

ITALY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2021

Italy Independent School District
Annual Financial Report
For The Year Ended August 31, 2021

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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, 2021, at a meeting of the board of trustees of such school district on the ____ day of _____, _____.

Signature of Board Secretary

Signature of Board President

If the board of trustees disapproved of the auditor's 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 Audit of the Financial Statements

We have audited the financial statements of the governmental activities, the business-type 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, 2021, 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' Responsibilities for the Audit of the Financial Statements

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, the business-type activities, each major fund, and the aggregate remaining fund information of Italy Independent School District as of August 31, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof 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 2021, Italy Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2021, Italy Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 90, *Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61*. Our opinion is not modified with respect to this matter.

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 is the responsibility of management and, 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 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part 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, other supplementary information and the schedule of expenditures of federal awards 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, other supplementary information and the schedule of expenditures of federal awards 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 7, 2022 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 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.

Corsicana, Texas
January 7, 2022



Italy Independent School District

Office of the Superintendent

Rachel Kistner
Superintendent

Danette Dearing
Administrative Assistant
HR Coordinator

Melissa Gonzalez
Business Manager

Lisa Jacinto
PEIMS Coordinator
Student Support Coordinator

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, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

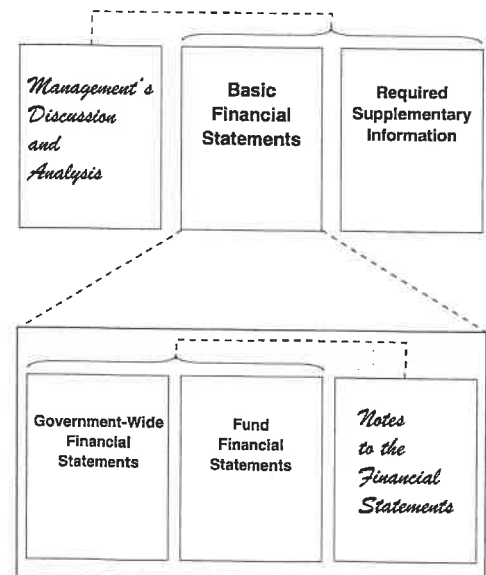
- The District's total combined net position on financial statement exhibit A-1 was \$3,746,423 at August 31, 2021.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$372,331 less than the \$11,425,815 generated in taxes and other revenues for governmental and business-type activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased \$743,718 from last year. Increases in capital outlay and instructions costs from the prior year accounted for a substantial portion of this increase.
- The general fund reported a fund balance this year on financial statement exhibit C-1 of \$2,599,402. The District began the current year with a fund balance in the amount of \$2,543,367.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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 and Business-type 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.
- *Proprietary funds*-- The District accounts for its coffee shop as a profit center and maintains an insurance activity as an internal service fund.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was \$3.75 million at August 31, 2021. (See Table A-1).

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

| | <u>2021</u> | <u>2020</u> | Total Percentage Change <u>2021-2020</u> |
|---|---------------|---------------|---|
| Current assets: | | | |
| Cash and cash equivalents | \$ 0.4 | \$ 0.3 | 33 |
| Investments | 1.6 | 2.7 | -41 |
| Due from other governments | 1.4 | 1.0 | 40 |
| Due from other funds | .0 | .0 | ** |
| Other receivables | .1 | .1 | 0 |
| Prepaid expenses | .4 | .0 | ** |
| Debt Issuance Costs-Net | .0 | .0 | ** |
| Total current assets: | <u>3.9</u> | <u>4.1</u> | -5 |
| Noncurrent assets: | | | |
| Land, furniture and equipment | 24.1 | 24.1 | 0 |
| Less accumulated depreciation | <u>(5.6)</u> | <u>(5.5)</u> | -2 |
| Total noncurrent assets | <u>18.5</u> | <u>18.6</u> | -1 |
| Total Assets | <u>22.4</u> | <u>22.7</u> | -1 |
| Deferred Outflows of Resources | 1.7 | 1.2 | 42 |
| Current liabilities: | | | |
| Accounts payable and accrued liabilities | .5 | .8 | -38 |
| Claims payable | .0 | .0 | ** |
| Due to other funds | .0 | .0 | ** |
| Deferred revenue | .0 | .1 | ** |
| Total current liabilities | <u>.5</u> | <u>.9</u> | -44 |
| Long-term liabilities: | | | |
| Noncurrent liabilities due in one year | .3 | .3 | 0 |
| Noncurrent liabilities due more than 1 yr | 12.7 | 13.0 | -2 |
| Net Pension Liability | 1.9 | 1.6 | 19 |
| Net OPEB Liability | 2.3 | 2.5 | -8 |
| Total Liabilities | <u>17.7</u> | <u>18.3</u> | -3 |
| Deferred Inflows of Resources | 2.7 | 2.3 | 17 |
| Net Position: | | | |
| Net investment in capital assets | 5.5 | 5.2 | 6 |
| Restricted | 1.1 | .7 | 57 |
| Unrestricted | <u>(2.9)</u> | <u>(2.5)</u> | -16 |
| Total Net Position | <u>\$ 3.7</u> | <u>\$ 3.3</u> | 12 |

The District has \$1,155,633 in restricted net position that represents \$434,437 proceeds from debt service, \$6,015 proceeds for state and federal programs, \$4,792 for campus activities, \$302,567 for shared service arrangement activities, and \$407,822 nonspendable for prepaid items. These proceeds, when spent, are restricted for the above purposes. The \$(2,898,520) 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 \$11,425,815. A significant portion, 20 percent, of the District's revenue comes from taxes. (See Figure A-3.) 53 percent comes from state aid – formula grants, while less than 1 percent relates to charges for services.

The total cost of all programs and services was \$11,053,484; 100 percent of these costs are for governmental activities associated with instructional and student services.

Governmental Activities

- Property tax rates decreased. However, due to increased values, tax revenues increased by \$122,503 or 6%.

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

| | <u>2021</u> | <u>2020</u> | Total % Change |
|---|--------------|--------------|----------------------|
| Program Revenues: | | | |
| Charges for Services | \$.1 | \$.1 | 0 |
| Operating Grants and Contributions | 2.9 | 3.2 | -9 |
| Capital Grants and Contributions | .0 | .0 | ** |
| General Revenues | | | |
| Property Taxes | 2.2 | 2.1 | 5 |
| State Aid – Formula | 6.1 | 6.1 | 0 |
| Investment Earnings | .0 | .0 | ** |
| Other | .1 | .0 | ** |
| Total Revenues | <u>11.4</u> | <u>11.5</u> | -1 |
| Instruction | 5.4 | 5.2 | 4 |
| Instructional Resources and Media Services | .1 | .1 | 0 |
| Curriculum Dev. And Instructional Staff Dev. | .2 | .2 | 0 |
| Instructional Leadership | .2 | .2 | 0 |
| School Leadership | .5 | .4 | 25 |
| Guidance, Counseling and Evaluation Services | .5 | .4 | 25 |
| Social Work Services | .0 | .0 | ** |
| Health Services | .2 | .2 | 0 |
| Student (Pupil) Transportation | .1 | .2 | -50 |
| Food Services | .4 | .4 | 0 |
| Curricular/Extracurricular Activities | .5 | .5 | 0 |
| General Administration | .5 | .6 | -17 |
| Plant Maintenance & Oper. | 1.0 | 1.0 | 0 |
| Security & Monitoring Svcs. | .1 | .1 | 0 |
| Data Processing Services | .3 | .2 | 50 |
| Community Services | .0 | .0 | ** |
| Debt Services | .5 | .5 | 0 |
| 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 | .5 | .6 | -17 |
| 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>11.0</u> | <u>10.8</u> | 2 |
| Excess (Deficiency) Before Other Resources, Uses & Transfers | .4 | .7 | -43 |
| Other Resources (Uses) | .0 | .0 | ** |
| Transfers In (Out) | .0 | .0 | ** |
| Increase (Decrease) in Net Position | <u>\$0.4</u> | <u>\$0.7</u> | -43 |

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 \$11.0 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$2.2 million.
- Some of the cost was paid by those who directly benefited from the programs \$.08 million, or
- By grants and contributions \$2.916 million.

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

| | Total Cost of Services | | % Change | Net Cost of Services | | % Change |
|--|------------------------|-------------|----------|----------------------|-------------|----------|
| | <u>2021</u> | <u>2020</u> | | <u>2021</u> | <u>2020</u> | |
| Instruction | 5.4 | 5.2 | 4 | 3.9 | 3.6 | 8 |
| School administration | .5 | .6 | -17 | .5 | .6 | -17 |
| Plant Maintenance & Operations | 1.0 | 1.0 | 0 | 1.0 | .9 | 11 |
| Debt Service – Interest & Fiscal Charges | .5 | .5 | 0 | .3 | .2 | 50 |

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$11.3 million, while the previous year it was \$11.3 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 twice. Actual expenditures were \$248,563 below final budget amounts in the General Fund.

On the other hand, resources available were \$242,935 above the final budgeted amount with state revenue being over budget by \$147,619.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had invested \$24,087,129 in a broad range of capital assets, including land, equipment, buildings, and vehicles. (See Table A-4.) This amount represents an increase of \$14,660 or less than 1% (including additions and deductions) over last year.

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

| | Governmental Activities | | Total Percentage Change <u>2021-2020</u> |
|--------------------------------|-------------------------|-------------|---|
| | <u>2021</u> | <u>2020</u> | |
| Land | .213 | .213 | 0 |
| Interim Construction | .000 | .000 | ** |
| Buildings and improvements | 20.892 | 20.433 | 2 |
| Equipment | 2.982 | 3.426 | -13 |
| Totals at historical cost | 24.087 | 24.072 | 0 |
| Total accumulated depreciation | (5.535) | (5.467) | -1 |
| Net capital assets | 18.552 | 18.605 | 0 |

Long Term Debt

At year-end the District had \$17.215 million in leases, 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 |
|-----------------------------|----------------------------|---------------|-------------------------------|
| | <u>2021</u> | <u>2020</u> | <u>2021-2020</u> |
| Leases payable | .023 | .000 | ** |
| Bonds payable | 11.860 | 12.090 | -2 |
| Notes payable | .904 | 1.003 | -10 |
| Pension liability | 1.911 | 1.595 | 20 |
| OPEB liability | 2.266 | 2.462 | -8 |
| Premiums on debt | .251 | .262 | -4 |
| Total bonds & notes payable | <u>17.215</u> | <u>17.412</u> | -1 |

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2022 budget preparation is \$169,822,453, an increase of 5% from 2021.
- General operating fund spending per student increased in the 2022 budget from \$15,003 to \$15,773. This is a 5% increase.
- The District's 2022 refined average daily attendance is expected to be 575, slightly below last year.

These indicators were considered when adopting the general fund budget for 2022. Amounts available for appropriation in the general fund budget are \$9,069,699, an increase of 4 percent from the final 2021 budget.

If these estimates are realized, the District's budgetary general fund fund balance is expected to remain stable by the close of 2022. However, the COVID-19 pandemic continues to negatively impact economic activity nationwide. The economic effects are still unknown but could potentially affect future revenues.

