

**UNION GROVE INDEPENDENT SCHOOL DISTRICT**  
ANNUAL FINANCIAL REPORT FOR THE  
YEAR ENDED AUGUST 31, 2016

*Caver and Setser, Inc.*  
Certified Public Accountants

**UNION GROVE INDEPENDENT SCHOOL DISTRICT**



**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
for the Year Ended August 31, 2016**

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**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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**CERTIFICATE OF BOARD**

Union Grove Independent School District

Upshur

230-908

Name of District

County

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, 2016, at a meeting of the Board of Trustees of such school district on the 14th day of November 2016.

  
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*





**CAVER and SETSER, Inc.**

**Certified Public Accountants**

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Member  
American Institute of CPAs  
Texas Society of CPAs  
Governmental Audit Quality Center

---

N. Preston Caver, CPA

Jalyn L. Setser, CPA

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

Independent Auditor's Report

Board of Trustees  
Union Grove Independent School District

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of Union Grove Independent School District (the District) as of and for the year ended August 31, 2016, 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, the business-type activities, and the aggregate remaining fund information of Union Grove Independent School District as of August 31, 2016, 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 and other required supplementary 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, internal service and trust funds 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 combining and individual non major fund, internal service and trust funds financial statements 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 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 October 27, 2016, 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.

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.

*Caver and Setser, Inc.*

CAVER and SETSER, Inc.  
Certified Public Accountants

October 27, 2016



**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2016**

**-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, 2016. 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 \$662,448 as a result of this year's operations. Program revenues accounted for \$1,335,297 or 15.3% of total revenue, and general revenues accounted for \$7,376,753 or 84.7%.

During the year, the District had expenses that were \$662,448 more than the \$8,712,050 generated in tax and other revenues for governmental programs (before special items).

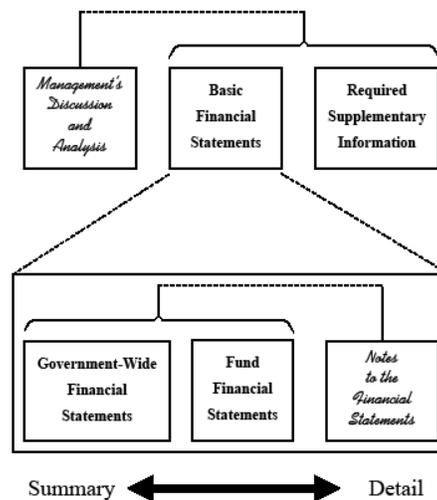
On Exhibit C-1, the general fund reported a positive fund balance of \$4,241,049.

**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, 2016**

**-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.

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

**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, 2016**

**-UNAUDITED-**

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 page 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 \$10,337,291 to \$9,674,843. 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 \$3,019,423 at August 31, 2016.





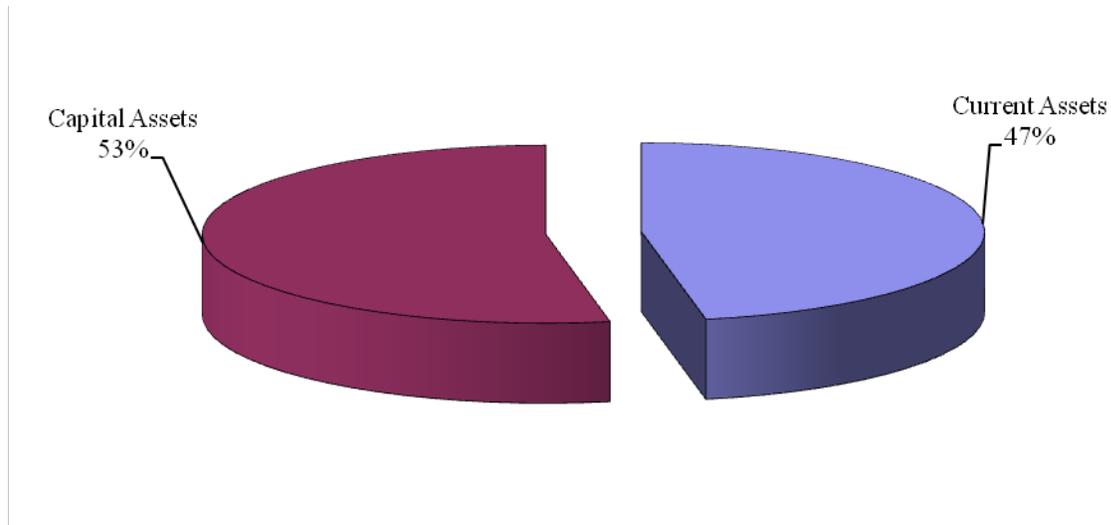
**Management's Discussion and Analysis  
 Union Grove Independent School District  
 For the Fiscal Year Ended August 31, 2016**

-UNAUDITED-

**Table I  
 Union Grove Independent School  
 District**

**NET POSITION**

	Governmental Activities 2016	Governmental Activities 2015
Current and other assets	\$ 11,986,100	\$15,340,062
Capital assets	13,519,621	10,483,311
Total assets	<u>25,505,721</u>	<u>25,823,373</u>
Deferred Outflows of Resources (Pension)	<u>858,874</u>	<u>162,276</u>
Long-term liabilities	15,882,784	15,189,341
Other liabilities	700,265	296,110
Total liabilities	<u>16,583,049</u>	<u>15,485,451</u>
Deferred Inflows of Resources (Pension)	<u>106,703</u>	<u>162,907</u>
Net Position:		
Invested in capital assets net of related debt	5,410,298	5,645,797
Restricted	1,245,122	330,186
Unrestricted	3,019,423	4,361,308
Total net position	<u><u>9,674,843</u></u>	<u><u>10,337,291</u></u>





**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2016**

-UNAUDITED-

**Table II  
Union Grove Independent School District**

**CHANGES IN NET POSITION**

	%	Governmental Activities 2016	Governmental Activities 2015
	Change		
<b>Revenues:</b>			
Program Revenues:			
Charges for Services	(8.4)	\$ 386,736	\$ 422,072
Operating grants and contributions	(3.8)	948,561	986,019
General Revenues:			
Maintenance and operations taxes	(10.8)	1,723,615	1,933,349
Debt Service Taxes	151.2	515,600	205,238
Grants and contributions – not restricted	(2.5)	4,711,951	4,835,079
Investment Earnings	85.4	74,530	40,192
Miscellaneous	455.4	351,057	63,206
Total Revenue	2.7	8,712,050	8,485,155
<b>Expenses:</b>			
Instruction, curriculum and media services	4.3	4,836,611	4,636,690
Instructional and school leadership	0.1	524,279	523,818
Student support services	4.4	485,923	465,296
Child nutrition	(11.7)	414,305	469,248
Co curricular activities	14.3	731,732	640,229
General administration	9.4	571,012	521,900
Plant maintenance, security & data processing	2.0	1,111,211	1,089,660
Debt – Interest and Fees	61.0	544,580	338,336
Payments to fiscal agents and miscellaneous	12.2	154,845	137,989
Total Expenses	6.2	9,374,498	8,823,166
Increase in net position before transfers and spec. items		(662,448)	(338,011)
Prior Period Adjustment (Pension)		-0-	(603,376)
Net position at 9/1		10,337,291	11,278,678
Net position at 8/31		\$ 9,674,843	\$ 10,337,291

