

ITALY INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED AUGUST 31, 2022

Italy Independent School District
Annual Financial Report
For The Year Ended August 31, 2022

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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, 2022, at a meeting of the board of trustees of such school district on the 23rd day of January, 2023.


Signature of Board Secretary
(Cortney Janek)


Signature of Board President
(Allen Richards)

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

**FRANK MARX, III, CPA
DORI BOHL, CPA & CFE
CALEB MARX, CPA**

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

Opinions

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, 2022, and the related notes to the financial statements, which collectively comprise the Italy Independent School District' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2022, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Italy Independent School District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As described in Note A to the financial statements, in 2022, Italy Independent School District adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Italy Independent School District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Italy Independent School District's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures including examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the required supplementary information, as listed 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Italy Independent School District's basic financial statements. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 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.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and the schedule of required responses to selected school FIRST indicators, but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statement, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 12, 2023 on our consideration of Italy Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Italy Independent School District's internal control over financial reporting and compliance.

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, TX
January 12, 2023



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, 2022. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

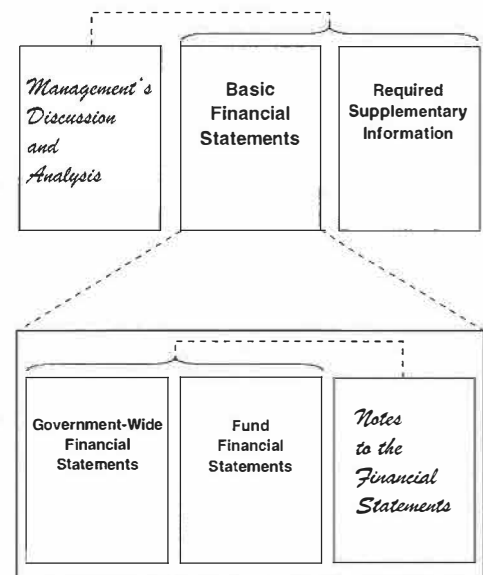
- The District's total combined net position on financial statement exhibit A-1 was \$5,610,254 at August 31, 2022.
- During the year, the District's primary government expenses on financial statement exhibit B-1 were \$1,863,831 less than the \$12,892,946 generated in taxes and other revenues for governmental and business-type activities.
- The total cost of the District's programs on financial statement exhibit C-2 increased \$2,091,462 from last year. An increase in facilities maintenance and operation 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 \$3,713,717. The District began the current year with a fund balance in the amount of \$2,599,402.

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 *custodian* 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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, deferred outflows, liabilities, and deferred inflows—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 \$5.61 million at August 31, 2022. (See Table A-1).

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

	<u>2022</u>	<u>2021</u>	Total Percentage Change <u>2022-2021</u>
Current assets:			
Cash and cash equivalents	\$ 0.9	\$ 0.4	125
Investments	2.8	1.6	75
Due from other governments	1.2	1.4	-14
Due from other funds	.0	.0	**
Other receivables	.3	.1	200
Prepaid expenses	.0	.4	**
Debt Issuance Costs-Net	.0	.0	**
Total current assets:	<u>5.2</u>	<u>3.9</u>	33
Noncurrent assets:			
Land, furniture and equipment	25.6	24.1	6
Less accumulated depreciation	(5.9)	(5.6)	-5
Total noncurrent assets	<u>19.7</u>	<u>18.5</u>	6
Total Assets	<u>24.9</u>	<u>22.4</u>	11
Deferred Outflows of Resources	2.1	1.7	24
Current liabilities:			
Accounts payable and accrued liabilities	.5	.5	0
Claims payable	.0	.0	**
Due to other funds	.0	.0	**
Deferred revenue	.0	.0	**
Total current liabilities	<u>.5</u>	<u>.5</u>	0
Long-term liabilities:			
Noncurrent liabilities due in one year	.5	.3	67
Noncurrent liabilities due more than 1 yr	13.3	12.7	5
Net Pension Liability	1.0	1.9	-47
Net OPEB Liability	2.6	2.3	13
Total Liabilities	<u>17.9</u>	<u>17.7</u>	1
Deferred Inflows of Resources	3.5	2.7	30
Net Position:			
Net investment in capital assets	6.0	5.5	9
Restricted	0.8	1.1	-27
Unrestricted	(1.2)	(2.9)	59
Total Net Position	<u>\$ 5.6</u>	<u>\$ 3.7</u>	51

The District has \$851,727 in restricted net position that represents \$478,652 proceeds from debt service, \$75,357 proceeds for state and federal programs, \$710 for capital projects, \$289,315 for shared service arrangement activities, and \$7,693 nonspendable for prepaid items. These proceeds, when spent, are restricted for the above purposes. The \$(1,192,330) 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 \$12,892,946. A significant portion, 18 percent, of the District's revenue comes from taxes. (See Figure A-3.) 52 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 \$11,029,115; 75 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 \$138,639 or 6%.

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

	<u>2022</u>	<u>2021</u>	Total % Change
Program Revenues:			
Charges for Services	\$.1	\$.1	0
Operating Grants and Contributions	2.7	2.9	-7
Capital Grants and Contributions	.0	.0	**
General Revenues			
Property Taxes	2.4	2.2	9
State Aid – Formula	6.7	6.1	10
Investment Earnings	.0	.0	**
Other	1.0	.1	900
Total Revenues	<u>12.9</u>	<u>11.4</u>	13
Instruction	5.2	5.4	-4
Instructional Resources and Media Services	.1	.1	0
Curriculum Dev. And Instructional Staff Dev.	.1	.2	-50
Instructional Leadership	.2	.2	0
School Leadership	.4	.5	-20
Guidance, Counseling and Evaluation Services	.4	.5	-20
Social Work Services	.0	.0	**
Health Services	.1	.2	-50
Student (Pupil) Transportation	.1	.1	0
Food Services	.5	.4	25
Curricular/Extracurricular Activities	.6	.5	20
General Administration	.6	.5	20
Plant Maintenance & Oper.	1.0	1.0	0
Security & Monitoring Svcs.	.1	.1	0
Data Processing Services	.5	.3	67
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	.6	.5	20
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>11.0</u>	0
Excess (Deficiency) Before Other Resources, Uses & Transfers	1.9	.4	375
Other Resources (Uses)	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>\$1.9</u>	<u>\$0.4</u>	375

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 \$2.4 million.
- Some of the cost was paid by those who directly benefited from the programs \$.06 million, or
- By grants and contributions \$2.726 million.

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

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2022	2021		2022	2021	
Instruction	5.2	5.4	-4	4.0	3.9	3
School administration	.6	.5	20	.5	.5	0
Plant Maintenance & Operations	1.0	1.0	0	1.0	1.0	0
Debt Service – Interest & Fiscal Charges	.5	.5	0	.3	.3	0

FINANCIAL ANALYSIS OF THE DISTRICT’S FUNDS

Revenues from governmental fund types totaled \$12.6 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 one time. Actual expenditures were \$831,545 below final budget amounts in the General Fund.

On the other hand, resources available were \$192,479 below the final budgeted amount with local revenue being under budget by \$612,143.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2022, the District had invested \$25,592,250 in a broad range of capital and right of use assets, including land, equipment, buildings, vehicles, and right to use assets. (See Table A-4.) This amount represents an increase of \$1,505,121 or 6% (including additions and deductions) over last year.

Table A-4
District’s Capital and Right of Use Assets
(In millions of dollars)

	Governmental Activities		Total Percentage Change 2022-2021
	2022	2021	
Land	.213	.213	0
Interim Construction	.824	.000	**
Buildings and improvements	21.528	20.892	3
Equipment	2.949	2.982	-1
Right to use assets	.078	.000	**
Totals at historical cost	25.592	24.087	6
Total accumulated depreciation	(5.844)	(5.535)	-6
Net capital assets	19.748	18.552	6

Long Term Debt

At year-end the District had \$17.381 million in financed purchased leases, bonds, pension and OPEB liability, right of use lease activities, 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>2022</u>	<u>2021</u>	<u>2022-2021</u>
Fin. purch. leases payable	.012	.023	-48
Bonds payable	11.615	11.860	-2
Notes payable	1.858	.904	106
Pension liability	1.040	1.911	-46
OPEB liability	2.571	2.266	13
Premiums on debt	.241	.251	-4
Right of use lease activities	.044	.000	**
Total bonds & notes payable	<u>17.381</u>	<u>17.215</u>	1

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2023 budget preparation is \$210,063,973, an increase of 24% from 2022.
- General operating fund spending per student decreased in the 2023 budget from \$18,664 to \$15,156. This is a 19% decrease.
- The District's 2023 refined average daily attendance is expected to be 593, slightly above last year.

These indicators were considered when adopting the general fund budget for 2023. Amounts available for appropriation in the general fund budget are \$8,987,251, a decrease of 18 percent from the final 2022 budget.

If these estimates are realized, the District's budgetary general fund fund balance is expected to remain stable by the close of 2022.

