

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**

AUGUST 31, 2017

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

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CERTIFICATE OF BOARD

Pleasant Grove Independent School District
Name of School District

Bowie
County

019-912
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, 2017 at a meeting of the Board of Trustees of such school district on the _____ of January, 2018.

Signature of Board Secretary

Signature of Board President

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

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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pleasant Grove Independent School District as of August 31, 2017, 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.

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 5-12, budgetary comparison information on page 46, schedule of the District's proportionate share of the net pension liability (TRS) on page 47, and schedule of District contributions to TRS on page 48 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

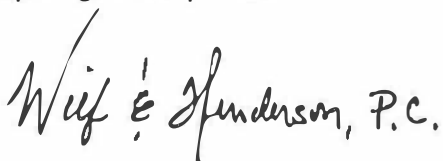
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Pleasant Grove Independent School District's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also 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 United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 3, 2018 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.
Certified Public Accountants
Texarkana, Texas

January 3, 2018

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, 2017. 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 \$21,841,545 was generated in tax, other local, state, and federal revenues, and other sources for governmental funds.
- During the year, the District's expenditures totaled \$20,387,215, of which \$2,503,981 was expenditures for debt service.
- The General Fund ended the year with a fund balance of \$5,191,914, which includes \$807,000 in committed and \$1,000,000 in assigned fund balance.
- The District's government-wide total combined net position increased \$1,333,794 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 assessed/appraised property values for 2016-2017 increased \$13,215,174.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

**Table I
Pleasant Grove Independent School District
NET POSITION**

	Governmental Activities 2016	Governmental Activities 2017	Total % Change
Current and other assets	7,939,339	9,589,297	20.78%
Capital assets	45,128,087	43,938,260	-2.64%
Total Assets	53,067,426	53,527,557	0.87%
Deferred outflows of resources	4,319,495	3,880,826	-10.16%
Other liabilities	978,030	1,189,311	21.59%
Long-term liabilities	36,060,355	34,462,666	-4.43%
TRS net pension liability	3,126,130	3,245,771	3.83%
Total Liabilities	40,164,615	38,897,748	-3.05%
Deferred inflows of resources	232,533	187,068	-19.55%
Net Position:			
Net Investment in Capital Assets	11,445,003	11,693,931	2.07%
Restricted	1,978,781	2,862,627	44.67%
Unrestricted	3,565,989	3,767,009	5.64%
Total Net Position	16,989,773	18,323,567	7.85%

As of August 31, 2017, the District's assets exceed liabilities by \$18,323,567, in which \$11,693,931 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding. \$2,862,627 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 \$3,767,009 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 \$20,649,639 and the amount of these activities that our taxpayers paid for through property taxes was \$12,448,185 or 60%.

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

	Governmental Activities 2016	Governmental Activities 2017	Total % Change
Revenues:			
Program Revenues:			
Charges for services	918,934	806,765	-12.21%
Operating grants and contributions	1,735,963	1,802,808	3.85%
Capital grants and contributions	5,733	-	-100.00%
General Revenues:			
Property taxes	12,289,008	12,448,185	1.30%
Grants & contributions not restricted	7,028,465	6,691,198	-4.80%
Interest Earnings	38,366	68,814	79.36%
Other general revenues	196,548	165,663	-15.71%
Total Revenues	22,213,017	21,983,433	-1.03%
Expenses:			
Instruction	11,208,799	11,377,289	1.50%
Instructional Resources and Media Services	151,289	127,262	-15.88%
Curriculum and Staff Development	47,054	56,953	21.04%
Instructional Leadership	191,780	182,078	-5.06%
School Leadership	1,124,101	1,130,641	0.58%
Guidance, Counseling and Evaluation Services	547,042	546,783	-0.05%
Health Services	153,485	161,789	5.41%
Student (Pupil) Transportation	136,823	157,656	15.23%
Food Services	723,772	635,390	-12.21%
Cocurricular/Extracurricular Activities	1,571,628	1,506,343	-4.15%
General Administration	984,711	1,031,306	4.73%
Plant Maintenance and Operations	2,216,016	2,140,327	-4.77%
Security and Monitoring Services	78,196	97,403	24.56%
Data Processing Services	141,690	106,718	-24.68%
Debt Service - Interest on Long Term Debt	1,305,937	1,058,016	-18.98%
Debt Service - Bond Issuance Cost and Fees	345	5,475	1486.96%
Payments to Fiscal Agents/Member Districts	213,093	209,775	-1.56%
Other Intergovernmental Charges	159,294	148,435	-6.82%
Total Expenses	20,955,050	20,649,639	-1.46%
Increase (Decrease) in Net Position	1,257,967	1,333,794	6.03%
Net Position Beginning of Year	15,731,806	16,989,773	8.00%
Net Position End of Year	16,989,773	18,323,567	7.85%

