

**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

TABLE OF CONTENTS

<u>Exhibit</u>		<u>Page</u>
	CERTIFICATE OF BOARD	1
	Independent Auditors' Report	2-3
	Management Discussion and Analysis	4-12
	<u>BASIC FINANCIAL STATEMENTS</u>	
	Government Wide Statements:	
A-1	Statement of Net Position	13
B-1	Statement of Activities	14
	Governmental Fund Financial Statements	
C-1	Balance Sheet	15
C-2	Reconciliation for C-1	16
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balance	17
C-4	Reconciliation for C-3	18
C-5	Budgetary Comparison Schedule - General Fund	19
	Fiduciary Fund Financial Statements	
D-1	Statement of Fiduciary Net Position	20
	Notes to the Financial Statements	21-43
	<u>Required Supplemental Information</u>	
G-2	Schedule of District's Proportionate Share of the Net Pension Liability (TRS)	44
G-3	Schedule of District Contributions to TRS	45
	Notes to Required Supplemental Information	46-47
	<u>Combining Schedules</u>	
	Non-major Governmental Funds:	
E-1	Combining Balance Sheet	48-49
E-2	Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	50-51
	<u>Required TEA Schedules</u>	
J-1	Schedule of Delinquent Taxes	52-53
J-4	Budgetary Comparison Schedule - Child Nutrition Fund	54
J-5	Budgetary Comparison Schedule - Debt Service Fund	55
	<u>Report on Internal Control & Compliance</u>	
	Independent Auditor's Report on Internal Control over Financial Reporting and Compliance Based on an audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56
	Schedule of Findings and Questioned Costs	57
	Schedule of Status of Prior Findings	58
	Corrective Action Plan	59

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

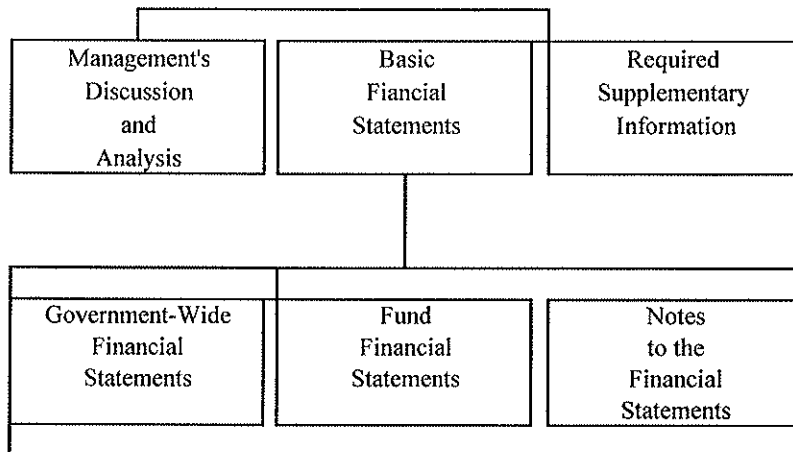
This annual report consists of three parts--*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- 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>	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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
TOTAL ASSETS	6,348	5,209
Deferred resource outflow related to TRS	291	38
TOTAL DEFERRED OUTFLOWS OF RESOURCES	291	38
Long-term liabilities	2,699	2,010
Other liabilities	367	145
TOTAL LIABILITIES	3,066	2,155
Unavailable revenue-property taxes	6	4
Deferred resource inflow related to TRS	62	43
TOTAL DEFERRED INFLOWS OF RESOURCES	68	47
Net position		
Invested in capital assets net of related debt	1,630	1,045
Restricted	162	144
Unrestricted	1,713	1,856
TOTAL NET POSITION	3,505	3,045

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
Revenues		
<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
Total Revenues	<u>3,266</u>	<u>2,773</u>
Expenses		
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
Total Expenses	<u>2,806</u>	<u>2,624</u>
Increase (Decrease) in Net Position	460	149
Beginning Net Position	3,045	3,054
Prior Period Adjustment	-	(158)
Ending Net Position	<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	<u>5,924</u>	<u>4,804</u>
Total accumulated depreciation	<u>(1,997)</u>	<u>(1,889)</u>
Net capital assets	<u><u>3,927</u></u>	<u><u>2,915</u></u>

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	-
	<u>2,297</u>	<u>1,870</u>

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 Control Codes	Primary Government
	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
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
Primary Government:				
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	
ASSETS					
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	\$ 1,957,832	\$ 291,810	\$ 171,861	\$ 2,421,503
LIABILITIES					
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	70,549	291,810	4,913	367,272
DEFERRED INFLOWS OF RESOURCES					
2601	Unavailable Revenue - Property Taxes	13,407	-	4,810	18,217
2600	Total Deferred Inflows of Resources	13,407	-	4,810	18,217
FUND BALANCES					
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	1,873,876	-	162,138	2,036,014
4000	Total Liabilities, Deferred Inflows & Fund Balances	\$ 1,957,832	\$ 291,810	\$ 171,861	\$ 2,421,503

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

Total Fund Balances - Governmental Funds	\$	2,036,014
1 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$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
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2016 capital outlays and debt principal payments is to decrease net position.		1,229,683
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68 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)
4 The 2016 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(108,241)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of 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)
19 Net Position of Governmental Activities	<u>\$</u>	<u>3,505,249</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

Total Net Change in Fund Balances - Governmental Funds	\$	(96,197)
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)
Change in Net Position of Governmental Activities	\$	460,042

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

