

**MILLER GROVE  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED**

**AUGUST 31, 2016**



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

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CERTIFICATE OF BOARD

Miller Grove Independent School District  
Name of School District

Hopkins  
County

112-907  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) ☒ approved \_\_\_\_\_disapproved for the year ended August 31, 2016 at a meeting of the Board of Trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, 2016.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

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





**ARNOLD, WALKER, ARNOLD, & Co., P.C.**  
***Certified Public Accountants and Consultants***

Bob J. Arnold, C.P.A., P.F.S.  
Lanny G. Walker, C.P.A., P.F.S.  
Kris Arnold, C.P.A., P.F.S.  
Andrew T. Arnold, C.P.A.  
Melissa J. Godfrey, C.P.A.

MEMBER  
American Institute Of  
Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

Board of Trustees  
Miller Grove Independent School District  
Cumby, Texas

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Miller Grove Independent School District as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2016, and the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.





## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and net pension liability and contributions to TRS on pages 4 through 12 and pages 44 and 45 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 the District's basic financial statements. The 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 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. The information is in Exhibits identified in the Table of Contents as J-1, J-4, and J-5. 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

**Arnold, Walker, Arnold & Co., P.C.**

Arnold, Walker, Arnold & Co., P.C.  
October 27, 2016



## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the MILLER GROVE Independent School District we offer readers of the MILLER GROVE Independent School District's financial statements this narrative overview and analysis of the financial activities of the MILLER GROVE Independent School District for the year ended August 31, 2016. The information presented here should be read in conjunction with the District's financial statements.

### FINANCIAL HIGHLIGHTS

The District's total combined net position was \$3.5 million at August 31, 2016. During the year, the District's total revenues exceeded expenses by \$460 thousand. Total expenses of the District were \$2.8 million for the year which is \$182 thousand more than the previous year. Most of this was payroll related. Revenue was up \$493 thousand. State revenue was up approximately \$450 thousand because of the increase in the number of students.

The District reported fund balance in the general fund of \$1.87 million at August 31, 2016, which is a decrease of approximately \$115 thousand. Revenues were up about 18% or \$411 thousand. State revenue in the general fund was up \$463 thousand. Expenditures were up about 6% or \$146 thousand. Two buses were acquired this year. \$603 thousand has been transferred to date to the capital projects fund to perform building projects. This explains the decrease in fund balance.

\$110 thousand of debt was retired during the year as scheduled. \$537 thousand of new debt was obtained to purchase two buses and to help fund building projects.

Approximately 96% of the taxes levied for 2015-16 were collected by fiscal year end.



## OVERVIEW OF THE FINANCIAL STATEMENTS

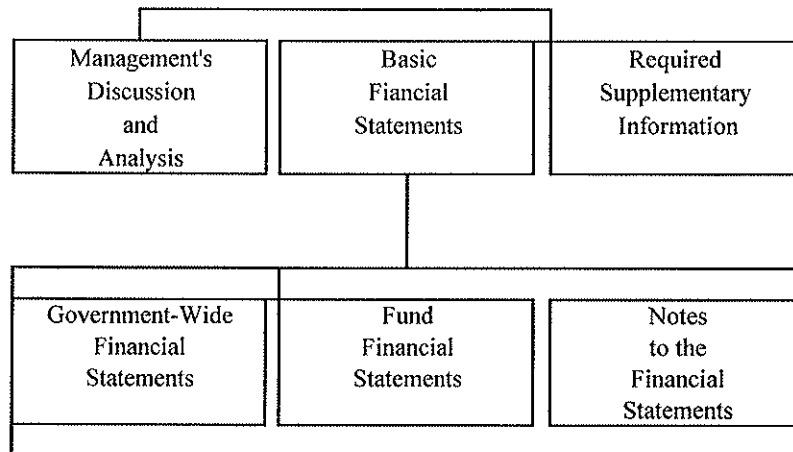
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's *overall* financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in *more detail* than the government-wide statements.
  - The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
  - *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

The notes to the financial statements provide narrative explanations or additional data needed for full disclosure in the government wide statements or the fund financial statements.

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

Figure A-1. Required Components of the District's Annual Financial Report



Summary ⇌ Detail

The financial statements also include *notes* that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.



Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the District's Government-wide Fund Financial Statements

<i>Type of Statements</i>	<b>Government-wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire Agency's government (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: self insurance	Instances in which the district is the trustee or agent for someone else's resources
<i>Required financial statements</i>	*Statement of net position	*Balance sheet	*Statement of net position	*Statement of fiduciary net position
	*Statement of activities	*Statement of revenues, Expenditures & changes in fund balances	*Statement of revenues, expenses and changes in fund net position *Statement of cash flows	*Statement of changes in fiduciary net position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets 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, and 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, although they can
<i>Type of inflow/outflow information</i>	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 after	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

(A) The District has no enterprise funds.





## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes *all* of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's *net position* and how they have changed. Net position, the difference between the District's assets and liabilities, is one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, consideration should be given to additional non-financial factors such as changes in the District's tax base.

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services, and general administration. Property taxes and grants finance most of these activities. Also included are business-type activities. The District charges a fee to "customers" to help cover the costs of services provided.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*-not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has two kinds of funds:

- *Governmental funds*-Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided that explains the relationship (or differences) between them.
- *Fiduciary funds*-The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that-because of a trust arrangement-can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position and a statement of changes in fiduciary net assets. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.



## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net position. The District's combined net position was approximately \$3.5 million at August 31, 2016.

Table A-1  
The District's Net Position  
(in thousands of dollars)

	Governmental Activities	
	2016	2015
Current and other assets	2,422	2,294
Capital and non-current assets	3,926	2,915
<b>TOTAL ASSETS</b>	<b>6,348</b>	<b>5,209</b>
Deferred resource outflow related to TRS	291	38
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>291</b>	<b>38</b>
Long-term liabilities	2,699	2,010
Other liabilities	367	145
<b>TOTAL LIABILITIES</b>	<b>3,066</b>	<b>2,155</b>
Unavailable revenue-property taxes	6	4
Deferred resource inflow related to TRS	62	43
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>68</b>	<b>47</b>
Net position		
Invested in capital assets		
net of related debt	1,630	1,045
Restricted	162	144
Unrestricted	1,713	1,856
<b>TOTAL NET POSITION</b>	<b>3,505</b>	<b>3,045</b>

Net position invested in capital assets net of related debt reflects the book value of the District's capital assets in excess of the debt which financed those assets. The \$1.7 million of unrestricted net position represents resources available to fund the programs of the District for the next fiscal year.

The \$162 thousand is restricted as follows:

Restricted for food service	8
Restricted for debt service	154
	<u>162</u>

Net position of the District's governmental activities increased from \$3.04 million to \$3.5 million, or \$460 thousand. The increase was the result of four main factors. First, the District's expenditures exceeded revenues by \$96 thousand. Second, the District paid \$110 thousand principal on long-term debt and purchased or constructed fixed assets of \$1.1 million. Third, the District recorded depreciation of \$108 thousand. Fourthly, the District recorded loan proceeds of \$537 thousand.



Changes in net position.

The District's total revenues were \$3.27 million. 19% of this comes from taxes, 66% was from state aid formula grants and 12% came from operating grants and contributions.

The total cost of all programs was \$2.8 million. Approximately 66% of this was for instructional and student services.

