

**UNION GROVE
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2021**

UNION GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021

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CERTIFICATE OF BOARD

Union Grove Independent School District
Name of School District

Upshur
County

230-908
Co.-Dist. Number

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

Signature of Board Secretary

Signature of Board President

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



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

Independent Auditors' Report

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

Members of the Board:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Union Grove Independent School District as of August 31, 2021 and the respective changes in financial position 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 on pages 5-10, budgetary comparison information on page 47, schedule of the District's proportionate share of the net pension liability (TRS) on pages 48-49, schedule of District's contributions to TRS Pension plan on pages 50-51, schedule of the District's proportionate share of the OPEB liability (TRS) on page 52, and schedule of District's contributions to TRS OPEB plan on page 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

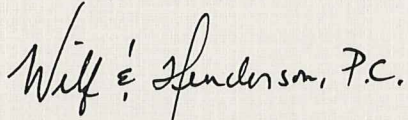
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Union Grove Independent School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining 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 financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-4 and L-1. 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2021, on our consideration of the 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Union Grove Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Union Grove Independent School District's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." in a cursive, flowing script.

WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

November 30, 2021

UNION GROVE INDEPENDENT SCHOOL DISTRICT 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, 2021. Please read it in conjunction with the independent auditors' report and the District's Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The District's net position was \$4,972,968 at August 31, 2021. Program revenues accounted for \$1,604,081 or 14.85% of total revenue, and general revenues accounted for \$9,192,134 or 85.15%.

During the year, the District had expenses that were \$37,685 less than the \$10,796,215 generated in tax and other revenues for governmental programs.

On Exhibit C-1, the general fund reported a positive fund balance of \$5,196,592.

USING THIS ANNUAL REPORT

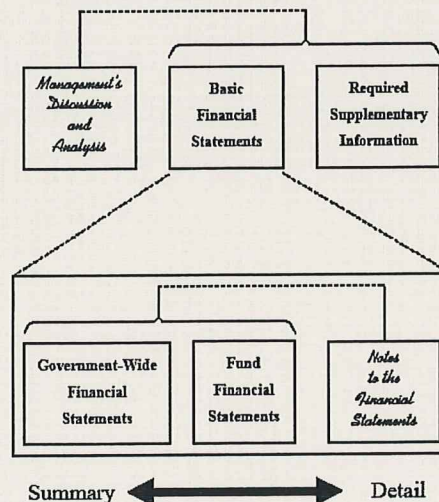
This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property 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 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.

The notes to the financial statements 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.

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



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 11. 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.

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 cash flows	*Statement of Changes in Fiduciary Net Position
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

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:

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 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. 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.

Government-Wide Financial Analysis

Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's governmental activities.

Table I
Union Grove Independent School District
NET POSITION

	Governmental Activities 2021	Governmental Activities 2020	Total % Change
Current and other assets	6,590,158	6,081,868	8.36%
Capital assets	17,495,357	18,336,366	-4.59%
Total assets	24,085,515	24,418,234	-1.36%
Deferred Outflows of Resources	1,087,757	1,241,645	-12.39%
Long-term liabilities	17,349,013	18,285,944	-5.12%
Other liabilities	652,673	677,236	-3.63%
Total liabilities	18,001,686	18,963,180	-5.07%
Deferred Inflows of Resources	2,198,618	1,761,416	24.82%
Net Position:			
Invested in capital assets net of related debt	4,459,540	4,855,289	-8.15%
Restricted	505,318	440,902	14.61%
Unrestricted	8,110	(360,908)	102.25%
Total net position	4,972,968	4,935,283	0.76%

Net position of the District's governmental activities increased from \$4,935,283 to \$4,972,968. 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 \$8,110 at August 31, 2021.

Table II
Union Grove Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2021	Governmental Activities 2020	Total % Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 394,462	\$ 406,183	-2.89%
Operating grants and contributions	1,209,619	1,405,016	-13.91%
General Revenues:			
Maintenance and operations taxes	1,607,493	1,642,640	-2.14%
Debt Service Taxes	568,866	577,064	-1.42%
State Aid - Formula Grants	6,805,680	6,930,797	-1.81%
Investment Earnings	54,095	68,733	-21.30%
Miscellaneous	156,000	130,592	19.46%
Total Revenue	<u>10,796,215</u>	<u>11,161,025</u>	<u>-3.27%</u>
Expenses:			
Instruction, curriculum and media services	5,500,155	5,785,751	-4.94%
Instructional and school leadership	540,687	636,568	-15.06%
Student support services	334,724	436,046	-23.24%
Child nutrition	496,779	448,676	10.72%
Co curricular activities	742,379	723,385	2.63%
General administration	572,318	592,826	-3.46%
Plant maintenance, security, and data processing	1,754,133	1,748,583	0.32%
Debt - Interest and Fees	552,247	527,655	4.66%
Payments to fiscal agents and miscellaneous	265,108	244,537	8.41%
Total Expenses	<u>10,758,530</u>	<u>11,144,027</u>	<u>-3.46%</u>
Increase (Decrease) in Net Position	37,685	16,998	121.70%
Net Position - Beginning of Year	4,935,283	4,918,285	0.35%
Net Position - End of Year	<u>\$ 4,972,968</u>	<u>\$ 4,935,283</u>	<u>0.76%</u>

The cost of all governmental activities this year was \$10,758,530. However, as shown in the Statement of Activities, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2,176,359 because some of the costs were paid by those who directly benefited from the programs \$394,462 or by other governments and organizations that subsidized certain programs with grants and contributions \$1,209,619 or by state aid and other revenues \$7,015,775.

THE DISTRICT'S FUNDS

Our analysis focuses on the net changes in fund balances (Table III) of the District's governmental funds.

Table III
Union Grove Independent School District
NET CHANGES IN FUND BALANCES

	Governmental Funds 2021	Governmental Funds 2020	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 2,721,316	\$ 2,768,943	\$ (47,627)	-1.7%
State Program Revenues	7,231,645	7,442,484	(210,839)	-2.8%
Federal Program Revenues	677,301	584,625	92,676	15.9%
Total Revenues	10,630,262	10,796,052	(165,790)	-1.5%
Expenditures:				
Instruction	4,791,642	4,802,653	(11,011)	-0.2%
Instructional resources & media services	100,159	104,324	(4,165)	-4.0%
Curriculum and Instructional Staff Development	-	125	(125)	-100.0%
School leadership	478,958	521,789	(42,831)	-8.2%
Guidance, counseling & evaluation services	73,759	125,911	(52,152)	-41.4%
Health services	114,239	112,738	1,501	1.3%
Student (pupil) transportation	110,243	126,583	(16,340)	-12.9%
Food service	447,158	401,794	45,364	11.3%
Extracurricular activities	668,382	632,903	35,479	5.6%
General administration	509,491	504,738	4,753	0.9%
Facilities maintenance & operations	1,268,970	1,270,130	(1,160)	-0.1%
Security & monitoring services	87,370	68,056	19,314	28.4%
Data processing services	223,426	212,072	11,354	5.4%
Debt service	1,021,357	943,413	77,944	8.3%
Capital outlay	29,009	301,220	(272,211)	-90.4%
Other intergovernmental charges	265,108	244,537	20,571	8.4%
Total Expenditures	10,189,271	10,372,986	(183,715)	-1.8%
Excess (Deficiency) of Revenues Over (Under) Expenditures	440,991	423,066	17,925	4.2%
Other Financing Sources (Uses)	102,764	362,733	(259,969)	-71.7%
Net Change in Fund Balances	543,755	785,799	(242,044)	-30.8%
Fund Balance - Beginning of Year	5,232,774	4,446,975	785,799	17.7%
Fund Balance - End of Year	\$ 5,776,529	\$ 5,232,774	\$ 543,755	10.4%

As the District completed the year, its governmental funds reported a combined fund balance of \$5,776,529, which is above last year's total of \$5,232,774. Included in this year's total change in fund balance is an increase of \$466,605 in the District's General Fund, a increase of \$68,634 in the Debt Service Fund, and an increase of \$8,516 in other non-major funds.