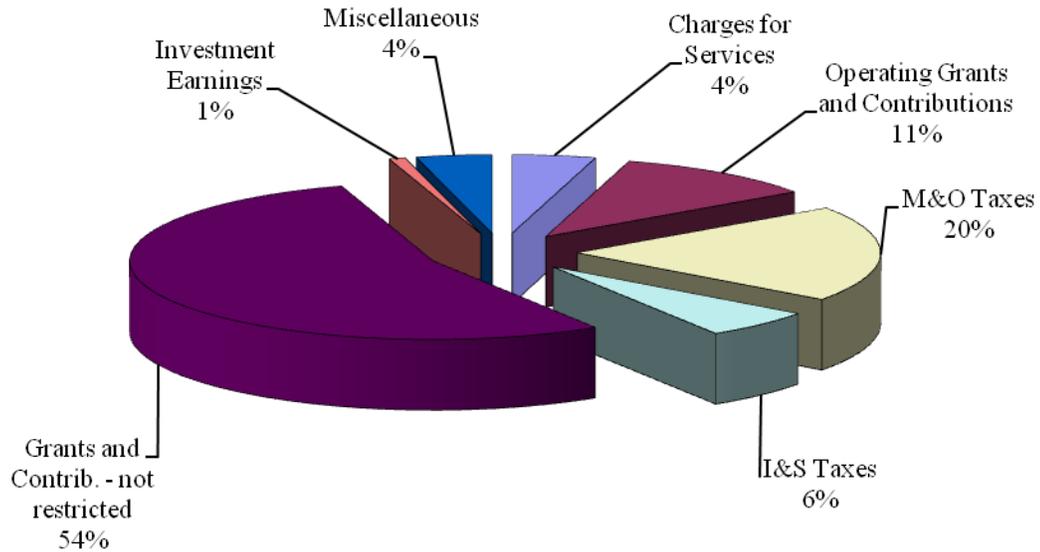




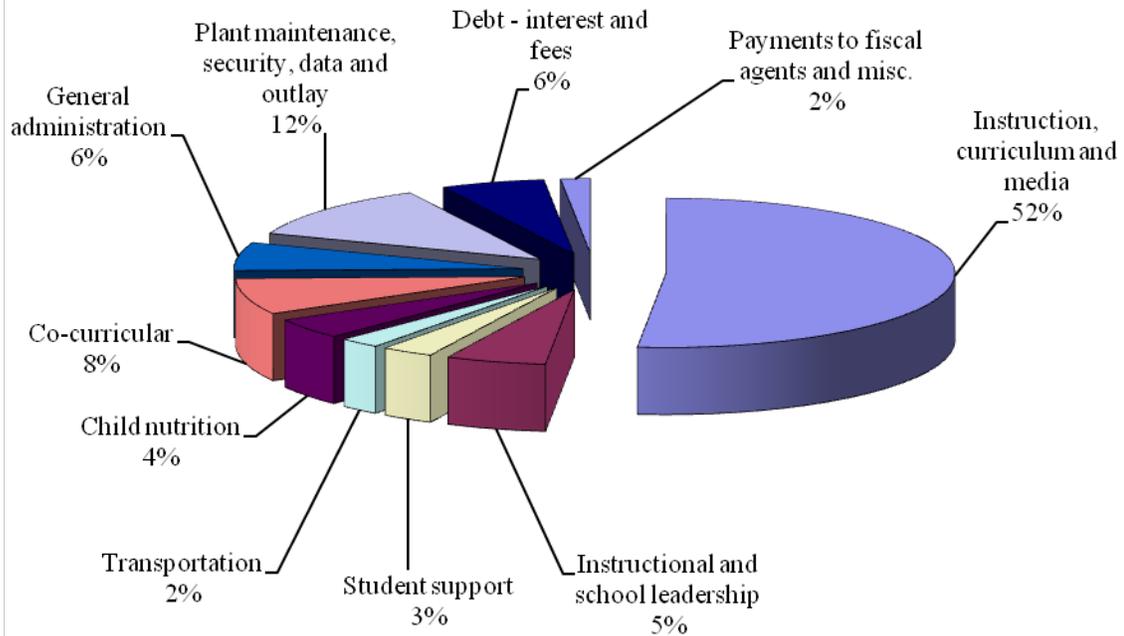
**Management's Discussion and Analysis  
Union Grove Independent School District  
For the Fiscal Year Ended August 31, 2016**

**-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, 2016**

**-UNAUDITED-**

During the year ended August 31, 2016, the total cost of all programs and services increased by 6.2%. Expenditures directly impacting classroom and health services (function coded 1x-34) increased by \$221,009, or 3.9%.

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 \$9,374,498. 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 \$2,239,215 because some of the costs were paid by those who directly benefited from the programs (\$386,736) or by other governments and organizations that subsidized certain programs with grants and contributions (\$948,561) or by unrestricted grants, useage of fund balance, and other revenue (\$5,799,986).

### **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 \$10,947,340, which is below last year's total of \$14,732,311. Included in this year's total change in fund balance is a decrease of \$422,617 in the District's General Fund and an decrease of \$3,375,272 in the Capital Project's Fund.

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 2015). 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 \$4,241,048 reported on pages 17 differs from the General Fund's budgetary fund balance of \$4,206,619 reported in the budgetary comparison schedule on page 48.

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

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

At the end of 2016, the District had \$20,979,249 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 \$3,576,267 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, 2016**

**-UNAUDITED-**

***Debt***

At year-end, the District had outstanding bonds of \$13,548,000, which was an decrease of \$161,000, a decrease of 1.2% of the beginning bond balance.

**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 2017. Amounts available for appropriation in the General Fund budget are \$6.941 million, an decrease of 3.2 percent over the final 2016 budget of \$7.173 million. Budgeted expenditures are expected to decrease 4.8 percent in 2016/17 and the District has added no major new programs or initiatives to the 2017 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by \$320,629 at the close of 2017.