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, 2022

Data Control Codes	1	2	3
	Governmental Activities	Business-type Activities	Total
ASSETS:			
1110 Cash and Cash Equivalents	\$ 890,305	\$ 2,486	\$ 892,791
1120 Current Investments	2,802,809	--	2,802,809
1225 Property Taxes Receivable (Net)	77,271	--	77,271
1240 Due from Other Governments	1,200,539	--	1,200,539
1260 Due from Fiduciary	176	--	176
1290 Other Receivables (Net)	190,195	--	190,195
1410 Unrealized Expenses	7,693	--	7,693
Capital and Right of Use Assets:			
1510 Land	213,134	--	213,134
1520 Buildings and Improvements, Net	17,523,133	--	17,523,133
1530 Furniture and Equipment, Net	1,145,067	--	1,145,067
1550 Right to Use Assets, Net	43,284	--	43,284
1580 Construction in Progress	823,690	--	823,690
1000 Total Assets	<u>24,917,296</u>	<u>2,486</u>	<u>24,919,782</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pensions	949,158	--	949,158
Deferred Outflow Related to OPEB	1,206,250	--	1,206,250
1700 Total Deferred Outflows of Resources	<u>2,155,408</u>	<u>--</u>	<u>2,155,408</u>
LIABILITIES:			
2110 Accounts Payable	55,331	--	55,331
2140 Interest Payable	27,953	--	27,953
2165 Accrued Liabilities	462,809	--	462,809
2180 Due to Other Governments	6	--	6
2300 Unearned Revenue	22,361	--	22,361
Noncurrent Liabilities:			
2501 Due Within One Year	511,820	--	511,820
2502 Due in More Than One Year	13,257,678	--	13,257,678
2540 Net Pension Liability	1,040,281	--	1,040,281
2545 Net OPEB Liability	2,570,900	--	2,570,900
2000 Total Liabilities	<u>17,949,139</u>	<u>--</u>	<u>17,949,139</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflow Related to Pensions	1,299,731	--	1,299,731
Deferred Inflow Related to OPEB	2,216,066	--	2,216,066
2600 Total Deferred Inflows of Resources	<u>3,515,797</u>	<u>--</u>	<u>3,515,797</u>
NET POSITION:			
3200 Net Investment in Capital Assets	5,950,857	--	5,950,857
Restricted For:			
3820 Federal and State Programs	75,357	--	75,357
3850 Debt Service	478,652	--	478,652
3860 Capital Projects	710	--	710
3890 SSA Activities	289,315	--	289,315
Other Purposes:			
3890 Nonexpendable	7,693	--	7,693
3900 Unrestricted	(1,194,816)	2,486	(1,192,330)
3000 Total Net Position	<u>\$ 5,607,768</u>	<u>\$ 2,486</u>	<u>\$ 5,610,254</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Functions/Programs	1 Expenses	3 Program Revenues	
			Charges for Services	4 Operating Grants and Contributions
	Governmental Activities:			
11	Instruction	\$ 5,190,519	\$ --	\$ 1,180,236
12	Instructional Resources and Media Services	114,809	--	6,487
13	Curriculum and Staff Development	126,876	--	3,547
21	Instructional Leadership	213,808	--	195,520
23	School Leadership	375,885	--	27,969
31	Guidance, Counseling, and Evaluation Services	442,012	--	277,522
32	Social Work Services	7,000	--	7,007
33	Health Services	131,769	--	10,130
34	Student Transportation	166,016	--	39,067
35	Food Service	475,537	29,593	490,394
36	Cocurricular/Extracurricular Activities	581,015	28,552	27,024
41	General Administration	570,446	--	26,434
51	Facilities Maintenance and Operations	1,043,355	673	12,265
52	Security and Monitoring Services	76,444	--	27,122
53	Data Processing Services	466,034	--	118,518
72	Interest on Long-term Debt	453,855	--	123,548
73	Bond Issuance Costs and Fees	1,250	--	--
81	Capital Outlay	433	--	--
93	Payments Related to Shared Services Arrangements	574,011	--	153,364
99	Other Intergovernmental Charges	18,041	--	--
TG	Total Governmental Activities	<u>11,029,115</u>	<u>58,818</u>	<u>2,726,154</u>
	Business-type Activities:			
TB	Total Business-type Activities	--	--	--
TP	Total Primary Government	<u>\$ 11,029,115</u>	<u>\$ 58,818</u>	<u>\$ 2,726,154</u>
	General Revenues:			
MT	Property Taxes, Levied for General Purposes			
DT	Property Taxes, Levied for Debt Service			
IE	Investment Earnings			
GC	Grants and Contributions Not Restricted to Specific Programs			
MI	Miscellaneous			
MI	Insurance Recovery			
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>
\$ (4,010,283)		\$ (4,010,283)
(108,322)		(108,322)
(123,329)		(123,329)
(18,288)		(18,288)
(347,916)		(347,916)
(164,490)		(164,490)
7		7
(121,639)		(121,639)
(126,949)		(126,949)
44,450		44,450
(525,439)		(525,439)
(544,012)		(544,012)
(1,030,417)		(1,030,417)
(49,322)		(49,322)
(347,516)		(347,516)
(330,307)		(330,307)
(1,250)		(1,250)
(433)		(433)
(420,647)		(420,647)
(18,041)		(18,041)
<u>(8,244,143)</u>		<u>(8,244,143)</u>
<u>--</u>	<u>--</u>	<u>--</u>
<u>(8,244,143)</u>	<u>--</u>	<u>(8,244,143)</u>
1,774,468	--	1,774,468
604,429	--	604,429
23,392	--	23,392
6,665,069	--	6,665,069
228,949	--	228,949
811,667	--	811,667
<u>10,107,974</u>	<u>--</u>	<u>10,107,974</u>
1,863,831	--	1,863,831
3,743,937	2,486	3,746,423
<u>\$ 5,607,768</u>	<u>\$ 2,486</u>	<u>\$ 5,610,254</u>

ITALY INDEPENDENT SCHOOL DISTRICT

BALANCE SHEET - GOVERNMENTAL FUNDS

AUGUST 31, 2022

Data Control Codes	10 <u>General Fund</u>	<u>ESEA Title I Improving Basic Programs</u>
ASSETS:		
1110 Cash and Cash Equivalents	\$ 11,029	\$ 33,316
1120 Current Investments	2,334,958	--
1225 Taxes Receivable, Net	50,254	--
1240 Due from Other Governments	776,903	123,009
1260 Due from Other Funds	794,188	--
1290 Other Receivables, net	190,195	--
1410 Prepaid Expenses	7,693	--
1000 Total Assets	<u>\$ 4,165,220</u>	<u>\$ 156,325</u>
LIABILITIES:		
Current Liabilities:		
2110 Accounts Payable	\$ 40,930	\$ --
2150 Payroll Deductions and Withholdings	70,167	--
2160 Accrued Wages Payable	272,813	--
2170 Due to Other Funds	5,526	156,325
2180 Due to Other Governments	--	--
2200 Accrued Expenditures	11,813	--
2300 Unearned Revenue	--	--
2000 Total Liabilities	<u>401,249</u>	<u>156,325</u>
DEFERRED INFLOWS OF RESOURCES:		
Unavailable Revenue - Property Taxes	50,254	--
2600 Total Deferred Inflows of Resources	<u>50,254</u>	<u>--</u>
FUND BALANCES:		
Nonspendable Fund Balances:		
3430 Prepaid Items	7,693	--
Restricted Fund Balances:		
3450 Federal/State Funds Grant Restrictions	--	--
3470 Capital Acquisitions and Contractual Obligations	--	--
3480 Retirement of Long-Term Debt	--	--
3490 Other Restrictions of Fund Balance-SSA	--	--
Assigned Fund Balances:		
3590 Assigned Fund Balance - Campus Activities	--	--
3600 Unassigned	3,706,024	--
3000 Total Fund Balances	<u>3,713,717</u>	<u>--</u>
4000 Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 4,165,220</u>	<u>\$ 156,325</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-1

ESSER Fund III of the American Rescue Plan Act	IDEA-B Formula	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ 261,934	\$ 568,729	\$ 875,008
--	--	467,851	2,802,809
--	--	27,017	77,271
149,732	46,350	104,545	1,200,539
--	--	496	794,684
--	--	--	190,195
--	--	--	7,693
<u>\$ 149,732</u>	<u>\$ 308,284</u>	<u>\$ 1,168,638</u>	<u>\$ 5,948,199</u>
\$ 3,500	\$ 170	\$ 10,731	\$ 55,331
--	--	--	70,167
2,415	7,657	91,133	374,018
143,541	292,810	199,331	797,533
--	--	6	6
276	1,302	5,233	18,624
--	6,345	16,016	22,361
<u>149,732</u>	<u>308,284</u>	<u>322,450</u>	<u>1,338,040</u>
--	--	27,017	77,271
<u>--</u>	<u>--</u>	<u>27,017</u>	<u>77,271</u>
--	--	--	7,693
--	--	75,357	75,357
--	--	710	710
--	--	451,635	451,635
--	--	289,315	289,315
--	--	2,154	2,154
--	--	--	3,706,024
<u>--</u>	<u>--</u>	<u>819,171</u>	<u>4,532,888</u>
<u>\$ 149,732</u>	<u>\$ 308,284</u>	<u>\$ 1,168,638</u>	<u>\$ 5,948,199</u>

ITALY INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
AUGUST 31, 2022

Total fund balances - governmental funds balance sheet \$ 4,532,888

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital and right of use assets used in governmental activities are not reported in the funds.	19,748,308
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	77,271
The assets and liabilities of internal service funds are included in governmental activities in the SNP.	18,322
Payables for bond principal which are not due in the current period are not reported in the funds.	(11,615,000)
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(43,866)
Payables for debt interest which are not due in the current period are not reported in the funds.	(27,953)
Payables for notes which are not due in the current period are not reported in the funds.	(1,857,779)
Payables for finance purchase leases which are not due in the current period are not reported in the funds.	(11,745)
Recognition of the District's proportionate share of the net pension liability is not reported in the funds.	(1,040,281)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(1,299,731)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	949,158
Bond premiums are amortized in the SNP but not in the funds.	(241,108)
Recognition of the District's proportionate share of the net OPEB liability is not reported in the funds.	(2,570,900)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(2,216,066)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>1,206,250</u>

Net position of governmental activities - Statement of Net Position \$ 5,607,768

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, 2022

Data Control Codes	10 General Fund	ESEA Title I Improving Basic Programs
REVENUES:		
5700 Local and Intermediate Sources	\$ 2,050,164	\$ --
5800 State Program Revenues	7,108,374	--
5900 Federal Program Revenues	270,199	123,009
5020 Total Revenues	<u>9,428,737</u>	<u>123,009</u>
EXPENDITURES:		
Current:		
0011 Instruction	3,987,168	120,955
0012 Instructional Resources and Media Services	115,722	--
0013 Curriculum and Staff Development	124,782	--
0021 Instructional Leadership	16,726	2,054
0023 School Leadership	383,481	--
0031 Guidance, Counseling, and Evaluation Services	167,841	--
0032 Social Work Services	--	--
0033 Health Services	134,195	--
0034 Student Transportation	122,067	--
0035 Food Service	--	--
0036 Cocurricular/Extracurricular Activities	594,178	--
0041 General Administration	564,036	--
0051 Facilities Maintenance and Operations	1,943,055	--
0052 Security and Monitoring Services	45,877	--
0053 Data Processing Services	452,538	--
0071 Principal on Long-term Debt	143,478	--
0072 Interest on Long-term Debt	17,349	--
0073 Bond Issuance Costs and Fees	--	--
0081 Capital Outlay	775,544	--
0093 Payments to Shared Service Arrangements	574,011	--
0099 Other Intergovernmental Charges	18,041	--
6030 Total Expenditures	<u>10,180,089</u>	<u>123,009</u>
1100 Excess (Deficiency) of Revenues Over (Under)		
1100 Expenditures	<u>(751,352)</u>	<u>--</u>
Other Financing Sources and (Uses):		
7914 Issuance of Non-Current Debt	1,000,000	--
7915 Transfers In	54,000	--
7949 Other Resources - Insurance Recovery	811,667	--
8911 Transfers Out	--	--
7080 Total Other Financing Sources and (Uses)	<u>1,865,667</u>	<u>--</u>
1200 Net Change in Fund Balances	<u>1,114,315</u>	<u>--</u>
0100 Fund Balances - Beginning	2,599,402	--
3000 Fund Balances - Ending	<u>\$ 3,713,717</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

EXHIBIT C-2

ESSER Fund III of the American Rescue Plan Act	IDEA-B Formula	Other Governmental Funds	98 Total Governmental Funds
\$ --	\$ --	\$ 637,729	\$ 2,687,893
--	--	1,325,145	8,433,519
149,732	301,687	675,991	1,520,618
<u>149,732</u>	<u>301,687</u>	<u>2,638,865</u>	<u>12,642,030</u>
97,476	135,571	948,798	5,289,968
--	--	--	115,722
1,360	--	2,823	128,965
19,679	--	174,615	213,074
--	--	3,930	387,411
6,080	166,116	107,098	447,135
7,000	--	--	7,000
--	--	1,127	135,322
--	--	116,242	238,309
--	--	467,429	467,429
--	--	--	594,178
--	--	1,000	565,036
11,500	--	4,427	1,958,982
6,637	--	20,392	72,906
--	--	3,000	455,538
--	--	269,696	413,174
--	--	443,750	461,099
--	--	1,250	1,250
--	--	--	775,544
--	--	--	574,011
--	--	--	18,041
<u>149,732</u>	<u>301,687</u>	<u>2,565,577</u>	<u>13,320,094</u>
--	--	73,288	(678,064)
--	--	76,548	1,076,548
--	--	--	54,000
--	--	--	811,667
--	--	(54,000)	(54,000)
<u>--</u>	<u>--</u>	<u>22,548</u>	<u>1,888,215</u>
<u>--</u>	<u>--</u>	<u>95,836</u>	<u>1,210,151</u>
--	--	723,335	3,322,737
<u>\$ --</u>	<u>\$ --</u>	<u>\$ 819,171</u>	<u>\$ 4,532,888</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, 2022

