

**UNION GROVE INDEPENDENT SCHOOL DISTRICT**  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2015

*Moore, Caver and Setser, Inc.*  
Certified Public Accountants



**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
for the Year Ended August 31, 2015**

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**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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for the Year Ended August 31, 2015**

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**CERTIFICATE OF BOARD**

Union Grove Independent School District  
Name of District

Upshur  
County

230-908  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named district were reviewed and (check one)  approved \_\_\_ disapproved for the year ended August 31, 2015, at a meeting of the Board of Trustees of such school district on the 14th day of December 2015.

  
Signature of Board Secretary

  
Signature of Board President

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

*FINANCIAL SECTION*





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Member  
American Institute of CPAs  
Texas Society of CPAs

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Judy C. Moore, CPA

N. Preston Caver, CPA

Jalyn L. Setser, CPA

UNMODIFIED OPINIONS ON BASIC FINANCIAL STATEMENTS  
ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER  
SUPPLEMENTARY INFORMATION

Board of Trustees  
Union Grove Independent School District  
P.O. Box 1447  
Gladewater, Texas 75647

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Grove Independent School District (the District) as of and for the year ended August 31, 2015, 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 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 the 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, and the aggregate remaining fund information of Union Grove Independent School District as of August 31, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## ***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, and pension information on pages 6 through 13 and 48 through 51 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 Union Grove Independent School District's basic financial statements. The introductory section and combining and individual non major fund financial statements, 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 U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

The combining and individual non major fund financial statements and schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual non major fund financial statements and schedule of expenditures federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

## ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2015, on our consideration of Union Grove Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit

performed in accordance with *Government Auditing Standards* in considering Union Grove Independent School District's internal control over financial reporting and compliance.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in the exhibits identified in the Table of Contents as J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Moore, Caver and Setser, Inc.*

MOORE, CAVER and SETSER, Inc.  
Certified Public Accountants

November 5, 2015



**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015**

**-UNAUDITED-**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

In this section of the Annual Financial and Compliance Report, we, the managers of Union Grove Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements, which begin on page 15.

**FINANCIAL HIGHLIGHTS**

The District's net position decreased by \$338,011 as a result of this year's operations. In addition to net position declining due to operations, a prior period adjustment (relating to implementation of GASB #68) resulted in a further decrease of \$603,376. Program revenues accounted for \$1,408,091 or 16.6% of total revenue, and general revenues accounted for \$7,077,064 or 83.4%.

During the year, the District had expenses that were \$338,011 more than the \$8,485,155 generated in tax and other revenues for governmental programs (before special items).

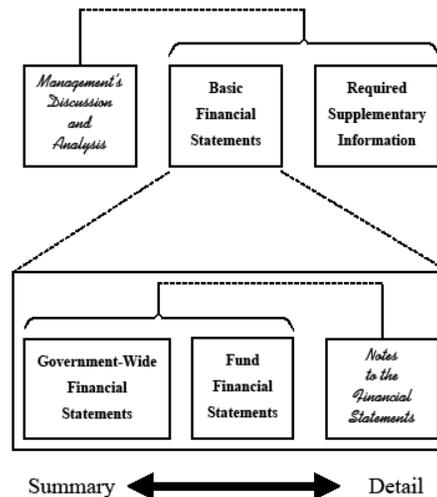
On Exhibit C-1, the general fund reported a positive fund balance of \$4,663,666.

**USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 15 and 16). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 17) report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget. For proprietary activities, fund financial statements tell how goods or services of the District were sold to departments within the District or to external customers and how the sales revenues covered the expenses of the goods or services. The remaining statements, fiduciary statements, provide financial information about activities for which the District acts solely as a trustee or agent for the benefit of those outside of the district.

Figure A-1: Required Components of The District's Annual Financial Information





**Management's Discussion and Analysis  
 Union Grove Independent School District  
 For the Fiscal Year Ended August 31, 2015**

**-UNAUDITED-**

The notes to the financial statements (starting on page 23) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

The combining statements for nonmajor funds contain even more information about the District's individual funds. These are not required by TEA. The sections labeled TEA Required Schedules and Federal Awards Section contain data used by monitoring or regulatory agencies for assurance that the District is using funds supplied in compliance with the terms of grants.

**Reporting the District  
 as a Whole**

*The Statement of Net  
 Position and the  
 Statement of Activities*

The analysis of the District's overall financial condition and operations begins on page 15. Its primary purpose is to show whether the District is better off or worse off as a result of the year's

activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. The District's revenues are divided into those provided by outside parties who share the costs of some programs, such as tuition received from students from outside the district and grants provided by the U.S. Department of Education to assist children with disabilities from disadvantaged backgrounds (program revenues), and revenues provided by the taxpayers or by TEA in equalization funding processes (general revenues). All the District's assets are reported whether they serve the current year or future years. Liabilities are considered regardless of whether they must be paid in the current or future years.

These two statements report the District's net position and changes in them. The District's net position (the difference between assets plus deferred outflows and liabilities plus deferred inflows) provide one measure of the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the District, however, you should consider nonfinancial factors as well, such as changes in the District's average daily attendance or its property tax base and the condition of the District's facilities.

**Figure A-2: Major Features of the District's Government-Wide and Fund Financial Statements**

Type of Statements	-----Fund Statements-----			
	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's Governmental (except Fiduciary Funds) and the Agency's Component Units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses: such as self-insurance	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position	*Balance Sheet	*Statement of Net Position	*Statement of Fiduciary Net Position
	*Statement of Activities	*Statement of revenues, expenditures and changes in fund balances	*Statement of revenues, expenditures and changes in fund balances	*Statement of Changes in Fiduciary Net Position
			*Statement of cash flows	
Accounting Basis And Measurement Focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	All assets and liabilities, both financial and capital, short-term and long-term	Accrual accounting and economic resources focus.
Type of Asset/Liability Information	All asset and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term, the Agency's funds do not currently contain capital assets, but they can
Type of Inflow/Outflow Information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid





**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015**

**-UNAUDITED-**

In the Statement of Net Position and the Statement of Activities, the District's activities are presented as:

Governmental activities—most of the District's basic services are reported here, including the instruction, counseling, co-curricular activities, food services, transportation, maintenance, community services, and general administration. Property taxes, tuition, fees, and state and federal grants finance most of these activities.

### **Reporting the District's Most Significant Funds**

#### ***Fund Financial Statements***

The fund financial statements begin on page 17 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District accounts for activities using governmental funds.

Governmental funds—most of the District's basic services are reported in governmental funds. These use modified accrual accounting (a method that measures the receipt and disbursement of cash and all other financial assets that can be readily converted to cash) and report balances that are available for future spending. The governmental fund statements provide a detailed short-term view of the District's general operations and the basic services it provides. We describe the differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation schedules following each of the fund financial statements.

### **The District as Trustee**

#### ***Reporting the District's Fiduciary Responsibilities***

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on pages 21. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Net position of the District's governmental activities decreased from \$11,278,678 to \$10,337,291. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,361,310 at August 31, 2015. This decrease in governmental net position was largely a result of the District's prior period (pension) adjustment and capital outlay.





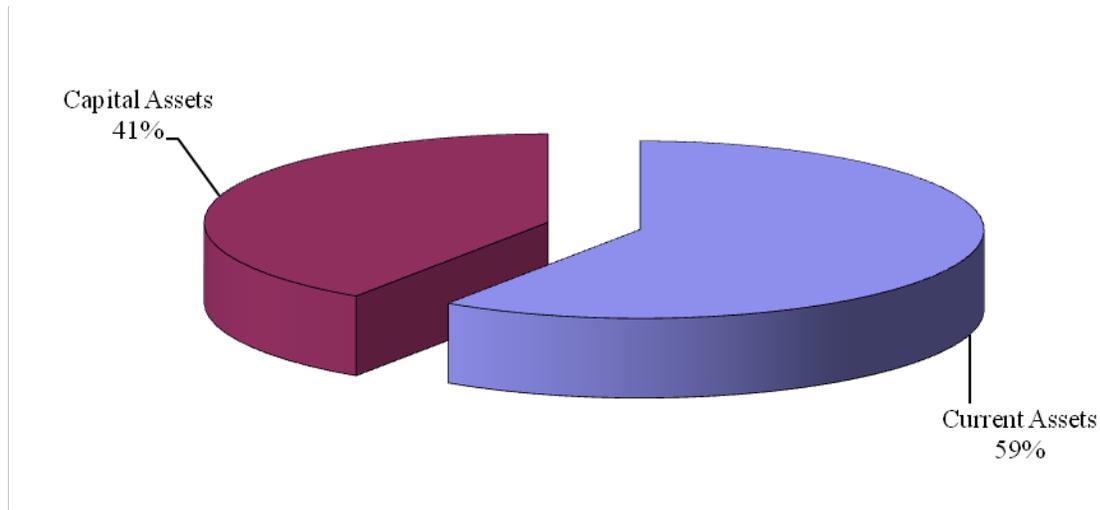
**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015**

**-UNAUDITED-**

**Table I  
Union Grove Independent School  
District**

**NET POSITION**

	Governmental Activities 2014	Governmental Activities 2015
Current and other assets	\$ 5,690,738	\$15,340,062
Capital assets	10,570,766	10,483,311
Total assets	<u>16,261,504</u>	<u>25,823,373</u>
Deferred Outflows of Resources (Pension)	<u>-0-</u>	<u>162,276</u>
Long-term liabilities	4,755,000	15,189,341
Other liabilities	227,826	296,110
Total liabilities	<u>4,982,826</u>	<u>15,485,451</u>
Deferred Inflows of Resources (Pension)	<u>-0-</u>	<u>162,907</u>
Net Position:		
Invested in capital assets net of related debt	5,815,766	5,645,795
Restricted	283,920	330,186
Unrestricted	5,178,992	4,361,310
Total net position	<u>11,278,678</u>	<u>10,337,291</u>