**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, 2016

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 7,637,319
1120 Current Investments	3,606,575
1220 Property Taxes Receivable (Delinquent)	381,309
1230 Allowance for Uncollectible Taxes	(26,691)
1240 Due from Other Governments	371,598
1250 Accrued Interest	901
1290 Other Receivables, net	630
1300 Inventories	10,457
1410 Prepayments	4,002
Capital Assets:	
1510 Land	639,546
1520 Buildings, Net	8,719,539
1530 Furniture and Equipment, Net	482,328
1580 Construction in Progress	3,678,208
1000 Total Assets	25,505,721
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1705 Deferred Outflow Related to TRS	858,874
1700 Total Deferred Outflows of Resources	858,874
<b>LIABILITIES</b>	
2110 Accounts Payable	36,204
2150 Payroll Deductions & Withholdings	2,661
2160 Accrued Wages Payable	179,458
2180 Due to Other Governments	431,112
2200 Accrued Expenses	3,944
2300 Unearned Revenue	46,886
Noncurrent Liabilities	
2501 Due Within One Year	167,000
2502 Due in More Than One Year	14,281,406
2540 Net Pension Liability (District's Share)	1,434,378
2000 Total Liabilities	16,583,049
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS	106,703
2600 Total Deferred Inflows of Resources	106,703
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	5,410,298
3850 Restricted for Debt Service	327,798
3860 Restricted for Capital Projects	880,000
3890 Restricted for Other Purposes	37,324
3900 Unrestricted	3,019,423
3000 Total Net Position	\$ 9,674,843

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, 2016

Data Control Codes	1	Program Revenues		6
		3	4	
	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	\$ 4,717,435	\$ 101,332	\$ 497,808	\$ (4,118,295)
12 Instructional Resources and Media Services	110,607	-	5,176	(105,431)
13 Curriculum and Staff Development	8,569	-	-	(8,569)
23 School Leadership	524,279	-	21,105	(503,174)
31 Guidance, Counseling and Evaluation Services	186,416	-	91,931	(94,485)
33 Health Services	86,544	-	5,141	(81,403)
34 Student (Pupil) Transportation	212,963	-	8,440	(204,523)
35 Food Services	414,305	165,915	214,724	(33,666)
36 Extracurricular Activities	731,732	119,489	44,444	(567,799)
41 General Administration	521,817	-	32,020	(489,797)
51 Facilities Maintenance and Operations	905,903	-	27,772	(878,131)
52 Security and Monitoring Services	40,672	-	-	(40,672)
53 Data Processing Services	148,836	-	-	(148,836)
72 Debt Service - Interest on Long Term Debt	543,404	-	-	(543,404)
73 Debt Service - Bond Issuance Cost and Fees	1,176	-	-	(1,176)
81 Capital Outlay	15,800	-	-	(15,800)
93 Payments related to Shared Services Arrangements	154,845	-	-	(154,845)
99 Other Intergovernmental Charges	49,195	-	-	(49,195)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,374,498	\$ 386,736	\$ 948,561	(8,039,201)

Data Control Codes	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	1,723,615
DT	Property Taxes, Levied for Debt Service	515,600
GC	Grants and Contributions not Restricted	4,711,951
IE	Investment Earnings	74,530
MI	Miscellaneous Local and Intermediate Revenue	342,477
FR	Sale of Property	8,580
TR	Total General Revenues & Transfers	7,376,753
CN	Change in Net Position	(662,448)
NB	Net Position - Beginning	10,337,291
NE	Net Position--Ending	\$ 9,674,843

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,091,698	\$ 6,339,080	\$ 206,541	\$ 7,637,319
1120 Investments - Current	3,356,575	-	250,000	3,606,575
1220 Property Taxes - Delinquent	293,546	-	87,763	381,309
1230 Allowance for Uncollectible Taxes (Credit)	(20,548)	-	(6,143)	(26,691)
1240 Receivables from Other Governments	349,009	-	22,589	371,598
1250 Accrued Interest	901	-	-	901
1260 Due from Other Funds	107,833	-	24,882	132,715
1290 Other Receivables	630	-	-	630
1300 Inventories	-	-	10,457	10,457
1410 Prepayments	2,696	-	1,306	4,002
1000 Total Assets	<u>\$ 5,182,340</u>	<u>\$ 6,339,080</u>	<u>\$ 597,395</u>	<u>\$ 12,118,815</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 23,806	\$ -	\$ 12,399	\$ 36,205
2150 Payroll Deductions and Withholdings Payable	2,660	-	1	2,661
2160 Accrued Wages Payable	166,259	-	13,199	179,458
2170 Due to Other Funds	24,882	-	107,833	132,715
2180 Due to Other Governments	421,180	-	9,932	431,112
2200 Accrued Expenditures	2,987	-	957	3,944
2300 Unearned Revenues	41,098	-	5,788	46,886
2000 Total Liabilities	<u>682,872</u>	<u>-</u>	<u>150,109</u>	<u>832,981</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	258,419	-	80,075	338,494
2600 Total Deferred Inflows of Resources	<u>258,419</u>	<u>-</u>	<u>80,075</u>	<u>338,494</u>
<b>FUND BALANCES</b>				
Nonspendable Fund Balance:				
3410 Inventories	-	-	2,089	2,089
Restricted Fund Balance:				
3480 Retirement of Long-Term Debt	-	-	327,798	327,798
3490 Other Restricted Fund Balance	-	-	37,324	37,324
Committed Fund Balance:				
3510 Construction	2,118,504	6,339,080	-	8,457,584
3530 Capital Expenditures for Equipment	880,000	-	-	880,000
3600 Unassigned Fund Balance	1,242,545	-	-	1,242,545
3000 Total Fund Balances	<u>4,241,049</u>	<u>6,339,080</u>	<u>367,211</u>	<u>10,947,340</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 5,182,340</u>	<u>\$ 6,339,080</u>	<u>\$ 597,395</u>	<u>\$ 12,118,815</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, 2016

<b>Total Fund Balances - Governmental Funds</b>	\$	10,947,340
<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 \$17,402,981 and the accumulated depreciation was (\$6,919,670). 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 decrease net position.		(4,173,485)
<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 2016 capital outlays and debt principal payments is to increase net position.		3,784,657
<b>3</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 1,434,378, a Deferred Resource Inflow related to TRS in the amount of \$106,703 and a Deferred Resource Outflow related to TRS in the amount of \$858,874. This amounted to a decrease in Net Position in the amount of \$682,207.		(682,207)
<b>4</b> The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(539,957)
<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, 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 net position.		338,495
<b>19 Net Position of Governmental Activities</b>	\$	9,674,843