Revenue decreased (\$165,790) from fiscal year 2020 to 2021. Local and Intermediate Sources decreased by (\$47,627) due to a decrease in tax rate. State Program Revenues decreased (\$210,839), which was primarily due to the Hold Harmless ADA used for state funding as a result of the COVID-19 pandemic.

The decrease of (\$259,969) in Other Financing Sources is primarily due to prior year loan proceeds for drainage improvements to the parking lot.

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 2020). 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 \$5,196,592 differs by \$365,243 from the General Fund's budgetary fund balance of \$4,831,349 reported in the budgetary comparison schedule.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the District had \$17,495,357 of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net decrease in capital assets of (\$841,009) over last year due to depreciation expense exceeding current year additions.

During the current year, the District purchased an instrument, floor scrubber, lawn mower and green house. The total cost of these purchases was \$29,009.

The District removed two fully depreciated vehicles at a cost of \$47,990.

Debt

At year-end, the District had outstanding bonds and notes of \$13,105,981, which was decrease of (\$366,684). More detailed information about the District's debt is presented in Note J to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many social and economic factors when setting the fiscal-year 2022 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2022. Amounts available for appropriation in the General Fund budget are \$9.033 million, an increase of .45 percent over the final 2022 budget of \$8.993 million. Budgeted expenditures are expected to increase 8.35 percent in 2021-2022. The District has continued new programs and initiatives begun in 2020-2021 in the 2022 budget, which are being funded by increased state allotments.

If these estimates are realized, the District's budgetary General Fund balance is expected to increase by \$14,530 at the close of 2022.

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, 2021

EXHIBIT A-1

Data	Primary Government
Control	Governmental
Codes	Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 2,679,230
1120 Current Investments	3,156,575
1220 Property Taxes - Delinquent	303,730
1230 Allowance for Uncollectible Taxes	(115,238)
1240 Due from Other Governments	534,006
1250 Accrued Interest	902
1290 Other Receivables, Net	1,979
1300 Inventories	18,839
1410 Prepayments	10,135
Capital Assets:	
1510 Land	639,546
1520 Buildings and Improvements, Net	16,474,263
1530 Furniture and Equipment, Net	381,548
1000 Total Assets	24,085,515
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	70,164
1705 Deferred Outflow Related to TRS Pension	654,091
1706 Deferred Outflow Related to TRS OPEB	363,502
1700 Total Deferred Outflows of Resources	1,087,757
LIABILITIES	
2110 Accounts Payable	37,856
2140 Accrued Interest Payable	19,464
2150 Payroll Deductions and Withholdings	478
2160 Accrued Wages Payable	248,033
2180 Due to Other Governments	289,376
2200 Accrued Expenses	6,422
2300 Unearned Revenue	51,044
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,052,523
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	12,053,458
2540 Net Pension Liability (District's Share)	1,804,525
2545 Net OPEB Liability (District's Share)	2,438,507
2000 Total Liabilities	18,001,686
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	325,082
2606 Deferred Inflow Related to TRS OPEB	1,873,536
2600 Total Deferred Inflows of Resources	2,198,618
NET POSITION	
3200 Net Investment in Capital Assets	4,459,540
Restricted:	
3820 Restricted for Federal and State Programs	63,101
3850 Restricted for Debt Service	439,999
3890 Restricted for Other Purposes	2,218
3900 Unrestricted	8,110
3000 Total Net Position	\$ 4,972,968

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, 2021

FOR THE YEAR ENDED AUGUST 31, 2021

				Net (Expense) Revenue and Changes in Net Position	
Data		Program Revenues			
Control	1	3	4	6	
Codes			Operating	Primary Gov.	
	Expenses	Charges for	Grants and	Governmental	
		Services	Contributions	Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 5,387,813	\$ 96,514	\$ 646,998	\$ (4,644,301)
12	Instructional Resources and Media Services	112,342	-	7,192	(105,150)
23	School Leadership	540,687	-	38,905	(501,782)
31	Guidance, Counseling, and Evaluation Services	82,844	-	12,821	(70,023)
33	Health Services	128,940	-	9,786	(119,154)
34	Student (Pupil) Transportation	122,940	-	5,934	(117,006)
35	Food Services	496,779	101,161	358,651	(36,967)
36	Extracurricular Activities	742,379	196,787	21,117	(524,475)
41	General Administration	572,318	-	31,778	(540,540)
51	Facilities Maintenance and Operations	1,409,152	-	66,742	(1,342,410)
52	Security and Monitoring Services	95,908	-	-	(95,908)
53	Data Processing Services	249,073	-	9,695	(239,378)
72	Debt Service - Interest on Long-Term Debt	448,784	-	-	(448,784)
73	Debt Service - Bond Issuance Cost and Fees	103,463	-	-	(103,463)
93	Payments Related to Shared Services Arrangements	219,780	-	-	(219,780)
99	Other Intergovernmental Charges	45,328	-	-	(45,328)
[TP]	TOTAL PRIMARY GOVERNMENT:	\$ 10,758,530	\$ 394,462	\$ 1,209,619	(9,154,449)
Data					
Control					
Codes					
	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			1,607,493	
DT	Property Taxes, Levied for Debt Service			568,866	
GC	State Aid - Formula Grants			6,805,680	
IE	Investment Earnings			54,095	
MI	Miscellaneous Local and Intermediate Revenue			156,000	
TR	Total General Revenues			9,192,134	
CN	Change in Net Position			37,685	
NB	Net Position - Beginning			4,935,283	
NE	Net Position - Ending			\$ 4,972,968	

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 2,359,910	\$ 141,543	\$ 177,777	\$ 2,679,230
1120 Investments - Current	3,056,575	100,000	-	3,156,575
1220 Property Taxes - Delinquent	251,883	51,847	-	303,730
1230 Allowance for Uncollectible Taxes	(104,283)	(10,955)	-	(115,238)
1240 Due from Other Governments	483,446	-	50,560	534,006
1250 Accrued Interest Receivable	902	-	-	902
1260 Due from Other Funds	60,536	200,000	6,785	267,321
1290 Other Receivables	630	-	1,349	1,979
1300 Inventories	2,218	-	16,621	18,839
1410 Prepayments	10,135	-	-	10,135
1000 Total Assets	<u>\$ 6,121,952</u>	<u>\$ 482,435</u>	<u>\$ 253,092</u>	<u>\$ 6,857,479</u>
LIABILITIES				
2110 Accounts Payable	\$ 37,775	\$ -	\$ 81	\$ 37,856
2150 Payroll Deductions and Withholdings Payable	478	-	-	478
2160 Accrued Wages Payable	219,156	-	28,877	248,033
2170 Due to Other Funds	206,785	-	60,536	267,321
2180 Due to Other Governments	265,845	22,972	559	289,376
2200 Accrued Expenditures	4,480	-	1,942	6,422
2300 Unearned Revenue	49,425	-	1,619	51,044
2000 Total Liabilities	<u>783,944</u>	<u>22,972</u>	<u>93,614</u>	<u>900,530</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	141,416	39,004	-	180,420
2600 Total Deferred Inflows of Resources	<u>141,416</u>	<u>39,004</u>	<u>-</u>	<u>180,420</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	2,218	-	16,621	18,839
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	5,125	-	41,355	46,480
3480 Retirement of Long-Term Debt	-	420,459	-	420,459
Committed Fund Balance:				
3510 Construction	2,000,000	-	-	2,000,000
3530 Capital Expenditures for Equipment	750,000	-	-	750,000
3545 Other Committed Fund Balance	-	-	101,502	101,502
3600 Unassigned Fund Balance	2,439,249	-	-	2,439,249
3000 Total Fund Balances	<u>5,196,592</u>	<u>420,459</u>	<u>159,478</u>	<u>5,776,529</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,121,952</u>	<u>\$ 482,435</u>	<u>\$ 253,092</u>	<u>\$ 6,857,479</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, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 5,776,529
1 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 \$28,861,134 and the accumulated depreciation was (\$10,524,768). 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. At the beginning of the year, these long-term liabilities totaled (\$13,472,665). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.	4,863,701
2 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 2021 capital outlays and debt principal payments is to increase net position.	496,009
3 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. The net position related to TRS included a deferred resource outflow in the amount of \$654,091, a deferred resource inflow in the amount of (\$325,082), and a net pension liability in the amount of (\$1,804,525). This resulted in a (decrease) in net position.	(1,475,516)
4 Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of \$363,502, a deferred resource inflow in the amount of (\$1,873,536), and a net OPEB liability in the amount of (\$2,438,507). This resulted in a (decrease) in net position.	(3,948,541)
5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(870,018)
6 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.	130,804
19 Net Position of Governmental Activities	\$ 4,972,968

