	174,337		1,425	
	Total Support Services - Nonstudent Based	1,025,720	1,043,166	1,032,575		10,591	
Debt Service:							
0071	Principal on Long-Term Debt	18,964	18,964	18,964		--	
0072	Interest on Long-Term Debt	6,875	6,875	3,759		3,116	
0073	Bond Issuance Costs and Fees	--	35,000	35,000		--	
	Total Debt Service	25,839	60,839	57,723		3,116	
Capital Outlay:							
0081	Capital Outlay	--	729,959	729,959		--	
	Total Capital Outlay	--	729,959	729,959		--	
Intergovernmental Charges:							
0093	Payments to Fiscal Agent/Member Dist.-SSA	384,125	384,125	384,125		--	
	Total Intergovernmental Charges	384,125	384,125	384,125		--	
6030	Total Expenditures	6,763,800	7,564,429	7,464,233		100,196	
1100	Excess (Deficiency) of Revenues Over (Under)						
1100	Expenditures	--	(465,302)	(524,216)		(58,914)	
Other Financing Sources (Uses):							
7912	Sale of Real or Personal Property	--	--	4,000		4,000	
7914	Issuance of Non-Current Debt	--	729,959	744,559		14,600	
8911	Transfers Out	--	--	(2,288,328)		(2,288,328)	
7080	Total Other Financing Sources and (Uses)	--	729,959	(1,539,769)		(2,269,728)	
1200	Net Change in Fund Balance	--	264,657	(2,063,985)		(2,328,642)	
0100	Fund Balance - Beginning	2,847,388	2,847,388	2,847,388		--	
3000	Fund Balance - Ending	\$ 2,847,388	\$ 3,112,045	\$ 783,403	\$	(2,328,642)	

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

	Measurement Year									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the net pension liability (asset)	0.004%	0.005%	0.004%	0.002%	--	--	--	--	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,221,203	\$ 1,734,363	\$ 1,444,912	\$ 521,914	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the District	2,085,783	2,459,338	2,220,844	2,043,738	--	--	--	--	--	--
Total	\$ 3,306,986	\$ 4,193,701	\$ 3,665,756	\$ 2,565,652	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 4,056,800	\$ 4,056,808	\$ 3,605,919	\$ 3,382,387	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	30.10%	42.75%	40.07%	15.43%	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	82.17%	78.00%	78.43%	83.25%	--	--	--	--	--	--

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

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Fiscal Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Contractually required contribution	\$ 122,671	\$ 129,551	\$ 145,825	\$ 119,671	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(122,671)	(129,551)	(145,825)	(119,671)	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 4,109,734	\$ 4,056,800	\$ 4,056,808	\$ 3,605,919	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	2.98%	3.19%	3.59%	3.32%	--	--	--	--	--	--

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

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE
SHARE OF THE NET OPEB LIABILITY
TEACHERS RETIREMENT SYSTEM ACTIVE CARE
LAST TEN FISCAL YEARS *

	Measurement Year Ended									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
District's proportion of the collective net OPEB liability	0.006%	--	--	--	--	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 2,769,681	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
State proportionate share of the collective net OPEB liability associated with the District	\$ 3,011,158	\$ 1	\$ 1	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Total	\$ 5,780,839	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 4,056,800	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	68.27%	--	--	--	--	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	0.91%	--	--	--	--	--	--	--	--	--

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

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S OPEB CONTRIBUTIONS
TEACHERS RETIREMENT SYSTEM ACTIVE CARE
LAST TEN FISCAL YEARS *

	Fiscal Year Ended									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Statorily or contractually required District contribution	\$ 41,509	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statorily or contractually required contribution	41,509	--	--	--	--	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered-employee payroll	\$ 4,109,734	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	1.01%	--	--	--	--	--	--	--	--	--

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

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2018

Budget

The official budget was prepared for adoption for the General Fund, Debt Service Fund, National School Breakfast and Lunch Program Fund and Capital Projects Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data.:

- a. Prior to August 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

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

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

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

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

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

Defined Benefit Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

*Combining Statements and Budget Comparisons
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.

