

UNION GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
AUGUST 31, 2018

UNION GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-10
 <u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	11
B-1 Statement of Activities	12
Governmental Fund Financial Statements:	
C-1 Balance Sheet	13-14
C-2 Reconciliation for C-1	15
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	16-17
C-4 Reconciliation for C-3	18
Fiduciary Fund Financial Statements:	
E-1 Statement of Fiduciary Net Position	19
E-2 Statement of Changes in Fiduciary Net Position	20
Notes to the Financial Statements	21-52
 <u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	53
G-6 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	54
G-7 Schedule of District's Contributions to TRS Pension Plan	55
G-8 Schedule of District's Proportionate Share of the Net OPEB Liability (TRS)	56
G-9 Schedule of District's Contributions to the TRS OPEB Plan	57
Notes to Required Supplementary Information	58
 <u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	59-61
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	62-64
 <u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	65-66
J-2 Budgetary Comparison Schedule – Food Service Fund	67
J-3 Budgetary Comparison Schedule – Debt Service Fund	68
 <u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	69-70
Schedule of Findings and Responses	71
Schedule of Status of Prior Findings	72
Corrective Action Plan	73

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, 2018 at a meeting of the Board of Trustees of such school district on the _____ day of December, 2018.

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, 2018, 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, 2018 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.

Emphasis of Matter

As described in Note A to the financial statements during fiscal year 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. Our opinions are not modified with respect to this matter.

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 53, schedule of the District's proportionate share of the net pension liability (TRS) on page 54, schedule of District's contributions to TRS Pension plan on page 55, schedule of the District's proportionate share of the OPEB liability (TRS) on page 56, and schedule of District's contributions to TRS OPEB plan on page 57 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 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-3. 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 December 6, 2018, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Union Grove Independent School District's internal control over financial reporting and compliance.



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

December 6, 2018

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, 2018. 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 \$5,260,870 at August 31, 2018. Program revenues accounted for \$129,320 or 1.7% of total revenue, and general revenues accounted for \$7,445,303 or 98.3%.

During the year, the District had expenses that were \$276,206 less than the \$7,574,623 generated in tax and other revenues for governmental programs.

On Exhibit C-1, the general fund reported a positive fund balance of \$3,896,589.

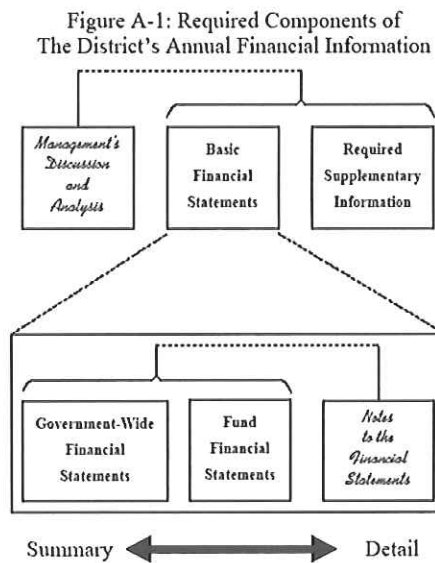
USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities (on pages 11 and 12). These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Fund financial statements (starting on page 13) 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 (starting on page 21) provide narrative explanations or additional data needed for full disclosure in the government-wide statements or the fund financial statements.

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



Reporting the District as a Whole

The Statement of Net Position and the Statement of Activities

The analysis of the District's overall financial condition and operations begins on page 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	Government-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's Governmental (except Fiduciary Funds) and the Agency's Component Units	The activities of the District that are not proprietary or fiduciary	Activities the District operates similar to private businesses, such as self-insurance	Instances in which the District is the trustee or agent for someone else's resources
Required Financial Statements	*Statement of Net Position	*Balance Sheet	*Statement of Net Position	*Statement of Fiduciary Net Position
	*Statement of Activities	*Statement of revenues, expenditures and changes in fund balances	*Statement of revenues, expenditures and changes in fund balances	*Statement of Changes in Fiduciary Net Position
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 begin on page 13 and provide detailed information about the most significant funds—not the District as a whole. Laws and contracts require the District to establish some funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District accounts for activities using governmental funds.

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or fiduciary, for money raised by student activities and alumnae scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position on page 19. 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 2018	Governmental Activities 2017	Total % Change
Current and other assets	5,079,830	5,523,112	-8.03%
Capital assets	19,414,010	19,820,105	-2.05%
Total assets	24,493,840	25,343,217	-3.35%
Deferred Outflows of Resources	544,648	697,320	-21.89%
Long-term liabilities	17,793,847	15,665,845	13.58%
Other liabilities	563,356	317,846	77.24%
Total liabilities	18,357,203	15,983,691	14.85%
Deferred Inflows of Resources	1,420,415	82,536	1620.96%
Net Position:			
Invested in capital assets net of related debt	5,620,384	5,586,089	0.61%
Restricted	366,191	339,569	7.84%
Unrestricted	(725,705)	4,048,652	-117.92%
Total net position	5,260,870	9,974,310	-47.26%

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is (\$4,989,646).

The Statement of Net Position includes the District's portion of the Teacher Retirement System (TRS) net OPEB liability as a result of the implementation of GASB 75 in the current year 2018 only. The financials also reflect deferred outflows and inflows of resources to record the liability. The information is not available for the prior year 2017 financial statements.

Net position of the District's governmental activities decreased from \$9,974,310 to \$5,260,870. 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 (\$725,705) at August 31, 2018. The decrease in net position for the year 2018 was primarily the result of the prior period adjustment decrease of (\$4,989,646). The NECE negative on-behalf revenues and negative on-behalf expenses of (\$1,226,277) impacted the reporting of operating grants and contributions and related expenses.

Table II
Union Grove Independent School District
CHANGES IN NET POSITION

	Governmental Activities 2018	Governmental Activities 2017	Total % Change
Revenues:			
Program Revenues:			
Charges for Services	\$ 473,686	\$ 537,171	-11.82%
Operating grants and contributions	(344,366)	1,164,138	-129.58%
General Revenues:			
Maintenance and operations taxes	1,600,145	1,739,375	-8.00%
Debt Service Taxes	500,695	508,818	-1.60%
Grants and contributions - not restricted	5,526,000	4,950,320	11.63%
Investment Earnings	44,431	48,688	-8.74%
Miscellaneous	121,718	689,005	-82.33%
Special Item - Loss on Sale of Property	(347,686)	-	-100.00%
Total Revenue	<u>7,574,623</u>	<u>9,637,515</u>	<u>-21.40%</u>
Expenses:			
Instruction, curriculum and media services	3,303,501	4,675,319	-29.34%
Instructional and school leadership	227,399	506,977	-55.15%
Student support services	283,122	386,011	-26.65%
Child nutrition	353,254	394,794	-10.52%
Co curricular activities	753,939	811,758	-7.12%
General administration	369,128	503,942	-26.75%
Plant maintenance, security, and data processing	1,259,588	1,319,240	-4.52%
Debt - Interest and Fees	561,715	541,974	3.64%
Payments to fiscal agents and miscellaneous	186,771	198,033	-5.69%
Total Expenses	<u>7,298,417</u>	<u>9,338,048</u>	<u>-21.84%</u>
Increase (Decrease) in Net Position	276,206	299,467	-7.77%
Net Position - Beginning of Year	9,974,310	9,674,843	3.10%
Prior Period Adjustment	(4,989,646)	-	-100.00%
Net Position - End of Year	<u>\$ 5,260,870</u>	<u>\$ 9,974,310</u>	<u>-47.26%</u>

The cost of all governmental activities this year was \$7,298,417. However, as shown in the Statement of Activities on page 12, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$2,100,840 because some of the costs were paid by those who directly benefited from the programs \$473,686 or by other governments and organizations that subsidized certain programs with grants and contributions (\$344,366) or by unrestricted grants, and other revenue \$5,344,463.