UNION GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,874,688	\$ 562,041	\$ 284,587	\$ 2,721,316
5800 State Program Revenues	6,841,872	334,880	54,893	7,231,645
5900 Federal Program Revenues	32,258	-	645,043	677,301
5020 Total Revenues	8,748,818	896,921	984,523	10,630,262
EXPENDITURES:				
Current:				
0011 Instruction	4,468,054	-	330,277	4,798,331
0012 Instructional Resources and Media Services	100,159	-	-	100,159
0023 School Leadership	478,958	-	-	478,958
0031 Guidance, Counseling, and Evaluation Services	66,493	-	7,266	73,759
0033 Health Services	114,239	-	-	114,239
0034 Student (Pupil) Transportation	110,243	-	-	110,243
0035 Food Services	-	-	447,158	447,158
0036 Extracurricular Activities	502,076	-	166,306	668,382
0041 General Administration	509,491	-	-	509,491
0051 Facilities Maintenance and Operations	1,266,290	-	25,000	1,291,290
0052 Security and Monitoring Services	87,370	-	-	87,370
0053 Data Processing Services	223,426	-	-	223,426
Debt Service:				
0071 Principal on Long-Term Debt	72,000	395,000	-	467,000
0072 Interest on Long-Term Debt	18,056	432,838	-	450,894
0073 Bond Issuance Cost and Fees	250	103,213	-	103,463
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	219,780	-	-	219,780
0099 Other Intergovernmental Charges	45,328	-	-	45,328
6030 Total Expenditures	8,282,213	931,051	976,007	10,189,271
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	466,605	(34,130)	8,516	440,991
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	3,240,000	-	3,240,000
7916 Premium or Discount on Issuance of Bonds	-	352,928	-	352,928
8949 Other (Uses)	-	(3,490,164)	-	(3,490,164)
7080 Total Other Financing Sources (Uses)	-	102,764	-	102,764
1200 Net Change in Fund Balances	466,605	68,634	8,516	543,755
0100 Fund Balance - September 1 (Beginning)	4,729,987	351,825	150,962	5,232,774
3000 Fund Balance - August 31 (Ending)	\$ 5,196,592	\$ 420,459	\$ 159,478	\$ 5,776,529

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, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ 543,755
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 2021 capital outlays and debt principal payments is to increase net position.	496,009
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.	(870,018)
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.	(41,054)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$123,417. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in the change in net position totaling (\$137,904). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) the change in net position by (\$161,231). The net result is a (decrease) in the change in net position.	(175,718)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by \$41,458. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$48,552). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$91,805. The net result is an increase in the change in net position.	84,711
Change in Net Position of Governmental Activities	\$ 37,685

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, 2021

	Private Purpose Trust Fund	Custodial Fund
ASSETS		
Cash and Cash Equivalents	\$ 22,390	\$ 9,551
Other Receivables	-	125
Total Assets	<u>22,390</u>	<u>\$ 9,676</u>
NET POSITION		
Restricted for Scholarships	22,390	-
Restricted for Other Purposes	-	9,676
Total Net Position	<u>\$ 22,390</u>	<u>\$ 9,676</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, 2021

	Private Purpose Trust Fund	Custodial Fund
ADDITIONS:		
Received from Student Groups	\$ -	\$ 11,854
Earnings from Temporary Deposits	59	-
Contributions, Gifts and Donations	6,809	-
Total Additions	<u>6,868</u>	<u>11,854</u>
DEDUCTIONS:		
Other Deductions	<u>7,000</u>	<u>9,174</u>
Total Deductions	<u>7,000</u>	<u>9,174</u>
Change in Fiduciary Net Position	(132)	2,680
Total Net Position - September 1 (Beginning)	<u>22,522</u>	<u>6,996</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 22,390</u></u>	<u><u>\$ 9,676</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, 2021**

Note A. Summary of Significant Accounting Policies

Union Grove Independent School District (the "District") is a public educational 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 "(GASB)" and other authoritative sources identified in *Statement on Auditing Standards No. 76* 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.

1. Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of Union Grove Independent School District. The members of the Board of Trustees are elected by the public; have the authority to make decisions, appoint administrators and managers, and significantly influence operations; and have the primary accountability for fiscal matters. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. The District is a financial reporting entity as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity." There are no component units included within the reporting unit.

2. 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 revenue is not program revenue, it is 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.

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

3. 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. 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.

Governmental fund financial statements use 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 revenues available if they are collected within 60 days of the end of the current fiscal period. It recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources.

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

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

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.

4. Fund Accounting

The District's accounts are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts, which are comprised of each fund's assets, liabilities, equity, revenues, and expenditures or expenses.

The District reports the following major governmental funds:

General Fund – This fund is established to account for resources financing the fundamental operations of the District, in partnership with the community, in enabling and motivating students to reach their full potential. All revenues and expenditures not required to be accounted for in other funds are included here. This is a budgeted fund and any fund balances are considered resources available for current operations. Fund balances may be appropriated by the Board of Trustees to implement its responsibilities.

Debt Service Fund – This governmental fund is established to account for payment of principal and interest on long-term general obligation debt and other long-term debts for which a tax has been dedicated. This is a budgeted fund and a separate bank account is maintained for this fund. Any unused sinking fund balances are transferred to the General Fund after all the related debt obligations have been met.

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

Governmental Fund Type:

Special Revenue Funds – The District accounts for resources restricted or committed 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. The Food Service fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

Fiduciary Fund Type:

Custodial Funds – The District utilizes Agency Funds to account for resources held for others in a custodial capacity. The District's Custodial Fund is the Student Activity Fund.

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 purposes that benefit parties outside the District. The District's Private Purpose Trust Fund is the Scholarship Fund.

5. 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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

6. Investments

Investments are recorded at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

7. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are charged to expenditures when consumed.

8. Inventories

All inventories are valued at cost using the first in/first out (FIFO) method. The District records purchases of supplies as expenditures. If any supplies are on hand at the end of the year, their total cost is recorded as inventory and the fund balance is reserved for the same amount.

9. General Fixed Assets

Capital assets, which include land, buildings, furniture and equipment, are reported in the governmental column 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

10. Long-term Debt

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the government-wide and fund financial statements, debt issuance costs are recognized during the current period. In the fund financial statements, the face amount of debt issued is reported as other financing sources.

11. Deferred Outflows of Resources and Deferred Inflows of Resources

In addition to assets, the statement of financial position (The government-wide Statement of Net Position and governmental funds Balance Sheet) will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until that time.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

12. Fund Equity

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories as following:

Nonspendable fund balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted fund balance - represents amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of resource providers.

Committed fund balance - represents amounts that can only be used for specific purposes imposed by a formal action of the District's highest level of decision-making authority, the Board. Committed resources cannot be used for any other purposes unless the Board removes or changes the specific use by taking the same formal action that imposed the constraint originally.

Assigned fund balance - represents amounts the District intends to use for specific purposes as expressed by the Board or an official delegated authority. The Board has delegated the authority to assign fund balances to the Superintendent and the Director of Business Operations.