Net change in fund balances - total governmental funds	\$ 1,210,151
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,790,782
The depreciation and amortization of capital and right of use assets used in governmental activities is not reported in the funds.	(672,418)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	2,163
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	245,000
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	33,945
Repayment of financed purchase lease principal is an expenditure in the funds but is not an expense in the SOA.	11,297
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	122,932
(Increase) decrease in accrued interest from beginning of period to end of period.	7,244
The net revenue (expense) of internal service funds is reported with governmental activities.	18,958
Proceeds of long-term debt is recognized as other financial resources in the funds but not revenue in the SOA.	(1,076,548)
Implementing GASB 68 required certain expenditures to be de-expended and recorded as deferred resource outflows.	51,447
Implementing GASB 75 required certain expenditures to be de-expended and recorded as deferred resource outflows.	118,878
Change in net position of governmental activities - Statement of Activities	<u>\$ 1,863,831</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 AUGUST 31, 2022

Data Control Codes	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
<u>Codes</u>	<u>Coffee Shop</u>	<u>Insurance Fund</u>
ASSETS:		
Current Assets:		
1110 Cash and Cash Equivalents	\$ 2,486	\$ 15,297
Receivables:		
1260 Due from Other Funds	--	3,025
Total Current Assets	<u>2,486</u>	<u>18,322</u>
1000 Total Assets	<u>2,486</u>	<u>18,322</u>
LIABILITIES:		
2000 Total Liabilities	<u>--</u>	<u>--</u>
NET POSITION:		
3900 Unrestricted	<u>2,486</u>	<u>18,322</u>
3000 Total Net Position	<u>\$ 2,486</u>	<u>\$ 18,322</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, 2022

Data Control Codes	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Coffee Shop	Insurance Fund
OPERATING REVENUES:		
5700 Local and Intermediate Sources	\$ --	\$ 18,958
5020 Total Revenues	<u> --</u>	<u>18,958</u>
1300 Change in Net Position	--	18,958
0100 Total Net Position - Beginning	2,486	(636)
3300 Total Net Position - Ending	<u>\$ 2,486</u>	<u>\$ 18,322</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, 2022

	Nonmajor Enterprise Fund	Nonmajor Internal Service Fund
	Coffee Shop	Insurance Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ --	\$ 18,958
Cash Payments to Other Suppliers for Goods and Services	--	--
Net Cash Provided (Used) by Operating Activities	<u>--</u>	<u>18,958</u>
Cash Flows from Non-capital Financing Activities:		
Transfers from other funds	--	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>	<u>--</u>
Cash Flows from Capital and Related Financing Activities:		
Contributed Capital	--	--
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>	<u>--</u>
Cash Flows from Investing Activities:		
Purchase of Investment Securities	--	--
Net Cash Provided (Used) for Investing Activities	<u>--</u>	<u>--</u>
Net Increase (Decrease) in Cash and Cash Equivalents	--	18,958
Cash and Cash Equivalents at Beginning of Year	2,486	(3,661)
Cash and Cash Equivalents at End of Year	<u>\$ 2,486</u>	<u>\$ 15,297</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	\$ --	\$ 18,958
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	--	--
Change in Assets and Liabilities:		
Increase (Decrease) in Payables	--	--
Total Adjustments	<u>--</u>	<u>--</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ --</u>	<u>\$ 18,958</u>

The accompanying notes are an integral part of this statement.

ITALY INDEPENDENT SCHOOL DISTRICT
 STATEMENT OF FIDUCIARY NET POSITION
 FIDUCIARY FUNDS
 AUGUST 31, 2022

Data Control Codes	Private Purpose Trust Funds	Custodial Funds
	Scholarship Activity	Student Activity
ASSETS:		
1110 Cash and Cash Equivalents	\$ 23,868	\$ 100,251
1290 Other Receivables	--	971
1000 Total Assets	<u>23,868</u>	<u>101,222</u>
LIABILITIES:		
Current Liabilities:		
2170 Due to Other Funds	--	176
2400 Payable from Restricted Assets	<u>1,000</u>	--
2000 Total Liabilities	<u>1,000</u>	<u>176</u>
NET POSITION:		
3800 Held in Trust	22,868	--
3800 Restricted for Indiv., Org., and other Governments	--	<u>101,046</u>
3000 Total Net Position	<u>\$ 22,868</u>	<u>\$ 101,046</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, 2022

	Private Purpose Trust Funds	Custodial Funds
	Scholarship Activity	Student Activity
ADDITIONS:		
Contributions from Foundations, Gifts and Bequests	\$ 15,000	\$ --
Student Group Fundraising Activities	--	155,935
Total Additions	<u>15,000</u>	<u>155,935</u>
DEDUCTIONS:		
Benefits to Student Groups	--	141,195
Scholorship Awards	8,000	--
Total Deductions	<u>8,000</u>	<u>141,195</u>
Change in Fiduciary Net Position	7,000	14,740
Net Position-Beginning of the Year	15,868	86,306
Net Position-End of the Year	<u>\$ 22,868</u>	<u>\$ 101,046</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, 2022

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, 2022

ESEA Title I, Improving Basic Programs: This fund accounts for revenues and expenses in accordance with requirements for this program.

ESSER Fund III of the American Rescue Plan Act: This fund accounts for revenues and expenses in accordance with requirements for this program.

IDEA-B Formula: This fund accounts for revenues and expenses in accordance with requirements for this 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.

Special Revenue Funds: These funds account for the resources restricted or committed for specific purposes. Federal revenues are generally accounted for in special revenue funds, as is some state assistance. Amounts unspent may be returned to the grantor agency at the close of the applicable project period.

Debt Service Fund: This fund accounts for all dedicated revenues for bonded debt along with the corresponding debt payments.

Capital Projects Funds: These funds are used to account for significant, ongoing capital projects of the District.

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. Custodial funds typically involve only the receipt, temporary investment, and remittance of the 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 custodial 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.

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

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

3. Financial Statement Amounts

a. 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 \$22,689 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 and Right of Use Assets

Purchased or constructed capital and right of use 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.

ITALY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
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Capital and right of use assets are being depreciated or amortized 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
Right of Use Assets	2-4

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.

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, deferred resource outflows, liabilities, deferred resource inflows, revenues, expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

ITALY INDEPENDENT SCHOOL DISTRICT
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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.

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

Net position in the government-wide financial statements is classified as Net Investment in Capital Assets, Restricted, and unrestricted. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets. Restricted Net Position consists of assets and deferred resource outflows, net of any related liabilities and deferred resource inflows, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first then unrestricted resources, as they are needed. Unrestricted Net Position consists of amounts that do not meet the definition of Net Investment in Capital Assets or Restricted Net Position. Included in beginning Unrestricted Net Position is a reduction of \$(5,141,895) for pension and OPEB items. For the current fiscal year, the overall Unrestricted Net Position increased \$170,325 for pension and OPEB related items. As of August 31, 2022, the net effect of these amounts reflected in ending Net Position was a reduction of \$(4,971,570).

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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l. 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.

m. 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.

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

In the current fiscal year, the District implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 87, Leases

The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain leases assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this

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statement are effective for fiscal years beginning after June 15, 2021. All applicable existing leases have been re-valued at the beginning of the fiscal year to reflect the change, and new leases have also been reported in accordance with the provisions of this statement.

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

GASB No. 89 requires that interest costs incurred during a construction period be recognized as an expense for business-type activity. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB Statement No. 91, Conduit Debt Obligations

This statement requires issuers of Conduit Debt Obligations to disclose general information organized by type of commitment, including the aggregate outstanding principal amount of the issuers' debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period. The provisions of this statement are effective for reporting periods beginning after December 31, 2020. There is no current year impact to the district related to this statement.

GASB Statement No. 92, Omnibus 2020

The objectives of this Statement are to enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics and includes specific provisions. The topics that relate most directly to this district in the current fiscal year include the amendments to certain GASB No. 68 provisions. The provisions of GASB Statement No. 92, excluding the requirements related to Statements No. 87 and Implementation Guide 2019-3 which were effective upon issuance, are effective for fiscal years and reporting periods beginning after June 15, 2021. There is no significant impact related to this Statement to the District in the current year.

GASB Statement No. 93, Replacement of Interbank Offered Rates

Some governments have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR) - most notably, the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, as amended, requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument's variable payment. In addition, in accordance with Statement No. 87, *Leases*, as amended, replacement of the rate on which variable payments depend in a lease contract would require a government to apply the provisions for lease modifications, including remeasurement of the lease liability or lease receivable.

The requirements of this Statement, except for paragraphs 11b, 13 and 14 were implemented in the fiscal year ended August 31, 2021. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. The requirements of paragraphs 11b, 13, and 14 of this Statement are effective for reporting periods beginning after June 15, 2021. There is no significant current year impact to the District related to this Statement.

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.

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The District previously adopted paragraphs 4 and 5 of GASB Statement No. 92. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. The provisions of this Statement have no significant impact to the District in the current year.

GASB Statement No. 98, The Annual Comprehensive Financial Report

This statement was issued in October 2021 and establishes the term Annual Comprehensive Financial Report and its acronym, ACFR. This new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The District implemented this statement in the current fiscal year, with no significant impact.

GASB Statement No. 99, Omnibus 2022

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments that do not meet the definition of either an investment or a hedge
- Guidance clarification for short-term leases when there is a modification of terms
- Considerations for public-private partnerships (PPP) terminology as well as recognizing installment payments and transferring underlying PPP assets
- Clarifications of subscription-based information technology arrangement (SBITA) terms, and liability measurement and recognition
- Disclosures related to nonmonetary transactions
- Certain provisions of GASB Statement No. 34
- Pledges of future revenues when resources are not received by the pledging government
- Terminology updates related to deferred inflows and outflows of resources and net position
- Resource flows statements terminology related to GASB Statement No. 53
- Accounting for SNAP distributions
- Requirements related to the extension of the use of LIBOR

The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR , accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates took effect upon issuance.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

7. Future Implementation of New Standards

The District is currently evaluating the impact related to the implementation of the following GASB Statements, scheduled to become effective in fiscal years 2023, 2024 and 2025:

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Statement No. 96, *Subscription-Based Information Technology Arrangements*

Statement No. 100, *Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*

Statement No. 101, *Compensated Absences*

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

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, 2022, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$113,548, (including \$46,638 of money market funds reported as investments in the financial statements), and the bank balance was \$298,296. Year-end financial statement cash balances also included \$950,000 reclassified from investments, due to the District's intended regular use of these funds. The District's cash deposits at August 31, 2022 and during the year ended August 31, 2022, 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 \$1,687,745 and occurred during the month of September, 2021.
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$255,234.

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2. Investments:

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

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

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

The District's investments at August 31, 2022 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
Texpool	N/A	\$ 877,443
Logic	N/A	2,828,728
Bank Money Market Account	N/A	46,638
Less amounts included as cash in the report		(950,000)
Total Investments		<u>\$ 2,802,809</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, 2022, 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.

