

GROVETON INDEPENDENT SCHOOL DISTRICT
Groveton, Texas

ANNUAL FINANCIAL REPORT

For the Year Ended August 31, 2021

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INTRODUCTORY SECTION

GROVETON INDEPENDENT SCHOOL DISTRICT
CERTIFICATE OF BOARD
August 31, 2021

Groveton Independent School District
Name of School District

Trinity
County

228-901
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) approved disapproved for the year ended August 31, 2021, at a meeting of the Board of Trustees of such school district on the 24th day of January, 2022.

Benny Alvin
Signature of Board Secretary

[Signature]
Signature of Board President

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

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Trustees
Groveton Independent School District
Groveton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, fiduciary funds, and the aggregate remaining fund information of Groveton Independent School District ("the District"), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, fiduciary funds, and the aggregate remaining fund information of the District as of August 31, 2021, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedules of the District's proportionate share of the net pension and OPEB liability, and schedules of District contributions identified as Requirement Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and other supplementary information, and the schedule of required responses to selected school first indicators are presented for purposes of additional analysis and are 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.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards, and other supplementary information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the schedule of expenditures of federal awards, and other supplementary information are fairly stated in all material respects in relation to the basic financial statements as a whole. The introductory section and the schedule of required responses to selected first indicators have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 the District's internal control over financial reporting and compliance.

Lufkin, Texas
January 24, 2022


CERTIFIED PUBLIC ACCOUNTANTS

This section of Groveton Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2021. Please read it in conjunction with the District's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total combined net position was \$8,408,828 at August 31, 2021.
- For the fiscal year ended August 31, 2021, the District's general fund reported a total fund balance of \$6,600,365, of which \$4,000,000 is committed and \$2,600,365 is unassigned.
- At the end of the fiscal year, the District's governmental funds (the general fund plus all state and federal grant funds) reported combined ending fund balances of \$7,766,361.

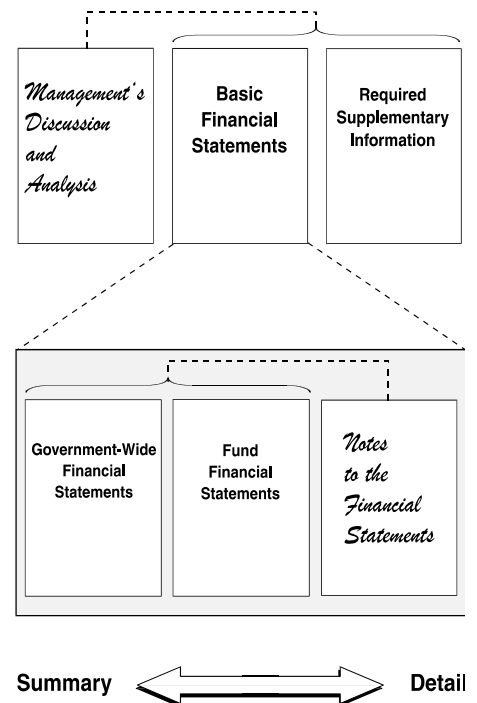
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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.

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



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, liabilities, and deferred inflows. 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 sum of the District's assets and deferred outflows and the sum of the District's liabilities and deferred inflows) are one way to measure the District's financial health or *position*.

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

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration, and plant operation and maintenance are included. 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. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations. The District's fiduciary funds consist only of money held on behalf of student organizations and Private Purpose Trust Funds (Endowments).

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

As year to year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the District as a whole.

The following table provides a comparative summary of the District's net position.

Summary of Net Position

	2021	2020	AMOUNT OF CHANGE
<i>Governmental Activities</i>			
Current and other assets	\$ 8 113 367	\$ 8 123 301	\$ (9 934)
Capital and long-term assets	9 508 237	9 416 506	91 731
TOTAL ASSETS	<u>17 621 604</u>	<u>17 539 807</u>	<u>81 797</u>
Deferred outflows related to pensions	1 372 398	1 929 373	(556 975)
Deferred outflows related to OPEB	504 327	572 160	(67 833)
TOTAL DEFERRED OUTFLOWS	<u>1 876 725</u>	<u>2 501 533</u>	<u>(624 808)</u>
Current liabilities	504 865	557 338	(52 473)
Pension and OPEB liability	6 774 576	7 834 969	(1 060 393)
TOTAL LIABILITIES	<u>7 279 441</u>	<u>8 392 307</u>	<u>(1 112 866)</u>
Deferred inflows related to pensions	691 376	747 443	(56 067)
Deferred inflows related to OPEB	3 118 684	2 493 346	625 338
TOTAL DEFERRED INFLOWS	<u>3 810 060</u>	<u>3 240 789</u>	<u>569 271</u>
Net Assets:			
Investment in capital assets	8 552 734	8 655 044	(102 310)
Restricted	1 165 996	1 255 501	(89 505)
Unrestricted	(1 309 902)	(1 502 301)	192 399
TOTAL NET POSITION	<u>\$ 8 408 828</u>	<u>\$ 8 408 244</u>	<u>\$ 584</u>

The District's combined net position was \$8,408,828 at August 31, 2021. *Table 1* focuses on the net position while *Table 2* shows the revenues and expenses that changed the net position balance during the fiscal year ended August 31, 2021. Within *Table 2*, the prior year revenues and expenses have been updated to remove fund level on-behalf revenues and expenses (excluding Medicare Part D) for TRS contributions for comparative purposes, as a result of current year recognition changes. This change has no impact on the change in net position. The overall condition of the District increased by \$584.

Governmental Activities

- The cost of all *governmental* activities this year was \$12,189,518.
- The amount paid by the federal and state government was \$8,236,705.
- The amount paid through charges for services rendered, including food services, was \$112,626.
- The amount paid through property taxes, investment income, and other income was \$3,840,771.

Comparative data is accumulated and presented to assist analysis. The following table provides a summary of the District's operational activities and changes in net position:

Summary of Activities and Changes in Net Position
Governmental Activities

	2021	2020	AMOUNT OF CHANGE
Program Revenues:			
Charges for services	\$ 112 626	\$ 100 461	\$ 12 165
Operating grants/contributions	2 307 302	2 995 087	(687 785)
General Revenues:			
Property taxes	3 249 960	3 203 801	46 159
Grants and contributions	5 929 403	5 567 503	361 900
Investment earnings	112 820	115 046	(2 226)
Miscellaneous	477 991	401 573	76 418
TOTAL REVENUES/CONTRIBUTIONS	<u>12 190 102</u>	<u>12 383 471</u>	<u>(193 369)</u>
Expenses:			
Instruction	6 322 621	6 484 865	(162 244)
Instructional resources and media services	168 870	179 574	(10 704)
Curriculum and staff development	4 546	480	4 066
Instructional leadership	267 674	288 730	(21 056)
School leadership	467 303	473 488	(6 185)
Guidance, counseling, and evaluation services	580 740	549 562	31 178
Social work services	2 200	3 038	(838)
Health services	62 840	62 947	(107)
Student (pupil) transportation	473 985	471 126	2 859
Food services	514 127	532 613	(18 486)
Cocurricular/extracurricular activities	553 424	548 662	4 762
General administration	609 955	606 888	3 107
Plant maintenance and operations	1 145 016	1 025 844	119 172
Security and monitoring	2 106	4 070	(1 964)
Data processing services	177 077	253 915	(76 838)
Facilities and acquisitions	527 668	138 124	389 544
Payments related to shared services arrangements	96 622	93 912	2 710
Other intergovernmental charges	212 704	210 923	1 781
TOTAL EXPENSES	<u>12 189 518</u>	<u>11 928 761</u>	<u>260 757</u>
CHANGE IN NET POSITION	<u>\$ 584</u>	<u>\$ 454 710</u>	<u>\$ (454 126)</u>

Revenues from governmental activities totaled \$12,190,102, which is a decrease of \$193,369, from the 2020 fiscal year. Grants and contribution program revenue is the District's largest revenue source, which totaled \$5,929,403 for the year. Grant revenue fluctuates based on weighted average daily attendance. The District's operating grants and contributions decreased due to the changes in the pension and OPEB liabilities.

Expenses for governmental activities totaled \$12,189,518 which a decrease of \$260,757 from the 2020 fiscal year, primarily due to changes in the OPEB liability, pension liability, and the related decrease in on-behalf expenses.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

At the close of the fiscal year ending August 31, 2021, the District's governmental funds reported a combined fund balance of \$7,766,361. This compares to a combined fund balance of \$7,805,003 at August 31, 2020. The fund balance in the general fund increased primarily due to decrease in expenditures from student transportation cost in the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

In accordance with State law and generally accepted accounting principles, the District prepares an annual budget for the general fund and the food service special revenue fund. Special revenue funds have budgets approved by the funding agency and are amended throughout the year as required.

During the period ended August 31, 2021, the District amended its budget as required by State law and to reflect current levels of revenue and anticipated expenses. The general fund's actual revenues were more than budgeted revenues by \$138,564 and the budgeted expenditures exceeded actual expenditures by \$4,552,974.