Unassigned fund balance – represents the residual classification for the general fund or deficit balances in other funds.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, committed fund balance, assigned fund balance, and then unassigned fund balance.

As of August 31, 2021, Nonspendable Fund Balance – Inventory included \$18,839 for food and supplies, Restricted Fund Balance included \$46,480 in various Special Revenue Funds and General Fund and \$420,459 in the Debt Service Fund. Committed Fund Balance, in the General Fund, included \$2,000,000 for construction and \$750,000 for equipment. Committed Fund Balance in Special Revenue Funds was \$101,502 for campus activity funds. Unassigned Fund Balance totaled \$2,439,249 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 of 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.

13. Risk Management – Claims and Judgements

In the normal course of operations the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Significant losses are covered by commercial insurance for property and liability programs. The District entered into an agreement with the TRS ActiveCare for their employee health insurance coverage. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

In Management's estimation there are no current loss claims that exceed the maximum coverage or any material unfunded claim benefit obligation for the self-funded programs.

14. Workers' Compensation Plan

During the year ended August 31, 2021, 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 504, Texas Labor Code. All members 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 \$2,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. August 31, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2021, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of 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 of the following year. The Fund's audited financial statements as of August 31, 2020 are available at the TASB Risk Management Fund website and have been filed with the Texas State Board of Insurance in Austin.

15. Restricted Assets

When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

16. Functions

School Districts are required to report all expenses by function, except certain indirect expenses. General administration, data processing services and other intergovernmental charges (data control codes 41, 53 and 99 respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.

17. Data Control Totals

The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. The 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.

18. Estimates and Assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires 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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

19. 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 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.

20. 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.

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

21. 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.

22. 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.

Note B. Deposits and Investments

The captions and amounts of cash and cash equivalents on the balance sheet and statement of fiduciary net position at August 31, 2021 consist of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Balance Sheet Total	Fiduciary Funds
Cash and Cash Equivalents	2,359,910	141,543	177,777	2,679,230	31,941
Certificates of Deposit	3,056,575	100,000	-	3,156,575	-
	<u>5,416,485</u>	<u>241,543</u>	<u>177,777</u>	<u>5,835,805</u>	<u>31,941</u>

The District's cash deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) at August 31, 2021 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name. The District's cash deposits were collateralized during the year ending August 31, 2021.

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Public Funds Investments Act (Government Code Chapter 2256) contains specific provisions in the area of investment practice, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy addresses the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rate of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity date for the portfolio, (8) investment staff quality and capability, (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the entity to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas and its agencies; (2) guaranteed or secured certificates of deposit issued by state and national banks domiciled in Texas; (3) obligations of states, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality not less than an "A"; (4) No load money market funds with a weighted average maturity of 90 days or less; (5) fully collateralized repurchase agreements; (6) commercial paper having a stated maturity of 270 days or less from the date of issuance and is not rated less than A-1 or P-1 by two nationally recognized credit rating agencies OR one nationally recognized credit agency and is fully secured by an irrevocable letter of credit; (7) secured corporate bonds rated not lower than "AA-" or the equivalent; (8) public funds investment pools; and (9) guaranteed investment contracts for bond proceeds investment only, with a defined termination date and secured by U.S. Government direct or agency obligations approved by the Texas public Funds Investment Act in an amount equal to the bond proceeds. The Act also requires the entity to have independent auditors perform test procedures related to investment practices as provided by the Act. Union Grove Independent School District is in substantial compliance with the requirements of the Act and with local policies.

District Policies and Legal and Contractual Provisions Governing Deposits:

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.

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, 2021.

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, 2021.

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 values 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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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, 2021.

Based on these three levels of risk, the following table categorizes the District's Certificates of Deposit at August 31, 2021.

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Certificates of Deposit	3,156,575	3,156,575	-	-	-
Total	3,156,575	3,156,575	-	-	-

* Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 72, all investments are recorded at fair value.

Note C. Stewardship, Compliance and Accountability

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 budget 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 financial statements:

1. Prior to August 20 of the preceding fiscal year, 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 by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments 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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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General Fund:

(Increase) in expenditures - Function 11 - Instruction	(95,650)
Decrease in expenditures - Function 12 - Instructional Staff Development	1,750
Decrease in expenditures - Function 13 - Curriculum and Instructional Staff Development	10,000
(Increase) in expenditures - Function 23 - School Leadership	(11,000)
Decrease in expenditures - Function 34 - Student Transportation	45,500
Decrease in expenditures - Function 36 - Extracurricular Activities	18,900
Decrease in expenditures - Function 41 - General Administration	5,000
Decrease in expenditures - Function 51 - Facilities Maintenance and Operations	1,000
Decrease in expenditures - Function 53 - Data Processing Services	8,400
Decrease in expenditures - Function 71 - Principal on Long-Term Debt	14,015
Decrease in expenditures - Function 72 - Interest on Long-Term Debt	2,030
Decrease in expenditures - Function 73 - Bond Issuance Cost and Fees	55
	<u>-</u>

Food Service Fund:

Increase in revenues - Total Local and Intermediate Sources	5,000
Increase in revenues - Federal Program Revenues	88,700
(Increase) in expenditures - Function 35 - Food Services	(93,700)
	<u>-</u>

Debt Service Fund

(Increase) in expenditures - Function 71 - Principal on Long-Term Debt	(40,000)
Decrease in expenditures - Function 72 - Interest on Long-Term Debt	40,000
(Increase) in expenditures - Function 73 - Bond Issuance Costs and Fees	(72,515)
Increase in Other Financing Sources (Uses) - Capital Related Debt Issued	3,240,000
Increase in Other Financing Sources (Uses) - Premium or Discount on Issuance of Bonds	324,229
(Increase) in Other Financing Sources (Uses) - Other (Uses)	(3,490,164)
	<u>1,550</u>

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:

	08/31/21 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	57,976
Nonappropriated Budget Funds	<u>101,502</u>
All Nonmajor Governmental Special Revenue Funds	<u>159,478</u>

Note D. 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, 2021, to finance General Fund operations and Debt Service was \$1.0547 and \$0.3498 respectively, per \$100 valuation. The assessed value of the property tax roll on January 1, 2020, upon which the levy for the 2020-2021 fiscal year was based, was \$156,388,465.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

Note E. 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.

Note F. Interfund Receivables and Payables

Interfund balances at August 31, 2021, consisted of the following individual fund balances:

	Due to Other Funds	Due from Other Funds
General Fund:		
Debt Service Fund	-	200,000
Nonmajor Governmental Fund (Special Revenue)	60,536	6,785
Debt Service Fund:		
General Fund	200,000	-
Nonmajor Governmental Fund (Special Revenue):		
General Fund	6,785	60,536
Total	<u>267,321</u>	<u>267,321</u>

These interfund receivables and payables were recorded to eliminate cash flow deficits of various funds and to report interfund balances not paid as of year-end. All balances are expected to be paid within one year.

