

UNION GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE
YEAR ENDED AUGUST 31, 2017

Caver and Setser, Inc.
Certified Public Accountants



**UNION GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
for the Year Ended August 31, 2017**

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**UNION GROVE INDEPENDENT SCHOOL DISTRICT
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CERTIFICATE OF BOARD

Union Grove Independent School District	Upshur	230-908
_____ Name of District	_____ County	_____ Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named district were reviewed and (check one) ___approved ___ disapproved for the year ended August 31, 2017, at a meeting of the Board of Trustees of such school district on the 13th day of November 2017.

Signature of Board Secretary

Signature of Board President

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

FINANCIAL SECTION





CAVER and SETSER, Inc.

Certified Public Accountants

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Governmental Audit Quality Center

N. Preston Caver, CPA

Jalyn L. Setser, CPA

Independent Auditor's Report

Board of Trustees
Union Grove Independent School District
Union Grove, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union Grove Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on 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, the business-type activities, each major fund, and the aggregate remaining fund information of Union Grove Independent School District as of August 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis section, budgetary comparison, and pension information on pages 6 through 13 and 47 through 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2017, on our consideration of Union Grove Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Union Grove Independent School District's internal control over financial reporting and compliance.

Other Reporting Required by the *Texas Education Agency*

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 provided in Exhibits identified in the Table of Contents as J-1 through J-3. These schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Caver and Setser, Inc.

CAVER and SETSER, Inc.
Certified Public Accountants

October 31, 2017



**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Union Grove Independent School District, discuss and analyze the District's financial performance for the fiscal year ended August 31, 2017. Please read it in conjunction with the independent auditors' report on page 3, and the District's Basic Financial Statements, which begin on page 15.

FINANCIAL HIGHLIGHTS

The District's net position increased by \$299,468 as a result of this year's activities. Program revenues accounted for \$1,701,309 or 17.7% of total revenue, and general revenues accounted for \$7,936,206 or 82.3%.

During the year, the District had expenses that were \$299,468 less than the \$9,637,515 generated in tax and other revenues for governmental programs (before special items).

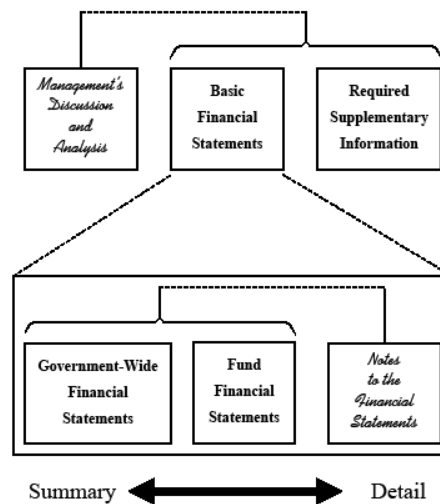
On Exhibit C-1, the general fund reported a positive fund balance of \$4,281,861.

USING THIS ANNUAL REPORT

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

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

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





**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

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

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

**Reporting the District
as a Whole**

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

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

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

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

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

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

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

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





**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

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

Reporting the District's Most Significant Funds

Fund Financial Statements

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

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

The District as Trustee

Reporting the District's Fiduciary Responsibilities

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

Net position of the District's governmental activities increased from \$9,674,843 to \$9,974,311. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements – was \$4,048,653 at August 31, 2017.





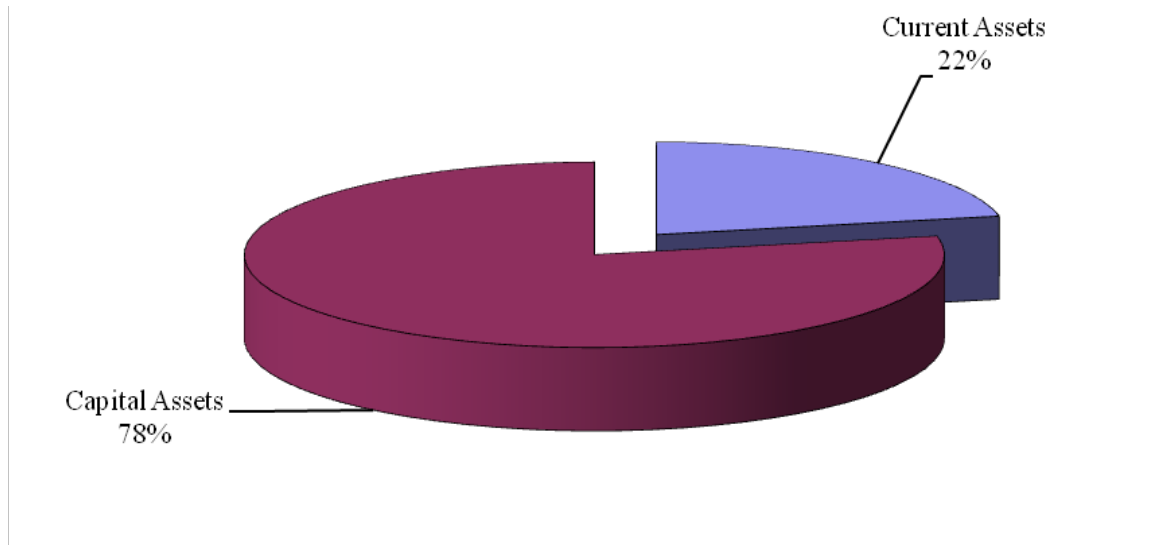
**Management's Discussion and Analysis
 Union Grove Independent School District
 For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

**Table I
 Union Grove Independent School
 District**

NET POSITION

	Governmental Activities 2016	Governmental Activities 2017
Current and other assets	\$ 11,986,100	\$5,523,112
Capital assets	13,519,621	19,820,105
Total assets	<u>25,505,721</u>	<u>25,343,217</u>
Deferred Outflows of Resources (Pension)	<u>858,874</u>	<u>697,320</u>
Long-term liabilities	15,882,784	15,665,845
Other liabilities	700,265	317,845
Total liabilities	<u>16,583,049</u>	<u>15,983,690</u>
Deferred Inflows of Resources (Pension)	<u>106,703</u>	<u>82,536</u>
Net Position:		
Invested in capital assets net of related debt	5,410,298	5,586,089
Restricted	1,245,122	339,569
Unrestricted	3,019,423	4,048,653
Total net position	<u><u>9,674,843</u></u>	<u><u>9,974,311</u></u>





**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

**Table II
Union Grove Independent School District**

CHANGES IN NET POSITION

	% Change	Governmental Activities 2016	Governmental Activities 2017
Revenues:			
Program Revenues:			
Charges for Services	38.9	\$ 386,736	\$ 537,171
Operating grants and contributions	22.7	948,561	1,164,138
General Revenues:			
Maintenance and operations taxes	0.9	1,723,615	1,739,375
Debt Service Taxes	(1.3)	515,600	508,818
Grants and contributions – not restricted	5.1	4,711,951	4,950,320
Investment Earnings	(34.7)	74,530	48,688
Miscellaneous	96.3	351,057	689,005
Total Revenue	10.6	8,712,050	9,637,515
Expenses:			
Instruction, curriculum and media services	(3.3)	4,836,611	4,675,318
Instructional and school leadership	(3.3)	524,279	506,977
Student support services	(20.6)	485,923	386,011
Child nutrition	(4.7)	414,305	394,794
Co curricular activities	10.9	731,732	811,758
General administration	(11.7)	571,012	503,942
Plant maintenance, security & data processing	18.7	1,111,211	1,319,240
Debt – Interest and Fees	(0.5)	544,580	541,974
Payments to fiscal agents and miscellaneous	27.9	154,845	198,033
Total Expenses	(0.4)	9,374,498	9,338,047
Increase in net position before transfers and spec. items		(662,448)	299,468
Prior Period Adjustment (Pension)		-0-	-0-
Net position at 9/1		10,337,291	9,674,843
Net position at 8/31		\$ 9,674,843	\$ 9,974,311





