PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

AUGUST 31, 2015

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2015

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CERTIFICATE OF BOARD

Pleasant Grove Independent School District	Bowie	019-912
Name of School District	County	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, 2015 at a meeting of the Board of Trustees of such school district on the ________of January, 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)

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountai
Member of Center for Public Company Audit Firms
Member of AICPA Governmental Audit Quality Center

UNQUALIFIED OPINION ON BASIC FINANCIAL STATEMENTS ACCOMPANIED BY REQUIRED SUPPLEMENTARY INFORMATION AND OTHER SUPPLEMENTARY INFORMATION INCLUDING THE SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Independent Auditor's Report

Board of Trustees
Pleasant Grove Independent School District
8500 North Kings Highway
Texarkana, TX 75503

Members of the Board:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Grove Independent School District (the District) as of and for the year ended August 31, 2015, 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.

1430 College Drive • P.O. Box 5197 • Texarkana, Texas 75505 • 903-793-5646 • FAX 903-792-7630 • www.wilhen.com

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 Pleasant Grove Independent School District as of August 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statement in 2015, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Reporting for Pensions*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on page 48, schedule of the District's proportionate share of the net pension liability (TRS) on page 49 and schedule of District contribution to TRS on page 50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasant Grove Independent School District's basic financial statements. The combining financial statements and schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The Texas Education Agency requires school districts to include certain information in the Annual Financial and Compliance Report in conformity with laws and regulations of the State of Texas. This information is in Exhibits identified in the Table of Contents as J-1 through J-3. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the Unites States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 11, 2016, on our consideration of the Pleasant Grove Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pleasant Grove Independent School District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

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

January 11, 2016

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Pleasant Grove ISD Annual Financial and Compliance Report presents the management's discussion and analysis of the District's financial performance for the fiscal year ended August 31, 2015. Please read it in conjunction with the independent auditor's report and the District's Basic Financial Statements which follow this section.

FINANCIAL HIGHLIGHTS

- Total revenue of $20,459,127 was generated in tax, other local, state, and federal revenues, and other sources for governmental funds.
- During the year, the District's expenditures totaled $20,428,200, of which $3,568,831 was expenditures for debt service.
- The General Fund ended the year with a fund balance of $4,303,785, which includes $25,342 in restricted, $904,163 in committed and $900,000 in assigned fund balance.
- The District's government-wide total combined net position increased $983,035 (before prior period adjustment) from the prior year.
- The District's total tax rate was $1.44 with $0.35 for debt service and $1.09 for maintenance and operation.
- The local property values for 2014-2015 increased $ 7,397,367.
- The District issued $8,460,000 of Series 2015 Unlimited Tax Refunding Bonds retiring $9,195,000 of a portion of the Series 2007 Unlimited Tax Refunding Bonds.

USING THIS ANNUAL REPORT

This annual report consists of government-wide financial statements, fund financial statements, notes to the financial statements and other financial information.

Government-Wide Financial Statements. The government-wide financial statements include the Statement of Net Position and the Statement of Activities. These provide information about the activities of the District as a whole and present a longer-term view of the District's property and debt obligations and other financial matters. They reflect the flow of total economic resources in a manner similar to the financial reports of a business enterprise.

Its primary purpose is to show whether the District is better off or worse off as a result of the year's activities. The Statement of Net Position includes all the District's assets and liabilities at the end of the year while the Statement of Activities includes all the revenues and expenses generated by the District's operations during the year. These apply the accrual basis of accounting which is the basis used by private sector companies.

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

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

In the Statement of Net Position and the Statement of Activities, the District is combined into one kind of activity.

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

Fund Financial Statements. Fund financial statements report the District's operations in more detail than the government-wide statements by providing information about the District's most significant funds – not the District as a whole. For governmental activities, these statements tell how services were financed in the short term as well as what resources remain for future spending. They reflect the flow of current financial resources, and supply the basis for tax levies and the appropriations budget.

Laws and contracts require the District to establish separate funds, such as grants received from the U.S. Department of Education. The District's administration establishes many other funds to help it control and manage money for particular purposes (like campus activities). The District's fund can be divided into these two categories:

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

- Fiduciary Funds – this fund accounts for resources held for the benefit of parties outside the government. The District acts as a trustee, or fiduciary, for money raised by student activities and scholarship programs. All of the District's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. We exclude these resources from the District's other financial statements because the District cannot use these assets to finance its operations. The District is only responsible for ensuring that the assets reported in these funds are used for their intended purposes

Notes to the Financial Statements. 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.

Other Financial Information. The combining statements for nonmajor funds contain even more information about the Districts 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.

GOVERNMENTs-WIDE FINANCIAL ANALYSIS

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

Table I
Pleasant Grove Independent School District
NET POSITION

	Governmental Activities 2014	Governmental Activities 2015	Total % Change
Current and other assets	6,276,364	6,545,236	4.28%
Capital assets	47,260,446	45,977,681	-2.71%
Total Assets	53,536,810	52,522,917	-1.89%
Deferred outflows of resources	2,058,858	2,749,198	33.53%
Other liabilities	767,606	757,881	-1.27%
Long-term liabilities	38,881,316	37,401,641	-3.81%
TRS net pension liability	-	1,057,343	100.00%
Total Liabilities	39,648,922	39,216,865	-1.09%
Deferred inflows of resources	-	323,444	100.00%
Net Position:			
Net Investment in Capital Assets	10,517,349	11,157,955	6.09%
Restricted	1,230,974	1,100,903	-10.57%
Unrestricted	4,198,423	3,472,948	-17.28%
Total Net Position	15,946,746	15,731,806	-1.35%

As of August 31, 2015 the District's assets exceed liabilities by $15,731,806, in which $11,157,955 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding. $1,100,903 of the total net position represents resources that are subject to restrictions on how they may be used and the remaining balance of total net position of $3,472,948 represents the unrestricted net position, which is part of the net position that can be used to finance day-to-day operations without constraints established by debt, or other legal requirements.

The total cost of all governmental activities was $19,509,760 and the amount of these activities that our taxpayers paid for through property taxes was $12,203,204 or 63%.

Table II
Pleasant Grove Independent School District
Changes in District's Net Position

	2014	2015	Total % Change
Revenues:			
Program Revenues:			
Charges for services	771,284	864,746	12.12%
Operating grants and contributions	1,811,160	1,650,175	-8.89%
Capital grants and contributions	16,490	18,217	10.47%
General Revenues:			
Property taxes	12,084,546	12,203,204	0.98%
Grants & contributions not restricted	4,912,973	5,617,106	14.33%
Interest Earnings	26,455	23,704	-10.40%
Other general revenues	106,187	115,643	8.91%
Total Revenues	19,729,095	20,492,795	3.87%
Expenses:			
Instruction	10,748,748	10,667,408	-0.76%
Instructional Resources and Media Services	148,505	136,509	-8.08%
Curriculum and Staff Development	26,778	36,615	36.74%
Instructional Leadership	82,268	73,716	-10.40%
School Leadership	1,043,207	1,032,758	-1.00%
Guidance, Counseling and Evaluation Services	446,437	481,980	7.96%
Health Services	148,008	145,390	-1.77%
Student (Pupil) Transportation	165,930	141,148	-14.94%
Food Services	626,764	664,363	6.00%
Cocurricular/Extracurricular Activities	1,111,731	1,132,454	1.86%
General Administration	973,855	948,428	-2.61%
Plant Maintenance and Operations	1,955,821	2,045,535	4.59%
Security and Monitoring Services	76,606	79,748	4.10%
Data Processing Services	148,532	129,169	-13.04%
Debt Service - Interest on Long Term Debt	1,609,652	1,266,758	-21.30%
Debt Service - Bond Issuance Cost and Fees	164,658	164,700	0.03%
Payments to Fiscal Agents/Member Districts	203,622	199,549	-2.00%
Other Intergovernmental Charges	153,777	163,532	6.34%
Total Expenses	19,834,899	19,509,760	-1.64%
Increase (Decrease) in Net Position	(105,804)	983,035	1029.11%
Net Position Beginning of Year	16,052,550	15,946,746	-0.66%
Prior Period Adjustment	-	(1,197,975)	-100.00%
Net Position End of Year	15,946,746	15,731,806	-1.35%

THE DISTRICT'S FUNDS

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

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

	Governmental Funds 2014	Governmental Funds 2015	Total $ Change	Total % Change
Revenues:				
Local and Intermediate Sources	$ 12,962,832	$ 13,173,629	$ 210,797	1.6%
State Program Revenues	5,950,869	6,525,483	574,614	9.7%
Federal Program Revenues	789,754	760,015	(29,739)	-3.8%
Total Revenues	19,703,455	20,459,127	755,672	3.8%
Expenditures:				
Instruction	9,834,981	9,901,574	66,593	0.7%
Instructional resources & media services	140,989	130,148	(10,841)	-7.7%
Curriculum and instructional staff development	19,483	29,621	10,138	52.0%
Instructional leadership	79,215	70,661	(8,554)	-10.8%
School leadership	990,407	984,825	(5,582)	-0.6%
Guidance, counseling and evaluation services	423,842	459,609	35,767	8.4%
Health services	140,517	138,686	(1,831)	-1.3%
Student (Pupil) transportation	154,989	132,056	(22,933)	-14.8%
Food services	614,372	620,386	6,014	1.0%
Extracurricular activities	993,338	1,023,197	29,859	3.0%
General administration	905,148	885,446	(19,702)	-2.2%
Facilities maintenance & operations	1,851,663	1,945,082	93,419	5.0%
Security & monitoring services	72,729	75,946	3,217	4.4%
Data processing services	117,043	99,051	(17,992)	-15.4%
Debt services	3,283,926	3,568,831	284,905	8.7%
Payments to fiscal agent/member of SSA	203,622	199,549	(4,073)	-2.0%
Other intergovernmental charges	153,777	163,532	9,755	6.3%
Total Expenditures	19,980,041	20,428,200	448,159	2.2%
Excess (Deficiency) of Revenues Over (Under) Expenditures	(276,586)	30,927	307,513	11h2%
Other Financing Sources (Uses)				
Capital related debt issued (regular bonds)	8,634,999	8,460,000	(174,999)	-2.0%
Transfers In	-	687,000	687,000	100.0%
Premium or discount on issuance of bonds	1,107,816	1,626,797	518,981	46.8%
Transfers Out	-	(687,000)	(687,000)	-100.0%
Payment to Bond Refunding Escrow Agent (Use)	(9,577,089)	(9,949,321)	(372,232)	3.9%
Total Other Financing Sources (Uses)	165,726	137,476	(28,250)	-17.0%
Net Change in Fund Balances	(110,860)	168,403	279,263	251.9%
Fund Balance - Beginning of Year	5,542,903	5,432,043	(110,860)	-2.0%
Fund Balance - End of Year	$ 5,432,043	$ 5,600,446	168,403	3.1%

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As stated earlier, governmental fund statements provided a view of the District's general operations and the basic services it provides, as well as reporting balances that are available for future spending.