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c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

Investment Accounting Policy

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

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.

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 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.

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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 operates in a manner consistent with 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.

D. Capital and Right of Use Assets

Capital and right of use asset activity for the year ended August 31, 2022, was as follows:

	Beginning Balances	Increases	Transfers and Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 213,134	\$ --	\$ --	\$ 213,134
Construction in progress	--	823,690	--	823,690
Total capital assets not being depreciated	<u>213,134</u>	<u>823,690</u>	<u>--</u>	<u>1,036,824</u>
Capital and right of use assets being depr/amort:				
Buildings and improvements	20,891,571	867,208	(230,350)	21,528,429
Equipment	2,982,424	99,884	(133,122)	2,949,186
Right to Use Assets	--	77,811	--	77,811
Total capital and right of use assets being depr/amort	<u>23,873,995</u>	<u>1,044,903</u>	<u>(363,472)</u>	<u>24,555,426</u>
Less accumulated depreciation/amortization for:				
Buildings and improvements	(3,830,092)	(405,554)	230,350	(4,005,296)
Equipment	(1,704,904)	(232,337)	133,122	(1,804,119)
Right to Use Assets	--	(34,527)	--	(34,527)
Total accumulated depr/amort	<u>(5,534,996)</u>	<u>(672,418)</u>	<u>363,472</u>	<u>(5,843,942)</u>
Total capital assets being depr/amort, net	<u>18,338,999</u>	<u>372,485</u>	<u>--</u>	<u>18,711,484</u>
Governmental activities capital & ROU assets, net	<u>\$ 18,552,133</u>	<u>\$ 1,196,175</u>	<u>\$ --</u>	<u>\$ 19,748,308</u>

Depreciation was charged to functions as follows:

Instruction	\$ 354,250
Instructional Resources and Media Services	7,734
Curriculum and Staff Development	8,619
Instructional Leadership	14,240
School Leadership	25,890
Guidance, Counseling, & Evaluation Services	29,882
Social Work Services	468
Health Services	9,043
Student Transportation	10,777
Food Services	31,238
Extracurricular Activities	38,864
General Administration	39,791
Plant Maintenance and Operations	66,079
Security and Monitoring Services	4,872
Data Processing Services	30,671
	<u>\$ 672,418</u>

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

E. Interfund Balances and Activities

1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2022, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	ESEA Title I	\$ 156,325	Short-term loans
General Fund	IDEA-B Formula	292,810	Short-term loans
General Fund	Other Governmental Funds	199,331	Short-term loans
Nonmajor Internal Serv. Fund	General Fund	3,025	Short-term loans
General Fund	Fiduciary Fund	176	Short-term loans
General Fund	Esser Fund III	143,541	Short-term loans
Other Governmental Funds	General Fund	496	Short-term loans
General Fund	General Fund	2,005	Short-term loans
	Total	<u>\$ 797,709</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds for the fiscal year ended August 31, 2022, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Other Governmental Funds	General Fund	\$ 54,000	Reimbursement of program costs
	Total	<u>\$ 54,000</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2022, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
General obligation bonds	\$ 11,860,000	\$ --	\$ (245,000)	\$ 11,615,000	\$ 260,000
Notes	838,438	1,000,000	(65,905)	1,772,533	148,346
Notes from Direct Borrowings and Direct Placements	65,725	76,548	(57,027)	85,246	58,881
Financed Purchase Leases	23,042	--	(11,297)	11,745	11,745
Premium on School Bonds	251,336	--	(10,228)	241,108	--
Right of Use Lease Activities	--	77,811	(33,945)	43,866	32,848
Net Pension Liability*	1,911,342	(696,739)	(174,322)	1,040,281	--
Net OPEB Liability*	2,265,557	357,410	(52,067)	2,570,900	--
Total governmental activities	<u>\$ 17,215,440</u>	<u>\$ 815,030</u>	<u>\$ (649,791)</u>	<u>\$ 17,380,679</u>	<u>\$ 511,820</u>

* Other long-term liabilities

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
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, 2022 is \$180,000.

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, 2022 is \$7,940,000.

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, 2022 is \$3,495,000.

Notes

The District issued QZAB Series 2017 notes during 2017 in the amount of \$305,026 at the rate of 1.45%. The note requires annual payments of \$22,724, maturing in 2032. The balance at August 31, 2022 is \$210,125. 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%. The note requires annual payments of \$56,070, maturing in 2033. The balance at August 31, 2022 is \$562,408. This is not considered a direct borrowing.

The District issued Time Warrants Series 2022 notes during 2021 in the amount of \$1,000,000 at the rate of 4.341%. The warrants require annual payments of \$125,468, maturing in 2032. The balance at August 31, 2022 is \$1,000,000. 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%. The note requires annual payments of \$34,494, maturing in 2023. The balance at August 31, 2022 is \$33,394. 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.

The District issued a note during 2022 in the amount of \$76,548 at the rate of 3.4%. The note requires annual payments of \$27,271, maturing in 2024. The balance at August 31, 2022 is \$51,852. 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2022, are as follows:

<u>Year Ending</u>	Governmental Activities		
	Bonds		
	Principal	Interest	Total
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	315,000	388,469	703,469
2028-2032	1,765,000	1,783,889	3,548,889
2033-2037	2,115,000	1,453,438	3,568,438
2038-2042	2,580,000	1,010,000	3,590,000
2043-2047	3,060,000	442,200	3,502,200
2047-2048	660,000	13,200	673,200
Totals	\$ 11,615,000	\$ 6,748,973	\$ 18,363,973

<u>Year Ending</u>	Governmental Activities				
	Notes		Notes From Direct Borrowings		Total
	Principal	Interest	Principal	Interest	
2023	\$ 148,346	\$ 55,916	\$ 58,881	\$ 2,883	\$ 266,026
2024	153,537	50,724	26,365	907	231,534
2025	159,060	45,967	--	--	204,261
2026	163,232	41,571	--	--	205,027
2027	168,054	36,208	--	--	209,625
2028-2032	925,100	95,762	--	--	1,020,862
2033-2037	55,204	866	--	--	56,070
Totals	\$ 1,772,533	\$ 327,014	\$ 85,246	\$ 3,790	\$ 2,193,405

3. Financed Purchase Leases

Commitments under financed purchase lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2022, as follows:

<u>Year Ending</u>	Principal	Interest	Total
2023	\$ 11,745	\$ 38	\$ 11,783
Totals	\$ 11,745	\$ 38	\$ 11,783

Lease Expenditures in Italy during the year. \$ 11,783

The effective interest rate on capital leases is 4%.

G. Leases

Lease activity for the year ended August 31, 2022, was as follows:

The District previously entered into a 24-month leasing arrangement for copier/printer/scanner equipment which was valued at \$44,659 in 2022 under GASB 87, payable in monthly installments of \$2,000 at an interest rate of 3.25 percent. There are no variable payments not included in the measurement of the leases. The balance at August 31, 2022 was \$21,647.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

Future lease payment maturity schedule is as follows:

Year ended August 31,	Principal	Interest	Total
2023	\$ 21,647	\$ 353	\$ 22,000
	\$ 21,647	\$ 353	\$ 22,000

The District previously entered into a 48-month leasing arrangement for copier/printer/scanner equipment which was valued at \$8,151 in 2022 under GASB 87, payable in monthly installments of \$181 at an interest rate of 3.25 percent. There are no variable payments not included in the measurement of the leases. The balance at August 31, 2022 was \$6,195.

Future lease payment maturity schedule is as follows:

Year ended August 31,	Principal	Interest	Total
2023	\$ 1,998	\$ 172	\$ 2,170
2024	2,064	106	2,170
2025	2,133	38	2,171
	\$ 6,195	\$ 316	\$ 6,511

The District previously entered into a 49-month leasing arrangement for copier/printer/scanner equipment which was valued at \$8,310 in 2022 under GASB 87, payable in monthly installments of \$181 at an interest rate of 3.25 percent. There are no variable payments not included in the measurement of the leases. The balance at August 31, 2022 was \$6,358.

Future lease payment maturity schedule is as follows:

Year ended August 31,	Principal	Interest	Total
2023	\$ 1,993	\$ 177	\$ 2,170
2024	2,059	111	2,170
2025	2,306	44	2,350
	\$ 6,358	\$ 332	\$ 6,690

The District previously entered into a 49-month leasing arrangement for copier/printer/scanner equipment which was valued at \$8,310 in 2022 under GASB 87, payable in monthly installments of \$618 at an interest rate of 3.25 percent. There are no variable payments not included in the measurement of the leases. The balance at August 31, 2022 was \$9,666.

Future lease payment maturity schedule is as follows:

Year ended August 31,	Principal	Interest	Total
2023	\$ 7,210	\$ 207	\$ 7,417
2024	2,456	17	2,473
	\$ 9,666	\$ 224	\$ 9,890

H. 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 2022, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

I. 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/Pages/about%20publications.aspx> ; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512) 542-6592.

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible employees (and their beneficiaries) of public and higher education in Texas. The pension formula is calculated using 2.3 percent (multiplier) times the average of the five highest annual creditable salaries times years of credited service to arrive at the annual standard annuity except for members who are grandfathered, the three highest annual salaries are used. The normal service retirement is at age 65 with 5 years of credited service or when the sum of the member's age and years of credited service equals 80 or more years. Early retirement is at age 55 with 5 years of service credit or earlier than 55 with 30 years of service credit. There are additional provisions for early retirement if the sum of the member's age and years of service credit total at least 80, but the member is less than age 60 or 62 depending on date of employment, or if the member was grandfathered in under a previous rule. There are no automatic post-employment benefit changes; including automatic COLAs. Ad hoc post-employment benefit changes, including ad hoc COLAs can be granted by the Texas Legislature as noted in the Plan description in (1) above.

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 in the manner are determined by the System's actuary.

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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

	<u>Contribution Rates</u>	
	<u>2021</u>	<u>2022</u>
Member	7.7%	8.0%
Non-Employer Contributing Entity (State)	7.5%	7.75%
Employers	7.5%	7.75%
District's 2022 Employer Contributions		\$ 197,894
District's 2022 Member Contributions		\$ 496,529
2021 NECE On-Behalf Contributions (State)		\$ 355,513

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 or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, the employer shall contribute to the retirement system an amount equal to 50 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 1.6 percent of the member's salary beginning in fiscal year 2021, 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.

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2020	1.95% *
Last year ending August 31 in Projection Period	2120
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Ad hoc post-employment benefit changes	None

* The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"

The actuarial methods and assumptions used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2020. For a full description of these assumptions, please see the actuarial valuation report dated November 9, 2020.