CAPITAL ASSETS

Capital assets are generally defined as those times that have useful lives of two years or more and have an initial cost of an amount determined by the Board. Donated capital assets are recorded at acquisition value at the date of donation. During the fiscal year ended August 31, 2021, the District used a capitalization threshold of \$5,000, which means that all capital type assets, including library books, with a cost or initial value of less than \$5,000 were not included in the capital assets inventory.

At August 31, 2021, the District had a total of \$8,552,734 invested in capital assets (net of accumulated depreciation) such as land, buildings, and District equipment.

More detailed information about the District's capital assets can be found in the notes to the financial statements.

LONG-TERM DEBT

At year end, the District had no outstanding bonded debt nor real estate loans.

More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

ECONOMIC FACTORS AND THE NEXT YEAR'S BUDGET

The following factors were considered in establishing the District's budget for 2021-2022:

- Property values for ad valorem tax purposes did not materially change for 2021-2022 compared to 2020-2021.
- No new programs were added and no significant changes to existing programs occurred during the current year and no significant changes are planned for 2021-2022.
- The District budgeted revenues of \$9,076,652 and expenditures of \$9,076,652 for no planned change in fund balance for 2021-2022.
- The District's 2021-2022 M&O tax rate of \$0.9041 per \$100 of property valuation remained the same.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and creditors with a general overview of the District's finances and to demonstrate the District's commitment to accountability for the money it receives. If you have questions about this report or need additional information, contact Don Hamilton, Superintendent, Groveton Independent School District, 2017 North Main, Groveton, Texas 75845 or by calling 936.642.1473.

BASIC FINANCIAL STATEMENTS

GROVETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
August 31, 2021

EXHIBIT A-1

DATA CONTROL CODES		GOVERNMENTAL ACTIVITIES
	ASSETS	
1110	Cash and cash equivalents	\$ 3 028 180
1120	Current investments	3 865 648
1225	Property taxes receivable (net allowance of \$429,500)	797 644
1240	Due from other governments	414 709
1410	Unearned expenditures	7 186
	Capital Assets:	
1510	Land	353 155
1520	Buildings and improvements, net	7 562 265
1530	Furniture and equipment, net	33 702
1540	Vehicles	603 612
1910	Long-term investments - Restricted	955 503
1000	TOTAL ASSETS	17 621 604
	DEFERRED OUTFLOWS	
	Deferred outflows - Pension	1 372 398
	Deferred outflows - OPEB	504 327
1700	TOTAL DEFERRED OUTFLOWS	1 876 725
	TOTAL ASSETS AND DEFERRED OUTFLOWS	19 498 329
	LIABILITIES	
2110	Accounts payable	60 298
2150	Payroll and withholding payable	109 195
2160	Accrued wages payable	335 372
	Noncurrent Liabilities:	
2540	Net pension liability	3 221 946
2545	Net OPEB liability	3 552 630
2000	TOTAL LIABILITIES	7 279 441
	DEFERRED INFLOWS	
	Deferred inflows - Pension	691 376
	Deferred inflows - OPEB	3 118 684
2600	TOTAL DEFERRED INFLOWS	3 810 060
	TOTAL LIABILITIES AND DEFERRED INFLOWS	11 089 501
	NET POSITION	
3200	Net investment in capital assets	8 552 734
	Restricted for:	
3820	Federal and state programs	210 493
3890	Other - Endowment	955 503
3900	Unrestricted	(1 309 902)
3000	TOTAL NET POSITION	\$ 8 408 828

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
For the Year Ended August 31, 2021

EXHIBIT B-1

DATA CONTROL CODES	FUNCTIONS/PROGRAMS	1	3		4	NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION GOVERNMENTAL ACTIVITIES
		EXPENSES	CHARGES FOR SERVICES	PROGRAM REVENUES	OPERATING GRANTS AND CONTRIBUTIONS	
	Government Activities:					
0011	Instruction	\$ 6 322 621	\$ -	\$ -	\$ 1 241 712	\$ (5 080 909)
0012	Instructional resources and media services	168 870	-	-	13 609	(155 261)
0013	Curriculum and staff development	4 546	-	-	4 546	-
0021	Instructional leadership	267 674	-	-	214 354	(53 320)
0023	School leadership	467 303	-	-	290 367	(176 936)
0031	Guidance, counseling, and evaluation services	580 740	-	-	58 093	(522 647)
0032	Attendance and social services	2 200	-	-	-	(2 200)
0033	Health services	62 840	-	-	-	(62 840)
0034	Student transportation	473 985	-	-	24 438	(449 547)
0035	Food services	514 127	91 549	-	348 347	(74 231)
0036	Cocurricular/extracurricular activities	553 424	21 077	-	21 971	(510 376)
0041	General administration	609 995	-	-	45 071	(564 924)
0051	Plant maintenance and operations	1 145 016	-	-	37 769	(1 107 247)
0052	Security and monitoring services	2 106	-	-	-	(2 106)
0053	Data processing services	177 077	-	-	7 025	(170 052)
0081	Facilities and acquisitions	527 668	-	-	-	(527 668)
0093	Payments to fiscal agent for SSA	96 622	-	-	-	(96 622)
0099	Intergovernmental payments	212 704	-	-	-	(212 704)
TG	TOTAL GOVERNMENT ACTIVITIES	<u>12 189 518</u>	<u>112 626</u>	<u>-</u>	<u>2 307 302</u>	<u>(9 769 590)</u>
TP	TOTAL PRIMARY GOVERNMENT	\$ <u>12 189 518</u>	\$ <u>112 626</u>	\$ <u>-</u>	\$ <u>2 307 302</u>	\$ <u>(9 769 590)</u>
	General Revenues:					
MT	Property taxes, levied for general purposes					3 249 960
IE	Investment earnings					112 820
GC	Grants and contributions not restricted to specific programs					5 929 403
MI	Miscellaneous local and intermediate revenue					<u>477 991</u>
TR	TOTAL GENERAL REVENUE					<u>9 770 174</u>
CN	CHANGE IN NET POSITION					584
NB	Net position - Beginning					<u>8 408 244</u>
NE	NET POSITION - ENDING					\$ <u>8 408 828</u>

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
August 31, 2021

EXHIBIT C-1

DATA CONTROL CODES		10	OTHER GOVERNMENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
		GENERAL FUND		TOTAL GOVERN- MENTAL FUNDS
	ASSETS			
1110	Cash and cash equivalents	\$ 2 813 301	\$ 214 879	\$ 3 028 180
1120	Current investments	3 865 648	-	3 865 648
1225	Taxes receivable, net	797 644	-	797 644
1240	Due from other governments	385 105	29 604	414 709
1410	Deferred expenditures	7 186	-	7 186
1900	Long-term investments - Restricted	-	955 503	955 503
1000	TOTAL ASSETS	<u>\$ 7 868 884</u>	<u>\$ 1 199 986</u>	<u>\$ 9 068 870</u>
	LIABILITIES			
2110	Accounts payable	\$ 38 943	\$ 21 355	\$ 60 298
2150	Payroll deductions and withholdings	109 195	-	109 195
2160	Accrued wages payable	322 737	12 635	335 372
2000	TOTAL LIABILITIES	<u>470 875</u>	<u>33 990</u>	<u>504 865</u>
	DEFERRED INFLOWS			
2600	Unavailable revenue	797 644	-	797 644
	TOTAL LIABILITIES AND DEFERRED INFLOWS	<u>1 268 519</u>	<u>33 990</u>	<u>1 302 509</u>
	FUND BALANCES			
	Non-spendable:			
3425	Endowment principal	-	955 503	955 503
	Restricted:			
3450	Federal/state grant	-	210 493	210 493
3510	Construction	3 500 000	-	3 500 000
3530	Capital expenditures for equipment	500 000	-	500 000
3600	Unassigned	2 600 365	-	2 600 365
3000	TOTAL FUND BALANCES	<u>6 600 365</u>	<u>1 165 996</u>	<u>7 766 361</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 7 868 884</u>	<u>\$ 1 199 986</u>	<u>\$ 9 068 870</u>

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
August 31, 2021

EXHIBIT C-1R

TOTAL FUND BALANCES - GOVERNMENTAL FUNDS BALANCE SHEET	\$	7 766 361
Amounts Reported for Governmental Activities in the Statement of Net Position (SNP) are Different Because:		
Capital assets used in governmental activities are not reported in the funds.		8 552 734
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		797 644
Some Liabilities, including Net Pension Obligations, are not Due and Payable in the Current Period and, therefore, are not Reported in the Funds:		
Net pension liability (from pension schedule)		(3 221 946)
Net OPEB		(3 552 630)
Deferred Outflows and Inflows or Resources Related to Pensions are Applicable to Future Periods and therefore, are not Reported in the Funds:		
Deferred outflows of resources related to pensions		1 372 398
Deferred outflows of resources related to OPEB		504 327
Deferred inflows of resources related to pensions		(691 376)
Deferred inflows of resources related to OPEB		<u>(3 118 684)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF NET POSITION	\$	<u>8 408 828</u>