**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015**

-UNAUDITED-

**Table II  
Union Grove Independent School District**

**CHANGES IN NET POSITION**

	% Change	Governmental Activities 2014	Governmental Activities 2015
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	(13.7)	\$ 488,886	\$ 422,072
Operating grants and contributions	(6.3)	1,052,572	986,019
General Revenues:			
Maintenance and operations taxes	(0.2)	1,937,962	1,933,349
Debt Service Taxes	(0.1)	205,454	205,238
Grants and contributions – not restricted	21.0	3,993,584	4,835,079
Investment Earnings	81.2	22,181	40,192
Miscellaneous	(88.0)	527,758	63,206
Total Revenue	3.1	8,228,397	8,485,155
<b>Expenses:</b>			
Instruction, curriculum and media services	0.8	4,599,733	4,636,690
Instructional and school leadership	16.1	451,190	523,818
Student support services	(4.7)	488,398	465,296
Child nutrition	(3.9)	488,520	469,248
Co curricular activities	18.0	542,684	640,229
General administration	2.3	510,007	521,900
Plant maintenance, security & data processing	5.4	1,033,371	1,089,660
Debt – Interest and Fees	98.9	170,129	338,336
Payments to fiscal agents and miscellaneous	14.2	120,864	137,989
Total Expenses	5.0	8,404,896	8,823,166
Increase in net position before transfers and special item		(176,499)	(338,011)
Prior Period Adjustment (Pension)		-0-	(603,376)
Net position at 9/1		11,455,177	11,278,678
Net position at 8/31		<u>\$ 11,278,678</u>	<u>\$ 10,337,291</u>





Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015

-UNAUDITED-

TABLE II  
CHART A – REVENUES

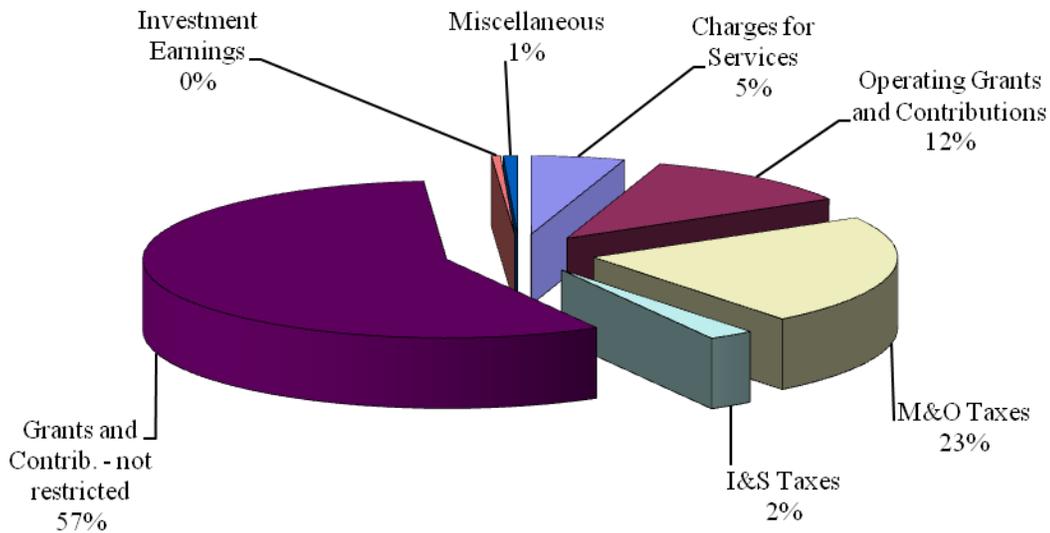
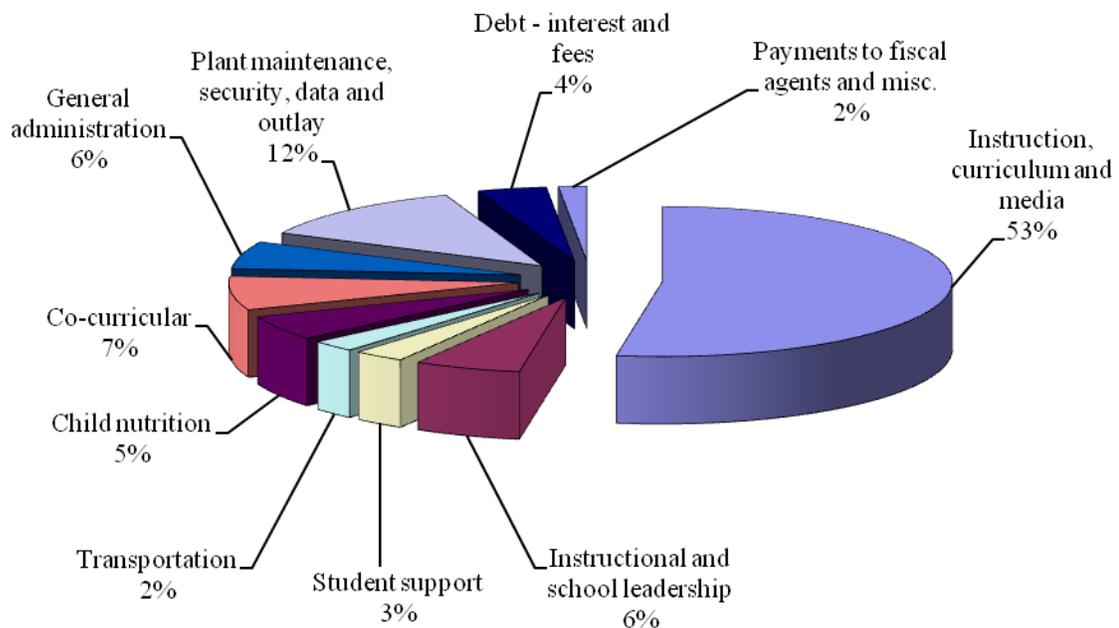


TABLE II  
CHART B - EXPENSES





**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015**

**-UNAUDITED-**

During the year ended August 31, 2015, the total cost of all programs and services increased by 5.0%. Expenditures directly impacting classroom and health services (function coded 1x-34) increased by \$86,483, or 1.6%.

The District took actions this year to compensate for some increases in cost and avoid the loss of state revenue due to changes in the provisions related to accelerated, intensive, compensatory education (State Comp Ed) and student attendance accounting.

The cost of all governmental activities this year was \$8,823,166. However, as shown in the Statement of Activities on page 16, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2,138,587 because some of the costs were paid by those who directly benefited from the programs (\$422,072) or by other governments and organizations that subsidized certain programs with grants and contributions (\$986,019) or by unrestricted grants, useage of fund balance, and other revenue (\$5,276,488).

### **THE DISTRICT'S FUNDS**

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 17) reported a combined fund balance of \$14,732,310, which is greater than last year's total of \$5,156,924. Included in this year's total change in fund balance is a decrease of \$184,462 in the District's General Fund and an increase of \$9,711,546 in the Capital Project's Fund related to bond proceeds.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2014). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$4,663,666 reported on pages 17 differs from the General Fund's budgetary fund balance of \$4,243,711 reported in the budgetary comparison schedule on page 48.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### ***Capital Assets***

At the end of 2015, the District had \$17,402,981 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net increase in capital assets of \$450,306 over last year.

The District has plans, during the 2016 year, for material capital improvement expenditures which have been funded through bond proceeds. More detailed information about the District's capital assets is presented in Note IV-G to the financial statements.





**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2015**

**-UNAUDITED-**

***Debt***

At year-end, the District had outstanding bonds of \$13,709,000, which was an increase of \$8,954,000 due to issuance of Series 2015 building bonds.

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

The District's elected and appointed officials considered many factors when setting the fiscal-year 2016 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2016. Amounts available for appropriation in the General Fund budget are \$7.152 million, an increase of 0.4 percent over the final 2015 budget of \$7.123 million. Budgeted expenditures are expected to decrease 2.5 percent in 2015/16 and the District has added no major new programs or initiatives to the 2016 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$322,402 at the close of 2016.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office at P.O. Box 1447, Gladewater, Texas 75647.



*BASIC FINANCIAL STATEMENTS*



UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 10,904,807
1120 Current Investments	3,585,746
1220 Property Taxes Receivable (Delinquent)	352,435
1230 Allowance for Uncollectible Taxes	(24,671)
1240 Due from Other Governments	507,786
1250 Accrued Interest	901
1267 Due from Fiduciary Funds	122
1290 Other Receivables, net	1,170
1300 Inventories	9,937
1410 Prepayments	1,829
Capital Assets:	
1510 Land	639,546
1520 Buildings, Net	9,114,546
1530 Furniture and Equipment, Net	485,703
1580 Construction in Progress	243,516
1000 Total Assets	25,823,373
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	162,276
1700 Total Deferred Outflows of Resources	162,276
<b>LIABILITIES</b>	
2110 Accounts Payable	102,331
2150 Payroll Deductions & Withholdings	3,010
2160 Accrued Wages Payable	144,563
2180 Due to Other Governments	999
2200 Accrued Expenses	3,345
2300 Unearned Revenue	41,862
Noncurrent Liabilities	
2501 Due Within One Year	161,000
2502 Due in More Than One Year	14,495,796
2540 Net Pension Liability (District's Share)	532,545
2000 Total Liabilities	15,485,451
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	162,907
2600 Total Deferred Inflows of Resources	162,907
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,645,795
3850 Restricted for Debt Service	330,186
3900 Unrestricted	4,361,310
3000 Total Net Position	\$ 10,337,291