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, 2021 are summarized below:

ITALY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

Asset Class *	Target Allocation **	Long-Term Expected Arithmetic Real Rate of Return ***	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.6%	0.94%
Non-U.S. Developed	13.0%	4.4%	0.83%
Emerging Markets	9.0%	4.6%	0.74%
Private Equity	14.0%	6.3%	1.36%
Stable Value			
Government Bonds	16.0%	(0.2)%	0.01%
Absolute Return	0.0%	1.1%	0.00%
Stable Value Hedge Funds	5.0%	2.2%	0.12%
Real Return			
Real Estate	15.0%	4.5%	1.00%
Energy, Natural Resources and Infrastructure	6.0%	4.7%	0.35%
Commodities	0.0%	1.7%	0.00%
Risk Parity	8.0%	2.8%	0.28%
Asset Allocation Leverage			
Cash	2.0%	(0.7)%	(0.01)%
Asset Allocation Leverage	(6.0%)	(0.5)%	0.03%
Inflation Expectation			2.20%
Volatility Drag ****	-		(0.95)%
Expected Return	100.0%		6.90%

* Absolute Return includes Credit Sensitive Investments.
 ** Target allocations are based on the FY2021 policy model.
 *** Capital Market Assumptions come from Aon Hewitt (as of 08/31/2021)
 **** 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) 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:	\$ 2,273,180	\$ 1,040,281	\$ 40,026

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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

At August 31, 2022, the District reported a liability of \$1,040,281 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	\$ 1,040,281
State's proportionate share that is associated with District	<u>2,121,549</u>
Total	<u>\$ 3,161,830</u>

The net pension liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the employer's proportion of the collective net pension liability was 0.0040849076 percent which was an increase (decrease) of .0005161721 percent from its proportion measured as of August 31, 2020.

9. Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2022, the District recognized pension expense of \$154,929 and revenue of \$8,482 for support provided by the State.

At August 31, 2022, 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 Actuarial Experience	\$ 1,741	\$ 73,237
Changes in Actuarial Assumptions	367,719	160,294
Difference Between Projected and Actual Investment Earnings	--	872,262
Changes in Proportion and Difference between District's Contributions and the Proportionate Share of Contributions	381,804	193,938
Contributions paid to TRS subsequent to the measurement date of the Net Pension Liability	197,894	--
Total	<u>\$ 949,158</u>	<u>\$ 1,299,731</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:

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Year ended August 31,	Pension Expense Amount
2023	\$ (106,702)
2024	\$ (131,059)
2025	\$ (166,236)
2026	\$ (195,807)
2027	\$ 41,549
Thereafter	\$ 9,788

J. 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/Pages/about_publications.aspx; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

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

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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4. Contributions

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25 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		
	<u>2021</u>	<u>2022</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/Private Funding remitted by Employers	1.25%	1.25%

District's 2022 Employer Contributions	\$	52,395
District's 2022 Member Contributions	\$	40,343
2021 NECE On-Behalf Contributions (state)	\$	69,758

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 \$5,520,343 in fiscal year 2021 for consumer protections against medical and health care billing by certain out-of-network providers.

5. Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2020. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2021. The actuarial valuation was determined using the following actuarial assumptions:

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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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. 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, 2020 TRS pension actuarial valuation that was rolled forward to August 31, 2021:

Rates of Mortality	Rates of Disability
Rates of Retirement	General Inflation
Rates of Termination	Wage Inflation

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The post-retirement mortality rates 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 mortality projection scale MP-2018.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020 rolled forward to August 31, 2021
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	1.95% as of August 31, 2021
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the the age-adjusted claims costs.
Projected Salary Increases	3.05% to 9.05%, including inflation
Health Care Trend Rates	8.5% to 4.25%
Election Rates	Normal Retirement - 65% participation rate prior to age 65 and 40% participation rate after age 65. Pre-65 retirees - 25% are assumed to discontinue coverage at age 65.
Ad hoc post-employment benefit changes	None

The initial medical trend rates were 8.50 percent for Medicare retirees and 7.10 percent for non-Medicare retirees. There was an initial prescription drug trend rate of 8.50 percent for all retirees. The initial trend rates decrease to an ultimate trend rate of 4.25 percent over a period of 12 years.

6. Discount Rate

A single discount rate of 1.95 percent was used to measure the Total OPEB Liability. This was a decrease of 0.38 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, 2021 using the Fixed Income Market Data/Yield Curve/ Data Municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

ITALY INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED AUGUST 31, 2022

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1 percentage point lower than and 1 percentage point higher than the discount rate that was used (1.95%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (0.95%)	Current Single Discount Rate (1.95%)	1% Increase in Discount Rate (2.95%)
District's proportionate share of the Net OPEB Liability:	\$ 3,101,098	\$ 2,570,900	\$ 2,153,617

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

At August 31, 2022, the District reported a liability of \$2,570,900 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	\$ 2,570,900
State's proportionate share that is associated with the District	<u>3,444,433</u>
Total	<u>\$ 6,015,333</u>

The Net OPEB liability was measured as of August 31, 2020 and rolled forward to August 31, 2021 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, 2020 thru August 31, 2021.

At August 31, 2021 the District's proportion of the collective net OPEB liability was 0.0066647712 percent, which was an increase (decrease) of 0.0007050559 percent from its proportion measured as of August 31, 2020.

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

	1% Decrease in Healthcare Trend Rate	Current Single Healthcare Trend Rate	1% Increase in Healthcare Trend Rate
District's proportionate share of Net OPEB Liability:	\$ 2,082,344	\$ 2,570,900	\$ 3,226,421

9. Changes Since the Prior Actuarial Valuation

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

- The discount rate was changed from 2.33 percent as of August 31, 2020 to 1.95 percent as of August 31, 2021. This change increased the Total OPEB Liability.

Changes of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

At August 31, 2022, 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:

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 110,689	\$ 1,244,495
Changes in actuarial assumptions	284,757	543,698
Difference between projected and actual investment earnings	2,792	--
Changes in proportion and difference between the District's contributions and the proportionate share of contributions	755,617	427,873
Contributions paid to TRS subsequent to the measurement date	52,395	--
Total	\$ 1,206,250	\$ 2,216,066

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
2023	\$ (251,517)
2024	\$ (251,580)
2025	\$ (251,563)
2026	\$ (183,890)
2027	\$ (92,273)
Thereafter	\$ (31,388)

For the year ended August 31, 2022, the District recognized OPEB expense of \$(193,609) and revenue of \$(127,126) 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, 2022, 2021 and 2020 the subsidy payments received by TRS-Care on behalf of the District were \$25,724, \$26,043 and \$22,357.

K. Employee Health Care Coverage

During the year ended August 31, 2022, employees of the District were covered by a TRS Active Care 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, 2022, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the TRS Care are available for the year ended December 31, 2021, 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, 2022

L. 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, 2022.

3. Commitments

As of August 31, 2022, the District was involved in ongoing capital projects. The District anticipates spending an additional \$380,000 in fiscal year 2023 to complete the projects.

M. Chapter 313 Value Limitation Agreement

The District's Board of Trustees approved Agreements with companies (the "Agreement Holders") for a Limitation on Appraised Value of Property for School District Maintenance and Operations Taxes pursuant to Chapter 313 of the Texas Tax Code, as amended. Each Agreement Holder qualified for a tax limitation agreement under Texas Tax Code Section 313.024(b)(5), as a renewable energy electric generation project.

Value limitation agreements are a part of a state program, originally created in 2001, which allows school districts to limit the taxable value of an approved project for Maintenance and Operations (M&O) for a period of years specified in the statute. The project under the Chapter 313 agreement must be consistent with the State's goal to "encourage large scale capital investments in this state." Chapter 313 of the Tax Code grants eligibility to companies engaged in manufacturing, research and development, renewable electric energy production, clean coal projects, nuclear power generation, and data centers.

In order to qualify for a value limitation agreement, each applicant has been required to meet a series of capital investment, job creation, and wage requirements specified by state law. At the time of the application's approval, each of the agreements were deemed to have done so by both the District's Board of Trustees and the Texas Comptroller's Office, which recommended approval of the projects. The application, the agreement, and state reporting requirement documentation can be viewed at the Texas Comptroller's website:

<https://comptroller.texas.gov/economy/local/ch313/agreement-docs-details.php?id=1584>

After approval, the Agreement Holders must maintain a viable presence in the District for the entire period of the value limitation plus a period of years thereafter. In addition, there are specific reporting requirements, which are monitored on an annual and biennial basis in order to ensure that relevant job, wage, and operational requirements are being met.

In the event that an entity terminates an Agreement without the consent of the District, or in the event that the Agreement Holder or its successor-in-interest fails to comply in any material respect with the terms of this Agreement or to meet any material obligation under this Agreement, then the District shall be entitled to the recapture of all ad valorem tax revenue lost as a result of the Agreement together with the payment of penalty and interest, on that recaptured ad valorem tax revenue. Penalties on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(a), or its successor statute. Interest on said amounts shall be calculated in accordance with the methodology set forth in Texas Tax Code Section 33.01(c), or its successor

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

statute. The Agreement provides an administrative procedure to determine any company liability. Ultimately, enforcement of any payment obligation is through the local state district court.

In fiscal year 2021, the District was a party to a solar farm project and received \$75,000 in application related revenue. During the current fiscal year, the District received another \$75,000 in application revenue and \$59,230 in other related revenues, however, no taxes were abated. The District anticipates the first year of reduced property tax revenues under this agreement to occur in tax year 2026. The amended application was approved subsequent to year-end.

The District was a party to an additional solar farm project during the current fiscal year, however, no taxes were abated. The District anticipates the first year of reduced property tax revenues under this agreement to occur in tax year 2028. During the current year, the District received \$75,000 in application related revenues.

N. Shared Services Arrangement

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	SSA
	<u>Special Education</u>	<u>Alternative Education</u>
Avalon ISD	\$ 259,723	\$ 55,109
Milford ISD	200,696	55,109
Italy ISD	602,089	56,780
Total	<u>\$ 1,062,508</u>	<u>\$ 166,998</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	SSA
	<u>IDEA-B Formula</u>	<u>IDEA-B Preschool</u>
Avalon ISD	\$ 73,628	\$ 3,909
Milford ISD	56,894	3,909
Italy ISD	170,683	4,028
Total	<u>\$ 301,205</u>	<u>\$ 11,846</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

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

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2022

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	Midlothian ISD
Ennis ISD	Milford ISD
Ferris ISD	Palmer ISD
Maypearl 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.

O. 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	2022	2021
Unpaid (overpayment) claims at September 1	\$ 6,369	\$ 7,544
Claims incurred during the year	(1)	(422)
Payments of claims during the year	(631)	(753)
Unpaid claims at August 31	<u>\$ 5,737</u>	<u>\$ 6,369</u>

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

P. Prior Year Casualty Event

During fiscal year 2021 the District incurred a casualty event causing hail damage to roofs and floors. As of August 31, 2021 the District recorded \$405,822 as roof repair related prepaid expenditures. During the fiscal year ending August 31, 2022 this amount was expensed along with current year expenditures of \$431,623 for a total of \$837,445. The District received \$811,667 in insurance proceeds in this fiscal year for these expenditures, of which \$190,195 was receivable at August 31, 2022. The net impairment loss was \$25,778.

Q. Accumulated Unpaid Vacation and Personal Leave Benefits

At August 31, 2022, 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, 2022 which are not recorded on the financial statements in the amount of \$1,150,027. These benefits are recorded as expenditures as used.