**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

TABLE II
CHART A – REVENUES

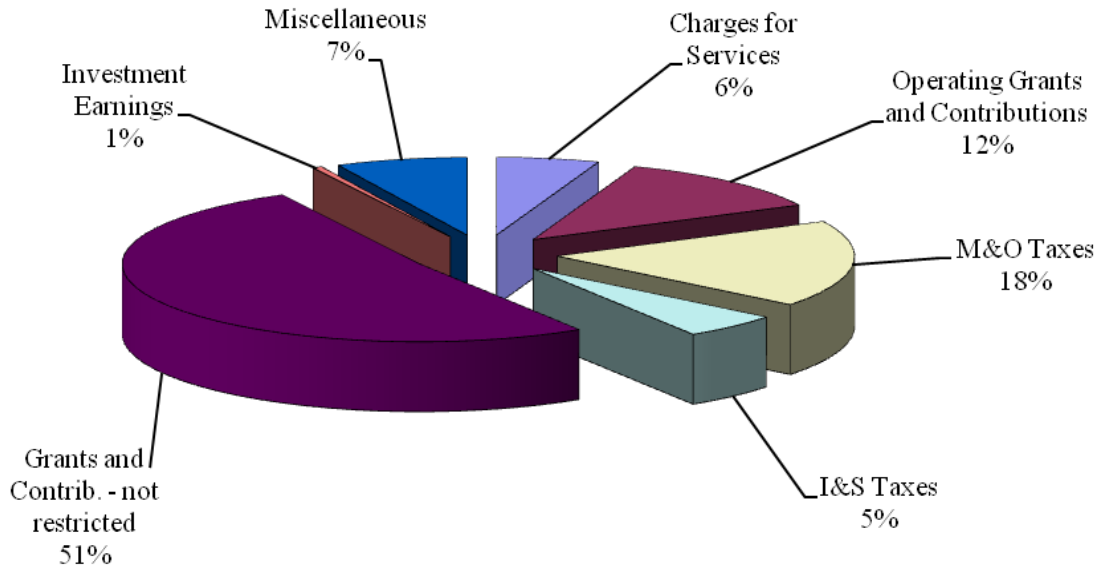
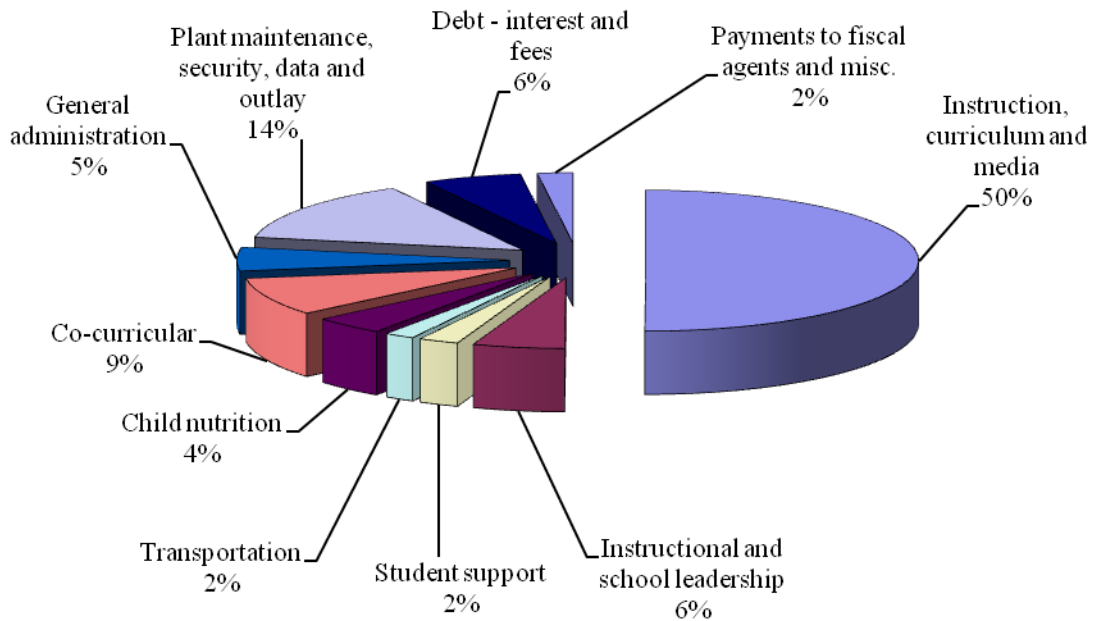


TABLE II
CHART B - EXPENSES





**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

During the year ended August 31, 2017, the total cost of all programs and services increased by 0.4%. Expenditures directly impacting classroom and health services (function coded 1x-34) decreased by \$278,507, or 4.8%.

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

The cost of all governmental activities this year was \$9,338,047. However, as shown in the Statement of Activities on page 16, the amount that our taxpayers ultimately financed for these activities through District taxes was only \$1,948,725 because some of the costs were paid by those who directly benefited from the programs (\$537,171) or by other governments and organizations that subsidized certain programs with grants and contributions (\$1,164,138) or by unrestricted grants, and other revenue (\$5,688,013).

THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds (as presented in the balance sheet on pages 17) reported a combined fund balance of \$4,921,915, which is below last year's total of \$10,947,337. Included in this year's total change in fund balance is an increase of \$40,814 in the District's General Fund and an decrease of \$6,150,889 in the Capital Project's Fund.

Over the course of the year, the Board of Trustees revised the District's budget several times. These budget amendments fall into two categories. The first category includes amendments and supplemental appropriations that were approved shortly after the beginning of the year and reflect the actual beginning balances (versus the amounts we estimated in August 2016). The second category involved amendments moving funds from programs that did not need all the resources originally appropriated to them to programs with resource needs.

The District's General Fund balance of \$4,281,861 reported on pages 17 differs from the General Fund's budgetary fund balance of \$3,763,124 reported in the budgetary comparison schedule on page 47.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the District had \$27,820,181 invested in a broad range of capital assets, including facilities and equipment for instruction, transportation, athletics, administration, and maintenance. There was a net increase in capital assets of \$6,840,933 over last year.

The District has plans, during the 2018 year, for material capital improvement expenditures which have been funded through bond proceeds. More detailed information about the District's capital assets is presented in Note IV-G to the financial statements.





**Management's Discussion and Analysis
Union Grove Independent School District
For the Fiscal Year Ended August 31, 2017**

-UNAUDITED-

Debt

At year-end, the District had outstanding bonds of \$13,381,000, which was an decrease of \$167,000, a decrease of 1.2% of the beginning bond balance.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's elected and appointed officials considered many factors when setting the fiscal-year 2018 budget, tax rates.

These indicators were taken into account when adopting the General Fund budget for 2018. Amounts available for appropriation in the General Fund budget are \$7.394 million, an increase of 4.5 percent over the final 2017 budget of \$7.073 million. Budgeted expenditures are expected to decrease 1.0 percent in 2017/18 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 \$81,617 at the close of 2018.

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, 2017

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 1,064,037
1120 Current Investments	3,606,575
1220 Property Taxes Receivable (Delinquent)	322,502
1230 Allowance for Uncollectible Taxes	(22,574)
1240 Due from Other Governments	522,957
1250 Accrued Interest	901
1290 Other Receivables, net	7,735
1300 Inventories	11,961
1410 Prepayments	9,018
Capital Assets:	
1510 Land	694,546
1520 Buildings, Net	8,871,938
1530 Furniture and Equipment, Net	504,630
1580 Construction in Progress	9,748,991
1000 Total Assets	25,343,217
DEFERRED OUTFLOWS OF RESOURCES	
1705 Deferred Outflow Related to TRS	697,320
1700 Total Deferred Outflows of Resources	697,320
LIABILITIES	
2110 Accounts Payable	48,508
2150 Payroll Deductions & Withholdings	2,460
2160 Accrued Wages Payable	208,239
2180 Due to Other Governments	9,558
2200 Accrued Expenses	4,899
2300 Unearned Revenue	44,182
Noncurrent Liabilities	
2501 Due Within One Year	168,000
2502 Due in More Than One Year	14,066,016
2540 Net Pension Liability (District's Share)	1,431,829
2000 Total Liabilities	15,983,691
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	82,536
2600 Total Deferred Inflows of Resources	82,536
NET POSITION	
3200 Net Investment in Capital Assets	5,586,089
3850 Restricted for Debt Service	339,569
3900 Unrestricted	4,048,652
3000 Total Net Position	\$ 9,974,310

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, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	3 Charges for Services	4 Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position <u>Primary Gov.</u> Governmental Activities

Primary Government:

GOVERNMENTAL ACTIVITIES:

11 Instruction	\$ 4,554,190	\$ 92,857	\$ 532,216	\$ (3,929,117)
12 Instructional Resources and Media Services	110,956	-	4,820	(106,136)
13 Curriculum and Staff Development	10,172	-	-	(10,172)
23 School Leadership	506,977	-	19,059	(487,918)
31 Guidance, Counseling and Evaluation Services	129,458	-	88,391	(41,067)
33 Health Services	91,017	-	5,183	(85,834)
34 Student (Pupil) Transportation	165,536	-	5,401	(160,135)
35 Food Services	394,794	157,684	234,423	(2,687)
36 Extracurricular Activities	811,758	286,630	220,674	(304,454)
41 General Administration	503,942	-	28,149	(475,793)
51 Facilities Maintenance and Operations	975,331	-	25,822	(949,509)
52 Security and Monitoring Services	56,821	-	-	(56,821)
53 Data Processing Services	203,378	-	-	(203,378)
72 Debt Service - Interest on Long Term Debt	540,478	-	-	(540,478)
73 Debt Service - Bond Issuance Cost and Fees	1,496	-	-	(1,496)
81 Capital Outlay	83,710	-	-	(83,710)
93 Payments related to Shared Services Arrangements	151,824	-	-	(151,824)
99 Other Intergovernmental Charges	46,209	-	-	(46,209)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 9,338,047	\$ 537,171	\$ 1,164,138	(7,636,738)