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, 2021

| Data Control Codes | 1 | 2 | 3 | |
|--|--------------------------------------|--------------------------|----------|--------------|
| | Governmental Activities | Business-type Activities | Total | |
| ASSETS: | | | | |
| 1110 | Cash and Cash Equivalents | \$ 370,968 | \$ 2,486 | \$ 373,454 |
| 1120 | Current Investments | 1,604,243 | -- | 1,604,243 |
| 1225 | Property Taxes Receivable (Net) | 75,108 | -- | 75,108 |
| 1240 | Due from Other Governments | 1,443,994 | -- | 1,443,994 |
| 1410 | Prepaid Expenses | 407,822 | -- | 407,822 |
| Capital Assets: | | | | |
| 1510 | Land | 213,134 | -- | 213,134 |
| 1520 | Buildings and Improvements, Net | 17,061,479 | -- | 17,061,479 |
| 1530 | Furniture and Equipment, Net | 1,277,520 | -- | 1,277,520 |
| 1000 | Total Assets | 22,454,268 | 2,486 | 22,456,754 |
| DEFERRED OUTFLOWS OF RESOURCES: | | | | |
| | Deferred Outflow Related to Pensions | 986,649 | -- | 986,649 |
| | Deferred Outflow Related to OPEB | 732,423 | -- | 732,423 |
| 1700 | Total Deferred Outflows of Resources | 1,719,072 | -- | 1,719,072 |
| LIABILITIES: | | | | |
| 2110 | Accounts Payable | 99,090 | -- | 99,090 |
| 2140 | Interest Payable | 24,969 | -- | 24,969 |
| 2165 | Accrued Liabilities | 397,691 | -- | 397,691 |
| 2300 | Unearned Revenue | 8,145 | -- | 8,145 |
| Noncurrent Liabilities: | | | | |
| 2501 | Due Within One Year | 354,533 | -- | 354,533 |
| 2502 | Due in More Than One Year | 12,684,008 | -- | 12,684,008 |
| 2540 | Net Pension Liability | 1,911,342 | -- | 1,911,342 |
| 2545 | Net OPEB Liability | 2,265,557 | -- | 2,265,557 |
| 2000 | Total Liabilities | 17,745,335 | -- | 17,745,335 |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| | Deferred Inflow Related to Pensions | 517,608 | -- | 517,608 |
| | Deferred Inflow Related to OPEB | 2,166,460 | -- | 2,166,460 |
| 2600 | Total Deferred Inflows of Resources | 2,684,068 | -- | 2,684,068 |
| NET POSITION: | | | | |
| 3200 | Net Investment in Capital Assets | 5,489,310 | -- | 5,489,310 |
| Restricted For: | | | | |
| 3820 | Federal and State Programs | 6,015 | -- | 6,015 |
| 3850 | Debt Service | 434,437 | -- | 434,437 |
| 3870 | Campus Activities | 4,792 | -- | 4,792 |
| 3890 | SSA Activities | 302,567 | -- | 302,567 |
| 3890 | Other Purposes - Nonspendable | 407,822 | -- | 407,822 |
| 3900 | Unrestricted | (2,901,006) | 2,486 | (2,898,520) |
| 3000 | Total Net Position | \$ 3,743,937 | \$ 2,486 | \$ 3,746,423 |

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2021

| | 1 | 3 | 4 |
|--------------------|---|----------------------|------------------------------------|
| | | Program Revenues | |
| Data Control Codes | Expenses | Charges for Services | Operating Grants and Contributions |
| | Governmental Activities: | | |
| 11 | \$ 5,363,496 | \$ -- | \$ 1,482,522 |
| 12 | 145,059 | -- | 10,879 |
| 13 | 183,885 | -- | 16,980 |
| 21 | 170,471 | -- | 169,466 |
| 23 | 482,415 | -- | 92,339 |
| 31 | 455,896 | -- | 296,612 |
| 33 | 198,404 | -- | 63,480 |
| 34 | 139,881 | -- | 36,101 |
| 35 | 431,456 | 28,303 | 359,376 |
| 36 | 516,672 | 41,421 | 32,342 |
| 41 | 529,212 | -- | 27,310 |
| 51 | 1,051,826 | 6,547 | 68,510 |
| 52 | 73,250 | -- | 22,017 |
| 53 | 307,800 | -- | 14,832 |
| 72 | 455,874 | -- | 150,940 |
| 73 | 1,257 | -- | -- |
| 93 | 530,776 | -- | 71,940 |
| 99 | 15,854 | -- | -- |
| TG | <u>11,053,484</u> | <u>76,271</u> | <u>2,915,646</u> |
| | Business-type Activities: | | |
| TB | -- | -- | -- |
| TP | <u>\$ 11,053,484</u> | <u>\$ 76,271</u> | <u>\$ 2,915,646</u> |
| | General Revenues: | | |
| MT | <i>Property Taxes, Levied for General Purposes</i> | | |
| DT | <i>Property Taxes, Levied for Debt Service</i> | | |
| IE | <i>Investment Earnings</i> | | |
| GC | <i>Grants and Contributions Not Restricted to Specific Programs</i> | | |
| MI | <i>Miscellaneous</i> | | |
| TR | Total General Revenues | | |
| CN | Change in Net Position | | |
| NB | Net Position - Beginning | | |
| NE | Net Position - Ending | | |

The accompanying notes are an integral part of this statement.

6

7

8

Net (Expense) Revenue and Changes in Net Position

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|----|------------------------------------|-------------------------------------|---------------------|
| \$ | (3,880,974) | | \$ (3,880,974) |
| | (134,180) | | (134,180) |
| | (166,905) | | (166,905) |
| | (1,005) | | (1,005) |
| | (390,076) | | (390,076) |
| | (159,284) | | (159,284) |
| | (134,924) | | (134,924) |
| | (103,780) | | (103,780) |
| | (43,777) | | (43,777) |
| | (442,909) | | (442,909) |
| | (501,902) | | (501,902) |
| | (976,769) | | (976,769) |
| | (51,233) | | (51,233) |
| | (292,968) | | (292,968) |
| | (304,934) | | (304,934) |
| | (1,257) | | (1,257) |
| | (458,836) | | (458,836) |
| | (15,854) | | (15,854) |
| | <u>(8,061,567)</u> | | <u>(8,061,567)</u> |
| | <u>--</u> | <u>--</u> | <u>--</u> |
| | <u>(8,061,567)</u> | <u>--</u> | <u>(8,061,567)</u> |
| | 1,674,655 | -- | 1,674,655 |
| | 565,603 | -- | 565,603 |
| | 4,988 | -- | 4,988 |
| | 6,099,071 | -- | 6,099,071 |
| | 89,581 | -- | 89,581 |
| | <u>8,433,898</u> | <u>--</u> | <u>8,433,898</u> |
| | 372,331 | -- | 372,331 |
| | 3,371,606 | 2,486 | 3,374,092 |
| \$ | <u>3,743,937</u> | <u>\$ 2,486</u> | <u>\$ 3,746,423</u> |

ITALY INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2021

| Data Control Codes | 10 General Fund | ESEA Title I Improving Basic Programs |
|---------------------------------------|-----------------------|---|
| ASSETS: | | |
| 1110 | \$ 294 | \$ -- |
| 1120 | 1,196,885 | -- |
| 1225 | 49,945 | -- |
| 1240 | 770,102 | 156,325 |
| 1260 | 640,320 | -- |
| 1410 | 407,822 | -- |
| 1000 | <u>\$ 3,065,368</u> | <u>\$ 156,325</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2110 | \$ 85,897 | \$ -- |
| 2150 | 70,088 | -- |
| 2160 | 250,653 | -- |
| 2170 | 3,381 | 156,325 |
| 2200 | 6,002 | -- |
| 2300 | -- | -- |
| 2000 | <u>416,021</u> | <u>156,325</u> |
| DEFERRED INFLOWS OF RESOURCES: | | |
| | 49,945 | -- |
| 2600 | <u>49,945</u> | <u>--</u> |
| FUND BALANCES: | | |
| Nonspendable Fund Balances: | | |
| 3430 | 407,822 | -- |
| Restricted Fund Balances: | | |
| 3450 | -- | -- |
| 3470 | -- | -- |
| 3480 | -- | -- |
| 3490 | -- | -- |
| 3490 | -- | -- |
| 3600 | 2,191,580 | -- |
| 3000 | <u>2,599,402</u> | <u>--</u> |
| 4000 | <u>\$ 3,065,368</u> | <u>\$ 156,325</u> |

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

| IDEA-B Formula | Other Governmental Funds | 98 Total Governmental Funds |
|-------------------|--------------------------------|--------------------------------------|
| \$ -- | \$ 374,335 | \$ 374,629 |
| -- | 407,358 | 1,604,243 |
| -- | 25,163 | 75,108 |
| 303,043 | 214,524 | 1,443,994 |
| -- | 356 | 640,676 |
| -- | -- | 407,822 |
| <u>\$ 303,043</u> | <u>\$ 1,021,736</u> | <u>\$ 4,546,472</u> |
| | | |
| \$ -- | \$ 13,193 | \$ 99,090 |
| -- | -- | 70,088 |
| 3,933 | 65,097 | 319,683 |
| 292,328 | 191,667 | 643,701 |
| 437 | 1,481 | 7,920 |
| 6,345 | 1,800 | 8,145 |
| <u>303,043</u> | <u>273,238</u> | <u>1,148,627</u> |
| | | |
| -- | 25,163 | 75,108 |
| <u>--</u> | <u>25,163</u> | <u>75,108</u> |
| | | |
| -- | -- | 407,822 |
| -- | 6,015 | 6,015 |
| -- | 687 | 687 |
| -- | 409,274 | 409,274 |
| -- | 4,792 | 4,792 |
| -- | 302,567 | 302,567 |
| -- | -- | 2,191,580 |
| <u>--</u> | <u>723,335</u> | <u>3,322,737</u> |
| | | |
| <u>\$ 303,043</u> | <u>\$ 1,021,736</u> | <u>\$ 4,546,472</u> |

ITALY INDEPENDENT SCHOOL DISTRICT
*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 AUGUST 31, 2021*

| | |
|--|---------------------|
| Total fund balances - governmental funds balance sheet | \$ 3,322,737 |
| 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. | 18,552,133 |
| Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. | 75,108 |
| The assets and liabilities of internal service funds are included in governmental activities in the SNP. | (636) |
| Payables for bond principal which are not due in the current period are not reported in the funds. | (11,860,000) |
| Payables for capital leases which are not due in the current period are not reported in the funds. | (23,042) |
| Payables for bond interest which are not due in the current period are not reported in the funds. | (24,969) |
| Payables for notes which are not due in the current period are not reported in the funds. | (904,163) |
| Recognition of the District's proportionate share of the net pension liability is not reported in the funds. | (1,911,342) |
| Deferred Resource Inflows related to the pension plan are not reported in the funds. | (517,608) |
| Deferred Resource Outflows related to the pension plan are not reported in the funds. | 986,649 |
| Bond premiums are amortized in the SNA but not in the funds. | (251,336) |
| Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds. | (2,265,557) |
| Deferred Resource Inflows related to the OPEB plan are not reported in the funds. | (2,166,460) |
| Deferred Resource Outflows related to the OPEB plan are not reported in the funds. | 732,423 |
| Net position of governmental activities - Statement of Net Position | <u>\$ 3,743,937</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, 2021

| Data Control Codes | 10 General Fund | ESEA Title I Improving Basic Programs |
|---|-----------------------|---|
| REVENUES: | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 1,804,147 | \$ -- |
| 5800 <i>State Program Revenues</i> | 6,527,271 | -- |
| 5900 <i>Federal Program Revenues</i> | 119,832 | 156,325 |
| 5020 Total Revenues | <u>8,451,250</u> | <u>156,325</u> |
| EXPENDITURES: | | |
| Current: | | |
| 0011 <i>Instruction</i> | 3,885,841 | 98,444 |
| 0012 <i>Instructional Resources and Media Services</i> | 133,859 | -- |
| 0013 <i>Curriculum and Staff Development</i> | 167,697 | -- |
| 0021 <i>Instructional Leadership</i> | -- | -- |
| 0023 <i>School Leadership</i> | 386,703 | 57,881 |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | 152,802 | -- |
| 0033 <i>Health Services</i> | 132,297 | -- |
| 0034 <i>Student Transportation</i> | 100,807 | -- |
| 0035 <i>Food Service</i> | -- | -- |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 474,748 | -- |
| 0041 <i>General Administration</i> | 488,679 | -- |
| 0051 <i>Facilities Maintenance and Operations</i> | 982,271 | -- |
| 0052 <i>Security and Monitoring Services</i> | 49,463 | -- |
| 0053 <i>Data Processing Services</i> | 367,723 | -- |
| 0071 <i>Principal on Long-term Debt</i> | 110,035 | -- |
| 0072 <i>Interest on Long-term Debt</i> | 15,035 | -- |
| 0073 <i>Bond Issuance Costs and Fees</i> | 7 | -- |
| 0081 <i>Capital Outlay</i> | 458,776 | -- |
| 0093 <i>Payments to Shared Service Arrangements</i> | 530,776 | -- |
| 0099 <i>Other Intergovernmental Charges</i> | 15,854 | -- |
| 6030 Total Expenditures | <u>8,453,373</u> | <u>156,325</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | |
| 1100 Expenditures | <u>(2,123)</u> | <u>--</u> |
| Other Financing Sources and (Uses): | | |
| 7913 <i>Issuance of Capital Leases</i> | 34,130 | -- |
| 7915 <i>Transfers In</i> | 39,028 | -- |
| 8911 <i>Transfers Out</i> | (15,000) | -- |
| 7080 Total Other Financing Sources and (Uses) | <u>58,158</u> | <u>--</u> |
| 1200 Net Change in Fund Balances | <u>56,035</u> | <u>--</u> |
| 0100 Fund Balances - Beginning | <u>2,543,367</u> | <u>--</u> |
| 3000 Fund Balances - Ending | <u>\$ 2,599,402</u> | <u>\$ --</u> |