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, 2022

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts			
		Original	Final	Actual	
REVENUES:					
5700	Local and Intermediate Sources	\$ 2,410,258	\$ 2,662,307	\$ 2,050,164	\$ (612,143)
5800	State Program Revenues	6,559,991	6,848,909	7,108,374	259,465
5900	Federal Program Revenues	140,000	110,000	270,199	160,199
5020	Total Revenues	<u>9,110,249</u>	<u>9,621,216</u>	<u>9,428,737</u>	<u>(192,479)</u>
EXPENDITURES:					
Current:					
Instruction and Instructional Related Services:					
0011	Instruction	3,916,417	4,023,604	3,987,168	36,436
0012	Instructional Resources and Media Services	116,775	118,775	115,722	3,053
0013	Curriculum and Staff Development	122,898	127,898	124,782	3,116
	Total Instruction and Instr. Related Services	<u>4,156,090</u>	<u>4,270,277</u>	<u>4,227,672</u>	<u>42,605</u>
Instructional and School Leadership:					
0021	Instructional Leadership	--	20,000	16,726	3,274
0023	School Leadership	377,210	386,440	383,481	2,959
	Total Instructional and School Leadership	<u>377,210</u>	<u>406,440</u>	<u>400,207</u>	<u>6,233</u>
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	164,759	171,640	167,841	3,799
0033	Health Services	119,190	139,190	134,195	4,995
0034	Student (Pupil) Transportation	121,931	131,931	122,067	9,864
0036	Cocurricular/Extracurricular Activities	513,086	616,101	594,178	21,923
	Total Support Services - Student (Pupil)	<u>918,966</u>	<u>1,058,862</u>	<u>1,018,281</u>	<u>40,581</u>
Administrative Support Services:					
0041	General Administration	528,290	563,290	564,036	(746)
	Total Administrative Support Services	<u>528,290</u>	<u>563,290</u>	<u>564,036</u>	<u>(746)</u>
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	1,553,389	2,214,080	1,943,055	271,025
0052	Security and Monitoring Services	65,575	53,575	45,877	7,698
0053	Data Processing Services	420,915	537,750	452,538	85,212
	Total Support Services - Nonstudent Based	<u>2,039,879</u>	<u>2,805,405</u>	<u>2,441,470</u>	<u>363,935</u>
Debt Service:					
0071	Principal on Long-Term Debt	77,575	110,725	143,478	(32,753)
0072	Interest on Long-Term Debt	48,840	15,690	17,349	(1,659)
	Total Debt Service	<u>126,415</u>	<u>126,415</u>	<u>160,827</u>	<u>(34,412)</u>
Capital Outlay:					
0081	Capital Outlay	894,011	1,186,934	775,544	411,390
	Total Capital Outlay	<u>894,011</u>	<u>1,186,934</u>	<u>775,544</u>	<u>411,390</u>
Intergovernmental Charges:					
0093	Payments to Fiscal Agent/Member Dist.-SSA	574,011	574,011	574,011	--
0099	Other Intergovernmental Charges	28,838	20,000	18,041	1,959
	Total Intergovernmental Charges	<u>602,849</u>	<u>594,011</u>	<u>592,052</u>	<u>1,959</u>
6030	Total Expenditures	<u>9,643,710</u>	<u>11,011,634</u>	<u>10,180,089</u>	<u>831,545</u>

ITALY INDEPENDENT SCHOOL DISTRICT

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2022

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	<u>(533,461)</u>	<u>(1,390,418)</u>	<u>(751,352)</u>	<u>639,066</u>
Other Financing Sources (Uses):				
7914 Issuance of Non-Current Debt	--	928,384	1,000,000	71,616
7915 Transfers In	--	30,000	54,000	24,000
7949 Other Resources - Insurance Recovery	--	--	811,667	811,667
8911 Transfers Out	--	(8,838)	--	8,838
7080 Total Other Financing Sources and (Uses)	<u>--</u>	<u>949,546</u>	<u>1,865,667</u>	<u>916,121</u>
1200 Net Change in Fund Balance	<u>(533,461)</u>	<u>(440,872)</u>	<u>1,114,315</u>	<u>1,555,187</u>
0100 Fund Balance - Beginning	<u>2,599,402</u>	<u>2,599,402</u>	<u>2,599,402</u>	<u>--</u>
3000 Fund Balance - Ending	<u>\$ 2,065,941</u>	<u>\$ 2,158,530</u>	<u>\$ 3,713,717</u>	<u>\$ 1,555,187</u>

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,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the net pension liability (asset)	0.00408%	0.00357%	0.00307%	0.00338%	0.00382%	0.00459%	0.00409%	0.00195%	--	--
District's proportionate share of the net pension liability (asset)	\$ 1,040,281	\$ 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	2,121,549	4,311,696	3,767,312	3,569,128	2,085,783	2,459,338	2,220,844	2,043,738	--	--
Total	\$ 3,161,830	\$ 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	\$ 5,872,855	\$ 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	17.71%	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	88.79%	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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 197,894	\$ 174,322	\$ 147,247	\$ 107,400	\$ 122,671	\$ 129,551	\$ 145,825	\$ 119,671	--	\$ --
Contributions in relation to the contractually required contribution	(197,894)	(174,322)	(147,247)	(107,400)	(122,671)	(129,551)	(145,825)	(119,671)	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 6,206,613	\$ 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	3.19%	2.97%	2.76%	2.38%	2.98%	3.19%	3.59%	3.32%	--	--

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

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

	Measurement Year Ended August 31,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
District's proportion of the collective net OPEB liability	0.00666%	0.00596%	0.00521%	0.55950%	0.00637%	--	--	--	--	--
District's proportionate share of the collective net OPEB liability	\$ 2,570,900	\$ 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	3,444,433	3,044,365	3,271,494	3,371,707	3,011,158	--	--	--	--	--
Total	<u>\$ 6,015,333</u>	<u>\$ 5,309,922</u>	<u>\$ 5,733,529</u>	<u>\$ 6,165,595</u>	<u>\$ 5,780,839</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
District's covered payroll	\$ 5,872,855	\$ 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	43.78%	42.48%	54.64%	67.98%	68.27%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total OPEB liability	6.18%	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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily or contractually required District contribution	\$ 52,395	\$ 52,067	\$ 45,298	\$ 36,949	\$ 41,509	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions recognized by OPEB in relation to statutorily or contractually required contribution	(52,395)	(52,067)	(45,298)	(36,949)	(41,509)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
District's covered payroll	\$ 6,206,613	\$ 5,872,855	\$ 5,333,092	\$ 4,506,261	\$ 4,109,734	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	0.84%	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, 2022

Budget

The official budget was prepared for adoption for the General Fund, the National School Breakfast and Lunch Program, Capital Projects and the 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 21 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the board.

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

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

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object 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 And Other Post-Benefit Plans

The following factors significantly affect trends in the amounts reported for the District's proportionate share of the net pension liability and OPEB liability:

Changes in actuarial assumptions and inputs

Measurement Date August 31,	Net Pension Liability		Net OPEB Liability
	Discount Rate	Long-term Expected Rate of Return	Discount Rate
2021	7.250%	7.250%	1.950%
2020	7.250%	7.250%	2.330%
2019	7.250%	7.250%	2.630%
2018	6.907%	7.250%	3.690%
2017	8.000%	8.000%	3.420%
2016	8.000%	8.000%	--
2015	8.000%	8.000%	--
2014	8.000%	8.000%	--

ITALY INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2022

Changes in demographic and economic assumptions

For measurement date August 31, 2018 - Net Pension Liability and Net OPEB Liability:

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

For measurement date August 31, 2020 - Net OPEB Liability:

The participant rate for pre-65 retirees was lowered from 50% to 40%. This change decreased the total OPEB liability.

The ultimate health care trend assumption was lowered from 4.50% to 4.25% as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change decreased the total OPEB liability.

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
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2022

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	\$ 567,827	\$ 902	\$ --	\$ 568,729
1120	Current Investments	--	463,772	4,079	467,851
1225	Taxes Receivable, Net	--	27,017	--	27,017
1240	Due from Other Governments	103,864	681	--	104,545
1260	Due from Other Funds	--	496	--	496
1000	Total Assets	<u>\$ 671,691</u>	<u>\$ 492,868</u>	<u>\$ 4,079</u>	<u>\$ 1,168,638</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ 10,731	\$ --	\$ --	\$ 10,731
2160	Accrued Wages Payable	91,133	--	--	91,133
2170	Due to Other Funds	195,962	--	3,369	199,331
2180	Due to Other Governments	6	--	--	6
2200	Accrued Expenditures	5,233	--	--	5,233
2300	Unearned Revenue	1,800	14,216	--	16,016
2000	Total Liabilities	<u>304,865</u>	<u>14,216</u>	<u>3,369</u>	<u>322,450</u>
DEFERRED INFLOWS OF RESOURCES:					
	Unavailable Revenue - Property Taxes	--	27,017	--	27,017
2600	Total Deferred Inflows of Resources	<u>--</u>	<u>27,017</u>	<u>--</u>	<u>27,017</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	75,357	--	--	75,357
3470	Capital Acquisitions and Contractual Obligations	--	--	710	710
3480	Retirement of Long-Term Debt	--	451,635	--	451,635
3490	Other Restrictions of Fund Balance-SSA	289,315	--	--	289,315
Assigned Fund Balances:					
3590	Assigned Fund Balance - Campus Activities	2,154	--	--	2,154
3000	Total Fund Balances	<u>366,826</u>	<u>451,635</u>	<u>710</u>	<u>819,171</u>
4000	Total Liabilities, Deferred Inflow of Resources and Fund Balances	<u>\$ 671,691</u>	<u>\$ 492,868</u>	<u>\$ 4,079</u>	<u>\$ 1,168,638</u>

ITALY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	Special Revenue Funds	Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
REVENUES:				
5700 Local and Intermediate Sources	\$ 31,468	\$ 606,238	\$ 23	\$ 637,729
5800 State Program Revenues	1,201,597	123,548	--	1,325,145
5900 Federal Program Revenues	675,991	--	--	675,991
5020 Total Revenues	<u>1,909,056</u>	<u>729,786</u>	<u>23</u>	<u>2,638,865</u>
EXPENDITURES:				
Current:				
0011 Instruction	948,798	--	--	948,798
0013 Curriculum and Staff Development	2,823	--	--	2,823
0021 Instructional Leadership	174,615	--	--	174,615
0023 School Leadership	3,930	--	--	3,930
0031 Guidance, Counseling, and Evaluation Services	107,098	--	--	107,098
0033 Health Services	1,127	--	--	1,127
0034 Student Transportation	116,242	--	--	116,242
0035 Food Service	467,429	--	--	467,429
0041 General Administration	1,000	--	--	1,000
0051 Facilities Maintenance and Operations	4,427	--	--	4,427
0052 Security and Monitoring Services	20,392	--	--	20,392
0053 Data Processing Services	3,000	--	--	3,000
0071 Principal on Long-term Debt	24,696	245,000	--	269,696
0072 Interest on Long-term Debt	2,575	441,175	--	443,750
0073 Bond Issuance Costs and Fees	--	1,250	--	1,250
6030 Total Expenditures	<u>1,878,152</u>	<u>687,425</u>	<u>--</u>	<u>2,565,577</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>30,904</u>	<u>42,361</u>	<u>23</u>	<u>73,288</u>
Other Financing Sources and (Uses):				
7914 Issuance of Non-Current Debt	76,548	--	--	76,548
8911 Transfers Out	(54,000)	--	--	(54,000)
7080 Total Other Financing Sources and (Uses)	<u>22,548</u>	<u>--</u>	<u>--</u>	<u>22,548</u>
1200 Net Change in Fund Balances	53,452	42,361	23	95,836
0100 Fund Balances - Beginning	313,374	409,274	687	723,335
3000 Fund Balances - Ending	<u>\$ 366,826</u>	<u>\$ 451,635</u>	<u>\$ 710</u>	<u>\$ 819,171</u>