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 2016	Governmental Funds 2017	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 13,491,323	\$ 13,506,715	\$ 15,392	0.1%
State Program Revenues	7,479,891	7,358,495	(121,396)	-1.6%
Federal Program Revenues	879,704	976,335	96,631	11.0%
Total Revenues	<u>21,850,918</u>	<u>21,841,545</u>	<u>(9,373)</u>	<u>0.0%</u>
Expenditures:				
Instruction	10,043,435	10,295,084	251,649	2.5%
Instructional resources & media services	139,644	116,456	(23,188)	-16.6%
Curriculum and instructional staff development	41,969	91,174	49,205	117.2%
Instructional leadership	175,807	164,346	(11,461)	-6.5%
School leadership	1,031,343	1,023,081	(8,262)	-0.8%
Guidance, counseling and evaluation services	498,691	493,644	(5,047)	-1.0%
Health services	140,573	147,272	6,699	4.8%
Student (Pupil) transportation	123,186	143,757	20,571	16.7%
Food services	666,901	582,409	(84,492)	-12.7%
Extracurricular activities	1,780,333	1,391,432	(388,901)	-21.8%
General administration	892,941	937,632	44,691	5.0%
Facilities maintenance & operations	2,095,695	1,949,908	(145,787)	-7.0%
Security & monitoring services	74,236	90,794	16,558	22.3%
Data processing services	108,532	98,035	(10,497)	-9.7%
Debt services	2,444,101	2,503,981	59,880	2.4%
Payments to fiscal agent/member of SSA	213,093	209,775	(3,318)	-1.6%
Other intergovernmental charges	159,294	148,435	(10,859)	-6.8%
Total Expenditures	<u>20,629,774</u>	<u>20,387,215</u>	<u>(242,559)</u>	<u>-1.2%</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,221,144	1,454,330	233,186	19.1%
Other Financing Sources (Uses)				
Transfers In	1,348,000	906,530	(441,470)	-32.8%
Transfers Out	(1,348,000)	(906,530)	441,470	32.8%
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	1,221,144	1,454,330	233,186	19.1%
Fund Balance - Beginning of Year	5,600,446	6,821,590	1,221,144	21.8%
Fund Balance - End of Year	<u>\$ 6,821,590</u>	<u>\$ 8,275,920</u>	<u>1,454,330</u>	<u>21.3%</u>

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 \$8,275,920. This combined balance includes funds that are restricted, committed and assigned as follows:

- \$ 207,000 is committed for payment of debt (General Fund)
- \$ 600,000 is committed for equipment (General Fund)
- \$ 1,000,000 is assigned for facility improvements (General Fund)
- \$ 2,771,063 is restricted for retirement of long term debt (Debt Service Fund)
- \$ 102,558 is restricted for state/federal programs, and other local sources (Special Revenue Fund)
- \$ 210,385 is committed for campus activity funds (Special Revenue Fund)

The restricted, committed, and assigned funds total \$4,891,006, leaving unassigned funds of \$3,384,914.

The District's combined fund balance increased from the prior year by \$1,454,330. 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 21% of the General Fund expenditures.