As the District completed the year, governmental funds reported a combined fund balance of $5,600,446. This combined balance includes funds that are restricted, committed and assigned as follows:

- $ 25,342 is restricted for high school allotment carryover (General Fund)
- $ 209,150 is committed for payment of debt (General Fund)
- $ 600,000 is committed for equipment (General Fund)
- $ 95,013 is committed for outstanding encumbrances (General Fund)
- $ 900,000 is assigned for facility improvements (General Fund)
- $ 1,050,527 is restricted for retirement of long term debt (Debt Service Fund)
- $ 6,770 is restricted for inventory (Special Revenue Fund)
- $ 41,592 is restricted for state/federal programs, and other local sources (Special Revenue Fund)
- $ 197,772 is committed for campus activity funds (Special Revenue Fund)

The restricted, committed, and assigned funds total $3,126,166, leaving unassigned funds of $2,474,280.

The District's combined fund balance increased from the prior year by $168,403. The General Fund is the primary operating fund of the District. The District has various restricted, committed and assigned funds in the General Fund, leaving the unassigned fund balance representing 16% of the General Fund expenditures.

Throughout the year the Board of Trustees revised the District's budget. Significant budget amendments for the General Fund include increase to revenues for state funding $100,000 and increase in expenditures in the General Fund of $100,000 for Instructional Career & Technical program. The Debt Service significant budget amendments included other resources of $10,087,000, other uses of $9,950,000 and expenditures for debt service fees of $165,000. These amendments in the Debt Service Fund pertain to refunding of bonds.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has $45,977,681 invested in capital assets. Retirements net of additions totaled ($37,670). Additions and retirements for this year include:

Additions of Furniture & Equipment	$77,774
Retirement of Building & Equipment	($115,444)

Debt

Outstanding Bonded Debt of the District consists of the following:

Refunding Bond Series 2005 was issued on August 11, 2005. This refunding is a defeasance of the Bond Series 1994. The 1994 Series was originally issued for major addition and renovations to the elementary campus, additional classrooms and gymnasium for the high school and additional classroom annex for the middle school. The principal outstanding on this refunding is $955,000 with final payment 2018.

Bond Series 2007 for new intermediate campus, elementary, middle and high school additions and renovations. The school district refunded a portion of these bonds totaling $8,635,000. The principal outstanding is $250,000 with final payment in 2017.

Refunding Bond Series 2010 was issued on April 1, 2010. This refunding is a defeasance of the Bond Series 2001. The 2001 Series was originally issued for high school classrooms and auditorium, middle school gymnasium, air conditioning and renovation of existing elementary and middle school gymnasiums, and central services facility. The principal outstanding on the Serial Current Interest Bonds is $6,555,000 with final payment in 2026.

Refunding Bond Series 2013 was issued in April of 2013. This series is partial refunding of Series 2007. The 2007 Series was originally issued for new intermediate campus, elementary, middle and high school additions and renovations. The principal outstanding on the Serial Current Interest Bonds is $8,110,000 with final payment in 2032.

The District issued $8,634,999 of Unlimited Tax Refunding Bonds, Series 2014 to redeem a portion of the Series 2007 in the amount of $8,635,000 with final payment in 2030. The Series 2014 totals $8,020,000 in Serial Current Interest Bonds.

The District issued $8,460,000 of Unlimited Tax Refunding Bonds, Series 2015 to redeem a portion of the Series 2007 in the amount of $9,195,000 with final payment in 2027. The Series 2015 totals $8,460,000 in Serial Current Interest Bonds.

Other debt outstanding to the District includes:

July 2012 the District issued $2,235,000 of Limited Tax Refunding Bonds, Series 2012. This issue redeemed in full Maintenance Note Refunding Series 2008 in the amount of $720,000 and Limited Tax Refunding Bonds, Series 2008 in the amount of $1,495,000 and resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds. The principal outstanding on this note is $1,825,000 with final payment in 2028.

Capital Lease Obligation issued in August 2011 for cafeteria equipment. The principal outstanding on this lease is $5,773 with final payment in 2016.

Other obligations of the school district include the additional days worked beyond commitment leave liability in the amount of $33,839, and accumulated local personal leave benefit upon retirement liability in the amount of $4,275.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's board of trustees adopted a budget of $19,187,063 for the school year 2015-2016 with the tax rate of $1.44. This tax rate is the same as the prior year tax rate, of which $1.09 to be used for maintenance and operations and $0.35 to be used for retirement of debt.

State funding for 2015-16 is budgeted at $6,411,495 which includes revenue for students in attendance in average of 2,005.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's business office, at Pleasant Grove Independent School District, 8500 North Kings Highway, Texarkana, Texas.

BASIC FINANCIAL STATEMENTS

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
AUGUST 31, 2015

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 5,191,775
1220	Property Taxes Receivable (Delinquent)	402,084
1230	Allowance for Uncollectible Taxes	(157,804)
1240	Due from Other Governments	1,102,135
1290	Other Receivables, Net	276
1410	Prepayments	6,770
	Capital Assets:	
1510	Land	1,958,474
1520	Buildings and Improvements, Net	44,002,186
1530	Furniture and Equipment, Net	17,021
1000	Total Assets	52,522,917
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	2,543,801
1705	Deferred Outflow Related to TRS	205,397
1700	Total Deferred Outflows of Resources	2,749,198
	LIABILITIES	
2110	Accounts Payable	126,022
2140	Accrued Interest Payable	57,370
2150	Payroll Deductions & Withholdings	1,084
2160	Accrued Wages Payable	533,071
2300	Unearned Revenue	40,334
	Noncurrent Liabilities	
2501	Due Within One Year	1,180,733
2502	Due in More Than One Year	36,270,908
2540	Net Pension Liability (District's Share)	1,057,343
2000	Total Liabilities	39,216,865
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Inflow Related to TRS	323,444
2600	Total Deferred Inflows of Resources	323,444
	NET POSITION	
3200	Net Investment in Capital Assets	11,157,955
3820	Restricted for Federal and State Programs	11,520
3850	Restricted for Debt Service	1,052,541
3890	Restricted for Other Purposes	36,842
3900	Unrestricted	3,472,948
3000	Total Net Position	$ 15,731,806

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		1 Expenses	Program Revenues: 3 Charges for Services	Program Revenues: 4 Operating Grants and Contributions
	Primary Government:			
	GOVERNMENTAL ACTIVITIES:			
11	Instruction	$ 10,667,408	$ 104,731	$ 1,169,584
12	Instructional Resources and Media Services	136,509	-	5,868
13	Curriculum and Staff Development	36,615	-	1,214
21	Instructional Leadership	73,716	-	10,488
23	School Leadership	1,032,758	-	51,372
31	Guidance, Counseling and Evaluation Services	481,980	-	23,916
33	Health Services	145,390	-	8,734
34	Student (Pupil) Transportation	141,148	-	7,358
35	Food Services	664,363	331,250	260,307
36	Extracurricular Activities	1,132,454	405,748	18,219
41	General Administration	948,428	-	39,955
51	Facilities Maintenance and Operations	2,045,535	23,017	47,009
52	Security and Monitoring Services	79,748	-	504
53	Data Processing Services	129,169	-	3,593
72	Debt Service - Interest on Long Term Debt	1,266,758	-	2,054
73	Debt Service - Bond Issuance Cost and Fees	164,700	-	-
93	Payments related to Shared Services Arrangements	199,549	-	-
99	Other Intergovernmental Charges	163,532	-	-
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 19,509,760	$ 864,746	$ 1,650,175

Data Control Codes	
	General Revenues:
	Taxes:
MT	Property Taxes, Levied for General Purposes
DT	Property Taxes, Levied for Debt Service
GC	Grants and Contributions not Restricted
IE	Investment Earnings
MI	Miscellaneous Local and Intermediate Revenue
TR	Total General Revenues
CN	Change in Net Position
NB	Net Position - Beginning
PA	Prior Period Adjustment
NE	Net Position - Ending

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

	Net (Expense) Revenue and Changes in Net Position
5	6
Capital Grants and Contributions	Governmental Activities
$ -	$ (9,393,093)
-	(130,641)
-	(35,401)
-	(63,228)
-	(981,386)
-	(458,064)
-	(136,656)
-	(133,790)
18,217	(54,589)
-	(708,487)
-	(908,473)
-	(1,975,509)
-	(79,244)
-	(125,576)
-	(1,264,704)
-	(164,700)
-	(199,549)
-	(163,532)
$ 18,217	(16,976,622)
	9,238,652
	2,964,552
	5,617,106
	23,704
	115,643
	17,959,657
	983,035
	15,946,746
	(1,197,975)
	$ 15,731,806

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2015

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	ASSETS				
1110	Cash and Cash Equivalents	$ 3,880,492	$ 1,049,664	$ 261,619	$ 5,191,775
1220	Property Taxes - Delinquent	304,337	97,747	-	402,084
1230	Allowance for Uncollectible Taxes (Credit)	(119,442)	(38,362)	-	(157,804)
1240	Receivables from Other Governments	1,062,435	862	38,838	1,102,135
1260	Due from Other Funds	3,322	-	-	3,322
1290	Other Receivables	276	-	-	276
1410	Prepayments	-	-	6,770	6,770
1000	Total Assets	$ 5,131,420	$ 1,109,911	$ 307,227	$ 6,548,558
	LIABILITIES				
2110	Accounts Payable	$ 111,808	$ -	$ 14,214	$ 126,022
2150	Payroll Deductions and Withholdings Payable	1,084	-	-	1,084
2160	Accrued Wages Payable	513,433	-	19,638	533,071
2170	Due to Other Funds	-	-	3,322	3,322
2300	Unearned Revenues	16,415	-	23,919	40,334
2000	Total Liabilities	642,740	-	61,093	703,833
	DEFERRED INFLOWS OF RESOURCES				
2601	Unavailable Revenue - Property Taxes	184,895	59,384	-	244,279
2600	Total Deferred Inflows of Resources	184,895	59,384	-	244,279
	FUND BALANCES				
	Nonspendable Fund Balance:				
3430	Prepaid Items	-	-	6,770	6,770
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	25,342	-	11,520	36,862
3480	Retirement of Long-Term Debt	-	1,050,527	-	1,050,527
3490	Other Restricted Fund Balance	-	-	30,072	30,072
	Committed Fund Balance:				
3525	Retirement of Loans or Notes Payable	209,150	-	-	209,150
3530	Capital Expenditures for Equipment	600,000	-	-	600,000
3545	Other Committed Fund Balance	95,013	-	197,772	292,785
	Assigned Fund Balance:				
3550	Construction	900,000	-	-	900,000
3600	Unassigned Fund Balance	2,474,280	-	-	2,474,280
3000	Total Fund Balances	4,303,785	1,050,527	246,134	5,600,446
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 5,131,420	$ 1,109,911	$ 307,227	$ 6,548,558

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET POSITION
AUGUST 31, 2015

	Total Fund Balances - Governmental Funds	$	5,600,446
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 $63,114,772 and the accumulated depreciation was ($15,854,326). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, the balances of these liabilities were ($38,881,316). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		8,379,130
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 2015 capital outlays and debt principal payments is to increase net position.		1,395,989
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 in the amount of ($1,057,343), a Deferred Resource Inflow related to TRS in the amount of ($323,444) and a Deferred Resource Outflow related to TRS in the amount of $205,397. This amounted to a decrease in Net Position in the amount of ($1,175,390).		(1,175,390)
4	The 2015 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,360,539)
5	Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.		2,892,170
19	**Net Position of Governmental Activities**	$	15,731,806