Data
Control
Codes

General Revenues:

Taxes:

MT	Property Taxes, Levied for General Purposes	1,739,375
DT	Property Taxes, Levied for Debt Service	508,818
GC	Grants and Contributions not Restricted	4,950,320
IE	Investment Earnings	48,688
MI	Miscellaneous Local and Intermediate Revenue	73,705
SI	Change in Valuation of Fixed Assets	615,000
FR	Transfers In (Out):	300
TR	Total General Revenues and Special Items	7,936,206
CN	Change in Net Position	299,468
NB	Net Position - Beginning	9,674,843
NE	Net Position--Ending	\$ 9,974,311

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2017

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 591,397	\$ 188,190	\$ 284,450	\$ 1,064,037
1120 Investments - Current	3,356,575	-	250,000	3,606,575
1220 Property Taxes - Delinquent	280,707	-	41,795	322,502
1230 Allowance for Uncollectible Taxes (Credit)	(19,649)	-	(2,925)	(22,574)
1240 Receivables from Other Governments	481,987	-	40,970	522,957
1250 Accrued Interest	901	-	-	901
1260 Due from Other Funds	111,006	-	24,882	135,888
1290 Other Receivables	7,735	-	-	7,735
1300 Inventories	-	-	11,961	11,961
1410 Prepayments	9,006	-	12	9,018
1000 Total Assets	<u>\$ 4,819,665</u>	<u>\$ 188,190</u>	<u>\$ 651,145</u>	<u>\$ 5,659,000</u>
LIABILITIES				
2110 Accounts Payable	\$ 31,348	\$ -	\$ 17,160	\$ 48,508
2150 Payroll Deductions and Withholdings Payable	2,457	-	3	2,460
2160 Accrued Wages Payable	189,857	-	18,382	208,239
2170 Due to Other Funds	24,882	-	111,006	135,888
2180 Due to Other Governments	-	-	9,558	9,558
2200 Accrued Expenditures	3,786	-	1,113	4,899
2300 Unearned Revenues	38,362	-	5,820	44,182
2000 Total Liabilities	<u>290,692</u>	<u>-</u>	<u>163,042</u>	<u>453,734</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	247,112	-	36,239	283,351
2600 Total Deferred Inflows of Resources	<u>247,112</u>	<u>-</u>	<u>36,239</u>	<u>283,351</u>
FUND BALANCES				
Nonspendable Fund Balance:				
3410 Inventories	-	-	11,961	11,961
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	21,025	21,025
3480 Retirement of Long-Term Debt	-	-	339,569	339,569
3490 Other Restricted Fund Balance	-	-	79,309	79,309
Committed Fund Balance:				
3510 Construction	2,118,504	188,190	-	2,306,694
3530 Capital Expenditures for Equipment	880,000	-	-	880,000
3600 Unassigned Fund Balance	1,283,357	-	-	1,283,357
3000 Total Fund Balances	<u>4,281,861</u>	<u>188,190</u>	<u>451,864</u>	<u>4,921,915</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 4,819,665</u>	<u>\$ 188,190</u>	<u>\$ 651,145</u>	<u>\$ 5,659,000</u>

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2017

Total Fund Balances - Governmental Funds	\$	4,921,915
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 \$20,979,248 and the accumulated depreciation was (\$7,459,627). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to decrease net position. Note: Beginning Balances related to TRS are NOT included in this amount.		(928,784)
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 2017 capital outlays and debt principal payments is to decrease net position.		6,440,323
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 was a Deferred Resource Outflow in the amount of \$697,320, a Deferred Resource Inflow in the amount of \$82,536 and a net pension liability in the amount of \$1,431,829. The impact of this on Net Position is (\$817,045).		(817,045)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(540,449)
5 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.		898,351
19 Net Position of Governmental Activities	<u>\$</u>	<u>9,974,311</u>

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds	
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 1,905,889	\$ 20,054	\$ 913,542	\$ 2,839,485
5800	State Program Revenues	5,326,608	-	182,035	5,508,643
5900	Federal Program Revenues	-	-	605,815	605,815
5020	Total Revenues	<u>7,232,497</u>	<u>20,054</u>	<u>1,701,392</u>	<u>8,953,943</u>
EXPENDITURES:					
Current:					
0011	Instruction	3,838,366	-	326,226	4,164,592
0012	Instructional Resources and Media Services	100,527	-	-	100,527
0013	Curriculum and Instructional Staff Development	3,763	-	-	3,763
0023	School Leadership	449,044	-	-	449,044
0031	Guidance, Counseling and Evaluation Services	37,660	-	86,635	124,295
0033	Health Services	84,412	-	-	84,412
0034	Student (Pupil) Transportation	104,327	-	-	104,327
0035	Food Services	-	-	351,899	351,899
0036	Extracurricular Activities	519,213	-	207,921	727,134
0041	General Administration	449,941	-	9,650	459,591
0051	Facilities Maintenance and Operations	938,388	-	-	938,388
0052	Security and Monitoring Services	56,821	-	-	56,821
0053	Data Processing Services	198,222	-	-	198,222
Debt Service:					
0071	Principal on Long Term Debt	67,000	-	100,000	167,000
0072	Interest on Long Term Debt	7,296	-	533,182	540,478
0073	Bond Issuance Cost and Fees	270	-	1,226	1,496
Capital Outlay:					
0081	Facilities Acquisition and Construction	138,700	6,170,943	-	6,309,643
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	151,824	-	-	151,824
0099	Other Intergovernmental Charges	46,209	-	-	46,209
6030	Total Expenditures	<u>7,191,983</u>	<u>6,170,943</u>	<u>1,616,739</u>	<u>14,979,665</u>
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	40,514	(6,150,889)	84,653	(6,025,722)
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	300	-	-	300
1200	Net Change in Fund Balances	40,814	(6,150,889)	84,653	(6,025,422)
0100	Fund Balance - September 1 (Beginning)	<u>4,241,047</u>	<u>6,339,079</u>	<u>367,211</u>	<u>10,947,337</u>
3000	Fund Balance - August 31 (Ending)	<u>\$ 4,281,861</u>	<u>\$ 188,190</u>	<u>\$ 451,864</u>	<u>\$ 4,921,915</u>

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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	(6,025,422)
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 2017 capital outlays and debt principal payments is to decrease net position.		6,440,323
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.		(540,449)
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.		559,854
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 08/31/16 caused the change in the ending net position to increase in the amount of \$118,355. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability for the District. This caused a decrease in the change in net position totaling \$184,933. The District's proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by the change in net position by \$68,260. The net result is to increase (decrease) the change in net position by \$(134,838).		(134,838)
Change in Net Position of Governmental Activities	\$	299,468

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, 2017

	Private Purpose Trust Fund	Agency Fund
ASSETS		
Cash and Cash Equivalents	\$ 20,047	\$ 13,624
Total Assets	<u>20,047</u>	<u>\$ 13,624</u>
LIABILITIES		
Due to Student Groups	-	\$ 13,624
Total Liabilities	<u>-</u>	<u>\$ 13,624</u>
NET POSITION		
Restricted for Scholarships	<u>20,047</u>	
Total Net Position	<u>\$ 20,047</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, 2017

	Private Purpose Trust Fund
ADDITIONS:	
Local and Intermediate Sources	\$ 15,865
Total Additions	<u>15,865</u>
DEDUCTIONS:	
Other Operating Costs	<u>9,400</u>
Total Deductions	<u>9,400</u>
Change in Net Position	6,465
Total Net Position - September 1 (Beginning)	<u>13,582</u>
Total Net Position - August 31 (Ending)	<u><u>\$ 20,047</u></u>

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The 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. The District's investments are accounting for using the cost amortization method.

A. REPORTING ENTITY

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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.

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

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

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

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available. For this purpose, the District considers 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
FOR THE YEAR ENDED AUGUST 31, 2017**

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.