Net position increased by \$460 thousand from the excess of revenues over expenses.

Table A-2  
The District's Changes in Net Position  
(in thousands of dollars)

	Governmental Activities	
	2016	2015
<b>Revenues</b>		
<u>Program Revenues</u>		
Charges for Services	46	48
Operating Grants and Contributions	378	294
<u>General Revenues</u>		
Property Taxes	619	658
State aid - formula	2,141	1,692
Investment earnings	26	22
Other	56	59
<b>Total Revenues</b>	<u>3,266</u>	<u>2,773</u>
<b>Expenses</b>		
Instruction and instructional related	1,544	1,410
Instructional leadership/school administration	198	205
Guidance, social work, health, transportation	101	74
Food services	164	159
Extracurricular activities	75	78
General Administration	164	164
Plant maintenance and security	297	301
Data processing services	43	41
Debt service	76	68
Facilities acquisition & construction	23	-
Pmts to fiscal agent/member districts - shared service	121	124
<b>Total Expenses</b>	<u>2,806</u>	<u>2,624</u>
<b>Increase (Decrease) in Net Position</b>	460	149
<b>Beginning Net Position</b>	3,045	3,054
<b>Prior Period Adjustment</b>	-	(158)
<b>Ending Net Position</b>	<u>3,505</u>	<u>3,045</u>



Table A-3 presents the cost of each of the District's largest functions as well as each function's *net cost* (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all *governmental* activities this year was \$2.8 million.
- However, the amount that taxpayers paid for these activities through property taxes was only \$619 thousand.
- Some of the cost was paid by those who directly benefited from the programs (\$46 thousand), or by grants and contributions (\$378 thousand).

Table A-3  
Net Cost of Selected District Functions  
(in thousands of dollars)

	Services		Services	
	2016	2015	2016	2015
Instruction	1,544	1,410	1,312	1,234
School administration	198	205	183	190
Plant Maintenance & Operations	297	301	286	290
Debt Service-Interest & Fiscal Charges	76	68	76	68

## FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The District reported fund balance in its governmental funds of approximately \$1.9 million reflecting a net decrease of \$115 thousand. Reasons for this decline are noted on page 4.

The debt service fund balance increased \$14 thousand which is approximately the same as the prior year. The food service fund balance increased about \$ 4 thousand. Revenue increased because of the increase in the number of students participating.





## General Fund Budgetary Highlights

Several budget amendments were made during the year. In total, actual expenditures were less than budgeted by \$118 thousand. All functions were properly budgeted. Revenue exceeded budgeted amounts by \$326 thousand because state revenue was more than budgeted.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

Table A-4  
District's Capital Assets  
(in thousands of dollars)

	Governmental Activities	
	2016	2015
Land	82	82
Buildings and improvements	4,116	4,116
Furniture and equipment	745	606
Construction in progress	981	-
Totals at historical cost	5,924	4,804
Total accumulated depreciation	(1,997)	(1,889)
Net capital assets	3,927	2,915

The District purchased two buses and started a major building project.

### Long-Term Debt

Table A-5  
District's Long-Term Debt  
(in thousands of dollars)

	Governmental	
	2016	2015
Bonds payable	1,760	1,870
Loans payable	537	-
	2,297	1,870

The District paid the required principal as it came due. New debt was obtained to purchase two buses and to assist with construction costs.



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

The Miller Grove Independent School District's Board of Trustees and administrative Staff considered many factors when setting the fiscal year 2017 budget and tax rates. One of these factors is the economy. The district's population growth has been growing steadily over the past couple of years and we have experienced a slight increase in ADA of approximately twenty students per year. For all planning purposes, the old enrollment from 2014-2015 will continue to be used until an established pattern of growth is established.

In the past year, appraised property values have raised approximately 3%, yet broke about even on income due to the loss of taxable dollars from the increased homestead exemptions. The State has never said how this loss will be made up. There have been very few places come up for sale and those that do seem to sell quickly. It appears that the economy is improving and if there were more houses available they too would sell quickly. Even though enrollment is up from last year, a growth trend cannot be determined at this time as there is no history established. Growth is expected to continue in the future as more housing becomes available and the elementary addition gets built.

Miller Grove ISD is primarily an agricultural area. While unemployment remains low, there has been slow change in the occupation of district residents. The number of residents who work in jobs outside district boundaries continues to rise, but is affected by the cost of fuel.

The Board knew that some difficult personnel decisions had to be made and agreed to cut four positions before the 2007-2008 school year. In addition, two more positions were not filled before the 2008-2009 school to provide additional cost savings. We were able to replace one of those teaching positions this year. We have also reduced the Ag Dept. from two teachers to one. An office position opened at the end of the summer and their duties were absorbed by other personnel with the use of stipends.

The above factors were taken into consideration when adopting the General Fund Budget for 2017. The Board has decided to build an elementary addition to replace the two portable buildings which are in poor shape. It is possible that the cost of the addition can be absorbed using fund balance. We continue to budget for a used bus in case one has to be purchased during the year. Finally, plant maintenance issues, for example failing A/C units, must plan on being replaced as they fail.

It was the Board's wish to help increase the fund balance and provide additional monies to pay for an elementary expansion and to cover unexpected costs if they arose. The Board voted to maintain the \$1.17 M&O rate allowed by the election. A balanced budget was adopted for the 16-17 school year.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Miller Grove Independent School District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the District's Central Business Office.



## **BASIC FINANCIAL STATEMENTS**



## **GOVERNMENT WIDE STATEMENTS**





MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

EXHIBIT A-1

Data	Primary Government	
Control Codes	Governmental Activities	
ASSETS		
1110	Cash and Cash Equivalents	\$ 2,038,996
1220	Property Taxes Receivable (Delinquent)	60,501
1230	Allowance for Uncollectible Taxes	(42,281)
1240	Due from Other Governments	361,555
1290	Other Receivables, net	2,732
	Capital Assets:	
1510	Land	82,276
1520	Buildings, Net	2,625,222
1530	Furniture and Equipment, Net	238,053
1580	Construction in Progress	980,936
1000	Total Assets	6,347,990
DEFERRED OUTFLOWS OF RESOURCES		
1705	Deferred Outflow Related to TRS	291,299
1700	Total Deferred Outflows of Resources	291,299
LIABILITIES		
2110	Accounts Payable	297,790
2160	Accrued Wages Payable	67,866
2200	Accrued Expenses	1,616
	Noncurrent Liabilities	
2501	Due Within One Year	172,900
2502	Due in More Than One Year	2,123,773
2540	Net Pension Liability (District's Share)	402,515
2000	Total Liabilities	3,066,460
DEFERRED INFLOWS OF RESOURCES		
2601	Unavailable Revenue - Property Taxes	5,646
2605	Deferred Inflow Related to TRS	61,934
2600	Total Deferred Inflows of Resources	67,580
NET POSITION		
3200	Net Investment in Capital Assets	1,629,814
3820	Restricted for Federal and State Programs	7,775
3850	Restricted for Debt Service	154,363
3900	Unrestricted	1,713,297
3000	Total Net Position	\$ 3,505,249