ITALY INDEPENDENT SCHOOL DISTRICT

COMBINING BALANCE SHEET

NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2022

Data Control Codes		205 Head Start Fund	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	263 Eng. Language Acquisition and Enhancement
ASSETS:					
1110	Cash and Cash Equivalents	\$ 54,776	\$ 65,782	\$ 1,699	\$ --
1240	Due from Other Governments	21,221	28,467	939	7,366
1000	Total Assets	<u>\$ 75,997</u>	<u>\$ 94,249</u>	<u>\$ 2,638</u>	<u>\$ 7,366</u>
LIABILITIES:					
Current Liabilities:					
2110	Accounts Payable	\$ --	\$ 266	\$ --	\$ --
2160	Accrued Wages Payable	3,158	12,245	--	--
2170	Due to Other Funds	72,233	5,877	2,638	7,366
2180	Due to Other Governments	--	--	--	--
2200	Accrued Expenditures	606	504	--	--
2300	Unearned Revenue	--	--	--	--
2000	Total Liabilities	<u>75,997</u>	<u>18,892</u>	<u>2,638</u>	<u>7,366</u>
FUND BALANCES:					
Restricted Fund Balances:					
3450	Federal/State Funds Grant Restrictions	--	75,357	--	--
3490	Other Restrictions of Fund Balance-SSA	--	--	--	--
Assigned Fund Balances:					
3590	Assigned Fund Balance - Campus Activities	--	--	--	--
3000	Total Fund Balances	<u>--</u>	<u>75,357</u>	<u>--</u>	<u>--</u>
4000	Total Liabilities and Fund Balances	<u>\$ 75,997</u>	<u>\$ 94,249</u>	<u>\$ 2,638</u>	<u>\$ 7,366</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	289 Title IV Part A Fund	314 IDEA-B Preschool
\$ -- 1,976 <u>1,976</u>	\$ 39,284 1,717 <u>41,001</u>	\$ 21,028 24,614 <u>45,642</u>	\$ 10,602 (3,632) <u>6,970</u>	\$ 10,420 1,531 <u>11,951</u>
\$ -- -- 1,976 -- -- <u>1,976</u>	\$ -- 2,483 37,992 -- 526 <u>41,001</u>	\$ -- -- 45,642 -- -- <u>45,642</u>	\$ -- -- 6,970 -- -- <u>6,970</u>	\$ -- 893 10,869 -- 189 <u>11,951</u>
\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>	\$ -- -- -- <u>--</u>
<u>\$ 1,976</u>	<u>\$ 41,001</u>	<u>\$ 45,642</u>	<u>\$ 6,970</u>	<u>\$ 11,951</u>

ITALY INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 AUGUST 31, 2022

Data Control Codes	364 IDEA-B the American Rescue Plan Act	365 IDEA-B Preschool the American Rescue Plan Act	397 Advanced Placement Incentives	410 State Textbook Fund
ASSETS:				
1110 Cash and Cash Equivalents	\$ --	\$ --	\$ 6	\$ 1,350
1240 Due from Other Governments	4,239	2,276	--	450
1000 Total Assets	<u>\$ 4,239</u>	<u>\$ 2,276</u>	<u>\$ 6</u>	<u>\$ 1,800</u>
LIABILITIES:				
Current Liabilities:				
2110 Accounts Payable	\$ --	\$ --	\$ --	\$ --
2160 Accrued Wages Payable	1,900	--	--	--
2170 Due to Other Funds	2,123	2,276	--	--
2180 Due to Other Governments	--	--	6	--
2200 Accrued Expenditures	216	--	--	--
2300 Unearned Revenue	--	--	--	1,800
2000 Total Liabilities	<u>4,239</u>	<u>2,276</u>	<u>6</u>	<u>1,800</u>
FUND BALANCES:				
Restricted Fund Balances:				
3450 Federal/State Funds Grant Restrictions	--	--	--	--
3490 Other Restrictions of Fund Balance-SSA	--	--	--	--
Assigned Fund Balances:				
3590 Assigned Fund Balance - Campus Activities	--	--	--	--
3000 Total Fund Balances	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
4000 Total Liabilities and Fund Balances	<u>\$ 4,239</u>	<u>\$ 2,276</u>	<u>\$ 6</u>	<u>\$ 1,800</u>

429 School Safety and Security Fund	437 SSA Special Education	459 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
\$ 1	\$ 277,988	\$ 82,737	\$ 2,154	\$ 567,827
12,700	--	--	--	103,864
<u>\$ 12,701</u>	<u>\$ 277,988</u>	<u>\$ 82,737</u>	<u>\$ 2,154</u>	<u>\$ 671,691</u>
\$ --	\$ 9,601	\$ 864	\$ --	\$ 10,731
11,400	54,956	4,098	--	91,133
--	--	--	--	195,962
--	--	--	--	6
1,301	1,712	179	--	5,233
--	--	--	--	1,800
<u>12,701</u>	<u>66,269</u>	<u>5,141</u>	<u>--</u>	<u>304,865</u>
--	--	--	--	75,357
--	211,719	77,596	--	289,315
--	--	--	2,154	2,154
<u>--</u>	<u>211,719</u>	<u>77,596</u>	<u>2,154</u>	<u>366,826</u>
<u>\$ 12,701</u>	<u>\$ 277,988</u>	<u>\$ 82,737</u>	<u>\$ 2,154</u>	<u>\$ 671,691</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, 2022

Data Control Codes	205 Head Start Fund	240 National School Breakfast/Lunch Program	255 ESEA Title II Training & Recruiting	263 Eng. Language Acquisition and Enhancement
REVENUES:				
5700 Local and Intermediate Sources	\$ --	\$ 29,593	\$ --	\$ --
5800 State Program Revenues	--	17,634	--	--
5900 Federal Program Revenues	37,743	489,012	3,823	5,186
5020 Total Revenues	<u>37,743</u>	<u>536,239</u>	<u>3,823</u>	<u>5,186</u>
EXPENDITURES:				
Current:				
0011 Instruction	37,211	--	200	5,186
0013 Curriculum and Staff Development	--	--	2,823	--
0021 Instructional Leadership	--	--	800	--
0023 School Leadership	--	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--	--	--
0033 Health Services	--	--	--	--
0034 Student Transportation	--	--	--	--
0035 Food Service	532	466,897	--	--
0041 General Administration	--	--	--	--
0051 Facilities Maintenance and Operations	--	--	--	--
0052 Security and Monitoring Services	--	--	--	--
0053 Data Processing Services	--	--	--	--
0071 Principal on Long-term Debt	--	--	--	--
0072 Interest on Long-term Debt	--	--	--	--
6030 Total Expenditures	<u>37,743</u>	<u>466,897</u>	<u>3,823</u>	<u>5,186</u>
1100 Excess (Deficiency) of Revenues Over (Under)				
1100 Expenditures	--	69,342	--	--
Other Financing Sources and (Uses):				
7914 Issuance of Non-Current Debt	--	--	--	--
8911 Transfers Out	--	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--	--
1200 Net Change in Fund Balances	--	69,342	--	--
0100 Fund Balances - Beginning	--	6,015	--	--
3000 Fund Balances - Ending	\$ --	\$ 75,357	\$ --	\$ --

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	289 Title IV Part A Fund	314 IDEA-B Preschool
\$ --	\$ --	\$ --	\$ --	\$ --
--	--	--	--	--
1,976	39,752	24,614	4,624	11,846
<u>1,976</u>	<u>39,752</u>	<u>24,614</u>	<u>4,624</u>	<u>11,846</u>
1,976	39,752	16,113	3,200	11,846
--	--	--	--	--
--	--	8,501	800	--
--	--	--	--	--
--	--	--	624	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>1,976</u>	<u>39,752</u>	<u>24,614</u>	<u>4,624</u>	<u>11,846</u>
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
\$ --	\$ --	\$ --	\$ --	\$ --
<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>	<u><u>--</u></u>

ITALY INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2022

Data Control Codes	364 IDEA-B the American Rescue Plan Act	365 IDEA-B Preschool the American Rescue Plan Act	410 State Textbook Fund
REVENUES:			
5700 Local and Intermediate Sources	\$ --	\$ --	\$ --
5800 State Program Revenues	--	--	3,420
5900 Federal Program Revenues	53,992	3,423	--
5020 Total Revenues	<u>53,992</u>	<u>3,423</u>	<u>3,420</u>
EXPENDITURES:			
Current:			
0011 Instruction	53,992	1,278	3,420
0013 Curriculum and Staff Development	--	--	--
0021 Instructional Leadership	--	--	--
0023 School Leadership	--	--	--
0031 Guidance, Counseling, and Evaluation Services	--	--	--
0033 Health Services	--	--	--
0034 Student Transportation	--	2,145	--
0035 Food Service	--	--	--
0041 General Administration	--	--	--
0051 Facilities Maintenance and Operations	--	--	--
0052 Security and Monitoring Services	--	--	--
0053 Data Processing Services	--	--	--
0071 Principal on Long-term Debt	--	--	--
0072 Interest on Long-term Debt	--	--	--
6030 Total Expenditures	<u>53,992</u>	<u>3,423</u>	<u>3,420</u>
1100 Excess (Deficiency) of Revenues Over (Under)	--	--	--
1100 Expenditures	--	--	--
Other Financing Sources and (Uses):			
7914 Issuance of Non-Current Debt	--	--	--
8911 Transfers Out	--	--	--
7080 Total Other Financing Sources and (Uses)	--	--	--
1200 Net Change in Fund Balances	--	--	--
0100 Fund Balances - Beginning	--	--	--
3000 Fund Balances - Ending	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

429 School Safety and Security Fund	437 SSA Special Education	459 SSA Special Education	461 Campus Activity Funds	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ --	\$ --	\$ --	\$ 1,875	\$ 31,468
40,428	964,975	175,140	--	1,201,597
--	--	--	--	675,991
<u>40,428</u>	<u>964,975</u>	<u>175,140</u>	<u>1,875</u>	<u>1,909,056</u>
12,700	686,186	75,658	80	948,798
--	--	--	--	2,823
--	114,244	50,270	--	174,615
--	--	--	3,930	3,930
25,000	42,913	39,185	--	107,098
--	--	--	503	1,127
--	114,097	--	--	116,242
--	--	--	--	467,429
--	1,000	--	--	1,000
--	2,631	1,796	--	4,427
2,728	17,664	--	--	20,392
--	3,000	--	--	3,000
--	24,696	--	--	24,696
--	2,575	--	--	2,575
<u>40,428</u>	<u>1,009,006</u>	<u>166,909</u>	<u>4,513</u>	<u>1,878,152</u>
--	(44,031)	8,231	(2,638)	30,904
--	76,548	--	--	76,548
--	(54,000)	--	--	(54,000)
--	22,548	--	--	22,548
--	(21,483)	8,231	(2,638)	53,452
--	233,202	69,365	4,792	313,374
\$ --	\$ 211,719	\$ 77,596	\$ 2,154	\$ 366,826