D. FUND ACCOUNTING

The District reports the following major governmental funds:

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

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

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

Governmental Funds:

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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

Fiduciary Funds:

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

E. OTHER ACCOUNTING POLICIES

1. Cash Equivalents

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

2. Inventories

Inventories of supplies on the balance sheet are stated at FIFO cost and they include consumable maintenance, instructional, and office items. Supplies are recorded as expenditures when they are consumed. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their fair market value is supplied by the Texas Department of Human Services and recorded as inventory and deferred revenue when received. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount. Currently only inventory of foodstuffs are presented in the financial statements.

3. Receivables and Payables

All trade and property tax receivables are shown at face value. The property tax receivable allowance is shown at 7% of outstanding property taxes receivable as of August 31, 2017.

4. Long-term Debt

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

the actual debt proceeds received, are reported as debt service expenditures. Long-Term Debt is presented on the financial statement exhibit A-1 as well as Notes to the Financial Statements IV - H, I and J.

5. Personal Days (Vacation and Sick Leave)

State personal leave days are allowed to accumulate and can be transferred with the employee to other districts. Personal Days are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying general-purpose financial statements. Employees of the District are entitled to personal days off based on category/class of employment. Personal days off are allowed to be accumulated but do not vest. Therefore, a liability for unused personal days off (sick leave) has not been recorded in the accompanying general-purpose financial statements.

6. General Fixed Assets

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

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

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

The District has no restriction on any assets.

7. Workers' Compensation Coverage

During the year ended August 31, 2017, 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, 2016, the Fund carries a discounted reserve of \$51,843,324 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, 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

UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017

the following year. The Fund's audited financial statements as of August 31, 2016 are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

8. Interfund Transactions

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

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

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

9. Fund Equity

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

As of August 31, 2017, Nonspendable (inventory) Fund Balance included \$11,961 for foodstuffs, Restricted Fund Balance included \$100,334 in various Special Revenue Funds and \$339,569 in the Debt Service Fund. Committed Fund Balance, in the General Fund, included \$2,118,504 for construction and \$880,000 for equipment. Committed Fund Balance in the Capital Projects Fund was \$188,190. Unassigned Fund Balance totaled \$1,283,357 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.

10. Risk Management

During the year ended August 31, 2017, Union Grove ISD participated in the TASB Risk Management Fund's (the Fund's) Property Casualty Program with coverage in Auto Liability, Auto Physical Damage, Equipment Breakdown, General Liability, Property Sexual Misconduct Endorsement, and SP Legal Liability.

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

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

The Fund purchases stop-loss coverage for protection against catastrophic and larger than anticipated claims for the Property Casualty Program. The terms and limits of the stop-loss program vary by line of coverage. The Fund uses the services of an independent actuary to determine the adequacy of reserves and fully funds those reserves. For the year ended August 31, 2017, the Fund anticipates Union Grove ISD has no additional liability beyond the contractual obligations for payment contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each plan year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas Department of Insurance in Austin.

11. Control Totals

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

12. Total Columns on Combined Financial Statements

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

13. Application of Restricted or Unrestricted Resources

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

14. Estimates and Assumptions

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

15. Grant Fund Accounting

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

16. Deferred Inflows and Outflows of Resources

In addition to assets and liabilities, the statement of financial position will sometimes report a separate section for deferred outflows or a section for deferred inflows of resources. These separate financial statement elements, deferred inflows/outflows of resources, represents an acquisition or consumption of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) or outflow of resources (expenditure) until that time.

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The District has only one of this type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

The District has two types of these items, which arise only under the accrual basis of accounting that qualify for reporting in this category. Each of these types is a result of an accrual of pension activities relating to the District's allocation of TRS information. Accordingly, these items are reported only in the government-wide statement of net position and the MD&A.

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

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

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

<u>Capital Assets at the Beginning of the Year</u>	<u>Historic Cost</u>	<u>Accumulated Depreciation</u>	<u>Net Value at the Beginning of the Year</u>	<u>Change in Net Position</u>
Land	639,546		639,546	
Buildings and Improvements	14,799,352	6,079,813	8,719,539	
Furniture & Equipment	1,862,142	1,379,814	482,328	
Construction in Process	3,678,209		3,678,209	
Change in Net Position				<u>13,519,622</u>
<u>Long-term Liabilities At the Beginning of the Year</u>			<u>Payables at the Beginning of the Year</u>	
Bonds Payable			13,548,000	
Bond Premium			900,406	
Change in Net Position				<u>14,448,406</u>
Net Adjustment to Net Position				<u>(928,784)</u>

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

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

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	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments To Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	-0-		
Building/Improvements	138,700		
Construction in Progress	6,070,783		
Furniture, Fixtures & Equip.	<u>16,450</u>		
Total Capital Outlay	<u>6,225,933</u>	6,225,933	6,225,933
<u>Principal Payments</u>			
Bond Premium Amortization	47,390		
Bond Principal	<u>167,000</u>		
Total Principal Payments	<u>214,390</u>	<u>214,390</u>	<u>214,390</u>
Total Adjustment to Net Position		<u>6,440,323</u>	<u>6,440,323</u>

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

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Deferred Revenue</u>			
Taxes Collected from Prior Year Levies	137,321	(137,321)	
Uncollected Taxes (assumed collectible) from CY Levy	82,175	82,175	82,175
Uncollected Taxes (assumed collectible) from PY Levy	201,176		201,176
Other Adjustments – Change in Fixed Asset Valuation	615,000	<u>615,000</u>	<u>615,000</u>
Total		<u>559,854</u>	<u>898,351</u>

NOTE III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY DATA

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund, which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures compared to actual revenues and expenditures for each of these funds. The District compares the final amended 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 general-purpose financial statements:

1. Prior to August 20 the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the Board legally enacts the budget through passage of a resolution. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. There were no significant amendments.

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4. Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year-end. A reconciliation of fund balances for both appropriated budget and nonappropriated budget special revenue funds is as follows:

	<u>August 31, 2017 Fund Balance</u>
Restricted Budget Funds – Various Funds	\$ 21,025
Restricted Budget Funds – Debt Service	339,569
Restricted Budget Funds – Capital Projects	<u>188,190</u>
All Special Revenue Funds	<u>\$ 548,784</u>

5. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at August 31, and encumbrances outstanding at that time are to be either canceled or appropriately provided for in the subsequent year's budget. End-of-year outstanding encumbrances that were provided for in the subsequent year's budget are presented below:

General Fund	\$-0-
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A reservation of fund balance equal to outstanding encumbrances at year-end is provided for at August 31, 2017.

NOTE IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITORY CONTRACT LAW

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

At August 31, 2017, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts) was \$4,704,283 and the bank balance was \$4,749,236. During the year ended August 31, 2017, the District had deposits at Texas Bank and Trust. The District's combined deposits were fully insured at all times using by federal depository insurance or collateralized with securities pledged to the District and held by the District's agent. The TEA maintains copies of all safekeeping receipts in the name of the District.

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

- a. Depository: Texas Bank and Trust.
- b. The fair market value of collateral held by a 3rd party bank in the pledging bank's name and specifically noted by the 3rd party bank as pledged to the District, as of the date of the highest combined balance on deposit, was: \$15,000,000.
- c. The largest combined balances of cash, savings, and time deposit accounts' aggregate balance was \$11,575,522 on September 1, 2016.
- d. The total amount of FDIC coverage at the time of the largest combined balance was \$250,000.
- e. The amount of unsecured deposits was \$-0-.

Custodial Credit Risk for Deposits State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged

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securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the district complies with this law, it has no custodial credit risk for deposits.

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

District Policies and Legal and Contractual Provisions Governing Deposits

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

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.

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

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

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

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

Based on these three levels of risk, the following table categorizes the District's Certificates of Deposit at August 31, 2017.

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

Investment Risk

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

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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, 2017.

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, 2017.

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, 2017.

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.

B. PROPERTY TAXES

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

The tax rates assessed for the year ended August 31, 2017, to finance General Fund operations and Debt Service was \$1.17000 and .349800 respectively, per \$100 valuation. The assessed value of the property tax roll on January 1, 2016, upon which the levy for the 2016-17 fiscal year was based, was \$139,996,155. The roll was subsequently decreased to a year-end assessed value of \$139,013,812.

Current tax collections for the year ended August 31, 2017 were 102.5% of the year-end adjusted tax levy. As of August 31, 2017, property taxes receivable, net of estimated uncollectible taxes, totaled \$261,058 for the General Fund and \$38,870 for Debt Service.