Throughout the year the Board of Trustees revised the District's budget. Significant budget amendments were as follows:

General Fund:

Increase in local and intermediate revenue sources	50,000
Increase in state program revenues	463,000
Increase in federal program revenues	22,000
(Increase) in instruction expenditures	(180,000)
Decrease in instructional resources and media services expenditures	4,000
(Increase) in curriculum and instructional staff expenditures	(51,000)
(Increase) in school leadership expenditures	(7,000)
(Increase) in health services expenditures	(6,000)
(Increase) in cocurricular/extracurricular expenditures	(105,000)
(Increase) in security and monitoring services expenditures	(19,000)
(Increase) in debt service expenditures	(1,000)
Decrease in other intergovernmental changes	43,000
Increase in other financing sources - transfers in	935,000
(Increase) in other financing uses - transfers out	(970,000)
	<u>178,000</u>

Food Service Fund:

Increase in federal program revenues	46,000
(Increase) in food services expenditures	(85,000)
Increase in other financing sources - transfers in	35,000
	<u>(4,000)</u>

Debt Service Fund:

Increase in local and intermediate revenue sources	360,000
(Increase) in debt service expenditures	(1,000)
	<u>359,000</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has \$43,938,260 invested in capital assets. The District purchased two vehicles during the current year for the amount of \$41,039.

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 \$210,000 with final payment 2018.

Bond Series 2007 was issued 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. This bond was paid off 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 \$5,550,000 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. The principal outstanding on the Serial Current Interest Bonds is \$8,020,000 with final payment in 2030.

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. The principal outstanding on the Serial Current Interest Bonds is \$8,460,000 with final payment in 2027.

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 \$1,475,000 with final payment in 2028.

Other obligations of the school district include the additional days worked beyond commitment leave liability in the amount of \$53,490, and accumulated local personal leave benefit upon retirement liability in the amount of \$44,250.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's board of trustees adopted a budget of \$19,570,708 for the school year 2017-2018 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 2017-18 is budgeted at \$5,725,000, which includes revenue for students in attendance in average of 1,957.

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, 2017

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 8,662,242
1220 Property Taxes Receivable (Delinquent)	334,428
1230 Allowance for Uncollectible Taxes	(155,904)
1240 Due from Other Governments	748,561
Capital Assets:	
1510 Land	1,958,474
1520 Buildings and Improvements, Net	41,767,649
1530 Furniture and Equipment, Net	212,137
1000 Total Assets	53,527,557
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding, Net	2,120,597
1705 Deferred Outflow Related to TRS	1,760,229
1700 Total Deferred Outflows of Resources	3,880,826
LIABILITIES	
2110 Accounts Payable	94,129
2140 Accrued Interest Payable	54,458
2150 Payroll Deductions & Withholdings	702
2160 Accrued Wages Payable	786,548
2180 Due to Other Governments	224,872
2300 Unearned Revenue	28,602
Noncurrent Liabilities	
2501 Due Within One Year	1,245,000
2502 Due in More Than One Year	33,247,666
2540 Net Pension Liability (District's Share)	3,245,771
2000 Total Liabilities	38,897,748
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS	187,068
2600 Total Deferred Inflows of Resources	187,068
NET POSITION	
3200 Net Investment in Capital Assets	11,693,934
3850 Restricted for Debt Service	2,760,069
3890 Restricted for Other Purposes	102,558
3900 Unrestricted	3,767,009
3000 Total Net Position	\$ 18,323,567

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, 2017

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
Codes	Expenses	Charges for Services	Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position Primary Gov. Governmental Activities
Primary Government:				
GOVERNMENTAL ACTIVITIES:				
10 Instruction	\$ 11,377,289	\$ 58,225	\$ 1,126,550	\$ (10,192,514)
12 Instructional Resources and Media Services	127,262	-	4,797	(122,465)
13 Curriculum and Staff Development	56,953	-	881	(56,072)
21 Instructional Leadership	182,078	-	8,379	(173,699)
23 School Leadership	1,130,641	-	56,919	(1,073,722)
31 Guidance, Counseling and Evaluation Services	546,783	-	81,027	(465,756)
33 Health Services	161,789	-	9,474	(152,315)
34 Student (Pupil) Transportation	157,656	-	8,917	(148,739)
35 Food Services	635,390	272,344	380,297	17,251
36 Extracurricular Activities	1,506,343	476,196	28,228	(1,001,919)
41 General Administration	1,031,306	-	41,194	(990,112)
51 Facilities Maintenance and Operations	2,140,327	-	51,617	(2,058,710)
52 Security and Monitoring Services	97,403	-	553	(96,850)
53 Data Processing Services	106,718	-	3,975	(102,743)
72 Debt Service - Interest on Long Term Debt	1,058,016	-	-	(1,058,016)
73 Debt Service - Bond Issuance Cost and Fees	5,475	-	-	(5,475)
93 Payments related to Shared Services Arrangements	209,775	-	-	(209,775)
99 Other Intergovernmental Charges	148,435	-	-	(148,435)
[TP] TOTAL PRIMARY GOVERNMENT:	<u>\$ 20,649,639</u>	<u>\$ 806,765</u>	<u>\$ 1,802,808</u>	<u>\$ (18,040,066)</u>
Data Control Codes				
	General Revenues:			
	Taxes:			
MT	Property Taxes, Levied for General Purposes			9,414,590
DT	Property Taxes, Levied for Debt Service			3,036,595
GC	Grants and Contributions not Restricted			6,691,198
IE	Investment Earnings			68,814
MI	Miscellaneous Local and Intermediate Revenue			165,663
TR	Total General Revenues			<u>19,373,860</u>
CN	Change in Net Position			1,333,794
NB	Net Position - Beginning			<u>16,989,773</u>
NE	Net Position--Ending			<u>\$ 18,323,567</u>