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 2018	Governmental Funds 2017	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 2,757,779	\$ 2,839,485	\$ (81,706)	-2.9%
State Program Revenues	5,919,770	5,508,643	411,127	7.5%
Federal Program Revenues	620,291	605,815	14,476	2.4%
Total Revenues	9,297,840	8,953,943	343,897	3.8%
Expenditures:				
Instruction	4,173,885	4,164,592	9,293	0.2%
Instructional resources & media services	102,362	100,527	1,835	1.8%
Curriculum and Instructional Staff Development	5,000	3,763	1,237	32.9%
School leadership	400,672	449,044	(48,372)	-10.8%
Guidance, counseling & evaluation services	129,971	124,295	5,676	4.6%
Social Work services	27,500	-	27,500	100.0%
Health services	81,402	84,412	(3,010)	-3.6%
Student (pupil) transportation	221,919	104,327	117,592	112.7%
Food service	387,616	351,899	35,717	10.1%
Extracurricular activities	757,784	727,134	30,650	4.2%
General administration	469,582	459,591	9,991	2.2%
Facilities maintenance & operations	1,059,208	938,388	120,820	12.9%
Security & monitoring services	41,302	56,821	(15,519)	-27.3%
Data processing services	185,081	198,222	(13,141)	-6.6%
Debt service	931,957	708,974	222,983	31.5%
Capital outlay	880,350	6,309,643	(5,429,293)	-86.0%
Other intergovernmental charges	186,771	198,033	(11,262)	-5.7%
Total Expenditures	10,042,362	14,979,665	(4,937,303)	-33.0%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(744,522)	(6,025,722)	5,281,200	87.6%
Other Financing Sources (Uses)	142,314	300	142,014	47338.0%
Net Change in Fund Balances	(602,208)	(6,025,422)	5,423,214	90.0%
Fund Balance - Beginning of Year	4,921,915	10,947,337	(6,025,422)	-55.0%
Fund Balance - End of Year	\$ 4,319,707	\$ 4,921,915	\$ (602,208)	-12.2%

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 13-14) reported a combined fund balance of \$4,319,707, which is below last year's total of \$4,921,915. Included in this year's total change in fund balance is a decrease of (\$385,272) in the District's General Fund, a decrease of (\$27,701) in the Debt Service Fund, a decrease of (\$188,190) in the Capital Projects Fund and a decrease of (\$1,045) in other nonmajor Special Revenue Funds.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into three 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 2017). 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 third category involves a transfer out to cover the completion of the construction project in the Capital Projects Fund.

The District's General Fund balance of \$3,896,589 reported on pages 13 differs by \$96,805 from the General Fund's budgetary fund balance of \$3,799,784 reported in the budgetary comparison schedule on page 53.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the District had \$19,414,010 net invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net decrease in capital assets of (\$406,095) over last year due to depreciation expense exceeding current year additions.

The District, during the 2019 year, plans major improvements and capital outlay of renovations on the elementary campus, including upgrades in the underground drainage system and other site improvements, which will be funded through the M&O budget and fund balance as needed. More detailed information about the District's capital assets is presented in Note J to the financial statements.

Debt

At year-end, the District had outstanding bonds and notes of \$12,988,000, which was a decrease of (\$393,000). More detailed information about the District's capital assets is presented in Note L to the financial statements

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2019 budget and tax rates.

These indicators were taken into account when adopting the General Fund budget for 2019. Amounts available for appropriation in the General Fund budget are \$7.537 million, an increase of 1.2 percent over the final 2018 budget of \$7.394 million. Budgeted expenditures are expected to increase 1.5 percent in 2018-2019 and the District has added no major new programs or initiatives to the 2018 budget.

If these estimates are realized, the District's budgetary General Fund balance is expected to decrease by (\$100,545) at the close of 2019.

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, 2018

EXHIBIT A-1

Data	Primary Government
Control Codes	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,219,828
1120 Current Investments	3,156,575
1220 Property Taxes - Delinquent	347,056
1230 Allowance for Uncollectible Taxes	(107,013)
1240 Due from Other Governments	440,046
1250 Accrued Interest Receivable	901
1290 Other Receivables, Net	630
1300 Inventories	10,819
1410 Prepayments	10,988
Capital Assets:	
1510 Land	639,546
1520 Buildings and Improvements, Net	18,254,395
1530 Furniture and Equipment, Net	513,146
1580 Construction in Progress	6,923
1000 Total Assets	24,493,840
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS Pension	500,237
1706 Deferred Outflow Related to TRS OPEB	44,411
1700 Total Deferred Outflows of Resources	544,648
LIABILITIES	
2110 Accounts Payable	70,711
2140 Accrued Interest Payable	22,758
2150 Payroll Deductions and Withholdings	2,437
2160 Accrued Wages Payable	229,429
2180 Due to Other Governments	185,349
2200 Accrued Expenses	5,900
2300 Unearned Revenue	46,772
Noncurrent Liabilities:	
2501 Due Within One Year	404,000
2502 Due in More Than One Year	13,389,626
2540 Net Pension Liability (District's Share)	1,154,676
2545 Net OPEB Liability (District's Share)	2,845,545
2000 Total Liabilities	18,357,203
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Resource Inflow Related to TRS Pension	230,118
2606 Deferred Resource Inflow Related to TRS OPEB	1,190,297
2600 Total Deferred Inflows of Resources	1,420,415
NET POSITION	
3200 Net Investment in Capital Assets	5,620,384
3820 Restricted for Federal and State Programs	35,108
3850 Restricted for Debt Service	331,057
3890 Restricted for Other Purposes	26
3900 Unrestricted	(725,705)
3000 Total Net Position	\$ 5,260,870

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, 2018

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Primary Gov. Governmental Activities
		3 Charges for Services	4 Operating Grants and Contributions	
	Expenses			
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 3,215,117	\$ 90,463	\$ (326,562)	\$ (3,451,216)
12 Instructional Resources and Media Services	82,809	-	(17,264)	(100,073)
13 Curriculum and Instructional Staff Development	5,575	-	-	(5,575)
23 School Leadership	227,399	-	(56,141)	(283,540)
31 Guidance, Counseling and Evaluation Services	80,368	-	80,555	187
32 Social Work Services	30,661	-	-	(30,661)
33 Health Services	57,952	-	(17,194)	(75,146)
34 Student (Pupil) Transportation	114,141	-	(22,305)	(136,446)
35 Food Services	353,254	156,094	197,913	753
36 Extracurricular Activities	753,939	227,129	(42,497)	(569,307)
41 General Administration	369,128	-	(54,979)	(424,107)
51 Facilities Maintenance and Operations	1,007,187	-	(85,892)	(1,093,079)
52 Security and Monitoring Services	46,049	-	-	(46,049)
53 Data Processing Services	206,352	-	-	(206,352)
72 Debt Service - Interest on Long-Term Debt	560,244	-	-	(560,244)
73 Debt Service - Bond Issuance Cost and Fees	1,471	-	-	(1,471)
93 Payments Related to Shared Services Arrangements	139,000	-	-	(139,000)
99 Other Intergovernmental Charges	47,771	-	-	(47,771)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 7,298,417	\$ 473,686	\$ (344,366)	(7,169,097)
Data Control Codes	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			1,600,145
DT	Property Taxes, Levied for Debt Service			500,695
GC	Grants and Contributions not Restricted			5,526,000
IE	Investment Earnings			44,431
MI	Miscellaneous Local and Intermediate Revenue			121,718
SI	Special Item - Loss on Sale of Property			(347,686)
TR	Total General Revenues and Special Items			7,445,303
CN	Change in Net Position			276,206
NB	Net Position - Beginning			9,974,310
PA	Prior Period Adjustment			(4,989,646)
NE	Net Position--Ending			\$ 5,260,870