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6 Net (Expense) Revenue and Changes in Net Position
		3	4	
		Charges for Services	Operating Grants and Contributions	
	Expenses			Primary Gov. Governmental Activities
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 1,494,969	\$ -	\$ 229,879	\$ (1,265,090)
12 Instructional Resources and Media Services	37,689	-	3,196	(34,493)
13 Curriculum and Staff Development	12,331	-	-	(12,331)
21 Instructional Leadership	3,600	-	-	(3,600)
23 School Leadership	194,160	-	14,564	(179,596)
33 Health Services	54	-	-	(54)
34 Student (Pupil) Transportation	100,915	-	1,289	(99,626)
35 Food Services	163,487	35,163	117,536	(10,788)
36 Extracurricular Activities	74,692	4,411	1,477	(68,804)
41 General Administration	163,970	-	4,741	(159,229)
51 Facilities Maintenance and Operations	296,697	6,000	4,973	(285,724)
53 Data Processing Services	43,187	-	-	(43,187)
72 Debt Service - Interest on Long Term Debt	64,700	-	-	(64,700)
73 Debt Service - Bond Issuance Cost and Fees	11,430	-	-	(11,430)
81 Capital Outlay	22,761	-	-	(22,761)
93 Payments related to Shared Services Arrangements	121,016	-	-	(121,016)
[TP] TOTAL PRIMARY GOVERNMENT:	\$ 2,805,658	\$ 45,574	\$ 377,655	(2,382,429)

Data Control Codes		General Revenues:	
		Taxes:	
MT	Property Taxes, Levied for General Purposes		549,337
DT	Property Taxes, Levied for Debt Service		69,441
SF	State Aid - Formula Grants		2,140,655
IE	Investment Earnings		25,887
MI	Miscellaneous Local and Intermediate Revenue		57,151
TR	Total General Revenues		2,842,471
CN	Change in Net Position		460,042
NB	Net Position - Beginning		3,045,207
NE	Net Position--Ending		\$ 3,505,249

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



**GOVERNMENTAL FUND FINANCIAL  
STATEMENTS**



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

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
<b>ASSETS</b>				
1110 Cash and Cash Equivalents	\$ 1,612,923	\$ 291,810	\$ 134,263	\$ 2,038,996
1220 Property Taxes - Delinquent	53,627	-	6,874	60,501
1230 Allowance for Uncollectible Taxes (Credit)	(40,220)	-	(2,061)	(42,281)
1240 Receivables from Other Governments	328,776	-	32,779	361,555
1290 Other Receivables	2,726	-	6	2,732
1000 Total Assets	<u>\$ 1,957,832</u>	<u>\$ 291,810</u>	<u>\$ 171,861</u>	<u>\$ 2,421,503</u>
<b>LIABILITIES</b>				
2110 Accounts Payable	\$ 5,980	\$ 291,810	\$ -	\$ 297,790
2160 Accrued Wages Payable	63,387	-	4,479	67,866
2200 Accrued Expenditures	1,182	-	434	1,616
2000 Total Liabilities	<u>70,549</u>	<u>291,810</u>	<u>4,913</u>	<u>367,272</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
2601 Unavailable Revenue - Property Taxes	13,407	-	4,810	18,217
2600 Total Deferred Inflows of Resources	<u>13,407</u>	<u>-</u>	<u>4,810</u>	<u>18,217</u>
<b>FUND BALANCES</b>				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	7,775	7,775
3480 Retirement of Long-Term Debt	-	-	154,363	154,363
Assigned Fund Balance:				
3550 Construction	500,000	-	-	500,000
3570 Capital Expenditures for Equipment	100,000	-	-	100,000
3600 Unassigned Fund Balance	1,273,876	-	-	1,273,876
3000 Total Fund Balances	<u>1,873,876</u>	<u>-</u>	<u>162,138</u>	<u>2,036,014</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 1,957,832</u>	<u>\$ 291,810</u>	<u>\$ 171,861</u>	<u>\$ 2,421,503</u>

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





MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2016

<b>Total Fund Balances - Governmental Funds</b>	<b>\$ 2,036,014</b>
<b>1</b> Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$4,804,266 and the accumulated depreciation was (\$1,889,221). In addition, long-term liabilities, including bonds payable, and the net pension liability 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), long-term debt, and the net pension liability in the governmental activities is to decrease net position.	900,519
<b>2</b> Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to decrease net position.	1,229,683
<b>3</b> Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 as amended by GASB 71 in the amount of \$402,515, a Deferred Resource Inflow related to TRS in the amount of \$61,934 and a Deferred Resource Outflow related to TRS in the amount of \$291,299. This amounted to a decrease in Net Position in the amount of \$28,624.	(28,624)
<b>4</b> The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.	(108,241)
<b>5</b> Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of notes as an increase in notes 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.	(524,102)
<b>19 Net Position of Governmental Activities</b>	<u><u>\$ 3,505,249</u></u>

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	10 General Fund	60 Capital Projects	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 635,977	\$ -	\$ 111,319	\$ 747,296
5800 State Program Revenues	2,118,750	-	133,324	2,252,074
5900 Federal Program Revenues	-	-	217,356	217,356
5020 Total Revenues	<u>2,754,727</u>	<u>-</u>	<u>461,999</u>	<u>3,216,726</u>
EXPENDITURES:				
Current:				
0011 Instruction	1,229,916	-	116,124	1,346,040
0012 Instructional Resources and Media Services	35,689	-	2,000	37,689
0013 Curriculum and Instructional Staff Development	12,331	-	-	12,331
0021 Instructional Leadership	3,600	-	-	3,600
0023 School Leadership	188,723	-	5,437	194,160
0033 Health Services	54	-	-	54
0034 Student (Pupil) Transportation	207,657	-	-	207,657
0035 Food Services	11,408	-	144,636	156,044
0036 Extracurricular Activities	68,690	-	-	68,690
0041 General Administration	160,793	-	-	160,793
0051 Facilities Maintenance and Operations	308,508	-	-	308,508
0053 Data Processing Services	43,187	-	-	43,187
Debt Service:				
0071 Principal on Long Term Debt	-	-	110,000	110,000
0072 Interest on Long Term Debt	-	-	64,700	64,700
0073 Bond Issuance Cost and Fees	2,523	8,000	907	11,430
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	1,003,697	-	1,003,697
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	121,016	-	-	121,016
6030 Total Expenditures	<u>2,394,095</u>	<u>1,011,697</u>	<u>443,804</u>	<u>3,849,596</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>360,632</u>	<u>(1,011,697)</u>	<u>18,195</u>	<u>(632,870)</u>
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	128,673	408,000	-	536,673
7915 Transfers In	-	603,697	-	603,697
8911 Transfers Out (Use)	(603,697)	-	-	(603,697)
7080 Total Other Financing Sources (Uses)	<u>(475,024)</u>	<u>1,011,697</u>	<u>-</u>	<u>536,673</u>
1200 Net Change in Fund Balances	(114,392)	-	18,195	(96,197)
0100 Fund Balance - September 1 (Beginning)	<u>1,988,268</u>	<u>-</u>	<u>143,943</u>	<u>2,132,211</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 1,873,876</u>	<u>\$ -</u>	<u>\$ 162,138</u>	<u>\$ 2,036,014</u>

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2016

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (96,197)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2016 capital outlays and debt principal payments is to decrease net position.	1,229,683
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.	(108,241)
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.	(536,579)
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 from the prior year of 8/31/2014 caused the change in the ending net position to decrease in the amount of \$26,505. Contributions made after the measurement date of 8/31/15 but during the 2016 FY were dexpended and recorded as a reduction in the net pension liability for the district. This also caused a increase in the change in net position in the amount of \$42,023. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed for FY2015 were \$52,922 for pension expense from TRS data. The District also recorded the amortization of the deferred inflow and outflow that were recorded in the previous year in the amount of \$8,780 which increased net position. The impact of all of these is to decrease the change in net position by \$28,624.	(28,624)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 460,042</b>