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

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

EXHIBIT C-1

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
ASSETS				
1110 Cash and Cash Equivalents	\$ 5,708,336	\$ 2,767,596	\$ 186,280	\$ 8,662,212
1220 Property Taxes - Delinquent	252,869	81,559	-	334,428
1230 Allowance for Uncollectible Taxes (Credit)	(117,809)	(38,095)	-	(155,904)
1240 Receivables from Other Governments	513,360	3,467	231,734	748,561
1260 Due from Other Funds	54,748	-	-	54,748
1000 Total Assets	<u>\$ 6,411,504</u>	<u>\$ 2,814,527</u>	<u>\$ 418,014</u>	<u>\$ 9,644,045</u>
LIABILITIES				
2110 Accounts Payable	\$ 88,308	\$ -	\$ 5,821	\$ 94,129
2150 Payroll Deductions and Withholdings Payable	702	-	-	702
2160 Accrued Wages Payable	755,638	-	30,910	786,548
2170 Due to Other Funds	-	-	54,748	54,748
2180 Due to Other Governments	224,872	-	-	224,872
2300 Unearned Revenues	15,010	-	13,592	28,602
2000 Total Liabilities	<u>1,084,530</u>	<u>-</u>	<u>105,071</u>	<u>1,189,601</u>
DEFERRED INFLOWS OF RESOURCES				
2601 Unavailable Revenue - Property Taxes	135,060	43,464	-	178,524
2600 Total Deferred Inflows of Resources	<u>135,060</u>	<u>43,464</u>	<u>-</u>	<u>178,524</u>
FUND BALANCES				
Restricted Fund Balance:				
3450 Federal or State Funds Grant Restriction	-	-	85,625	85,625
3480 Retirement of Long-Term Debt	-	2,771,063	-	2,771,063
3490 Other Restricted Fund Balance	-	-	16,933	16,933
Committed Fund Balance:				
3525 Retirement of Loans or Notes Payable	207,000	-	-	207,000
3530 Capital Expenditures for Equipment	600,000	-	-	600,000
3545 Other Committed Fund Balance	-	-	210,385	210,385
Assigned Fund Balance:				
3550 Construction	1,000,000	-	-	1,000,000
3600 Unassigned Fund Balance	3,384,914	-	-	3,384,914
3000 Total Fund Balances	<u>5,191,914</u>	<u>2,771,063</u>	<u>312,943</u>	<u>8,275,920</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 6,411,504</u>	<u>\$ 2,814,527</u>	<u>\$ 418,014</u>	<u>\$ 9,644,045</u>

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, 2017

Total Fund Balances - Governmental Funds	\$	8,275,920
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 \$63,471,525 and the accumulated depreciation was (\$18,343,438). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. At the beginning of the year, these long-term liabilities totaled (\$36,060,355). 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.		9,067,732
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2017 capital outlays and debt principal payments is to increase net position.		1,266,039
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 (\$3,245,771), a Deferred Resource Inflow related to TRS in the amount of (\$187,068) and a Deferred Resource Outflow related to TRS in the amount of \$1,760,229. This amounted to a decrease in net position in the amount of (\$1,672,610).		(1,672,610)
4 The 2017 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(1,230,866)
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.		2,617,352
19 Net Position of Governmental Activities	<u>\$</u>	<u>18,323,567</u>