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

| IDEA-B Formula | Other Governmental Funds | 98 Total Governmental Funds |
|-------------------|--------------------------------|--------------------------------------|
| \$ -- | \$ 604,148 | \$ 2,408,295 |
| -- | 1,541,372 | 8,068,643 |
| 303,043 | 281,391 | 860,591 |
| <u>303,043</u> | <u>2,426,911</u> | <u>11,337,529</u> |
| 62,558 | 939,111 | 4,985,954 |
| -- | -- | 133,859 |
| -- | 1,645 | 169,342 |
| -- | 157,301 | 157,301 |
| -- | -- | 444,584 |
| 225,240 | 41,584 | 419,626 |
| 245 | 50,913 | 183,455 |
| -- | 29,142 | 129,949 |
| -- | 400,166 | 400,166 |
| -- | 2,593 | 477,341 |
| -- | -- | 488,679 |
| -- | 8,944 | 991,215 |
| -- | 18,667 | 68,130 |
| -- | -- | 367,723 |
| -- | 230,000 | 340,035 |
| -- | 449,575 | 464,610 |
| -- | 1,250 | 1,257 |
| -- | -- | 458,776 |
| -- | -- | 530,776 |
| -- | -- | 15,854 |
| <u>288,043</u> | <u>2,330,891</u> | <u>11,228,632</u> |
| 15,000 | 96,020 | 108,897 |
| -- | -- | 34,130 |
| -- | 15,000 | 54,028 |
| (15,000) | (24,028) | (54,028) |
| <u>(15,000)</u> | <u>(9,028)</u> | <u>34,130</u> |
| -- | 86,992 | 143,027 |
| -- | 636,343 | 3,179,710 |
| \$ -- | \$ <u>723,335</u> | \$ <u>3,322,737</u> |

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, 2021*

| | | |
|--|----|----------------|
| Net change in fund balances - total governmental funds | \$ | 143,027 |
| Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because: | | |
| Capital outlays are not reported as expenses in the SOA. | | 598,096 |
| The depreciation of capital assets used in governmental activities is not reported in the funds. | | (651,250) |
| Certain property tax revenues are deferred in the funds. This is the change in these amounts this year. | | 16,049 |
| Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA. | | 230,000 |
| Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA. | | 11,088 |
| Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA. | | 98,947 |
| (Increase) decrease in accrued interest from beginning of period to end of period. | | 8,736 |
| The net revenue (expense) of internal service funds is reported with governmental activities. | | (636) |
| Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA. | | (34,130) |
| Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows. | | (159,154) |
| Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows. | | 111,558 |
| Change in net position of governmental activities - Statement of Activities | \$ | <u>372,331</u> |

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

| <u>Data Control Codes</u> | <u>Nonmajor Enterprise Fund</u> | <u>Nonmajor Internal Service Fund</u> |
|-------------------------------------|---|---|
| | <u>Coffee Shop</u> | <u>Insurance Fund</u> |
| OPERATING EXPENSES: | | |
| 6100 <i>Payroll Costs</i> | \$ -- | \$ 636 |
| 6030 Total Expenses | <u> --</u> | <u> 636</u> |
| 1300 Change in Net Position | -- | (636) |
| 0100 Total Net Position - Beginning | 2,486 | -- |
| 3300 Total Net Position - Ending | <u>\$ 2,486</u> | <u>\$ (636)</u> |

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

| | Nonmajor Enterprise Fund | Nonmajor Internal Service Fund |
|---|--------------------------------|---|
| | Coffee Shop | Insurance Fund |
| Cash Flows from Operating Activities: | | |
| <i>Cash Received from Customers</i> | \$ -- | \$ -- |
| <i>Cash Payments to Other Suppliers for Goods and Services</i> | -- | (636) |
| Net Cash Provided (Used) by Operating Activities | <u>--</u> | <u>(636)</u> |
| Cash Flows from Non-capital Financing Activities: | | |
| <i>Transfers from Other Funds</i> | -- | -- |
| Net Cash Provided (Used) by Non-capital Financing Activities | <u>--</u> | <u>--</u> |
| Cash Flows from Capital and Related Financing Activities: | | |
| <i>Contributed Capital</i> | -- | -- |
| Net Cash Provided (Used) for Capital & Related Financing Activities | <u>--</u> | <u>--</u> |
| Cash Flows from Investing Activities: | | |
| <i>Purchase of Investment Securities</i> | -- | -- |
| Net Cash Provided (Used) for Investing Activities | <u>--</u> | <u>--</u> |
| Net Increase (Decrease) in Cash and Cash Equivalents | -- | (636) |
| Cash and Cash Equivalents at Beginning of Year | 2,486 | (3,025) |
| Cash and Cash Equivalents at End of Year | <u>\$ 2,486</u> | <u>\$ (3,661)</u> |
| Reconciliation of Operating Income to Net Cash Provided by Operating Activities: | | |
| Operating Income (Loss) | \$ -- | \$ (636) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| <i>Depreciation</i> | -- | -- |
| Change in Assets and Liabilities: | | |
| <i>(Increase) Decrease in Interfund Receivable</i> | -- | -- |
| Total Adjustments | -- | -- |
| Net Cash Provided (Used) by Operating Activities | <u>\$ --</u> | <u>\$ (636)</u> |

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2021

| Data Control Codes | Private Purpose Trust Fund | Custodial Funds Student Activity |
|---|----------------------------------|---|
| ASSETS: | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ 16,868 | \$ 85,572 |
| 1290 <i>Other Receivables</i> | -- | 734 |
| 1000 Total Assets | <u>16,868</u> | <u>86,306</u> |
| LIABILITIES: | | |
| Current Liabilities: | | |
| 2110 <i>Accounts Payable</i> | 1,000 | -- |
| 2000 Total Liabilities | <u>1,000</u> | <u>--</u> |
| NET POSITION: | | |
| 3800 <i>Held in Trust</i> | 15,868 | -- |
| 3800 <i>Restricted for Individuals, Organizations, and Other Gov.</i> | -- | 86,306 |
| 3000 Total Net Position | <u>\$ 15,868</u> | <u>\$ 86,306</u> |

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

| | Private Purpose Trust Fund | Custodial Funds Student Activity |
|--|----------------------------------|---|
| ADDITIONS: | | |
| Contributions from Foundations, Gifts and Bequests | \$ 4,595 | \$ -- |
| Student Group Fundraising Activities | -- | 111,267 |
| Total Additions | <u>4,595</u> | <u>111,267</u> |
| DEDUCTIONS: | | |
| Benefits to Student Groups | -- | 99,866 |
| Scholarship Awards | 8,000 | -- |
| Total Deductions | <u>8,000</u> | <u>99,866</u> |
| Change in Fiduciary Net Position | (3,405) | 11,401 |
| Net Position-Beginning of the Year | -- | -- |
| Prior Period Adjustment | 19,273 | 74,905 |
| Net Position-End of the Year | <u>\$ 15,868</u> | <u>\$ 86,306</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, 2021

A. Summary of Significant Accounting Policies

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

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, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the District and 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 and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

ESEA Title I: This fund accounts for the receipts and disbursements in compliance with the requirements of this Federal Program.

IDEA B Formula: This fund accounts for the receipts and disbursements in compliance with the requirements of this Federal Program.

In addition, the District reports the following fund types:

Internal Service Funds: These funds are used to account for revenues and expenses related to services provided to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

Private-Purpose Trust Funds: These funds are used to report trust arrangements under which principal and income benefit individuals, private organizations, or other governments not reported in other fiduciary fund types.

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

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, Proprietary, and Fiduciary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements 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 does not consider revenues collected after its year-end to be available in the current period. 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. 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 \$22,283 is included in the financial statements.

c. 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.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated acquisition 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 |

e. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

f. 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.

g. 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.

h. 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.

i. 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.

j. 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

k. 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.

l. 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.

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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

5. Other Post-Employment Benefits

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

6. Implementation of New Standards

GASB Statement No. 84, Fiduciary Activities

This statement establishes standards of accounting and financial reporting by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The focus of the criteria generally is on whether a government is controlling the assets of the fiduciary activity and the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities.

GASB Statement No. 90, Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61

The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

GASB Statement No. 92, Omnibus 2020

Although the effective date for the majority of GASB Statement No. 92, Omnibus 2020 has been postponed by GASB Statement No. 95 for one year, the District has adopted paragraph 11 of Statement 92 with respect to reinsurance recoveries. Paragraph 11 states that "amounts that (a) are recoverable from reinsurers or excess insurers and (b) relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be. The District has also adopted paragraph 13 of Statement 92 in regards to changing all uses of the terms *derivative* and *derivatives* in existing standards to *derivative instrument* and *derivative instruments*, respectively. The provisions in paragraphs 11 and 13 were excluded from the scope of Statement 95 because paragraph 11 retains the reporting option, and thus only clarifies that an option exists, and paragraph 13 imposes no burden on the District. As such, this statement does not impact the District.

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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The District has adopted paragraphs 4 and 5 of GASB Statement No. 97. Paragraph 4 states that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or an other employee benefit plan (for example, certain Section 457 plans), if the primary government performs the duties that a governing board typically would perform, the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board. Paragraph 5 states that the financial burden criterion in paragraph 7 of Statement 84 is applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement No. 67, *Financial Reporting for Pension Plans*, or paragraph 3 of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, respectively. The requirements in paragraphs 6 - 9 of this Statement are effective for fiscal years beginning after June 15, 2021. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

7. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective dates for the following pronouncements are postponed by 18 months:

Statement No. 87, *Leases*

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, 2021

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, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$93,281 (including \$52,387 of money market funds reported as investments in the financial statements), and the bank balance was \$198,155. Year-end financial statement cash balances also included \$435,000 reclassified from investments as disclosed below. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, were not entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository: Citizens National Bank
- b. The market value of securities pledged as of the date of the highest combined balance on deposit was \$1,000,000.
- c. The highest combined balances of cash, savings and time deposit accounts amounted to \$1,607,979 and occurred during the month of September, 2020.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$250,133.

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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

The District's investments at August 31, 2021 are shown below.

| <u>Investment or Investment Type</u> | <u>Maturity</u> | <u>Fair Value</u> |
|---|-----------------|---------------------|
| Texpool | N/A | \$ 814,888 |
| Logic | N/A | 1,171,968 |
| Bank Money Market Account | N/A | 52,387 |
| Less amounts included as cash in the report | N/A | (435,000) |
| Total Investments | | <u>\$ 1,604,243</u> |

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, 2021, 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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.

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-m 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 AAAM 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, 2021

D. Capital Assets

Capital asset activity for the year ended August 31, 2021, was as follows:

| | Beginning Balances | Increases | Decreases | Ending Balances |
|--|-----------------------|-------------|-----------|--------------------|
| Governmental activities: | | | | |
| <i>Capital assets not being depreciated:</i> | | | | |
| Land | \$ 213,134 | \$ -- | \$ -- | \$ 213,134 |
| Total capital assets not being depreciated | 213,134 | -- | -- | 213,134 |
| <i>Capital assets being depreciated:</i> | | | | |
| Buildings and improvements | 20,432,795 | 458,776 | -- | 20,891,571 |
| Equipment | 3,426,540 | 139,320 | (583,436) | 2,982,424 |
| Total capital assets being depreciated | 23,859,335 | 598,096 | (583,436) | 23,873,995 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (3,428,966) | (401,126) | -- | (3,830,092) |
| Equipment | (2,038,216) | (250,124) | 583,436 | (1,704,904) |
| Total accumulated depreciation | (5,467,182) | (651,250) | 583,436 | (5,534,996) |
| Total capital assets being depreciated, net | 18,392,153 | (53,154) | -- | 18,338,999 |
| Governmental activities capital assets, net | \$ 18,605,287 | \$ (53,154) | \$ -- | \$ 18,552,133 |

Depreciation was charged to functions as follows:

| | |
|---|------------|
| Instruction | \$ 347,101 |
| Instructional Resources and Media Services | 9,396 |
| Curriculum and Staff Development | 11,887 |
| Instructional Leadership | 11,041 |
| School Leadership | 31,207 |
| Guidance, Counseling, & Evaluation Services | 29,455 |
| Health Services | 12,877 |
| Student Transportation | 9,121 |
| Food Services | 28,089 |
| Extracurricular Activities | 33,506 |
| General Administration | 34,302 |
| Plant Maintenance and Operations | 68,426 |
| Security and Monitoring Services | 4,782 |
| Data Processing Services | 20,060 |
| | \$ 651,250 |