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 637,585	\$ 635,180	\$ 635,977	\$ 797
5800 State Program Revenues	1,756,389	1,793,535	2,118,750	325,215
5020 Total Revenues	2,393,974	2,428,715	2,754,727	326,012
EXPENDITURES:				
Current:				
0011 Instruction	1,246,844	1,246,844	1,229,916	16,928
0012 Instructional Resources and Media Services	32,540	35,689	35,689	-
0013 Curriculum and Instructional Staff Development	13,860	13,860	12,331	1,529
0021 Instructional Leadership	3,600	3,600	3,600	-
0023 School Leadership	204,588	204,588	188,723	15,865
0033 Health Services	500	500	54	446
0034 Student (Pupil) Transportation	70,717	209,560	207,657	1,903
0035 Food Services	10,456	11,408	11,408	-
0036 Extracurricular Activities	82,460	82,460	68,690	13,770
0041 General Administration	169,970	169,970	160,793	9,177
0051 Facilities Maintenance and Operations	365,321	365,321	308,508	56,813
0053 Data Processing Services	44,925	44,925	43,187	1,738
Debt Service:				
0073 Bond Issuance Cost and Fees	-	2,523	2,523	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	121,016	121,016	121,016	-
6030 Total Expenditures	2,366,797	2,512,264	2,394,095	118,169
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	27,177	(83,549)	360,632	444,181
OTHER FINANCING SOURCES (USES):				
7914 Non-Current Loans	-	128,673	128,673	-
8911 Transfers Out (Use)	(24,547)	-	(603,697)	(603,697)
7080 Total Other Financing Sources (Uses)	(24,547)	128,673	(475,024)	(603,697)
1200 Net Change in Fund Balances	2,630	45,124	(114,392)	(159,516)
0100 Fund Balance - September 1 (Beginning)	1,988,268	1,988,268	1,988,268	-
3000 Fund Balance - August 31 (Ending)	\$ 1,990,898	\$ 2,033,392	\$ 1,873,876	\$ (159,516)

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





## **FIDUCIARY FUND FINANCIAL STATEMENTS**



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
AUGUST 31, 2016

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	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 31,958
Total Assets	<u>\$ 31,958</u>
LIABILITIES	
Due to Student Groups	\$ 31,958
Total Liabilities	<u>\$ 31,958</u>

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED AUGUST 31, 2016

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

MILLER GROVE INDEPENDENT SCHOOL DISTRICT (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board and other authoritative sources identified in *Statement on Auditing Standards No. 69* of the American Institute of Certified 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 the benefit terms. Investments are reported at fair value.

**A. REPORTING ENTITY**

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

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

The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the MILLER GROVE INDEPENDENT SCHOOL DISTRICT activities with most of the inter-fund activities removed. *Governmental activities* include programs supported primarily by taxes, State foundation funds, grants and other intergovernmental revenues. The District has no business type activities.

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. Direct costs are those that are clearly identifiable with a specific function. Program revenues of the District include charges for services and operating grants and contributions. The "charges for services" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the District. Examples include tuition paid by students not residing in the district, school lunch charges, etc. The "grants and contributions" column includes amounts paid by organizations outside the District to help meet the operational or capital requirements of a given function. Examples include grants under the Elementary and Secondary Education Act. If a revenue is not a program revenue, it is a general revenue used to support all of the District's functions. Taxes are always general revenues.

Inter-fund activities between governmental funds appear as due to/due froms 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. Inter-fund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories - governmental, 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 the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for un-matured interest and principal on 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. The District considers all revenues available if they are collectible within 60 days after year end.

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 them "available" if they will be collected within 60 days of the end of the fiscal year. 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.





#### **D. FUND ACCOUNTING**

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

The District reports the following major governmental funds:

1. **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.
2. **Capital Projects Fund** --The proceeds from long-term debt financing and revenue and expenditures related to authorized construction and other capital asset acquisitions are accounted for in a capital projects fund.

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

##### **Governmental Funds:**

1. **Special Revenue Funds** – The District accounts for resources restricted to, or designated for, specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund, and sometimes unused balances must be returned to the grantor at the close of specified project periods.
2. **Debt Service Fund** – 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:**

1. **Agency Funds** - The District accounts for resources held for others in a custodial capacity in agency funds. The District's Agency Funds are student activity funds.



## E. OTHER ACCOUNTING POLICIES

1. In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.
2. Capital assets, which include land, buildings, furniture and equipment are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Buildings, furniture and equipment of the District and the component units are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-50
Vehicles	10
Office Equipment	10
Computer Equipment	5

3. In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Commitments of fund balance represent tentative management plans that are subject to change.
4. When the District incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.
5. The Data Control Codes refer to the account code structure prescribed by TEA in the *Financial Accountability System Resource Guide*. Texas Education Agency requires school districts to display these codes in the financial statements filed with the Agency in order to insure accuracy in building a State-wide data base for policy development and funding plans.
6. School Districts are required to report all expenses by function, except certain indirect expenses. General administration and data processing service functions (data control codes 41 and 53, respectively) include expenses that are indirect expenses of other functions. These indirect expenses are not allocated to other functions.
7. Investments are carried at fair value.



8. Fund balance measures the net financial resources available to finance expenditures of future periods.

The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The Unassigned General Fund balance may only be appropriated by resolution of the Board of Trustees.

Fund balance of the District may be committed for a specific source by formal action of the Miller Grove ISD Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by formal action of the Miller Grove ISD Board of Trustees.

When it is appropriate for fund balance to be assigned, the Board delegates authority to the Superintendent and Chief Financial Officer.

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

9. Deferred Outflows/Inflows of Resources—The District implemented GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position and GASB Statement No. 65, Items Previously Reported as Assets and Liabilities for the year ended August 31, 2013. The District implemented GASB Statement No. 68 Accounting and Financial Reporting for Pensions for the year ended August 31, 2015. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has two types of items that qualify for reporting in this category, deferred charge for refunding bonded indebtedness and deferred outflows related to TRS as per GASB 68 related to pension accounting. These will be recognized as an outflow of resources in the subsequent years as they are amortized.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represent an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category, property taxes and deferred inflows related to TRS. These amounts will be recognized as an inflow of resources in the subsequent years as collected.