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,488,722	$ 2,979,568	$ 705,339	$ 13,173,629
5800	State Program Revenues	6,340,342	-	185,141	6,525,483
5900	Federal Program Revenues	16,953	-	743,062	760,015
5020	Total Revenues	15,846,017	2,979,568	1,633,542	20,459,127
	EXPENDITURES:				
	Current:				
0011	Instruction	9,210,667	-	690,907	9,901,574
0012	Instructional Resources and Media Services	130,122	-	26	130,148
0013	Curriculum and Instructional Staff Development	29,621	-	-	29,621
0021	Instructional Leadership	61,710	-	8,951	70,661
0023	School Leadership	984,825	-	-	984,825
0031	Guidance, Counseling and Evaluation Services	459,609	-	-	459,609
0033	Health Services	138,686	-	-	138,686
0034	Student (Pupil) Transportation	132,056	-	-	132,056
0035	Food Services	-	-	620,386	620,386
0036	Extracurricular Activities	715,328	-	307,869	1,023,197
0041	General Administration	885,446	-	-	885,446
0051	Facilities Maintenance and Operations	1,945,082	-	-	1,945,082
0052	Security and Monitoring Services	75,946	-	-	75,946
0053	Data Processing Services	99,051	-	-	99,051
	Debt Service:				
0071	Principal on Long Term Debt	165,000	1,134,998	18,217	1,318,215
0072	Interest on Long Term Debt	42,919	2,040,943	2,054	2,085,916
0073	Bond Issuance Cost and Fees	300	164,400	-	164,700
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	199,549	-	-	199,549
0099	Other Intergovernmental Charges	163,532	-	-	163,532
6030	Total Expenditures	15,439,449	3,340,341	1,648,410	20,428,200
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	406,568	(360,773)	(14,868)	30,927
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	8,460,000	-	8,460,000
7915	Transfers In	647,000	-	40,000	687,000
7916	Premium or Discount on Issuance of Bonds	-	1,626,797	-	1,626,797
8911	Transfers Out (Use)	(687,000)	-	-	(687,000)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(9,949,321)	-	(9,949,321)
7080	Total Other Financing Sources (Uses)	(40,000)	137,476	40,000	137,476
1200	Net Change in Fund Balances	366,568	(223,297)	25,132	168,403
0100	Fund Balance - September 1 (Beginning)	3,937,217	1,273,824	221,002	5,432,043
3000	Fund Balance - August 31 (Ending)	$ 4,303,785	$ 1,050,527	$ 246,134	$ 5,600,446

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

PLEASANT 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, 2015

Total Net Change in Fund Balances - Governmental Funds	$	168,403
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 2015 capital outlays and debt principal payments is to increase net position.		1,395,989
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.		(1,360,539)
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 increase net position.		756,597
The implementation of GASB 68 required that certain expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of 8/3¢/2014 caused the change in the ending net position to increase in the amount of $120,3¢7. 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 ($164,249) for pension expense columns 6 - 12 from TRS data and the amounts de-expended for the net deferred resouce inflow recognized by TRS in the measurement period were $66,5¢7. This caused a net decrease in the change in net position of ($97,732). The impact of all of these is to increase net position.		22,585
Change in Net Position of Governmental Activities	$	983,035

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
AUGUST 31, 2015

	Agency Fund
ASSETS	
Cash and Cash Equivalents	$ 18,730
Total Assets	$ 18,730
LIABILITIES	
Due to Student Groups	$ 18,730
Total Liabilities	$ 18,730

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

Note A. Summary of Significant Accounting Policies

Pleasant 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 "(GASB)" 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.

Pleasant Grove Independent School District implemented Governmental Accounting Standards Board (GASB) Number 68 *Accounting and Reporting for Pensions* to assume its proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas (TRS) in the current year.

1. Reporting Entity

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

2. Government-Wide and Fund Financial Statements

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

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

Interfund 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. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund 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.

3. **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. 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 unmatured 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. Revenues are considered to be available when they are collectible, 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 sometime require the District to refund all or part of the unused amount.

The Fiduciary Funds are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. Agency Funds apply the accrual basis of accounting, but do not have a measurement focus. With the flow of economic resources measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Position. The fund equity is segregated into invested in capital assets net of related debt, restricted net position, and unrestricted net position.

4. **Fund Accounting**

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

The District reports the following major governmental funds:

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

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

Additionally, the District reports the following fund types:

Governmental Fund Type:

Special Revenue Funds - The District accounts for resources restricted or committed for specific purposes by the District or a grantor in a special revenue fund. Most Federal and some State financial assistance is accounted for in a Special Revenue Fund and sometimes unused balances must be returned to the grantor at the close of specified project periods. The Food Service fund is the only required budgeted fund. For all other funds in this fund type, project accounting is employed to maintain integrity for the various sources of funds.

Fiduciary Fund Type:

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

5. Cash Equivalents

The District considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

6. Investments

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

7. Inventories

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

8. Asset Capitalization and Useful Lives

Capital assets, which include land, buildings, improvements, furniture and equipment, are reported in the applicable governmental columns in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. 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, improvements, furniture and equipment of the District are depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Buildings	50
Building Improvements	20-30
Furniture and Equipment	5-10

9. **Compensated Absences**

It is the District's policy to permit employees to accumulate sick pay benefits, vacation and additional days worked beyond commitment. Carryover is limited on unused vacation and additional days worked beyond commitment to no more than ten days. It is the District's policy to permit employees to accumulate earned but unused leave benefits. The District adopted a new policy effective September 1, 2011 and ceased awarding local leave, thus no new local days can accumulate. All additional days worked beyond commitment and vacation pay are accrued when incurred in the government-wide fund financial statements. Local personal leave benefits are accrued when vested in the government-wide fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

10. **Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Premiums and discounts are deferred and amortized over the life of the debt using the effective interest method. Debt payable is reported net of the applicable premium and discount. Debt issuance costs are recognized as expense in the current year. In the fund financial statements, governmental fund types recognize the face amount of debt issued plus the net amount of premiums and discounts as other financing sources in the current period. Debt issuance costs are recognized as expenditures in the current period.

11. **Fund Equity**

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

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

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

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

Assigned fund balance – represents amount the District intends to use for specific purposes as expressed by the Board or an official delegated with the authority. The Board has delegated the authority to assign fund balances to the Superintendent.

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

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

12. **Deferred Outflows of Resources and Deferred Inflows of Resources**

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

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

13. **Health Care Coverage**

During the year ended August 31, 2015, employees of Pleasant Grove Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed $250 per month. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Blue Cross and Blue Shield of Texas as the health plan administrator and Merck-Medco Managed Care as the pharmacy benefits manager for TRS-ActiveCare.

14. **Workers' Compensation Plan**

During the year ended August 31, 2015, the Pleasant Grove Independent School District met its statutory workers' compensation obligations through participation in the TASB Risk Management Fund (the Fund). The Fund was created and is operated under the provisions of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code. The Fund's workers' compensation program is authorized by Chapter 504, Texas Labor Code. All districts participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers' compensation benefits to its members and their injured employees.

Pleasant Grove Independent School District participates in the Fund's reimbursable aggregate deductible program. As such, the District is responsible for a certain amount of claims liability as outlined on the District's Coverage and Contribution Summary document. After the District's deductible has been met, the Fund is responsible for additional claims.

The Fund and its members are protected against higher than expected claims cost through the purchase of stop loss coverage for any claim in excess of the Fund's self-insured retention of $1.5 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves. As of August 31, 2014, the Fund carries a discounted reserve of $56,905,750 development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2015, member districts will have no additional liability beyond their contractual obligations for payment of contributions and reimbursable aggregate deductibles.

The Fund engages the services of independent auditors to conduct a financial audit after the close of each plan year on August 31 and is approved by the Fund's Board ofsTrustees in February the following year. The Fund's audited financial statements as of August 31, 2014, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

Included below is information detailing the District's estimate of ultimate loss and Allocated Loss Adjustment Expense (ALAE) attributable to being a partially self-funded participant.

Fund Year	Reported Claims Counts@ 8/31/2015	District's Aggregate Liability	Paid Loss & ALAEs@ 8/31/2015	Estimated Ultimate Loss & ALAEs@ 8/31/2015	Estimated Outstanding Loss& ALAE 8/31/2015
1993-94	30	54,000	89,965	54,000	-
1994-95	47	56,471	11,419	11,419	-
1995-96	33	59,403	11,519	11,519	-
1996-97	47	63,749	11,851	11,851	-
1997-98	24	66,940	35,433	35,433	-
1998-99	23	63,862	4,239	4,239	-
1999-00	20	66,383	5,457	5,457	-
2000-01	23	69,160	10,230	10,230	-
2001s02	21	69,163	28,286	28,286	-
2002-03	21	76,867	48,646	48,646	-
2003-04	15	88,023	102,187	88,023	-
2004-05	18	125,708	7,130	7,130	-
2005-06	19	123,078	8,660	8,660	-
2006-07	17	79,540	2,737	2,737	-
2007-08	16	83,355	59,353	59,353	-
2008-09	17	40,994	22,275	24,535	2,259
2009-10	17	40,384	13,728	16,205	2,476
2010-11	15	43,391	4,873	7,326	2,452
2011-12	9	39,532	7,848	12,130	4,282
2012-13	15	41,568	119,006	41,568	-
2013-14	15	41,946	4,083	9,722	5,639
2014-15	6	41,946	8,472	24,851	16,380

If the Paid Loss and/or Estimated Ultimate Liability exceeded the District's Aggregate Liability, the amounts shown are capped to reflect the District's Aggregate Liability amount. No liability has been accrued in the financial statements because the amount cannot be reasonably estimated.

15. Risk Management - Claims and Judgments

In the normal course of operations, the District is exposed to risks of loss from a number of sources including fire and casualty losses, errors or omissions by board members and employees, and injuries to employees during the course of performing their duties. The District attempts to cover these losses by the purchase of insurance. Significant losses are covered by commercial insurance for property and liability programs. The District entered into an agreement with the Texas Association of School Boards Risk Management Fund for their workers' compensation plan. The District participates in the State Administered Plan TRS – Active Care for employee health insurance coverage. For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

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

16. Restricted Assets

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

17. Functions

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

18. Data Control Codes

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 Statewide data base for policy development and funding plans.

19. Estimates and Assumptions

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

Note B. Reconciliation of Government-Wide and Fund Financial Statements

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 the reconciliation explains that capital assets 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 $63,114,772 and the accumulated depreciation was ($15,854,326). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled ($38,881,316). The net effect of including the beginning balances for capital assets (net of accumulated depreciation) and long-term debt in the governmental activities is to increase net position by $8,379,130.

Another element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but is shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of including the current year capital outlay additions of $77,774 and long-term debt principal payments of $1,318,215 is to increase net position by $1,395,989.

Another element of the reconciliation explains that items related to debit is the recognition of the District's proportionate share of the net pension liability required by GASB 68 in the amount of ($1,057,343), a Deferred Resource Inflow related to TRS in the amount of ($323,444) and a Deferred Resource Outflow related to TRS in the amount of $205,397. This amounted to a decrease in net position in the amount of ($1,175,390).