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 1,009,001	\$ 27,489	\$ -
1120 Investments - Current	3,056,575	100,000	-
1220 Property Taxes - Delinquent	291,028	56,028	-
1230 Allowance for Uncollectible Taxes	(96,748)	(10,265)	-
1240 Due from Other Governments	396,096	-	-
1250 Accrued Interest Receivable	901	-	-
1260 Due from Other Funds	70,508	200,000	-
1290 Other Receivables	630	-	-
1300 Inventories	-	-	-
1410 Prepayments	10,988	-	-
1000 Total Assets	<u>\$ 4,738,979</u>	<u>\$ 373,252</u>	<u>\$ -</u>
LIABILITIES			
2110 Accounts Payable	\$ 40,846	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	2,435	-	-
2160 Accrued Wages Payable	206,654	-	-
2170 Due to Other Funds	206,785	-	-
2180 Due to Other Governments	165,853	19,437	-
2200 Accrued Expenditures	4,118	-	-
2300 Unearned Revenue	38,121	-	-
2000 Total Liabilities	<u>664,812</u>	<u>19,437</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	177,578	41,947	-
2600 Total Deferred Inflows of Resources	<u>177,578</u>	<u>41,947</u>	<u>-</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410 Inventories	-	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3480 Retirement of Long-Term Debt	-	311,868	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3510 Construction	2,000,000	-	-
3530 Capital Expenditures for Equipment	750,000	-	-
3545 Other Committed Fund Balance	-	-	-
3600 Unassigned Fund Balance	1,146,589	-	-
3000 Total Fund Balances	<u>3,896,589</u>	<u>311,868</u>	<u>-</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,738,979</u>	<u>\$ 373,252</u>	<u>\$ -</u>

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

		Total	
Other		Governmental	
Funds		Funds	
\$	183,338	\$	1,219,828
	-		3,156,575
	-		347,056
	-		(107,013)
	43,950		440,046
	-		901
	6,785		277,293
	-		630
	10,819		10,819
	-		10,988
\$	244,892	\$	5,357,123
\$	29,865	\$	70,711
	2		2,437
	22,775		229,429
	70,508		277,293
	59		185,349
	1,782		5,900
	8,651		46,772
	133,642		817,891
	-		219,525
	-		219,525
	10,819		10,819
	24,289		24,289
	-		311,868
	26		26
	-		2,000,000
	-		750,000
	76,116		76,116
	-		1,146,589
	111,250		4,319,707
\$	244,892	\$	5,357,123

UNION GROVE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2018

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$ 4,319,707
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 \$27,820,181 and the accumulated depreciation was (\$8,000,076). 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 (\$14,234,016). 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. Note: Beginning Balances related to TRS are NOT included in this amount.	5,586,089
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 2018 capital outlays and debt principal payments is to increase net position.	958,697
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 \$500,237, a deferred resource inflow in the amount of (\$230,118), and a net pension liability in the amount of (\$1,154,676). This resulted in a (decrease) in net position.	(884,557)
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 \$44,411, a deferred resource inflow in the amount of (\$1,190,297), and a net OPEB liability in the amount of (\$2,845,545). This resulted in a (decrease) in net position.	(3,991,431)
5 The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.	(924,402)
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.	196,767
19 Net Position of Governmental Activities	<u>\$ 5,260,870</u>

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:				
5700	Total Local and Intermediate Sources	\$ 1,881,654	\$ 508,039	\$ 183
5800	State Program Revenues	5,538,453	321,662	-
5900	Federal Program Revenues	-	-	-
5020	Total Revenues	7,420,107	829,701	183
EXPENDITURES:				
Current:				
0011	Instruction	3,823,658	-	-
0012	Instructional Resources and Media Services	102,362	-	-
0013	Curriculum and Instructional Staff Development	5,000	-	-
0023	School Leadership	400,672	-	-
0031	Guidance, Counseling and Evaluation Services	43,380	-	-
0032	Social Work Services	27,500	-	-
0033	Health Services	81,402	-	-
0034	Student (Pupil) Transportation	221,919	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	543,111	-	-
0041	General Administration	459,795	-	-
0051	Facilities Maintenance and Operations	1,059,208	-	-
0052	Security and Monitoring Services	41,302	-	-
0053	Data Processing Services	185,081	-	-
Debt Service:				
0071	Principal on Long-Term Debt	68,000	325,000	-
0072	Interest on Long-Term Debt	6,305	531,181	-
0073	Bond Issuance Cost and Fees	250	1,221	-
Capital Outlay:				
0081	Facilities Acquisition and Construction	6,977	-	873,373
Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	139,000	-	-
0099	Other Intergovernmental Charges	47,771	-	-
6030	Total Expenditures	7,262,693	857,402	873,373
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	157,414	(27,701)	(873,190)
OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	142,314	-	-
7915	Transfers In	-	-	685,000
8911	Transfers Out (Use)	(685,000)	-	-
7080	Total Other Financing Sources (Uses)	(542,686)	-	685,000
1200	Net Change in Fund Balances	(385,272)	(27,701)	(188,190)
0100	Fund Balance - September 1 (Beginning)	4,281,861	339,569	188,190
3000	Fund Balance - August 31 (Ending)	\$ 3,896,589	\$ 311,868	\$ -

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

		Total	
Other		Governmental	
Funds		Funds	
\$	367,903	\$	2,757,779
	59,655		5,919,770
	620,291		620,291
	1,047,849		9,297,840

350,227	4,173,885
-	102,362
-	5,000
-	400,672
86,591	129,971
-	27,500
-	81,402
-	221,919
387,616	387,616
214,673	757,784
9,787	469,582
-	1,059,208
-	41,302
-	185,081
-	393,000
-	537,486
-	1,471
-	880,350
-	139,000
-	47,771
1,048,894	10,042,362
(1,045)	(744,522)

-	142,314
-	685,000
-	(685,000)
-	142,314
(1,045)	(602,208)
112,295	4,921,915

\$	111,250	\$	4,319,707
----	---------	----	-----------

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, 2018

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (602,208)
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 2018 capital outlays and debt principal payments is to increase net position.	958,697
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.	(924,402)
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.	(86,584)
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 \$118,991. Contributions made before the measurement date and during the previous fiscal year were also expended as a reduction in net pension liability. This caused a decrease in net position totaling (\$118,355). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by (\$68,148). The net result is a (decrease) in the change in net position.	(67,512)
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 \$43,964. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in the net position liability. This caused a decrease in net position totaling (\$34,020). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by \$988,271. The net result is an increase in the change in net position.	998,215
Change in Net Position of Governmental Activities	<u>\$ 276,206</u>

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2018

	Private Purpose Trust Fund	Agency Fund
<hr/>		
ASSETS		
Cash and Cash Equivalents	\$ 23,895	\$ 3,253
Total Assets	<u>23,895</u>	<u>\$ 3,253</u>
LIABILITIES		
Due to Student Groups	-	\$ 3,253
Total Liabilities	<u>-</u>	<u>\$ 3,253</u>
NET POSITION		
Restricted for Scholarship	<u>23,895</u>	
Total Net Position	<u>\$ 23,895</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, 2018

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 14,688
Total Additions	<u>14,688</u>
DEDUCTIONS:	
Other Operating Costs	10,840
Total Deductions	<u>10,840</u>
Change in Net Position	3,848
 Total Net Position - September 1 (Beginning)	 <u>20,047</u>
 Total Net Position - August 31 (Ending)	 <u><u>\$ 23,895</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
YEAR ENDED AUGUST 31, 2018

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.