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, 2017

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Funds	Total Governmental Funds
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,706,092	\$ 3,065,768	\$ 734,855	\$ 13,506,715
5800 State Program Revenues	7,207,371	71,628	79,496	7,358,495
5900 Federal Program Revenues	19,503	-	956,832	976,335
5020 Total Revenues	<u>16,932,966</u>	<u>3,137,396</u>	<u>1,771,183</u>	<u>21,841,545</u>
EXPENDITURES:				
Current:				
0011 Instruction	9,609,450	-	685,634	10,295,084
0012 Instructional Resources and Media Services	116,456	-	-	116,456
0013 Curriculum and Instructional Staff Development	89,255	-	1,919	91,174
0021 Instructional Leadership	164,346	-	-	164,346
0023 School Leadership	1,023,081	-	-	1,023,081
0031 Guidance, Counseling and Evaluation Services	437,513	-	56,131	493,644
0033 Health Services	147,272	-	-	147,272
0034 Student (Pupil) Transportation	143,757	-	-	143,757
0035 Food Services	-	-	582,409	582,409
0036 Extracurricular Activities	993,761	-	397,671	1,391,432
0041 General Administration	937,632	-	-	937,632
0051 Facilities Maintenance and Operations	1,949,908	-	-	1,949,908
0052 Security and Monitoring Services	90,794	-	-	90,794
0053 Data Processing Services	98,035	-	-	98,035
Debt Service:				
0071 Principal on Long Term Debt	180,000	1,045,000	-	1,225,000
0072 Interest on Long Term Debt	35,212	1,238,294	-	1,273,506
0073 Bond Issuance Cost and Fees	300	5,175	-	5,475
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	209,775	-	-	209,775
0099 Other Intergovernmental Charges	148,435	-	-	148,435
6030 Total Expenditures	<u>16,374,982</u>	<u>2,288,469</u>	<u>1,723,764</u>	<u>20,387,215</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>557,984</u>	<u>848,927</u>	<u>47,419</u>	<u>1,454,330</u>
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	906,530	-	-	906,530
8911 Transfers Out (Use)	(906,530)	-	-	(906,530)
7080 Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1200 Net Change in Fund Balances	557,984	848,927	47,419	1,454,330
0100 Fund Balance - September 1 (Beginning)	<u>4,633,930</u>	<u>1,922,136</u>	<u>265,524</u>	<u>6,821,590</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 5,191,914</u>	<u>\$ 2,771,063</u>	<u>\$ 312,943</u>	<u>\$ 8,275,920</u>

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, 2017

Total Net Change in Fund Balances - Governmental Funds	\$	1,454,330
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2017 capital outlays and debt principal payments is to increase net position.		1,266,039
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.		(1,230,866)
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.		145,724
Current year changes due to GASB 68 increased revenues in the amount of \$299,428 but also increased expenditures in the amount of (\$600,861). The net effect on the change in the ending net position was a decrease in the amount of (\$301,433).		(301,433)
Change in Net Position of Governmental Activities	\$	1,333,794

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, 2017

EXHIBIT E-1

	Agency Fund
<hr/>	
ASSETS	
Cash and Cash Equivalents	\$ 21,963
Total Assets	<u>\$ 21,963</u>
LIABILITIES	
Due to Student Groups	\$ 21,963
Total Liabilities	<u>\$ 21,963</u>

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

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

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

1. Reporting Entity

The Board of School Trustees has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of 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 unamortized 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.

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:

<u>Assets</u>	<u>Years</u>
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, 2017, 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 Aetna as the health plan administrator and Caremark as the pharmacy benefits manager for TRS-ActiveCare.

14. Workers' Compensation Plan

During the year ended August 31, 2017, 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, 2016, the Fund carries a discounted reserve of \$54,843,324 development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2017, 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 of Trustees in February the following year. The Fund's audited financial statements as of August 31, 2016, are available at the TASB offices and have been filed with the Texas State Board of Insurance in Austin.