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position  Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 4,525,322	\$ 110,754	\$ 585,490	\$ (3,829,078)
12 Instructional Resources and Media Services	104,950	-	5,267	(99,683)
13 Curriculum and Staff Development	6,418	-	-	(6,418)
23 School Leadership	523,818	-	23,350	(500,468)
31 Guidance, Counseling and Evaluation Services	164,917	-	87,845	(77,072)
33 Health Services	83,798	-	5,374	(78,424)
34 Student (Pupil) Transportation	216,581	-	8,692	(207,889)
35 Food Services	469,248	169,206	198,908	(101,134)
36 Extracurricular Activities	640,229	142,112	12,531	(485,586)
41 General Administration	476,015	-	30,310	(445,705)
51 Facilities Maintenance and Operations	949,768	-	28,252	(921,516)
52 Security and Monitoring Services	21,016	-	-	(21,016)
53 Data Processing Services	118,876	-	-	(118,876)
72 Debt Service - Interest on Long Term Debt	181,179	-	-	(181,179)
73 Debt Service - Bond Issuance Cost and Fees	157,157	-	-	(157,157)
81 Capital Outlay	-	-	-	-
93 Payments related to Shared Services Arrangements	137,989	-	-	(137,989)
99 Other Intergovernmental Charges	45,885	-	-	(45,885)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 8,823,166</u>	<u>\$ 422,072</u>	<u>\$ 986,019</u>	<u>(7,415,075)</u>
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,933,349
DT	Property Taxes, Levied for Debt Service			205,238
GC	Grants and Contributions not Restricted			4,835,079
IE	Investment Earnings			40,192
MI	Miscellaneous Local and Intermediate Revenue			63,206
TR	Total General Revenues			<u>7,077,064</u>
CN	Change in Net Position			(338,011)
NB	Net Position - Beginning			11,278,678
PA	Prior Period Adjustment			(603,376)
NE	Net Position--Ending			<u>\$ 10,337,291</u>

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2015

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 954,487	\$ 9,775,552	\$ 174,768	\$ 10,904,807
1120 Investments - Current	3,406,989	-	178,757	3,585,746
1220 Property Taxes - Delinquent	318,539	-	33,896	352,435
1230 Allowance for Uncollectible Taxes (Credit)	(22,298)	-	(2,373)	(24,671)
1240 Receivables from Other Governments	407,263	-	100,523	507,786
1250 Accrued Interest	901	-	-	901
1260 Due from Other Funds	107,833	-	25,004	132,837
1290 Other Receivables	1,120	-	50	1,170
1300 Inventories	-	-	9,937	9,937
1410 Prepayments	-	-	1,829	1,829
1000 Total Assets	<u>\$ 5,174,834</u>	<u>\$ 9,775,552</u>	<u>\$ 522,391</u>	<u>\$ 15,472,777</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 27,511	\$ 61,200	\$ 13,620	\$ 102,331
2150 Payroll Deductions and Withholdings Payable	3,008	-	2	3,010
2160 Accrued Wages Payable	134,958	-	9,605	144,563
2170 Due to Other Funds	24,883	-	107,832	132,715
2180 Due to Other Governments	983	-	16	999
2200 Accrued Expenditures	2,615	-	730	3,345
2300 Unearned Revenues	35,547	-	6,315	41,862
2000 Total Liabilities	<u>229,505</u>	<u>61,200</u>	<u>138,120</u>	<u>428,825</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	281,663	-	29,979	311,642
2600 Total Deferred Inflows of Resources	<u>281,663</u>	<u>-</u>	<u>29,979</u>	<u>311,642</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	866	866
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	330,186	330,186
3490 Other Restricted Fund Balance	-	-	23,240	23,240
Committed Fund Balance:				
3510 Construction	2,118,504	9,714,352	-	11,832,856
3530 Capital Expenditures for Equipment	880,000	-	-	880,000
3600 Unassigned Fund Balance	1,665,162	-	-	1,665,162
3000 Total Fund Balances	<u>4,663,666</u>	<u>9,714,352</u>	<u>354,292</u>	<u>14,732,310</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,174,834</u>	<u>\$ 9,775,552</u>	<u>\$ 522,391</u>	<u>\$ 15,472,777</u>

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2015

<b>Total Fund Balances - Governmental Funds</b>	\$	14,732,310
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$16,952,676 and the accumulated depreciation was \$6,381,910. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position.		5,815,766
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2015 capital outlays and debt principal payments is to increase (decrease) net position.		611,306
<b>3</b> The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(537,761)
<b>4</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of \$532,545, a Deferred Resource Inflow related to TRS in the amount of \$162,907, and a Deferred Resource Outflow related to TRS in the amount of \$162,276. This amounted to a decrease in Net Position in the amount of \$533,176.		(533,176)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(9,751,154)
<b>19 Net Position of Governmental Activities</b>	<u>\$</u>	<u>10,337,291</u>

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,168,873	\$ 14,315	\$ 475,215	\$ 2,658,403
5800	State Program Revenues	5,080,605	-	163,893	5,244,498
5900	Federal Program Revenues	-	-	576,600	576,600
5020	Total Revenues	<u>7,249,478</u>	<u>14,315</u>	<u>1,215,708</u>	<u>8,479,501</u>
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	3,937,348	-	360,235	4,297,583
0012	Instructional Resources and Media Services	97,708	-	-	97,708
0023	School Leadership	511,768	-	-	511,768
0031	Guidance, Counseling and Evaluation Services	81,896	-	83,632	165,528
0033	Health Services	80,906	-	-	80,906
0034	Student (Pupil) Transportation	262,637	-	-	262,637
0035	Food Services	-	-	429,069	429,069
0036	Extracurricular Activities	479,483	-	96,906	576,389
0041	General Administration	441,834	-	10,622	452,456
0051	Facilities Maintenance and Operations	1,009,111	-	-	1,009,111
0052	Security and Monitoring Services	21,016	-	-	21,016
0053	Data Processing Services	113,714	-	-	113,714
Debt Service:					
0071	Principal on Long Term Debt	66,000	-	95,000	161,000
0072	Interest on Long Term Debt	9,250	-	171,929	181,179
0073	Bond Issuance Cost and Fees	255	156,081	821	157,157
Capital Outlay:					
0081	Facilities Acquisition and Construction	72,300	193,516	-	265,816
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	137,989	-	-	137,989
0099	Other Intergovernmental Charges	45,885	-	-	45,885
6030	Total Expenditures	<u>7,369,100</u>	<u>349,597</u>	<u>1,248,214</u>	<u>8,966,911</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(119,622)</u>	<u>(335,282)</u>	<u>(32,506)</u>	<u>(487,410)</u>
<b>OTHER FINANCING SOURCES (USES):</b>					
7911	Capital Related Debt Issued (Regular Bonds)	-	9,115,000	-	9,115,000
7915	Transfers In	-	-	80,808	80,808
7916	Premium or Discount on Issuance of Bonds	-	947,796	-	947,796
8911	Transfers Out (Use)	(64,840)	(15,968)	-	(80,808)
7080	Total Other Financing Sources (Uses)	<u>(64,840)</u>	<u>10,046,828</u>	<u>80,808</u>	<u>10,062,796</u>
1200	Net Change in Fund Balances	(184,462)	9,711,546	48,302	9,575,386
0100	Fund Balance - September 1 (Beginning)	<u>4,848,128</u>	<u>2,806</u>	<u>305,990</u>	<u>5,156,924</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,663,666</u>	<u>\$ 9,714,352</u>	<u>\$ 354,292</u>	<u>\$ 14,732,310</u>

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2015

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	9,575,386
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2015 capital outlays and debt principal payments is to increase (decrease) net position.		611,306
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net position.		(537,761)
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/31/2014 caused the change in the ending net position to increase in the amount of \$119,424. Recognizing the District's proportionate share of the pension plan expense decreased ending net position by \$82,726. The district's share of the unrecognized deferred inflows and outflows for TRS as of the measurement date had to be amortized. This caused an increase in the change in net position in the amount of \$33,502. The impact of all of these is to increase the change in net position by \$70,200.		70,200
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase (decrease) net position.		(10,057,142)
<b>Change in Net Position of Governmental Activities</b>	<u>\$</u>	<u>(338,011)</u>

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2015

EXHIBIT E-1

	Lion Pride Scholarship Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 12,432	\$ 47,738
Total Assets	12,432	\$ 47,738
<b>LIABILITIES</b>		
Due to Other Funds	-	\$ 122
Due to Student Groups	-	47,616
Total Liabilities	-	\$ 47,738
<b>NET POSITION</b>		
Restricted for Scholarships	12,432	
Total Net Position	\$ 12,432	

The notes to the financial statements are an integral part of this statement.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN FIDUCIARY FUND NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2015

	Lion Pride Scholarship Fund
<hr/>	
ADDITIONS:	
Local and Intermediate Sources	\$ 8,788
Total Additions	<u>8,788</u>
DEDUCTIONS:	
Other Operating Costs	<u>9,410</u>
Total Deductions	<u>9,410</u>
Change in Net Position	(622)
Total Net Position - September 1 (Beginning)	<u>13,054</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 12,432</u></u>

The notes to the financial statements are an integral part of this statement.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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**NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Union Grove Independent School District (the "District") is a public education agency operating under the applicable laws and regulations of the state of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its general purpose financial statements in conformity with generally accepted accounting principles promulgated by Governmental Accounting Standards Board and other authoritative sources identified in *Statements on Auditing Standards No. 69* of the American Institute of Public Accountants and it complies with the requirements of the appropriate version of Texas Education Agency's *Financial Accountability System Resource Guide* (the "Resource Guide") and the requirements of contracts and grants of agencies from which it receives funds.

*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 benefit terms. Investments are reported at fair value.

**A. REPORTING ENTITY**

The Board of Trustees (the "Board") is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting unit.

**B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The Statement of Net Position and the Statement of Activities are government-wide financial statements. They report information on all of the Union Grove Independent School District's nonfiduciary activities with most of the interfund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues.

The Statement of Activities demonstrates how other people or entities that participate in programs the District operates have shared in the payment of the direct costs. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Interfund activities between governmental funds appear as due to/due from(s) on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from on the government-wide Statement of Activities.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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The fund financial statements provide reports on the financial condition and results of operations for three fund categories - governmental, proprietary, and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. All assets, liabilities, and deferred inflows of resources associated with the operation of the District are included on the Statement of Net Position.

Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

All governmental fund financial statements are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities, deferred inflows of resources generally, and fund balances are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balance report the sources (i.e. revenues and other financing sources) and uses (i.e. expenditures and other financing uses of current financial resources). This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with a brief explanations to better identify the relationship between government-wide statements and the governmental fund statements.

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. For this purpose, the District considers revenues available if they are collected within 60 days of the end of the current fiscal period. It recognizes 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. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**Revenues – Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis of accounting, revenue is recorded when the exchange takes place and in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the District, the phrase “available” for exchange transactions means expected to be received within 60 days of year-end.