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.

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.

Union Grove Independent School District implemented Governmental Accounting Standards Board (GASB) Number 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)* to assume its proportionate share of the Net Postemployment Benefit other than Pension Liability of the Teachers Retirement System of Texas (TRS) in the current year.

Union Grove Independent School District applies Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

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.

Capital Projects Fund – This fund is established to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisition.s

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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:

Agency Funds – The District utilizes Agency Funds to account for resources held for others in a custodial capacity. Financial resources for the Agency funds are recorded as assets and liabilities; therefore, these funds do not include revenues and expenditures and have no fund equity. The District's Agency 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.

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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, 2018, Nonspendable (inventory) Fund Balance included \$10,819 for foodstuffs, Restricted Fund Balance included \$24,315 in various Special Revenue Funds and \$311,868 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 \$76,116 for campus activity funds. Unassigned Fund Balance totaled \$1,146,589 in the General Fund.

Net Position - Net position represents the difference between assets and deferred outflow of resources, and liabilities and deferred inflow of resources. Net investments in capital consists of cost of capital assets, net of accumulated depreciation, reduced by outstanding balances of any borrowing used for the acquisition, construction, or improvements 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. Significant losses are covered by commercial insurance for property and liability programs. The District entered into an agreement with the Texas Educational Insurance Association to self-fund their workers' compensation plan with annual maximum limits. 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, 2018, the District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the "Fund"). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 or the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 505, Texas Labor Code. All districts and ESCs participating in the Fund executed Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

The Fund and its members are protected against higher than expected claims costs through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of \$2,000,000. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2017, the Fund carries a discounted reserve of \$49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2018, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31 and is approved by the Fund's Board of Trustees in February the following year. The Fund's audited financial statements as of August 31, 2017 are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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.

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. All balances between funds are reported as transfers.

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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. Reconciliation of Government-Wide and Fund Financial Statements

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net position - Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the net position for governmental activities as reported in the government-wide statement of Net Position.

The details for this element is as follows:

	<u>Amount</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levy	163,362	
Uncollected taxes (assumed collectible) from current year levy	<u>56,163</u>	
		219,525
<u>Reclassify Liabilities Incurred But Not Liquidated This Year</u>		
Interest accrued on bonds payable from current year	<u>(22,758)</u>	
		(22,758)
Net Adjustments to Net Position - Increase		<u><u>196,767</u></u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities - Exhibit C-4 provides a reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in Net Position of governmental activities as reported on the government-wide statement of activities.

The details for this element is as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	(119,989)	
Uncollected taxes (assumed collectible) from current year levy	<u>56,163</u>	
		(63,826)
<u>Reclassify Liabilities Incurred But Not Liquidated This Year</u>		
Interest accrued on bonds payable from current year	<u>(22,758)</u>	
		(22,758)
Net Adjustments to Changes in Net Position - Decrease		<u><u>(86,584)</u></u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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.

General Fund:

(Decrease) in revenues - Total Local and Intermediate Sources	(8,675)
Increase in revenues - State Program	8,675
(Increase) in expenditures Function 11 - Instruction	(43,400)
Decrease in expenditures Function 12 - Instructional Resources & Media	1,000
(Increase) in expenditures Function 13 - Curriculum and Instructional Staff	(100)
Decrease in expenditures Function 23 - School Leadership	4,500
Decrease in expenditures Function 31 - Guidance & Counseling	1,000
(Increase) in expenditures Function 32 - Social Work Services	(27,500)
(Increase) in expenditures Function 36 - Extracurricular Activities	(5,000)
(Increase) in expenditures Function 51 - Plant & Maintenance Operations	(25,000)
Decrease in expenditures Function 52 - Securities and Monitoring Services	12,000
Decrease in expenditures in Function 53 - Data Processing Services	25,000
Decrease in expenditures Function 99 - Other Intergovernmental Changes	(275)
Increase in Other Financing Uses - Sale of Real and Personal Property	142,315
(Increase) in Other Financing Uses - Transfer Out	(485,000)
	<u>(400,460)</u>

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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:

	8/31/2018 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	35,108
Nonappropriated Budget Funds	<u>76,142</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>111,250</u></u>

Note D. 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, 2018 consist of the following:

	General Fund	Debt Service Fund	Special Revenue Funds	Balance Sheet Total	Fiduciary Funds
Cash and Cash Equivalents	1,009,001	27,489	183,338	1,219,828	27,148
Certificates of Deposit	3,056,575	100,000		3,156,575	-
	<u>4,065,576</u>	<u>127,489</u>	<u>183,338</u>	<u>4,376,403</u>	<u>27,148</u>

The District's cash deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) at August 31, 2018 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, 2018.

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:

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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, 2018.

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, 2018.

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.

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, 2018.

Based on these three levels of risk, the following table categorizes the District's Certificates of Deposit at August 31, 2018.

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	-	-	-

Note E. 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, 2018, to finance General Fund operations and Debt Service was \$1.17000 and \$0.349800 respectively, per \$100 valuation. The assessed value of the property tax roll on January 1, 2017, upon which the levy for the 2017-18 fiscal year was based, was \$142,267,011.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note F. 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 G. Interfund Receivables and Payables

Interfund balances at August 31, 2018, consisted of the following individual fund balances:

	Due to Other Funds	Due from Other Funds
General Fund:		
Debt Service Fund	200,000	-
Special Revenue Fund	6,785	70,508
Debt Service Fund:		
General Fund	-	200,000
Special Revenue Fund:		
General Fund	70,508	6,785
Total	277,293	277,293

Note H. Disaggregation of Receivables and Payables

Receivables at August 31, 2018, were as follows:

	Property Taxes	Other Governments	Due From Other Funds	Other Receivables	Total Receivables
Governmental Activities:					
General Fund	291,028	396,096	70,508	1,531	759,163
Debt Service Fund	56,028	-	200,000	-	256,028
Nonmajor Governmental Funds (Special Revenue)	-	43,950	6,785	-	50,735
Total - Government Activities	347,056	440,046	277,293	1,531	1,065,926
Amounts not scheduled for collection during subsequent year	(107,013)	-	-	-	(107,013)

Payables at August 31, 2018, were as follows:

	Accounts Payable	Salaries/ Benefits	Due to Other Funds	Other Governments	Total Payables
Governmental Activities:					
General Fund	40,846	213,207	206,785	165,853	626,691
Debt Service Fund				19,437	19,437
Nonmajor Governmental Funds (Special Revenue)	29,865	24,559	70,508	59	124,991
Total - Government Activities	70,711	237,766	277,293	185,349	771,119

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Note I. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2018, consisted of the following:

	General Fund	Debt Service Fund	Total
Net uncollected tax revenue	177,578	41,947	219,525
	<u>177,578</u>	<u>41,947</u>	<u>219,525</u>

Note J. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reclassifications/ Retirements	Ending Balance
Governmental Activities				
Land	694,546	-	(55,000)	639,546
Buildings and Improvements	15,388,052	-	10,172,418	25,560,470
Furniture and Equipment	1,988,592	127,957	-	2,116,549
Construction in Progress	9,748,991	880,350	(10,622,418)	6,923
Total Historical Cost	<u>27,820,181</u>	<u>1,008,307</u>	<u>(505,000)</u>	<u>28,323,488</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	6,516,114	804,961	(15,000)	7,306,075
Furniture and Equipment	1,483,962	119,441	-	1,603,403
Total Accumulated Depreciation	<u>8,000,076</u>	<u>924,402</u>	<u>(15,000)</u>	<u>8,909,478</u>
Governmental Activities:				
Land	694,546	-	(55,000)	639,546
Buildings and Improvements	8,871,938	(804,961)	10,187,418	18,254,395
Furniture and Equipment	504,630	8,516	-	513,146
Construction in Progress	9,748,991	880,350	(10,622,418)	6,923
Capital Assets, Net	<u>19,820,105</u>	<u>83,905</u>	<u>(490,000)</u>	<u>19,414,010</u>

During the current year the District purchased a sousaphone, printer, bus, cafeteria oven, and a public address PA system.