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	Claims Count@ 5/31/2017	District's Aggregate Liability	Paid Loss & ALAE@ 8/31/2017	Ultimate Loss & ALAE@ 8/31/2017	Outstanding Loss & ALAE 8/31/2017
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	-
2001-02	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	22,212	22,212	-
2009-10	17	40,384	13,656	13,656	-
2010-11	15	43,391	4,802	4,802	-
2011-12	9	39,532	7,707	7,707	-
2012-13	15	41,568	126,922	41,568	-
2013-14	15	41,946	3,584	3,584	-
2014-15	10	43,004	14,519	14,519	-
2015-16	11	43,178	35,264	43,178	7,914
2016-17	10	44,955	14,186	35,674	21,488

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 \$63,471,525 and the accumulated depreciation was (\$18,343,438). 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 (\$36,060,355). 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 \$9,067,732.

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 \$41,039 and long-term debt principal payments of \$1,225,000 is to increase net position by \$1,266,039.

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 (\$3,245,771), a Deferred Resource Inflow related to TRS in the amount of (\$187,068) and a Deferred Resource Outflow related to TRS in the amount of \$1,760,229. This amounted to a decrease in net position in the amount of (\$1,672,610).

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 (\$1,230,866).

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:

	<u>Amount</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Uncollected taxes (assumed collectible) from prior year levies	82,462	
Uncollected taxes (assumed collectible) from current year levy	<u>96,062</u>	
Total Adjustments to Revenue and Unavailable Revenue		178,524
<u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences liability for current year	(52,478)	
Interest accrued on bonds payable for current year	(54,458)	
Deferred charge on refunding, net - beginning of year	2,332,009	
Amortization of deferred charge on refunding note and bond	(214,412)	
Amortization of premium/discount on bonds for current year	<u>425,167</u>	
Total Adjustments to Long-Term Debt		<u>2,438,828</u>
Net Adjustments to Net Position - Increase		<u><u>2,647,352</u></u>

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 \$41,039 and long-term debt principal payments of \$1,225,000 is to increase net position by \$1,266,039.

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 \$299,428. 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 (\$600,861). The impact of all of these is to decrease the change in net position by (\$301,433).

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 (\$1,230,866).

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.

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>
<u>Adjustments to Revenue and Unavailable Revenue</u>		
Taxes collected from prior year levies	(142,350)	
Uncollected taxes (assumed collectible) from current year levy	<u>96,062</u>	
Total Adjustments to Revenue and Unavailable Revenue		(17,288)
<u>Adjustments Associated with Long-Term Debt</u>		
(Increase) in compensated absences liability	(52,478)	
Decrease in accrued interest payable	1,735	
Amortization of deferred charge on refunding note and bond	(211,412)	
Amortization of premium/discount for current year	<u>425,167</u>	
Total Adjustments to Long-Term Debt		<u>163,012</u>
Net Adjustments to Changes in Net Position - Increase		<u><u>145,724</u></u>

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 local and intermediate revenue sources	50,000
Increase in state program revenues	463,000
Increase in federal program revenues	22,000
(Increase) in instruction expenditures	(180,000)
Decrease in instructional resources and media services expenditures	4,000
(Increase) in curriculum and instructional staff expenditures	(51,000)
(Increase) in school leadership expenditures	(7,000)
(Increase) in health services expenditures	(6,000)
(Increase) in cocurricular/extracurricular expenditures	(105,000)
(Increase) in security and monitoring services expenditures	(19,000)
(Increase) in debt service expenditures	(1,000)
Decrease in other intergovernmental changes	43,000
Increase in other financing sources- transfers in	935,000
(Increase) in other financing uses - transfers out	<u>(970,000)</u>
	<u>178,000</u>

Food Service Fund:

Increase in federal program revenues	46,000
(Increase) in food services expenditures	(85,000)
Increase in other financing sources - transfers in	<u>35,000</u>
	<u>(4,000)</u>

Debt Service Fund:

Increase in local and intermediate revenue sources	360,000
(Increase) in debt service expenditures	<u>(1,000)</u>
	<u>359,000</u>

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, 2017 <u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	85,625
Non appropriated Budget Funds	<u>227,318</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>312,943</u></u>

Note D. Deposits and Investments

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, 2017 consist of the following:

	General Fund	Debt Service Fund	Other Governmental Funds	Balance Sheet Total	Fiduciary Funds
Cash and Certificates of Deposit	2,489,289	229,638	186,280	2,905,207	21,963
Temporary Investments	3,219,047	2,537,958	-	5,757,005	-
Total	5,708,336	2,767,596	186,280	8,662,212	21,963

The District's cash deposits at August 31, 2017 and during the entire year were 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, 2017, Pleasant Grove Independent School District had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Investment Pools **					
Lone Star ***	3,702,283	3,702,283			
TexStar ***	2,054,722	2,054,722			
Total	5,757,005	5,757,005			

*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 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.