## 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 were as follows:

Capital Assets at the beginning of the Year	Historic Cost	Accumulated Depreciation	Beginning of the Year	Change in Net Position
Land	82,276	-	82,276	
Buildings and Improvements	4,116,330	(1,412,631)	2,703,699	
Furniture & Equipment	605,660	(476,590)	129,070	
Change in Net Position	4,804,266	(1,889,221)	2,915,045	2,915,045
Long-term liabilities at the Beginning of the Year			Payable at the Beginning of the Year	
Bonds Payable			(1,870,000)	
Premium on Issuance of Debt			-	
Change in Net Position				(1,870,000)
Net Pension Liability				
Net Pension Liability			139,567	
Deferred Outflow related to TRS			(37,736)	
Deferred Inflow related to TRS			42,695	
Change in Net Position				(144,526)
Net Adjustment to Net Position				900,519





**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 asset balance and the change in net assets. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current year Capital Outlay</u>			
Construction in progress	980,936	980,936	980,936
Furniture & Equipment	138,747	138,747	138,747
Total Capital Outlay	<u>1,119,683</u>	<u>1,119,683</u>	<u>1,119,683</u>
<u>Debt Principal Payments</u>			
Bond Principal	110,000	110,000	110,000
Total Principal Payments	<u>110,000</u>	<u>110,000</u>	<u>110,000</u>
Total Adjustment to Net Position		<u>1,229,683</u>	<u>1,229,683</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	20,109	(20,109)	-
Uncollected taxes (assumed collectible) from Current Year Levy	12,571	12,571	12,571
Effect of prior year tax entries	7,632	7,632	-
<u>Adjustments to Loan Proceeds and Loans Payable</u>			
Loan proceeds	<u>536,673</u>	<u>(536,673)</u>	<u>(536,673)</u>
Total		<u>(536,579)</u>	<u>(524,102)</u>



### III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

#### **A. BUDGETARY DATA**

The Board of Trustees adopts an "appropriated budget" for the General 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 for each of these funds if they are considered major funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit C-5 and the other two reports are in Exhibit J-4 and J-5.

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 budget is legally enacted through passage of a resolution by the Board. Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year. However, none of these were significant.
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 non-appropriated budget special revenue funds is as follows:

	August 31, 2016 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	7,775
Nonappropriated Budget Funds	<u>-</u>
All Special Revenue Funds	<u><u>7,775</u></u>



#### IV. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

##### A. CASH, CASH EQUIVALENTS AND INVESTMENTS

###### Cash and Cash Equivalents

###### District Policies and Legal and Contractual Provisions Governing Deposits

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

Foreign Currency Risk The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit by limiting foreign currency investments to only those guaranteed by the state of Israel.

As of August 31, 2016, the following are the District's cash and cash equivalents with respective maturities and credit rating:

Type of Deposit	Fair Value	Percent	Maturity in Less than 1 year	Maturity in 1-10 Years	Maturity in Over 10 Years	Credit Rating
Cash	\$ 2,038,996	100.0%	\$ 2,038,996	-	-	N/A
Money Markets and FDIC Insured Accounts	-	0.0%	-	-	-	N/A
Total Cash and Cash Equivalents	\$ 2,038,996	100%	\$ 2,038,996	-	-	

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

- Depository: Alliance Bank
- The market value of securities pledged as of the date of the highest combined balance on deposit was \$3,776,007.
- The highest combined balances of cash, savings, and time deposit accounts amounted to \$3,171,134 and occurred during the month of December, 2015.
- Total amount of FDIC coverage at the time of the highest combined balance was \$425,913.



## Investments

### District Policies and Legal and Contractual Provisions Governing Investments

#### **Compliance with the Public Funds Investment Act**

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (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. MILLER GROVE INDEPENDENT SCHOOL DISTRICT is in substantial compliance with the requirements of the Act and with local policies.

Additional policies and contractual provisions governing investments for MILLER GROVE INDEPENDENT SCHOOL DISTRICT are specified below:

**Credit Risk** To limit the risk that an issuer or other counterparty to an investment will not fulfill its obligations the District limits investments in commercial paper, corporate bonds, mutual bond funds to the top ratings issued by nationally recognized statistical rating organizations (NRSROs).

**Custodial Credit Risk for Investments** To limit the risk that, in the event of the failure of the counterparty 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 counterparties 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. All of the securities are in the District's name and held by the District or its agent.

**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 limits investments to less than 5% of its total investments. The District further limits investments in a single issuer when they would cause investment risks to be significantly greater in the governmental and business-type activities, individual major funds, aggregate non-major funds and fiduciary fund types than they are in the primary government. Usually this limitation is 20%.

**Interest Rate Risk** To limit the risk that changes in interest rates will adversely affect the fair value of investments, the District requires all of the investment portfolio to have maturities of less than one year.

**Foreign Currency Risk for Investments** The District limits the risk that changes in exchange rates will adversely affect the fair value of an investment by not allowing foreign investments.





The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below. In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The District's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

In this discussion and in the table below, investments are defined according to GASB 72 as a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. An asset initially reported as a capital asset and later held for sale would not subsequently be reclassified as an investment.

The District had no investments at August 31, 2016.

#### **B. PROPERTY TAXES**

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the District in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the 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.

#### **C. DELINQUENT TAXES RECEIVABLE**

Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances 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. INTERFUND RECEIVABLES AND PAYABLES**

There were no interfund balances at August 31, 2016. Interfund transfers for the year ended August 31, 2016 consisted of the following individual amounts:

Transfer to Nonmajor Governmental Funds	
From General Fund	<u>\$603,697</u>

\$603,697 was transferred from the general fund to the Capital Projects Fund to cover construction costs to be paid out of fund balance.



# **E. DISAGGREGATION OF RECEIVABLES AND PAYABLES**

Receivables at August 31, 2016, were as follows:

	Property Taxes	Other Governments	Due From Other	Other	Total Receivables
<b>Governmental Activities:</b>					
General Fund	53,627	328,776	-	2,726	385,129
Nonmajor Governmental Funds	-	32,779	-	-	32,779
Other Major Governmental Funds	6,874	-	-	6	6,880
Total-Governmental Activities	60,501	361,555	-	2,732	424,788
Amount not scheduled for collection during the subsequent year	42,281	-	-	-	42,281

Payables at August 31, 2016, were as follows:

	Accounts	Loans, Leases, and Bonds Payable- Current Year	Salaries & Benefits	Due to Other Funds	Due to Other Governments	Other	Total Payables
<b>Governmental Activities:</b>							
General Fund	5,980	-	64,569	-	-	-	70,549
Other Major Governmental Funds	291,810	-	-	-	-	-	291,810
Nonmajor Governmental Funds	-	-	4,913	-	-	-	4,913
Total-Governmental Activities	297,790	-	69,482	-	-	-	367,272
Amount not scheduled for collection during the subsequent year	-	-	-	-	-	-	-



## F. CAPITAL ASSET ACTIVITY

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

	Primary Government			
	Beginning			Ending
	<u>Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u>
District:				
Land	82,276	-	-	82,276
Buildings and Improvements	4,116,330	-	-	4,116,330
Furniture and Equipment	605,660	138,747	-	744,407
Construction in Progress	-	980,936	-	980,936
Totals at Historic Cost	<u>4,804,266</u>	<u>1,119,683</u>	<u>-</u>	<u>5,923,949</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(1,412,631)	(78,477)	-	(1,491,108)
Furniture and Equipment	<u>(476,590)</u>	<u>(29,764)</u>	<u>-</u>	<u>(506,354)</u>
Total Accumulated Depreciation	<u>(1,889,221)</u>	<u>(108,241)</u>	<u>-</u>	<u>(1,997,462)</u>
Governmental Activities Capital Assets, Net	<u>2,915,045</u>	<u>1,011,442</u>	<u>-</u>	<u>3,926,487</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	71,425
Student (Pupil) Transportation	18,005
Food Services	7,443
Curricular/ Extracurricular Activities	6,002
General Administration	3,177
Plant Maintenance and Operations	2,189
Total Depreciation Expense	<u>108,241</u>



## G. LONG-TERM LOANS PAYABLE

Current requirements for principal and interest expenditures are accounted for in the General Fund.