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2021, consisted of the following:

| Due To Fund | Due From Fund | Amount | Purpose |
|----------------------------|--------------------------|------------|------------------|
| General Fund | ESEA Title I | \$ 156,325 | Short-term loans |
| General Fund | SSA IDEA-B Formula | 292,328 | Short-term loans |
| General Fund | Other Governmental Funds | 191,667 | Short-term loans |
| Nonmajor Internal Serv. Fd | General Fund | 3,025 | Short-term loans |
| Other Governmental Funds | General Fund | 356 | Short-term loans |
| | Total | \$ 643,701 | |

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, 2021

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2021, consisted of the following:

| Transfers From | Transfers To | Amount | Reason |
|--------------------------|--------------------------|-----------|--------------------------------|
| General Fund | Other Governmental Funds | \$ 15,000 | Supplement other funds sources |
| SSA IDEA-B Formula | General Fund | 15,000 | Supplement other funds sources |
| Other Governmental Funds | General Fund | 24,028 | Supplement other funds sources |
| | Total | \$ 54,028 | |

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, 2021, are as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|---|-------------------|------------|--------------|----------------|-----------------------------|
| Governmental activities: | | | | | |
| General obligation bonds | \$ 12,090,000 | \$ -- | \$ (230,000) | \$ 11,860,000 | \$ 245,000 |
| Notes | 903,347 | -- | (64,909) | 838,438 | 65,905 |
| Notes from Direct Borrowings and Direct Placements | 99,763 | -- | (34,038) | 65,725 | 32,331 |
| Leases from Direct Borrowings and Direct Placements | -- | 34,130 | (11,088) | 23,042 | 11,297 |
| Premium on School Bonds | 261,564 | -- | (10,228) | 251,336 | -- |
| Net Pension Liability* | 1,595,084 | 463,505 | (147,247) | 1,911,342 | -- |
| Net OPEB Liability* | 2,462,035 | (151,180) | (45,298) | 2,265,557 | -- |
| Total governmental activities | \$ 17,411,793 | \$ 346,455 | \$ (542,808) | \$ 17,215,440 | \$ 354,533 |

* Other long-term liabilities

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, 2021 is \$315,000.

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, 2021 is \$8,045,000.

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, 2021 is \$3,500,000.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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, 2021 is \$229,521. This is not considered a direct borrowing.

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, 2021 is \$608,917. This is not considered a direct borrowing.

Notes From Direct Borrowings and Direct Placements

The District issued a note during 2020 in the amount of \$99,763 at the rate of 3.3%. It is repayable in installments of \$33,395 maturing in 2023. The balance at August 31, 2021 is \$65,725. This is considered a direct borrowing and the bus serves as collateral. Should the debt become in default, the entire amount will become due and payable.

Leases From Direct Borrowings and Direct Placements

The District issued a lease during 2021 in the amount of \$34,130 at the rate of 4.0% for laptop computers. It is repayable in yearly installments of \$11,783 maturing in fiscal 2023. The balance at August 31, 2021 is \$23,042. This is considered a direct borrowing and the computers serve as collateral. Should the debt become in default, the entire amount will become due and payable.

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2021, are as follows:

| Year Ending, | Governmental Activities | | |
|--------------|-------------------------|--------------|---------------|
| | Bonds | | |
| | Principal | Interest | Total |
| 2022 | \$ 245,000 | \$ 441,175 | \$ 686,175 |
| 2023 | 260,000 | 432,363 | 692,363 |
| 2024 | 275,000 | 419,613 | 694,613 |
| 2025 | 285,000 | 407,938 | 692,938 |
| 2026 | 300,000 | 397,863 | 697,863 |
| 2027-2031 | 1,700,000 | 1,838,676 | 3,538,676 |
| 2032-2036 | 2,040,000 | 1,527,058 | 3,567,058 |
| 2037-2041 | 2,480,000 | 1,110,163 | 3,590,163 |
| 2042-2046 | 2,985,000 | 563,100 | 3,548,100 |
| 2046-2048 | 1,290,000 | 52,200 | 1,342,200 |
| Totals | \$ 11,860,000 | \$ 7,190,149 | \$ 19,050,149 |

| Year Ending, | Governmental Activities | | | | |
|--------------|-------------------------|-----------|------------------------------|-----------|--------------|
| | Notes | | Notes From Direct Borrowings | | Total |
| | Principal | Interest | Principal | Interest | |
| 2022 | \$ 65,905 | \$ 12,888 | \$ 32,331 | \$ 21,463 | \$ 132,587 |
| 2023 | 66,917 | 11,877 | 33,394 | 1,099 | 113,287 |
| 2024 | 67,944 | 10,849 | -- | -- | 78,793 |
| 2025 | 69,752 | 9,807 | -- | -- | 79,559 |
| 2026 | 70,046 | 8,748 | -- | -- | 78,794 |
| 2027-2031 | 366,688 | 27,280 | -- | -- | 393,968 |
| 2032-2036 | 131,186 | 2,913 | -- | -- | 134,099 |
| Totals | \$ 838,438 | \$ 84,362 | \$ 65,725 | \$ 22,562 | \$ 1,011,087 |

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3. Capital Leases

Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2021, as follows:

| <u>Year Ending,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--|------------------|-----------------|--------------|
| 2022 | \$ 11,297 | \$ 486 | \$ 11,783 |
| 2023 | 11,745 | 38 | 11,783 |
| Totals | \$ 23,042 | \$ 524 | \$ 23,566 |
| Lease Expenditures in Italy during the year. | | | \$ 11,783 |

The effective interest rate on capital leases is 4%.

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 2021, 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.

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 workload 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 Annual Comprehensive Financial Report (ACFR) that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, selecting About TRS or 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

ITALY INDEPENDENT SCHOOL DISTRICT
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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.

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. Actuarial implications of the funding provided are determined by the System's actuary

In May 2019, the 86th Texas Legislature approved the TRS Pension Reform Bill (Senate Bill 12) that provides for the gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13th check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

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 percent of the member's annual compensation and a state contribution rate of not less than 6 percent and not more than 10 percent of the aggregate annual compensation paid to members of the System during the fiscal year.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86th Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

| | Contribution Rates | |
|---|---------------------------|------|
| | 2020 | 2021 |
| Member | 7.7% | 7.7% |
| Non-Employer Contributing Entity (State) | 7.5% | 7.5% |
| Employers | 7.5% | 7.5% |
| | | |
| District's 2021 Employer Contributions | \$ 174,322 | |
| District's 2021 Member Contributions | \$ 452,210 | |
| 2020 NECE On-Behalf Contributions (state) | \$ 332,166 | |

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.

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- 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 percent of the state contribution rate for certain instructional or administrative employees; and 100 percent of the state contribution rate for all other employees.

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- All public schools, charter schools, and regional educational service centers must contribute 1.5 percent of the member's salary beginning in fiscal year 2020, gradually increasing to 2 percent in fiscal year 2025.
- 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

| | |
|---|---|
| Valuation Date | August 31, 2019 rolled forward to August 31, 2020 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Asset Valuation Method | Market Value |
| Single Discount Rate | 7.25% |
| Long-term expected Investment Rate of Return | 7.25% |
| Municipal Bond Rate as of August 2020 | 2.33% |
| Last year ending August 31 in Projection Period | 2119 |
| Inflation | 2.30% |
| Salary Increases including inflation | 3.05% to 9.05% |
| Ad hoc post-employment benefit changes | None |

The actuarial methods and assumptions are used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions, please see the actuarial valuation report dated November 14, 2019.

6. Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing entity will be made at the rates set by the legislature during the 2019 session. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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 7.25 percent. 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 System's target asset allocation as of August 31, 2020 are summarized below:

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| Asset Class | Target Allocation * | Long-Term Expected Arithmetic Real Rate of Return ** | Expected Contribution to Long-Term Portfolio Returns |
|--|---------------------|--|--|
| Global Equity | | | |
| USA | 18.00% | 3.90% | 0.99% |
| Non-U.S. Developed | 13.00% | 5.10% | 0.92% |
| Emerging Markets | 9.00% | 5.60% | 0.83% |
| Private Equity | 14.00% | 6.70% | 1.41% |
| Stable Value | | | |
| Government Bonds | 16.00% | (0.70)% | (0.05)% |
| Stable Value Hedge Funds | 5.00% | 1.90% | 0.11% |
| Real Return | | | |
| Real Estate | 15.00% | 4.60% | 1.01% |
| Energy, Natural Resources & Infrastructure | 6.00% | 6.00% | 0.42% |
| Risk Parity | | | |
| Risk Parity | 8.00% | 3.00% | 0.30% |
| Leverage | | | |
| Cash | 2.00% | 1.50% | (0.03)% |
| Asset Allocation Leverage | (6.00%) | 1.30% | 0.08% |
| Inflation Expectation | | | 2.00% |
| Volatility Drag *** | - | | (0.67)% |
| Total | 100.0% | | 7.33% |

* Target allocations are based on the FY2020 policy model.

** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2020)

*** The volatility drag results from the conversion between arithmetic and geometric mean returns.

7. Discount Rate Sensitivity Analysis

The following table presents the Net Pension Liability of the plan using a discount rate of 7.25 percent, and what the net position liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate.

| | 1% Decrease in Discount Rate 6.25% | Discount Rate 7.25% | 1% Increase in Discount Rate 8.25% |
|--|---|---------------------------|---|
| District's proportionate share of the net pension liability: | \$ 2,947,255 | \$ 1,911,342 | \$ 1,069,685 |

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

At August 31, 2021, the District reported a liability of \$1,911,342 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 | \$ 1,911,342 |
| State's proportionate share that is associated with District | 4,311,696 |
| Total | \$ 6,223,038 |

ITALY INDEPENDENT SCHOOL DISTRICT
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The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 through August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0035687355% which was an increase (decrease) of 0.0005002697% from its proportion measured as of August 31, 2019.

9. Change of Assumptions Since the Prior Measurement Date -

--- There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, the District recognized pension expense of \$852,077 and revenue of \$518,601 for support provided by the State.

At August 31, 2021, 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 3,490 | \$ 53,340 |
| Changes in actuarial assumptions | 443,499 | 188,573 |
| Difference between projected and actual investment earnings | 38,693 | -- |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 326,645 | 275,695 |
| Contributions paid to TRS subsequent to the measurement date | 174,322 | -- |
| Total | <u>\$ 986,649</u> | <u>\$ 517,608</u> |

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 |
|-------------------------|------------------------------|
| 2022 | \$ 104,541 |
| 2023 | \$ 81,493 |
| 2024 | \$ 57,702 |
| 2025 | \$ 31,771 |
| 2026 | \$ 9,348 |
| Thereafter | \$ 9,864 |

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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 with a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS-Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

2. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Annual Comprehensive Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2020.pdf, selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698

3. Benefits Provided

TRS-Care provides health insurance coverage to retirees from public and 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high-deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

| TRS-Care Monthly Premium Rates | | | |
|---|----|----------|--------------|
| | | Medicare | Non-Medicare |
| Retiree or Surviving Spouse | \$ | 135 | \$ 200 |
| Retiree and Spouse | | 529 | 689 |
| Retiree or Surviving Spouse and Children | | 468 | 408 |
| Retiree and Family | | 1,020 | 999 |

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.

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Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 percent of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65 percent 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 or charter school. 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

| | Rate |
|---|-----------|
| Active Employee | 0.65% |
| Non-Employer Contributing Entity (State) | 1.25% |
| Employers | 0.75% |
| Federal/Private Funding * | 1.25% |
| Total | |
| * Contributions paid from federal funds and private grants are remitted by the employer and paid at the State rate. | |
| District's 2021 Employer Contributions | \$ 52,067 |
| District's 2021 Member Contributions | \$ 38,174 |
| 2020 NECE On-Behalf Contributions (state) | \$ 60,869 |

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 hiring a TRS retiree, employers are required to pay TRS Care a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$230.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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| | |
|----------------------|-------------------|
| Rates of Mortality | General Inflation |
| Rates of Retirement | Wage Inflation |
| Rates of Termination | Salary Increases |
| Rates of Disability | |

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Additional Actuarial Methods and Assumptions:

| | |
|--|--|
| Valuation Date | August 31, 2019 rolled forward to August 31, 2020 |
| Actuarial Cost Method | Individual Entry Age Normal |
| Inflation | 2.30% |
| Discount Rate | 2.33% as of August 31, 2020 |
| 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. |
| Projected Salary Increases | 3.05% to 9.05%, including inflation |
| Healthcare Trend Rates | 4.50% to 4.25% |
| Election Rates | Normal Retirement: 65% participation prior to age 65 and 45% participation after age 65. |
| Ad Hoc Post-Employment Benefit Changes | None |

6. Discount Rate

A single discount rate of 2.33 percent was used to measure the total OPEB liability. This was a decrease of .30 percent in the discount rate since the previous year. Because the plan is essentially a pay-as-you-go plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to **not be able** to make all future benefit payments of current plan members. Therefore, the municipal bond rate was used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity "20-year Municipal GO AA Index" as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.33%) in measuring the net OPEB liability.

| | 1% Decrease in Discount Rate (1.33%) | Current Single Discount Rate (2.33%) | 1% Increase in Discount Rate (3.33%) |
|--|---|---|---|
| District's proportionate share of net OPEB liability | \$ 2,718,663 | \$ 2,265,557 | \$ 1,907,668 |

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

At August 31, 2021, the District reported a liability of \$2,265,557 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 | \$ 2,265,557 |
| State's proportionate share that is associated with the District | <u>3,044,365</u> |
| Total | \$ <u>5,309,922</u> |

The Net OPEB liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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 OPEB relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the District's proportion of the collective net OPEB liability was 0.0059597153%, which was an increase (decrease) of 0.0007536011% from its proportion measured as of August 31, 2019.