**Revenues – Non-exchange Transactions** – Non-exchange transactions in which the District receives value without directly giving equal value in return, includes property taxes, grants, and donations. On the government-wide financial statements revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the District must provide local resources to be used

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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for a specified purpose; and expenditures requirements, in which the resources are provided to the District on a reimbursement basis. On modified accrual basis, revenue from non-exchange transactions also must be available (i.e., collected within 60 days) before it can be recognized in the governmental funds.

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, that is, when they are both measurable and available. The District considers revenues available if they are collected within 60 days of the end of the current fiscal period. 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.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

**Expenditures/Expenses** – On the accrual basis of accounting (government-wide financial statements), expenses are recognized at the time they are incurred. On the modified accrual basis (fund based financial statements), expenditures generally are recognized in the accounting period in which the related fund liability is incurred and due, if measurable.

**D. FUND ACCOUNTING**

The District reports the following major governmental funds:

**The General Fund** – The general fund is the District's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

**The Capital Projects Fund** – The proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

Additionally, the District reports the following fund type(s):

**Governmental Funds:**

- 1. Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
- 2. Debt Service Funds** – The District accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds in a debt service fund.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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**Fiduciary Funds:**

3. **Agency Funds** – The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are the Student Activity Fund.
4. **Private Purpose Trust Funds** – The District accounts for donations for which the donor has stipulated that both the principal and income may be used for certain purposes, such as scholarships.

**E. OTHER ACCOUNTING POLICIES**

**1. Cash Equivalents**

For purposes of the statement of cash flows for proprietary and similar fund-types, the District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

**2. Inventories**

Inventories of supplies on the balance sheet are stated at FIFO cost and they include consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. 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. Currently, only inventory of foodstuffs are presented in the financial statements.

**3. Receivables and Payables**

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at 7% of outstanding property taxes receivable as of August 31, 2015.

**4. Long-term Debt**

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Long-Term Debt is presented on the financial statement exhibit A-1 as well as Notes to the Financial Statements IV - H, I and J.

**5. Personal Days (Vacation and Sick Leave)**

State personal leave days are allowed to accumulate and can be transferred with the employee to other districts. Personal Days are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general-purpose financial statements. Employees of the District are entitled to

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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personal days off based on category/class of employment. Personal days off are allowed to be accumulated but do not vest. Therefore, a liability for unused personal days off (sick leave) has not been recorded in the accompanying general-purpose financial statements.

**6. General Fixed Assets**

Capital assets, which include land, buildings, furniture and equipment, are reported in the applicable governmental or, if applicable, business-type activities columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Buildings, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Buildings and Improvements	20- 50 years
Buses	6 - 15 years
Other Vehicles	2 - 15 years
Furniture	7 - 15 years
Computer Equipment	3 - 5 years

The District has no restriction on any assets.

**7. Workers' Compensation Coverage**

During the year ended August 31, 2015, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 or the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 505, Texas Labor Code. All districts and ESCs participating in the Fund executed Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of \$56,905,750 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31 and is approved by the Fund's Board of Trustees in February the following year. The Fund's audited financial statements as of August 31, 2014 are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**8. Interfund Transactions**

Activities between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as due to/from other funds. All balances between funds are reported as transfers. See Note IV-E for additional discussion of interfund receivables and payables.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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A description of the basic types of Interfund transactions and the related accounting policies are as follows:

For reporting at the government-wide financial statement level, the District eliminates direct interfund charges for services and the balances created within the same activity categories (i.e. governmental vs. business-type). This process ensures neither governmental nor business-type activities report direct internal revenue/expenditures. Interfund activity and balances resulting from transactions with the fiduciary funds are not eliminated. Instead, the fiduciary interfund activity and balances are treated as transactions with an external party.

**9. Fund Equity**

*Nonspendable fund balance*—amounts that are not in a spendable form (such as inventory) or are required to be maintained intact (such as the corpus of an endowment fund). *Restricted fund balance*—amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation. *Committed fund balance*—amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint. *Assigned fund balance*—amounts a government *intends* to use for a specific purpose; intent can be expressed by the governing.

As of August 31, 2015, Nonspendable (inventory) Fund Balance included \$866 for foodstuffs, Restricted Fund Balance included \$23,240 various Special Revenue Funds and \$330,186 in the Debt Service Fund. Committed Fund Balance included \$2,118,504 for construction and \$880,000 for equipment in the General Fund and \$9,714,352 for construction in the Capital Projects Fund. Unassigned Fund Balance totaled \$1,665,162 in the General Fund.

**Net Position** - Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investments in capital consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements if those assets. This net investments in capital assets amount also is adjusted by any bond issuance deferred amounts. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislature adopted by the district or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. All other net position is reported as unrestricted.

**10. Risk Management**

During the year ended August 31, 2015, Union Grove ISD participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in Auto Liability, Auto Physical Damage, Equipment Breakdown, General Liability, Property Sexual Misconduct Endorsement, and SP Legal Liability.

The Fund was created and is operated under the provision of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. All members participating in the Fund execute Interlocal Agreements that define the responsibilities of the Parties.

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2015, the Fund anticipates Union Grove ISD has no additional liability beyond the contractual obligations for payment contributions.

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The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan 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, 2014, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

**11. Control Totals**

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school District's to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a Statewide data base for policy development and funding plans.

**12. Total Columns on Combined Financial Statements**

These Totals columns do not purport to present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles.

**13. Application of Restricted or Unrestricted Resources**

During the budgeting process, allocation of expenses are determined as to whether it originated following specific guidelines related to restricted assets retained in the fund or whether for other purposes (non-restricted). Restricted assets will be used before unrestricted assets when payments are budgeted for an expenditure which meets the specific guidelines set forth by the granting agency.

**14. Estimates and Assumptions**

The preparation of financial statements in conformity with generally accepted accounting principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

**15. Grant Fund Accounting**

The Special Revenue Fund includes programs that are financed on a project grant basis. These projects have grant periods that can range from less than twelve months to in excess of two years. Grants are recorded as revenues when earned, which the District considers to be earned to the extent expenditures have been incurred, the District has met all eligibility requirements, and funds are available.

**16. Deferred Inflows of Resources**

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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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**NOTE II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE GOVERNMENT-WIDE STATEMENT OF NET POSITION**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year are as follows:

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	639,547		639,547	
Buildings and Improvements	14,680,364	5,221,905	9,458,459	
Furniture & Equipment	1,582,765	1,160,005	422,760	
Construction in Process	50,000		50,000	
Change in Net Position				<u>10,570,766</u>
<u>Long-term Liabilities At the Beginning of the Year</u>			<u>Payables at the Beginning of the Year</u>	
Bonds Payable			4,755,000	
Change in Net Position				<u>4,755,000</u>
Net Adjustment to Net Position				<u>5,815,766</u>

**B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**

Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in Net Position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net position balance and the change in Net Position. The details of this adjustment are as follows:

<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments To Net Position</u>
<u>Current Year Capital Outlay</u>		
Land	-0-	
Building/Improvements	84,988	
Construction in Progress	193,516	
Furniture, Fixtures & Equip.	<u>171,802</u>	
Total Capital Outlay	450,306	450,306
<u>Principal Payments</u>		
Bond Principal	<u>161,000</u>	
Total Principal Payments	<u>161,000</u>	<u>161,000</u>
Total Adjustment to Net Position	<u>611,306</u>	<u>611,306</u>

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Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	65,506	(65,506)	
Uncollected Taxes (assumed collectible) from CY Levy	71,160	71,160	71,160
Uncollected Taxes (assumed collectible) from PY Levy	240,482		240,482
Unlimited Building Bond – Ser 2015	9,115,000	(9,115,000)	(9,115,000)
Other Adjustments : Bond Premium	947,796	<u>(947,796)</u>	<u>(947,796)</u>
Total		<u>(10,057,142)</u>	<u>(9,751,154)</u>

**NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The District compares the final amended budgeted to actual revenues and expenditures. The General Fund Budget reports appear in Exhibit G-1. The other two comparisons are reported on Exhibits J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose 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 ten days public notice of the meeting must be given.
3. Prior to September 1, the Board legally enacts the budget through passage of a resolution. 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 are 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. There were no significant amendments.
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. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>August 31, 2015 Fund Balance</u>
Restricted Budget Funds – Campus Activity Fund	\$ 23,240
Restricted Budget Funds – Debt Service	330,186
Restricted Budget Funds – Capital Projects	<u>9,714,352</u>
All Special Revenue Funds	<u>\$10,067,778</u>

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NOTES TO THE FINANCIAL STATEMENTS  
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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. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund \$-0-

A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2015.

**NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS**

**A. DEPOSITORY CONTRACT LAW**

The funds of the District must be deposited and invested under terms of a contract, contents of which are set out in the **Depository Contract Law**. The depository bank places approved pledged securities for safekeeping and trust with the District's agency bank in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

At August 31, 2015, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$14,550,723 and the bank balance was \$14,649,754. During the year ended August 31, 2015, the District had deposits at First National Bank, Gilmer, Tx. And Texas Bank and Trust. The District's combined deposits were fully insured at all times using by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent. The TEA maintains copies of all safekeeping receipts in the name of the District.

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

- a. Depository: First National Bank, Gilmer, Tx. and Texas Bank and Trust.
- b. The fair market value of collateral held by a 3<sup>rd</sup> party bank in the pledging bank's name and specifically noted by the 3<sup>rd</sup> party bank as pledged to the District, as of the date of the highest combined balance on deposit, was: (FNB) \$6,627,283 and (TBT) \$13,839,105.
- c. The largest combined balances of cash, savings, and time deposit accounts' aggregate balance was (FNB) \$6,152,357 on January 16, 2015 and (TBT) \$11,798,066 on August 3, 2015.
- d. The total amount of FDIC coverage at the time of the largest combined balance was (FNB) \$250,000 and (TBT) \$250,000.
- e. The amount of unsecured deposits was (FNB) \$-0- and (TBT) \$-0-.

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

Foreign Currency Risk The district does not invest in securities relating to foreign currencies.