In 2015 the District drew loan proceeds totaling \$408,000. The proceeds were used for elementary campus improvements as authorized by section 45.103 of the Texas Education Code. The loan bears an effective interest rate of 3.55%.

In 2016 the District drew loan proceeds totaling \$128,673. The proceeds were used to purchase busses pursuant to the Public Property Finance Act Chapter 271A, Texas Local Government Code as amended. The loan bears an effective interest rate of 2.45%.

A summary of changes in loan general long-term debt for the year ended August 31, 2016 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/2015	Issued	Retired	Outstanding 8/31/2016
Public Property Finance Contract	2.450%	128,673	-	-	128,673	-	128,673
Time Warrant, Series 2015	3.550%	408,000	-	-	408,000	-	408,000
		<u>536,673</u>	<u>-</u>	<u>-</u>	<u>536,673</u>	<u>-</u>	<u>536,673</u>

Loan debt service requirements are as follows:

Year Ended August 31,	General Obligations		
	Principal	Interest	Total Requirements
2017	52,900	16,524	69,424
2018	53,317	16,109	69,426
2019	54,862	14,563	69,425
2020	56,455	12,970	69,425
2021	24,221	11,329	35,550
2022-2026	134,631	43,122	177,753
2027-2031	<u>160,287</u>	<u>17,467</u>	<u>177,754</u>
	<u>536,673</u>	<u>132,084</u>	<u>668,757</u>

## H. BONDS PAYABLE

During the 2010-2011 fiscal year as authorized in Chapter 1207 Texas Government Code as amended, the District issued the Unlimited Tax Refunding Bonds Series 2011. This was used to refund the Series 2000 debt and all but \$70 thousand of the Series 2002 debt. Interest is payable from 2%-4%. The advance refunding of the 2000 and 2002 debt was undertaken to reduce total debt payments by approximately \$206 thousand and to obtain an economic gain of approximately \$153 thousand. The balance of the refunded debt at August 31, 2016 is \$1,760,000.





A summary of changes in bond general long-term debt for the year ended August 31, 2016 is as follows:

Description	Interest Rate Payable	Amounts Original Issue	Interest Current Year	Payable Amounts Outstanding 9/1/2015	Issued	Retired	Outstanding 8/31/2016
Unlimiting Tax Refunding Bonds-Series 2011	2.00%-4.00%	2,130,000	64,700	1,870,000	-	(110,000)	1,760,000
			64,700	1,870,000	-	(110,000)	1,760,000

Bond debt service requirements are as follows:

Year Ended August 31	General Obligations		Total Requirements
	Principal	Interest	
2017	120,000	62,100	182,100
2018	120,000	59,100	179,100
2019	130,000	55,975	185,975
2020	125,000	52,475	177,475
2021	135,000	47,900	182,900
2022-2026	660,000	154,400	814,400
2027-2031	385,000	56,500	441,500
2032-2036	85,000	1,700	86,700
Total	1,760,000	490,150	2,250,150

## I. CHANGES IN LONG-TERM LIABILITIES

Long-term activity for the year ended August 31, 2016, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities:</b>					
Bonds and Notes Payable:					
General Obligation Bonds	1,870,000	-	(110,000)	1,760,000	120,000
Public Property Finance Contract	-	128,673	-	128,673	31,834
Time Warrant, Series 2015	-	408,000	-	408,000	21,066
Total Governmental Activities	1,870,000	536,673	(110,000)	2,296,673	172,900



## J. DEFINED BENEFIT PENSION PLAN

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

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

**Pension Plan Fiduciary Net Position.** Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2015 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2015.

<u>Net Pension Liability</u>	<u>Total</u>
Total Pension Liability	\$ 163,887,375,172
Less: Plan Fiduciary Net Position	(128,538,706,212)
Net Pension Liability	<u>\$ 35,348,668,960</u>
Net Position as percentage of Total Pension Liability	78.43%

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

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



Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83<sup>rd</sup> Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 83<sup>rd</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84<sup>th</sup> Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

<u>Contribution Rates</u>		
	<u>2015</u>	<u>2016</u>
Member	6.7%	7.2%
Non-Employer Contributing Entity	6.7%	6.7%
TRS		
Employers	6.8%	6.8%
District's 2016 Employer Contributions	\$	54,231
District's 2016 Member Contributions	\$	96,808
District's 2015 NECE On-Behalf Contributions	\$	82,751

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. 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, 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 including public schools are required to pay the employer contribution rate the following instances:

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

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.

**Actuarial Assumptions.** The total pension liability in the August 31, 2015 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2015
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.5%
Benefit Changes During the Year	None
Ad hoc Post Employment Benefit Changes	None



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

**Discount Rate.** The discount rate used to measure the total pension liability was 8.0%. There was no change in the discount rate since the previous year. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The long-term rate of return on pension plan investments is 8%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2015 are summarized below:

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

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

**Discount Rate Sensitivity Analysis.** The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (8%) in measuring the 2015 Net Pension Liability.





	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
District's proportionate share of the net pension liability:	\$630,666	\$402,515	\$212,480

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2016, MILLER GROVE INDEPENDENT SCHOOL DISTRICT reported a liability of \$402,515 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to MILLER GROVE INDEPENDENT SCHOOL DISTRICT. The amount recognized by MILLER GROVE INDEPENDENT SCHOOL 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 MILLER GROVE INDEPENDENT SCHOOL DISTRICT were as follows:

District's proportionate share of the collective net pension liability	\$ 402,515
State' proportionate share that is associated with the District	987,578
Total	<u>\$ 1,390,093</u>

The net pension liability was measured as of August 31, 2015 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2014 thru August 31, 2015.

At August 31, 2015 the employer's proportion of the collective net pension liability was .000011387% which was an increase of 216% from its proportion measured as of August 31, 2014.

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

*Economic Assumptions*

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

*Mortality Assumptions*

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



#### *Other Demographic Assumptions*

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

#### *Actuarial Methods and Policies*

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

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

For the measurement period August 31, 2015, MILLER GROVE INDEPENDENT SCHOOL DISTRICT recognized pension expense of \$66,841 and revenue of \$82,751 for support provided by the State in the Government Wide Statement of Activities.

At August 31, 2016, MILLER GROVE INDEPENDENT SCHOOL 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 actuarial experience	\$ 1,795	\$ 15,469
Changes in actuarial assumptions	7,545	14,360
Difference between projected and actual investment earnings	99,131	31,996
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	140,805	109
Contributions paid to TRS subsequent to the measurement date	42,023	-
Total	\$ 291,299	\$ 61,934



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

Year ended August 31:	Pension Expense Amount
2017	34,789
2018	34,789
2019	34,789
2020	45,453
2021	20,559
Thereafter	16,963

#### K. HEALTH CARE COVERAGE - RETIREES AND ACTIVE EMPLOYEES

##### Retiree Health Care Coverage

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

**Funding Policy.** Contribution requirements are not actuarially determined but are legally established each biennium by the Texas Legislature. Texas Insurance Code, Sections 1575.202, 203, and 204 establish state, active employee, and public school contributions, respectively. The Contribution Rate for the State was 1.00% for 2014, 2015 and 2016. The contribution rate for the district was 0.55% for each of these three years. The contribution rate for active employees was 0.65% of the district payroll for each of the three years. Per Texas Insurance Code, Chapter 1575, the public school contribution may not be less than 0.25% or greater than 0.75% of the salary of each active employee of the public school. For staff members funded by federal programs, the federal programs are required to contribute 1.0 %.