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, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 1,951,475	\$ 59,420	\$ 771,315	\$ 2,782,210
5800 State Program Revenues	4,959,844	-	145,395	5,105,239
5900 Federal Program Revenues	-	-	555,273	555,273
5020 Total Revenues	<u>6,911,319</u>	<u>59,420</u>	<u>1,471,983</u>	<u>8,442,722</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	3,917,140	-	278,682	4,195,822
0012 Instructional Resources and Media Services	98,631	-	-	98,631
0013 Curriculum and Instructional Staff Development	2,157	-	-	2,157
0023 School Leadership	467,412	-	-	467,412
0031 Guidance, Counseling and Evaluation Services	87,132	-	87,849	174,981
0033 Health Services	78,759	-	-	78,759
0034 Student (Pupil) Transportation	235,844	-	-	235,844
0035 Food Services	-	-	380,288	380,288
0036 Extracurricular Activities	567,079	-	82,404	649,483
0041 General Administration	483,794	-	9,388	493,182
0051 Facilities Maintenance and Operations	881,251	-	-	881,251
0052 Security and Monitoring Services	40,672	-	-	40,672
0053 Data Processing Services	143,679	-	-	143,679
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	66,000	-	95,000	161,000
0072 Interest on Long Term Debt	8,273	-	535,131	543,404
0073 Bond Issuance Cost and Fees	270	-	906	1,176
<b>Capital Outlay:</b>				
0081 Facilities Acquisition and Construction	49,800	3,434,692	-	3,484,492
<b>Intergovernmental:</b>				
0093 Payments to Fiscal Agent/Member Districts of SSA	154,845	-	-	154,845
0099 Other Intergovernmental Charges	49,195	-	-	49,195
6030 Total Expenditures	<u>7,331,933</u>	<u>3,434,692</u>	<u>1,469,648</u>	<u>12,236,273</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(420,614)</u>	<u>(3,375,272)</u>	<u>2,335</u>	<u>(3,793,551)</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7912 Sale of Real and Personal Property	8,580	-	-	8,580
7915 Transfers In	-	-	10,678	10,678
8911 Transfers Out (Use)	(10,583)	-	-	(10,583)
8949 Other (Uses)	-	-	(95)	(95)
7080 Total Other Financing Sources (Uses)	<u>(2,003)</u>	<u>-</u>	<u>10,583</u>	<u>8,580</u>
1200 Net Change in Fund Balances	(422,617)	(3,375,272)	12,918	(3,784,971)
0100 Fund Balance - September 1 (Beginning)	<u>4,663,666</u>	<u>9,714,352</u>	<u>354,293</u>	<u>14,732,311</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 4,241,049</u>	<u>\$ 6,339,080</u>	<u>\$ 367,211</u>	<u>\$ 10,947,340</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, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	\$	(3,784,971)
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 2016 capital outlays and debt principal payments is to increase net position.		3,784,657
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.		(539,957)
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, 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 decrease net position.		26,854
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 8/31/2015 caused the change in the ending net position to increase in the amount of \$149,464. Contributions made before the measurement but during the 2014 FY were also expended in the 2015 FY and recorded as an increase in net pension expense for the District. This caused a increase in the change in net position totaling \$120,388. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$57,527. Other changes related to adjusting the begining Deferred Outflows resulted in a decrease of \$63,294. The net result is to increase (decrease) the change in net position by \$149,031.		(149,031)
<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b>(662,448)</b>

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, 2016

	Private Purpose Trust Fund	Agency Fund
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 13,582	\$ 54,981
Total Assets	<u>13,582</u>	<u>54,981</u>
<b>LIABILITIES</b>		
Due to Student Groups	-	\$ 54,981
Total Liabilities	<u>-</u>	<u>54,981</u>
<b>NET POSITION</b>		
Restricted for Scholarships	<u>13,582</u>	
Total Net Position	<u>\$ 13,582</u>	

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, 2016

	Private Purpose Trust Fund
<b>ADDITIONS:</b>	
Local and Intermediate Sources	\$ 7,650
Total Additions	<u>7,650</u>
<b>DEDUCTIONS:</b>	
Other Operating Costs	<u>6,500</u>
Total Deductions	<u>6,500</u>
Change in Net Position	1,150
Total Net Position - September 1 (Beginning)	<u>12,432</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 13,582</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, 2016**

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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, 2016**

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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 explanation 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 revenue 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, 2016**

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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, 2016**

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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 Fund is 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, 2016.

**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 personal days off based on category/class of employment. Personal days off are allowed to be

**UNION GROVE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2016**

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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, 2016, 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 \$2.0 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2015, the Fund carries a discounted reserve of \$58,364,320 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2016, 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, 2015 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.

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016**

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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, 2016, Nonspendable (inventory) Fund Balance included \$2,089 for foodstuffs, Restricted Fund Balance included \$37,324 in various Special Revenue Funds and \$327,798 in the Debt Service Fund. Committed Fund Balance included \$8,457,584 for construction and \$880,000 for equipment in the General Fund and \$6,339,080 for construction in the Capital Projects Fund. Unassigned Fund Balance totaled \$1,242,545 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 investment 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, 2016, 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, 2016, the Fund anticipates Union Grove ISD has no additional liability beyond the contractual obligations for payment contributions.

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

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of the following year. The Fund's audited financial statements as of August 31, 2015, 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.

**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**

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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	639,546		639,546	
Buildings and Improvements	14,765,352	5,650,806	9,114,546	
Furniture & Equipment	1,754,567	1,268,864	485,703	
Construction in Process	243,516		243,516	
Change in Net Position				<u>10,483,311</u>
			<u>Payables at the Beginning of the Year</u>	
<u>Long-term Liabilities At the Beginning of the Year</u>			13,709,000	
Bonds Payable			947,796	
Bond Premium				
Change in Net Position				<u>14,656,796</u>
Net Adjustment to Net Position				<u>(4,173,485)</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	34,000		
Construction in Progress	107,575		
Furniture, Fixtures & Equip.	<u>3,434,692</u>		
Total Capital Outlay	<u>3,576,267</u>	3,576,267	3,576,267
<u>Principal Payments</u>			
Bond Premium Amortization	47,390		
Bond Principal	<u>161,000</u>		
Total Principal Payments	<u>208,390</u>	<u>208,390</u>	<u>208,390</u>
Total Adjustment to Net Position		<u>3,784,657</u>	<u>3,784,657</u>

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:

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	<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	61,451	(61,451)	
Uncollected Taxes (assumed collectible) from CY Levy	88,305	88,305	88,305
Uncollected Taxes (assumed collectible) from PY Levy	250,190		250,190
Other Adjustments			
Total		<u>26,854</u>	<u>338,495</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, 2016 Fund Balance</u>
Restricted Budget Funds – Various Funds	\$ 37,324
Restricted Budget Funds – Debt Service	327,798
Restricted Budget Funds – Capital Projects	<u>6,339,080</u>
All Special Revenue Funds	<u>\$6,704,202</u>

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-
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A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2016.

**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, 2016, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$11,311,657 and the bank balance was \$11,334,853. During the year ended August 31, 2016, 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) \$-0- and (TBT) \$15,186,886.
- c. The largest combined balances of cash, savings, and time deposit accounts' aggregate balance was (FNB) \$36,342 on September 28, 2015 and (TBT) \$14,287,014 on December 7, 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

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.

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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 Deposit at August 31, 2016.

	Category 1	Category 2	Category 3	Carrying Amount	Market Value
Certificates of Deposit:					
General Fund	3,356,575			3,356,575	3,356,575
Debt Service Fund	250,000			250,000	250,000
Total	<u>3,606,575</u>			<u>3,606,575</u>	<u>3,606,575</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, 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, 2016

*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, 2016.

*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 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, 2016.

*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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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**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, 2016, to finance General Fund operations and Debt Service was \$1.17000 and .349800 respectively, per \$100 valuation. The assessed value of the property tax roll on January 1, 2015, upon which the levy for the 2015-16 fiscal year was based, was \$148,575,865. The roll was subsequently decreased to a year-end assessed value of \$147,888,283.