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

| | 1% Decrease in Healthcare Trend Rate (7.5%) | Current Single Healthcare Trend Rate (8.5%) | 1% Increase in Healthcare Trend Rate (9.5%) |
|--|---|---|---|
| District's proportionate share of net OPEB liability | \$ 1,850,670 | \$ 2,265,557 | \$ 2,818,128 |

9. Change of Assumptions Since the Prior Measurement Date

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The discount rate was changed from 2.63% as of August 31, 2019 to 2.33% as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

At August 31, 2021, 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:

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| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|--------------------------------------|-------------------------------------|
| Differences between expected and actual economic experience | \$ 118,624 | \$ 1,036,835 |
| Changes in actuarial assumptions | 139,738 | 622,134 |
| Differences between projected and actual investment earnings | 736 | -- |
| Changes in proportion and difference between the District's contributions and the proportionate share of contributions | 421,258 | 507,491 |
| Contributions paid to TRS subsequent to the measurement date | 52,067 | -- |
| Total | \$ 732,423 | \$ 2,166,460 |

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, | OPEB Expense Amount |
|-----------------------|---------------------|
| 2022 | \$ (260,949) |
| 2023 | \$ (261,047) |
| 2024 | \$ (261,103) |
| 2025 | \$ (261,088) |
| 2026 | \$ (200,574) |
| Thereafter | \$ (241,343) |

For the year ended August 31, 2021, the District recognized OPEB expense of \$(80,630) and revenue of \$(21,139) for support provided by the State.

10. Medicare Part D Subsidies

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2021, 2020 and 2019 the subsidy payments received by TRS-Care on behalf of the District were \$26,043, \$24,891 and \$15,736.

J. Employee Health Care Coverage

During the year ended August 31, 2021, 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, 2021, 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, 2020, 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, 2021

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. Litigation

No reportable litigation was pending against the District at August 31, 2021.

L. Shared Services Arrangements

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides Special Education and Alternative Education services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent who has accounted for the fiscal agent's activities of the SSA in Fund 437 and Fund 459 and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

| <u>Member Districts</u> | SSA Special Education | SSA Alternative Education |
|-------------------------|--------------------------|------------------------------|
| Avalon ISD | \$ 216,764 | \$ 47,608 |
| Milford ISD | 173,410 | 47,608 |
| Italy ISD | 476,881 | 47,607 |
| Total | <u>\$ 867,055</u> | <u>\$ 142,823</u> |

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides IDEA-Part B Formula, IDEA-Part B Preschool and Discretionary and Vocational Education-Basic Grant services to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in Fund 313 and Fund 314 and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

| <u>Member Districts</u> | SSA IDEA-B Formula | SSA IDEA-B Presch |
|-------------------------|-----------------------|----------------------|
| Avalon ISD | \$ 72,011 | \$ 3,913 |
| Milford ISD | 57,608 | 3,913 |
| Italy ISD | 158,424 | 3,914 |
| Total | <u>\$ 288,043</u> | <u>\$ 11,740</u> |

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

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

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 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. COVID-19

The COVID-19 pandemic continues to negatively impact economic activity nationwide. The overall economic effects are still unknown but could potentially have a material effect on the District in the future.

N. Self Funded Workman's Compensation Insurance

On September 1, 1991 the District Cooperative joined a self-funded workers compensation plan known as East Texas Educational Insurance Association along with other Texas School Districts. The District pays an administrative fee based on total payroll costs multiplied by an experience modifier. The service agreement provides that the association will be self-sustaining through member premiums. Excess worker's compensation insurance is carried by Midwest Employers Casualty Co.. The specific retention is \$250,000, aggregate limit \$5,000,000. Liabilities are reported when it is probable that a loss has been incurred and the amount of that loss can be reasonably estimated.

| Statement of Change in Liability | 2021 | 2020 |
|--|-----------------|-----------------|
| Unpaid (overpayment) claims at September 1 | \$ 7,544 | \$ 12,706 |
| Claims incurred during the year | (422) | (2,395) |
| Payments of claims during the year | (753) | (2,767) |
| Unpaid claims at August 31 | <u>\$ 6,369</u> | <u>\$ 7,544</u> |

The liability is applicable to the Ellis County Cooperative and is part of the Shared Services Arrangements detailed in Note L. This liability is recorded as a liability in Fund 437 and Fund 459.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021

O. Prior Period Adjustment

On Schedule E-2 there is a prior period adjustment of \$19,273 in the private-purpose trust funds and \$74,905 in the custodial funds. Based on GASB No. 84, \$94,178 was reclassified from the prior year fiduciary fund liability Due to Student Groups, with \$19,273 moving to the private-purpose trust funds. The remaining \$74,905 was reclassified to Restricted Fund Balance in the Student Activity Fund.

P. Casualty Event

During the year the District incurred a casualty event causing hail damage to roofs. As of August 31, 2021 the District recorded \$405,822 as roof repair related prepaid expenditures. During the fiscal year ending August 31, 2022 the District will incur additional expenditures of \$270,547 and expect to complete the project. On September 3, 2021, the District received \$305,822 in insurance reimbursements, and an additional \$270,547 is expected to be received. In total, the District should receive insurance proceeds that roughly equal the expenditures less a \$100,000 deductible. All revenue and related expenses will be reflected in the fiscal year 2022 financial statements.

Q. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2021, 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, 2021 which are not recorded on the financial statements in the amount of \$1,006,310. These benefits are recorded as expenditures as used.

R. Texas Commission on Environmental Quality

The District purchased property located at 404 E. Park Street in Italy, Texas. The TCEQ subsequently discovered that environmental waste was buried on this property before the District took ownership. The TCEQ has found no indication that the District was aware of this issue, and at the present time no sanctions against the District have been proposed.

S. Appraised Value Limitation in Qualified Property

During the fiscal year, the District entered into a tax incentives agreement with Oystercatcher Solar, LLC. In exchange for the anticipated construction of an Oystercatcher solar farm expected to operate for a period of twenty-five years or longer, the District agreed to a value limitation on qualified property arrangement. The project is eligible under Tax Code Chapter 313.024 for renewable energy electric generation. During the current fiscal year, the District received a \$75,000 payment in conjunction with the application.

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, 2021

EXHIBIT G-1
Page 1 of 2

| Data Control Codes | Budgeted Amounts | | | Variance with Final Budget Positive (Negative) | |
|---|--|------------------|------------------|---|----------------|
| | 1 | 2 | 3 | | |
| | Original | Final | Actual | | |
| REVENUES: | | | | | |
| 5700 | <i>Local and Intermediate Sources</i> | \$ 1,788,663 | \$ 1,788,663 | \$ 1,804,147 | \$ 15,484 |
| 5800 | <i>State Program Revenues</i> | 6,379,652 | 6,379,652 | 6,527,271 | 147,619 |
| 5900 | <i>Federal Program Revenues</i> | 40,000 | 40,000 | 119,832 | 79,832 |
| 5020 | Total Revenues | <u>8,208,315</u> | <u>8,208,315</u> | <u>8,451,250</u> | <u>242,935</u> |
| EXPENDITURES: | | | | | |
| Current: | | | | | |
| Instruction & Instructional Related Services: | | | | | |
| 0011 | <i>Instruction</i> | 4,100,237 | 3,904,775 | 3,885,841 | 18,934 |
| 0012 | <i>Instructional Resources and Media Services</i> | 162,608 | 142,608 | 133,859 | 8,749 |
| 0013 | <i>Curriculum and Staff Development</i> | 173,051 | 173,051 | 167,697 | 5,354 |
| | Total Instruction & Instr. Related Services | <u>4,435,896</u> | <u>4,220,434</u> | <u>4,187,397</u> | <u>33,037</u> |
| Instructional and School Leadership: | | | | | |
| 0023 | <i>School Leadership</i> | 350,724 | 390,724 | 386,703 | 4,021 |
| | Total Instructional & School Leadership | <u>350,724</u> | <u>390,724</u> | <u>386,703</u> | <u>4,021</u> |
| Support Services - Student (Pupil): | | | | | |
| 0031 | <i>Guidance, Counseling and Evaluation Services</i> | 155,203 | 155,203 | 152,802 | 2,401 |
| 0033 | <i>Health Services</i> | 122,719 | 137,719 | 132,297 | 5,422 |
| 0034 | <i>Student (Pupil) Transportation</i> | 145,033 | 145,033 | 100,807 | 44,226 |
| 0035 | <i>Food Services</i> | 9,531 | -- | -- | -- |
| 0036 | <i>Cocurricular/Extracurricular Activities</i> | 543,156 | 503,156 | 474,748 | 28,408 |
| | Total Support Services - Student (Pupil) | <u>975,642</u> | <u>941,111</u> | <u>860,654</u> | <u>80,457</u> |
| Administrative Support Services: | | | | | |
| 0041 | <i>General Administration</i> | 473,040 | 508,040 | 488,679 | 19,361 |
| | Total Administrative Support Services | <u>473,040</u> | <u>508,040</u> | <u>488,679</u> | <u>19,361</u> |
| Support Services - Nonstudent Based: | | | | | |
| 0051 | <i>Plant Maintenance and Operations</i> | 823,837 | 998,837 | 982,271 | 16,566 |
| 0052 | <i>Security and Monitoring Services</i> | 62,845 | 52,845 | 49,463 | 3,382 |
| 0053 | <i>Data Processing Services</i> | 306,070 | 376,532 | 367,723 | 8,809 |
| | Total Support Services - Nonstudent Based | <u>1,192,752</u> | <u>1,428,214</u> | <u>1,399,457</u> | <u>28,757</u> |
| Debt Service: | | | | | |
| 0071 | <i>Principal on Long-Term Debt</i> | 114,100 | 111,040 | 110,035 | 1,005 |
| 0072 | <i>Interest on Long-Term Debt</i> | -- | 15,043 | 15,035 | 8 |
| 0073 | <i>Bond Issuance Costs and Fees</i> | -- | 7 | 7 | -- |
| | Total Debt Service | <u>114,100</u> | <u>126,090</u> | <u>125,077</u> | <u>1,013</u> |
| Capital Outlay: | | | | | |
| 0081 | <i>Capital Outlay</i> | 70,000 | 520,000 | 458,776 | 61,224 |
| | Total Capital Outlay | <u>70,000</u> | <u>520,000</u> | <u>458,776</u> | <u>61,224</u> |
| Intergovernmental Charges: | | | | | |
| 0093 | <i>Payments to Fiscal Agent/Member Dist.-SSA</i> | 597,323 | 547,323 | 530,776 | 16,547 |
| 0099 | <i>Other Intergovernmental Charges</i> | 20,000 | 20,000 | 15,854 | 4,146 |
| | Total Intergovernmental Charges | <u>617,323</u> | <u>567,323</u> | <u>546,630</u> | <u>20,693</u> |
| 6030 | Total Expenditures | <u>8,229,477</u> | <u>8,701,936</u> | <u>8,453,373</u> | <u>248,563</u> |

ITALY INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT G-1
Page 2 of 2

| Data Control Codes | | 1 | 2 | 3 | Variance with Final Budget Positive (Negative) |
|--------------------------|--|------------------|--------------|--------------|---|
| | | Budgeted Amounts | | Actual | |
| | | Original | Final | | |
| 1100 | Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 | Expenditures | (21,162) | (493,621) | (2,123) | 491,498 |
| | Other Financing Sources (Uses): | | | | |
| 7913 | Issuance of Capital Leases | -- | -- | 34,130 | 34,130 |
| 7915 | Transfers In | 30,000 | 39,000 | 39,028 | 28 |
| 8911 | Transfers Out | (8,838) | (17,838) | (15,000) | 2,838 |
| 7080 | Total Other Financing Sources and (Uses) | 21,162 | 21,162 | 58,158 | 36,996 |
| 1200 | Net Change in Fund Balance | -- | (472,459) | 56,035 | 528,494 |
| 0100 | Fund Balance - Beginning | 2,543,367 | 2,543,367 | 2,543,367 | -- |
| 3000 | Fund Balance - Ending | \$ 2,543,367 | \$ 2,070,908 | \$ 2,599,402 | \$ 528,494 |