ITALY INDEPENDENT SCHOOL DISTRICT
 CAPITAL PROJECTS FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT H-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 23	\$ 23	\$ --
5020 Total Revenues	<u>23</u>	<u>23</u>	<u>--</u>
EXPENDITURES:			
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	23	23	--
1200 Net Change in Fund Balance	<u>23</u>	<u>23</u>	<u>--</u>
0100 Fund Balance - Beginning	687	687	--
3000 Fund Balance - Ending	<u>\$ 710</u>	<u>\$ 710</u>	<u>\$ --</u>

ITALY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FOR THE YEAR ENDED AUGUST 31, 2022

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
2013 and Prior Years	\$	Various	\$	Various	\$	Various
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		.9698		.3267		171,296,876
2022 (School Year Under Audit)		.9603		.3267		183,729,448
1000 Totals						

10 Beginning Balance 9/1/21	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/22
\$ 12,498	\$ --	\$ --	\$ 993	\$ 1	\$ 11,506
2,336	--	105	7	--	2,224
2,438	--	105	7	--	2,326
1,809	--	106	37	--	1,666
2,096	--	106	37	(645)	1,308
2,439	--	187	66	(861)	1,325
3,872	--	960	287	90	2,715
14,147	--	5,263	1,695	(1,679)	5,510
55,756	--	15,061	5,074	(12,627)	22,994
--	2,364,598	1,728,250	587,962	--	48,386
<u>\$ 97,391</u>	<u>\$ 2,364,598</u>	<u>\$ 1,750,143</u>	<u>\$ 596,165</u>	<u>\$ (15,721)</u>	<u>\$ 99,960</u>

ITALY INDEPENDENT SCHOOL DISTRICT

FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)
 GENERAL FUND
 AS OF AUGUST 31, 2022

EXHIBIT J-2

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2022 (Exhibit C-1 object 3000 for the General Fund only)	\$ 3,713,717
2	Total General Fund Nonspendable Fund Balance (from Exhibit C-1 - total of object 341X-344X for the General Fund only)	<u>7,693</u>
3	Total General Fund Restricted Fund Balance (from Exhibit C-1 - total of object 345X-349X for the General Fund only)	<u>--</u>
4	Total General Fund Committed Fund Balance (from Exhibit C-1 - total of object 351X-354X for the General Fund only)	<u>--</u>
5	Total General Fund Assigned Fund Balance (from Exhibit C-1 - total of object 355X-359X for the General Fund only)	<u>--</u>
6	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	<u>--</u>
7	Estimate of two months' average cash disbursements during the fiscal year	<u>1,750,000</u>
8	Estimate of delayed payments from state sources (58XX)	<u>--</u>
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	<u>--</u>
10	Estimate of delayed payments from federal sources (59XX)	<u>--</u>
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)	<u>--</u>
12	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9+10+11)	<u>1,757,693</u>
13	Excess (Deficit) Unassigned General Fund Fund Balance (1-12)	<u>\$ 1,956,024</u>

Above amount expected to be used for future capital improvements.

ITALY INDEPENDENT SCHOOL DISTRICT
USE OF FUNDS REPORT - SELECT STATE ALLOTMENT PROGRAM
AS OF AUGUST 31, 2022

Data Control Codes		Responses
<u>Section A: Compensatory Education Programs</u>		
AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ 639,494
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year. (PICs 24, 26, 28 29, 30, 34)	\$ 478,130
<u>Section B: Bilingual Education Programs</u>		
AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	\$ 36,541
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25, 35)	\$ 20,157

ITALY INDEPENDENT SCHOOL DISTRICT
NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-4

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 28,000	\$ 29,593	\$ 1,593
5800 State Program Revenues	320,856	17,634	(303,222)
5900 Federal Program Revenues	126,550	489,012	362,462
5020 Total Revenues	<u>475,406</u>	<u>536,239</u>	<u>60,833</u>
EXPENDITURES:			
Current:			
Support Services - Student (Pupil):			
0035 Food Services	480,414	466,897	13,517
Total Support Services - Student (Pupil)	<u>480,414</u>	<u>466,897</u>	<u>13,517</u>
6030 Total Expenditures	<u>480,414</u>	<u>466,897</u>	<u>13,517</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	(5,008)	69,342	74,350
1200 Net Change in Fund Balance	<u>(5,008)</u>	<u>69,342</u>	<u>74,350</u>
0100 Fund Balance - Beginning	6,015	6,015	--
3000 Fund Balance - Ending	<u>\$ 1,007</u>	<u>\$ 75,357</u>	<u>\$ 74,350</u>

ITALY INDEPENDENT SCHOOL DISTRICT
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT J-5

Data Control Codes	1	2	3
	Budget	Actual	Variance Positive (Negative)
REVENUES:			
5700 Local and Intermediate Sources	\$ 605,964	\$ 606,238	\$ 274
5800 State Program Revenues	87,179	123,548	36,369
5020 Total Revenues	<u>693,143</u>	<u>729,786</u>	<u>36,643</u>
EXPENDITURES:			
Debt Service:			
0071 Principal on Long-Term Debt	245,000	245,000	--
0072 Interest on Long-Term Debt	441,175	441,175	--
0073 Bond Issuance Costs and Fees	1,250	1,250	--
Total Debt Service	<u>687,425</u>	<u>687,425</u>	<u>--</u>
6030 Total Expenditures	<u>687,425</u>	<u>687,425</u>	<u>--</u>
1100 Excess (Deficiency) of Revenues Over (Under)			
1100 Expenditures	<u>5,718</u>	42,361	36,643
1200 Net Change in Fund Balance	5,718	42,361	36,643
0100 Fund Balance - Beginning	409,274	409,274	--
3000 Fund Balance - Ending	<u>\$ 414,992</u>	<u>\$ 451,635</u>	<u>\$ 36,643</u>

*Overall Compliance, Internal Control Section
and Federal Awards*

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

FRANK MARX, III, CPA
DORI BOHL, CPA & CFE
CALEB MARX, CPA

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, 2022, and the related notes to the financial statements, which collectively comprise Italy Independent School District' basic financial statements and have issued our report thereon dated January 12, 2023.

Report on Internal Control Over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Italy Independent School District' 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) 2022-001.

Italy Independent School District' 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 12, 2023

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**FRANK MARX, III, CPA
DORI BOHL, CPA & CFE
CALEB MARX, CPA**

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

Opinion on Each Major Federal Program

We have audited Italy Independent School District's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Italy Independent School District's major federal programs for the year ended August 31, 2022. 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.

In our opinion, Italy Independent School District complied, in all material respects, with the 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, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Italy Independent School District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Italy Independent School District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Italy Independent School District's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Italy Independent School District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Italy Independent School District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Italy Independent School District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Italy Independent School District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Italy Independent School District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, TX
January 12, 2023

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

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: April 2022

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)?? Yes X No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.425D	COVID-19 ESSER Fund I of the CARES Act
84.425D	COVID-19 ESSER Fund II of the CRRSA Act
84.425U	COVID-19 ESSER Fund III of the American Rescue Plan Act
32.009	Emergency Connectivity Fund Program

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

Auditee qualified as low-risk auditee? X Yes No

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2022

B. Financial Statement Findings

2022-001 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 contacted their bank, but could not get the bank to increase the collateral limit amount in excess of \$1,000,000. The District has directed their property tax deposits and TEA ACH payments to deposit to their investment pool accounts, to make sure their local bank deposits are properly collateralized.

C. Federal Award Findings and Questioned Costs

NONE

ITALY INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2022

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The District as not properly collateralized on the date of highest cash balance.	Not Corrected	The District was undercollateralized for five days due to not being able to increase the collateral limit.



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, 2022

The District has corrected the issue by having their property tax deposits and TEA ACH payments deposit directly to their investment pool accounts. This will allow the deposits in the local bank to fall under the bank's collateralization limit and properly secure the District's deposits. Melissa Gonzalez at phone number 972-483-1815 has accomplished this as of August 31, 2022.

ITALY INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2022

EXHIBIT K-1

(1)	(2)	(2A)	(3)	
Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Passed Through to Subrecipients	Federal Expenditures
CHILD NUTRITION CLUSTER:				
<u>U. S. Department of Agriculture</u>				
Passed Through Texas Department of Agriculture:				
School Breakfast Program	10.553	070-907	\$ --	\$ 86,585
National School Lunch Program	10.555	070-907	--	351,209
National School Lunch Program - PEBT	10.555	070-907	--	614
National School Lunch Program (Non-cash)	10.555	070-907	--	29,124
National School Lunch Program - SCA	10.555	6TX300400	--	21,480
Total ALN Number 10.555			--	402,427
Total Passed Through Texas Department of Agriculture			--	489,012
Total U. S. Department of Agriculture			--	489,012
Total Child Nutrition Cluster			--	489,012
HEAD START CLUSTER:				
<u>U. S. Department of Health and Human Services</u>				
Passed Through State Department of Education:				
Head Start/Region 10	93.600	06CHO10655	--	37,743
Total U. S. Department of Health and Human Services			--	37,743
Total Head Start Cluster			--	37,743
SPECIAL EDUCATION (IDEA) CLUSTER:				
<u>U. S. Department of Education</u>				
Passed Through State Department of Education:				
SSA IDEA - Part B, Formula	84.027A	226600010709076600	--	301,687
COVID-19 SSA IDEA - Part B, Formula - American Rescue Plan (ARP) Act	84.027X	225350010709075350	--	53,992
SSA IDEA - Part B, Preschool	84.173A	226610010709076610	--	11,846
COVID-19 SSA IDEA - Part B, Preschool - American Rescue Plan (ARP) Act	84.173X	226610010709076610	--	3,423
Total Passed Through State Department of Education			--	370,948
Total U. S. Department of Education			--	370,948
Total Special Education (IDEA) Cluster			--	370,948
OTHER PROGRAMS:				
<u>U. S. Department of Education</u>				
Direct Program:				
Title IV Part A/Region 10	84.424A	22680101057950	--	4,624
Passed Through State Department of Education:				
ESEA Title I Part A - Improving Basic Programs	84.010A	22610101070907	--	82,165
ESEA Title I - School Improvement	84.010A	22610141070907	--	40,844
Total ALN Number 84.010A			--	123,009
ESEA, Title V, Part B, Subpart 2-Rural and Low Income School Grant Program	84.358A	S358A213885	--	39,752
Title III, Part A-English Language Acquisition and Language Enhancement	84.365A	22671001057950	--	5,186
ESEA Title II, Part A - Teacher and Principal Training and Recruiting	84.367A	22694501070907	--	3,823
COVID-19 ESSER Fund II of the CRRSA Act	84.425D	21521001070907	--	24,614
COVID-19 Coronavirus Aid, Relief, and Economic Security (CARES) Act - ESSER	84.425D	20521001070907	--	1,976
Total ALN Number 84.425D			--	26,590
COVID-19 ESSER Fund III of the American Rescue Plan Act of 2021	84.425U	21528001070907	--	149,732
Total Passed Through State Department of Education			--	348,092
Total U. S. Department of Education			--	352,716
<u>Federal Communications Commission</u>				
Direct Program:				
Emergency Connectivity Program	32.009		--	116,835
Total Federal Communications Commission			--	116,835
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ --	\$ 1,367,254

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, 2022

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.

Total Expenditures of Federal Awards per Exhibit K-1	\$	1,367,254
SHARS Program		153,364
Total per Exhibit C-2	\$	<u>1,520,618</u>

Other Information

ITALY INDEPENDENT SCHOOL DISTRICT

SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS
AS OF AUGUST 31, 2022

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.) 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.	Yes
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	\$ --