Current tax collections for the year ended August 31, 2016 were 98.65% of the year-end adjusted tax levy. As of August 31, 2016, property taxes receivable, net of estimated uncollectible taxes, totaled \$272,998 for the General Fund and \$81,620 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, 2016, 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	\$349,009	\$107,833	\$630	\$457,472
Agency Funds	-0-	-0-	-0-	-0-
Capital Projects Fund	-0-	-0-	-0-	-0-
Various Special Revenue Funds	<u>22,589</u>	<u>24,882</u>	<u>-0-</u>	<u>47,471</u>
Total - Governmental Activities	<u>\$371,598</u>	<u>\$132,715</u>	<u>\$630</u>	<u>\$504,943</u>
Amounts not scheduled for collection during the subsequent year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

Payables at August 31, 2016, were as follows:

	<u>Accrued Exp. &amp; Accounts Payable</u>	<u>Due To Other Funds</u>	<u>Due to Other Governments</u>	<u>Accrued Wages Payable</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>					
General Fund	\$26,793	\$24,882	\$421,180	\$168,919	\$641,774
Agency Funds	-0-	-0-	-0-	-0-	-0-
Capital Projects Fund	-0-	-0-	-0-	-0-	-0-
Various Special Revenue Funds	<u>13,356</u>	<u>107,833</u>	<u>9,932</u>	<u>13,200</u>	<u>144,321</u>
Total - Gov. Activities	<u>\$40,149</u>	<u>\$132,715</u>	<u>\$431,112</u>	<u>\$182,119</u>	<u>\$786,095</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>

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**E. INTERFUND PAYABLES AND RECEIVABLES**

Interfund balances at August 31, 2016, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Fund	24,882	107,833
Special Revenue:		
Student Activity Fund	-0-	
General Fund	107,833	24,882
Total	\$132,715	\$132,715

**F. INTERFUND TRANSFERS**

The General Fund transferred \$10,583 to the Nutrition Fund during the year ended August 31, 2016.

**G. CAPITAL ASSET ACTIVITY**

Capital asset activity for the District for the year ended August 31, 2016, was as follows:

	Primary Government			Balance 8/31
	Balance 9/1	Addition	Deletions	
Land	\$ 639,546	\$ -0-	\$-0-	\$ 639,546
Buildings and Impr.	14,765,352	34,000	-0-	14,799,352
Furniture & Equipment	1,754,567	107,575	-0-	1,862,142
Construction in Progress	243,516	3,434,692	-0-	3,678,208
Total at Historical Cost	\$17,402,981	\$3,576,267	\$-0-	\$20,979,248

	Primary Government			Balance 8/31
	Balance 9/1	Addition	Deletions	
Less Accumulated Depreciation for:				
Buildings & Impr.	\$5,650,806	\$429,007	\$-0-	\$6,079,813
Furniture and Equipment	1,268,864	110,950	-0-	1,379,814
Total Accumulated Depreciation	\$6,919,670	\$539,957	\$-0-	\$7,459,627

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 265,520
Curriculum Development	7,815
Instructional Resources and Media	6,412
School Leadership	25,543
Guidance, Counseling, & Evaluation Services	3,485
Health Services	3,484
Student Transportation	60,025
Food Services	42,912
Extracurricular Activities	66,757
General Administration	28,416
Plant Maintenance and Operations	24,431
Data Processing	5,157
Total Depreciation Expense	\$ 539,957

**H. LOANS PAYABLE**

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

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**I. COMMITMENTS UNDER LEASES**

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2016, as follows: the District had operating lease expenditures for the year ending August 31, 2016 totaling \$13,000.

Capital Leases

The District had no lease commitments classified as capital leases during the year ending August 31, 2016.

**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, 2016:

<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	\$4,035,000	\$-0-	\$ 95,000	\$3,940,000	\$ 100,000
2015 Unlimited Building Bonds	9,115,000	-0-	-0-	9,115,000	-0-
Qualified Zone Acad. Tax and Rev. Ser 2007	<u>559,000</u>	<u>-0-</u>	<u>66,000</u>	<u>493,000</u>	<u>67,000</u>
Total Indebtedness	<u>\$13,709,000</u>	<u>\$-0-</u>	<u>\$161,000</u>	<u>\$13,548,000</u>	<u>\$ 167,000</u>
Bond Premium	<u>\$947,796</u>	<u>\$-0-</u>	<u>\$47,390</u>	<u>\$900,406</u>	

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>\$13,870,000</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 August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
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	427,000	505,285	932,285
2022-2026	2,157,000	2,302,477	4,459,477
2027-2031	2,450,000	1,860,906	4,310,906
2032-2036	2,980,000	1,324,075	4,304,075
2037-2041	3,680,000	614,422	4,294,422
2042	<u>475,000</u>	<u>23,750</u>	<u>498,750</u>
Totals	<u>\$13,548,000</u>	<u>\$8,752,642</u>	<u>\$22,300,642</u>

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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, 2016.

**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:

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
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	110,000	143,019	253,019
2022-2026	625,000	647,031	1,272,031
2027-2031	750,000	509,531	1,259,531
2032-2036	920,000	343,050	1,263,050
2037-2041	<u>1,125,000</u>	<u>127,422</u>	<u>1,252,422</u>
Totals	<u>\$3,940,000</u>	<u>\$2,369,503</u>	<u>\$ 6,309,503</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 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>
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	72,000	3,241	75,241
2022	<u>147,000</u>	<u>3,272</u>	<u>150,272</u>
Totals	<u>\$493,000</u>	<u>\$29,689</u>	<u>\$522,689</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>
2017	-	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	245,000	359,025	604,025
2022-2026	1,385,000	1,652,175	3,037,175
2027-2031	1,700,000	1,351,375	3,051,375
2032-2036	2,060,000	981,025	3,041,025
2037-2041	<u>3,030,000</u>	<u>510,750</u>	<u>3,540,750</u>
Totals	<u>\$9,115,000</u>	<u>\$6,353,450</u>	<u>\$15,468,450</u>

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

Retiree Health Care Coverage

**Plan Description.** Union Grove ISD participates in 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 provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants 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 writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, [www.trs.state.tx.us](http://www.trs.state.tx.us) under the TRS Publications heading.

**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 Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. 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 staff members funded by federal programs, the federal programs are required to contribute 1.0 %.

Active Employee Health Care Coverage

**Plan Description.** The District participates in TRS Active Care sponsored by the Teacher Retirement System of Texas and administered through Aetna and Caremark (pharmacy). TRS-Active Care provides health care coverage to employees (and their dependents) of participating public education entities. Optional life and long-term care insurance are also provided to active members and retirees. Authority for the plan can be found in the Texas Insurance Code, Title 8, Subtitle H, Chapter 1579 and in the Texas Administrative Code, Title 34, Part 3, Chapter 41. The plan began operations on September 1, 2002. This is a premium-based plan. Payments are made on a monthly basis for all covered employees.

**L. DEFERRED 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)	\$258,419	\$ -0-	\$80,075	\$338,494
Other Deferred	<u>41,098</u>	<u>5,788</u>	<u>-0-</u>	<u>46,886</u>
Totals	<u>\$299,517</u>	<u>\$5,788</u>	<u>\$80,075</u>	<u>\$385,380</u>

**M. 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, 2016, are summarized below. All federal grants shown below are

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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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-	\$349,009	\$ -0-	\$349,009
Special Revenue	-0-	22,589	-0-	22,589
Total	\$ -0-	\$371,598	\$ -0-	\$371,598

**N. 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	\$1,716,728	\$ -0-	\$501,618	\$-0-	\$2,218,346
Food Sales	-0-	165,915	-0-	-0-	165,915
Investment Income	27,429	44,889	2,212	35	74,565
Penalties, interest and other tax related income	50,850	-0-	6,185	-0-	57,035
Tuition and Fees	65,961	-0-	-0-	-0-	65,961
Co-curricular student activities	32,099	-0-	-0-	-0-	32,099
Other (Incl. Gifts and Bequests)	58,408	109,916	-0-	7,615	175,939
Total	\$1,951,475	\$320,720	\$510,015	\$7,650	\$2,789,860

**O. 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 statements.
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, 2016 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.