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended August 31, 2021

EXHIBIT C-2

DATA CONTROL CODES		10 GENERAL FUND	OTHER GOVERN- MENTAL FUNDS	98 TOTAL GOVERN- MENTAL FUNDS
	Revenues:			
5700	Local and intermediate sources	\$ 3 360 461	\$ 512 986	\$ 3 873 447
5800	State program revenues	5 728 727	15 073	5 743 800
5900	Federal program revenues	200 676	1 493 355	1 694 031
5020	TOTAL REVENUES	<u>9 289 864</u>	<u>2 021 414</u>	<u>11 311 278</u>
	Expenditures:			
0011	Instruction	4 682 497	901 860	5 584 357
0012	Instructional resources and media services	148 167	-	148 167
0013	Curriculum and staff development	-	4 546	4 546
0021	Instructional leadership	49 120	189 840	238 960
0023	School leadership	415 653	-	415 653
0031	Guidance, counseling and evaluation services	95 500	417 114	512 614
0032	Social work services	2 200	-	2 200
0033	Health services	62 741	-	62 741
0034	Student transportation	512 496	-	512 496
0035	Food services	-	417 051	417 051
0036	Cocurricular/extracurricular activities	399 031	56 050	455 081
0041	General administration	421 646	131 338	552 984
0051	Facilities maintenance and operations	1 056 018	10 095	1 066 113
0052	Security and monitoring services	2 106	-	2 106
0053	Data processing services	156 832	-	156 832
0081	Capital outlay	908 693	-	908 693
0093	Payments to fiscal agents of SSA	96 622	-	96 622
0099	Intergovernmental payments	212 704	-	212 704
6030	TOTAL EXPENDITURES	<u>9 222 026</u>	<u>2 127 894</u>	<u>11 349 920</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>67 838</u>	<u>(106 480)</u>	<u>(38 642)</u>
	Other Financing Sources:			
7915	Transfers in	-	16 975	16 975
8911	Transfers out	(16 975)	-	(16 975)
7080	TOTAL OTHER FINANCING SOURCES	<u>(16 975)</u>	<u>16 975</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCE	50 863	(89 505)	(38 642)
0100	Fund balance - Beginning	6 549 502	1 255 501	7 805 003
3000	FUND BALANCES - ENDING	<u>\$ 6 600 365</u>	<u>\$ 1 165 996</u>	<u>\$ 7 766 361</u>

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGES IN FUND BALANCES OF
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the Year Ended August 31, 2021

EXHIBIT C-3

Net change in fund balances - Total governmental funds	\$ (38 642)
Amounts Reported for Governmental Activities in the Statement of Activities ("SOA") are Different Because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(465 437)
Capital outlays are not reported as expenses in the SOA.	558 399
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	79 950
Governmental funds report district pension contributions as expenditures in the government wide statements the cost of pension benefits earned net of employee contributions is reported as pension expense.	<u>(133 686)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES - STATEMENT OF ACTIVITIES	\$ <u>584</u>

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
August 31, 2021

EXHIBIT E-1

DATA CONTROL CODES		PRIVATE- PURPOSE TRUST FUNDS	AGENCY FUNDS STUDENT ACTIVITY
	ASSETS		
1110	Cash and cash equivalents	\$ 20 026	\$ 169 806
1000	TOTAL ASSETS	\$ 20 026	\$ 169 806
	NET POSITION		
3800	Held in trust	20 026	169 806
3000	TOTAL NET POSITION	\$ 20 026	\$ 169 806

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
For the Year Ended August 31, 2021

EXHIBIT E-2

	PRIVATE- PURPOSE TRUST	AGENCY FUNDS STUDENT ACTIVITY
Additions:		
Investment income	\$ 140	\$ -
Contributions	4 428	169 426
TOTAL ADDITIONS	4 568	169 426
Deductions:		
Payments to others	3 075	204 972
TOTAL DEDUCTIONS	3 075	204 972
CHANGE IN NET POSITION	1 493	(35 546)
Net position - Beginning of the year	18 533	201 370
NET POSITION - END OF THE YEAR	\$ 20 026	\$ 169 806

The accompanying notes are an integral part of this statement.

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
August 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" as revised by GASB Statement No. 39, and there are no component units included within the reporting entity.

B. Basis of Presentation, Basis of Accounting

Basis of Presentation:

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

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

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

The District reports the following major governmental funds:

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

In addition, the District reports the following fund types:

Special Revenue Funds: These funds are used to account for revenues and expenses related to grant awards and entitlements from federal, state, and local agencies. These funds are primarily on a reimbursement basis. Nearly all of these funds cannot carry a fund balance and, other than the food service fund, none of these funds are legally required to have an adopted budget.

Permanent Funds: These funds are governmental funds that are used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs. The District uses these funds for scholarships.

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.

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

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 20120

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

Measurement Focus, Basis of Accounting:

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

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

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

C. Financial Statement Amounts

Cash and Cash Equivalents:

For financial reporting purposes, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

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.

Inventories and Prepaid Items:

Inventories of supplies on the balance sheet are stated at weighted average cost, while inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Inventories also include plant maintenance and operation supplies, as well as instructional supplies.

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

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital Assets:

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

ASSET CLASS	ESTIMATED USEFUL LIVES
Buildings	40
Building Improvements	15-20
Vehicles	5-10
Equipment	5-10

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement, *deferred outflows of resources*, represents a consumption of net position that applies to one or more future periods and so will *not* be recognized as an outflow of resources (expenses/expenditures) until then. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's defined benefit pension and OPEB plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to one or more future periods and so will *not* be recognized as an inflow of resources (revenue) until that time. Deferred charges have been recognized as a result of differences between the actuarial expectations and the actual economic experience and for the changes in actuarial assumptions related to the District's pension and OPEB plans. *Unavailable revenue* is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes.

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.

Interfund Activity:

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

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

Data Control Codes:

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

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).

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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. Committed amounts cannot be used for any other purpose unless the Board 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. 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 or by an official or body to which the Board delegates the authority. Specific amounts that are not restricted or committed in a special revenue fund, capital projects fund, 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.

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 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.

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.

Program Revenues:

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

D. Pensions

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

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. 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.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. 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:

FUND	FUNCTION	FINAL BUDGET	ACTUAL	VARIANCE
\$ 199	81 - Capital Outlay	\$ 878 000	\$ 908 693	\$ (30 693)

B. Deficit Fund Balance or Fund Net Assets of Individual Funds

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

FUND NAME	DEFICIT AMOUNT	REMARKS
None reported	Not applicable	Not applicable

NOTE 3 - 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. The District's cash deposits and investments at August 31, 2021 and during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

A. Cash Deposits

At August 31, 2021, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$8,039,163. The District's cash deposits at August 31, 2021 and during the year ended August 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

B. Investments

The District is required by Government Code Chapter 2256, The Public Funds Investment Act (the "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 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.

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

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

INVESTMENT OR INVESTMENT TYPE	FAIR VALUE	WEIGHTED AVERAGE MATURITY
Lone Star Investment Pool	\$ 9	36 days
Certificates of Deposit - Citizens State Bank	4 813 753	Maturity: 7/15/2024
TOTAL INVESTMENT	\$ 4 813 762	

C. 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:

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.

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.

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.

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.

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.

D. Investment Accounting Policy

The District's general policy is to report money market investment 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.

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

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

Lone Star

The Lone Star Investment Pool ("Lone Star") is a public funds investment pool created pursuant to the Interlocal Cooperation Act, Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is administered by First Public, a subsidiary of the Texas Association of School Boards (TASB), with Standish and American Beacon Advisors managing the investment and reinvestment of Lone Star's assets. State Street Bank provides custody and valuation services to Lone Star. All of the Board of Trustees' eleven members are Lone Star participants by either being employees or elected officials of a participant. Lone Star has established an advisory board composed of both Pool members and nonmembers. Lone Star is rated AAA by Standard and Poor's and operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The District is invested in the Government Overnight Fund of Lone Star which seeks to maintain a net asset value of one dollar. Lone Star has 3 different funds: Government Overnight, Corporate Overnight, and Corporate Overnight Plus. Government and Corporate Overnight maintain a net asset value of one dollar and the Corporate Overnight Plus maintains a net asset value of 50 cents.