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as increases in accumulated depreciation in the government-wide statement of Net Position. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by ($1,360,539).

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows:

	Amount	Adjustments to Net Position
Adjustments to Revenue and Unavailable Revenue		
Taxes collected from prior year levies	74,504	
Uncollected taxes (assumed collectible) from current year levy	169,775	
Total Adjustments to Revenue and Unavailable Revenue		244,279
Adjustments Associated with Long-Term Debt		
Decrease in compensated absences liability for current year	41,247	
Interest accrued on bonds payable for current year	(57,370)	
Deferred charge on refunding, net - beginning of year	2,058,858	
Deferred charge on refunding bond debt during the year	661,629	
Amortization of deferred charge on refunding note and bond	(176,686)	
Amortization of premium/discount on bonds for current year	598,895	
Refunding of premium/discounts on bonds	92,692	
Accretion of interest expense on CAB bonds for current year	(404,579)	
Payment of accretion of interest on CAB bonds for current year	725,002	
Proceeds from refunding of bonded debt	(8,460,000)	
Proceeds from premium on refunding of bonded debt	(1,626,797)	
Payment to escrow for refunding of bonded debt	9,195,000	
Total Adjustments to Long-Term Debt		2,647,891
Net Adjustments to Net Position - Increase		2,892,170

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.

Another element of the reconciliation explains that current year capital outlays and long-term debt principal payments are reflected as expenditures in the fund financial statements, but is shown as increases in capital assets and reductions in long-term debt in the government-wide statement. This element affects both the balance of net position and the changes in net position. The net effect of including the current year capital outlay additions of $77,774 and long-term debt principal payments of $1,318,215 is to increase net position by $1,395,989.

Another element of the reconciliation explains that 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 caused the change in ending net position to increase in the amount of $120,317. The District recorded their proportionate share of the pension expense during the measurement period as part of the net pension liability. The amounts expensed and de-expended caused a decrease in the change in net position of ($97,732). The impact of all of these is to increase the change in net position by $22,585.

Another element of the reconciliation explains that current year depreciation expense is not reflected as expenditures in the fund financial statements, but is shown as increases in accumulated depreciation in the government-wide statement of net position. This element affects both the balance of net position and the changes in net position. The net effect of including the current year depreciation expense is to decrease assets by ($1,360,539).

The final element of the reconciliation describes various other assets and liabilities recognitions, reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to the full accrual basis of accounting. The details for this element are as follows

	Amount	Adjustments to Changes in Net Position
Adjustments to Revenue and Unavailable Revenue		
Taxes collected from prior year levies	(136,107)	
Uncollected taxes (assumed collectible) from current year levy	169,775	
Total Adjustments to Revenue and Unavailable Revenue		33,668
Adjustments Associated with Long-Term Debt		
Decrease in compensated absences liability	41,247	
Decrease in accrued interest payable	76,526	
Amortization of deferred charge on refunding note and bond	(176,686)	
Deferred charge on refunding during the year	661,629	
Amortization of premium/discount for current year	598,895	
Refunding of premium/discount on bonds	92,692	
Accretion of interest expense on CAB bonds for current year	(404,579)	
Payment of accretion of interest on CAB bonds	725,002	
Proceeds from refunding of bonded debt	(8,460,000)	
Proceeds from premium on refunding of bonded debt	(1,626,797)	
Payment to escrow for refunding of bonded debt	9,195,000	
Total Adjustments to Long-Term Debt		722,929
Net Adjustments to Changes in Net Position - Increase		756,597

Note C. Stewardship, Compliance and Accountability

Budgetary Data

The Board of Trustees adopts an "appropriated budget" for the General Fund, Debt Service Fund and the Food Service Fund which is included in the Special Revenue Funds. The District is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The District compares the final amended budget to actual revenues and expenditures. The General Fund Budget report appears in Exhibit G-1 and the other two reports appear in Exhibit J-2 and J-3.

The following procedures are followed in establishing the budgetary data reflected in the financial statements:

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.

2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.

3. Prior to September 1, the 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.

Significant budget amendments were as follows:

General Fund:	
Increase in revenues - Per Capita Apportionment	100,000
(Increase) in expenditures - Function 11 - Instruction Supplies Career & Technical	(100,000)
Debt Service Fund:	
Increase in other financing resources - Issuance of Bonds	8,460,000
Increase in other financing resources - Premium or Discount on Issuance of Bonds	1,627,000
(Increase) in other financing uses - Other Uses Refunding Payment To Escrow	(9,950,000)
(Increase) in expenditures - Function 71 - Debt Service Fees	165,000

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.

The District's Food Service Fund is considered a special revenue fund since it meets the following criteria: (1) User fees are charged to supplement the National School Lunch Program (NSLP), (2) The General Fund subsidizes the Food Service Program for all expenditures in excess of NSLP, and (3) The District does not consider the Food Service Program completely self-supporting. Food Service fund balances are used exclusively for child nutrition program purposes.

A reconciliation of fund balances for both appropriated budget and nonappropriated budget Nonmajor Governmental Special Revenue Funds is as follows:

	August 31, 2015 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	18,290
Non appropriated Budget Funds	227,844
All Nonmajor Governmental Special Revenue Funds	246,134

Note D. <u>Deposits and Investments</u>

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 not investing in foreign currency.

The captions and amounts of cash and cash equivalents on the balance sheet and statement of fiduciary net position at August 31, 2015 consist of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Balance Sheet Total	Fiduciary Funds
Cash and Certificates of Deposit	1,486,387	147,995	261,619	1,896,001	18,730
Temporary Investments	2,394,105	901,669	-	3,295,774	-
Total	3,880,492	1,049,664	261,619	5,191,775	18,730

The District's cash deposits at August 31, 2015 and during the year ended August 31, 2015 were entirely covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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 the District 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 District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) Mutual Funds, (8) Investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Public Funds Investment Act (PFIA) governs the District's investment policies and types of investments. The District's management believes that it complied with the requirements of the PFIA and the District's investment policies.

As of August 31, 2015, Pleasant Grove Independent School District had the following investments:

		Investment Maturities (in years)			
Investment Type	Fair Value*	Less than 1	1-5	6-10	More than 10
Investment Pools **					
Lone Stars***	1,860,130	1,860,130			
TexStar ***	1,435,644	1,435,644			
Total	3,295,774	3,295,774			

*Fair value is the amount at which a security could be exchanged in a current transaction between willing parties, other than in a forced liquidation. Under GASB 31, all investments are recorded at fair value.

**Local government investment pools operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. Local government investment pools use amortized cost rather than market value to report net position to compute share prices. Accordingly, the fair value of the position in these pools is the same as the value of the shares in each pool.

***Investments in local government pool are based upon a contract and not the security itself. Therefore, these types of investments are not categorized in Categories 1-3. The above investment pools, which are regulated by the Securities and Exchange Commission, have as one of their objectives the maintenance of a stable net asset value of $1.00.

The Texas Local Government Investment Pool ("TexPool"), the Lone Star Investment Pool ("Lone Star"), and the Texas Short Term Asset Reserve Program ("TexStar") are organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Texas Comptroller of Public Accounts is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company ("Trust Company"), which is authorized to operate TexPool.

Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers Inc. and Federated Investor's, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, this Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool.

Lone Star's Advisory Board is composed of participants and other knowledgeable individuals representing public schools, public junior colleges, cities, counties, and other local governments. The purpose of the Advisory Board is to gather and exchange information from participants and nonparticipants relating to the operation of Lone Star Investment Pool. Lone Star employs an independent third-party bank, Mellon Bank, to perform custody and valuation services. Investment advisory services are provided by Standish Mellon and AMR Investments. An independent auditor, Ernst & Young LLP, provides an annual audit of Lone Star's financial statements.

TexStar is administered by First Southwest Asset Management, Inc. and JP Morgan Chase. The fund seeks to maintain a constant dollar objective and meet the requirements of the Texas PFIA for local government investment pools.

Additional policies and contractual provisions governing deposits and investments for Pleasant 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 Obligations of the United States or its agencies and instrumentalities; direct obligations of the State of Texas or its agencies and instrumentalities; certificates of deposits; fully collateralized repurchase agreements that have a defined termination date and secured by obligations of the United States or its agencies and instrumentalities; public funds investment pools; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States rated not less than A or its equivalent issued by national recognized statistical rating organizations (NRSROs). As of August 31, 2015, the District's investments in public funds investment pools were rated AAA and AAAm by Standard & Poor's.

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 diversifies in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific issuer.

Interest Rate Risk - To limit the risk of changes in interest rates will adversely affect the fair value of investments, the District requires invested instruments maturities do not exceed one year from the time of purchase except when a longer maturity may be specifically authorized by the Board for a given investment provided legal limits are not exceeded.

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 investing in foreign currency.

Note E. 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. The assessed value of the roll on January 1, 2014 upon which the levy for the 2015 fiscal year was based was $856,637,248. The tax rates levied for the year ended August 31, 2015, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were $1.09 and $0.35 pers$100 per valuation, respectively, for a total of $1.44 per $100 valuation.

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 when they are collected.

Note F. Delinquent Taxes Receivable

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

Note G. Disaggregation of Receivables and Payables

Receivables at August 31, 2015, were as follows:

	Property Taxes	Other Governments	Other Receivable	Other Funds	Total Receivables
Governmental Activities:					
General Fund	304,337	1,062,435	276	3,322	1,370,370
Debt Service	97,747	862	-	-	98,609
Nonmajor Governmental Funds (Special Revenue)	-	38,838	-	-	38,838
Total - Governmental Activities	402,084	1,102,135	276	3,322	1,507,817
Amounts not scheduled for collection during the subsequent year	(157,804)	-	-	-	(157,804)

Payables at August 31, 2015, were as follows:

	Accounts Payable	Salaries/ Benefits	Other Funds	Total Payables
Governmental Activities:				
General Fund	111,808	514,517	-	626,325
Nonmajor Governmental Funds (Special Revenue)	14,214	19,638	3,322	37,174
Total - Governmental Activities	126,022	534,155	3,322	663,499

Note H. Interfund Receivables and Payables

Interfund balances at August 31, 2015 consisted of the following individual fund balances:

	Receivables (Due From)	Payables (Due To)
General Fund:		
Due from Nonmajor Governmental Fund - Special Revenue	3,322	-
Nonmajor Governmental Fund - Special Revenue:		
Due to General Fund	-	(3,322)
	3,322	(3,322)

Note I. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2015, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	1,958,474	-	-	1,958,474
Building and Improvements	58,693,658	-	(13,470)	58,680,188
Furniture and Equipment	2,462,640	77,774	(101,974)	2,438,440
Totals at Historic Cost	63,114,772	77,774	(115,444)	63,077,102
Less Accumulated Depreciation for:				
Buildings and Improvements	(13,590,316)	(1,101,156)	13,470	(14,678,002)
Furniture and Equipment	(2,264,010)	(259,383)	101,974	(2,421,419)
Total Accumulated Depreciation	(15,854,326)	(1,360,539)	115,444	(17,099,421)
Governmental Activities, Net:				
Land	1,958,474	-	-	1,958,474
Building and Improvements	45,103,342	(1,101,156)	-	44,002,186
Furniture and Equipment	198,630	(181,609)	-	17,021
Capital Assets, Net	47,260,446	(1,282,765)	-	45,977,681

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	890,768
Instructional Resources and Media Services	6,540
Curriculum Development and Instructional Staff	7,031
Instructional Development	3,102
School Leadership	49,500
Guidance, Counseling and Evaluation Services	23,101
Health Services	6,971
Student (Pupil) Transportation	9,316
Food Services	44,314
Cocurricular/Extracurricular Activities	119,762
General Administration	64,202
Plant Maintenance and Operations	101,887
Security and Monitoring Service	3,817
Data Processing Services	30,228
Total Depreciation Expense - Governmental Activities	1,360,539

Note J. Capital Lease Obligations

The District executed a capital lease agreement effective August 16, 2011 to lease cafeteria equipment. The assets are included in furniture and equipment at a cost of $59,620. The capital lease obligation is payable in 40 equal monthly installments of $2,027 for 48 months, excluding the months of July and August. The lease payments will begin in January 2012. The signed lease stated a 9% add on interest calculation, resulting in total interest of $21,460 over four years. The effective interest rate for the lease is estimated at 17.0%.