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2021, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other Receivables	Total Receivables
Governmental Activities:					
General Fund	251,883	483,446	60,536	1,532	797,397
Debt Service Fund	51,847	-	200,000	-	251,847
Nonmajor Governmental Funds (Special Revenue)	-	50,560	6,785	1,349	58,694
Total - Government Activities	<u>303,730</u>	<u>534,006</u>	<u>267,321</u>	<u>2,881</u>	<u>1,107,938</u>
Amounts not scheduled for collection during subsequent year	<u>(115,238)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(115,238)</u>
Fiduciary Activities:					
Custodial Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>

Payables at August 31, 2021, were as follows:

	Accounts Payable	Salaries/ Benefits	Due to Other Funds	Other Governments	Total Payables
Governmental Activities:					
General Fund	37,775	224,114	206,785	265,845	734,519
Debt Service Fund	-	-	-	22,972	22,972
Nonmajor Governmental Funds (Special Revenue)	81	30,819	60,536	559	91,995
Total - Government Activities	<u>37,856</u>	<u>254,933</u>	<u>267,321</u>	<u>289,376</u>	<u>849,486</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
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Note H. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2021, consisted of the following:

	General Fund	Debt Service Fund	Total
Net uncollected tax revenue	141,416	39,004	180,420
	<u>141,416</u>	<u>39,004</u>	<u>180,420</u>

Note I. Capital Asset Activity

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

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Governmental Activities				
Land	639,546	-	-	639,546
Buildings and Improvements	25,952,015	-	-	25,952,015
Furniture and Equipment	2,269,573	29,009	(47,990)	2,250,592
Total Historical Cost	<u>28,861,134</u>	<u>29,009</u>	<u>(47,990)</u>	<u>28,842,153</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	8,717,285	760,467	-	9,477,752
Furniture and Equipment	1,807,483	109,551	(47,990)	1,869,044
Total Accumulated Depreciation	<u>10,524,768</u>	<u>870,018</u>	<u>(47,990)</u>	<u>11,346,796</u>
Governmental Activities:				
Land	639,546	-	-	639,546
Buildings and Improvements	17,234,730	(760,467)	-	16,474,263
Furniture and Equipment	462,090	(80,542)	-	381,548
Capital Assets, Net	<u>18,336,366</u>	<u>(841,009)</u>	<u>-</u>	<u>17,495,357</u>

During the current year, the District purchased an instrument, floor scrubber, lawn mower and green house. The total cost of all these purchases was \$29,009.

The District removed two fully depreciated vehicles at a cost of \$47,990.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	468,912
Instructional Resources and Media Services	9,788
School Leadership	46,806
Guidance, Counseling and Evaluation Services	7,208
Health Services	11,164
Student Transportation	10,773
Food Services	43,698
Extracurricular Activities	65,317
General Administration	49,790
Facilities Maintenance and Operations	126,190
Security and Monitoring Services	8,538
Data Processing Services	<u>21,834</u>
Total Depreciation Expense - Governmental Activities	<u>870,018</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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Note 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. There are a number of limitations and restriction contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2021.

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, 2021:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2011 Unlimited Building Bonds	3,530,000	- (a)	(110,000)	-	-
			(b) (3,420,000)		
2015 Unlimited Building Bonds	8,420,000	- (a)	(245,000)	8,175,000	255,000
2020 Unlimited Tax Refunding Bonds	-	3,240,000 (a)	(40,000)	3,200,000	120,000
Premium on Issuance of Bonds	699,142	352,928	(72,612)	979,458	-
QZAB Series 2007	219,000	- (a)	(72,000)	147,000	73,000
Notes Payable	604,523	-	-	604,523	604,523
Total Bonds and Notes Payable	13,472,665	3,592,928	(3,959,612)	13,105,981	1,052,523
Other Liabilities:					
TRS Net Pension Liability	1,816,243	127,300	(139,018)	1,804,525	-
TRS Net OPEB Liability	2,997,036	-	(558,529)	2,438,507	-
Total Other Liabilities	4,813,279	127,300	(697,547)	4,243,032	-
Total Governmental Activities					
Long-term Liabilities	18,285,944	3,720,228	(4,657,159)	17,349,013	1,052,523

(a) \$467,000 principal

(b) \$3,420,000 refunded debt

Bonds payable information is as follows:

Title of Issue	Interest Rate	Maturity Date	Original Amount
Qualified Zone Academy Tax and Revenue Note, Series 2007	1.48%	10/18/2022	1,000,000
Unlimited Building Bonds, Series 2011	3.00 - 5.00%	2/15/2041	4,130,000
Unlimited Building Bonds, Series 2015	3.00 - 5.00%	8/15/2042	9,115,000
Unlimited Tax Refunding Bonds, Series 2020	3%	2/15/2041	3,240,000
			<u>\$ 17,485,000</u>

Bonds indebtedness' current requirements for principal and interest expenditures are accounted for in the Debt Service Fund, Function 71 and Function 72, respectively. During the year ended August 31, 2021, the District paid \$395,000 in principal, and \$432,838 in interest.

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, 2021.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
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FOR THE YEAR ENDED AUGUST 31, 2021**

Unlimited Building Bonds – Series 2011

In 2011, the District issued Unlimited Building Bonds – Series 2011 in the amount of \$4,130,000. The proceeds of the bond were for renovations and new construction. In the governmental fund financial statements, bond indebtedness of the District current requirement for principal and interest expenditures are accounted for in the Debt Service Fund. In 2021, the District issued Unlimited Tax Refunding Bonds, Series 2020 in the amount of \$3,240,000. As a result, the Series 2011 is considered defeased and the District has removed the liability from its financial statements.

Unlimited Building Bonds – Series 2015

In 2015, The District issued Unlimited Building Bonds – Series 2015 in the amount of \$9,115,000. The proceeds of the bond were for renovations and new construction. In the governmental fund financial statements, bond indebtedness of the District current requirements for principal and interest expenditures are accounted for the Debt Service Fund.

Debt service requirements for the outstanding series 2015 bonds are as follows:

Year Ended August 31	Principal	Interest	Total Requirement
2022	255,000	351,675	606,675
2023	265,000	341,475	606,475
2024	275,000	330,875	605,875
2025	290,000	319,875	609,875
2026	300,000	308,275	608,275
2027-2031	1,700,000	1,351,375	3,051,375
2032-2036	2,060,000	981,025	3,041,025
2037-2041	2,555,000	487,000	3,042,000
2042	475,000	23,750	498,750
Totals	\$ 8,175,000	\$ 4,495,325	\$ 12,670,325

Unlimited Tax Refunding Bonds, Series 2020

In 2020, the District issued Unlimited Tax Refunding Bonds, Series 2020 in the amount of \$3,240,000 to refund Series 2011. The escrow payment of \$3,490,164 was used to provide debt service payments on Series 2011 when called on February 15, 2030. As a result, the Series 2011 is considered defeased and the District has removed the liability from its financial statements. The refunding resulted in a gross savings of \$827,141 and a net present value benefit of \$712,604. Bond proceeds are accounted for in the Debt Service Fund as other financing sources in the amount of \$3,240,000 for refunding bonds issued and \$352,928 for premium on issuance of bonds. The District paid \$103,213 in bond issuance costs.

Debt service requirements for the outstanding series 2020 bonds are as follows:

Year Ended August 31	Principal	Interest	Total Requirement
2022	120,000	94,200	214,200
2023	125,000	90,525	215,525
2024	130,000	86,700	216,700
2025	130,000	82,800	212,800
2026	135,000	78,825	213,825
2027-2031	735,000	329,925	1,064,925
2032-2036	850,000	211,500	1,061,500
2037-2041	975,000	74,625	1,049,625
Totals	\$ 3,200,000	\$ 1,049,100	\$ 4,249,100

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
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In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium on issuance of bonds, net of accumulated amortization, totaled \$979,458.

The deferred charge on refunding bonds, Series 2020, net of accumulated amortization, totaled \$70,164 at August 31, 2021.

Maintenance Tax Note – Direct Borrowing

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. Loan payments were made in the General Fund for Function 71 – Principal of \$72,000, Function 72 – Interest of \$3,241 and Function 73 – Fees of \$250.

Debt service requirements for the outstanding QZAB note are as follows:

Year Ended August 31	Principal	Interest	Total Requirement
2022	73,000	2,176	75,176
2023	74,000	1,095	75,095
Totals	\$ 147,000	\$ 3,271	\$ 150,271

Construction Loan Payable - Direct Borrowing

On April 3, 2019, the District authorized a construction loan payable in the amount of \$1,500,000. As of August 31, 2021, the District utilized \$604,523 of the loan for the drainage project at the football field, replacing the roof at the high school, constructing a parking lot, and other maintenance performed at the District. The interest rate of the loan is 3.25%. The additional funds will be utilized for other construction projects that are approved by the Board of Trustees. Interest payments were made in the General Fund for Function 72-Interest of \$14,815.