**Contributions.** Contributions made by the State on behalf of the District are recorded in the governmental funds financial statements as both revenue and expenditures. State contributions to TRS made on behalf of the District's employees as well as the District's required contributions and federal grant program contributions for the years ended August 31, 2016, 2015 and 2014 are as follows:

	2016	2015	2014
Required District Contributions	\$ 54,231	\$ 66,841	\$ 74,073
Actual District Contributions	54,231	66,841	74,073
Federal Contributions	3,848	5,682	3,478
State Contributions	86,389	82,751	76,015
Employee Contributions	96,808	94,604	83,373



**Medicare Part D.** The Medicare Prescription Drug, Improvement, and Modernization Act of 2003, 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. For the fiscal year ended August 31, 2016, 2015, and 2014 the subsidy payments received by TRS-Care on-behalf of the District were \$3,848, \$5,682 and \$3,478 respectively. The information for the year ended August 31, 2016 is an estimate provided by the Teacher Retirement System. These payments are recorded as equal revenues and expenditures in the governmental funds financial statements of the District.

#### **Active Employee Health Care Coverage**

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

#### **L. HEALTHCARE COVERAGE**

During the year ended August 31, 2016 employees of Miller Grove Independent School District were covered by a health insurance plan with TRS Active-Care. The District paid premiums of \$150 per month per employee to the Plan and employees, at their option, authorized payroll withholdings to pay contributions or premiums for dependents. The terms of coverage and premium costs are included in the contractual provisions.

Total Annual Premiums for Health Care 2015-2016	36,112
Less non-medical expenditures	-
Maintenance of effort for 2015-2016	<u>36,112</u>

#### **M. DUE FROM OTHER GOVERNMENTS**

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from federal and state governments as of August 31, 2016 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from State Agencies.

<u>FUND</u>	<u>STATE ENTITLEMENTS</u>	<u>FEDERAL GRANTS</u>	<u>OTHER</u>	<u>TOTAL</u>
General	328,776	-	-	328,776
Special Revenue	-	32,779	-	32,779
Debt Service	-	-	-	-
Total	<u>328,776</u>	<u>32,779</u>	<u>-</u>	<u>361,555</u>





#### **N. REVENUE FROM LOCAL AND INTERMEDIATE SOURCES**

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

	General Fund	Nonmajor Governmental Funds	Other Major Governmental Funds	Total
Property Taxes	548,415	70,269	-	618,684
Penalties, Interest and Other Tax-related Income	32,567	4,079	-	36,646
Investment Income	24,079	1,808	-	25,887
Food Sales	-	35,163	-	35,163
Other	30,916	-	-	30,916
Total	<u>635,977</u>	<u>111,319</u>	<u>-</u>	<u>747,296</u>

#### **O. DEFERRED INFLOWS OF RESOURCES**

In the government wide statements and the governmental fund financial statements the amount of property taxes receivable expected to be collected in the future is reflected as a deferred inflow of resources and will be recognized as such each year as it is collected.

#### **P. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal 2016, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

#### **Q. COMMITMENTS AND CONTINGENCIES**

The District has no significant commitments or contingencies at August 31, 2016.

#### **R. LITIGATION**

The District has no pending litigation at August 31, 2016.

#### **S. SUBSEQUENT EVENT**

Administration has evaluated subsequent events through October 27, 2016, the financial statement issuance date.



## **REQUIRED SUPPLEMENTAL INFORMATION**



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR THE YEAR ENDED AUGUST 31, 2016

EXHIBIT G-2

	<u>2016</u>	<u>2015</u>
District's Proportion of the Net Pension Liability (Asset)	0.000011387%	0.000005225%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 402,515	\$ 139,567
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	987,578	802,588
Total	<u>\$ 1,390,093</u>	<u>\$ 942,155</u>
District's Covered-Employee Payroll	\$ 1,344,542	\$ 1,411,999
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	29.93%	14.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.43%	83.25%

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

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



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT CONTRIBUTIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2016

EXHIBIT G-3

	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 96,808	\$ 94,604
Contribution in Relation to the Contractually Required Contribution	96,808	(94,604)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 1,344,542	\$ 1,411,999
Contributions as a Percentage of Covered-Employee Payroll	7.20%	6.80%

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

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





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

*Changes of benefit terms.*

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

*Changes of assumptions.*

The following are changes to the actuarial assumptions or other inputs that affected the measurement of the total pension liability since the prior measurement period.

*Economic Assumptions*

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

*Mortality Assumptions*

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

*Other Demographic Assumptions*

- 8 Previously, it was assumed 10% of all members who had contributed in the past 5 years to be an active member. This was an implicit rehire assumption because teachers have historically had a high incidence of terminating employment for a time and then returning to the workforce at a later date. This methodology was modified to add a more explicit valuation of the rehire incidence in the termination liabilities, and therefore these 10% are no longer being counted as active members.
- 9 There were adjustments to the termination patterns for members consistent with experience and future expectations. The termination patterns were adjusted to reflect the rehire assumption. The timing of the termination decrement was also changed from the middle of the year to the beginning to match the actual pattern in the data.
- 10 Small adjustments were made to the retirement patterns for members consistent with experience and future expectations.



- 11 Small adjustments to the disability patterns were made for members consistent with experience and future expectations. Two separate patterns were created based on whether the member has 10 years of service or more.
- 12 For members that become disabled in the future, it is assumed 20% of them will choose a 100% joint and survivor annuity option.

*Actuarial Methods and Policies*

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



## **COMBINING SCHEDULES**



## **NON-MAJOR GOVERNMENTAL FUNDS**

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

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ -	\$ (14,252)	\$ (599)	\$ 3,179
1220	Property Taxes - Delinquent	-	-	-	-
1230	Allowance for Uncollectible Taxes (Credit)	-	-	-	-
1240	Receivables from Other Governments	2,060	16,991	713	4,590
1290	Other Receivables	-	-	-	6
1000	Total Assets	<u>\$ 2,060</u>	<u>\$ 2,739</u>	<u>\$ 114</u>	<u>\$ 7,775</u>
<b>LIABILITIES</b>					
2160	Accrued Wages Payable	\$ 1,877	\$ 2,498	\$ 104	\$ -
2200	Accrued Expenditures	183	241	10	-
2000	Total Liabilities	<u>2,060</u>	<u>2,739</u>	<u>114</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
2601	Unavailable Revenue - Property Taxes	-	-	-	-
2600	Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	7,775
3480	Retirement of Long-Term Debt	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,775</u>
4000	Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 2,060</u>	<u>\$ 2,739</u>	<u>\$ 114</u>	<u>\$ 7,775</u>



255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ (8,425)	\$ -	\$ (20,097)	\$ 154,360	\$ 134,263
-	-	-	-	6,874	6,874
-	-	-	-	(2,061)	(2,061)
-	8,425	-	32,779	-	32,779
-	-	-	6	-	6
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,688</u>	<u>\$ 159,173</u>	<u>\$ 171,861</u>
 \$ -	 \$ -	 \$ -	 \$ 4,479	 \$ -	 \$ 4,479
-	-	-	434	-	434
-	-	-	4,913	-	4,913
-	-	-	-	4,810	4,810
-	-	-	-	4,810	4,810
-	-	-	7,775	-	7,775
-	-	-	-	154,363	154,363
-	-	-	7,775	154,363	162,138
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,688</u>	<u>\$ 159,173</u>	<u>\$ 171,861</u>