In the governmental fund financial statements, capital lease obligations of the District current requirements for principal and interest expenditures are accounted for in the Special Revenue Fund – Food Service in Functions 71 and 72 – Debt Service for payment of principal and interest, respectively. During the year ended August 31, 2015, the District paid $18,217 in principal and $2,054 in interest.

A summary of changes in the Capital Lease Obligation for the year ended August 31, 2015 is as follows:

Description	Amounts Outstanding 9/1/2014	Issued	Retired	Amounts Outstanding 8/31/2015
Capital Lease	23,950	-	18,217	5,733
	23,950	-	18,217	5,733

Commitments under the capital lease obligations are as follows:

Year Ended August 31	Capital Lease Obligations Principal	Interest	Total Commitments
2016	5,733	375	6,108
	5,733	375	6,108

Note K. Maintenance Tax Note Obligations

On July 17, 2012 the District issued $2,235,000 of Limited Tax Refunding Bonds, Series 2012. This issue redeemed in full Pleasant Grove Independent School District Maintenance Tax Note Refunding, Series 2008 in the amount of $720,000 and Limited Tax Refunding Bonds, Series 2008 in the amount of $1,495,000 and resolving other matters incident and related to the issuance, sale, payment and delivery of said Bonds. The Series 2012 has a stated interest rate of 2.25% and will mature in 2028 with a net present value savings to the District of approximately $307,990. As a result, the Maintenance Tax Note Refunding Series 2008 and Limited Tax Refunding Bonds Series 2008 was considered defeased and the District removed the liability from its financial statements

In the governmental fund financial statements, maintenance tax note obligations of the District current requirements are accounted for in the General Fund in Functions 71, 72 and 73 – Debt Service for payment of principal, interest and fees, respectively. During the year ended August 31, 2015, the District paid $165,000 in principal, $42,919 in interest, and fees of $300.

A summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2015 is as follows:

Purpose	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2014	Issued	Retired	Amounts Outstanding 8/31/2015
Refunding of 2008 Maintenance Note and 2008 Limited Tax Refunding Bonds Series 2012 due in annual installments through August 31, 2028	2.25%	2,235,000	1,990,000	-	165,000	1,825,000
			1,990,000	-	165,000	1,825,000

Maintenance Tax Note Obligations requirements are as follows:

Year Ended August 31	Maintenance Tax Note Obligations Principal	Interest	Total Requirements
2016	170,000	39,150	209,150
2017	180,000	35,212	215,212
2018	175,000	31,219	206,219
2019	165,000	27,394	192,394
2020	170,000	23,625	193,625
2021-2025	615,000	71,381	686,381
2026-2028	350,000	11,925	361,925
	1,825,000	239,906	2,064,906

In the government-wide financial statements, maintenance note indebtedness is reflected in the statement of Net Position. The deferred charge on refunding the maintenance note, net of accumulated amortization, totaled $23,189 at August 31, 2015. Amortization of $4,149 reflected in the Statement of Activities for the year ended August 31, 2015.

Note L. <u>Bonds Payable and Debt Service Requirements</u>

On May 12, 2007, the taxpayers of the District approved a bond issue to construct, renovate and equip school buildings and to purchase necessary sites for school buildings. On July 1, 2007, the District issued $29,305,000 of Unlimited Tax School Building Bonds, Series 2007. The Series 2007 issue was comprised of $29,305,000 in Current Interest Bonds with stated interest rates ranging between 4.00% through 4.25%. The final payment on the bonds will be made in February 15, 2032.

On April 1, 2010, the District issued $6,999,999 of Unlimited Tax School Building Bonds, Series 2010 issue to redeem in full Pleasant Grove Independent School District Unlimited Tax Refunding and School Building Bonds, Series 2001 in the amount of $7,000,000. The Series 2010 was comprised of $6,875,000 in Serial Current Interest Bonds with stated interest rate ranging between 2.00% through 4.00% and $124,999 in Premium Capital Appreciation Bonds that had discounted principal balances of $124,999 at the date of issue. The Premium Capital Appreciation Bonds will mature at $485,000 on February 15, 2015.

On April 4, 2013, the District issued $8,274,990 of Unlimited Tax School Building Bonds, Series 2013 issued to redeem a portion Pleasant Grove Independent School District Unlimited Tax Refunding and School Building Bonds, Series 2007 in the amount of $8,275,000. The Series 2013 was comprised of $8,110,000 in Serial Current Interest Bonds with a stated interest rate of 3.5% and $164,990 in Premium Capital Appreciation Bonds that had discounted principal balances of $131,558 and $33,432 at the date of issue. The Premium Capital Appreciation Bonds matured at $545,000 and $600,000 on August 15, 2013 and February 15, 2015, respectively.

On July 1, 2014, the District issued $8,634,999 of Unlimited Tax Refunding Bonds, Series 2014 issued to redeem a portion Pleasant Grove Independent School District Unlimited Tax Refunding and School Building Bonds, Series 2007 in the amount of $8,635,000. The Series 2014 was comprised of $8,020,000 in Serial Current Interest Bonds with a stated interest rate of 3.50-4.00% and $614,999 in Premium Capital Appreciation Bond that had a discounted principal balance of $614,999 at the date of issue. The Premium Capital Appreciation Bond matures at $980,000 August 15, 2015.

On February 1, 2015, the District issued $8,460,000 of Unlimited Tax Refunding Bonds, Series 2015 issued to redeem a portion of Pleasant Grove Independent School District Unlimited Tax Refunding and School Building Bonds, Series 2007 in the amount of $10,032,467 representing the original principal amount of the Bonds of $8,460,000, plus an original issue premium of $1,626,797, less an Underwriters' discount of $54,330. The Series 2015 was comprised of Current Interest Bonds with a stated interest rate of 3.00 – 5.00%.

In the governmental fund financial statements, the current expenditures for principal and interest expenditures are accounted for in the Debt Service Fund in the Statement of Revenues, Expenditures and Changes in Fund Balance. During the year ended August 31, 2015, the District paid $1,134,998 in principal, $2,040,943 in interest, and $164,400 in fees. Bond proceeds for refunding a portion of the Unlimited Tax School Building Bonds, Series 2007 are accounted for in the Debt Service Fund as other financing sources in the amount of $8,460,000 capital related debt issued and $1,626,797 premium/discount on issuance bonds. The outstanding principal refunded on the Series 2007 bond was $9,195,000. The escrow payment of $9,949,321 is accounted for in the Debt Service Fund as other financing uses. The funds were deposited in a trust with an escrow agent to provide all future debt service payments on a portion of the Series 2007 bond when called on February 15, 2017. As a result, a portion of the Unlimited Tax School Building Bonds, Series 2007 is considered defeased and the District has removed the liability from its financial statements. The advance refunding reduced total debt service payments over the next 16 years by approximately $1,108,750. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $871,349.

A summary of changes in bonded indebtedness for the year ended August 31, 2015 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2014		Issuance / Accretion		Retired	Amounts Outstanding 8/31/2015
Unlimited Tax Refunding & School Bldg Bonds- Series 2005, due in annual installments through February 15, 2018	3.0-3.875%	4,315,000	1,155,000		-	(c)	200,000	955,000
Unlimited Tax School Bldg Bonds- Series 2007, due in annual installments through February 15, 2017	4.0-4.25%	29,305,000	9,640,000		-	(b)	9,195,000	
						(c)	195,000	250,000
Unlimited Tax Refunding Bonds, Series 2010 Serial Current Interest Bonds due in annual installments through February 15, 2026	2.0-4.0%	6,875,000	6,555,000					6,555,000
Unlimited Tax Refunding Bonds, Series 2010 Capital Appreciation Bonds due February 15, 2015	-	124,999	445,422	(a)	39,578	(c)	124,999	-
						(d)	360,001	
Unlimited Tax Refunding Bonds, Series 2013 Serial Current Interest Bonds due February 15, 2030, 2031 and 2032	3.5%	8,110,000	8,110,000		-		-	8,110,000
Unlimited Tax Refunding Bonds, Series 2014 Serial Current Interest Bonds due February 15, 2023, 2024, 2028-2030	3.5-4.0%	8,020,000	8,020,000		-		-	8,020,000
Unlimited Tax Refunding Bonds, Series 2014 Capital Appreciation Bonds due February 15, 2015	-	614,999	614,999	(a)	365,001	(c)	614,999	-
						(d)	365,001	
Unlimited Tax Refunding Bonds, Series 2015 Serial Current Interest Bonds due February 15, 2018 -2022, 2023, 2025-2027	3.0-5.0%	8,460,000	-	(b)	8,460,000		-	8,460,000
			34,540,421		8,864,579		11,055,000	32,350,000

(a) Accretion of interest on Capital Appreciation Bonds $404,579

(b) Refunding of bonds issued $8,460,000 and retired $9,195,000

(c) Principal bond payment totaling $1,134,998

(d) Accreted interest payment totaling $725,002

Bonded debt service requirements are as follows:

Year Ended August 31	General Obligation Bonds Principal	Interest	Total Requirements
2016	955,000	1,273,525	2,228,525
2017	1,045,000	1,238,294	2,283,294
2018	1,070,000	1,201,725	2,271,725
2019	1,160,000	1,164,000	2,324,000
2020	1,265,000	1,115,100	2,380,100
2021-2025	8,130,000	4,639,625	12,769,625
2026-2030	12,200,000	2,438,413	14,638,413
2031-2032	6,525,000	231,613	6,756,613
	32,350,000	13,302,294	45,652,294
Interest accredited on Capital Appreciation Bond through 8/31/2015	-	-	-
	32,350,000	13,302,294	45,652,294

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Premium/discount on issuance of bonds, net of accumulated amortization, totaled $3,182,794 at August 31, 2015. Bond premium/discount proceeds are deferred and amortized over the life of the bonds. Amortization of $598,895 is reflected in the Statement of Activities for the year ended August 31, 2015. Interest expense accreted of $404,579 on the CAB Bonds is reflected in the Statement of Activities for the year ended August 31, 2015. Payment of accretion of interest totaled $725,002 for the year ended August 31, 2015.