C. DELINQUENT TAXES RECEIVABLE

Delinquent taxes are prorated between maintenance and debt service based on rates for the year of the levy. Allowance for uncollectible tax receivables within the General and Debt Service Funds are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

D. DISAGGREGATION OF RECEIVABLES AND PAYABLES

Receivables at August 31, 2017, were as follows:

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	Other Governments	Due From Other Funds	Other	Total Receivables
Governmental Activities:				
General Fund	\$481,987	\$111,006	\$7,735	\$600,728
Agency Funds	-0-	-0-	-0-	-0-
Capital Projects Fund	-0-	-0-	-0-	-0-
Various Special Revenue Funds	<u>40,970</u>	<u>24,882</u>	<u>-0-</u>	<u>65,852</u>
Total - Governmental Activities	<u>\$522,957</u>	<u>\$135,888</u>	<u>\$7,735</u>	<u>\$666,580</u>
Amounts not sched for collection during subseq. yr.	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

Payables at August 31, 2017, were as follows:

	Accrued Exp. & Accounts Payable	Due To Other Funds	Due to Other Governments	Accrued Wages Payable	Total Payables
Governmental Activities:					
General Fund	\$35,134	\$24,882	\$-0-	\$192,314	\$252,330
Agency Funds	-0-	-0-	-0-	-0-	-0-
Capital Projects Fund	-0-	-0-	-0-	-0-	-0-
Various Special Revenue Funds	<u>18,273</u>	<u>111,006</u>	<u>9,558</u>	<u>18,385</u>	<u>157,222</u>
Total - Gov. Activities	<u>\$53,407</u>	<u>\$135,888</u>	<u>\$9,558</u>	<u>\$210,699</u>	<u>\$409,552</u>
Amounts not sched for pmt during subseq year	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>	<u>\$-0-</u>

E. INTERFUND PAYABLES AND RECEIVABLES

Interfund balances at August 31, 2017, consisted of the following individual fund receivables and payables:

	Due to Other Funds	Due from Other Funds
General Fund:		
Special Revenue Fund	24,882	111,006
Special Revenue:		
General Fund	<u>111,006</u>	<u>24,882</u>
Total	<u>\$135,888</u>	<u>\$135,888</u>

F. INTERFUND TRANSFERS

There were not Interfund transfers during the year ended August 31, 2017.

G. CAPITAL ASSET ACTIVITY

Capital asset activity for the District for the year ended August 31, 2017, was as follows:

	Primary Government			
	Balance 9/1	Addition	Adjustments & Deletions	Balance 8/31
Land	\$ 639,546	\$ -0-	\$55,000	\$ 694,546
Buildings and Impr.	14,799,352	138,700	450,000	15,388,052
Furniture & Equipment	1,862,142	16,450	110,000	1,988,592
Construction in Progress	<u>3,678,208</u>	<u>6,070,783</u>	<u>-0-</u>	<u>9,748,991</u>
Total at Historical Cost	<u>\$20,979,248</u>	<u>\$6,225,933</u>	<u>\$615,000</u>	<u>\$27,820,181</u>
	Balance 9/1	Addition	Deletions	Balance 8/31
Less Accumulated Depreciation for:				
Buildings & Impr.	\$6,079,813	\$436,300	\$-0-	\$6,516,113
Furniture and Equipment	<u>1,379,814</u>	<u>104,149</u>	<u>-0-</u>	<u>1,483,963</u>
Total Accumulated Depreciation	<u>\$7,459,627</u>	<u>\$540,449</u>	<u>\$-0-</u>	<u>\$8,000,076</u>

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Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 260,186
Curriculum Development	7,812
Instructional Resources and Media	6,409
School Leadership	25,531
Guidance, Counseling, & Evaluation Services	3,483
Health Services	3,483
Student Transportation	58,430
Food Services	42,895
Extracurricular Activities	75,555
General Administration	28,408
Plant Maintenance and Operations	23,101
Data Processing	<u>5,156</u>
Total Depreciation Expense	<u>\$ 540,449</u>

H. LOANS PAYABLE

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

I. COMMITMENTS UNDER LEASES

Commitments under operating (noncapitalized) lease agreements for equipment provide for minimum future rental payments as of August 31, 2017, as follows: the District had operating lease expenditures for the year ending August 31, 2017 totaling \$13,000. Operating lease commitments for the next five years are presented below:

2018	13,000
2019	13,000
2020	13,000
2021	-0-
2022	-0-
Total	<u>\$ 39,000</u>

Capital Leases

The District had no lease commitments classified as capital leases during the year ending August 31, 2017.

J. BONDS AND OTHER LONG-TERM OBLIGATIONS

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

1. Long-term Obligation Activity:

The following is a summary of the changes in the District's Long-term Debt for the year ended August 31, 2017:

<u>Description</u>	<u>Beginning Balance</u>	<u>Addition</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
2011 Unlimited Building Bonds	\$3,940,000	\$-0-	\$ 100,000	\$3,840,000	\$ 100,000
2015 Unlimited Building Bonds	9,115,000	-0-	-0-	9,115,000	225,000
Qualified Zone Acad. Tax and Rev. Ser 2007	<u>493,000</u>	<u>-0-</u>	<u>67,000</u>	<u>426,000</u>	<u>68,000</u>
Total Indebtedness	<u>\$13,548,000</u>	<u>\$-0-</u>	<u>\$167,000</u>	<u>\$13,381,000</u>	<u>\$ 393,000</u>
Bond Premium	<u>\$900,406</u>	<u>\$-0-</u>	<u>\$47,390</u>	<u>\$853,016</u>	

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District's Net Pension Liability \$1,434,378 \$117,839 \$120,388 \$1,431,829

2. Bonds payable information is as follows:

<u>Title of issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>
Unlimited Building Bonds, Series 2011	4.00%	2/15/2041	\$ 4,360,000
Unlimited Building Bonds, Series 2015	3-5.00%	8/15/2042	\$ 9,115,000
Qualified Zone Academy Tax and Revenue Note, Series 2007	1.48%	10/18/2022	<u>1,000,000</u>
			<u>\$13,870,000</u>

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

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

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	393,000	537,486	930,486
2019	404,000	527,286	931,286
2020	415,000	516,477	931,477
2021	427,000	505,285	932,285
2022	443,000	493,057	936,057
2023-2027	2,164,000	2,219,401	4,383,401
2028-2032	2,550,000	1,762,306	4,312,306
2033-2037	3,105,000	1,198,928	4,303,928
2038-2042	<u>3,480,000</u>	<u>451,938</u>	<u>3,931,938</u>
Totals	<u>\$13,381,000</u>	<u>\$8,212,164</u>	<u>\$21,593,164</u>

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

There are a number of limitations and restrictions contained in the various general obligation bonds indentures. The District is in compliance with all significant limitations and restrictions at August 31, 2017.

4. Unlimited Building Bonds – Series 2011

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

<u>Year Ended August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	100,000	151,306	251,306
2019	105,000	148,863	253,863
2020	105,000	145,975	250,975
2021	110,000	143,019	253,019
2022	115,000	139,206	254,206
2023-2027	650,000	621,531	1,271,531
2028-2032	780,000	478,931	1,258,931
2033-2037	955,000	304,678	1,259,678
2038-2041	<u>920,000</u>	<u>82,688</u>	<u>1,002,688</u>
Totals	<u>\$3,840,000</u>	<u>\$2,216,197</u>	<u>\$ 6,056,197</u>

5. Maintenance Tax Note

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

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Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	68,000	6,305	74,305
2019	69,000	5,298	74,298
2020	70,000	4,277	74,277
2021	72,000	3,241	75,241
2022	73,000	2,176	75,176
2023	<u>74,000</u>	<u>1,095</u>	<u>75,095</u>
Totals	<u>\$426,000</u>	<u>\$22,392</u>	<u>\$448,392</u>

6. Unlimited Building Bonds – Series 2015

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

Year Ended <u>August 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
2018	225,000	379,875	604,875
2019	230,000	373,125	603,125
2020	240,000	366,225	606,225
2021	245,000	359,025	604,025
2022	255,000	351,675	606,675
2023-2027	1,440,000	1,596,775	3,036,775
2028-2032	1,770,000	1,283,375	3,053,375
2033-2037	2,150,000	894,250	3,044,250
2038-2041	<u>2,560,000</u>	<u>369,250</u>	<u>2,929,250</u>
Totals	<u>\$9,115,000</u>	<u>\$5,973,575</u>	<u>\$15,088,575</u>

K. HEALTH CARE COVERAGE

Retiree Health Care Coverage

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

Funding Policy. Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2015, 2016 and 2017. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0 %.

Active Employee Health Care Coverage

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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

L. DEFERRED REVENUE AND DEFERRED INFLOWS OF RESOURCES

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

	General Fund	Special Revenue	Debt Service	Total
Net Property Taxes (inflow)	\$247,112	\$ -0-	\$36,239	\$283,351
Other Deferred	<u>38,362</u>	<u>5,820</u>	<u>-0-</u>	<u>44,182</u>
Totals	<u>\$285,474</u>	<u>\$5,820</u>	<u>\$36,239</u>	<u>\$327,533</u>

M. DUE FROM OTHER GOVERNMENTS

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2017, 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.