District Policies and Legal and Contractual Provisions Governing Deposits

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The **Public Funds Investments Act** (Government Code Chapter 2256) contains specific provisions in the area of investment practice, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy addresses the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity date for the portfolio, (8) investment staff quality and capability, (9) and bid solicitation preferences for certificates of deposit.

Statutes authorize the District to invest in (1) obligation of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptance notes; (7) Mutual Funds; (8) Investments pools; (9) guaranteed investment contracts; (10) and common trust funds. Temporary investments are reported at cost, which approximates market, and are secured, when necessary, by the Federal Deposit Insurance Corporation (FDIC) or obligations of items 1 - 4 above at 102% of the investment's market value. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. The District is in substantial compliance with the requirements of the Act and with local policies.

Both cash deposits and investments held at a financial institution can be categorized according to three levels of risk. These three levels of risk are:

Category 1 - Cash or investments that are insured, registered, or held by the District or its agent in the District's name.

Category 2 - Cash or investments that are uninsured and unregistered held by the counter-party's trust department or agency in the District's name.

Category 3 - Uninsured and unregistered held by the counter-party, its trust department, or its agency, but not in the District's name.

Based on these three levels of risk, the following table categorizes the District's Certificates of Deposits at August 31, 2015.

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Certificates of Deposit:					
General Fund	3,406,989			3,406,989	3,406,989
Debt Service Fund	<u>178,757</u>			<u>178,757</u>	<u>178,757</u>
Total	<u>3,585,746</u>			<u>3,585,746</u>	<u>3,585,746</u>

**Credit Risk** To limit the risk that an issuer or other counter party to an investment will not fulfill its obligations the District limits investments in U.S. Government, Texas or its agencies and instrumentalities, certificates of deposit and share certificates, fully collateralized repurchase agreements, banker's acceptances notes, commercial paper, mutual funds (only money market mutual funds and no load mutual funds with an AAA rating), public funds investment pools and, guaranteed invest contracts. The District had no investments other than certificates of deposit during the year ended August 31, 2015.

**Custodial Credit Risk for Investments** To limit the risk that, in the event of the failure of the counter party to a transaction, a government will not be able to recover the value of investment or collateral securities that are in possession of an outside party the District requires counter parties to register the securities in the name of the district and hand them over to the District or its designated agent. This includes securities in securities lending transactions. The District had no investments other than certificates of deposit during the year ended August 31, 2015.

**Concentration of Credit Risk** To limit the risk of loss attributed to the magnitude of a government's investment in a single issuer, the District requires its investments to be diversified so as to reduce risk

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of loss resulting from over concentration of assets in one class/type. The District had no investments other than certificates of deposit during the year ended August 31, 2015.

*Interest Rate Risk* To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires that the market rates be monitored monthly and more often as economic conditions warrant. If economic conditions indicate trends that rates are rising and market value of rate based investments fall, the board will be notified so as to minimize any loss.

*Foreign Currency Risk for Investments* The District does not invest in securities that pose a foreign currency risk.

**B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for real and personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are delinquent and subject to interest if not paid by February 1 of the year following the October 1 levy date. On June 30 of each year, a tax lien attaches to the property to secure payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the school fiscal year.

The tax rates assessed for the year ended August 31, 2015, to finance General Fund operations and Debt Service was \$1.17000 and .124500 respectively, per \$100 valuation. The assessed value of the property tax roll on January 1, 2014, upon which the levy for the 2014-15 fiscal year was based, was \$166,759,458. The roll was subsequently decreased to a year-end assessed value of \$166,252,430.

Current tax collections for the year ended August 31, 2015 were 99.08% of the year-end adjusted tax levy. As of August 31, 2015, property taxes receivable, net of estimated uncollectible taxes, totaled \$296,241 for the General Fund and \$31,523 for Debt Service.

**C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowance for uncollectible tax receivables within the General and Debt Service Funds are based on 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.

**D. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2015, were as follows:

	<u>Other Governments</u>	<u>Due From Other Funds</u>	<u>Other</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>				
General Fund	\$407,263	\$107,833	\$1,120	\$516,216
Agency Funds	-0-	-0-	-0-	-0-
Capital Projects Fund	-0-	-0-	-0-	-0-
Various Special Revenue Funds	100,523	25,004	50	125,577
Total - Governmental Activities	<u>\$507,786</u>	<u>\$132,837</u>	<u>\$1,170</u>	<u>\$641,793</u>
Amounts not scheduled for collection during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

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Payables at August 31, 2015, were as follows:

	Accrued Exp. & Accounts Payable	Due To Other Funds	Due to Other Governments	Accrued Wages Payable	Total Payables
<b>Governmental Activities:</b>					
General Fund	\$30,126	\$24,883	\$983	\$137,966	\$193,958
Agency Funds	-0-	122	-0-	-0-	122
Capital Projects Fund	61,200	-0-	-0-	-0-	61,200
Various Special Revenue Funds	<u>14,350</u>	<u>107,832</u>	<u>16</u>	<u>9,607</u>	<u>131,805</u>
Total - Gov. Activities	<u>\$105,676</u>	<u>\$132,837</u>	<u>\$999</u>	<u>\$147,573</u>	<u>\$387,085</u>
Amounts not scheduled for payment during the subseq year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

**E. INTERFUND PAYABLES AND RECEIVABLES**

Interfund balances at August 31, 2015, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Fund	107,832	24,883
Student Activity:		
Special Revenue Fund		122
Special Revenue:		
Student Activity Fund	122	
General Fund	<u>24,883</u>	<u>107,832</u>
Total	<u>\$132,837</u>	<u>\$132,837</u>

**F. INTERFUND TRANSFERS**

There were no inter-fund transfers taking place during the year ending August 31, 2015.

**G. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Primary Government			Balance 8/31
	Balance 9/1	Addition	Deletions	
Land	\$ 639,547	\$ -0-	\$(1)	\$ 639,546
Buildings and Impr.	14,680,364	84,988	-0-	14,765,352
Furniture & Equipment	1,582,765	171,802	-0-	1,754,567
Construction in Progress	<u>50,000</u>	<u>193,516</u>	<u>-0-</u>	<u>243,516</u>
Total at Historical Cost	<u>\$16,952,676</u>	<u>\$450,306</u>	<u>\$(1)</u>	<u>\$17,402,981</u>
	Primary Government			Balance 8/31
	Balance 9/1	Addition	Deletions	
Less Accumulated Depreciation for:				
Buildings & Impr.	\$5,221,905	\$428,901	\$-0-	\$5,650,806
Furniture and Equipment	<u>1,160,005</u>	<u>108,860</u>	<u>(1)</u>	<u>1,268,864</u>
Total Accumulated Depreciation	<u>\$6,381,910</u>	<u>\$537,761</u>	<u>\$(1)</u>	<u>\$6,919,670</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 266,761
Curriculum Development	6,418
Instructional Resources and Media	7,822
School Leadership	25,568
Guidance, Counseling, & Evaluation Services	3,488
Health Services	3,488
Student Transportation	58,527
Food Services	41,160
Extracurricular Activities	66,302
General Administration	28,433
Plant Maintenance and Operations	24,631
Data Processing	<u>5,163</u>
Total Depreciation Expense	<u>\$ 537,761</u>

**H. LOANS PAYABLE**

No loans were entered into during the year, nor were any balances outstanding at the beginning of the year.

**I. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2015, as follows: the District had operating lease expenditures for the year ending August 31, 2015 totaling \$13,000.

Capital Leases

The District had no lease commitments classified as capital leases during the year ending August 31, 2015.

**J. BONDS AND OTHER LONG-TERM OBLIGATIONS**

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-term Obligation Activity:

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2015:

<u>Description</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2011 Unlimited Building Bonds	\$4,130,000	\$-0-	\$ 95,000	\$4,130,000	\$ 95,000
2015 Unlimited Building Bonds	-0-	9,115,000	-0-	9,115,000	-0-
Qualified Zone Acad. Tax and Rev. Ser 2007	<u>625,000</u>	<u>-0-</u>	<u>66,000</u>	<u>625,000</u>	<u>66,000</u>
Total Indebtedness	<u>\$4,755,000</u>	<u>\$9,115,000</u>	<u>\$161,000</u>	<u>\$13,709,000</u>	<u>\$ 161,000</u>

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2. Bonds payable information is as follows:

<u>Title of issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Amount</u>
Unlimited Building Bonds, Series 2011	4.00%	2/15/2041	\$ 4,130,000
Unlimited Building Bonds, Series 2015	3-5.00%	8/15/2042	\$ 9,115,000
Qualified Zone Academy Tax and Revenue Note, Series 2007	1.48%	10/18/2022	<u>625,000</u>
			<u>\$13,709,000</u>

3. Debt Service Requirements (Defeased and Maintenance Tax Note Aggregation)

Presented below is a summary of the aggregate bond indebtedness long-term requirements to maturity:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2016	161,000	543,404	704,404
2017	167,000	540,478	707,478
2018	393,000	537,486	930,486
2019	404,000	527,286	931,286
2020	415,000	516,477	931,477
2021-2025	2,149,000	2,380,281	4,529,281
2026-2030	2,355,000	1,955,606	4,310,606
2031-2035	2,865,000	1,441,988	4,306,988
2036-2040	3,525,000	772,431	4,297,431
2041-2042	<u>1,275,000</u>	<u>80,609</u>	<u>1,355,609</u>
Totals	<u>\$13,709,000</u>	<u>\$9,296,046</u>	<u>\$23,005,046</u>

Bonds indebtedness' current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2015.