	Series 2005	Series 2007	Series 2010	Series 2013	Series 2014	Series 2015	Total
Premium on issuance of bonds	(6,331)	(97,178)	(302,365)	(733,894)	(1,107,816)	(1,626,797)	(3,874,381)
Current year amortization	2,978	2,484	42,511	43,898	421,922	85,102	598,895
Partial refunding of bond	-	92,692	-	-	-	-	92,692
Premium on issuance of bonds, net	(3,353)	(2,002)	(259,854)	(689,996)	(685,894)	(1,541,695)	(3,182,794)

The deferred charge on refunding bonds, net of accumulated amortization, totaled $2,520,612 at August 31, 2015. Amortization of $172,537 is reflected in the Statement of Activities for the year ended August 31, 2015.

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

There are a number of limitations and restriction contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2015.

Note M. Accumulated Leave Benefits Payable

Certain employees earn vacation and additional days worked beyond commitment, which may be either taken or accumulated. Carryover is limited on vacation and additional days worked beyond commitment to no more than ten days. Vacation and additional days worked beyond commitment payable at August 31, 2015 totaled $33,839.

Employees earn leave, which may either be taken or accumulated. Employees who retire from Pleasant Grove Independent School District are entitled to payment of their accumulated local personal leave in a lump sum payment. Vested accumulated leave benefits payable at August 31, 2015 totaled $4,275.

A summary of changes in the accumulated leave benefits liability follows:

Balance September 1, 2014	79,361
Additions	-
Deductions	(41,247)
Balance August 31, 2015	38,114

Note N. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2015, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Capital Leases, Notes and Bonds Payable:					
Capital Lease Obligation	23,950	-	18,217	5,733	5,733
Maintenance Tax Note Obligations	1,990,000	-	165,000	1,825,000	170,000
General Obligation Bonds	34,540,421	8,864,579	11,055,000	32,350,000	955,000
Premium/Discount on Issuance of Bonds, Net	2,247,584	1,626,797	691,587	3,182,794	-
Total Bonds and Notes Payable	38,801,955	10,491,376	11,929,804	37,363,527	1,130,733
Other Liabilities:					
Accumulated Leave Benefits Liability	79,361	-	41,247	38,114	-
Total Other Liabilities	79,361	-	41,247	38,114	-
Total Governmental Activities Long-term Liabilities	38,881,316	10,491,376	11,971,051	37,401,641	1,130,733

Note O. Deferred Outflows of Resources – Deferred Charges for Refundings (Government Wide)

The following is a summary of changes in deferred outflows of resources for the year ended August 31, 2015:

	Beginning Balance	Additions	Deduction	Ending Balance
Deferred charges on refunding notes	27,338	-	4,149	23,189
Deferred charges on refunding bonds:				
Series 2013	1,142,333	-	68,329	1,074,004
Series 2014	889,187	-	69,597	819,590
Series 2015	-	661,629	34,611	627,018
Total	2,058,858	661,629	176,686	2,543,801

Note P. Defined Benefit Pension Plan (TRS)

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

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

Pension Plan Fiduciary Net Position. Detailed information about the Teacher Retirement System's fiduciary net position is available in a separately-issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at http://www.trs.state.tx.us/about/documents/cafr.pdf#CAFR; by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698; or by calling (512) 542-6592. The information provided in the Notes to the Financial Statements in the 2014 Comprehensive Annual Financial Report for TRS provides the following information regarding the Pension Plan fiduciary net position as of August 31, 2014.

Net Pension Liability	Total
Total Pension Liability	$ 159,496,075,886
Less: Plan Fiduciary Net Position	(132,779,243,085)
Net Pension Liability	$ 26,716,832,801
Net Position as percentage of Total Pension Liability	83.25%

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

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

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

Contribution Rates

	2014	2015
Member (Employees)	6.4%	6.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employer (District)	6.8%	6.8%
PGISD Member Contributions	680,566	716,690
PGISD NECE On-Behalf Contributions	629,232	727,386
PGISD Employer Contributions	100,356	120,317

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 in the following instances:

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

In addition to the employer contributions listed above, 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.

Actuarial Assumptions. The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2014
Actuarial Cost Method	Individual Entry Age Normal
Amortization Method	Level Percentage of Payroll, Open
Remaining Amortization Period	30 years
Asset Valuation Method	5 year Market Value
Discount Rate	8.00%
Long-term expected Investment Rate of Return*	8.00%
Salary Increases*	4.25% to 7.25%
Weighted-Average at Valuation Date	5.55%
Payroll Growth Rate	3.50%

**Includes Inflation of 3%*

The actuarial methods and assumptions are primarily based on a study of actual experience for the four year period ending August 31, 2010 and adopted on April 8, 2011. With the exception of the post-retirement mortality rates for healthy lives and a minor change to the expected retirement age for inactive vested members stemming from the actuarial audit performed in the Summer of 2014, the assumptions and methods are the same as used in the prior valuation. When the mortality assumptions were adopted in 2011 they contained a significant margin for possible future mortality improvement. As of the date of the valuation there has been a significant erosion of this margin to the point that the margin has been eliminated. Therefore, the post-retirement mortality rates for current and future retirees was decreased to add additional margin for future improvement in mortality in accordance with the Actuarial Standards of Practice No. 35.

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, 2014 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	7.0%	1.4%
Non-U.S. Developed	13%	7.3%	1.1%
Emerging Markets	9%	8.1%	0.9%
Directional Hedge Funds	4%	5.4%	0.2%
Private Equity	13%	9.2%	1.4%
Stable Value			
U.S. Treasuries	11%	2.9%	0.3%
Absolute Return	0%	4.0%	0.0%
Stable Value Hedge Funds	4%	5.2%	0.2%
Cash	1%	2.0%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	3.1%	0.0%
Real Assets	16%	7.3%	1.5%
Energy and Natural Resources	3%	8.8%	0.3%
Commodities	0%	3.4%	0.0%
Risk Parity			
Risk Parity	5%	8.9%	0.4%
Alpha			1.0%
Total	100%		8.7%

* *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 2014 Net Pension Liability.

	1% Decrease in Discount Rate (7.0%)	Discount Rate (8.0%)	1% Increase in Discount Rate (9.0%)
PGISD's proportionate share of the net pension liability	1,889,408	1,057,343	435,113

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2015, Pleasant Grove ISD reported a liability of $1,057,343 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Pleasant Grove ISD. The amount recognized by Pleasant Grove ISD as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Pleasant Grove ISD were as follows:

District's proportionate share of the collective net pension liability	$ 1,057,343
State's proportionate share that is associated with the District	6,643,653
Total	$ 7,700,996

The net pension liability was measured as of August 31, 2014 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, 2013 thru August 31, 2014.

At August 31, 2014 the employer's proportion of the collective net pension liability was .000039584%. Since this is the first year of implementation, the District does not have the proportion measured as of August 31, 2013. The Notes to the Financial Statements for August 31, 2014 for TRS stated that the change in proportion was immaterial and therefore disregarded this year.

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

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

There was a change in employer contribution requirements that occurred after the measurement date of the net pension liability and the employer's reporting date. A 1.5% contribution for employers not paying Old Age Survivor and Disability Insurance (OASDI) on certain employees went into law effective 09/01/2013. The amount of the expected resultant change in the employer's proportion cannot be determined at this time.

For the year ended August 31, 2014, Pleasant Grove ISD recognized pension expense of $614,193 and revenue of $629,232 for support provided by the State.

At August 31, 2014, Pleasant Grove ISD reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 16,352	$ -
Changes in actuarial assumptions	68,728	-
Difference between projected and actual investment earnings	-	323,167
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	-	277
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	120,317	-
Total	$ 205,397	$ 323,444

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:	
2015	$ (66,486)
2016	(66,486)
2017	(66,486)
2018	(66,486)
2019	14,306
2020	13,274
Thereafter	-
	$ (238,364)

At August 31, 2015, the District reported Deferred Resource Outflows and Deferred Resource Inflows for the TRS pension plan as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Total net amounts as of August 31, 2014 Measurement Date	$ 85,080	$ 323,444
Contributions made subsequent to the Measurement Date	120,317	-
Reported by District as of August 31, 2015	205,397	323,444

Note Q. School District Retiree Health Plan (TRS)

Plan Description – The Pleasant Grove Independent School District contributes to the Texas Public School Retired Employees Group Insurance Program (TRS-Care), a cost-sharing multiple-employer defined post-employment health care plan administered by the Teacher Retirement System of Texas. TRS-Care Retired Plan provides health care coverage for certain persons (and their dependents) who retired under the Teacher Retirement System of Texas. The statutory authority for the program is Texas Insurance Code, Chapter 1575. 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 issued a publicly available financial report that includes financial statements and required supplementary information for TRS-Care. That report may be obtained downloading the report from the TRS Internet website, www.trs.state.tx.us, under the TRS Publications heading, by calling the TRS Communications Department at 1-800-223-8778, or by writing to the TRS Communications Department, 1000 Red River Street, Austin, Texas 78701.

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

Contribution rates and amounts are shown in the table below for fiscal years 2015-2013.

Contribution Rates and Contribution Amounts

	Active Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2015	0.65%	$69,529	1.00%	$106,968	0.55%	$58,833
2014	0.65%	$69,120	1.00%	$101,494	0.55%	$58,708
2013	0.65%	$67,350	0.50%	$48,255	0.55%	$56,988

Note R. Medicare Part D (TRS)

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

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

The Early Retiree Reinsurance Program (ERRP) is a provision of the Patient Protection and Affordable Care Act (PPACA) and provides reimbursement to plan sponsors for a portion of the cost of providing health benefits to retirees between the ages of 55-64 and their covered dependents regardless of age. An "early retiree" is defined as a plan participant aged 55-64 who is not eligible for Medicare and is not covered by an active employee of the plan sponsor.

ERRP reimbursement, a temporary program, was not available to TRS for the fiscal year ended August 31, 2014; therefore, there was no allocation required. ERRP reimbursement was available on a first come, first served basis for qualified employers. TRS was certified for this program and received funds from the ERRP program in fiscal years 2013. These funds were allocated to reporting agencies, using the same basis as the Medicare Part D - On Behalf Payments (GASB 24) reporting that is done each year. In fiscal years 2013 the District reported this allocation on their annual financial statements much like Medicare Part D.

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were $31,071 for the year ended August 31, 2015. State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were $28,037 for the year ended August 31, 2014. State contributions for Medicare Part D and ERRP made on behalf of Pleasant Grove Independent School District's employees were combined for a total of $40,184 for the year ended August 31, 2013.

Note S. Due From/To Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the State through the School Foundation and Per Capita Programs. Amounts due from/to federal and state governments as of August 31, 2015 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from/to Other Governments.

Fund	State Entitlements	Federal Entitlements	Local Agency	Total
Governmental Activities:				
Due From Other Governments:				
General Fund	1,059,747	-	2,688	1,062,435
Debt Service Fund	-	-	862	862
Nonmajor Governmental Funds				-
(Special Revenue)	11,968	26,870		38,838
	1,071,715	26,870	3,550	1,102,135

Note T. Unearned Revenues

Unearned revenue at August 31, 2015 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Governmental Funds Total
Athletic receipts	16,415	-	16,415
Food Service receipts	-	23,919	23,919
	16,415	23,919	40,334

Note U. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2015 consisted of the following:

	General Fund	Debt Service Fund	Total
Net uncollected tax revenue	184,895	59,384	244,279
	184,895	59,384	244,279

Note V. Commitments and Contingencies

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

Grant Programs - The District participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at August 31, 2015 may be impaired.