The District entered a construction contract with Barry & Clay, Inc. for a Co-Ed Athletic and Performing Arts Facility in the prior year in the amount of \$9,793,519. After adjusting the contract price through change orders totaling (\$73,768), the contract was completed at a total of \$9,719,751. The construction project was completed in the current year at a total cost of \$10,622,418.

Current construction in progress costs include a drainage study for renovations to be completed in fiscal year 2019.

The District sold the Whisenhunt building and land that was donated in previous years and recorded at a cost basis of \$505,000, less accumulated depreciation of (\$15,000). The sales price of \$142,314 resulted in a loss on sale of property based on the net value of (\$347,686).

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	479,698
Instructional Resources and Media Services	11,764
Curriculum and Instructional Staff Development	575
School Leadership	46,049
Guidance, Counseling and Evaluation Services	14,937
Social Work Services	3,161
Health Services	9,355
Student Transportation	25,505
Food Services	44,548
Extracurricular Activities	87,091
General Administration	53,968
Facilities Maintenance and Operations	121,733
Security and Monitoring Services	4,747
Data Processing Services	<u>21,271</u>
Total Depreciation Expense - Governmental Activities	<u><u>924,402</u></u>

Note K. Commitments under Leases

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2018, as follows: the District had operating lease expenditures for the year ending August 31, 2018 totaling \$13,000. Operating lease commitments for the next five years are presented below:

Year	Amount
2019	13,000
2020	13,000
2021	-
2022	-
2023	-
Total	<u><u>\$ 26,000</u></u>

Note L. 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.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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, 2018:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
2011 Unlimited Building Bonds	3,840,000	-	(100,000)	3,740,000	105,000
2015 Unlimited Building Bonds	9,115,000	-	(225,000)	8,890,000	230,000
Premium on Issuance of Bonds	853,016	-	(47,390)	805,626	-
QZAB Series 2007	426,000	-	(68,000)	358,000	69,000
Total Bonds and Notes Payable	14,234,016	-	(440,390)	13,793,626	404,000
Other Liabilities:					
TRS Net Pension Liability	1,431,829	(158,798)	(118,355)	1,154,676	-
TRS Net OPEB Liability	5,023,666	(2,144,101)	(34,020)	2,845,545	-
Total Other Liabilities	6,455,495	(2,302,899)	(152,375)	4,000,221	-
Total Governmental Activities					
Long-term Liabilities	20,689,511	(2,302,899)	(592,765)	17,793,847	404,000

Bonds payable information is as follows:

Title of Issue	Interest Rate	Maturity Date	Original Amount
Unlimited Building Bonds, Series 2011	2.00 - 4.375%	2/15/2041	\$ 4,360,000
Unlimited Building Bonds, Series 2015	3.00 - 5.00%	8/15/2042	9,115,000
Qualified Zone Academy Tax and Revenue Note, Series 2007	1.48%	10/18/2022	1,000,000
			<u>\$ 14,475,000</u>

Debt Service Requirements (Defeased and Maintenance Tax Note Aggregation)

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

Year Ended August 31, 2018	Principal	Interest	Total Requirement
2019	404,000	527,286	931,286
2020	415,000	516,477	931,477
2021	427,000	505,285	932,285
2022	443,000	493,057	936,057
2023	459,000	477,076	936,076
2024 - 2028	2,175,000	2,134,206	4,309,206
2029 - 2033	2,650,000	1,659,706	4,309,706
2034 - 2038	3,240,000	1,065,544	4,305,544
2039 - 2042	2,775,000	296,041	3,071,041
Totals	<u>\$ 12,988,000</u>	<u>\$ 7,674,678</u>	<u>\$ 20,662,678</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2018.

Unlimited Building Bonds – Series 2011

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

Year Ended August 31, 2018	Principal	Interest	Total Requirement
2019	105,000	148,863	253,863
2020	105,000	145,975	250,975
2021	110,000	143,020	253,020
2022	115,000	139,206	254,206
2023	120,000	134,506	254,506
2024 - 2028	675,000	595,030	1,270,030
2029 - 2033	810,000	447,130	1,257,130
2033 - 2038	995,000	264,020	1,259,020
2039 - 2041	705,000	47,141	752,141
Totals	\$ 3,740,000	\$ 2,064,891	\$ 5,804,891

Unlimited Building Bonds – Series 2015

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

Year Ended August 31, 2018	Principal	Interest	Total Requirement
2019	230,000	373,125	603,125
2020	240,000	366,225	606,225
2021	245,000	359,025	604,025
2022	255,000	351,675	606,675
2023	265,000	341,475	606,475
2024 - 2028	1,500,000	1,539,175	3,039,175
2039 - 2033	1,840,000	1,212,575	3,052,575
2034 - 2038	2,245,000	801,525	3,046,525
2039 - 2042	2,070,000	248,900	2,318,900
Totals	\$ 8,890,000	\$ 5,593,700	\$ 14,483,700

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Maintenance Tax Note

On September 17, 2007, The Board of Trustees authorized the issuance of a Qualified Zone Academy Tax and Revenue Note in the amount of \$1,000,000. The proceeds of the note were for renovations to the Union Grove Elementary School. Debt service requirements for the outstanding QZAB note are as follows:

Year Ended August 31, 2018	Principal	Interest	Total Requirement
2019	69,000	5,298	74,298
2020	70,000	4,277	74,277
2021	72,000	3,241	75,241
2022	73,000	2,176	75,176
2023	74,000	1,095	75,095
Totals	\$ 358,000	\$ 16,087	\$ 374,087

Note M. Defined Benefit Pension Plan

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.

Pension Plan Fiduciary Net Position

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

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2017 and 2018. Contribution rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates		
	<u>2017</u>	<u>2018</u>
Member	7.7%	7.7%
Employers	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
UGISD Fiscal Year Member Contributions	355,953	352,949
UGISD Fiscal Year Employer Contributions	118,355	118,991
UGISD Measurement Year NECE On-behalf Contributions	280,646	269,938

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

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

- On the portion of the member's salary that exceeds the statutory minimum for members entitled to the statutory minimum under Section 21.402 of the Texas Education Code.
- During a new member's first 90 days of employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.

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

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Actuarial Assumptions. The total pension liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 12, page 90.

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Municipal Bond Rate	N/A*
Last year ending August 31 in 2017 to 2116	
Projection period (100) years	2116
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Ad hoc Post Employment Benefit Changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not later than the Measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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

Discount Rate. The single discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR page 90. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2017 (see page 62 of the TRS CAFR) are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.1%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	<u>100%</u>		<u>8.7%</u>

* Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.

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

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2017 Net Pension Liability. The discount rate can be found in the 2017 CAFR, Note 12, page 91.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
UGISD's proportionate share of the net pension liability	1,946,556	1,154,676	495,308

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, the District reported a liability of \$1,154,676 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 1,154,676
State's proportionate share that is associated with the District	2,639,066
Total	<u>\$ 3,793,742</u>

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0036112286% which was a decrease of (0.0001778305%) from its proportion measurement as of August 31, 2016.