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)	
ASSETS:				
1110	Cash and Cash Equivalents	\$ 55,979	\$ 35,524	\$ 91,503
1120	Current Investments	--	147,680	147,680
1225	Taxes Receivable, Net	--	20,475	20,475
1240	Due from Other Governments	284,516	2,748	287,264
1290	Other Receivables	--	2,349	2,349
1000	Total Assets	\$ 340,495	\$ 208,776	\$ 549,271
LIABILITIES:				
Current Liabilities:				
2110	Accounts Payable	\$ 10,963	\$ --	\$ 10,963
2160	Accrued Wages Payable	46,313	--	46,313
2170	Due to Other Funds	235,593	--	235,593
2200	Accrued Expenditures	959	--	959
2300	Unearned Revenue	11,213	--	11,213
2000	Total Liabilities	305,041	--	305,041
DEFERRED INFLOWS OF RESOURCES:				
	Deferred Revenue-Property Taxes	--	20,475	20,475
2600	Total Deferred Inflows of Resources	--	20,475	20,475
FUND BALANCES:				
Restricted Fund Balances:				
3450	Federal/State Funds Grant Restrictions	33,143	--	33,143
3480	Retirement of Long-Term Debt	--	188,301	188,301
3490	Other Restrictions of Fund Balance-Campus Ac	2,311	--	2,311
3000	Total Fund Balances	35,454	188,301	223,755
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	\$ 340,495	\$ 208,776	\$ 549,271

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 70,199	\$ 476,118	\$ 546,317
5800 <i>State Program Revenues</i>	115,128	279,207	394,335
5900 <i>Federal Program Revenues</i>	475,426	--	475,426
5020 Total Revenues	<u>660,753</u>	<u>755,325</u>	<u>1,416,078</u>
EXPENDITURES:			
Current:			
0011 <i>Instruction</i>	417,817	--	417,817
0031 <i>Guidance, Counseling, & Evaluation Services</i>	10,186	--	10,186
0034 <i>Student Transportation</i>	967	--	967
0035 <i>Food Service</i>	274,354	--	274,354
0036 <i>Cocurricular/Extracurricular Activities</i>	2,445	--	2,445
0071 <i>Principal on Long-term Debt</i>	--	195,000	195,000
0072 <i>Interest on Long-term Debt</i>	--	505,453	505,453
0073 <i>Bond Issuance Costs and Fees</i>	--	1,392	1,392
6030 Total Expenditures	<u>705,769</u>	<u>701,845</u>	<u>1,407,614</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(45,016)</u>	<u>53,480</u>	<u>8,464</u>
Other Financing Sources and (Uses):			
7915 <i>Transfers In</i>	45,436	--	45,436
7080 Total Other Financing Sources and (Uses)	<u>45,436</u>	<u>--</u>	<u>45,436</u>
1200 Net Change in Fund Balances	<u>420</u>	<u>53,480</u>	<u>53,900</u>
0100 Fund Balances - Beginning	<u>35,034</u>	<u>134,821</u>	<u>169,855</u>
3000 Fund Balances - Ending	<u>\$ 35,454</u>	<u>\$ 188,301</u>	<u>\$ 223,755</u>

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	242 Summer Feeding Program	
ASSETS:					
1110	Cash and Cash Equivalents	\$ --	\$ --	\$ 48,542	\$ --
1240	Due from Other Governments	56,072	161,831	--	--
1000	Total Assets	<u>\$ 56,072</u>	<u>\$ 161,831</u>	<u>\$ 48,542</u>	<u>\$ --</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ --	\$ 10,963	\$ --
2160	Accrued Wages Payable	--	1	3,322	--
2170	Due to Other Funds	56,072	161,830	--	1,042
2200	Accrued Expenditures	--	--	72	--
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>56,072</u>	<u>161,831</u>	<u>14,357</u>	<u>1,042</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	--	34,185	(1,042)
3490	Other Restrictions of Fund Balance-Campus Ac	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>	<u>34,185</u>	<u>(1,042)</u>
4000	Total Liabilities and Fund Balances	<u>\$ 56,072</u>	<u>\$ 161,831</u>	<u>\$ 48,542</u>	<u>\$ --</u>