**P. 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:

(per TEA Listing)

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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<u>Member District</u>	<u>Allocation – all sources</u>	<u>Amount</u>
Alba Golden ISD	12,549	\$4,759
Arp ISD	9,303	4,759
Beckville ISD	5,754	4,759
Big Sandy ISD	11,816	4,759
Harleton ISD	5,252	4,759
Harmony ISD	9,417	4,734
Hawkins ISD	9,150	4,759
Martins' Mill ISD	4,092	4,757
New Diana ISD	11,895	4,759
Ore City ISD	7,705	2,546
Quitman ISD	13,479	4,759
Tatum ISD	9,823	4,759
Troup ISD	12,550	4,759
Union Grove ISD	6,186	3,326
Union Hill ISD	3,425	4,759
Waskom ISD	7,070	4,659
White Oak ISD	12,993	4,759
Winnsboro ISD	16,395	4,759
Winona ISD	11,080	<u>4,748</u>
Total		<u>\$86,637</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:

<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.

**Q. SUBSEQUENT EVENTS**

None Noted.

**R. 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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016**

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reporting entity. For the year ended August 31, 2016, Union Grove ISD recognized amounts for Medicare Part D on-behalf payments totaling \$14,295.

**S. 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 to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$163,887,375,175
Less: Plan Fiduciary Net Position	<u>(128,538,706,212)</u>
Net Pension Liability	<u>\$35,348,668,960</u>
 Net Position as percentage of Total Pension Liability	 78.43%

**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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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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 2016 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. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

	<u>2014</u>	<u>2015</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer 092-901 - 2015 Employer Contributions	\$120,388	
Employer 092-901 - 2015 Member Contributions	\$ 340,731	
Employer 092-901 - 2015 NECE On-behalf Contributions	\$ 272,075	

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

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

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

In addition to the employer contributions listed above, 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, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
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Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

## 6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. 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 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, 2015 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%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
<b>Stable Value</b>			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Hedge Funds (Stable Value)	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
<b>Risk Parity</b>			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
<b>Total</b>	<b>100%</b>		<b>8.7%</b>

\* 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 2015 Net Pension Liability.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
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	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Union Grove CISD's proportionate share of the net pension liability:	\$2,247,400	\$1,434,378	\$757,181

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

At August 31, 2016, the District reported a liability of \$1,434,378 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	\$1,434,378
State's proportionate share that is associated with District	<u>\$3,247,043</u>
Total	<u>\$4,681,421</u>

The net pension liability was measured as of August 31, 2015 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, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was 0.0040578%, which was an increase of .0020641% from its proportion measurement as of August 31, 2014.

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

*Economic Assumptions*

- I. The inflation assumption was decreased from 3.00% to 2.50%.
- II. The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- III. In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- IV. The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

- V. The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- VI. The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- VII. The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED AUGUST 31, 2016**

*Other Demographic Assumptions*

- VIII. Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- IX. There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- X. Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- XI. Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- XII. For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

- XIII. The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

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

For the measurement period ended August 31, 2015, the District recognized pension expense of \$462,651 and revenue of \$462,651 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2016, 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	\$6,850	\$55,124
Changes in actuarial assumptions	\$28,789	\$51,172
Difference between projected and actual investment earnings	\$231,180	\$-0-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$471,667	\$407
Total as of August 31, 2015 measurement date	\$738,486	\$106,703
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	\$120,388	-0-
Total net amounts, as of August 31, 2015 Measurement Date	\$858,874	\$106,703

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  
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	Pension Expense Amount
2017	\$116,658
2018	\$116,658
2019	\$116,659
2020	\$157,349
2021	\$68,614
Thereafter	\$55,845

*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, 2016

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	\$ 2,029,059	\$ 2,050,059	\$ 1,951,475	\$ (98,584)
5800	State Program Revenues	5,122,791	5,122,791	4,959,844	(162,947)
5020	Total Revenues	7,151,850	7,172,850	6,911,319	(261,531)
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	3,852,354	3,940,359	3,917,140	23,219
0012	Instructional Resources and Media Services	109,827	111,377	98,631	12,746
0013	Curriculum and Instructional Staff Development	5,400	5,400	2,157	3,243
0023	School Leadership	529,051	496,251	467,412	28,839
0031	Guidance, Counseling and Evaluation Services	87,284	87,284	87,132	152
0033	Health Services	83,348	83,398	78,759	4,639
0034	Student (Pupil) Transportation	340,134	348,334	235,844	112,490
0036	Extracurricular Activities	487,704	576,822	567,079	9,743
0041	General Administration	452,062	504,062	483,794	20,268
0051	Facilities Maintenance and Operations	938,809	921,959	881,251	40,708
0052	Security and Monitoring Services	27,000	52,000	40,672	11,328
0053	Data Processing Services	156,300	151,300	143,679	7,621
0061	Community Services	-	2,700	-	2,700
Debt Service:					
0071	Principal on Long Term Debt	74,775	66,000	66,000	-
0072	Interest on Long Term Debt	-	8,275	8,273	2
0073	Bond Issuance Cost and Fees	-	500	270	230
Capital Outlay:					
0081	Facilities Acquisition and Construction	100,000	71,000	49,800	21,200
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	154,995	154,845	154,845	-
0099	Other Intergovernmental Charges	40,500	49,200	49,195	5
6030	Total Expenditures	7,439,543	7,631,066	7,331,933	299,133
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(287,693)	(458,216)	(420,614)	37,602
<b>OTHER FINANCING SOURCES (USES):</b>					
7912	Sale of Real and Personal Property	-	8,580	8,580	-
8911	Transfers Out (Use)	(7,411)	(7,411)	(10,583)	(3,172)
7080	Total Other Financing Sources (Uses)	(7,411)	1,169	(2,003)	(3,172)
1200	Net Change in Fund Balances	(295,104)	(457,047)	(422,617)	34,430
0100	Fund Balance - September 1 (Beginning)	4,663,666	4,663,666	4,663,666	-
3000	Fund Balance - August 31 (Ending)	\$ 4,368,562	\$ 4,206,619	\$ 4,241,049	\$ 34,430

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, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0040578%	0.0019937%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,434,378	\$ 532,545
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,247,043	2,732,170
Total	<u>\$ 4,681,421</u>	<u>\$ 3,264,715</u>
District's Covered-Employee Payroll	\$ 4,677,638	\$ 4,371,319
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	30.66%	12.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "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 2016

EXHIBIT G-3

	2016	2015
Contractually Required Contribution	\$ 120,388	\$ 57,527
Contribution in Relation to the Contractually Required Contribution	(120,388)	(57,527)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-
District's Covered-Employee Payroll	\$ 4,732,383	\$ 4,677,638
Contributions as a Percentage of Covered-Employee Payroll	2.54%	1.23%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's respective fiscal years as opposed to the time periods covered by the measurement dates ending August 31, 2014 for Fiscal Year 2015 and August 31, 2015 for Fiscal Year 2016.