Note K. Defined Benefit Pension Plan

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.

Plan Description. Union Grove Independent School 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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
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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 www.trs.texas.gov/TRS%20Documents/cafr2019.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

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

Contributions. Contribution requirements are established or amended pursuant to Article 16, section 67 of the Texas Constitution which requires the Texas legislature to establish a member contribution rate of not less than 6% of the member's annual compensation and a state contribution rate of not less than 6% and not more than 10% of the aggregate annual compensation paid to members of the system during the fiscal year.

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

Contribution Rates		
	2020	2021
Member	7.7%	7.7%
Employers	7.5%	7.5%
Non-Employer Contributing Entity (State)	7.5%	7.5%
UGISD Fiscal Year Member Contributions	410,656	402,525
UGISD Fiscal Year Employer Contributions	137,904	123,417
UGISD Measurement Year NECE On-behalf Contributions	269,725	344,326

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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 source or a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- All public schools, charter school, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.

Actuarial Assumptions. The pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
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Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2020	2.33%. Source for the rate is the Fixed Income Market Data / Yield Curve / Data Municipal Bonds with 20 years to maturity that include only federally tax- exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index"
Last year ending August 31 in	
Projection Period (100) years	2119
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

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

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

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term rate of return on pension plan investments is 7.25%. 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.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
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Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

Asset Class	Target Allocation ¹ %	Long-Term Expected Arithmetic Real Rate of Return ²	Expected Contribution to Long-Term Portfolio Returns
Global Equity			
USA	18.0%	3.9%	0.99%
Non-U.S. Development	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Stable Value Hedge	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.01%
Energy, Natural Reserves	6.0%	6.0%	0.42%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag³			-0.67%
Total	100.00%		7.33%

¹ Target allocations are based on the FY 2020 policy manual.

² Capital Asset Market Assumptions come from Aon Hewitt (as of 8/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one % point lower (6.25%) or one % point higher (8.25%) that the current rate.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
UGISD's proportionate share of the net pension liability	2,782,546	1,804,525	1,009,905

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, Union Grove ISD reported a liability of \$1,804,525 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Union Grove ISD. The amount recognized by Union Grove ISD 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 Union Grove ISD were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,804,525
State's proportionate share that is associated with the District	4,469,532
Total	\$ 6,274,057

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The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.003369294%, which was an increase (decrease) of (0.0001246141%) from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

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

For the year ended August 31, 2021, Union Grove School recognized pension expense of \$836,720 and revenue of \$537,585 for support provided by the State.

At August 31, 2021, Union Grove School 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 experiences	\$ 3,295	\$ 50,360
Changes in actuarial assumptions	418,714	178,034
Net difference between projected and actual investment earnings	36,531	-
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	72,134	96,688
Total as of August 31, 2020 measurement date	\$ 530,674	\$ 325,082
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	123,417	-
Total as of August 31, 2021 fiscal year-end	\$ 654,091	\$ 325,082

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

Year ended August 31:	Pension Expense Amount
2022	83,927
2023	68,754
2024	67,380
2025	15,466
2026	(26,958)
Thereafter	(2,977)
	<u>205,592</u>

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Note L. Defined Other Post-Employment Benefit Plan

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

Plan Description. Union Grove Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS- Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.texas.gov/Pages/aboutpublications.aspx>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592.

Benefits Provided. TRS-Care provides a basic health insurance coverage to retirees from public and charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

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

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

TRS- CareMonthly for Retirees

		<u>Medicare</u>		<u>Non-Medicare</u>
Retiree*	\$	135	\$	200
Retiree and Spouse		529		689
Retiree* and Children		468		408
Retiree and Family		1,020		999

**or surviving spouse*

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

Texas Insurance Code, Section 1575.202 establishes the state's contribution rate which is 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

Contribution Rates		
	2020	2021
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Non-Employer Contributing Entity (State)	1.25%	1.25%
UGISD Fiscal Year Member Contributions	30,969	33,980
UGISD Fiscal Year Employer Contributions	48,552	41,458
Measurement Year NECE On-behalf Contributions	54,132	65,515

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

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$280.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions

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

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

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

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

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

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience Normal Retirement: 65% participation prior to age 65 and 40% participation after age 65, 25% of pre-65 retirees are assumed to discontinue coverage at age 65.
Election Rates	
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

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

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

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Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% point lower than and 1% point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
UGISD's proportionate share of the Net OPEB Liability	2,926,203	2,438,507	2,053,297

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021 the District reported a liability of \$2,438,507 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	2,438,507
State's proportionate share that is associated with the District	3,276,769
Total	<u>5,715,276</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.006414673%, which was an increase (decrease) 0.0000772730% August 31, 2019.

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	1,991,948	2,438,507	3,033,261

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

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

Change of Benefit Terms Since the Prior Measurement Date – There were not changes in benefit terms since the prior measurement date.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 127,679	\$ 1,115,986
Changes in actuarial assumptions	150,405	669,627
Net Difference between projected and actual investment earnings	792	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	43,168	87,923
Total as of August 31, 2020 measurement date	322,044	1,873,536
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	41,458	-
Total as of August 31, 2021 fiscal year-end	\$ 363,502	\$ 1,873,536

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

Year ended August 31:	OPEB Expense Amount
2022	(259,885)
2023	(259,991)
2024	(260,051)
2025	(260,035)
2026	(194,901)
Thereafter	(316,629)
	<u>(1,551,492)</u>

For the year ended August 31, 2021, the District recognized OPEB expense of (\$66,006) and revenue of (\$22,753) for support provided by the State.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
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Note M. Medicare Part D (TRS)

Federal Government Retiree Drug Subsidy - The Medicare Modernization Act of 2003 (MMA) created an outpatient prescription drug benefit program (known as Medicare Part D) and a Retiree Drug Subsidy (RDS) program which were made available in 2006. The Texas Public School Retired Employee Group Insurance Program (TRS-Care) is offering a Medicare Part D Plan and is participating in the Retiree Drug Subsidy plan for eligible TRS-Care participants. Under Medicare Part D and the RDS program, TRS-Care receives payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. On-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity.

The allocation of these on-behalf payments is based on the ratio of a reporting entity's covered payroll to the entire covered payroll reported by all participating reporting entities. TRS based this allocation percentage on the "completed" report submission by reporting entities for the month of May. Any questions about payroll amounts should be directed to a reporting entity's payroll contact.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Union Grove Independent School District's employees were \$25,397 for the year ended August 31, 2021, \$22,696 for the year ended August 31, 2020, and \$17,745 for the year ended August 31, 2019.

Note N. Health Care Coverage

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.

Note O. Due From/To 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, 2021, are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from Other Governments.

Fund	State Entitlements	Federal Grants	Total
<u>Governmental Activities:</u>			
<u>Due From Other Governments</u>			
General Fund	483,446	-	483,446
Nonmajor Governmental Funds			
(Special Revenue)	5,149	45,411	50,560
	488,595	45,411	534,006
<u>Due to Other Governments</u>			
General Fund	265,845	-	265,845
Debt Service	22,972	-	22,972
Nonmajor Governmental Funds			
(Special Revenue)	22	537	559
	288,839	537	289,376

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Note P. Commitments and Contingencies

Litigation – The District may be subjected to loss contingencies arising principally in the normal course or operations. In the opinion of the administration, the outcome of these lawsuits will not have a material adverse effect on the accompanying financial statements and accordingly, no provision for losses has been recorded.

Grant Programs - The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2021 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.

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The Governor has issued proclamations renewing the disaster declarations for all Texas counties in each subsequent month effective through the date of this report. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

Note Q. Shared Service Arrangements

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	Union Hill ISD
Gladewater ISD	Gladewater ISD	Gilmer ISD
Harmony ISD	Harmony ISD	Ore City ISD
New Diana ISD	New Diana ISD	
Union Hill 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.