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 Ended August 31, | | | | | | | | | |
|--|-----------------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| District's proportion of the net pension liability (asset) | 0.003% | 0.003% | 0.003% | 0.004% | 0.005% | 0.004% | 0.002% | -- | -- | -- |
| District's proportionate share of the net pension liability (asset) | \$ 1,911,342 | \$ 1,595,084 | \$ 1,860,767 | \$ 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 | 4,311,696 | 3,767,312 | 3,569,128 | 2,085,783 | 2,459,338 | 2,220,844 | 2,043,738 | -- | -- | -- |
| Total | \$ 6,223,038 | \$ 5,362,396 | \$ 5,429,895 | \$ 3,306,986 | \$ 4,193,701 | \$ 3,665,756 | \$ 2,565,652 | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 5,333,092 | \$ 4,506,261 | \$ 4,109,734 | \$ 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 payroll | 35.84% | 35.40% | 45.28% | 30.10% | 42.75% | 40.07% | 15.43% | -- | -- | -- |
| Plan fiduciary net position as a percentage of the total pension liability | 75.54% | 75.24% | 73.74% | 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 Ended August 31, | | | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Contractually required contribution | \$ 174,322 | \$ 147,247 | \$ 107,400 | \$ 122,671 | \$ 129,551 | \$ 145,825 | \$ 119,671 | \$ -- | \$ -- | \$ -- |
| Contributions in relation to the contractually required contribution | (174,322) | (147,247) | (107,400) | (122,671) | (129,551) | (145,825) | (119,671) | -- | -- | -- |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 5,872,855 | \$ 5,333,092 | \$ 4,506,261 | \$ 4,109,734 | \$ 4,056,800 | \$ 4,056,808 | \$ 3,605,919 | \$ -- | \$ -- | \$ -- |
| Contributions as a percentage of covered payroll | 2.97% | 2.76% | 2.38% | 2.98% | 3.19% | 3.59% | 3.32% | -- | -- | -- |

* This schedule is presented 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 August 31, | | | | | | | | | |
|---|-----------------------------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|-------|
| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 |
| District's proportion of the collective net OPEB liability | 0.005% | 0.005% | 0.006% | 0.006% | -- | -- | -- | -- | -- | -- |
| District's proportionate share of the collective net OPEB liability | \$ 2,265,557 | \$ 2,462,035 | \$ 2,793,888 | \$ 2,769,681 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| State proportionate share of the collective net OPEB liability associated with the District | 3,044,365 | 3,271,494 | 3,371,707 | 3,011,158 | -- | -- | -- | -- | -- | -- |
| Total | \$ 5,309,922 | \$ 5,733,529 | \$ 6,165,595 | \$ 5,780,839 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 5,333,092 | \$ 4,506,261 | \$ 4,109,734 | \$ 4,056,800 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's proportionate share of the net OPEB liability as a percentage of its covered payroll | 42.48% | 54.64% | 67.98% | 68.27% | -- | -- | -- | -- | -- | -- |
| Plan fiduciary net position as a percentage of the total OPEB liability | 4.99% | 2.66% | 1.57% | 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 August 31, | | | | | | | | | |
|--|------------------------------|--------------|--------------|--------------|-------|-------|-------|-------|-------|-------|
| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
| Statorily or contractually required District contribution | \$ 52,067 | \$ 45,298 | \$ 36,949 | \$ 41,509 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions recognized by OPEB in relation to statorily or contractually required contribution | \$ 52,067 | \$ 45,298 | \$ 36,949 | \$ 41,509 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contribution deficiency (excess) | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| District's covered payroll | \$ 5,872,855 | \$ 5,333,092 | \$ 4,506,261 | \$ 4,109,734 | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| Contributions as a percentage of covered payroll | 0.89% | 0.85% | 0.82% | 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, 2021

Budget

The official budget was prepared for adoption for the General Fund, Capital Projects Fund, National School Breakfast and Lunch Program, and Debt Service 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 31 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

See footnote H for changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

See footnote H for changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

Other Post-Employment Benefit Plan

Changes of benefit terms

See footnote I for changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Changes of assumptions

See footnote I for 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, 2021

| Data Control Codes | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Total Nonmajor Governmental Funds (See Exhibit C-1) |
|--|-----------------------|-------------------|-----------------------|---|
| ASSETS: | | | | |
| 1110 Cash and Cash Equivalents | \$ 368,757 | \$ 5,578 | \$ -- | \$ 374,335 |
| 1120 Current Investments | -- | 403,302 | 4,056 | 407,358 |
| 1225 Taxes Receivable, Net | -- | 25,163 | -- | 25,163 |
| 1240 Due from Other Governments | 214,486 | 38 | -- | 214,524 |
| 1260 Due from Other Funds | -- | 356 | -- | 356 |
| 1000 Total Assets | <u>\$ 583,243</u> | <u>\$ 434,437</u> | <u>\$ 4,056</u> | <u>\$ 1,021,736</u> |
| LIABILITIES: | | | | |
| Current Liabilities: | | | | |
| 2110 Accounts Payable | \$ 13,193 | \$ -- | \$ -- | \$ 13,193 |
| 2160 Accrued Wages Payable | 65,097 | -- | -- | 65,097 |
| 2170 Due to Other Funds | 188,298 | -- | 3,369 | 191,667 |
| 2200 Accrued Expenditures | 1,481 | -- | -- | 1,481 |
| 2300 Unearned Revenue | 1,800 | -- | -- | 1,800 |
| 2000 Total Liabilities | <u>269,869</u> | <u>--</u> | <u>3,369</u> | <u>273,238</u> |
| DEFERRED INFLOWS OF RESOURCES: | | | | |
| 2600 Total Deferred Inflows of Resources | <u>--</u> | <u>25,163</u> | <u>--</u> | <u>25,163</u> |
| FUND BALANCES: | | | | |
| Restricted Fund Balances: | | | | |
| 3450 Federal/State Funds Grant Restrictions | 6,015 | -- | -- | 6,015 |
| 3470 Capital Acquisitions & Contractual Obligations | -- | -- | 687 | 687 |
| 3480 Retirement of Long-Term Debt | -- | 409,274 | -- | 409,274 |
| 3490 Other Restrictions of Fund Bal-Campus Activ. | 4,792 | -- | -- | 4,792 |
| 3490 Other Restrictions of Fund Bal-SSA Activ. | 302,567 | -- | -- | 302,567 |
| 3000 Total Fund Balances | <u>313,374</u> | <u>409,274</u> | <u>687</u> | <u>723,335</u> |
| 4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances | <u>\$ 583,243</u> | <u>\$ 434,437</u> | <u>\$ 4,056</u> | <u>\$ 1,021,736</u> |

ITALY INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

| Data Control Codes | Special Revenue Funds | Debt Service Fund | Capital Projects Fund | Total Nonmajor Governmental Funds (See Exhibit C-2) |
|---|-----------------------|-------------------|-----------------------|---|
| REVENUES: | | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 44,159 | \$ 559,984 | \$ 5 | \$ 604,148 |
| 5800 <i>State Program Revenues</i> | 1,390,432 | 150,940 | -- | 1,541,372 |
| 5900 <i>Federal Program Revenues</i> | 281,391 | -- | -- | 281,391 |
| 5020 Total Revenues | <u>1,715,982</u> | <u>710,924</u> | <u>5</u> | <u>2,426,911</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 <i>Instruction</i> | 939,111 | -- | -- | 939,111 |
| 0013 <i>Curriculum and Staff Development</i> | 1,645 | -- | -- | 1,645 |
| 0021 <i>Instructional Leadership</i> | 157,301 | -- | -- | 157,301 |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | 41,584 | -- | -- | 41,584 |
| 0033 <i>Health Services</i> | 50,913 | -- | -- | 50,913 |
| 0034 <i>Student Transportation</i> | 29,142 | -- | -- | 29,142 |
| 0035 <i>Food Service</i> | 400,166 | -- | -- | 400,166 |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | 2,593 | -- | -- | 2,593 |
| 0051 <i>Facilities Maintenance and Operations</i> | 8,944 | -- | -- | 8,944 |
| 0052 <i>Security and Monitoring Services</i> | 18,667 | -- | -- | 18,667 |
| 0071 <i>Principal on Long-term Debt</i> | -- | 230,000 | -- | 230,000 |
| 0072 <i>Interest on Long-term Debt</i> | -- | 449,575 | -- | 449,575 |
| 0073 <i>Bond Issuance Costs and Fees</i> | -- | 1,250 | -- | 1,250 |
| 6030 Total Expenditures | <u>1,650,066</u> | <u>680,825</u> | <u>--</u> | <u>2,330,891</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | 65,916 | 30,099 | 5 | 96,020 |
| Other Financing Sources and (Uses): | | | | |
| 7915 <i>Transfers In</i> | 15,000 | -- | -- | 15,000 |
| 8911 <i>Transfers Out</i> | (24,028) | -- | -- | (24,028) |
| 7080 Total Other Financing Sources and (Uses) | <u>(9,028)</u> | <u>--</u> | <u>--</u> | <u>(9,028)</u> |
| 1200 Net Change in Fund Balances | <u>56,888</u> | <u>30,099</u> | <u>5</u> | <u>86,992</u> |
| 0100 Fund Balances - Beginning | <u>256,486</u> | <u>379,175</u> | <u>682</u> | <u>636,343</u> |
| 3000 Fund Balances - Ending | <u>\$ 313,374</u> | <u>\$ 409,274</u> | <u>\$ 687</u> | <u>\$ 723,335</u> |

ITALY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2021

| Data Control Codes | 205 Head Start | 240 National School Breakfast/Lunch Program | 255 ESEA Title II Training & Recruiting | 263 English Lang. Acquisition and Enhancement | |
|---------------------------|--|--|--|--|-----------------|
| ASSETS: | | | | | |
| 1110 | Cash and Cash Equivalents | \$ -- | \$ -- | \$ -- | \$ -- |
| 1240 | Due from Other Governments | 74,770 | 24,301 | 2,638 | 2,180 |
| 1000 | Total Assets | <u>\$ 74,770</u> | <u>\$ 24,301</u> | <u>\$ 2,638</u> | <u>\$ 2,180</u> |
| LIABILITIES: | | | | | |
| Current Liabilities: | | | | | |
| 2110 | Accounts Payable | \$ -- | \$ 335 | \$ -- | \$ -- |
| 2160 | Accrued Wages Payable | 2,286 | 11,825 | -- | -- |
| 2170 | Due to Other Funds | 72,233 | 5,877 | 2,638 | 2,180 |
| 2200 | Accrued Expenditures | 251 | 249 | -- | -- |
| 2300 | Unearned Revenue | -- | -- | -- | -- |
| 2000 | Total Liabilities | <u>74,770</u> | <u>18,286</u> | <u>2,638</u> | <u>2,180</u> |
| FUND BALANCES: | | | | | |
| Restricted Fund Balances: | | | | | |
| 3450 | Federal/State Funds Grant Restrictions | -- | 6,015 | -- | -- |
| 3490 | Other Restrictions of Fund Bal-Campus Activ. | -- | -- | -- | -- |
| 3490 | Other Restrictions of Fund Bal-SSA Activ. | -- | -- | -- | -- |
| 3000 | Total Fund Balances | <u>--</u> | <u>6,015</u> | <u>--</u> | <u>--</u> |
| 4000 | Total Liabilities and Fund Balances | <u>\$ 74,770</u> | <u>\$ 24,301</u> | <u>\$ 2,638</u> | <u>\$ 2,180</u> |

| 266 Coronavirus Aid Relief, and Economic Security Act | 270 ESEA, Title V Part B, Subpart 2 Rural School | 281 ESSER Fund II of the CRRSA Act | 282 ESSER Fund III of the American Rescue Plan Act | 289 Title IV Part A Fund |
|--|---|--|---|-----------------------------------|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| 1,717 | 40,418 | 46,415 | 1,157 | 9,150 |
| <u>1,717</u> | <u>40,418</u> | <u>46,415</u> | <u>1,157</u> | <u>9,150</u> |
| | | | | |
| \$ -- | \$ -- | \$ 773 | \$ 1,157 | \$ -- |
| -- | 2,183 | -- | -- | -- |
| 1,717 | 37,992 | 45,642 | -- | 9,150 |
| -- | 243 | -- | -- | -- |
| -- | -- | -- | -- | -- |
| <u>1,717</u> | <u>40,418</u> | <u>46,415</u> | <u>1,157</u> | <u>9,150</u> |
| | | | | |
| -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> | <u>--</u> |
| <u>1,717</u> | <u>40,418</u> | <u>46,415</u> | <u>1,157</u> | <u>9,150</u> |