<u>Fund</u>	Other	Federal and State Entitlements	Local Grants	Total
General	\$ -0-	\$481,987	\$ -0-	\$481,987
Special Revenue	-0-	40,970	-0-	40,970
Total	<u>\$ -0-</u>	<u>\$522,957</u>	<u>\$ -0-</u>	<u>\$522,957</u>

N. REVENUES FROM LOCAL AND INTERMEDIATE SOURCES

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

	General Fund	Cap Proj. & Special Revenue Fund	Debt Service Fund	Other Funds	Total
Property Taxes	\$1,674,875	\$ -0-	\$491,143	\$-0-	\$2,166,018
Food Sales	-0-	157,684	-0-	-0-	157,684
Investment Income	33,404	12,285	2,999	49	48,737
Penalties, interest and other tax related income	59,316	-0-	10,755	-0-	70,071
Tuition and Fees	62,514	-0-	-0-	-0-	62,514
Co-curricular student activities	45,187	-0-	-0-	-0-	45,187
Other (Incl. Gifts and Bequests)	<u>30,593</u>	<u>258,730</u>	<u>-0-</u>	<u>15,816</u>	<u>305,139</u>
Total	<u>\$1,905,889</u>	<u>\$428,699</u>	<u>\$504,897</u>	<u>\$15,865</u>	<u>\$2,855,350</u>

O. LITIGATION AND CONTINGENCIES

- As of the report date, the District was not involved in any litigation that would have a material effect on the general-purpose financial statements.

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

2. The District participates in numerous state and federal grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collectability of any related receivable at August 31, 2017 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

P. SHARED SERVICE ARRANGEMENTS

Shared Services Arrangement – Fiscal Agent

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

<u>Member District</u>	<u>Final Amount</u>	<u>Total Includes Final, Incentive and Reallocation</u>
Alba Golden ISD	11,303	\$14,244
Arp ISD	8,195	10,327
Beckville ISD	4,728	5,958
Big Sandy ISD	9,141	11,520
Harmony ISD	7,822	9,858
Hawkins ISD	8,841	11,142
Martins' Mill ISD	4,346	5,477
New Diana ISD	10,174	12,821
Ore City ISD	6,704	8,022
Quitman ISD	10,356	13,051
Tatum ISD	7,369	9,286
Troup ISD	10,315	12,999
Union Grove ISD	4,939	6,224
Union Hill ISD	2,994	3,583
Waskom ISD	6,138	7,735
White Oak ISD	13,395	16,880
Winnsboro ISD	13,222	16,662
Winona ISD	9,863	<u>12,430</u>
Total		<u>\$188,219</u>

Shared Services Arrangement – Membership

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

<u>Special Education</u>	<u>Alternative Education</u>
Big Sandy ISD	Big Sandy ISD
Gladewater ISD	Gladewater ISD
Harmony ISD	Harmony ISD
New Diana ISD	New Diana ISD
Union Hill ISD	Union Hill ISD
	Gilmer ISD
	Ore City ISD

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, Big Sandy ISD, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

Q. SUBSEQUENT EVENTS

None Noted.

R. ON-BEHALF PAYMENTS RELATING TO MEDICARE PART D

The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D allows for the Texas Public School Retired Employee Group Insurance Program (TRS-Care) to receive retiree drug subsidy payments from the federal government to offset certain prescription drug expenditures for eligible TRS-Care participants. These on-behalf payments must be recognized as equal revenues and expenditures/expenses by each reporting entity. For the year ended August 31, 2017, Union Grove ISD recognized amounts for Medicare Part D on-behalf payments totaling \$21,133.

S. DEFINED BENEFIT PENSION PLANS

1. Plan Description

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

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

2. Pension Plan Fiduciary Net Position

Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The Notes to the Financial Statements in the 2016 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2017:

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$171,797,150,487
Less: Plan Fiduciary Net Position	<u>(134,008,637,473)</u>
Net Pension Liability	<u>\$37,788,513,014</u>
 Net Position as percentage of Total Pension Liability	 78.00%

3. Benefits Provided

TRS provides service and disability retirement, as well as death and survivor benefits, to eligible

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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

4. Contributions

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

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. It also added a 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees effective for fiscal year 2016 as discussed in Note 1 of the TRS 2014 CAFR. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2015 and 2016. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	<u>2017</u>	<u>2016</u>
Member	7.7%	7.2%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer 230-908 - 2017 Employer Contributions	\$118,355	
Employer 230-908 - 2017 Member Contributions	\$ 355,953	
Employer 230-908 - 2017 NECE On-behalf Contributions	\$ 280,646	

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:

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

- 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 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.

5. Actuarial Assumptions

The total pension liability in the August 31, 2016 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2016
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%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None

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

6. Discount Rate

The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

	Fiscal Year 2016		Fiscal Year 2015	
	Target	Actual	Target	Actual
U.S.	18.9 %	20.1 %	19.8 %	20.6 %
Non-U.S. Developed	13.9	13.7	14.8	15.8
Emerging Markets	9.8	10.2	10.3	8.9
Directional Hedge Funds	4.1	3.8	4.6	4.9
Public Equity	46.8	47.8	49.5	50.2
Private Equity	12.0	12.0	11.8	12.5
TOTAL GLOBAL EQUITY	58.7 %	59.8 %	61.3 %	62.7 %
U.S. Treasuries	11.9 %	10.1 %	12.8 %	8.7 %
Absolute Return	0.0	1.9	0.0	2.3
Stable Value Hedge Funds	4.0	4.1	4.0	4.2
Cash	1.0	0.2	1.0	0.5
TOTAL STABLE VALUE	16.9 %	16.3 %	17.8 %	15.7 %
Global Inflation Linked Bonds	3.9 %	3.4 %	4.8 %	4.6 %
Real Assets	14.2	13.9	12.3	12.9
Energy and Natural Resources	1.9	1.9	1.6	1.8
Commodities	0.0	0.2	0.0	0.2
TOTAL REAL RETURN	20.0 %	19.4 %	18.7 %	19.5 %
TOTAL RISK PARITY	4.3 %	4.5 %	2.2 %	2.1 %
TOTAL	100.0 %	100.0 %	100.0 %	100.0 %

** Due to rounding, table may not foot.*

7. Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2016 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
Union Grove CISD's proportionate share of the net pension liability:	\$2,215,989	\$1,431,829	\$766,703

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

At August 31, 2017, the District reported a liability of \$1,431,829 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	\$1,431,829
State's proportionate share that is associated with District	<u>\$3,331,223</u>
Total	<u>\$4,763,052</u>

The net pension liability was measured as of August 31, 2016 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, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0037891% which was a decrease of .0002687% from its proportion measurement as of August 31, 2015.

Changes Since the Prior Actuarial Valuation – The following are changes to the actuarial

**UNION GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2017**

assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period:

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

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

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

For the measurement period ended August 31, 2017, the District recognized pension expense of \$345,702 and revenue of \$345,702 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2017, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$22,451	\$42,754
Changes in actuarial assumptions	\$43,640	\$39,688
Difference between projected and actual investment earnings	\$121,244	\$-0-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	\$391,630	\$94
Total as of August 31, 2016 measurement date	\$578,965	\$82,536
Contributions paid to TRS subsequent to the measurement date [to be calculated by employer]	\$118,355	-0-
Total net amounts, as of August 31, 2016 Measurement Date	\$697,320	\$82,536

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:

	Pension Expense Amount
2018	\$91,095
2019	\$91,095
2020	\$168,431
2021	\$85,152
2022	\$59,026
Thereafter	\$1,629