255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 REAP Fund	289 ESEA, Title IV Part A	313 IDEA-B Formula
\$ --	\$ --	\$ --	\$ --	\$ --
--	2,459	--	8,951	5,239
<u>\$ --</u>	<u>\$ 2,459</u>	<u>\$ --</u>	<u>\$ 8,951</u>	<u>\$ 5,239</u>
\$ --	\$ --	\$ --	\$ --	\$ --
--	2,459	--	8,951	5,239
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>2,459</u>	<u>--</u>	<u>8,951</u>	<u>5,239</u>
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>2,459</u>	<u>--</u>	<u>8,951</u>	<u>5,239</u>

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2018

Data Control Codes		410 State Textbook Fund	429 State Funded Special Rev Fund
ASSETS:			
1110	<i>Cash and Cash Equivalents</i>	\$ 4,786	\$ 340
1240	<i>Due from Other Governments</i>	6,087	--
1000	Total Assets	<u>\$ 10,873</u>	<u>\$ 340</u>
LIABILITIES:			
Current Liabilities:			
2110	<i>Accounts Payable</i>	\$ --	\$ --
2160	<i>Accrued Wages Payable</i>	--	--
2170	<i>Due to Other Funds</i>	--	--
2200	<i>Accrued Expenditures</i>	--	--
2300	<i>Unearned Revenue</i>	10,873	340
2000	Total Liabilities	<u>10,873</u>	<u>340</u>
FUND BALANCES:			
Restricted Fund Balances:			
3450	<i>Federal/State Funds Grant Restrictions</i>	--	--
3490	<i>Other Restrictions of Fund Balance-Campus Ac</i>	--	--
3000	Total Fund Balances	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,873</u>	<u>\$ 340</u>

437 Special Education	459 Alternative Education Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ --	\$ --	\$ 2,311	\$ 55,979
41,695	2,182	--	284,516
<u>\$ 41,695</u>	<u>\$ 2,182</u>	<u>\$ 2,311</u>	<u>\$ 340,495</u>
\$ --	\$ --	\$ --	\$ 10,963
40,853	2,137	--	46,313
--	--	--	235,593
842	45	--	959
--	--	--	11,213
<u>41,695</u>	<u>2,182</u>	<u>--</u>	<u>305,041</u>
--	--	--	33,143
--	--	2,311	2,311
--	--	2,311	35,454
<u>\$ 41,695</u>	<u>\$ 2,182</u>	<u>\$ 2,311</u>	<u>\$ 340,495</u>

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	211 ESEA Title I Improving Basic Programs	224 IDEA-B Formula	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
REVENUES:				
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --	\$ 67,969	\$ --
5800 <i>State Program Revenues</i>	--	--	8,444	--
5900 <i>Federal Program Revenues</i>	76,488	182,642	197,994	--
5020 Total Revenues	<u>76,488</u>	<u>182,642</u>	<u>274,407</u>	<u>--</u>
EXPENDITURES:				
Current:				
0011 <i>Instruction</i>	76,488	182,642	--	--
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--	--	--
0034 <i>Student Transportation</i>	--	--	--	--
0035 <i>Food Service</i>	--	--	273,312	1,042
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--	--	--
6030 Total Expenditures	<u>76,488</u>	<u>182,642</u>	<u>273,312</u>	<u>1,042</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	<u>--</u>	<u>--</u>	<u>1,095</u>	<u>(1,042)</u>
Other Financing Sources and (Uses):				
7915 <i>Transfers In</i>	--	--	582	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>	<u>582</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>	<u>1,677</u>	<u>(1,042)</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>	<u>32,508</u>	<u>--</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 34,185</u>	<u>\$ (1,042)</u>