4. Unlimited Building Bonds – Series 2011

The Board of Trustees, during the 2010-11 year authorized the issuance of Unlimited Building Bonds – Series 2011 in the amount of \$4,360,000. The proceeds of the bond were for renovations and new construction. Debt service requirements for the outstanding series 2011 bonds are as follows:

<u>Year Ended</u> <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u> <u>Requirement</u>
2016	95,000	155,256	250,256
2017	100,000	153,306	253,306
2018	100,000	151,306	251,306
2019	105,000	148,863	253,863
2020	105,000	145,975	250,975
2021-2024	600,000	670,844	1,270,844
2026-2029	725,000	539,031	1,264,031
2031-2034	880,000	379,413	1,259,413
2036-2039	1,080,000	175,406	1,255,406
2041	<u>245,000</u>	<u>5,360</u>	<u>250,360</u>
Totals	<u>\$4,035,000</u>	<u>\$2,524,760</u>	<u>\$ 6,559,760</u>

5. Maintenance Tax Note

On September 17, 2007, The Board of Trustees authorized the issuance of a Qualified Zone Academy Tax and Revenue Note in the amount of \$1,000,000. The proceeds of the note were for renovations to

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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the Union Grove Elementary School. Debt service requirements for the outstanding QZAB note are as follows:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	66,000	8,273	74,273
2017	67,000	7,296	74,296
2018	68,000	6,305	74,305
2019	69,000	5,298	74,298
2020	70,000	4,277	74,277
2021-2022	<u>219,000</u>	<u>6,512</u>	<u>225,512</u>
Totals	<u>\$559,000</u>	<u>\$37,961</u>	<u>\$596,961</u>

6. Unlimited Building Bonds – Series 2015

The Board of Trustees, during the 2014-15 year, authorized the issuance of Unlimited Building Bonds – Series 2015 in the amount of \$9,115,000. The proceeds of the bond were for renovations and new construction. Debt service requirements for the outstanding series 2015 bonds are as follows:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2016	-0-	379,875	379,875
2017	-0-	379,875	379,875
2018	225,000	379,875	604,875
2019	230,000	373,125	603,125
2020	240,000	366,225	606,225
2021-2024	1,330,000	1,702,925	3,032,925
2026-2029	1,630,000	1,416,575	3,046,575
2031-2034	1,985,000	1,062,575	3,047,575
2036-2039	2,445,000	597,025	3,042,025
2041	<u>1,030,000</u>	<u>75,250</u>	<u>1,105,250</u>
Totals	<u>\$9,115,000</u>	<u>\$6,733,325</u>	<u>\$15,848,325</u>

**K. SCHOOL DISTRICT RETIREE HEALTH PLAN**

Plan description: The District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Section 1575.052 grant the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by visiting the TRS Web site at [www.trs.state.tx.us](http://www.trs.state.tx.us), by writing to the Communications Department of the Teacher Retirement System of Texas at 1000 Red River Street, Austin, Texas 78701, or by calling 1-800-223-8778.

Funding Policy: Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The State of Texas and active public school employee contribution rates were 1.0% and 0.65% of public school payroll, respectively, with school districts contribution a percentage of payroll set at 0.55% for fiscal years 2012, 2013 and 2014. Per Texas Insurance Code Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For the years ended August 31, 2013, 2014 and 2015, the State's contributions to TRS-Care were \$48,775, \$51,457 and \$59,228 respectively, the active member contributions were \$25,661, \$27,059 and \$26,376 respectively, and the school district's contributions were \$22,895, \$24,042 and \$25,726

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**L. HEALTH CARE COVERAGE**

During the year ended August 31, 2015, employees of the District were covered by a health insurance plan (the "Plan") offered through the Teacher Retirement System. The District paid premiums of \$225 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 contract between the District and the licensed insurer is renewable September 1 each year, terms of coverage and premium costs are included in the contractual provisions.

**M. UNEARNED REVENUE AND DEFERRED INFLOWS OF RESOURCES**

Deferred revenue/inflow of resources at year-end consisted of the following:

	General Fund	Special Revenue	Debt Service	Total
Net Property Taxes (inflow)	\$281,663	\$ -0-	\$29,979	\$311,642
Other Deferred	<u>35,547</u>	<u>6,315</u>	<u>-0-</u>	<u>41,862</u>
Totals	<u>\$317,210</u>	<u>\$6,315</u>	<u>\$29,979</u>	<u>\$353,504</u>

**N. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2015, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	Other	Federal and State Entitlements	Local Grants	Total
General	\$ -0-	\$407,263	\$ -0-	\$407,263
Special Revenue	-0-	100,523	-0-	100,523
Total	<u>\$ -0-</u>	<u>\$507,786</u>	<u>\$ -0-</u>	<u>\$507,786</u>

**O. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES**

During the current year, revenues from local and intermediate sources consisted of the following:

	General Fund	Cap Proj. & Special Revenue Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$1,932,376	\$ -0-	\$202,242	\$-0-	\$2,107,275
Food Sales	-0-	169,206	-0-	-0-	169,206
Investment Income	24,344	14,469	1,379	32	40,224
Penalties, interest and other tax related income	42,141	-0-	4,429	-0-	46,570
Tuition and Fees	66,607	-0-	-0-	-0-	66,607
Co-curricular student activities	51,121	-0-	-0-	-0-	51,121
Other (Incl. Gifts and Bequests)	<u>52,284</u>	<u>97,805</u>	<u>-0-</u>	<u>8,756</u>	<u>222,359</u>
Total	<u>\$2,168,873</u>	<u>\$281,480</u>	<u>\$208,050</u>	<u>\$8,788</u>	<u>\$2,667,191</u>

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**P. LITIGATION AND CONTINGENCIES**

1. As of the report date, the District was not involved in any litigation that would have a material effect on the general-purpose financial statement.
2. The District participates in numerous state and federal 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, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 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 combined financial statements for such contingencies.

**Q. SHARED SERVICE ARRANGEMENTS**

Shared Services Arrangement – Fiscal Agent

The District is the fiscal agent for a Shared Service Arrangement (“SSA”) which provides vocational education 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 the guidance provided in the TEA’s Resource Guide, The District has accounted for the fiscal agent’s activities of the SSA in the SSA Vocational Education – Basic Grant, Fund 331 and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

<u>Member District</u>	(per TEA Listing) <u>Allocation – all sources</u>	<u>Amount</u>
Alba Golden ISD	9,961	\$5,812
Arp ISD	7,937	5,812
Beckville ISD	5,226	5,812
Big Sandy ISD	12,288	5,811
Bullard ISD	18,423	5,811
Harleton ISD	5,131	5,811
Harmony ISD	9,081	5,579
Hawkins ISD	8,228	5,812
Martins' Mill ISD	5,450	5,812
New Diana ISD	10,912	5,811
Ore City ISD	7,635	5,812
Quitman ISD	11,657	5,811
Tatum ISD	10,143	5,811
Troup ISD	13,422	5,811
Union Grove ISD	5,389	5,811
Union Hill ISD	3,266	5,811
Waskom ISD	9,410	5,811
White Oak ISD	13,789	5,812
Winnsboro ISD	15,658	5,812
Winona ISD	10,861	<u>5,812</u>
Total		<u>\$115,997</u>

Shared Services Arrangement – Membership

The District participates in a shared services arrangement (“SSA”) for special education and alternative education with the following school districts:

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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<u>Special Education</u>	<u>Alternative Education</u>
Big Sandy ISD	Big Sandy ISD
Gladewater ISD	Gladewater ISD
Harmony ISD	Harmony ISD
New Diana ISD	New Diana ISD
Union Hill ISD	Union Hill ISD
	Gilmer ISD
	Ore City ISD

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

**R. SUBSEQUENT EVENTS**

None Noted.

**S. ON-BEHALF PAYMENTS RELATING TO MEDICARE PART D**

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the year ended August 31, 2015, Union Grove ISD recognized amounts for Medicare Part D on-behalf payments totaling \$13,672.

**T. DEFINED BENEFIT PENSION PLANS**

**1. Plan Description**

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

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

**2. Pension Plan Fiduciary Net Position**

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$159,496,075,886
Less: Plan Fiduciary Net Position	<u>(132,779,243,085)</u>
Net Pension Liability	<u>\$26,716,832,801</u>
 Net Position as percentage of Total Pension Liability	 83.25%

**3. Benefits Provided**

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

**4. Contributions**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2015 as discussed in Note 1 of the TRS 2014 CAFR. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015.

	<u>2014</u>	<u>2015</u>
<u>Contribution Rates</u>		
Member	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer 092-901 - 2014 Employer Contributions	\$50,546	
Employer 092-901 - 2014 Member Contributions	\$279,765	
Employer 092-901 - 2014 NECE On-behalf Contributions	\$258,769	

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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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, when employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.

**5. Actuarial Assumptions**

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll,
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

*\*Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

**6. Discount Rate**

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
<b>Global Equity</b>			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
<b>Stable Value</b>			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
<b>Total</b>	<u>100%</u>		<u>8.7%</u>

\* The Expected Contribution to Returns incorporates the volatility drag resulting from the conversion between Arithmetic and Geometric mean returns.

**7. Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Union Grove ISD's proportionate share of the net pension liability:	\$951,625	\$532,545	\$219,151

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

At August 31, 2015, the District reported a liability of \$532,545 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	\$532,545
State's proportionate share that is associated with District	<u>2,732,170</u>
Total	<u>\$3,264,715</u>

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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The net pension liability was measured as of August 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was 0.0019937%. Since this is the first year of implementation, the District does not have the proportion measure as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2014. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, the District recognized pension expense of \$252,584 and revenue of \$252,584 for support provided by the State.

At August 31, 2014, 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	\$8,236	\$-0-
Changes in actuarial assumptions	\$34,616	\$-0-
Difference between projected and actual investment earnings	\$-0-	\$162,767
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$-0-	\$140
Total net amounts, as of August 31, 2014 Measurement Date	\$42,852	\$162,907

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	\$42,852	\$162,907
Contributions made subsequent to the Measurement Date	\$119,424	\$-0-
Reported by District as of June 30, 2015	\$162,276	\$162,907

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2015**

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	Pension Expense Amount
2016	\$(33,486)
2017	\$(33,486)
2018	\$(33,486)
2019	\$7,206
2020	6,683
Thereafter	-0-

**U. PRIOR PERIOD ADJUSTMENTS**

During fiscal year 2015, the District adopted GASB Statement No. 68 for Accounting and Reporting for Pensions. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The net effect (decrease) on the beginning Net Position (see Exhibit B-1) was (\$603,376).