NOTE 4 - CAPITAL ASSETS

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

GOVERNMENTAL ACTIVITIES	BEGINNING BALANCES	INCREASES	DECREASES	ENDING BALANCES
Capital Assets Not Being Depreciated:				
Land	\$ 105 146	\$ 248 009	\$ -	\$ 353 155
Construction in progress	395 893	153 016	(548 909)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>501 039</u>	<u>401 025</u>	<u>(548 909)</u>	<u>353 155</u>
Capital Assets Being Depreciated:				
Buildings and improvements	13 969 594	548 909	-	14 518 503
Furniture and equipment	310 100	-	-	310 100
Vehicles	1 587 136	157 374	-	1 744 510
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>15 866 830</u>	<u>706 283</u>	<u>-</u>	<u>16 573 113</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(6 599 973)	(356 265)	-	(6 956 238)
Furniture and equipment	(255 761)	(20 637)	-	(276 398)
Vehicles	(1 052 363)	(88 535)	-	(1 140 898)
TOTAL ACCUMULATED DEPRECIATION	<u>(7 908 097)</u>	<u>(465 437)</u>	<u>-</u>	<u>(8 373 534)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>7 958 733</u>	<u>240 846</u>	<u>-</u>	<u>8 199 579</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET	<u>\$ 8 459 772</u>	<u>\$ 641 871</u>	<u>\$ (548 909)</u>	<u>\$ 8 552 734</u>

Depreciation was charged to functions as follows:

Instruction	\$ 149 116
Instructional resources and media services	4 817
Instructional leadership	98
School leadership	1 907
Guidance, counseling, and evaluation services	312
Health services	99
Student transportation	90 335
Food services	74 802
Extracurricular activities	72 696
General administration	4 398
Plant maintenance and operations	54 814
Security and monitoring services	12 043
	<u>\$ 465 437</u>

A. Due To and From Other Funds

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

DUE TO FUND	DUE FROM FUND	AMOUNT	PURPOSE
None		\$	

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2021

NOTE 5 - INTERFUND BALANCES AND ACTIVITIES

B. Transfers To and From Other Funds

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

TRANSFERS FROM	TRANSFERS TO	AMOUNT	REASON
General Fund	Special revenue funds	\$ 16 975	Fund deficits

NOTE 6 - LONG-TERM OBLIGATIONS

A. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended August 31, 2021, are as follows:

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE	AMOUNTS DUE WITHIN ONE YEAR
Governmental Activities:					
Net pension liability	\$ 3 392 658	\$ -	\$ (170 712)	\$ 3 221 946	\$ -
Net OPEB liability	4 442 311	-	(889 681)	3 552 630	-
TOTAL GOVERNMENTAL ACTIVITIES	\$ 7 834 969	\$ -	\$ (1 060 393)	\$ 6 774 576	\$ -

NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2021, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 8 - PENSION PLAN

Plan Description:

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

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

Pension Plan Fiduciary Net Position:

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at https://www.trs.texas.gov/TRS%20Documents/cafr_2016.pdf; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided:

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

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 8 - PENSION PLAN - CONTINUED

Contributions:

Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year. Texas Government Code section 821.006 prohibits benefit improvements, if as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates. The 85th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2019 and 2020.

	CONTRIBUTION RATES	
	2020	2021
Member	7.7%	7.7%
Non-Employer Contributing Entity	6.8%	7.5%
Employers	6.8%	7.5%
Employer Contributions - 2021	\$ 207 445	
Member Contributions - 2021	\$ 467 908	
NECE On-behalf Contributions - 2020	\$ 287 581	

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

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

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

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

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

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2021

NOTE 8 - PENSION PLAN - CONTINUED

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

Discount Rate:

The single discount rate used to measure the total pension liability was 7.25%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25% and a municipal bond rate of 2.63%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2069, and the municipal bond rate was applied to all benefit payments after that date. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

ASSET CLASS	TARGET ALLOCATION*	LONG-TERM EXPECTED GEOMETRIC REAL RATE OF RETURN	EXPECTED CONTRIBUTION TO LONG-TERM PORTFOLIO RETURNS**
Global Equity			
U.S.	18%	5.70%	1.04%
Non-U.S. Developed	13%	6.90%	0.90%
Emerging Markets	9%	8.95%	0.80%
Directional Hedge Funds	4%	3.53%	0.14%
Private Equity	13%	10.18%	1.32%
Stable Value			
U.S. Treasuries	11%	1.11%	0.12%
Absolute Return	-%	-%	-%
Stable Value Hedge Funds	4%	3.09%	0.12%
Cash	1%	(0.30)%	-%
Real Return			
Global Inflation Linked Bonds	3%	0.70%	0.02%
Real Assets	14%	5.21%	0.73%
Energy and Natural Resources	5%	7.48%	0.37%
Commodities	-%	-%	-%
Risk Parity			
Risk Parity	5%	3.70%	0.18%
Inflation Expectation			2.30%
Alpha			(0.79)%
Total	<u>100.0%</u>		<u>7.25%</u>

* Target allocations are based on the FY2016 policy model.

** The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis:

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% DECREASE IN DISCOUNT RATE (6.25%)	DISCOUNT RATE (7.25%)	1% INCREASE IN DISCOUNT RATE (8.25%)
District proportionate share of the net pension liability	\$ 4 968 182	\$ 3 221 946	\$ 1 803 166

For the fiscal year ended August 31, 2020, the annual money-weighted rate of return on pension plan investments was 7.25 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 8 - PENSION PLAN - CONTINUED

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension:

At August 31, 2021, the District reported a liability of \$3,221,946 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$	3 221 946
State's proportionate share that is associated with the District		3 732 958
TOTAL		6 954 904

The net pension liability was measured as of August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The District's proportion of the net pension liability was based on the District's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the District's proportion of the collective net pension liability was 0.00602% which was an increase (decrease) of (0.00051)% from its proportion measured as of August 31, 2019.

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

The total pension liability as of August 31, 2020 was developed using a roll-forward method from August 31, 2019 valuation.

Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed for TRS for the period ending August 31, 2019.

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

The discount rate remained unchanged at 7.25 percent as of August 31, 2020.

For the year ended August 31, 2021, the District recognized pension expense of \$448,992 and revenue of \$448,992 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	DEFERRED OUTFLOWS OF RESOURCES	DEFERRED INFLOWS OF RESOURCES
Differences between expected and actual economic experience	\$ 5 883	\$ 89 916
Changes in actuarial assumptions	747 606	317 877
Difference between projected and actual investment earnings	143 529	78 304
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	267 935	205 279
Contributions paid to TRS subsequent to the measurement date	207 445	-
TOTAL	\$ 1 372 398	\$ 691 376

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

YEAR ENDED AUGUST 31,	PENSION EXPENSE AMOUNT
2022	\$ 162 569
2023	\$ 182 212
2024	\$ 149 583
2025	\$ 46 474
2026	\$ (56 016)
Thereafter	\$ (11 245)

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 9 - DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

A. Plan Description

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

B. OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, Texas 78701-2698; or by calling 512.542.6592.

C. Benefits Provided

TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

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

TRS-Care Monthly for Retirees				
January 1, 2020 - December 31, 2020				
	Medicare		Non-Medicare	
Retiree*	\$	135	\$	200
Retiree and Spouse		529		689
Retiree* and Children		468		408
Retiree and Family		1 020		999

* or surviving spouse.

D. Contributions

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

Texas Insurance Code, section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is 0.65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25% or not more than 0.75% of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	<u>Contribution Rates</u>	
	<u>2020</u>	<u>2021</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%
Employer Contributions - 2020	\$ 59 515	
Member Contributions - 2020	\$ 39 498	
NECE On-behalf Contributions - 2021	\$ 95 449	

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program*). When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of \$535 per retiree.

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2020.

E. Actuarial Assumptions

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

Actuarial Methods and Assumptions:

Valuation Date	August 31, 2020
Methods and Assumptions:	
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Demographic Assumptions	Based on the experience study performed for the Teachers Retirement System of Texas of the period ending August 31, 2019.
Mortality Assumption	The active mortality rates were based on 90% of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection, the ultimate improvement rates from the most recently published projection scale ("U-MP").
Healthcare Trend Rates	Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Aging Factors	Based on plan specific experience.
Expenses	Third party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2020 TRS pension actuarial valuation:

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

F. Discount Rate

A single discount rate of 2.33% was used to measure the total OPEB liability. There was a change of 0.3% in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to *not be able to* make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

G. Discount Rate Sensitivity Analysis

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

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
District's proportionate share of the net OPEB liability	\$ 4 263 148	\$ 3 552 630	\$ 2 991 423

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

	1% Decrease in Healthcare Trend Rate (7.5%)	Current Single Healthcare Trend Rate (8.5%)	1% Increase in Healthcare Trend Rate (9.5%)
District's proportionate share of the net OPEB liability	\$ 2 902 044	\$ 3 552 630	\$ 4 419 119

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

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

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

At August 31, 2021, the District reported a liability of \$3,552,630 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provide to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective net OPEB liability	\$ 3 552 630
State's proportionate share that is associated with the District	<u>4 773 883</u>
TOTAL	<u>\$ 8 326 513</u>

The Net OPEB Liability was measured as of August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2020 thru August 31, 2021.

At August 31, 2020, the employer's proportion of the collective Net OPEB Liability was 0.0093% which is an increase of 0.0001% from the measurement as of August 31, 2019.

I. Changes Since the Prior Actuarial Valuation

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

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the TOL.
2. The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
3. The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
4. The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
5. Change of Benefit Terms Since the Prior Measurement Date - There were no changes in benefit terms since the prior measurement date.

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

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

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

For the year ended August 31, 2021, the District recognized OPEB expense of \$33,148 and revenue of \$33,148 for support provided by the State.