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
AUGUST 31, 2021

| Data Control Codes | 314 IDEA-B Preschool | 410 State Textbook Fund | 429 State Funded Special Rev. Fund |
|--|----------------------------|----------------------------------|---|
| ASSETS: | | | |
| 1110 <i>Cash and Cash Equivalents</i> | \$ -- | \$ 1,800 | \$ 4,309 |
| 1240 <i>Due from Other Governments</i> | 11,740 | -- | -- |
| 1000 Total Assets | <u>\$ 11,740</u> | <u>\$ 1,800</u> | <u>\$ 4,309</u> |
| LIABILITIES: | | | |
| Current Liabilities: | | | |
| 2110 <i>Accounts Payable</i> | \$ -- | \$ -- | \$ 4,309 |
| 2160 <i>Accrued Wages Payable</i> | 784 | -- | -- |
| 2170 <i>Due to Other Funds</i> | 10,869 | -- | -- |
| 2200 <i>Accrued Expenditures</i> | 87 | -- | -- |
| 2300 <i>Unearned Revenue</i> | -- | 1,800 | -- |
| 2000 Total Liabilities | <u>11,740</u> | <u>1,800</u> | <u>4,309</u> |
| FUND BALANCES: | | | |
| Restricted Fund Balances: | | | |
| 3450 <i>Federal/State Funds Grant Restrictions</i> | -- | -- | -- |
| 3490 <i>Other Restrictions of Fund Bal-Campus Activ.</i> | -- | -- | -- |
| 3490 <i>Other Restrictions of Fund Bal-SSA Activ.</i> | -- | -- | -- |
| 3000 Total Fund Balances | <u>--</u> | <u>--</u> | <u>--</u> |
| 4000 Total Liabilities and Fund Balances | <u>\$ 11,740</u> | <u>\$ 1,800</u> | <u>\$ 4,309</u> |

| 437 SSA Alternative Education Fund | 459 SSA Alternative Education Fund | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds (See Exhibit H-1) |
|---|---|------------------------------------|---|
| \$ 282,150 | \$ 75,706 | \$ 4,792 | \$ 368,757 |
| -- | -- | -- | 214,486 |
| <u>\$ 282,150</u> | <u>\$ 75,706</u> | <u>\$ 4,792</u> | <u>\$ 583,243</u> |
| \$ 5,727 | \$ 892 | \$ -- | \$ 13,193 |
| 42,669 | 5,350 | -- | 65,097 |
| -- | -- | -- | 188,298 |
| 552 | 99 | -- | 1,481 |
| -- | -- | -- | 1,800 |
| <u>48,948</u> | <u>6,341</u> | <u>--</u> | <u>269,869</u> |
| -- | -- | -- | 6,015 |
| -- | -- | 4,792 | 4,792 |
| <u>233,202</u> | <u>69,365</u> | <u>--</u> | <u>302,567</u> |
| <u>233,202</u> | <u>69,365</u> | <u>4,792</u> | <u>313,374</u> |
| <u>\$ 282,150</u> | <u>\$ 75,706</u> | <u>\$ 4,792</u> | <u>\$ 583,243</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, 2021

| Data Control Codes | 205 Head Start | 240 National School Breakfast/Lunch Program | 255 ESEA Title II Training & Recruiting | 263 English Lang. Acquisition and Enhancement |
|---|-------------------|--|--|--|
| REVENUES: | | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ -- | \$ 28,303 | \$ -- | \$ -- |
| 5800 <i>State Program Revenues</i> | -- | 268,529 | -- | -- |
| 5900 <i>Federal Program Revenues</i> | 74,770 | 90,728 | 2,638 | 2,180 |
| 5020 Total Revenues | <u>74,770</u> | <u>387,560</u> | <u>2,638</u> | <u>2,180</u> |
| EXPENDITURES: | | | | |
| Current: | | | | |
| 0011 <i>Instruction</i> | 74,653 | -- | 1,043 | 2,180 |
| 0013 <i>Curriculum and Staff Development</i> | 50 | -- | 1,595 | -- |
| 0021 <i>Instructional Leadership</i> | -- | -- | -- | -- |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | -- | -- | -- | -- |
| 0033 <i>Health Services</i> | -- | -- | -- | -- |
| 0034 <i>Student Transportation</i> | -- | -- | -- | -- |
| 0035 <i>Food Service</i> | 67 | 400,099 | -- | -- |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | -- | -- | -- | -- |
| 0051 <i>Facilities Maintenance and Operations</i> | -- | -- | -- | -- |
| 0052 <i>Security and Monitoring Services</i> | -- | -- | -- | -- |
| 6030 Total Expenditures | <u>74,770</u> | <u>400,099</u> | <u>2,638</u> | <u>2,180</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | | |
| 1100 Expenditures | -- | (12,539) | -- | -- |
| Other Financing Sources and (Uses): | | | | |
| 7915 <i>Transfers In</i> | -- | 15,000 | -- | -- |
| 8911 <i>Transfers Out</i> | -- | -- | -- | -- |
| 7080 Total Other Financing Sources and (Uses) | -- | <u>15,000</u> | -- | -- |
| 1200 Net Change in Fund Balances | -- | 2,461 | -- | -- |
| 0100 Fund Balances - Beginning | -- | 3,554 | -- | -- |
| 3000 Fund Balances - Ending | <u>\$ --</u> | <u>\$ 6,015</u> | <u>\$ --</u> | <u>\$ --</u> |

| 266 Coronavirus Aid Relief, and Economic Security Act | 270 ESEA, Title V Part B, Subpart 2 Rural School | 281 ESSER Fund II of the CRRSA Act | 282 ESSER Fund III of the American Rescue Plan Act | 289 Title IV Part A Fund |
|--|---|--|---|-----------------------------------|
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |
| -- | -- | -- | -- | -- |
| 1,717 | 40,418 | 46,415 | 1,157 | 9,628 |
| <u>1,717</u> | <u>40,418</u> | <u>46,415</u> | <u>1,157</u> | <u>9,628</u> |
| -- | 40,418 | 40,301 | -- | 9,150 |
| -- | -- | -- | -- | -- |
| 1,717 | -- | 773 | 1,157 | -- |
| -- | -- | -- | -- | 450 |
| -- | -- | -- | -- | -- |
| -- | -- | -- | -- | -- |
| -- | -- | 5,341 | -- | -- |
| -- | -- | -- | -- | -- |
| <u>1,717</u> | <u>40,418</u> | <u>46,415</u> | <u>1,157</u> | <u>9,600</u> |
| -- | -- | -- | -- | 28 |
| -- | -- | -- | -- | -- |
| -- | -- | -- | -- | (28) |
| -- | -- | -- | -- | (28) |
| -- | -- | -- | -- | -- |
| \$ -- | \$ -- | \$ -- | \$ -- | \$ -- |

ITALY INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

| Data Control Codes | 314 IDEA-B Preschool | 410 State Textbook Fund | 429 State Funded Special Rev. Fund |
|---|----------------------------|----------------------------------|---|
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ -- | \$ -- | \$ -- |
| 5800 <i>State Program Revenues</i> | -- | 13,747 | 32,374 |
| 5900 <i>Federal Program Revenues</i> | 11,740 | -- | -- |
| 5020 Total Revenues | <u>11,740</u> | <u>13,747</u> | <u>32,374</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| 0011 <i>Instruction</i> | 11,740 | 13,747 | -- |
| 0013 <i>Curriculum and Staff Development</i> | -- | -- | -- |
| 0021 <i>Instructional Leadership</i> | -- | -- | -- |
| 0031 <i>Guidance, Counseling, & Evaluation Services</i> | -- | -- | -- |
| 0033 <i>Health Services</i> | -- | -- | 32,374 |
| 0034 <i>Student Transportation</i> | -- | -- | -- |
| 0035 <i>Food Service</i> | -- | -- | -- |
| 0036 <i>Cocurricular/Extracurricular Activities</i> | -- | -- | -- |
| 0051 <i>Facilities Maintenance and Operations</i> | -- | -- | -- |
| 0052 <i>Security and Monitoring Services</i> | -- | -- | -- |
| 6030 Total Expenditures | <u>11,740</u> | <u>13,747</u> | <u>32,374</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>--</u> | <u>--</u> | <u>--</u> |
| Other Financing Sources and (Uses): | | | |
| 7915 <i>Transfers In</i> | -- | -- | -- |
| 8911 <i>Transfers Out</i> | -- | -- | -- |
| 7080 Total Other Financing Sources and (Uses) | <u>--</u> | <u>--</u> | <u>--</u> |
| 1200 Net Change in Fund Balances | <u>--</u> | <u>--</u> | <u>--</u> |
| 0100 Fund Balances - Beginning | <u>--</u> | <u>--</u> | <u>--</u> |
| 3000 Fund Balances - Ending | <u>\$ --</u> | <u>\$ --</u> | <u>\$ --</u> |

| 437 SSA Alternative Education Fund | 459 SSA Alternative Education Fund | 461 Campus Activity Funds | Total Nonmajor Special Revenue Funds (See Exhibit H-2) |
|---|---|------------------------------------|---|
| \$ 13,247 | \$ -- | \$ 2,609 | \$ 44,159 |
| 928,293 | 147,489 | -- | 1,390,432 |
| -- | -- | -- | 281,391 |
| <u>941,540</u> | <u>147,489</u> | <u>2,609</u> | <u>1,715,982</u> |
| 688,820 | 56,319 | 740 | 939,111 |
| -- | -- | -- | 1,645 |
| 105,353 | 48,301 | -- | 157,301 |
| 2,931 | 38,203 | -- | 41,584 |
| 18,539 | -- | -- | 50,913 |
| 29,142 | -- | -- | 29,142 |
| -- | -- | -- | 400,166 |
| -- | -- | 2,593 | 2,593 |
| 3,603 | -- | -- | 8,944 |
| 18,667 | -- | -- | 18,667 |
| <u>867,055</u> | <u>142,823</u> | <u>3,333</u> | <u>1,650,066</u> |
| 74,485 | 4,666 | (724) | 65,916 |
| -- | -- | -- | 15,000 |
| (24,000) | -- | -- | (24,028) |
| (24,000) | -- | -- | (9,028) |
| <u>50,485</u> | <u>4,666</u> | <u>(724)</u> | <u>56,888</u> |
| 182,717 | 64,699 | 5,516 | 256,486 |
| \$ <u>233,202</u> | \$ <u>69,365</u> | \$ <u>4,792</u> | \$ <u>313,374</u> |

ITALY INDEPENDENT SCHOOL DISTRICT

CAPITAL PROJECTS FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT H-5

| Data Control Codes | 1 | 2 | 3 |
|--|---------------|---------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 5 | \$ 5 | \$ -- |
| 5020 <i>Total Revenues</i> | <u>5</u> | <u>5</u> | <u>--</u> |
| EXPENDITURES: | | | |
| 1100 <i>Excess (Deficiency) of Revenues Over (Under)</i> | | | |
| 1100 <i>Expenditures</i> | <u>5</u> | <u>5</u> | <u>--</u> |
| 1200 <i>Net Change in Fund Balance</i> | <u>5</u> | <u>5</u> | <u>--</u> |
| 0100 <i>Fund Balance - Beginning</i> | <u>682</u> | <u>682</u> | <u>--</u> |
| 3000 <i>Fund Balance - Ending</i> | <u>\$ 687</u> | <u>\$ 687</u> | <u>\$ --</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, 2021

| Year Ended August 31 | 1 | | 2 | | 3 | |
|--------------------------------|-------------|---------|--------------|---------|--|-------------|
| | Tax Rates | | | | Assessed/Appraised Value For School Tax Purposes | |
| | Maintenance | | Debt Service | | | |
| 2012 and Prior Years | \$ | Various | \$ | Various | \$ | Various |
| 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 | | 1.17 | | .415 | | 112,177,170 |
| 2019 | | 1.17 | | .349 | | 124,433,007 |
| 2020 | | 1.0684 | | .344 | | 148,286,357 |
| 2021 (School Year Under Audit) | | .9698 | | .3267 | | 171,296,876 |
| 1000 Totals | | | | | | |

| 10 Beginning Balance 9/1/20 | 20 Current Year's Total Levy | 31 Maintenance Collections | 32 Debt Service Collections | 40 Entire Year's Adjustments | 50 Ending Balance 8/31/21 |
|--------------------------------------|---------------------------------------|----------------------------------|-----------------------------------|---------------------------------------|------------------------------------|
| \$ 11,038 | \$ -- | \$ -- | \$ 714 | \$ (1) | \$ 10,323 |
| 2,349 | -- | 163 | 11 | -- | 2,175 |
| 2,700 | -- | 342 | 22 | -- | 2,336 |
| 3,087 | -- | 338 | 22 | (289) | 2,438 |
| 2,672 | -- | 187 | 66 | (610) | 1,809 |
| 2,700 | -- | 231 | 82 | (291) | 2,096 |
| 4,371 | -- | 1,505 | 534 | 107 | 2,439 |
| 10,106 | -- | 3,714 | 1,108 | (1,412) | 3,872 |
| 36,152 | -- | 12,612 | 4,060 | (5,333) | 14,147 |
| -- | 2,220,864 | 1,619,531 | 545,577 | -- | 55,756 |
| <u>\$ 75,175</u> | <u>\$ 2,220,864</u> | <u>\$ 1,638,623</u> | <u>\$ 552,196</u> | <u>\$ (7,829)</u> | <u>\$ 97,391</u> |