In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

Note W. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund:		
Transfer in (out) from/to General Fund	647,000	(647,000)
Transfer (out) to Nonmajor Governmental Funds (Special Revenue)	-	(40,000)
	647,000	(687,000)
Nonmajor Governmental Funds (Special Revenue):		
Transfer in from General Fund	40,000	-
	687,000	(687,000)

The General Fund transferred $647,000 to subsidize the Co-Curricular Fund.
The General Fund transferred $40,000 to subsidize the Food Service Fund.

Note X. Revenue from Local and Intermediate Sources

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

Revenue Sources	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Governmental Funds Total
Property taxes and related income	9,273,296	2,977,478	-	12,250,775
Investment income	20,370	2,089	1,245	23,704
Food service revenue	-	-	331,250	331,250
Cocurricular/enterprising	81,488	-	324,260	405,748
Gifts and bequests	20,000	-	3,040	23,040
Insurance proceeds	11,364	-	-	11,364
Other local sources	82,204	-	45,544	127,748
	9,488,722	2,979,568	705,339	13,173,629

Note Y. General Fund Federal Program Revenues

Program or Source	CFDA Number	Amount
Indirect Costs:		
ESEA Title I, Part A Improving Basic Program	84.010A	4,643
IDEA Part B, Formula	84.027A	12,310
		16,953

Indirect cost revenues were determined by applying approved indirect cost rates to actual applicable expenditures of federally funded grant programs.

Note Z. Shared Service Arrangements

The District participates in several Shared Service Arrangements ("SSA") described as follows:

State/Local Funded - Bowie County Schools Transportation Department fiscal agent: The District participates in a state/local funded SSA which provides transportation services to member districts. In addition to the District, other member districts include all the districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency and the member districts provide funds to the fiscal agent. Although a portion of the funding received by the fiscal agent from the Texas Education Agency is attributable to the District's participation, the District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District has accounted for their portion of the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements, and has accounted for the payment using Model 3 in the SSA section of the Resource Guide. These payments totaled $194,838 for the year ended August 31, 2015.

State/Local/Federally Funded - Texarkana ISD fiscal agent: The District participates in a SSA which provides deaf education services to member districts. In addition to the District, other member districts include several other districts. All services are provided by the fiscal agent. The member districts provide the funds to the fiscal agent. The District has accounted for their portion of the payment of the activities of the SSAs in the General Fund Function 93, Shared Services Arrangements, and accounts for the payment using Model 3 in the SSA section of the Resource Guide. These payments totaled $4,711 for the year ended August 31, 2015.

A detail of Function 93 is as follows:

General Fund - Function 93:	
SSA - Transportation	194,838
SSA - Regional School for Deaf	4,711
Total SSA payments	199,549

Federally Funded – Region VIII Service Center fiscal agent: The District participates in federally funded Shared Services Arrangements which provide vocational education services and migratory education services to member districts. In addition to the District, there are several other member districts. Although a portion of the funding received by the fiscal agent from the Texas Education Agency is attributable to the District's participation, the District dos not account for revenues or expenditures of these programs and does not disclose them in these financial statements. The fiscal agent is responsible for all financial activities of these shared service arrangements.

Note AA. Prior Period Adjustment – Government Wide Statements

During fiscal year 2015, the District adopted GASB Statement No. 68 for *Accounting and Reporting for Pensions*. With GASB 68, the District must assume their proportionate share of the Net Pension Liability of the Teachers Retirement System of Texas. Adoption of GASB 68 required a prior period adjustment to report the effect of GASB 68 retroactively. The amount of the prior period adjustment is ($1,197,975). The restated beginning net position is $14,748,771.

Note AB. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through January 11, 2016, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,342,000	$ 9,362,000	$ 9,488,722	$ 126,722
5800	State Program Revenues	6,066,787	6,166,787	6,340,342	173,555
5900	Federal Program Revenues	-	15,000	16,953	1,953
5020	Total Revenues	15,408,787	15,543,787	15,846,017	302,230
	EXPENDITURES:				
	Current:				
0011	Instruction	9,126,765	9,321,765	9,210,667	111,098
0012	Instructional Resources and Media Services	133,405	133,405	130,122	3,283
0013	Curriculum and Instructional Staff Development	28,636	30,636	29,621	1,015
0021	Instructional Leadership	14,779	62,779	61,710	1,069
0023	School Leadership	962,111	987,111	984,825	2,286
0031	Guidance, Counseling and Evaluation Services	472,279	463,279	459,609	3,670
0033	Health Services	139,924	139,924	138,686	1,238
0034	Student (Pupil) Transportation	175,589	140,589	132,056	8,533
0036	Extracurricular Activities	664,348	747,848	715,328	32,520
0041	General Administration	941,819	911,819	885,446	26,373
0051	Facilities Maintenance and Operations	1,990,805	2,010,805	1,945,082	65,723
0052	Security and Monitoring Services	72,516	90,516	75,946	14,570
0053	Data Processing Services	113,267	103,267	99,051	4,216
	Debt Service:				
0071	Principal on Long Term Debt	165,000	165,000	165,000	-
0072	Interest on Long Term Debt	43,500	43,500	42,919	581
0073	Bond Issuance Cost and Fees	500	500	300	200
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	220,000	210,000	199,549	10,451
0099	Other Intergovernmental Charges	194,000	169,000	163,532	5,468
6030	Total Expenditures	15,459,243	15,731,743	15,439,449	292,294
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(50,456)	(187,956)	406,568	594,524
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	647,000	647,000
8911	Transfers Out (Use)	-	(40,000)	(687,000)	(647,000)
7080	Total Other Financing Sources (Uses)	-	(40,000)	(40,000)	-
1200	Net Change in Fund Balances	(50,456)	(227,956)	366,568	594,524
0100	Fund Balance - September 1 (Beginning)	3,937,217	3,937,217	3,937,217	-
3000	Fund Balance - August 31 (Ending)	$ 3,886,761	$ 3,709,261	$ 4,303,785	$ 594,524

PLEASANT 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, 2015

		2015
District's Proportion of the Net Pension Liability (Asset)		0.000039584%
District's Proportionate Share of Net Pension Liability (Asset)	$	1,057,343
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District		6,643,653
Total	$	7,700,996
District's Covered-Employee Payroll	$	10,633,842
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll		9.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		83.25%

Note: GASB 68, Paragraph 81 requires that the information on this schedule be data from the period corresponding with the period covered as of the measurement date of August 31, 2014 - the period from September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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."

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT CONTRIBUTIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2015

		2015
Contractually Required Contribution	$	100,356
Contribution in Relation to the Contractually Required Contribution		(100,356)
Contribution Deficiency (Excess)	$	-0-
District's Covered-Employee Payroll	$	10,633,842
Contributions as a Percentage of Covered-Employee Payroll		0.94%

Note: GASB 68, Paragraph 81 requires that the data in this schedule be presented as of the District's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2013 - August 31, 2014.

Note: Only one year of data is presented in accordance with GASB 68, Paragraph 138. "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."

Changes of benefit terms.

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

Changes of assumptions.

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

COMBINING SCHEDULES

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2015

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
	ASSETS				
1110	Cash and Cash Equivalents	$ -	$ -	$ -	$ 39,466
1240	Receivables from Other Governments	5,839	11,393	355	7,232
1410	Prepayments	-	-	-	6,770
1000	Total Assets	$ 5,839	$ 11,393	$ 355	$ 53,468
	LIABILITIES				
2110	Accounts Payable	$ -	$ -	$ -	$ 7,937
2160	Accrued Wages Payable	5,839	11,393	355	-
2170	Due to Other Funds	-	-	-	3,322
2300	Unearned Revenues	-	-	-	23,919
2000	Total Liabilities	5,839	11,393	355	35,178
	FUND BALANCES				
	Nonspendable Fund Balance:				
3430	Prepaid Items	-	-	-	6,770
	Restricted Fund Balance:				
3450	Federal or State Funds Grant Restriction	-	-	-	11,520
3490	Other Restricted Fund Balance	-	-	-	-
	Committed Fund Balance:				
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	-	-	-	18,290
4000	Total Liabilities and Fund Balances	$ 5,839	$ 11,393	$ 355	$ 53,468

255 ESEA II,A Training and Recruiting	385 Visually Impaired SSVI	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ (6,490)	$ -	$ 197,772	$ 30,871	$ 261,619
2,051	-	11,968	-	-	-	38,838
-	-	-	-	-	-	6,770
$ 2,051	$ -	$ 5,478	$ -	$ 197,772	$ 30,871	$ 307,227
$ -	$ -	$ 5,478	$ -	$ -	$ 799	$ 14,214
2,051	-	-	-	-	-	19,638
-	-	-	-	-	-	3,322
-	-	-	-	-	-	23,919
2,051	-	5,478	-	-	799	61,093
-	-	-	-	-	-	6,770
-	-	-	-	-	-	11,520
-	-	-	-	-	30,072	30,072
-	-	-	-	197,772	-	197,772
-	-	-	-	197,772	30,072	246,134
$ 2,051	$ -	$ 5,478	$ -	$ 197,772	$ 30,871	$ 307,227

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2015

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	$ -	$ -	$ -	$ 332,495
5800	State Program Revenues	-	-	-	14,612
5900	Federal Program Revenues	124,941	324,482	5,719	254,928
5020	Total Revenues	124,941	324,482	5,719	602,035
	EXPENDITURES:				
	Current:				
0011	Instruction	115,990	324,482	5,719	-
0012	Instructional Resources and Media Services	-	-	-	-
0021	Instructional Leadership	8,951	-	-	-
0035	Food Services	-	-	-	620,386
0036	Extracurricular Activities	-	-	-	-
	Debt Service:				
0071	Principal on Long Term Debt	-	-	-	18,217
0072	Interest on Long Term Debt	-	-	-	2,054
6030	Total Expenditures	124,941	324,482	5,719	640,657
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-	(38,622)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	-	40,000
1200	Net Change in Fund Balance	-	-	-	1,378
0100	Fund Balance - September 1 (Beginning)	-	-	-	16,912
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -	$ 18,290

255 ESEA II,A Training and Recruiting	385 Visually Impaired SSVI	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
$ -	$ -	$ -	$ -	$ 324,260	$ 48,584	$ 705,339
-	1,395	169,108	26	-	-	185,141
32,992	-	-	-	-	-	743,062
32,992	1,395	169,108	26	324,260	48,584	1,633,542
32,992	1,395	169,108	-	-	41,221	690,907
-	-	-	26	-	-	26
-	-	-	-	-	-	8,951
-	-	-	-	-	-	620,386
-	-	-	-	307,869	-	307,869
-	-	-	-	-	-	18,217
-	-	-	-	-	-	2,054
32,992	1,395	169,108	26	307,869	41,221	1,648,410
-	-	-	-	16,391	7,363	(14,868)
-	-	-	-	-	-	40,000
-	-	-	-	16,391	7,363	25,132
-	-	-	-	181,381	22,709	221,002
$ -	$ -	$ -	$ -	$ 197,772	$ 30,072	$ 246,134