Note: In accordance with GASB 68, Paragraph 138, only two years of data are presented this reporting period. "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*

*Economic Assumptions*

- . The inflation assumption was decreased from 3.00% to 2.50%.
- . The ultimate merit assumption for long-service employees was decreased from 1.25% to 1.00%.
- . In accordance with the observed experience, there were small adjustments in the service-based promotional/longevity component of the salary scale.
- . The payroll growth assumption was lowered from 3.50% to 2.50%.

*Mortality Assumptions*

- . The post-retirement mortality tables for non-disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- . The post-retirement mortality tables for disabled retirees were updated to reflect recent TRS member experience. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.
- . The pre-retirement mortality tables for active employees were updated to use 90% of the recently published RP-2014 mortality table for active employees. Mortality rates will be assumed to continue to improve in the future using a fully generational approach and Scale BB.

*Other Demographic Assumptions*

- . Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- . There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- . Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.
- . Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- . For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

- . The method of using celled data in the valuation process was changed to now using individual data records to allow for better reporting of some items, such as actuarial gains and losses by source.

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-4

*COMBINING SCHEDULES*



UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

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	\$ 908	\$ 1,342	\$ 5,644	\$ -
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	3,259	19,012	-	-
1260	Due from Other Funds	-	-	24,882	-
1300	Inventories	-	-	10,457	-
1410	Prepayments	40	108	1,070	-
1000	Total Assets	<u>\$ 4,207</u>	<u>\$ 20,462</u>	<u>\$ 42,053</u>	<u>\$ -</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ 12,399	\$ -
2150	Payroll Deductions and Withholdings Payable	1	-	-	-
2160	Accrued Wages Payable	3,259	5,722	4,218	-
2170	Due to Other Funds	624	14,176	18,097	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	323	564	70	-
2300	Unearned Revenues	-	-	5,180	-
2000	Total Liabilities	<u>4,207</u>	<u>20,462</u>	<u>39,964</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	-	-	2,089	-
Restricted Fund Balance:					
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>2,089</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,207</u>	<u>\$ 20,462</u>	<u>\$ 42,053</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 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ 17,572	\$ 194	\$ 58,108	\$ 105	\$ 36,309	\$ 169	\$ 21	\$ 120,372
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
318	-	-	-	-	-	-	22,589
-	-	-	-	-	-	-	24,882
-	-	-	-	-	-	-	10,457
88	-	-	-	-	-	-	1,306
<u>\$ 17,978</u>	<u>\$ 194</u>	<u>\$ 58,108</u>	<u>\$ 105</u>	<u>\$ 36,309</u>	<u>\$ 169</u>	<u>\$ 21</u>	<u>\$ 179,606</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 12,399
-	-	-	-	-	-	-	1
-	-	-	-	-	-	-	13,199
17,859	-	57,077	-	-	-	-	107,833
-	-	-	-	16	-	-	16
-	-	-	-	-	-	-	957
119	194	-	105	-	169	21	5,788
<u>17,978</u>	<u>194</u>	<u>57,077</u>	<u>105</u>	<u>16</u>	<u>169</u>	<u>21</u>	<u>140,193</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	2,089
-	-	-	-	-	-	-	-
-	-	1,031	-	36,293	-	-	37,324
-	-	1,031	-	36,293	-	-	39,413
<u>\$ 17,978</u>	<u>\$ 194</u>	<u>\$ 58,108</u>	<u>\$ 105</u>	<u>\$ 36,309</u>	<u>\$ 169</u>	<u>\$ 21</u>	<u>\$ 179,606</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2016

Data Control Codes	513	Total Nonmajor Governmental Funds
	Debt Service	
<b>ASSETS</b>		
1110 Cash and Cash Equivalents	\$ 86,169	\$ 206,541
1120 Investments - Current	250,000	250,000
1220 Property Taxes - Delinquent	87,763	87,763
1230 Allowance for Uncollectible Taxes (Credit)	(6,143)	(6,143)
1240 Receivables from Other Governments	-	22,589
1260 Due from Other Funds	-	24,882
1300 Inventories	-	10,457
1410 Prepayments	-	1,306
1000 Total Assets	<u>\$ 417,789</u>	<u>\$ 597,395</u>
<b>LIABILITIES</b>		
2110 Accounts Payable	\$ -	\$ 12,399
2150 Payroll Deductions and Withholdings Payable	-	1
2160 Accrued Wages Payable	-	13,199
2170 Due to Other Funds	-	107,833
2180 Due to Other Governments	9,916	9,932
2200 Accrued Expenditures	-	957
2300 Unearned Revenues	-	5,788
2000 Total Liabilities	<u>9,916</u>	<u>150,109</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
2601 Unavailable Revenue - Property Taxes	<u>80,075</u>	<u>80,075</u>
2600 Total Deferred Inflows of Resources	<u>80,075</u>	<u>80,075</u>
<b>FUND BALANCES</b>		
Nonspendable Fund Balance:		
3410 Inventories	-	2,089
Restricted Fund Balance:		
3480 Retirement of Long-Term Debt	327,798	327,798
3490 Other Restricted Fund Balance	-	37,324
3000 Total Fund Balances	<u>327,798</u>	<u>367,211</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 417,789</u>	<u>\$ 597,395</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, 2016

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	\$ -	\$ -	\$ 165,986	\$ -
5800 State Program Revenues	-	-	11,788	-
5900 Federal Program Revenues	<u>71,875</u>	<u>92,300</u>	<u>193,153</u>	<u>14,096</u>
5020 Total Revenues	<u>71,875</u>	<u>92,300</u>	<u>370,927</u>	<u>14,096</u>
<b>EXPENDITURES:</b>				
<b>Current:</b>				
0011 Instruction	71,875	92,300	-	14,096
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	380,288	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
<b>Debt Service:</b>				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	<u>71,875</u>	<u>92,300</u>	<u>380,288</u>	<u>14,096</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>-</u>	<u>(9,361)</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	-	-	10,583	-
8949 Other (Uses)	-	-	-	-
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>10,583</u>	<u>-</u>
1200 Net Change in Fund Balance	-	-	1,222	-
0100 Fund Balance - September 1 (Beginning)	<u>-</u>	<u>-</u>	<u>867</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,089</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 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 64,509	\$ -	\$ 30,805	\$ 261,300
-	450	14,380	-	-	-	143	26,761
183,849	-	-	-	-	-	-	555,273
183,849	450	14,380	-	64,509	-	30,948	843,334
86,612	450	13,349	-	-	-	-	278,682
87,849	-	-	-	-	-	-	87,849
-	-	-	-	-	-	-	380,288
-	-	-	-	51,456	-	30,948	82,404
9,388	-	-	-	-	-	-	9,388
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
183,849	450	13,349	-	51,456	-	30,948	838,611
-	-	1,031	-	13,053	-	-	4,723
95	-	-	-	-	-	-	10,678
(95)	-	-	-	-	-	-	(95)
-	-	-	-	-	-	-	10,583
-	-	1,031	-	13,053	-	-	15,306
-	-	-	-	23,240	-	-	24,107
\$ -	\$ -	\$ 1,031	\$ -	\$ 36,293	\$ -	\$ -	\$ 39,413