**V. IMPLEMENTATION OF GASB #68 - ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS**

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

*REQUIRED SUPPLEMENTARY INFORMATION SECTION*



UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
<b>REVENUES:</b>					
5700	Total Local and Intermediate Sources	\$ 2,246,500	\$ 2,246,500	\$ 2,168,873	\$ (77,627)
5800	State Program Revenues	4,876,373	4,876,373	5,080,605	204,232
5020	Total Revenues	7,122,873	7,122,873	7,249,478	126,605
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	4,088,951	4,082,126	3,937,348	144,778
0012	Instructional Resources and Media Services	113,251	101,751	97,708	4,043
0013	Curriculum and Instructional Staff Development	5,400	5,400	-	5,400
0023	School Leadership	522,650	522,650	511,768	10,882
0031	Guidance, Counseling and Evaluation Services	75,864	82,689	81,896	793
0033	Health Services	82,032	82,032	80,906	1,126
0034	Student (Pupil) Transportation	249,866	319,866	262,637	57,229
0036	Extracurricular Activities	468,795	479,795	479,483	312
0041	General Administration	446,109	446,109	441,834	4,275
0051	Facilities Maintenance and Operations	948,408	1,026,908	1,009,111	17,797
0052	Security and Monitoring Services	9,000	21,000	21,016	(16)
0053	Data Processing Services	97,275	115,275	113,714	1,561
0061	Community Services	2,700	2,700	-	2,700
Debt Service:					
0071	Principal on Long Term Debt	76,500	66,000	66,000	-
0072	Interest on Long Term Debt	-	10,000	9,250	750
0073	Bond Issuance Cost and Fees	-	500	255	245
Capital Outlay:					
0081	Facilities Acquisition and Construction	112,500	112,500	72,300	40,200
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	140,149	139,149	137,989	1,160
0099	Other Intergovernmental Charges	45,000	46,000	45,885	115
6030	Total Expenditures	7,484,450	7,662,450	7,369,100	293,350
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(361,577)	(539,577)	(119,622)	419,955
<b>OTHER FINANCING SOURCES (USES):</b>					
8911	Transfers Out (Use)	(38,947)	(64,840)	(64,840)	-
1200	Net Change in Fund Balances	(400,524)	(604,417)	(184,462)	419,955
0100	Fund Balance - September 1 (Beginning)	4,848,128	4,848,128	4,848,128	-
3000	Fund Balance - August 31 (Ending)	\$ 4,447,604	\$ 4,243,711	\$ 4,663,666	\$ 419,955

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2015

EXHIBIT G-6

	2015
District's Proportion of the Net Pension Liability (Asset)	0.0019937%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 532,545
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	2,732,170
Total	\$ 3,264,715
District's Covered-Employee Payroll	\$ 4,371,319
District's Proportionate Share of the Net Pension Liability (Asset) as a percentage of its covered-Employee Payroll	12.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	83.25%

Note: GASB 68, Paragraph 81,2,a requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2015

EXHIBIT G-7

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	<u>2015</u>
Contractually Required Contribution	\$ 119,424
Contribution in Relation to the Contractually Required Contribution	(119,424)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 4,677,638
Contributions as a Percentage of Covered-Employee Payroll	2.55%

Note: GASB 68, Paragraph 81,2,b requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASBS 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

*Changes of benefit terms*

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

*Changes of assumptions*

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

*COMBINING SCHEDULES*



UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	3,345	18,963	4,611	-
1260	Due from Other Funds	-	-	24,882	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	9,937	-
1410	Prepayments	39	111	1,679	-
1000	Total Assets	<u>\$ 3,384</u>	<u>\$ 19,074</u>	<u>\$ 41,109</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 13,620	\$ -
2150	Payroll Deductions and Withholdings Payable	2	-	-	-
2160	Accrued Wages Payable	2,509	4,457	2,639	-
2170	Due to Other Funds	624	14,176	18,097	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	249	441	40	-
2300	Unearned Revenues	-	-	5,847	-
2000	Total Liabilities	<u>3,384</u>	<u>19,074</u>	<u>40,243</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Nonspendable Fund Balance:					
3410	Inventories	-	-	866	-
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>866</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 3,384</u>	<u>\$ 19,074</u>	<u>\$ 41,109</u>	<u>\$ -</u>

331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 College Tech. Prep. of East Texas	499 UIL District Chair Fund	Total Nonmajor Special Revenue Funds
\$ 1,331	\$ 194	\$ -	\$ 105	\$ 23,134	\$ 169	\$ -	\$ 24,933
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
16,528	-	57,076	-	-	-	-	100,523
-	-	-	-	122	-	-	25,004
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	9,937
-	-	-	-	-	-	-	1,829
<u>\$ 17,859</u>	<u>\$ 194</u>	<u>\$ 57,076</u>	<u>\$ 105</u>	<u>\$ 23,256</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 162,226</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 13,620
-	-	-	-	-	-	-	2
-	-	-	-	-	-	-	9,605
17,859	-	57,076	-	-	-	-	107,832
-	-	-	-	16	-	-	16
-	-	-	-	-	-	-	730
-	194	-	105	-	169	-	6,315
<u>17,859</u>	<u>194</u>	<u>57,076</u>	<u>105</u>	<u>16</u>	<u>169</u>	<u>-</u>	<u>138,120</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	866
-	-	-	-	-	-	-	-
-	-	-	-	23,240	-	-	23,240
-	-	-	-	23,240	-	-	24,106
<u>\$ 17,859</u>	<u>\$ 194</u>	<u>\$ 57,076</u>	<u>\$ 105</u>	<u>\$ 23,256</u>	<u>\$ 169</u>	<u>\$ -</u>	<u>\$ 162,226</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2015

Data Control Codes	513 Debt Service Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 149,835	\$ 174,768
1120 Investments - Current	178,757	178,757
1220 Property Taxes - Delinquent	33,896	33,896
1230 Allowance for Uncollectible Taxes (Credit)	(2,373)	(2,373)
1240 Receivables from Other Governments	-	100,523
1260 Due from Other Funds	-	25,004
1290 Other Receivables	50	50
1300 Inventories	-	9,937
1410 Prepayments	-	1,829
1000 Total Assets	<u>\$ 360,165</u>	<u>\$ 522,391</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	\$ -	\$ 13,620
2150 Payroll Deductions and Withholdings Payable	-	2
2160 Accrued Wages Payable	-	9,605
2170 Due to Other Funds	-	107,832
2180 Due to Other Governments	-	16
2200 Accrued Expenditures	-	730
2300 Unearned Revenues	-	6,315
2000 Total Liabilities	<u>-</u>	<u>138,120</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601 Unavailable Revenue - Property Taxes	29,979	29,979
2600 Total Deferred Inflows of Resources	<u>29,979</u>	<u>29,979</u>
<b>FUND BALANCES</b>		
Nonspendable Fund Balance:		
3410 Inventories	-	866
Restricted Fund Balance:		
3480 Retirement of Long-Term Debt	330,186	330,186
3490 Other Restricted Fund Balance	-	23,240
3000 Total Fund Balances	<u>330,186</u>	<u>354,292</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 360,165</u>	<u>\$ 522,391</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 169,206	\$ -
5800 State Program Revenues	-	-	5,903	-
5900 Federal Program Revenues	65,232	96,816	189,986	13,914
5020 Total Revenues	<u>65,232</u>	<u>96,816</u>	<u>365,095</u>	<u>13,914</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	65,232	96,816	-	13,914
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	429,069	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>65,232</u>	<u>96,816</u>	<u>429,069</u>	<u>13,914</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	(63,974)	-
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	64,840	-
1200 Net Change in Fund Balance	-	-	866	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 866</u>	<u>\$ -</u>

331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 College Tech. Prep. of East Texas	499 UIL District Chair Fund	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 68,985	\$ -	\$ 28,974	\$ 267,165
-	-	67,875	-	-	-	117	73,895
210,652	-	-	-	-	-	-	576,600
<u>210,652</u>	<u>-</u>	<u>67,875</u>	<u>-</u>	<u>68,985</u>	<u>-</u>	<u>29,091</u>	<u>917,660</u>
116,398	-	67,875	-	-	-	-	360,235
83,632	-	-	-	-	-	-	83,632
-	-	-	-	-	-	-	429,069
-	-	-	-	67,815	-	29,091	96,906
10,622	-	-	-	-	-	-	10,622
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>210,652</u>	<u>-</u>	<u>67,875</u>	<u>-</u>	<u>67,815</u>	<u>-</u>	<u>29,091</u>	<u>980,464</u>
-	-	-	-	1,170	-	-	(62,804)
-	-	-	-	-	-	-	64,840
-	-	-	-	1,170	-	-	2,036
-	-	-	-	22,070	-	-	22,070
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,240</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,106</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		513 Debt Service Fund	Total Nonmajor Governmental Funds
<b>REVENUES:</b>			
5700	Total Local and Intermediate Sources	\$ 208,050	\$ 475,215
5800	State Program Revenues	89,998	163,893
5900	Federal Program Revenues	-	576,600
5020	Total Revenues	<u>298,048</u>	<u>1,215,708</u>
<b>EXPENDITURES:</b>			
Current:			
0011	Instruction	-	360,235
0031	Guidance, Counseling and Evaluation Services	-	83,632
0035	Food Services	-	429,069
0036	Extracurricular Activities	-	96,906
0041	General Administration	-	10,622
Debt Service:			
0071	Principal on Long Term Debt	95,000	95,000
0072	Interest on Long Term Debt	171,929	171,929
0073	Bond Issuance Cost and Fees	821	821
6030	Total Expenditures	<u>267,750</u>	<u>1,248,214</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	30,298	(32,506)
<b>OTHER FINANCING SOURCES (USES):</b>			
7915	Transfers In	15,968	80,808
1200	Net Change in Fund Balance	46,266	48,302
0100	Fund Balance - September 1 (Beginning)	<u>283,920</u>	<u>305,990</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 330,186</u>	<u>\$ 354,292</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

	BALANCE SEPTEMBER 1 2014	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2015
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 48,881	\$ 190,129	\$ 191,272	\$ 47,738
Liabilities:				
Accounts Payable	\$ -	\$ 191,272	\$ 191,272	\$ -
Due to Other Funds	-	122	-	122
Due to Student Groups	48,881	190,007	191,272	47,616
Total Liabilities	\$ 48,881	\$ 381,401	\$ 382,544	\$ 47,738
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 48,881	\$ 190,129	\$ 191,272	\$ 47,738
Liabilities:				
Accounts Payable	\$ -	\$ 191,272	\$ 191,272	\$ -
Due to Other Funds	-	122	-	122
Due to Student Groups	48,881	190,007	191,272	47,616
Total Liabilities	\$ 48,881	\$ 381,401	\$ 382,544	\$ 47,738