Changes Since the Prior Actuarial Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

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

For the year ended August 31, 2018, the District recognized pension expense of \$387,800 and revenue of \$201,297 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experiences	\$ 16,893	\$ 62,270
Changes in actuarial assumptions	52,597	30,111
Net difference between projected and actual investment earnings	-	84,150
Changes in proportion and differences between the employer's contributions and the proportionate share of contributions	311,756	53,587
Total as of August 31, 2017 measurement date	\$ 381,246	\$ 230,118
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	118,991	-
Total as of August 21, 2018 fiscal year-end	\$ 500,237	\$ 230,118

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

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

Year ended August 31:	Pension Expense Amount
2019	32,816
2020	106,522
2021	27,151
2022	1,889
2023	(9,194)
Thereafter	(8,056)
	151,128

Note N. Defined Other Post-Employment Benefit Plan

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 plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

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

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

<u>Net OPEB Liability</u>	
Total OPEB Liability	\$ 43,885,784,621
Less: plan fiduciary net position	<u>399,535,986</u>
Net OPEB Liability	<u>\$ 43,486,248,635</u>
Net position as a percentage of total OPEB liability	0.92%

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

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

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

TRS-Care Plan Premium Rates

Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	\$ -	\$ 70	\$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

*or surviving spouse

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 1575.202 establishes the state's contribution rate which is 1.0% 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. 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

	2017	2018
Active Employee	0.65%	0.65%
Employers	0.55%	0.75%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Federal/private Funding remitted by Employers	1.00%	1.25%
UGISD 2018 Member Contributions		29,794
UGISD 2018 Employer Contributions		43,964
Measurement Year NECE On-behalf Contributions		43,812

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of \$212 million in fiscal year 2018.

The District's proportionate share of the \$212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Methods and Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	
Additional Actuarial Methods and Assumptions	
Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50%**
Healthcare Trend Rates***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc post-employment benefit changes	None

**Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*

*** Includes Inflation at 2.50%*

**** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Discount Rate: A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. *The Discount Rate can be found in the 2017 TRS CAFR on page 83.* Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. *The source of the municipal bond rate was Fixed-income 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” as of August 31, 2017*

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability. The current single discount rate (3.42%) used was for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
UGISD's proportionate share of the Net OPEB Liability	3,358,450	2,845,545	2,433,286

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	2,369,201	2,845,545	3,470,569

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of \$2,845,545 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	2,845,545
State's proportionate share that is associated with the District	3,664,613
Total	<u>6,510,158</u>

The Net OPEB Liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was 0.0065435520% which was the same proportion measured as of August 31, 2016.

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

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

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

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

For the year ended August 31, 2018, the District recognized OPEB expense of (\$2,180,528) and revenue of (\$1,226,277) for support provided by the State.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

At August 31, 2018, 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	\$ -	\$ 59,403
Changes in actuarial assumptions	-	1,130,894
Net Difference between projected and actual investment earnings	432	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	15	-
Total as of August 31, 2017 measurement date	447	1,190,297
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	43,964	-
Total as of August 31, 2018 fiscal year-end	\$ 44,411	\$ 1,190,297

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	(157,002)
2020	(157,002)
2021	(157,002)
2022	(157,002)
2023	(157,110)
Thereafter	(404,732)
	<u>(1,189,850)</u>

Note O. School District Retiree Health Plan (TRS)

Plan Description - Union Grove ISD participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined benefit post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care provides health care coverage for certain persons (and their dependents) who retire under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. Texas Insurance Code Section 1575.052 grants the TRS Board of Trustees the authority to establish and amend basic and optional group insurance coverage for participants. The TRS issues a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701, by phoning the TRS Communications Department at 1-800-223-8778, or by downloading the report from the TRS Internet Website, www.trs.state.tx.us under the TRS Publications heading.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Funding Policy - Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. Funding for free basic coverage is provided by the program based upon public school district payroll. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. Funding for optional coverage is provided by those participants selecting the optional coverage

Contribution rates and amounts are shown in the table below for fiscal years 2018-2017.

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2018	0.65%	29,794	1.25%	57,297	0.75%	34,346
2017	0.65%	30,048	1.00%	46,228	0.55%	25,425

Note P. 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 \$18,529 for the year ended August 31, 2018. State Contributions for Medicare Part D made on behalf of Union Grove Independent School District's employees were \$21,133 for the year ended August 31, 2017.

Note Q. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Following are the effect on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on- behalf accruals)
11 - Instruction	\$ (326,562)	\$ (809,705)	\$ 483,143
12 - Instructional Resources and Media Services	(17,264)	(20,655)	3,391
23 - School Leadership	(56,141)	(67,166)	11,025
31 - Guidance, Counseling and Evaluation Services	80,555	(7,221)	87,776
33 - Health Services	(17,194)	(20,571)	3,377
34 - Student Transportation	(22,305)	(26,685)	4,380
35 - Food Services	197,913	(42,749)	240,662
36 - Extracurricular Activities	(42,497)	(51,278)	8,781
41 - General Administration	(54,979)	(77,486)	22,507
51 - Facilities Maintenance and Operations	(85,892)	(102,761)	16,869
	<u>\$ (344,366)</u>	<u>\$ (1,226,277)</u>	<u>\$ 881,911</u>

Note R. 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 S. 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, 2018 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.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018

Note T. 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, 2018, 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
Governmental Activities:			
<u>Due From Other Governments</u>			
General Fund	396,096	-	396,096
Nonmajor Governmental Funds (Special Revenue)	-	43,950	43,950
	<u>396,096</u>	<u>43,950</u>	<u>440,046</u>

Note U. Transfers In and Transfers Out

	Transfer In	Transfer Out
General Fund:		
Operating transfer (out) to Capital Projects Fund	-	(685,000)
Capital Projects Fund:		
Operating transfer in from General Fund	685,000	-
Total	<u>685,000</u>	<u>(685,000)</u>

The General Fund transferred \$685,000 to the Capital Projects Fund to finish construction projects.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note V. Shared Service Arrangements

The District is the fiscal agent for a Shared Service Arrangement ("SSA") which provides vocational education to the member districts listed below. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. According to the guidance provided in the TEA's Resource Guide, The District has accounted for the fiscal agent's activities of the SSA in the SSA Vocational Education – Basic Grant, Fund 331 and will be accounted for using Model 3 in the SSA section of the Resource Guide. Expenditures of the SSA are summarized below:

Member District	Final Amount	Total Includes Final, Incentive and Reallocation	Amount Reimbursed
Alba Golden ISD	\$ 12,068	\$ 12,850	\$ 4,085
Arp ISD	9,229	9,827	4,085
Beckville ISD	4,430	4,717	4,085
Big Sandy ISD	9,076	9,664	4,085
Harleton ISD	4,995	5,319	4,085
Harmony ISD	7,401	7,881	4,419
Hawkins ISD	9,468	10,082	4,085
Martins' Mill ISD	3,689	3,928	4,084
New Diana ISD	9,954	10,599	3,975
Ore City ISD	8,049	8,571	4,085
Quitman ISD	11,557	12,306	4,085
Tatum ISD	9,471	10,085	4,085
Troup ISD	8,961	9,542	4,085
Union Grove ISD	5,665	6,032	4,085
Union Hill ISD	3,156	3,361	4,085
Waskom ISD	7,576	8,067	3,131
White Oak ISD	12,991	13,833	4,085
Winnsboro ISD	15,259	16,248	4,085
Winona ISD	11,793	12,557	4,085
	\$	175,469	\$ 76,884

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.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED AUGUST 31, 2018**

Note W. 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	Capital Projects Fund	Nonmajor Governmental Funds	Total
Property Taxes	1,686,450	496,559	-	-	2,183,009
Food Sales	-	-	-	156,094	156,094
Investment Income	40,489	3,759	183	668	45,099
Penalties, interest, and other tax related income	35,500	7,721	-	-	43,221
Tuition and fees	64,398	-	-	-	64,398
Co-curricular student activities	23,823	-	-	37,563	61,386
Oil & Gas	19,500	-	-	-	19,500
Other (including gifts and bequests)	11,494	-	-	173,578	185,072
Total	<u>1,881,654</u>	<u>508,039</u>	<u>183</u>	<u>367,903</u>	<u>2,757,779</u>

Note X. Prior Period Adjustment – Government Wide Statements

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)*. With GASB 75, the District must assume their proportionate share of the Net OPEB liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The prior period adjustment totaled (\$4,989,646) which resulted in a restated beginning net position balance of \$4,984,664.