255 ESEA Title II Training & Recruiting	263 English Language Acquisition and Enhancement	270 REAP Fund	289 ESEA, Title IV Part A	313 IDEA-B Formula
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
1,653	2,459	--	8,951	5,239
<u>1,653</u>	<u>2,459</u>	<u>--</u>	<u>8,951</u>	<u>5,239</u>
1,653	2,459	44,854	8,951	--
--	--	--	--	5,239
--	--	--	--	--
--	--	--	--	--
<u>1,653</u>	<u>2,459</u>	<u>44,854</u>	<u>8,951</u>	<u>5,239</u>
--	--	(44,854)	--	--
--	--	44,854	--	--
--	--	<u>44,854</u>	--	--
--	--	--	--	--
--	--	--	--	--
\$ --	\$ --	\$ --	\$ --	\$ --
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes	410 State Textbook Fund	429 State Funded Special Rev Fund
REVENUES:		
5700 <i>Local and Intermediate Sources</i>	\$ --	\$ --
5800 <i>State Program Revenues</i>	62,421	386
5900 <i>Federal Program Revenues</i>	--	--
5020 Total Revenues	<u>62,421</u>	<u>386</u>
EXPENDITURES:		
Current:		
0011 <i>Instruction</i>	62,421	386
0031 <i>Guidance, Counseling, & Evaluation Services</i>	--	--
0034 <i>Student Transportation</i>	--	--
0035 <i>Food Service</i>	--	--
0036 <i>Cocurricular/Extracurricular Activities</i>	--	--
6030 Total Expenditures	<u>62,421</u>	<u>386</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>--</u>	<u>--</u>
Other Financing Sources and (Uses):		
7915 <i>Transfers In</i>	--	--
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>--</u>	<u>--</u>
0100 Fund Balances - Beginning	<u>--</u>	<u>--</u>
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>

437 Special Education	459 Alternative Education Fund	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ 2,230	\$ 70,199
41,695	2,182	--	115,128
--	--	--	475,426
<u>41,695</u>	<u>2,182</u>	<u>2,230</u>	<u>660,753</u>
35,781	2,182	--	417,817
4,947	--	--	10,186
967	--	--	967
--	--	--	274,354
--	--	2,445	2,445
<u>41,695</u>	<u>2,182</u>	<u>2,445</u>	<u>705,769</u>
<u>--</u>	<u>--</u>	<u>(215)</u>	<u>(45,016)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>45,436</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>45,436</u>
<u>--</u>	<u>--</u>	<u>(215)</u>	<u>420</u>
<u>--</u>	<u>--</u>	<u>2,526</u>	<u>35,034</u>
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 2,311</u>	<u>\$ 35,454</u>

ITALY INDEPENDENT SCHOOL DISTRICT

*CAPITAL PROJECTS FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018*

EXHIBIT H-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 25,000	\$ 39,049	\$ 14,049
5020 <i>Total Revenues</i>	<u>25,000</u>	<u>39,049</u>	<u>14,049</u>
EXPENDITURES:			
<i>Capital Outlay:</i>			
0081 <i>Capital Outlay</i>	6,465,451	2,588,190	3,877,261
<i>Total Capital Outlay</i>	<u>6,465,451</u>	<u>2,588,190</u>	<u>3,877,261</u>
6030 <i>Total Expenditures</i>	<u>6,465,451</u>	<u>2,588,190</u>	<u>3,877,261</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>			
1100 <i>Expenditures</i>	<u>(6,440,451)</u>	<u>(2,549,141)</u>	<u>3,891,310</u>
<i>Other Financing Sources (Uses):</i>			
7915 <i>Transfers In</i>	--	2,242,892	2,242,892
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>--</u>	<u>2,242,892</u>	<u>2,242,892</u>
1200 <i>Net Change in Fund Balance</i>	<u>(6,440,451)</u>	<u>(306,249)</u>	<u>6,134,202</u>
0100 <i>Fund Balance - Beginning</i>	3,207,831	3,207,831	--
3000 <i>Fund Balance - Ending</i>	<u>\$ (3,232,620)</u>	<u>\$ 2,901,582</u>	<u>\$ 6,134,202</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2018

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance	Debt Service				
2009 and Prior Years	\$ Various	\$ Various	\$	Various	\$	Various
2010	1.17	.071				98,476,317
2011	1.17	.071				98,085,608
2012	1.17	.077				95,682,431
2013	1.17	.077				95,459,948
2014	1.17	.077				95,994,531
2015	1.17	.077				98,575,496
2016	1.17	.415				95,766,814
2017	1.17	.415				107,312,180
2018 (School Year Under Audit)	1.17	.415				112,177,170
1000 Totals						