The payments total \$219,780 for the year ended August 31, 2021.

General Fund - Function 93:	
SSA - Special Education	145,668
SSA - Alternative Education	55,068
SSA - Virtual School	19,044
	<u>219,780</u>

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
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Note R. Revenue from Local and Intermediate Source

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

Revenue Sources	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Property Taxes	1,684,909	553,210	-	2,238,119
Food Sales	-	-	101,608	101,608
Investment Income	44,812	8,831	-	53,643
Tuition and fees	58,520	-	-	58,520
Co-curricular student activities	22,377	-	178,279	200,656
Insurance recovery	13,652	-	-	13,652
Other (including gifts and bequests)	50,418	-	4,700	55,118
Total	<u>1,874,688</u>	<u>562,041</u>	<u>284,587</u>	<u>2,721,316</u>

Note S. Subsequent Events

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements which was November 30, 2021.

REQUIRED SUPPLEMENTARY INFORMATION

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 1,862,183	\$ 1,862,183	\$ 1,874,688	\$ 12,505
5800 State Program Revenues	7,081,146	7,081,146	6,841,872	(239,274)
5900 Federal Program Revenues	50,000	50,000	32,258	(17,742)
5020 Total Revenues	8,993,329	8,993,329	8,748,818	(244,511)
EXPENDITURES:				
Current:				
0011 Instruction	4,385,229	4,480,879	4,468,054	12,825
0012 Instructional Resources and Media Services	112,397	110,647	100,159	10,488
0013 Curriculum and Instructional Staff Development	20,000	10,000	-	10,000
0023 School Leadership	469,308	480,308	478,958	1,350
0031 Guidance, Counseling, and Evaluation Services	78,653	78,653	66,493	12,160
0033 Health Services	116,603	116,603	114,239	2,364
0034 Student (Pupil) Transportation	323,081	277,581	110,243	167,338
0036 Extracurricular Activities	584,960	566,060	502,076	63,984
0041 General Administration	538,803	533,803	509,491	24,312
0051 Facilities Maintenance and Operations	1,288,508	1,287,508	1,266,290	21,218
0052 Security and Monitoring Services	110,000	110,000	87,370	22,630
0053 Data Processing Services	253,225	244,825	223,426	21,399
Debt Service:				
0071 Principal on Long-Term Debt	270,915	256,900	72,000	184,900
0072 Interest on Long-Term Debt	39,230	37,200	18,056	19,144
0073 Bond Issuance Cost and Fees	1,055	1,000	250	750
Capital Outlay:				
0081 Facilities Acquisition and Construction	25,000	25,000	-	25,000
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	220,000	220,000	219,780	220
0099 Other Intergovernmental Charges	55,000	55,000	45,328	9,672
6030 Total Expenditures	8,891,967	8,891,967	8,282,213	609,754
1200 Net Change in Fund Balances	101,362	101,362	466,605	365,243
0100 Fund Balance - September 1 (Beginning)	4,729,987	4,729,987	4,729,987	-
3000 Fund Balance - August 31 (Ending)	\$ 4,831,349	\$ 4,831,349	\$ 5,196,592	\$ 365,243

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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.003369294%	0.003493908%	0.003532203%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,804,525	\$ 1,816,243	\$ 1,944,211
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	4,469,532	4,006,072	4,274,438
Total	<u>\$ 6,274,057</u>	<u>\$ 5,822,315</u>	<u>\$ 6,218,649</u>
District's Covered Payroll	\$ 5,333,192	\$ 4,764,594	\$ 4,579,457
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	33.84%	38.12%	42.46%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

<u>FY 2018</u>		<u>FY 2017</u>		<u>FY 2016</u>		<u>FY 2015</u>	
<u>Plan Year 2017</u>		<u>Plan Year 2016</u>		<u>Plan Year 2015</u>		<u>Plan Year 2014</u>	
0.003611229%		0.003789059%		0.0040578%		0.0019937%	
\$	1,154,676	\$	1,431,829	\$	1,434,378	\$	532,545
2,639,066		3,331,223		3,247,043		2,732,170	
\$	3,793,742	\$	4,763,052	\$	4,681,421	\$	3,264,715
\$	4,622,766	\$	4,732,383	\$	4,677,638	\$	4,371,319
24.98%		30.26%		30.66%		12.18%	
82.17%		78.00%		78.43%		83.25%	

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019
Contractually Required Contribution	\$ 123,417	\$ 137,904	\$ 123,370
Contribution in Relation to the Contractually Required Contribution	(123,417)	(137,904)	(123,370)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,227,593	\$ 5,333,192	\$ 4,764,594
Contributions as a Percentage of Covered Payroll	2.36%	2.59%	2.59%

Note: GASB Codification, Vol. 2, P20.183 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 of the preceding year.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

	2018	2017	2016	2015
\$	118,991	\$ 118,355	\$ 120,388	\$ 57,527
	(118,991)	(118,355)	(120,388)	(57,527)
\$	-	\$ -	\$ -	\$ -
\$	4,579,457	\$ 4,622,766	\$ 4,732,383	\$ 4,677,638
	2.60%	2.56%	2.54%	1.23%

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.006414673%	0.0063374%	0.006377118%	\$ 0.006543552%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 2,438,507	\$ 2,997,036	\$ 3,184,153	\$ 2,845,545
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	3,276,769	3,982,388	3,923,565	\$ 3,664,613
Total	<u>\$ 5,715,276</u>	<u>\$ 6,979,424</u>	<u>\$ 7,107,718</u>	<u>\$ 6,510,158</u>
District's Covered Payroll	\$ 5,333,192	\$ 4,764,594	\$ 4,579,457	\$ 4,622,766
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	45.72%	62.90%	69.53%	\$ 61.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	2.66%	1.57%	\$ 0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2021 are for the measurement date of August 31, 2020. The amounts for FY 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 41,458	\$ 48,552	\$ 45,210	\$ 43,964
Contribution in Relation to the Contractually Required Contribution	(41,458)	(48,552)	(45,210)	(43,964)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 5,227,593	\$ 5,333,192	\$ 4,764,594	\$ 4,579,457
Contributions as a Percentage of Covered Payroll	0.79%	0.91%	0.95%	0.96%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2021**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Changes of Assumptions.

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

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefit terms since the prior measurement date.

Changes in Assumptions.

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

- The discount rate changed from 2.64 percent as of August 31, 2019 to 2.33 percent, as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

COMBINING SCHEDULES

UNION GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
ASSETS					
1110	Cash and Cash Equivalents	\$ 9,274	\$ (2,425)	\$ 17,015	\$ -
1240	Due from Other Governments	1,034	8,479	27,716	-
1260	Due from Other Funds	-	-	6,785	-
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	16,621	-
1000	Total Assets	<u>\$ 10,308</u>	<u>\$ 6,054</u>	<u>\$ 68,137</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 81	\$ -
2160	Accrued Wages Payable	9,278	5,448	8,284	-
2170	Due to Other Funds	-	-	-	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	1,030	606	177	-
2300	Unearned Revenue	-	-	1,619	-
2000	Total Liabilities	<u>10,308</u>	<u>6,054</u>	<u>10,161</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	16,621	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	41,355	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>57,976</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 10,308</u>	<u>\$ 6,054</u>	<u>\$ 68,137</u>	<u>\$ -</u>

EXHIBIT H-1 (Cont'd)