REQUIRED T.E.A. SCHEDULES

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2015

Last 10 Years Ended August 31	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2006 and prior years	Various	Various	$ 625,694,125
2007	1.341900	0.187000	684,365,623
2008	1.040000	0.350000	724,585,971
2009	1.090000	0.350000	750,278,472
2010	1.090000	0.350000	783,546,783
2011	1.090000	0.350000	802,167,681
2012	1.090000	0.350000	818,413,294
2013	1.090000	0.350000	823,688,226
2014	1.090000	0.350000	847,891,432
2015 (School year under audit)	1.090000	0.350000	856,637,248
1000 TOTALS			

(10) Beginning Balance 9/1/2014	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2015
$ 43,451	$ -	$ 595	$ 90	$ (7,847)	$ 34,919
11,239	-	734	115	-	10,391
10,346	-	1,047	136	-	9,163
15,423	-	1,385	193	-	13,844
19,980	-	1,745	587	-	17,648
27,007	-	2,903	932	-	23,172
26,991	-	3,619	1,162	(288)	21,922
46,981	-	12,128	3,895	(295)	30,662
158,490	-	85,727	27,534	(4,601)	40,629
-	12,335,576	9,101,729	2,923,280	(110,832)	199,735
$ 359,906	$ 12,335,576	$ 9,211,612	$ 2,957,924	$ (123,863)	$ 402,084

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUALS- FOOD SERVICE FUND
FOR THE YEAR ENDED AUGUST 31, 2015

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 321,400	$ 321,400	$ 332,495	$ 11,095
5800	State Program Revenues	3,000	13,000	14,612	1,612
5900	Federal Program Revenues	269,000	269,000	254,928	(14,072)
5020	Total Revenues	593,400	603,400	602,035	(1,365)
	EXPENDITURES:				
0035	Food Services	571,771	627,771	620,386	7,385
	Debt Service:				
0071	Principal on Long Term Debt	21,000	18,300	18,217	83
0072	Interest on Long Term Debt	-	2,700	2,054	646
6030	Total Expenditures	592,771	648,771	640,657	8,114
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	629	(45,371)	(38,622)	6,749
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	40,000	40,000	-
1200	Net Change in Fund Balances	629	(5,371)	1,378	6,749
0100	Fund Balance - September 1 (Beginning)	16,912	16,912	16,912	-
3000	Fund Balance - August 31 (Ending)	$ 17,541	$ 11,541	$ 18,290	$ 6,749

PLEASANT 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, 2015

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 2,891,000	$ 2,891,000	$ 2,979,568	$ 88,568
5020	Total Revenues	2,891,000	2,891,000	2,979,568	88,568
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long Term Debt	1,135,000	1,135,000	1,134,998	2
0072	Interest on Long Term Debt	2,070,000	2,070,000	2,040,943	29,057
0073	Bond Issuance Cost and Fees	3,000	168,000	164,400	3,600
6030	Total Expenditures	3,208,000	3,373,000	3,340,341	32,659
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(317,000)	(482,000)	(360,773)	121,227
	OTHER FINANCING SOURCES (USES):				
7911	Capital Related Debt Issued (Regular Bonds)	-	8,460,000	8,460,000	-
7916	Premium or Discount on Issuance of Bonds	-	1,627,000	1,626,797	(203)
8940	Payment to Bond Refunding Escrow Agent (Use)	-	(9,950,000)	(9,949,321)	679
7080	Total Other Financing Sources (Uses)	-	137,000	137,476	476
1200	Net Change in Fund Balances	(317,000)	(345,000)	(223,297)	121,703
0100	Fund Balance - September 1 (Beginning)	1,273,824	1,273,824	1,273,824	-
3000	Fund Balance - August 31 (Ending)	$ 956,824	$ 928,824	$ 1,050,527	$ 121,703

FEDERAL AWARDS SECTION

WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Independent Auditor's Report

Board of Trustees
Pleasant Grove Independent School District
8500 North Kings Highway
Texarkana, TX 75503

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Grove Independent School District (the District) as of and for the year ended August 31, 2015, and the related notes to the financial statements, which collectively compromise the District's basic financial statements, and have issued our report thereon dated January 11, 2016.

Internal Control over Financial Reporting

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

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

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

1430 College Drive • P.O. Box 5197 • Texarkana, Texas 75505 • 903-793-5646 • FAX 903-792-7630 • www.wilhen.com

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.

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

January 11, 2016

WILF & HENDERSON, P.C.
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REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Independent Auditor's Report

Board of Trustees
Pleasant Grove Independent School District
8500 North Kings Highway
Texarkana, TX 75503

Members of the Board:

Report on Compliance for Each Major Federal Program

We have audited Pleasant Grove Independent School District's (the District) compliance with the types of compliance requirements described in the *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended August 31, 2015. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Pleasant Grove Independent School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations.* Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pleasant Grove Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Pleasant Grove Independent School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Pleasant Grove Independent School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2015.

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Report on Internal Control Over Compliance

Management of Pleasant Grove Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This purpose of this report in internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Wilf & Henderson, P.C.

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

January 11, 2016

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2015

I. Summary of the Auditor's Results:

a. The type of report issued on the financial statements of the Pleasant Grove Independent School District was an unqualified opinion.

b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards.*

c. No instances of noncompliance material to the financial statements of the Pleasant Grove Independent School District were disclosed during the audit.

d. No significant deficiencies or material weaknesses relating to the audit of the major federal award program are reported in the report on internal control over compliance required by OMB Circular A-133.

e. The type of report the auditor issued on compliance for one major program was a qualified opinion. The type of report the auditor issued on compliance for another major program was an unqualified opinion.

f. No audit findings relative to the major federal awards programs were disclosed by the audit that was required to be reported under Section 510(a) of OMB Circular A-133.

g. The programs tested as major programs were:

ESEA, Title I, Part A – Improving Basic Programs	CFDA# 84.010A
IDEA – Part B, Formula	CFDA# 84.027A
IDEA – Part B, Preschool	CFDA# 84.173A

h. The dollar threshold used to distinguish between Type A and Type B programs was $300,000.

i. Pleasant Grove Independent School District was not determined to be a low-risk auditee.

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

No findings required to be reported.

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

No findings required to be reported.

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2015

Finding and Questioned Costs for Federal Programs

U.S. DEPARTMENT OF AGRICULTURE

Finding 2014-001 School Breakfast Program CFDA 10.553 and National School Lunch Program CFDA # 10.555

Compliance – Special Test and Provisions: Verification of Free and Reduced Price Applications

The District did not accurately calculate the current eligibility status during the verification process. The District did not properly change the status of one student's eligibility from free to reduced upon verification. Because the District miscalculated one supporting document during the verification process, a student served as free was not changed to the reduced status. It was estimated the District was overpaid $125 of federal funds for the error discovered.

The District implemented the auditor recommendations in the current year and no similar finding was noted in the 2015 audit.

U.S. DEPARTMENT OF EDUCATION

Finding 2014-002 IDEA - Part B, Formula CFDA # 84.027A and IDEA - Part B, Preschool CFDA # 84.173A

Material Weakness in Internal Control – Reporting: Special Reporting

The District did not follow the federal guidelines requiring students with disabilities to be reevaluated at least once every three years. We identified 4 of 51 files tested that did not meet the three-year timeline for reevaluation of special education students in a timely manner. Because the District failed to timely perform reevaluations in compliance with federal guidelines, the District did not have effective internal controls over proper identification and reporting of special education students to the Texas Education Agency.

The District implemented the auditor recommendations in the current year and no similar finding was noted in the 2015 audit.

Finding 2014-003 IDEA - Part B, Formula CFDA # 84.027A and IDEA - Part B, Preschool CFDA # 84.173A

Noncompliance – Reporting: Special Reporting

The District did not follow the federal guidelines requiring students with disabilities to be reevaluated at least once every three years. We identified 4 of 51 files tested that did not meet the three-year timeline for reevaluation of special education students in a timely manner. Because the District failed to timely perform reevaluations in compliance with federal guidelines, the District did not have effective internal controls over proper identification and reporting of special education students to the Texas Education Agency.

The District implemented the auditor recommendations in the current year and no similar finding was noted in the 2015 audit.

PLEASANT GROVE INDEPENDENT SCHOOL DISTRCT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2015

There were no current year audit findings or questioned costs.

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2015

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures	
U.S. DEPARTMENT OF EDUCATION				
Passed Through State Department of Education				
ESEA, Title I, Part A - Improving Basic Programs	84.010A	15-610101019912	$	123,746
ESEA, Title I, Part A - Improving Basic Programs	84.010A	16-610101019912		5,838
Total CFDA Number 84.010A				129,584
*IDEA - Part B, Formula	84.027A	15-6600010199126600		325,399
*IDEA - Part B, Formula	84.027A	16-6600010199126600		11,393
Total CFDA Number 84.027A				336,792
*IDEA - Part B, Preschool	84.173A	15-6610010199126610		5,364
*IDEA - Part B, Preschool	84.173A	16-6610010199126610		355
Total CFDA Number 84.173A				5,719
Total Special Education Cluster (IDEA)				342,511
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	15-694501019912		30,940
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	16-694501019912		2,052
Total CFDA Number 84.367A				32,992
Total Passed Through State Department of Education			$	505,087
TOTAL U.S. DEPARTMENT OF EDUCATION			$	505,087
U.S. DEPARTMENT OF AGRICULTURE				
Passed Through the State Department of Agriculture				
*School Breakfast Program - Cash Assistance	10.553	N/A	$	46,801
*School Breakfast Program - Non-Cash Assistance	10.553	N/A		3,979
Total CFDA Number 10.553				50,780
*National School Lunch Program - Cash Assistance	10.555	N/A		190,829
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A		13,319
Total CFDA Number 10.555				204,148
Total Child Nutrition Cluster				254,928
Total Passed Through the State Department of Agriculture			$	254,928
TOTAL U.S. DEPARTMENT OF AGRICULTURE			$	254,928
TOTAL EXPENDITURES OF FEDERAL AWARDS			$	760,015

*Clustered Programs as required by Compliance Supplement June 2015

See Notes to Supplementary Schedule of Expenditures of Federal Award

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2015

1. For all Federal programs, the District uses the fund types specified in Texas Education Agency's ***Financial Accountability System Resource Guide.*** Special revenue funds are used to account for resources restricted or committed to specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund.

2. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The Governmental Fund Types are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities and the fund balance are included on the balance sheet. Operating statements of these funds present increases and decreases in net current assets.

   The modified accrual basis of accounting is used for the Governmental Fund Types, and Agency Funds. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e., both measurable and available, and expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on General Long-Term Debt, which is recognized when due, and certain compensated absences and claims and judgments, which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

   Federal grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant, and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

3. The period of availability for federal grant funds for the purpose of liquidation of outstanding obligations made on or before the ending date of the federal project period extended 30 days beyond the federal project period ending date, in accordance with provisions in Section H, Period of Availability of Federal Funds, Part 3, OMB Circular A-133 Compliance Statement.

4. Nonmonetary assistance received from the Commodity Supplemental Food Program is recorded at fair market value of the commodities received and disbursed. The revenues and expenses are reported in the Food Service Special Revenue Fund.