At August 31, 2021, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 186 014	\$ 1 625 865
Changes in actuarial assumptions	219 123	975 571
Difference between projected and actual investment earnings	1 227	72
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	38 448	517 176
Contributions paid to TRS subsequent to the measurement date	<u>59 515</u>	<u>-</u>
TOTAL	<u>\$ 504 327</u>	<u>\$ 3 118 684</u>

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2021

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

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

YEAR ENDED AUGUST 31,	OPEB EXPENSE AMOUNT
2022	\$ (444 866)
2023	\$ (445 020)
2024	\$ (445 109)
2025	\$ (445 084)
2026	\$ (350 193)
Thereafter	\$ (543 600)

NOTE 10 - EMPLOYEE HEALTH CARE COVERAGE

During the year ended August 31, 2021, employees of the District were covered by a health insurance plan (the Plan). The District paid premiums of \$250 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 licensed insurer. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the licensed insurer is renewable September 1, 2020, and terms of coverage and premium costs are included in the contractual provisions.

NOTE 11 - MEDICARE PART D

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 Texas Public School Retire Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. For the fiscal years ended August 31, 2021, 2020 and 2019, the subsidy payments received by TRS-Care on behalf of the District were:

YEAR	AMOUNT
2021	\$ 27 267
2020	\$ 27 505
2019	\$ 20 893

NOTE 12 - UNEMPLOYMENT COMPENSATION

During the year ended August 31, 2021, the District provided unemployment compensation coverage to its employees through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperative Act, Chapter 791 of the Texas Government Code. The Fund's Unemployment Compensation Program is authorized by Section 22.005 of the Texas Education Code and Chapter 172 of the Texas Local Government Code. All members participating in the Fund execute interlocal agreements that define the responsibilities of the parties.

The Fund meets its quarterly obligation to the Texas Workforce Commission. Expenses are accrued monthly until the quarterly payment has been made. Expenses can be reasonably estimated; therefore, there is no need for specific or aggregate stop-loss coverage for the Unemployment Compensation Pool. For the year ended August 31, 2021, the Fund anticipates that the District has no additional liability beyond the contractual obligation for payment of contribution.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2020 are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

NOTE 13 - WORKERS' COMPENSATION

During the year ended August 31, 2021, employees of the District were covered by a Workers' Compensation Plan (the "Plan"). The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreements.

The contract between the District and the third-party administrator, Claims Administrative Services (CAS), acting on behalf of the self-funded pool, is renewable September 1, 2020, and terms, as well as costs of coverage, are included in the contractual provisions.

In accordance with state statutes, the District was protected against unanticipated catastrophic individual or aggregate loss by reinsurance coverage carried through Midwest Employers Casualty, a commercial insurer licensed or eligible to do business in the State of Texas in accordance with Texas Insurance Code. Reinsurance coverage was in effect for individual claims exceeding \$500,000 and for aggregate claims with a statutory limit of \$3,000,000. According to CAS, the unfunded claim benefit obligation included \$38,290 in claims that were unpaid and \$27,674 in estimated claims incurred, but not reported.

GROVETON INDEPENDENT SCHOOL DISTRICT
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 August 31, 2021

NOTE 13 - WORKERS' COMPENSATION - CONTINUED

The claim liability is based on estimates of the ultimate cost of reported claims (including future claim adjustment expenses) and an estimate for claims which have been incurred but not reported based on historical experience. Changes in the claims liability for workers' compensation benefits for the current and prior fiscal year are summarized below.

	FISCAL YEAR	
	2021	2020
Claims liability at beginning of year	\$ 35 054	\$ 43 609
Current year claims and estimated changes	8 951	16 621
Claims payments	(5 715)	(25 176)
CLAIMS LIABILITY AT END OF YEAR	\$ 38 290	\$ 35 054

NOTE 14 - COMMITMENTS AND CONTINGENCIES

A. Contingencies

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

B. Litigation

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

NOTE 15 - SHARED SERVICES ARRANGEMENT

Shared Services Arrangement - Fiscal Agent

The District is the fiscal agent for a Shared Services Arrangement ("SSA") which provides special 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. According to guidance provided in TEA's Resource Guide, the District has accounted for the fiscal agent's activities of the SSA in three special revenue funds (IDEA-B Formula, IDEA-B Preschool, and State Special Education) and will be accounted for using Model 3 in the SSA section of the Resource Guide. During the year ended August 31, 2020, this fund issued an amount directly to a member district for the construction of a Life Skills facility. Direct payments to member districts are shown separately in the following table. The remaining expenditures of the SSA are allocated to member districts based on the number of children enrolled, and are summarized below:

MEMBER DISTRICTS	EXPENDITURES
Apple Springs ISD	\$ 32 508
Centerville ISD	16 254
Grapeland ISD	75 852
Groveton ISD	96 621
Latexo ISD	51 245
Lovelady ISD	56 889
Kennard ISD	37 249
TOTAL	\$ 366 618

Shared Services Arrangement - Membership

The District participates in an SSA for the education of career and technology students funded under Title II, Basic Grant and Technology Education Program. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, 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 is responsible for part of the financial activities of the SSA. Region VI is reporting \$11,968 as expenditures incurred on behalf of the District.

The District participates in an SSA for the improvement of the education of limited English proficient children funded under ESEA Title III, Part A, English Language Acquisition and Language Enhancement. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Education Service Center - Region VI, 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 is responsible for part of the financial activities of the SSA. Region VI is reporting \$486 as expenditures incurred on behalf of the District.

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
August 31, 2021

NOTE 16 - RELATED PARTY

During the year ended August 31, 2021, a board member owned a hardware business that the District purchased supplies from at the total cost of \$35,134 for these supplies and are included in "Instruction" on the accompanying statements of activities.

NOTE 17 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 24, 2022, the date the financial statements were available to be issued.

A novel strain of coronavirus (COVID-19) was spread to the United States of America in January and February 2020. The World Health Organization declared the outbreak to constitute a pandemic. The COVID-19 outbreak is disrupting supply chains and affecting production and sales across a range of industries. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our students, employees and vendors all of which are uncertain and cannot be predicted. As of the date these financial statements are issued, COVID-19 had not materially affected results of operations in 2021. However, the impact of response efforts on future operations cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board, but not considered a part of the basic financial statements.

GROVETON INDEPENDENT SCHOOL DISTRICT
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
For the Year Ended August 31, 2021

EXHIBIT G-1

DATA CONTROL CODES		1	2	3	VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
		BUDGETED AMOUNTS		ACTUAL	
		ORIGINAL	FINAL		
Revenues:					
5700	Local and intermediate sources	\$ 3 040 000	\$ 3 358 572	\$ 3 360 461	\$ 1 889
5800	State program revenues	5 635 000	5 593 104	5 728 727	135 623
5900	Federal program revenue	111 000	199 624	200 676	1 052
5020	TOTAL REVENUES	<u>8 786 000</u>	<u>9 151 300</u>	<u>9 289 864</u>	<u>138 564</u>
Expenditures:					
0011	Instruction	4 792 412	4 717 412	4 682 497	34 915
0012	Instructional resources and media services	154 647	154 647	148 167	6 480
0013	Curriculum and staff development	8 500	8 500	-	8 500
0021	Instructional leadership	51 300	56 300	49 120	7 180
0023	School leadership	417 092	422 092	415 653	6 439
0031	Guidance, counseling and evaluation services	88 393	100 893	95 500	5 393
0032	Social work services	10 000	10 000	2 200	7 800
0033	Health services	67 047	70 047	62 741	7 306
0034	Student (pupil) transportation	500 943	560 943	512 496	48 447
0036	Cocurricular/extracurricular activities	499 086	474 086	399 031	75 055
0041	General administration	493 940	471 440	421 646	49 794
0051	Plant maintenance and operations	964 213	1 064 213	1 056 018	8 195
0052	Security and monitoring services	11 000	11 000	2 106	8 894
0053	Data processing services	236 427	221 427	156 832	64 595
0081	Capital outlay	116 000	878 000	908 693	(30 693)
0093	Payments to fiscal agent of SSA	100 000	100 000	96 622	3 378
0099	Intergovernmental payments	225 000	215 000	212 704	2 296
6030	TOTAL EXPENDITURES	<u>8 736 000</u>	<u>9 536 000</u>	<u>9 222 026</u>	<u>313 974</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>50 000</u>	<u>(384 700)</u>	<u>67 838</u>	<u>452 538</u>
Other Financing Sources (Uses):					
8911	Transfer out	<u>(50 000)</u>	<u>(50 000)</u>	<u>(16 975)</u>	<u>33 025</u>
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>(50 000)</u>	<u>(50 000)</u>	<u>(16 975)</u>	<u>33 025</u>
1200	NET CHANGE IN FUND BALANCES	-	(434 700)	50 863	485 563
0100	Fund balance - Beginning	<u>6 549 502</u>	<u>6 549 502</u>	<u>6 549 502</u>	<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 6 549 502</u>	<u>\$ 6 114 802</u>	<u>\$ 6 600 365</u>	<u>\$ 485 563</u>

See independent auditors' report.