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	513 Debt Service	Total Nonmajor Governmental Funds
<b>REVENUES:</b>		
5700 Total Local and Intermediate Sources	\$ 510,015	\$ 771,315
5800 State Program Revenues	118,634	145,395
5900 Federal Program Revenues	-	555,273
5020 Total Revenues	<u>628,649</u>	<u>1,471,983</u>
<b>EXPENDITURES:</b>		
Current:		
0011 Instruction	-	278,682
0031 Guidance, Counseling and Evaluation Services	-	87,849
0035 Food Services	-	380,288
0036 Extracurricular Activities	-	82,404
0041 General Administration	-	9,388
Debt Service:		
0071 Principal on Long Term Debt	95,000	95,000
0072 Interest on Long Term Debt	535,131	535,131
0073 Bond Issuance Cost and Fees	906	906
6030 Total Expenditures	<u>631,037</u>	<u>1,469,648</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,388)</u>	<u>2,335</u>
<b>OTHER FINANCING SOURCES (USES):</b>		
7915 Transfers In	-	10,678
8949 Other (Uses)	-	(95)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>10,583</u>
1200 Net Change in Fund Balance	(2,388)	12,918
0100 Fund Balance - September 1 (Beginning)	<u>330,186</u>	<u>354,293</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 327,798</u>	<u>\$ 367,211</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

	BALANCE SEPTEMBER 1 2015	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2016
<b>STUDENT ACTIVITY ACCOUNT</b>				
Assets:				
Cash and Temporary Investments	\$ 47,738	\$ 185,831	\$ 178,588	\$ 54,981
Liabilities:				
Accounts Payable	\$ -	\$ 182,014	\$ 182,014	\$ -
Due to Other Funds	122	-	122	-
Due to Student Groups	47,616	7,365	-	54,981
Total Liabilities	\$ 47,738	\$ 189,379	\$ 182,136	\$ 54,981
<b>TOTAL AGENCY FUNDS</b>				
Assets:				
Cash and Temporary Investments	\$ 47,738	\$ 185,831	\$ 178,588	\$ 54,981
Liabilities:				
Accounts Payable	\$ -	\$ 182,014	\$ 182,014	\$ -
Due to Other Funds	122	-	122	-
Due to Student Groups	47,616	7,365	-	54,981
Total Liabilities	\$ 47,738	\$ 189,379	\$ 182,136	\$ 54,981

*REQUIRED TEA SCHEDULES*



UNION GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2016

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
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	1.170000	0.124500	166,252,430
2016 (School year under audit)	1.170000	0.349800	147,888,275
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 65,626	\$ -	\$ 896	\$ 80	\$ (4,201)	\$ 60,449
26,654	-	331	29	11	26,305
17,445	-	411	34	-	17,000
20,338	-	870	86	1	19,383
19,396	-	1,447	154	-	17,795
29,503	-	6,801	724	-	21,978
38,659	-	7,714	821	1,084	31,208
45,493	-	10,533	1,121	1,133	34,972
89,321	-	30,909	3,289	1,097	56,220
-	2,247,606	1,655,852	495,059	(696)	95,999
<u>\$ 352,435</u>	<u>\$ 2,247,606</u>	<u>\$ 1,715,764</u>	<u>\$ 501,397</u>	<u>\$ (1,571)</u>	<u>\$ 381,309</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, 2016

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	\$ 171,500	\$ 171,500	\$ 165,986	\$ (5,514)
5800 State Program Revenues	10,981	10,981	11,788	807
5900 Federal Program Revenues	193,350	193,350	193,153	(197)
5020 Total Revenues	<u>375,831</u>	<u>375,831</u>	<u>370,927</u>	<u>(4,904)</u>
<b>EXPENDITURES:</b>				
0035 Food Services	<u>383,242</u>	<u>400,367</u>	<u>380,288</u>	<u>20,079</u>
6030 Total Expenditures	<u>383,242</u>	<u>400,367</u>	<u>380,288</u>	<u>20,079</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,411)	(24,536)	(9,361)	15,175
<b>OTHER FINANCING SOURCES (USES):</b>				
7915 Transfers In	<u>7,411</u>	<u>7,411</u>	<u>10,583</u>	<u>3,172</u>
1200 Net Change in Fund Balances	-	(17,125)	1,222	18,347
0100 Fund Balance - September 1 (Beginning)	<u>867</u>	<u>867</u>	<u>867</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 867</u>	<u>\$ (16,258)</u>	<u>\$ 2,089</u>	<u>\$ 18,347</u>

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, 2016

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	\$ 535,690	\$ 535,690	\$ 510,015	\$ (25,675)
5800	State Program Revenues	108,325	108,325	118,634	10,309
5020	Total Revenues	644,015	644,015	628,649	(15,366)
<b>EXPENDITURES:</b>					
Debt Service:					
0071	Principal on Long Term Debt	635,806	95,000	95,000	-
0072	Interest on Long Term Debt	-	539,806	535,131	4,675
0073	Bond Issuance Cost and Fees	-	1,000	906	94
6030	Total Expenditures	635,806	635,806	631,037	4,769
1200	Net Change in Fund Balances	8,209	8,209	(2,388)	(10,597)
0100	Fund Balance - September 1 (Beginning)	330,186	330,186	330,186	-
3000	Fund Balance - August 31 (Ending)	\$ 338,395	\$ 338,395	\$ 327,798	\$ (10,597)

*INTERNAL CONTROL AND COMPLIANCE SECTION*





**CAVER and SETSER, Inc.**

**Certified Public Accountants**

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Member  
American Institute of CPAs  
Texas Society of CPAs  
Governmental Audit Quality Center

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N. Preston Caver, CPA

Jalyn L. Setser, CPA

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

Board of Trustees  
Union Grove Independent School District

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, the business-type 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, 2016 and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2016.

**Internal Control 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 instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **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*.

## **Union Grove Independent School District's Response to Findings**

Union Grove Independent School District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. Union Grove Independent School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this report**

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

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.

*Caver and Setser, Inc.*

CAVER and SETSER, Inc.  
Certified Public Accountants

October 27, 2016

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2016

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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. Low risk auditee: Yes

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

No findings related to the Financial Statements

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

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PRIOR YEAR'S FINDING/NONCOMPLIANCE –

No findings in prior year audit

UNION GROVE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2016

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No findings in the current audit.

SCHOOLS FIRST QUESTIONNAIRE

UNION GROVE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2016

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	No
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1434378
SF13	Pension Expense (6147) at fiscal year-end.	87134



**CAVER and SETSER, Inc.**

**Certified Public Accountants**

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Governmental Audit Quality Center

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*N. Preston Caver, CPA*

*Jalyn L. Setser, CPA*

**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, 2016 and have issued our report thereon dated October 27, 2016. 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 identify 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.

*Caver and Setser, Inc.*

CAVER and SETSER, Inc.  
Certified Public Accountants

October 27, 2016