Note Y. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet data through December 6, 2018, which is the date the financial statements were available to be issued.

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, 2018

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	\$ 1,938,797	\$ 1,930,122	\$ 1,881,654	\$ (48,468)
5800	State Program Revenues	5,455,655	5,464,330	5,538,453	74,123
5020	Total Revenues	7,394,452	7,394,452	7,420,107	25,655
EXPENDITURES:					
Current:					
0011	Instruction	3,845,717	3,889,117	3,823,658	65,459
0012	Instructional Resources and Media Services	107,328	106,328	102,362	3,966
0013	Curriculum and Instructional Staff Development	4,950	5,050	5,000	50
0023	School Leadership	430,611	426,111	400,672	25,439
0031	Guidance, Counseling and Evaluation Services	52,752	51,752	43,380	8,372
0032	Social Work Services	-	27,500	27,500	-
0033	Health Services	88,619	88,619	81,402	7,217
0034	Student (Pupil) Transportation	324,030	324,030	221,919	102,111
0036	Extracurricular Activities	538,117	543,117	543,111	6
0041	General Administration	476,640	476,640	459,795	16,845
0051	Facilities Maintenance and Operations	1,044,165	1,069,165	1,059,208	9,957
0052	Security and Monitoring Services	62,400	50,400	41,302	9,098
0053	Data Processing Services	221,700	196,700	185,081	11,619
Debt Service:					
0071	Principal on Long-Term Debt	68,000	68,000	68,000	-
0072	Interest on Long-Term Debt	6,500	6,500	6,305	195
0073	Bond Issuance Cost and Fees	500	500	250	250
Capital Outlay:					
0081	Facilities Acquisition and Construction	9,000	9,000	6,977	2,023
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	141,345	141,345	139,000	2,345
0099	Other Intergovernmental Charges	47,725	48,000	47,771	229
6030	Total Expenditures	7,470,099	7,527,874	7,262,693	265,181
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(75,647)	(133,422)	157,414	290,836
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	142,315	142,314	(1)
8911	Transfers Out (Use)	(5,970)	(490,970)	(685,000)	(194,030)
7080	Total Other Financing Sources (Uses)	(5,970)	(348,655)	(542,686)	(194,031)
1200	Net Change in Fund Balances	(81,617)	(482,077)	(385,272)	96,805
0100	Fund Balance - September 1 (Beginning)	4,281,861	4,281,861	4,281,861	-
3000	Fund Balance - August 31 (Ending)	\$ 4,200,244	\$ 3,799,784	\$ 3,896,589	\$ 96,805

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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.003611229%	0.003789059%	0.0040578%	0.0019937%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,154,676	\$ 1,431,829	\$ 1,434,378	\$ 532,545
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	2,639,066	3,331,223	3,247,043	2,732,170
Total	<u>\$ 3,793,742</u>	<u>\$ 4,763,052</u>	<u>\$ 4,681,421</u>	<u>\$ 3,264,715</u>
District's Covered Payroll	\$ 4,622,766	\$ 4,732,383	\$ 4,677,638	\$ 4,371,319
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	24.98%	30.26%	30.66%	12.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	78.00%	78.43%	83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the periods covered as of the measurement dates of August 31, 2017 for year 2018, August 31, 2016 for Year 2017, August 31, 2015 for Year 2016 and August 31, 2014 for 2015.

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	\$ 118,991	\$ 118,355	\$ 120,388	\$ 57,527
Contribution in Relation to the Contractually Required Contribution	(118,991)	(118,355)	(120,388)	(57,527)
Contribution Deficiency (Excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-
District's Covered Payroll	\$ 4,579,457	\$ 4,622,766	\$ 4,732,383	\$ 4,677,638
Contributions as a Percentage of Covered Payroll	2.60%	2.56%	2.54%	1.23%

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

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
 TEACHER RETIREMENT SYSTEM OF TEXAS
 FOR THE YEAR ENDED AUGUST 31, 2018

	<u>FY 2018</u> <u>Plan Year 2017</u>
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.006543552%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	\$ 2,845,545
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	3,664,613
Total	<u>\$ 6,510,158</u>
District's Covered Payroll	\$ 4,622,766
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	61.56%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	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 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year 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 2018

	<u>2018</u>
Contractually Required Contribution	\$ 43,964
Contribution in Relation to the Contractually Required Contribution	(43,964)
Contribution Deficiency (Excess)	<u>\$ -0-</u>
District's Covered Payroll	\$ 4,579,457
Contributions as a Percentage of Covered Payroll	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, 2018

A. Notes to Schedules for the TRS Pension Plan

Changes of benefit terms

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

Changes of assumptions

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

B. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

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

Changes in Assumptions

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

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$850/\$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for the permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

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

COMBINING SCHEDULES

UNION GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
ASSETS				
1110	Cash and Cash Equivalents	\$ 836	\$ -	\$ 49,501
1240	Due from Other Governments	8,248	22,655	13,047
1260	Due from Other Funds	-	-	6,785
1300	Inventories	-	-	10,819
1000	Total Assets	<u>\$ 9,084</u>	<u>\$ 22,655</u>	<u>\$ 80,152</u>
LIABILITIES				
2110	Accounts Payable	\$ -	\$ -	\$ 29,865
2150	Payroll Deductions and Withholdings Payable	2	-	-
2160	Accrued Wages Payable	8,240	7,684	6,851
2170	Due to Other Funds	-	14,176	-
2180	Due to Other Governments	-	-	-
2200	Accrued Expenditures	842	795	145
2300	Unearned Revenue	-	-	8,183
2000	Total Liabilities	<u>9,084</u>	<u>22,655</u>	<u>45,044</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410	Inventories	-	-	10,819
Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	24,289
3490	Other Restricted Fund Balance	-	-	-
Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>35,108</u>
4000	Total Liabilities and Fund Balances	<u>\$ 9,084</u>	<u>\$ 22,655</u>	<u>\$ 80,152</u>

255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds	331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 College Tech Prep of East Texas
\$ -	\$ -	\$ -	\$ 194	\$ 56,332	\$ 105	\$ 76,175	\$ 169
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194</u>	<u>\$ 56,332</u>	<u>\$ 105</u>	<u>\$ 76,175</u>	<u>\$ 169</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	56,332	-	-	-
-	-	-	-	-	-	59	-
-	-	-	-	-	-	-	-
-	-	-	194	-	105	-	169
<u>-</u>	<u>-</u>	<u>-</u>	<u>194</u>	<u>56,332</u>	<u>105</u>	<u>59</u>	<u>169</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	76,116	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>76,116</u>	<u>-</u>
\$ -	\$ -	\$ -	\$ 194	\$ 56,332	\$ 105	\$ 76,175	\$ 169