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

EXHIBIT G-2

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
District's proportion of the net pension liability (asset)	0.0060%	0.0065%	0.00600%	0.00602%	0.00614%	0.00570%	0.00358%
District's proportionate share of the net pension liability (asset)	\$ 3 221 946	\$ 3 392 658	\$ 3 322 123	\$ 1 923 726	\$ 2 320 567	\$ 2 013 319	\$ 956 588
State's proportionate share of the net pension liability (asset) associated with the District	<u>3 732 958</u>	<u>3 618 654</u>	<u>3 958 208</u>	<u>2 492 697</u>	<u>2 937 116</u>	<u>3 105 487</u>	<u>2 935 083</u>
TOTAL	<u>\$ 6 954 904</u>	<u>\$ 7 011 312</u>	<u>\$ 7 280 331</u>	<u>\$ 4 416 423</u>	<u>\$ 5 257 683</u>	<u>\$ 5 118 806</u>	<u>\$ 3 891 671</u>
District's covered-employee payroll	\$ 5 811 691	\$ 5 639 967	\$ 5 396 990	\$ 5 392 717	\$ 5 234 483	\$ 5 035 978	\$ 5 038 041
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	55.44%	60.15%	61.56%	35.67%	44.33%	39.98%	18.99%
Plan fiduciary net position as a percentage of the total pension liability	75.54%	75.24%	73.74%	82.17%	78.00%	78.43%	83.25%

* This schedule illustrates 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.

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

EXHIBIT G-3

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Contractually required contribution	\$ 207 445	\$ 242 940	\$ 221 633	\$ 205 291	\$ 197 183	\$ 195 113	\$ 168 025	\$ 90 794	\$ 87 888	\$ 77 365
Contributions in relation to the contractually required contribution	<u>(207 445)</u>	<u>(242 940)</u>	<u>(221 633)</u>	<u>(205 291)</u>	<u>(197 183)</u>	<u>(195 113)</u>	<u>(168 025)</u>	<u>(90 794)</u>	<u>(87 888)</u>	<u>(77 365)</u>
CONTRIBUTION DEFICIENCY (EXCESS)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
District's covered-employee payroll	\$ 6 076 725	\$ 5 811 691	\$ 5 639 967	\$ 5 396 990	\$ 5 392 717	\$ 5 234 483	\$ 5 035 978	\$ 5 038 041	\$ 4 983 763	\$ 4 762 029
Contributions as a percentage of covered-employee payroll	3.41%	4.18%	3.93%	3.80%	3.66%	3.73%	3.34%	1.80%	1.76%	1.62%

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF OPEB LIABILITY
AND DISTRICT'S OPEB CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM
LAST TEN FISCAL YEARS*

EXHIBIT G-4

<u>District's Proportionate Share of Liability</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
District's proportion of the OPEBL	0.0093%	0.0094%	0.0047%	0.0105%
District's proportionate share of the OPEBL	\$ 3 552 630	\$ 4 442 311	\$ 4 650 617	\$ 4 567 677
State share of the OPEBL associated with the District	4 773 883	5 902 838	3 905 387	3 596 254
TOTAL	<u>\$ 8 326 513</u>	<u>\$ 10 345 149</u>	<u>\$ 8 556 004</u>	<u>\$ 8 163 931</u>
District's covered-employee payroll* <i>Prior FY TRS Gross - September through August</i>	\$ 5 811 691	\$ 5 639 967	\$ 5 396 990	\$ 5 392 717
Proportionate share/covered payroll	61.13%	78.76%	86.17%	84.70%
Plan fiduciary net position/total OPEB liability	4.99%	2.66%	1.57%	0.91%

<u>District Contributions</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 59 515	\$ 62 999	\$ 60 581	\$ 65 866
Contributions to required contribution	(59 515)	(62 999)	(60 581)	(65 866)
CONTRIBUTION DEFICIENCY (EXCESS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Current fiscal year TRS gross	\$ 6 076 725	\$ 5 811 691	\$ 5 639 967	\$ 5 396 990
Contributions to covered payroll	0.98%	1.08%	1.07%	1.22%

Information provided by the Teacher Retirement System of Texas.

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

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
August 31, 2021

Budgetary Information

The Board of Trustees adopts an "appropriated budget" for the General Fund and the National School Breakfast and Lunch Fund which is included in the Special Revenue Funds. The District presented the General Fund budgetary comparison schedule as required supplementary information. The Child Nutrition Fund budgetary comparison schedule is presented as required TEA schedules. The District is required to present the adopted and final amended budgeted revenue and expenditures for each of these funds. The District compares the final amended budget to actual revenue and expenditures.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least 10 days' public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year-end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end.
5. 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 canceled or appropriately provided for in the subsequent year's budget. The District had no outstanding end-of-year encumbrances.

Pension and OPEB

See Note 8 for changes of assumptions that affected the pension liability.

See Note 9 for changes of assumptions that affected the OPEB liability.

COMBINING STATEMENTS
AS SUPPLEMENTARY INFORMATION

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 August 31, 2021

EXHIBIT H-1

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-1)
	ASSETS			
1110	Cash and cash equivalents	\$ 214 879	\$ -	\$ 214 879
1240	Due from other governments	29 604	-	29 604
1910	Long-term investments	-	955 503	955 503
1000	TOTAL ASSETS	\$ 244 483	\$ 955 503	\$ 1 199 986
	LIABILITIES			
2110	Accounts payable	\$ 21 355	\$ -	\$ 21 355
2160	Accrued wages payable	12 635	-	12 635
2000	TOTAL LIABILITIES	33 990	-	33 990
	FUND BALANCES			
3425	Nonspendable - Endowment fund	-	955 503	955 503
3450	Restricted state and federal	210 493	-	210 493
3000	TOTAL FUND BALANCES	210 493	955 503	1 165 996
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 244 483	\$ 955 503	\$ 1 199 986

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended August 31, 2021

EXHIBIT H-2

DATA CONTROL CODES		SPECIAL REVENUE FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT C-2)
	Revenues:			
5700	Local and intermediate sources	\$ 458 167	\$ 54 819	\$ 512 986
5800	State program revenues	15 073	-	15 073
5900	Federal program revenues	1 493 355	-	1 493 355
5020	TOTAL REVENUES	<u>1 966 595</u>	<u>54 819</u>	<u>2 021 414</u>
	Expenditures:			
0011	Instruction	901 860	-	901 860
0013	Curriculum and staff development	4 546	-	4 546
0021	Instructional leadership	189 840	-	189 840
0031	Guidance, counseling and evaluation services	417 114	-	417 114
0035	Food service	417 051	-	417 051
0036	Cocurricular/extracurricular activities	-	56 050	56 050
0041	General administration	131 338	-	131 338
0051	Plant maintenance and operations	10 095	-	10 095
6030	TOTAL EXPENDITURES	<u>2 071 844</u>	<u>56 050</u>	<u>2 127 894</u>
	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(105 249)</u>	<u>(1 231)</u>	<u>(106 480)</u>
	Other Financing Sources:			
7915	Transfer in	16 975	-	16 975
7080	TOTAL OTHER FINANCING SOURCES	<u>16 975</u>	<u>-</u>	<u>16 975</u>
1200	NET CHANGE IN FUND BALANCE	(88 274)	(1 231)	(89 505)
0100	Fund balances - Beginning	<u>298 767</u>	<u>956 734</u>	<u>1 255 501</u>
3000	FUND BALANCES - ENDING	<u>\$ 210 493</u>	<u>\$ 955 503</u>	<u>\$ 1 165 996</u>

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2021

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	240 NATIONAL BREAKFAST AND LUNCH PROGRAM	255 TITLE II, PART A TRAINING AND RECRUITING
	ASSETS			
1110	Cash and cash equivalents	\$ -	\$ 89 506	\$ -
1242	Due from other governments	-	29 604	-
1000	TOTAL ASSETS	<u>\$ -</u>	<u>\$ 119 110</u>	<u>\$ -</u>
	LIABILITIES			
2110	Accounts payable	\$ -	\$ 16 245	\$ -
2160	Accrued wages payable	-	12 635	-
2000	TOTAL LIABILITIES	<u>-</u>	<u>28 880</u>	<u>-</u>
	FUND BALANCES			
	Reserved Fund Balances:			
3490	Other reserved of fund balance	-	90 230	-
	TOTAL FUND BALANCES	<u>-</u>	<u>90 230</u>	<u>-</u>
4000	TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 119 110</u>	<u>\$ -</u>

See independent auditors' report.