10 Beginning Balance 9/1/17	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/18
\$ 11,362	\$ --	\$ --	\$ 4,099	\$ (311)	\$ 6,952
3,255	--	899	55	172	2,473
3,309	--	617	37	(161)	2,494
6,540	--	3,241	213	(456)	2,630
7,017	--	3,635	239	(335)	2,808
7,849	--	4,693	309	992	3,839
8,618	--	4,999	329	1,453	4,743
9,857	--	4,718	1,673	1,701	5,167
35,801	--	17,332	6,147	(2,387)	9,935
--	1,778,008	1,274,933	452,220	--	50,855
<u>\$ 93,608</u>	<u>\$ 1,778,008</u>	<u>\$ 1,315,067</u>	<u>\$ 465,321</u>	<u>\$ 668</u>	<u>\$ 91,896</u>

ITALY INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2018

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2018 (Exhibit C-1 object 3000 for the General Fund only)	\$ 783,403
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	--
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	--
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	--
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	--
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	--
7	Estimate of two months' average cash disbursements during the fiscal year	1,150,000
8	Estimate of delayed payments from state sources (58XX)	--
9	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	--
10	Estimate of delayed payments from federal sources (59XX)	--
11	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	--
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	1,150,000
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	\$ (366,597)

ITALY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-3

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 58,000	\$ 67,969	\$ 9,969
5800 <i>State Program Revenues</i>	2,743	8,444	5,701
5900 <i>Federal Program Revenues</i>	187,805	197,994	10,189
5020 Total Revenues	<u>248,548</u>	<u>274,407</u>	<u>25,859</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 <i>Food Services</i>	273,548	273,312	236
Total Support Services - Student (Pupil)	<u>273,548</u>	<u>273,312</u>	<u>236</u>
6030 Total Expenditures	<u>273,548</u>	<u>273,312</u>	<u>236</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>(25,000)</u>	<u>1,095</u>	<u>26,095</u>
Other Financing Sources (Uses):			
7915 <i>Transfers In</i>	--	582	582
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>582</u>	<u>582</u>
1200 Net Change in Fund Balance	<u>(25,000)</u>	<u>1,677</u>	<u>26,677</u>
0100 Fund Balance - Beginning	32,508	32,508	--
3000 Fund Balance - Ending	<u>\$ 7,508</u>	<u>\$ 34,185</u>	<u>\$ 26,677</u>

ITALY INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2018

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 <i>Local and Intermediate Sources</i>	\$ 454,067	\$ 476,118	\$ 22,051
5800 <i>State Program Revenues</i>	294,549	279,207	(15,342)
5020 Total Revenues	<u>748,616</u>	<u>755,325</u>	<u>6,709</u>
EXPENDITURES:			
Debt Service:			
0071 <i>Principal on Long-Term Debt</i>	315,000	195,000	120,000
0072 <i>Interest on Long-Term Debt</i>	531,917	505,453	26,464
0073 <i>Bond Issuance Costs and Fees</i>	1,450	1,392	58
Total Debt Service	<u>848,367</u>	<u>701,845</u>	<u>146,522</u>
6030 Total Expenditures	<u>848,367</u>	<u>701,845</u>	<u>146,522</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(99,751)	53,480	153,231
1200 Net Change in Fund Balance	<u>(99,751)</u>	<u>53,480</u>	<u>153,231</u>
0100 Fund Balance - Beginning	134,821	134,821	--
3000 Fund Balance - Ending	<u>\$ 35,070</u>	<u>\$ 188,301</u>	<u>\$ 153,231</u>

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE

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
Italy Independent School District
300 S College
Italy, Texas 76651

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 Italy Independent School District, as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise Italy Independent School District's basic financial statements, and have issued our report thereon dated January 21, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Italy 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 the Italy Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Italy 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 the Italy 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.

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 21, 2019

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

None noted

ITALY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2018

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None noted		

ITALY INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

None noted

ITALY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2018

Data Control Codes		Responses
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other governmental agencies?	Yes
SF8	Did the school district <u>not</u> receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	What was the total accumulated accretion on capital appreciation bonds (CABs) included in government-wide financial statements at fiscal year-end?	\$ --
SF11	Net Pension Assets (object 1920) at fiscal year-end.	\$ --
SF12	Net Pension Liabilities (object 2540) at fiscal year-end.	\$ 1,221,203
SF13	Net OPEB Liabilities (object 2545) at fiscal year-end.	\$ 2,769,681