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2018

Data Control Codes		499	Total
		Other Local Special Revenue Funds	Nonmajor Governmental Funds
ASSETS			
1110	Cash and Cash Equivalents	\$ 26	\$ 183,338
1240	Due from Other Governments	-	43,950
1260	Due from Other Funds	-	6,785
1300	Inventories	-	10,819
1000	Total Assets	<u>\$ 26</u>	<u>\$ 244,892</u>
LIABILITIES			
2110	Accounts Payable	\$ -	\$ 29,865
2150	Payroll Deductions and Withholdings Payable	-	2
2160	Accrued Wages Payable	-	22,775
2170	Due to Other Funds	-	70,508
2180	Due to Other Governments	-	59
2200	Accrued Expenditures	-	1,782
2300	Unearned Revenue	-	8,651
2000	Total Liabilities	<u>-</u>	<u>133,642</u>
FUND BALANCES			
Nonspendable Fund Balance:			
3410	Inventories	-	10,819
Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	24,289
3490	Other Restricted Fund Balance	26	26
Committed Fund Balance:			
3545	Other Committed Fund Balance	-	76,116
3000	Total Fund Balances	<u>26</u>	<u>111,250</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26</u>	<u>\$ 244,892</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, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	240 National Breakfast and Lunch Program
REVENUES:				
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ 156,397
5800	State Program Revenues	-	-	14,331
5900	Federal Program Revenues	110,481	94,648	219,010
5020	Total Revenues	110,481	94,648	389,738
EXPENDITURES:				
Current:				
0011	Instruction	110,481	94,648	-
0031	Guidance, Counseling and Evaluation Services	-	-	-
0035	Food Services	-	-	387,616
0036	Extracurricular Activities	-	-	-
0041	General Administration	-	-	-
6030	Total Expenditures	110,481	94,648	387,616
1200	Net Change in Fund Balance	-	-	2,122
0100	Fund Balance - September 1 (Beginning)	-	-	32,986
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 35,108

255 ESEA II,A Training and Recruiting	289 Other Federal Special Revenue Funds	331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 College Tech Prep of East Texas
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 179,263	\$ -
-	-	-	-	45,324	-	-	-
14,951	6,875	174,326	-	-	-	-	-
14,951	6,875	174,326	-	45,324	-	179,263	-
14,951	6,875	77,948	-	45,324	-	-	-
-	-	86,591	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	182,430	-
-	-	9,787	-	-	-	-	-
14,951	6,875	174,326	-	45,324	-	182,430	-
-	-	-	-	-	-	(3,167)	-
-	-	-	-	-	-	79,283	-
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 76,116	\$ -

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	REVENUES:		
5700	Total Local and Intermediate Sources	\$ 32,243	\$ 367,903
5800	State Program Revenues	-	59,655
5900	Federal Program Revenues	-	620,291
5020	Total Revenues	<u>32,243</u>	<u>1,047,849</u>
	EXPENDITURES:		
	Current:		
0011	Instruction	-	350,227
0031	Guidance, Counseling and Evaluation Services	-	86,591
0035	Food Services	-	387,616
0036	Extracurricular Activities	32,243	214,673
0041	General Administration	-	9,787
6030	Total Expenditures	<u>32,243</u>	<u>1,048,894</u>
1200	Net Change in Fund Balance	-	(1,045)
0100	Fund Balance - September 1 (Beginning)	<u>26</u>	<u>112,295</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 26</u>	<u>\$ 111,250</u>

REQUIRED T.E.A. SCHEDULES

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2009 and prior years	Various	Various	\$ Various
2010	1.170000	0.124500	213,926,458
2011	1.170000	0.128530	185,993,239
2012	1.170000	0.124500	179,069,216
2013	1.170000	0.124500	172,221,086
2014	1.170000	0.124500	165,813,987
2015	1.170000	0.124500	166,252,430
2016	1.170000	0.349800	147,888,275
2017	1.170000	0.349800	139,013,812
2018 (School year under audit)	1.170000	0.349800	146,267,011
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
\$ 91,213	\$ -	\$ 3,009	\$ 334	\$ (11,389)	\$ 76,481
16,101	-	1,407	156	-	14,538
14,618	-	1,101	122	-	13,395
17,153	-	1,237	137	-	15,779
23,648	-	3,034	337	-	20,277
24,930	-	4,724	525	-	19,681
28,041	-	5,207	579	-	22,255
43,922	-	6,986	2,087	(4)	34,845
62,876	-	5,590	1,670	(8,264)	47,352
-	2,222,966	1,639,473	486,951	(14,089)	82,453
<u>\$ 322,502</u>	<u>\$ 2,222,966</u>	<u>\$ 1,671,768</u>	<u>\$ 492,898</u>	<u>\$ (33,746)</u>	<u>\$ 347,056</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, 2018

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	\$ 154,928	\$ 154,928	\$ 156,397	\$ 1,469
5800	State Program Revenues	12,854	12,854	14,331	1,477
5900	Federal Program Revenues	202,382	202,382	219,010	16,628
5020	Total Revenues	370,164	370,164	389,738	19,574
EXPENDITURES:					
0035	Food Services	381,759	381,759	387,616	(5,857)
6030	Total Expenditures	381,759	381,759	387,616	(5,857)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(11,595)	(11,595)	2,122	13,717
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	5,970	5,970	-	(5,970)
1200	Net Change in Fund Balances	(5,625)	(5,625)	2,122	7,747
0100	Fund Balance - September 1 (Beginning)	32,986	32,986	32,986	-
3000	Fund Balance - August 31 (Ending)	\$ 27,361	\$ 27,361	\$ 35,108	\$ 7,747

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, 2018

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	\$ 518,133	\$ 518,133	\$ 508,039	\$ (10,094)
5800	State Program Revenues	316,097	316,097	321,662	5,565
5020	Total Revenues	834,230	834,230	829,701	(4,529)
EXPENDITURES:					
Debt Service:					
0071	Principal on Long-Term Debt	325,000	325,000	325,000	-
0072	Interest on Long-Term Debt	531,181	531,181	531,181	-
0073	Bond Issuance Cost and Fees	2,001	2,001	1,221	780
6030	Total Expenditures	858,182	858,182	857,402	780
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(23,952)	(23,952)	(27,701)	(3,749)
OTHER FINANCING SOURCES (USES):					
8911	Transfers Out (Use)	(200,000)	(200,000)	-	200,000
1200	Net Change in Fund Balances	(223,952)	(223,952)	(27,701)	196,251
0100	Fund Balance - September 1 (Beginning)	339,569	339,569	339,569	-
3000	Fund Balance - August 31 (Ending)	\$ 115,617	\$ 115,617	\$ 311,868	\$ 196,251

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



**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, 2018, and the related notes to the financial statements, which collectively compromise the District's basic financial statements, and have issued our report thereon dated December 6, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Union Grove Independent School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

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

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

December 6, 2018

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2018**

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, 2018**

Findings and Questioned Costs related to the Financial Statements Which Are Required To Be Reported in Accordance with *Generally Accepted Government Auditing Standards*.

Finding 2017-1 Expenditures Exceeded Budgetary Guideline

In the prior year, the District's expenditures for the General Fund exceeded budgetary guidelines in function 33 (\$3,634). Overall the General Fund's expenditures were less (\$351,306) than the total budgetary expenditures. This occurred as a result of budget amendments not being made in a timely manner. The District implemented procedures to review actual versus budgetary amounts by function in order to comply with budgetary guidelines.

There was no similar finding in the August 31, 2018 audit.

Finding 2017-2 Investment Policy Review

In the prior year, the District did not review/approve their investment policy during the audit period as is required by state law. The District failed to include this in their annual updates meeting. The District implemented procedures to include the investment policy for review in the annual updates each year.

There was no similar finding in the August 31, 2018 audit.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018**

There were no current year audit findings or responses.