266	270 TITLE VI PART B RURAL AND LOW INCOME SCHOOL	281	289	313	314	410
ESSER		ESSER II	TITLE VI PART A SUBPART I	IDEA B FORMULA	IDEA B PRESCHOOL	TEXTBOOK ALLOTMENT
\$ -	\$ -	\$ -	\$ 446	\$ 12 132	\$ -	\$ -
-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ 12 132</u>	<u>\$ -</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ 5 110	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	5 110	-	-
-	-	-	446	7 022	-	-
-	-	-	446	7 022	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ 12 132</u>	<u>\$ -</u>	<u>\$ -</u>

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 August 31, 2021

EXHIBIT H-3
 Page 2 of 2

DATA CONTROL CODES		437	459	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT H-1)
		SPECIAL EDUCATION	COOP ESY	
	ASSETS			
1110	Cash and cash equivalents	\$ 107 198	\$ 5 597	\$ 214 879
1242	Due from other governments	-	-	29 604
1000	TOTAL ASSETS	\$ 107 198	\$ 5 597	\$ 244 483
	LIABILITIES			
2110	Accounts payable	\$ -	\$ -	\$ 21 355
2160	Accrued wages payable	-	-	12 635
2000	TOTAL LIABILITIES	-	-	33 990
	FUND BALANCES			
	Reserved Fund Balances:			
3490	Other reserved of fund balance	107 198	5 597	210 493
	TOTAL FUND BALANCES	107 198	5 597	210 493
4000	TOTAL LIABILITIES AND FUND BALANCES	\$ 107 198	\$ 5 597	\$ 244 483

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2021

DATA CONTROL CODES		211 ESEA TITLE I IMPROVING BASIC SKILLS	240 NATIONAL BREAKFAST AND LUNCH PROGRAM	255 TITLE II, PART A TRAINING AND RECRUITING
	Revenues:			
5700	Local and intermediate sources	\$ -	\$ 91 549	\$ -
5800	State program revenues	-	15 073	-
5900	Federal program revenues	355 507	314 193	32 341
5020	TOTAL REVENUES	<u>355 507</u>	<u>420 815</u>	<u>32 341</u>
	Expenditures:			
0011	Instruction	355 507	-	32 341
0013	Curriculum and staff development	-	-	-
0021	Instructional leadership	-	-	-
0031	Guidance, counseling, and evaluation services	-	-	-
0035	Food services	-	417 051	-
0041	General administration	-	-	-
0051	Facilities maintenance and operations	-	-	-
6030	TOTAL EXPENDITURES	<u>355 507</u>	<u>417 051</u>	<u>32 341</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>-</u>	<u>3 764</u>	<u>-</u>
	Other Financing Sources (Uses):			
7915	Transfer in	-	-	-
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
1200	NET CHANGE IN FUND BALANCES	-	3 764	-
0100	Fund balances - Beginning	<u>-</u>	<u>86 466</u>	<u>-</u>
3000	FUND BALANCES - ENDING	<u>\$ -</u>	<u>\$ 90 230</u>	<u>\$ -</u>

See independent auditors' report.

266	270	281	289	313	314	410
ESSER	TITLE VI PART B RURAL AND LOW INCOME SCHOOL	ESSER II	TITLE VI PART A SUBPART I	IDEA B FORMULA	IDEA B PRESCHOOL	TEXTBOOK ALLOTMENT
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
<u>7 007</u>	<u>35 872</u>	<u>25 651</u>	<u>21 811</u>	<u>680 865</u>	<u>20 108</u>	<u>-</u>
<u>7 007</u>	<u>35 872</u>	<u>25 651</u>	<u>21 811</u>	<u>680 865</u>	<u>20 108</u>	<u>-</u>
7 007	35 872	25 651	21 821	238 724	21 619	15 464
-	-	-	-	4 546	-	-
-	-	-	-	189 840	-	-
-	-	-	-	247 665	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>7 007</u>	<u>35 872</u>	<u>25 651</u>	<u>21 821</u>	<u>680 775</u>	<u>21 619</u>	<u>15 464</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(10)</u>	<u>90</u>	<u>(1 511)</u>	<u>(15 464)</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 511</u>	<u>15 464</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1 511</u>	<u>15 464</u>
-	-	-	(10)	90	-	-
-	-	-	456	6 932	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 446</u>	<u>\$ 7 022</u>	<u>\$ -</u>	<u>\$ -</u>

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended August 31, 2021

EXHIBIT H-4
 Page 2 of 2

DATA CONTROL CODES		437	459	TOTAL NONMAJOR GOVERNMENTAL FUNDS (SEE EXHIBIT H-2)
		SPECIAL EDUCATION	COOP ESY	
	Revenues:			
5700	Local and intermediate sources	\$ 366 618	\$ -	\$ 458 167
5800	State program revenues	-	-	15 073
5900	Federal program revenues	-	-	1 493 355
5020	TOTAL REVENUES	<u>366 618</u>	<u>-</u>	<u>1 966 595</u>
	Expenditures:			
0011	Instruction	134 400	13 454	901 860
0013	Curriculum and staff development	-	-	4 546
0021	Instructional leadership	-	-	189 840
0031	Guidance, counseling, and evaluation services	61 112	108 337	417 114
0035	Food services	-	-	417 051
0041	General administration	131 338	-	131 338
0051	Facilities maintenance and operations	10 095	-	10 095
6030	TOTAL EXPENDITURES	<u>336 945</u>	<u>121 791</u>	<u>2 071 844</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>29 673</u>	<u>(121 791)</u>	<u>(105 249)</u>
	Other Financing Sources (Uses):			
7915	Transfer in	-	-	16 975
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>16 975</u>
1200	NET CHANGE IN FUND BALANCES	29 673	(121 791)	(88 274)
0100	Fund balances - Beginning	<u>77 525</u>	<u>127 388</u>	<u>298 767</u>
3000	FUND BALANCES - ENDING	<u>\$ 107 198</u>	<u>\$ 5 597</u>	<u>\$ 210 493</u>

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR PERMANENT FUNDS
 August 31, 2021

EXHIBIT H-5

DATA CONTROL CODES		478 ROSSER TRUST SCHOLARSHIP	479 BRADLY- MILES MEMORIAL SCHOLARSHIP	TOTAL PRIVATE- PURPOSE TRUST FUNDS (EXHIBIT H-1)
	ASSETS			
1910	Long-term investments	\$ 515 969	\$ 439 534	\$ 955 503
1000	TOTAL ASSETS	\$ 515 969	\$ 439 534	\$ 955 503
	FUND BALANCES			
	Reserved Fund Balances:			
3490	Other reserved fund balance	\$ 515 969	\$ 439 534	\$ 955 503
3000	TOTAL FUND BALANCES	\$ 515 969	\$ 439 534	\$ 955 503

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
 NONMAJOR PERMANENT FUNDS
 For the Year Ended August 31, 2021

EXHIBIT H-6

DATA CONTROL CODES		478 ROSSER TRUST SCHOLARSHIP	479 BRADLY- MILES MEMORIAL SCHOLARSHIP	TOTAL PRIVATE- PURPOSE TRUST FUNDS (EXHIBIT H-2)
	Revenues:			
5700	Local and intermediate sources	\$ 29 746	\$ 25 073	\$ 54 819
5020	TOTAL REVENUES	<u>29 746</u>	<u>25 073</u>	<u>54 819</u>
	Expenditures:			
0036	Cocurricular/extracurricular activities	<u>28 705</u>	<u>27 345</u>	<u>56 050</u>
6030	TOTAL EXPENDITURES	<u>28 705</u>	<u>27 345</u>	<u>56 050</u>
1200	NET CHANGE IN FUND BALANCES	1 041	(2 272)	(1 231)
0100	Fund balances - Beginning	<u>514 928</u>	<u>441 806</u>	<u>956 734</u>
3000	FUND BALANCES - ENDING	<u>\$ 515 969</u>	<u>\$ 439 534</u>	<u>\$ 955 503</u>

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 August 31, 2021

EXHIBIT H-7

DATA CONTROL CODES		816 GISD EMPLOYEE SCHOLARSHIP	837 SHIRLEY ALLEN SCHOLARSHIP	TOTAL PRIVATE- PURPOSE TRUST FUNDS (EXHIBIT E-1)
	ASSETS			
1110	Cash and cash equivalents	\$ 16 709	\$ 3 317	\$ 20 026
1000	TOTAL ASSETS	<u>\$ 16 709</u>	<u>\$ 3 317</u>	<u>\$ 20 026</u>
	NET POSITION			
3800	Held in trust	\$ 16 709	\$ 3 317	\$ 20 026
3000	TOTAL NET POSITION	<u>\$ 16 709</u>	<u>\$ 3 317</u>	<u>\$ 20 026</u>

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 PRIVATE-PURPOSE TRUST FUNDS
 For the Year Ended August 31, 2021

EXHIBIT H-8

	816	828	TOTAL PRIVATE- PURPOSE TRUST FUNDS (EXHIBIT E-2)
	GISD EMPLOYEE SCHOLARSHIP	SHIRLEY ALLEN SCHOLARSHIP	
Additions:			
Investment income	\$ 140	\$ -	\$ 140
Contributions	4 278	150	4 428
TOTAL ADDITIONS	<u>4 418</u>	<u>150</u>	<u>4 568</u>
Deductions:			
Scholarship awards	<u>3 075</u>	<u>-</u>	<u>3 075</u>
TOTAL DEDUCTIONS	<u>3 075</u>	<u>-</u>	<u>3 075</u>
CHANGE IN NET POSITION	1 343	150	1 493
Net position - Beginning of the year	<u>15 366</u>	<u>3 167</u>	<u>18 533</u>
NET POSITION - END OF THE YEAR	<u>\$ 16 709</u>	<u>\$ 3 317</u>	<u>\$ 20 026</u>

See independent auditors' report.