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

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:					
5700	Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 35,199
5800	State Program Revenues	-	-	-	711
5900	Federal Program Revenues	33,483	41,221	1,699	112,669
5020	Total Revenues	33,483	41,221	1,699	148,579
EXPENDITURES:					
Current:					
0011	Instruction	33,483	41,221	1,699	-
0012	Instructional Resources and Media Services	-	-	-	-
0023	School Leadership	-	-	-	-
0035	Food Services	-	-	-	144,636
Debt Service:					
0071	Principal on Long Term Debt	-	-	-	-
0072	Interest on Long Term Debt	-	-	-	-
0073	Bond Issuance Cost and Fees	-	-	-	-
6030	Total Expenditures	33,483	41,221	1,699	144,636
1200	Net Change in Fund Balance	-	-	-	3,943
0100	Fund Balance - September 1 (Beginning)	-	-	-	3,832
3000	Fund Balance - August 31 (Ending)	\$ -	\$ -	\$ -	\$ 7,775

255 ESEA II, A Training and Recruiting	270 ESEA VI, Pt B Rural & Low Income	410 State Textbook Fund	Total Nonmajor Special Revenue Funds	599 Debt Service Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 35,199	\$ 76,120	\$ 111,319
-	-	18,874	19,585	113,739	133,324
5,437	22,847	-	217,356	-	217,356
5,437	22,847	18,874	272,140	189,859	461,999
-	20,847	18,874	116,124	-	116,124
-	2,000	-	2,000	-	2,000
5,437	-	-	5,437	-	5,437
-	-	-	144,636	-	144,636
-	-	-	-	110,000	110,000
-	-	-	-	64,700	64,700
-	-	-	-	907	907
5,437	22,847	18,874	268,197	175,607	443,804
-	-	-	3,943	14,252	18,195
-	-	-	3,832	140,111	143,943
\$ -	\$ -	\$ -	\$ 7,775	\$ 154,363	\$ 162,138



## **REQUIRED T.E.A. SCHEDULES**

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2007 and prior years	Various	Various	\$ Various
2008	1.040050	0.150000	41,282,551
2009	1.170000	0.150000	44,529,848
2010	1.170000	0.150000	44,836,439
2011	1.170000	0.150000	45,054,167
2012	1.170000	0.150000	45,407,348
2013	1.170000	0.150000	47,020,076
2014	1.170000	0.150000	48,484,242
2015	1.170000	0.150000	49,766,061
2016 (School year under audit)	1.170000	0.150000	48,338,409
1000 TOTALS			

(10) Beginning Balance 9/1/2015	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2016
\$ 7,130	\$ -	\$ 40	\$ 4	\$ -	\$ 7,086
906	-	33	4	-	869
635	-	39	3	-	593
1,423	-	36	5	-	1,382
1,840	-	52	11	-	1,777
2,120	-	74	10	-	2,036
5,945	-	1,442	179	-	4,324
10,514	-	3,538	438	-	6,538
24,954	-	12,599	1,602	-	10,753
-	638,067	530,562	68,013	(14,349)	25,143
<u>\$ 55,467</u>	<u>\$ 638,067</u>	<u>\$ 548,415</u>	<u>\$ 70,269</u>	<u>\$ (14,349)</u>	<u>\$ 60,501</u>





MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL - CHILD NUTRITION PROGRAM  
FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 34,000	\$ 35,199	\$ 35,199	\$ -
5800 State Program Revenues	700	711	711	-
5900 Federal Program Revenues	89,000	112,669	112,669	-
5020 Total Revenues	123,700	148,578	148,579	1
EXPENDITURES:				
0035 Food Services	148,247	144,636	144,636	-
6030 Total Expenditures	148,247	144,636	144,636	-
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(24,547)	3,942	3,943	1
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	24,547	-	-	-
1200 Net Change in Fund Balances	-	3,942	3,943	1
0100 Fund Balance - September 1 (Beginning)	3,832	3,832	3,832	-
3000 Fund Balance - August 31 (Ending)	\$ 3,832	\$ 7,774	\$ 7,775	\$ 1



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - DEBT SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2016

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 76,783	\$ 76,121	\$ 76,120	\$ (1)
5800 State Program Revenues	112,401	113,739	113,739	-
5020 Total Revenues	189,184	189,860	189,859	(1)
EXPENDITURES:				
Debt Service:				
0071 Principal on Long Term Debt	110,000	110,000	110,000	-
0072 Interest on Long Term Debt	64,700	64,700	64,700	-
0073 Bond Issuance Cost and Fees	1,000	907	907	-
6030 Total Expenditures	175,700	175,607	175,607	-
1200 Net Change in Fund Balances	13,484	14,253	14,252	(1)
0100 Fund Balance - September 1 (Beginning)	140,111	140,111	140,111	-
3000 Fund Balance - August 31 (Ending)	\$ 153,595	\$ 154,364	\$ 154,363	\$ (1)



**REPORT ON INTERNAL CONTROL &  
COMPLIANCE**





**ARNOLD, WALKER, ARNOLD, & CO., P.C.**  
***Certified Public Accountants and Consultants***

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MEMBER

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Certified Public Accountants

Texas State Society Of  
Certified Public Accountants

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  
Miller Grove Independent School District  
Cumby, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Miller Grove Independent School District, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 27, 2016.

**Internal Control Over Financial Reporting**

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

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

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

***Arnold, Walker, Arnold & Co., P.C.***

Arnold, Walker, Arnold & Co., P.C.

October 27, 2016





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

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

- a. The type of report issued on the financial statements of the Miller Grove Independent School District was an unmodified opinion.
- b. Where applicable, a statement that control deficiencies in internal control were disclosed by the audit of the financial statements and whether they were material weaknesses. None
- c. A statement as to whether the audit disclosed any noncompliance which is material to the financial statements of the auditee. NONE
- d. Where applicable, a statement that control deficiencies in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses. N/A
- e. The type of report the auditor issued on compliance for major programs. N/A
- f. A statement as to whether the audit disclosed any audit findings which the auditor is required to report under Section \_\_\_\_ .510(a). These include: N/A
- g. An identification of major programs: N/A
- h. The dollar threshold used to distinguish between Type A and Type B programs. N/A
- i. A statement as to whether the auditee qualified as a low-risk auditee. N/A

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

NONE

**III. Findings and Questioned Costs for Federal Awards Including Audit Findings as Described in I.f Above**

NONE



MILLER GROVE INDEPENDENT SCHOOL DISTRICT  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2016

PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

2015-1 Eligible Meal Counts for Reimbursement

Lack of understanding of new software related to cafeteria accounting resulted in incorrect paid meal counts.

2015-2 Board Training

Board members did not attend enough training classes during the year so the minimum training hour requirements were not met.

STATUS OF PRIOR YEAR'S FINDINGS/ NONCOMPLIANCE

2015-1 Eligible Meal Counts for Reimbursement

The District made the corrective action.

2015-2 Board Training

The District made the corrective action.



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

CORRECTIVE ACTION

N/A

The contact at the District is Steve Johnson at (903) 459-3288.