REQUIRED SUPPLEMENTARY INFORMATION SECTION



UNION GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 1,926,383	\$ 1,926,883	\$ 1,905,889	\$ (20,994)
5800	State Program Revenues	5,013,777	5,145,777	5,326,608	180,831
5020	Total Revenues	6,940,160	7,072,660	7,232,497	159,837
EXPENDITURES:					
Current:					
0011	Instruction	3,820,935	3,908,531	3,838,366	70,165
0012	Instructional Resources and Media Services	106,748	106,748	100,527	6,221
0013	Curriculum and Instructional Staff Development	4,950	4,950	3,763	1,187
0023	School Leadership	439,722	478,091	449,044	29,047
0031	Guidance, Counseling and Evaluation Services	92,718	54,349	37,660	16,689
0033	Health Services	80,778	80,778	84,412	(3,634)
0034	Student (Pupil) Transportation	270,078	235,578	104,327	131,251
0036	Extracurricular Activities	505,394	532,394	519,213	13,181
0041	General Administration	454,675	462,175	449,941	12,234
0051	Facilities Maintenance and Operations	965,864	965,864	938,388	27,476
0052	Security and Monitoring Services	52,400	59,900	56,821	3,079
0053	Data Processing Services	180,950	225,950	198,222	27,728
Debt Service:					
0071	Principal on Long Term Debt	75,000	67,000	67,000	-
0072	Interest on Long Term Debt	-	7,500	7,296	204
0073	Bond Issuance Cost and Fees	-	500	270	230
Capital Outlay:					
0081	Facilities Acquisition and Construction	9,000	153,000	138,700	14,300
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	153,481	153,481	151,824	1,657
0099	Other Intergovernmental Charges	40,500	46,500	46,209	291
6030	Total Expenditures	7,253,193	7,543,289	7,191,983	351,306
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(313,033)	(470,629)	40,514	511,143
OTHER FINANCING SOURCES (USES):					
7912	Sale of Real and Personal Property	-	-	300	300
8911	Transfers Out (Use)	(7,294)	(7,294)	-	7,294
7080	Total Other Financing Sources (Uses)	(7,294)	(7,294)	300	7,594
1200	Net Change in Fund Balances	(320,327)	(477,923)	40,814	518,737
0100	Fund Balance - September 1 (Beginning)	4,241,047	4,241,047	4,241,047	-
3000	Fund Balance - August 31 (Ending)	\$ 3,920,720	\$ 3,763,124	\$ 4,281,861	\$ 518,737

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, 2017

EXHIBIT G-2

	<u>2017</u>	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.0037891%	0.0040578%	0.0019937%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 1,431,829	\$ 1,434,378	\$ 532,545
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	3,331,223	3,247,043	2,732,170
Total	<u>\$ 4,763,052</u>	<u>\$ 4,681,421</u>	<u>\$ 3,264,715</u>
District's Covered-Employee Payroll	\$ 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-Employee Payroll	30.26%	30.66%	12.18%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	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, 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 three years of data are presented this reporting period. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2017

EXHIBIT G-3

	2017	2016	2015
Contractually Required Contribution	\$ 118,355	\$ 120,388	\$ 57,527
Contribution in Relation to the Contractually Required Contribution	(118,355)	(120,388)	(57,527)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 4,622,766	\$ 4,732,383	\$ 4,677,638
Contributions as a Percentage of Covered-Employee Payroll	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 for the respective fiscal years.

Note: In accordance with GASB 68, Paragraph 138, the years of data presented this reporting period are those for which data is available. "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."

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

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

COMBINING SCHEDULES



UNION GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	
ASSETS					
1110	Cash and Cash Equivalents	\$ -	\$ -	\$ 38,522	\$ -
1120	Investments - Current	-	-	-	-
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	11,111	21,616	-	-
1260	Due from Other Funds	-	-	24,882	-
1300	Inventories	-	-	11,961	-
1410	Prepayments	-	-	12	-
1000	Total Assets	<u>\$ 11,111</u>	<u>\$ 21,616</u>	<u>\$ 75,377</u>	<u>\$ -</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ 14,315	\$ -
2150	Payroll Deductions and Withholdings Payable	3	-	-	-
2160	Accrued Wages Payable	7,132	6,605	4,645	-
2170	Due to Other Funds	3,247	14,725	18,097	-
2180	Due to Other Governments	-	-	-	-
2200	Accrued Expenditures	729	286	98	-
2300	Unearned Revenues	-	-	5,236	-
2000	Total Liabilities	<u>11,111</u>	<u>21,616</u>	<u>42,391</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable Fund Balance:					
3410	Inventories	-	-	11,961	-
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	21,025	-
3480	Retirement of Long-Term Debt	-	-	-	-
3490	Other Restricted Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>32,986</u>	<u>-</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 11,111</u>	<u>\$ 21,616</u>	<u>\$ 75,377</u>	<u>\$ -</u>

331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 College Tech Prep of East Texas	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ 17,976	\$ 194	\$ 48,834	\$ 105	\$ 82,145	\$ 169	\$ 26	\$ 187,971
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	8,243	-	-	-	-	40,970
-	-	-	-	-	-	-	24,882
-	-	-	-	-	-	-	11,961
-	-	-	-	-	-	-	12
<u>\$ 17,976</u>	<u>\$ 194</u>	<u>\$ 57,077</u>	<u>\$ 105</u>	<u>\$ 82,145</u>	<u>\$ 169</u>	<u>\$ 26</u>	<u>\$ 265,796</u>
\$ -	\$ -	\$ -	\$ -	\$ 2,845	\$ -	\$ -	\$ 17,160
-	-	-	-	-	-	-	3
-	-	-	-	-	-	-	18,382
17,860	-	57,077	-	-	-	-	111,006
-	-	-	-	17	-	-	17
-	-	-	-	-	-	-	1,113
116	194	-	105	-	169	-	5,820
<u>17,976</u>	<u>194</u>	<u>57,077</u>	<u>105</u>	<u>2,862</u>	<u>169</u>	<u>-</u>	<u>153,501</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	11,961
-	-	-	-	-	-	-	21,025
-	-	-	-	-	-	-	-
-	-	-	-	79,283	-	26	79,309
-	-	-	-	<u>79,283</u>	<u>-</u>	<u>26</u>	<u>112,295</u>
<u>\$ 17,976</u>	<u>\$ 194</u>	<u>\$ 57,077</u>	<u>\$ 105</u>	<u>\$ 82,145</u>	<u>\$ 169</u>	<u>\$ 26</u>	<u>\$ 265,796</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2017

Data Control Codes	513	Total Nonmajor Governmental Funds
	Debt Service	
ASSETS		
1110 Cash and Cash Equivalents	\$ 96,479	\$ 284,450
1120 Investments - Current	250,000	250,000
1220 Property Taxes - Delinquent	41,795	41,795
1230 Allowance for Uncollectible Taxes (Credit)	(2,925)	(2,925)
1240 Receivables from Other Governments	-	40,970
1260 Due from Other Funds	-	24,882
1300 Inventories	-	11,961
1410 Prepayments	-	12
1000 Total Assets	<u>\$ 385,349</u>	<u>\$ 651,145</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 17,160
2150 Payroll Deductions and Withholdings Payable	-	3
2160 Accrued Wages Payable	-	18,382
2170 Due to Other Funds	-	111,006
2180 Due to Other Governments	9,541	9,558
2200 Accrued Expenditures	-	1,113
2300 Unearned Revenues	-	5,820
2000 Total Liabilities	<u>9,541</u>	<u>163,042</u>
DEFERRED INFLOWS OF RESOURCES		
2601 Unavailable Revenue - Property Taxes	36,239	36,239
2600 Total Deferred Inflows of Resources	<u>36,239</u>	<u>36,239</u>
FUND BALANCES		
Nonspendable Fund Balance:		
3410 Inventories	-	11,961
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	21,025
3480 Retirement of Long-Term Debt	339,569	339,569
3490 Other Restricted Fund Balance	-	79,309
3000 Total Fund Balances	<u>339,569</u>	<u>451,864</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 385,349</u>	<u>\$ 651,145</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, 2017

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA Part B Formula	240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ 157,851	\$ -
5800 State Program Revenues	-	-	11,341	-
5900 Federal Program Revenues	90,170	95,600	213,604	13,844
5020 Total Revenues	90,170	95,600	382,796	13,844
EXPENDITURES:				
Current:				
0011 Instruction	90,170	95,600	-	13,844
0031 Guidance, Counseling and Evaluation Services	-	-	-	-
0035 Food Services	-	-	351,899	-
0036 Extracurricular Activities	-	-	-	-
0041 General Administration	-	-	-	-
Debt Service:				
0071 Principal on Long Term Debt	-	-	-	-
0072 Interest on Long Term Debt	-	-	-	-
0073 Bond Issuance Cost and Fees	-	-	-	-
6030 Total Expenditures	90,170	95,600	351,899	13,844
1200 Net Change in Fund Balance	-	-	30,897	-
0100 Fund Balance - September 1 (Beginning)	-	-	2,089	-
3000 Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ 32,986	\$ -