OTHER SUPPLEMENTARY INFORMATION

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

GROVETON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 For the Year Ended August 31, 2021

YEAR ENDED AUGUST 31,	TAX RATES			ASSESSED/APPRaisal VALUE FOR SCHOOL TAX PURPOSES
	MAINTENANCE	DEBT SERVICE		
2012 and prior years	Various	Various		Various
2013	1.04	-	\$	246 164 880
2014	1.04	-	\$	258 784 423
2015	1.04	-	\$	261 270 334
2016	1.04	-	\$	276 401 857
2017	1.04	-	\$	287 495 535
2018	1.04	-	\$	301 855 171
2019	1.04	-	\$	309 216 731
2020	0.97	-	\$	332 211 237
2021 (School year under audit)	0.966	-	\$	346 499 908
1000 TOTALS				

See independent auditors' report.

EXHIBIT J-1

10	20	31	32	40	50
BEGINNING BALANCE 09/01/19	CURRENT YEAR'S TOTAL LEVY	MAINTENANCE COLLECTIONS	DEBT SERVICE COLLECTIONS	ENTIRE YEAR'S ADJUSTMENTS	ENDING BALANCE 08/31/20
\$ 273 169	\$ -	\$ 12 037	\$ -	\$ (18 798)	\$ 242 334
37 831	-	2 149	-	(1 755)	33 927
46 708	-	3 398	-	(2 236)	41 074
48 785	-	4 190	-	(2 307)	42 288
62 298	-	5 773	-	(353)	56 172
82 005	-	7 141	-	(521)	74 343
101 958	-	11 554	-	(531)	89 873
141 689	-	19 561	-	(885)	121 243
309 071	-	38 017	-	(48 128)	223 556
<u>-</u>	<u>3 348 575</u>	<u>2 982 949</u>	<u>-</u>	<u>(63 291)</u>	<u>302 335</u>
<u>\$ 1 104 144</u>	<u>\$ 3 348 575</u>	<u>\$ 3 086 769</u>	<u>\$ -</u>	<u>\$ (138 805)</u>	<u>\$ 1 227 145</u>

GROVETON INDEPENDENT SCHOOL DISTRICT
 NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM
 BUDGETARY COMPARISON SCHEDULE
 For the Year Ended August 31, 2021

EXHIBIT J-2

DATA CONTROL CODES		1		2		3		VARIANCE WITH FINAL BUDGET POSITIVE OR (NEGATIVE)
		BUDGETED AMOUNTS				ACTUAL AMOUNTS		
		ORIGINAL		FINAL				
Revenues:								
5700	Local and intermediate sources	\$ 120 000		\$ 65 429		\$ 91 549		\$ 26 120
5800	State program revenues	12 000		15 073		15 073		-
5900	Federal program revenues	315 000		298 338		314 193		15 855
5020	TOTAL REVENUES	<u>447 000</u>		<u>378 840</u>		<u>420 815</u>		<u>41 975</u>
Expenditures:								
0035	Food services	497 000		497 000		417 051		79 949
6030	TOTAL EXPENDITURES	<u>497 000</u>		<u>497 000</u>		<u>417 051</u>		<u>79 949</u>
1100	EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(50 000)</u>		<u>(118 160)</u>		<u>3 764</u>		<u>121 924</u>
Other Financing Sources (Uses):								
7915	Transfers in	50 000		50 000		-		(50 000)
7080	TOTAL OTHER FINANCING SOURCES (USES)	<u>50 000</u>		<u>50 000</u>		<u>-</u>		<u>(50 000)</u>
1200	NET CHANGE IN FUND BALANCES	-		(68 160)		3 764		71 924
0100	Fund balance - Beginning	<u>86 466</u>		<u>86 466</u>		<u>86 466</u>		<u>-</u>
3000	FUND BALANCE - ENDING	<u>\$ 86 466</u>		<u>\$ 18 306</u>		<u>\$ 90 230</u>		<u>\$ 71 924</u>

See independent auditors' report.

GROVETON INDEPENDENT SCHOOL DISTRICT
STATE SUPPLEMENTAL ALLOTMENT COMPLIANCE
USE OF FUNDS REPORT
For the Year Ended August 31, 2021

EXHIBIT J-4

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
	<u>Section A: Compensatory Education Programs</u>	
	Districts are required to use at least 55% of state compensatory education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.104.	
AP1	Did your district expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the district have written policies and procedures for its state compensatory education program?	Yes
AP3	Total state allotment funds received for state compensatory education programs during the district's fiscal year.	\$ <u>805 112</u>
AP5	Actual direct program expenditures for state compensatory education programs during the district's fiscal year. (PICs 24,26,28,29,30,34)	\$ <u>503 099</u>
	<u>Section B: Bilingual Education Programs</u>	
	Districts are required to use at least 55% of bilingual education state allotment funds on direct program costs. Statutory Authority: Texas Education Code §48.105.	
AP8	Did your district expend any bilingual education program state allotment funds during the district's fiscal year?	Yes
AP9	Does the district have written policies and procedures for its bilingual education program?	Yes
AP10	Total state allotment funds received for bilingual education programs during the district's fiscal year.	\$ <u>4 616</u>
AP12	Actual direct program expenditures for bilingual education programs during the district's fiscal year. (PICs 25 and 35)	\$ <u>11 393</u>

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Trustees
Groveton Independent School District
Groveton, Texas

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Groveton Independent School District as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements and have issued our report thereon dated January 24, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Groveton Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Groveton Independent School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Groveton Independent School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Groveton Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lufkin, Texas
January 24, 2022


CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Trustees
Groveton Independent School District
Groveton, Texas

Members of the Board:

Report on Compliance for Each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
January 24, 2022

GROVETON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 For the Year Ended August 31, 2021

A. Summary of the Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes No

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

Material control over major programs:

Material weakness(es) identified? Yes No

Significant deficiencies identified that are not considered to be material weaknesses? Yes None reported

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

Any audit findings disclosed that are required to be reported in accordance with section 501(a), Uniform Guidance? Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027/84.173	IDEA B Cluster

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

Auditee qualified as low-risk auditee? Yes No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

GROVETON INDEPENDENT SCHOOL DISTRICT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended August 31, 2021

Findings/Recommendation	Current Status	Management's Explanation if Not Implemented
None		

GROVETON INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
For the Year Ended August 31, 2021

None Required

GROVETON INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

EXHIBIT K-1

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM TITLE	(2) FEDERAL CFDA NUMBER	(2A) PASS-THROUGH ENTITY IDENTIFYING NUMBER	(3) FEDERAL EXPENDITURES
United States Department of Agriculture:			
School Breakfast Program*	10.553	202020N109946	\$ 77 394
National School Lunch Program*	10.555	202020N109946	204 354
Commodity Supplemental Food Program	10.565	228901	32 445
Schools and Road - Grants to Counties	10.666	228901	80 289
TOTAL UNITED STATES DEPARTMENT OF AGRICULTURE			<u>394 482</u>
Department of Education:			
Special Education Grants to States*	84.027	H027A180008	680 865
Special Education Preschool Grant*	84.173	H173A180004	20 108
Title I Grants to Local Educational Agencies	84.010	S010A180043	355 507
Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	84.367	S367A180041	32 341
Student Support and Academic Enrichment Program	84.424	S424A180045	21 811
ESSER Grant	84 425	N/A	7 007
ESSER II Grant	84.425	N/A	25 651
Title V, Part B Grant	84.358	N/A	35 872
TOTAL DEPARTMENT OF EDUCATION			<u>1 179 162</u>
Department of Health and Human Services:			
Medicaid Administrative Claiming Program - MAC	93.778	N/A	3 762
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>3 762</u>
U.S. Environmental Protection Agency:			
Diesel Emission Reduction Act	66.039		20 000
TOTAL ENVIRONMENTAL PROTECTION AGENCY			<u>20 000</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1 597 406</u>
RECONCILIATION TO FEDERAL REVENUE PER C-2			
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1 597 406
Other Federal Programs:			
School Health and Related Programs	93.778	N/A	96 625
TOTAL OTHER FEDERAL PROGRAMS			<u>96 625</u>
TOTAL FEDERAL REVENUE PER EXHIBIT C-2			\$ <u>1 694 031</u>

* Indicates clustered program under Uniform Guidance Compliance Supplement

The accompanying notes are an integral part of this schedule.

GROVETON INDEPENDENT SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended August 31, 2021

1. For all federal programs, the District uses the fund types specified in Texas Education Agency's *Financial Accountability System Resource Guide*. Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.
2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The governmental fund types are accounted for using a current financial resources measurement focus. All federal grant funds were accounted for in a Special Revenue Fund which is a governmental fund type. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

The modified accrual basis of accounting is used for the governmental fund types, and agency funds. The basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as unearned revenues until earned.
3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in *Section H, Period of Availability of Federal Funds, Part 3 Uniform Guidance Compliance Statement - Provisional 6/97*.
4. Groveton Independent School District has elected to use a 1.646% indirect cost rate for the IDEA-B Formula program, which is less than the 10% de minimus indirect cost note allowed under Uniform Guidance.

GROVETON INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REQUIRED RESPONSES TO SELECTED
 SCHOOL FIRST INDICATORS
 As of August 31, 2021

Exhibit L-1

<u>DATA CONTROL CODES</u>		<u>RESPONSES</u>
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?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas 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.	\$ _____ -