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	276 Title I - SIP Academy Grant	282 ESSER-School Emergency Relief III	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds
\$ -	\$ (2,186)	\$ -	\$ -	\$ -	\$ 537	\$ 55,387	\$ -
-	2,186	-	-	5,996	-	5,149	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,996</u>	<u>\$ 537</u>	<u>\$ 60,536</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	5,867	-	-	-
-	-	-	-	-	-	60,536	-
-	-	-	-	-	537	-	-
-	-	-	-	129	-	-	-
-	-	-	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,996</u>	<u>537</u>	<u>60,536</u>	<u>-</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,996</u>	<u>\$ 537</u>	<u>\$ 60,536</u>	<u>\$ -</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes		461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS				
1110	Cash and Cash Equivalents	\$ 101,524	\$ (1,349)	\$ 177,777
1240	Due from Other Governments	-	-	50,560
1260	Due from Other Funds	-	-	6,785
1290	Other Receivables	-	1,349	1,349
1300	Inventories	-	-	16,621
1000	Total Assets	<u>\$ 101,524</u>	<u>\$ -</u>	<u>\$ 253,092</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 81
2160	Accrued Wages Payable	-	-	28,877
2170	Due to Other Funds	-	-	60,536
2180	Due to Other Governments	22	-	559
2200	Accrued Expenditures	-	-	1,942
2300	Unearned Revenue	-	-	1,619
2000	Total Liabilities	<u>22</u>	<u>-</u>	<u>93,614</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	16,621
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	41,355
Committed Fund Balance:				
3545	Other Committed Fund Balance	<u>101,502</u>	<u>-</u>	<u>101,502</u>
3000	Total Fund Balances	<u>101,502</u>	<u>-</u>	<u>159,478</u>
4000	Total Liabilities and Fund Balances	<u>\$ 101,524</u>	<u>\$ -</u>	<u>\$ 253,092</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, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program	244 Career and Technical - Basic Grant
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 101,161	\$ 4,700
5800 State Program Revenues	-	-	16,576	-
5900 Federal Program Revenues	131,924	38,297	325,319	-
5020 Total Revenues	131,924	38,297	443,056	4,700
EXPENDITURES:				
Current:				
0011 Instruction	131,924	38,297	-	4,700
0031 Guidance, Counseling, and Evaluation Services	-	-	-	-
0035 Food Services	-	-	447,158	-
0036 Extracurricular Activities	-	-	-	-
0051 Facilities Maintenance and Operations	-	-	-	-
6030 Total Expenditures	131,924	38,297	447,158	4,700
1200 Net Change in Fund Balance	-	-	(4,102)	-
0100 Fund Balance - September 1 (Beginning)	-	-	62,078	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 57,976	\$ -

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	270 ESEA VI, Pt B Rural & Low Income	276 Title I - SIP Academy Grant	282 ESSER-School Emergency Relief III	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	13,119	25,000
24,182	90,253	12,428	3,871	5,996	12,773	-	-
24,182	90,253	12,428	3,871	5,996	12,773	13,119	25,000
24,182	90,253	12,428	3,871	-	11,503	13,119	-
-	-	-	-	5,996	1,270	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	25,000
24,182	90,253	12,428	3,871	5,996	12,773	13,119	25,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes		461	499	Total
		Campus	Other Local	Nonmajor
		Activity	Special	Governmental
		Funds	Revenue Funds	Funds
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 151,005	\$ 27,721	\$ 284,587
5800	State Program Revenues	-	198	54,893
5900	Federal Program Revenues	-	-	645,043
5020	Total Revenues	151,005	27,919	984,523
EXPENDITURES:				
Current:				
0011	Instruction	-	-	330,277
0031	Guidance, Counseling, and Evaluation Services	-	-	7,266
0035	Food Services	-	-	447,158
0036	Extracurricular Activities	138,387	27,919	166,306
0051	Facilities Maintenance and Operations	-	-	25,000
6030	Total Expenditures	138,387	27,919	976,007
1200	Net Change in Fund Balance	12,618	-	8,516
0100	Fund Balance - September 1 (Beginning)	88,884	-	150,962
3000	Fund Balance - August 31 (Ending)	\$ 101,502	\$ -	\$ 159,478

REQUIRED T.E.A. SCHEDULES

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
2013	1.170000	0.124500	172,221,086
2014	1.170000	0.124500	165,813,987
2015	1.170000	0.124500	166,252,430
2016	1.170000	0.349800	147,888,275
2017	1.170000	0.349800	139,013,812
2018	1.170000	0.349800	146,267,011
2019	1.170000	0.349800	147,939,628
2020	1.068300	0.349800	157,118,610
2021 (School year under audit)	1.054700	0.349800	156,388,465
1000 TOTALS			

(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$ 95,404	\$ -	\$ 2,219	\$ 248	\$ (2,558)	\$ 90,379
16,161	-	2,173	241	-	13,747
15,467	-	2,559	284	-	12,624
16,844	-	2,971	330	-	13,543
24,394	-	3,577	397	-	20,420
24,416	-	5,121	1,530	-	17,765
25,310	-	3,160	944	-	21,206
34,826	-	5,865	1,752	(1,455)	25,754
65,117	-	22,550	7,357	(3,428)	31,782
-	2,196,476	1,596,696	529,397	(13,873)	56,510
<u>\$ 317,939</u>	<u>\$ 2,196,476</u>	<u>\$ 1,646,891</u>	<u>\$ 542,480</u>	<u>\$ (21,314)</u>	<u>\$ 303,730</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - FOOD SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 135,100	\$ 140,100	\$ 101,161	\$ (38,939)
5800 State Program Revenues	16,282	16,282	16,576	294
5900 Federal Program Revenues	208,230	296,930	325,319	28,389
5020 Total Revenues	359,612	453,312	443,056	(10,256)
EXPENDITURES:				
Current:				
0035 Food Services	386,431	480,131	447,158	32,973
6030 Total Expenditures	386,431	480,131	447,158	32,973
1200 Net Change in Fund Balances	(26,819)	(26,819)	(4,102)	22,717
0100 Fund Balance - September 1 (Beginning)	62,078	62,078	62,078	-
3000 Fund Balance - August 31 (Ending)	\$ 35,259	\$ 35,259	\$ 57,976	\$ 22,717

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, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 560,900	\$ 560,900	\$ 562,041	\$ 1,141
5800 State Program Revenues	328,287	328,287	334,880	6,593
5020 Total Revenues	889,187	889,187	896,921	7,734
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	355,000	395,000	395,000	-
0072 Interest on Long-Term Debt	502,045	462,045	432,838	29,207
0073 Bond Issuance Cost and Fees	2,000	74,515	103,213	(28,698)
6030 Total Expenditures	859,045	931,560	931,051	509
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	30,142	(42,373)	(34,130)	8,243
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	3,240,000	3,240,000	-
7916 Premium or Discount on Issuance of Bonds	-	324,229	352,928	28,699
8949 Other (Uses)	-	(3,490,164)	(3,490,164)	-
7080 Total Other Financing Sources (Uses)	-	74,065	102,764	28,699
1200 Net Change in Fund Balances	30,142	31,692	68,634	36,942
0100 Fund Balance - September 1 (Beginning)	351,825	351,825	351,825	-
3000 Fund Balance - August 31 (Ending)	\$ 381,967	\$ 383,517	\$ 420,459	\$ 36,942

STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES

Union Grove Independent School District

Fiscal Year 2021

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	475,167
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	376,958

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	8,821
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	4,778

**COMPLIANCE, INTERNAL CONTROL, AND
FEDERAL AWARDS SECTION**



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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

Independent Auditor's Report

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Grove Independent School District (the District), as of and for the year ended August 31, 2021, and the related notes to the financial statements, which collectively compromise the District's basic financial statements, and have issued our report thereon dated November 30, 2021.

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) as a basis for determining audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

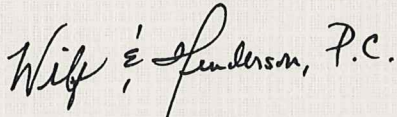
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



WILF & HENDERSON, P.C.
Certified Public Accountants
Texarkana, Texas

November 30, 2021

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2021**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Union Grove Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Union Grove Independent School District were disclosed during the audit.

II. Findings Relating to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

No findings required to be reported.

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

There were no prior year audit findings or responses.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021**

There were no current year audit findings or responses.

SCHOOLS FIRST QUESTIONNAIRE

Union Grove Independent School District

Fiscal Year 2021

SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	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? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	