331 SSA - Career & Technical - Basic Grant	397 Advanced Placement Incentives	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	498 College Tech Prep of East Texas	499 Other Local Special Revenue Funds	Total Nonmajor Special Revenue Funds
\$ -	\$ -	\$ -	\$ -	\$ 222,959	\$ -	\$ 27,835	\$ 408,645
-	-	18,253	11,016	-	-	143	40,753
192,597	-	-	-	-	-	-	605,815
192,597	-	18,253	11,016	222,959	-	27,978	1,055,213
96,312	-	19,284	11,016	-	-	-	326,226
86,635	-	-	-	-	-	-	86,635
-	-	-	-	-	-	-	351,899
-	-	-	-	179,969	-	27,952	207,921
9,650	-	-	-	-	-	-	9,650
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
192,597	-	19,284	11,016	179,969	-	27,952	982,331
-	-	(1,031)	-	42,990	-	26	72,882
-	-	1,031	-	36,293	-	-	39,413
\$ -	\$ -	\$ -	\$ -	\$ 79,283	\$ -	\$ 26	\$ 112,295

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2017

Data Control Codes	513 Debt Service	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 504,897	\$ 913,542
5800 State Program Revenues	141,282	182,035
5900 Federal Program Revenues	-	605,815
5020 Total Revenues	<u>646,179</u>	<u>1,701,392</u>
EXPENDITURES:		
Current:		
0011 Instruction	-	326,226
0031 Guidance, Counseling and Evaluation Services	-	86,635
0035 Food Services	-	351,899
0036 Extracurricular Activities	-	207,921
0041 General Administration	-	9,650
Debt Service:		
0071 Principal on Long Term Debt	100,000	100,000
0072 Interest on Long Term Debt	533,182	533,182
0073 Bond Issuance Cost and Fees	1,226	1,226
6030 Total Expenditures	<u>634,408</u>	<u>1,616,739</u>
1200 Net Change in Fund Balance	11,771	84,653
0100 Fund Balance - September 1 (Beginning)	<u>327,798</u>	<u>367,211</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 339,569</u>	<u>\$ 451,864</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE YEAR ENDED AUGUST 31, 2017

	BALANCE SEPTEMBER 1 2016	ADDITIONS	DEDUCTIONS	BALANCE AUGUST 31 2017
STUDENT ACTIVITY ACCOUNT				
Assets:				
Cash and Temporary Investments	\$ 54,981	\$ 20,103	\$ 61,460	\$ 13,624
Liabilities:				
Accounts Payable	\$ -	\$ 22,449	\$ 22,449	\$ -
Due to Student Groups	54,981	-	41,357	13,624
Total Liabilities	\$ 54,981	\$ 22,449	\$ 63,806	\$ 13,624
TOTAL AGENCY FUNDS				
Assets:				
Cash and Temporary Investments	\$ 54,981	\$ 20,103	\$ 61,460	\$ 13,624
Liabilities:				
Accounts Payable	\$ -	\$ 22,449	\$ 22,449	\$ -
Due to Student Groups	54,981	-	41,357	13,624
Total Liabilities	\$ 54,981	\$ 22,449	\$ 63,806	\$ 13,624

REQUIRED TEA SCHEDULES



UNION GROVE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE
 FISCAL YEAR ENDED AUGUST 31, 2017

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.170000	0.096250	225,517,473
2010	1.170000	0.124500	213,926,458
2011	1.170000	0.128530	185,993,239
2012	1.170000	0.124500	179,069,216
2013	1.170000	0.124500	172,221,086
2014	1.170000	0.124500	165,813,987
2015	1.170000	0.124500	166,252,430
2016	1.170000	0.349800	147,888,275
2017 (School year under audit)	1.170000	0.349800	139,013,812
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2017
\$ 86,754	\$ -	\$ 3,808	\$ 263	\$ (6,323)	\$ 76,360
17,000	-	1,984	163	-	14,853
19,383	-	2,987	294	(1)	16,101
17,795	-	2,871	305	(1)	14,618
23,062	-	4,426	513	(970)	17,153
31,257	-	7,099	755	245	23,648
34,936	-	9,180	977	151	24,930
54,427	-	24,969	2,657	1,240	28,041
96,695	-	40,733	12,178	138	43,922
-	2,112,732	1,578,057	471,799	-	62,876
<u>\$ 381,309</u>	<u>\$ 2,112,732</u>	<u>\$ 1,676,114</u>	<u>\$ 489,904</u>	<u>\$ (5,521)</u>	<u>\$ 322,502</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM
 FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 173,000	\$ 173,000	\$ 157,851	\$ (15,149)
5800 State Program Revenues	12,600	12,600	11,341	(1,259)
5900 Federal Program Revenues	191,375	191,375	213,604	22,229
5020 Total Revenues	<u>376,975</u>	<u>376,975</u>	<u>382,796</u>	<u>5,821</u>
EXPENDITURES:				
0035 Food Services	<u>384,269</u>	<u>384,269</u>	<u>351,899</u>	<u>32,370</u>
6030 Total Expenditures	<u>384,269</u>	<u>384,269</u>	<u>351,899</u>	<u>32,370</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(7,294)	(7,294)	30,897	38,191
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	<u>7,294</u>	<u>7,294</u>	<u>-</u>	<u>(7,294)</u>
1200 Net Change in Fund Balances	-	-	30,897	30,897
0100 Fund Balance - September 1 (Beginning)	<u>2,089</u>	<u>2,089</u>	<u>2,089</u>	<u>-</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 2,089</u>	<u>\$ 2,089</u>	<u>\$ 32,986</u>	<u>\$ 30,897</u>

UNION GROVE INDEPENDENT SCHOOL DISTRICT
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 BUDGET AND ACTUAL - DEBT SERVICE FUND
 FOR THE YEAR ENDED AUGUST 31, 2017

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	\$ 507,341	\$ 507,341	\$ 504,897	\$ (2,444)
5800	State Program Revenues	126,841	127,841	141,282	13,441
5020	Total Revenues	634,182	635,182	646,179	10,997
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	634,182	100,000	100,000	-
0072	Interest on Long Term Debt	-	533,182	533,182	-
0073	Bond Issuance Cost and Fees	-	2,000	1,226	774
6030	Total Expenditures	634,182	635,182	634,408	774
1200	Net Change in Fund Balances	-	-	11,771	11,771
0100	Fund Balance - September 1 (Beginning)	327,798	327,798	327,798	-
3000	Fund Balance - August 31 (Ending)	\$ 327,798	\$ 327,798	\$ 339,569	\$ 11,771

INTERNAL CONTROL AND COMPLIANCE SECTION





CAVER and SETSER, Inc.

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Jalyn L. Setser, CPA

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

Board of Trustees
Union Grove Independent School District

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Union Grove Independent School District (the District) as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 31, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Union Grove Independent School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material

effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion.

The results of our tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2017-1 and 2017-2 described in the Statement of Findings and Responses).

Union Grove Independent School District's Response to Findings

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

Purpose of this report

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

Caver and Setser, Inc.

CAVER and SETSER, Inc.
Certified Public Accountants

October 31, 2017

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED AUGUST 31, 2017

I. Summary of Auditor's Results:

1. Type of auditor's report issued on the financial statements: Unmodified
2. No internal control findings required to be reported in this schedule were disclosed in the audit of the financial statements.
3. Noncompliance which is material to the financial statements: None
4. Low risk auditee: Yes

II. Findings Related to the Financial Statements:

2017-1 Expenditures exceeded budgetary guideline

Criteria: Expenditures should not exceed budgetary guidelines set by the governing body.

Condition Found: 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.

Effect: Mandated limits for expenditures were exceeded.

Cause: Budget amendments were not made in a timely manner.

Recommendation: The District should review actual versus budgetary amounts by function in order to comply with budgetary guidelines.

2017-2 Investment Policy Review

Criteria: State law requires that the District, at least annually, review and approved/update their investment policy.

Condition Found: The District did not review/approve their investment policy during the audit period.

Effect: None.

Cause: The District failed to include this in their annual updates meeting.

UNION GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2017

PRIOR YEAR'S FINDING/NONCOMPLIANCE –

No findings in prior year audit

UNION GROVE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2017

2017-1 – Actual expenditures exceeding budgeted amounts

Action: Management will review changes in actual expenditures and amend budgets accordingly.

Contact Person: L. Marshall, Business Manager

Implementation: Immediately

2017-2 – Annual review of investment policy.

Action: Management will, annually, review its investment policy.

Contact Person: L. Marshall, Business Manager

Implementation: Immediately

SCHOOLS FIRST QUESTIONNAIRE

UNION GROVE INDEPENDENT SCHOOL DISTRICT

Fiscal Year 2017

SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement at fiscal year end?	No
SF4	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies?	Yes
SF8	Did the school district not receive an adjusted repayment schedule for more than one fiscal year for an over allocation of Foundation School Program (FSP) funds as a result of a financial hardship?	Yes
SF10	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year-end.	0
SF11	Net Pension Assets (1920) at fiscal year-end.	0
SF12	Net Pension Liabilities (2540) at fiscal year-end.	1431829
SF13	Pension Expense (6147) at fiscal year-end.	134838