ITALY INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)

GENERAL FUND

AS OF AUGUST 31, 2021

EXHIBIT J-2

| Data Control Codes | Explanation | Amount |
|--------------------------|--|--------------|
| 1 | Total General Fund Fund Balance as of August 31, 2021 (Exhibit C-1 object 3000 for the General Fund only) | \$ 2,599,402 |
| 2 | Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only) | 407,822 |
| 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 | 1,450,000 |
| 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) | 1,857,822 |
| 13 | Excess (Deficit) Unassigned General Fund Fund Balance (1-12) | \$ 741,580 |

Above amount to be used for improvements and equipment.

ITALY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-3

| Data Control Codes | 1 | 2 | 3 |
|---|--------------------|-----------------|------------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 <i>Local and Intermediate Sources</i> | \$ 65,000 | \$ 28,303 | \$ (36,697) |
| 5800 <i>State Program Revenues</i> | 8,260 | 268,529 | 260,269 |
| 5900 <i>Federal Program Revenues</i> | 255,955 | 90,728 | (165,227) |
| 5020 Total Revenues | <u>329,215</u> | <u>387,560</u> | <u>58,345</u> |
| EXPENDITURES: | | | |
| Current: | | | |
| Support Services - Student (Pupil): | | | |
| 0035 <i>Food Services</i> | 418,215 | 400,099 | 18,116 |
| Total Support Services - Student (Pupil) | <u>418,215</u> | <u>400,099</u> | <u>18,116</u> |
| 6030 Total Expenditures | <u>418,215</u> | <u>400,099</u> | <u>18,116</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | <u>(89,000)</u> | <u>(12,539)</u> | <u>76,461</u> |
| Other Financing Sources (Uses): | | | |
| 7915 <i>Transfers In</i> | -- | 15,000 | 15,000 |
| 7080 Total Other Financing Sources and (Uses) | <u>--</u> | <u>15,000</u> | <u>15,000</u> |
| 1200 Net Change in Fund Balance | <u>(89,000)</u> | <u>2,461</u> | <u>91,461</u> |
| 0100 Fund Balance - Beginning | 3,554 | 3,554 | -- |
| 3000 Fund Balance - Ending | <u>\$ (85,446)</u> | <u>\$ 6,015</u> | <u>\$ 91,461</u> |

ITALY INDEPENDENT SCHOOL DISTRICT

DEBT SERVICE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT J-4

| Data Control Codes | 1 | 2 | 3 |
|---|-------------------|-------------------|------------------------------|
| | Budget | Actual | Variance Positive (Negative) |
| REVENUES: | | | |
| 5700 Local and Intermediate Sources | \$ 527,263 | \$ 559,984 | \$ 32,721 |
| 5800 State Program Revenues | 153,512 | 150,940 | (2,572) |
| 5020 Total Revenues | <u>680,775</u> | <u>710,924</u> | <u>30,149</u> |
| EXPENDITURES: | | | |
| Debt Service: | | | |
| 0071 Principal on Long-Term Debt | 230,000 | 230,000 | -- |
| 0072 Interest on Long-Term Debt | 449,575 | 449,575 | -- |
| 0073 Bond Issuance Costs and Fees | 1,300 | 1,250 | 50 |
| Total Debt Service | <u>680,875</u> | <u>680,825</u> | <u>50</u> |
| 6030 Total Expenditures | <u>680,875</u> | <u>680,825</u> | <u>50</u> |
| 1100 Excess (Deficiency) of Revenues Over (Under) | | | |
| 1100 Expenditures | (100) | 30,099 | 30,199 |
| 1200 Net Change in Fund Balance | <u>(100)</u> | <u>30,099</u> | <u>30,199</u> |
| 0100 Fund Balance - Beginning | 379,175 | 379,175 | -- |
| 3000 Fund Balance - Ending | <u>\$ 379,075</u> | <u>\$ 409,274</u> | <u>\$ 30,199</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, the business-type activities, each major fund, and the aggregate remaining fund information of Italy Independent School District, as of and for the year ended August 31, 2021, 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 7, 2022.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item(s) 2021-1.

Italy Independent School District's Response to Findings

Italy Independent School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Italy Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Corsicana, Texas
January 7, 2022

ANDERSON, MARX & BOHL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Members of the Board of Trustees:

Report on Compliance for Each Major Federal Program

We have audited the Italy Independent School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Italy Independent School District's major federal programs for the year ended August 31, 2021. Italy Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Italy Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Italy Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Italy Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, the Italy Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Report on Internal Control Over Compliance

Management of the Italy Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Italy Independent School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Italy Independent School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
January 7, 2022

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

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? X Yes No

2. Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified

Version of compliance supplement used in audit: August 2021

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200? Yes X No

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.555 | National School Lunch Program (Non-Cash) |
| 84.027A | IDEA-B Formula |
| 84.173A | IDEA-B Preschool |

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021

B. Financial Statement Findings

2021-1 Undercollateralization of Deposits

Condition: The District was not properly collateralized by the bank on the date of high cash balance.

Criteria: The District should require the bank to maintain adequate collateral for its deposits at all times during the year.

Effect: The District had deposits in the bank that were not properly collateralized.

Cause: The District failed to require the bank to increase its collateral.

Recommendation: The District should require the bank to provide adequate margin on its collateral pledged to handle all deposits.

District's response: The District will review existing bank collateral to make sure their deposits are collateralized.

C. Federal Award Finds and Questioned Costs

None Noted

ITALY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021

| <u>Finding/Recommendation</u> | <u>Current Status</u> | <u>Management's Explanation If Not Implemented</u> |
|---|-----------------------|--|
| The District was not properly collateralized by the bank during the year. | Not corrected | Current year noncompliance occurred early in the fiscal year, before implementation of new procedures. |



Italy Independent School District

Office of the Superintendent

Rachel Kistner
Superintendent

Danette Dearing
Administrative Assistant
HR Coordinator

Melissa Gonzalez
Business Manager

Lisa Jacinto
PEIMS Coordinator
Student Support Coordinator

*CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021*

The District will require the bank to increase its collateral in order to secure the District's deposits. Melissa Gonzalez at phone number 972-483-1815 will accomplish this by August 31, 2022.

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1
Page 1 of 2

| (1) | (2) | (2A) | (3) | (3) |
|---|---------------------------|---|---------------------------------------|-------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
| CHILD NUTRITION CLUSTER: | | | | |
| <u>U. S. Department of Agriculture</u> | | | | |
| Passed Through State Department of Education: | | | | |
| School Breakfast Program | 10.553 | 070-907 | \$ -- | \$ 13,372 |
| National School Lunch Program | 10.555 | 070-907 | -- | 55,156 |
| National School Lunch Program (Non-cash) | 10.555 | 070-907 | -- | 22,200 |
| Total CFDA Number 10.555 | | | -- | 77,356 |
| Total Passed Through State Department of Education | | | -- | 90,728 |
| Total U. S. Department of Agriculture | | | -- | 90,728 |
| Total Child Nutrition Cluster | | | -- | 90,728 |
| HEAD START CLUSTER: | | | | |
| <u>U. S. Department of Health and Human Services</u> | | | | |
| Passed Through State Department of Education: | | | | |
| Head Start | 93.600 | 06CH010655 | -- | 74,770 |
| Total U. S. Department of Health and Human Services | | | -- | 74,770 |
| Total Head Start Cluster | | | -- | 74,770 |
| SPECIAL EDUCATION (IDEA) CLUSTER: | | | | |
| <u>U. S. Department of Education</u> | | | | |
| Passed Through State Department of Education: | | | | |
| SSA IDEA - Part B, Formula | 84.027A | 216600010709076600 | -- | 303,043 |
| Total U. S. Department of Education | | | -- | 303,043 |
| Total Special Education (IDEA) Cluster | | | -- | 303,043 |
| OTHER PROGRAMS: | | | | |
| <u>U. S. Department of Education</u> | | | | |
| Passed Through State Department of Education: | | | | |
| SSA IDEA - Part B, Preschool | 81.173A | 216610010709076610 | -- | 11,740 |
| ESEA Title I Part A | 84.010a | 21610141070907 | -- | 156,325 |
| ESEA, Title V, Part B, Subpart 2-Rural and Low Income Sch | 84.358a | S35A201109 | -- | 40,418 |
| Title III, Part A-English Language Acquisition and Language | 84.365a | 21671001057950 | -- | 2,180 |
| ESEA Title II, Part A - Teacher & Principal Training & Recru | 84.367a | 21694501057950 | -- | 2,638 |
| Title IV, Part A/Region 10 | 84.424a | 21680101057950 | -- | 9,150 |
| Stop School Violence/Mental | 16.839 | 194310017110002 | -- | 478 |

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

EXHIBIT K-1
Page 2 of 2

| (1) | (2) | (2A) | (3) | |
|---|---------------------------|---|---------------------------------------|-------------------------|
| Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass- Through Entity Identifying Number | Passed Through to Subrecipients | Federal Expenditures |
| COVID-19 Coronavirus Aid, Relief, and Economic Security | 84.425d | S425D200042 | \$ -- | \$ 56,574 |
| COVID-19 ESSER Fund II of the CRRSA Act | 84.425D | 2152100070907 | -- | 46,415 |
| COVID-19 ESSER Fund III of the American Rescue Plan Act | 84.425D | 2152800070907 | -- | 1,157 |
| COVID-19 Coronavirus Aid, Relief, and Economic Security | 84.425d | S425D200042 | -- | 1,717 |
| Total CFDA Number 84.425d | | | -- | 105,863 |
| Total Passed Through State Department of Education | | | -- | 328,792 |
| Total U. S. Department of Education | | | -- | 328,792 |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | \$ -- | \$ 797,333 |

The accompanying notes are an integral part of this schedule.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of Italy Independent School District. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Italy Independent School District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Reconciliation of Schedule of Expenditures of Federal Awards to Exhibit C-2:

| | | |
|--|----|----------------|
| Exhibit C-2 Federal Amounts | \$ | 860,591 |
| Less Student Health and Related Services (Not Applicable for SEFA) | | (63,258) |
| Total Expenditures of Federal Awards per Exhibit K-1 | \$ | <u>797,333</u> |

ITALY INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2021**

| Data Control Codes | | Responses |
|--------------------------|--|-----------|
| SF1 | Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole? | Yes |
| SF2 | Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year-end? | No |
| SF3 | Did the school district make timely payments to the Teacher Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If the school district was issued a warrant hold and the warrant hold was not cleared within 30 days from the date the warrant hold was issued, the school district is considered to not have made timely payments.) | Yes |
| | Payments to the TRS and TWC are considered timely if a warrant hold that was issued in connection to the untimely payment was cleared within 30 days from the date the warrant hold was issued. | |
| | Payments to the IRS are considered timely if a penalty or delinquent payment notice was cleared within 30 days from the date the notice was issued. | |
| SF4 | Was the school district issued a warrant hold? Even if the issue surrounding the initial warrant hold was resolved and cleared within 30 days, the school district is considered to have been issued a warrant hold. | No |
| SF5 | Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds? | No |
| SF6 | Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts and laws related to local, state, or federal funds? | Yes |
| SF7 | Did the school district post the required financial information on its website in accordance with Government Code, Local Government code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules that were in effect at the school district's fiscal year-end? | Yes |
| SF8 | Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget? | Yes |
| SF9 | Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end | \$ -- |