*REQUIRED TEA SCHEDULES*



UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2006 and prior years	Various	Various	\$ Various
2007	1.321200	0.079600	210,329,154
2008	1.170000	0.100800	207,299,811
2009	1.170000	0.096250	225,517,473
2010	1.170000	0.124500	213,926,458
2011	1.170000	0.128530	185,993,239
2012	1.170000	0.124500	179,069,216
2013	1.170000	0.124500	172,221,086
2014	1.170000	0.124500	165,813,987
2015 (School year under audit)	1.170000	0.124500	166,252,430
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
\$ 57,478	\$ -	\$ 1,639	\$ 192	\$ (6,356)	\$ 49,291
16,310	-	495	34	554	16,335
28,412	-	1,532	131	(95)	26,654
19,997	-	2,100	174	(278)	17,445
24,144	-	3,186	314	(306)	20,338
24,733	-	4,854	517	34	19,396
36,541	-	6,708	714	384	29,503
50,211	-	13,623	1,450	3,521	38,659
86,355	-	28,863	3,071	(8,928)	45,493
-	2,152,138	1,864,423	198,394	-	89,321
<u>\$ 344,181</u>	<u>\$ 2,152,138</u>	<u>\$ 1,927,423</u>	<u>\$ 204,991</u>	<u>\$ (11,470)</u>	<u>\$ 352,435</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
 FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 203,130	\$ 203,130	\$ 169,206	\$ (33,924)
5800 State Program Revenues	5,745	5,745	5,903	158
5900 Federal Program Revenues	209,477	209,477	189,986	(19,491)
5020 Total Revenues	418,352	418,352	365,095	(53,257)
<b>EXPENDITURES:</b>				
0035 Food Services	457,299	457,299	429,069	28,230
6030 Total Expenditures	457,299	457,299	429,069	28,230
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(38,947)	(38,947)	(63,974)	(25,027)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	38,947	64,840	64,840	-
1200 Net Change in Fund Balances	-	25,893	866	(25,027)
0100 Fund Balance - September 1 (Beginning)	-	-	-	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ 25,893	\$ 866	\$ (25,027)

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - DEBT SERVICE FUND  
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 219,500	\$ 219,500	\$ 208,050	\$ (11,450)
5800 State Program Revenues	88,786	88,786	89,998	1,212
5020 Total Revenues	308,286	308,286	298,048	(10,238)
<b>EXPENDITURES:</b>				
Debt Service:				
0071 Principal on Long Term Debt	253,160	95,000	95,000	-
0072 Interest on Long Term Debt	-	171,929	171,929	-
0073 Bond Issuance Cost and Fees	-	1,000	821	179
6030 Total Expenditures	253,160	267,929	267,750	179
1100 Excess of Revenues Over Expenditures	55,126	40,357	30,298	(10,059)
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	14,769	15,968	1,199
1200 Net Change in Fund Balances	55,126	55,126	46,266	(8,860)
0100 Fund Balance - September 1 (Beginning)	283,920	283,920	283,920	-
3000 Fund Balance - August 31 (Ending)	\$ 339,046	\$ 339,046	\$ 330,186	\$ (8,860)

*INTERNAL CONTROL AND COMPLIANCE SECTION*





**MOORE, CAVER and SETSER, Inc.**  
**Certified Public Accountants**  
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Texas Society of CPAs

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Judy C. Moore, CPA

N. Preston Caver, CPA

Jalyn L. Setser, CPA

**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**

Independent Auditor's Report

Board of Trustees  
Union Grove Independent School District  
P.O. Box 1447  
Gladewater, Texas 75647

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 Union Grove Independent School District (the District) as of and for the year ended August 31, 2015 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2015.

**Internal Control Over Financial Reporting**

Management of Union Grove Independent School District is responsible for establishing and maintaining effective internal controls over financial reporting. In planning and performing our audit of the financial statements, we considered Union Grove 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 Union Grove Independent School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Union Grove Independent School District's internal control over financial reporting.

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

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which are considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Union Grove 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 instance of noncompliance or other matters that is 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.

This report is intended for the information of the district's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities, and is not intended to be used and should not be used by anyone other than these specified parties.

*Moore, Caver and Setser, Inc.*

MOOR, CAVER and SETSER, Inc.  
Certified Public Accountants

November 5, 2015



**MOORE, CAVER and SETSER, Inc.**  
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**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON  
INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF  
EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

Independent Auditor's Report

Board of Trustees  
Union Grove Independent School District  
P.O. Box 1447  
Gladewater, Texas 75647

**Report on compliance for Each Major Federal Program**

We have audited Union Grove Independent School District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Union Grove Independent School District's major federal programs for the year ended August 31, 2015. Union Grove 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 the requirements of laws, regulations, contracts, and grants applicable to its federal program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Union Grove 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Union Grove 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 on Union Grove Independent School District's compliance.

***Opinion on Each Major Federal Program***

In our opinion, Union Grove 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 program for the year ended August 31, 2015.

**Report on Internal Control Over Compliance**

Management of Union Grove Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning

and performing our audit of compliance, we considered Union Grove 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 OMB Circular A-133, but not for the purpose of expressing an opinion of the effectiveness of internal control over compliance. Accordingly we do not express an opinion on the effectiveness of Union Grove 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

This report is intended for the information and use of the District's trustees, the audit committee, the administration, Texas Education Agency, federal awarding agencies and pass-through entities and is not intended to be used and should not be used by anyone other than these specified parties.

#### **Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133**

We have audited the financial statements of Union Grove Independent School District as of and for the year ended August 31, 2015, and have issued our report thereon dated November 5, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Moore, Caver and Setser, Inc.*

MOORE, CAVER and SETSER, Inc.  
Certified Public Accountants

November 5, 2015

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2015

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**I. Summary of Auditor's Results**

1. Type of auditor's report issued on the financial statements: Unmodified
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. No internal control findings required to be reported in this schedule were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified
5. Did the audit disclose findings which are required to be reported under Sec. 510(a): No
6. Major programs include:

<u>CFDA #</u>	<u>Program</u>
84.048	Carl Perkins – Career and Technical Education

8. Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
9. Low risk auditee: Yes

**II. Findings Related to the Financial Statements**

The audit disclosed no findings or questioned costs required to be reported.

**III. Findings and Questioned Costs Related to the Federal Awards AA-1**

The audit disclosed no findings or questioned costs to be reported.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2015

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PRIOR YEAR'S FINDING/NONCOMPLIANCE

No audit findings during the prior audit year.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2015

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CORRECTIVE ACTION PLAN

There were no findings or questioned costs during the audit year ending August 31, 2015.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED AUGUST 31, 2015

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15610101230908	\$ 61,887
	84.010A	16610101230908	3,345
Total CFDA Number 84.010A			65,232
*IDEA - Part B, Formula	84.027	156610012309016610	96,816
SSA - Career and Technical - Basic Grant	84.048	15200006230908	194,301
SSA - Career and Technical - Basic Grant	84.048	16200006230908	16,351
Total CFDA Number 84.048			210,652
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15694501230908	13,914
Total Passed Through State Department of Education			\$ 386,614
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			<b>\$ 386,614</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	71401001	\$ 33,697
*National School Lunch Program - Cash Assistance	10.555	71401001	133,807
*National School Lunch Prog. - Non-Cash Assistance	10.555	71401001	22,482
Total CFDA Number 10.555			156,289
Total Child Nutrition Cluster			189,986
Total Passed Through the State Department of Agriculture			\$ 189,986
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b>\$ 189,986</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 576,600</b>

\*Clustered Programs

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2015

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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 and Expendable Trust Funds 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, the Expendable Trust Funds, and Agency Funds. This 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 deferred 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, OMB Circular A-133 Compliance Statement - Provisional 6/97.
4. CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555) and the School Breakfast Program (CFDA 10.553) The audit covering the District will identify commodity assistance by the CFDA number of the programs under which USDA donated the commodities.

SCHOOLS FIRST QUESTIONNAIRE

UNION GROVE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2015

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SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No
SF10	Total accumulated accretion on capital appreciation bonds included in government-wide financial statements at fiscal year end.	No



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REPORT TO MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE  
INDICATING THAT NO MATERIAL WEAKNESSES IN INTERNAL CONTROLS  
OVER FINANCIAL REPORTING WERE IDENTIFIED IN THE AUDIT

Board of Trustees  
Union Grove Independent School District

Members of the Board:

We have audited the financial statements of the Union Grove Independent School District for the year ended August 31, 2015 and have issued our report thereon dated November 5, 2015. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America**

In planning and performing our audit of the financial statements of Union Grove Independent School District as of and for the year ended August 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered The District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 misstatements on a timely basis. A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identified any deficiencies in internal control that we consider to be material weaknesses, as defined above.

**Significant Accounting Policies**

We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

**Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

**Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the District's financial reporting process (that is, cause future financial statements to be materially misstated). Our journal entries mainly related to adjustments necessary to year end accounting. Most of these journal entries are typically considered the responsibility of the District. For the current audit period, management and the audit team agreed on the appropriateness of all entries made.

**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of the audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Contracting Audit**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to contracting or retention as the District auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition of our contractual agreement or future retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit. All information needs were met in a complete and expedient manner. I wish to commend the Superintendent and Business Manager as well as the other administration staff for the quality in which they perform these duties. In addition, I wish to commend the directors of each department for the efficient manner that they assisted our team during the audit and the receptiveness to comments and suggestions we may have made.

This communication is intended solely for the information and use of management, the Board of Trustees, others within the organization, the School Financial Audits Division of Texas Education Agency, and is not intended to be and should not be used by anyone other than these specified parties.

*Moore, Caver and Setser, Inc.*

MOORE, CAVER and SETSER, Inc.

Certified Public Accountants

November 5, 2015