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, 2017, 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, 2016 upon which the levy for the 2017 fiscal year was based was \$874,445,213. The tax rates levied for the year ended August 31, 2017, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.09 and \$0.35 per \$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, 2017, were as follows:

	Property Taxes	Other Governments	Other Receivable	Other Funds	Total Receivables
Governmental Activities:					
General Fund	252,869	513,360	-	54,748	820,977
Debt Service	81,559	3,467	-	-	85,026
Nonmajor Governmental Funds (Special Revenue)	-	231,734	-	-	231,734
Total - Governmental Activities	334,428	748,561	-	54,748	1,137,737
Amounts not scheduled for collection during the subsequent year	(155,904)	-	-	-	(155,904)

Payables at August 31, 2017, were as follows:

	Accounts Payable	Salaries/ Benefits	Other Governments	Other Funds	Total Payables
Governmental Activities:					
General Fund	88,308	756,340	224,872	-	1,069,520
Nonmajor Governmental Funds (Special Revenue)	5,821	30,910	-	54,748	91,479
Total - Governmental Activities	94,129	787,250	224,872	54,748	1,160,999

Note H. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2017, was as follows below. This District purchased two vehicles during the current year.

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	1,958,474	-	-	1,958,474
Building and Improvements	59,028,238	-	-	59,028,238
Furniture and Equipment	2,484,813	41,039	-	2,525,852
Totals at Historic Cost	<u>63,471,525</u>	<u>41,039</u>	<u>-</u>	<u>63,512,564</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(16,130,629)	(1,129,960)	-	(17,260,589)
Furniture and Equipment	(2,212,809)	(100,906)	-	(2,313,715)
Total Accumulated Depreciation	<u>(18,343,438)</u>	<u>(1,230,866)</u>	<u>-</u>	<u>(19,574,304)</u>
Governmental Activities, Net:				
Land	1,958,474	-	-	1,958,474
Building and Improvements	42,897,609	(1,129,960)	-	41,767,649
Furniture and Equipment	272,004	(59,867)	-	212,137
Capital Assets, Net	<u>45,128,087</u>	<u>(1,189,827)</u>	<u>-</u>	<u>43,938,260</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	723,073
Instructional Resources and Media Services	8,179
Curriculum Development and Instructional Staff	6,404
Instructional Development	11,543
School Leadership	71,856
Guidance, Counseling and Evaluation Services	34,671
Health Services	10,344
Student (Pupil) Transportation	10,097
Food Services	40,905
Cocurricular/Extracurricular Activities	97,727
General Administration	65,854
Plant Maintenance and Operations	136,951
Security and Monitoring Service	6,377
Data Processing Services	6,885
Total Depreciation Expense - Governmental Activities	<u>1,230,866</u>

Note I. 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, 2017, the District paid \$180,000 in principal, \$35,212 in interest, and fees of \$300.

A summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2017 is as follows:

<u>Purpose</u>	<u>Stated Interest Rate</u>	<u>Amounts Original Issue</u>	<u>Amounts Outstanding 9/1/2016</u>	<u>Issued</u>	<u>Retired</u>	<u>Amounts Outstanding 8/31/2017</u>
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	1,655,000	-	180,000	1,475,000
			<u>1,655,000</u>	<u>-</u>	<u>180,000</u>	<u>1,475,000</u>

Maintenance Tax Note Obligations requirements are as follows:

<u>Year Ended August 31</u>	<u>Maintenance Tax Note Obligations</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	175,000	31,219	206,219
2019	165,000	27,394	192,394
2020	170,000	23,625	193,625
2021	175,000	19,744	194,744
2022	105,000	16,594	121,594
2023-2027	565,000	45,618	610,618
2028	120,000	1,350	121,350
	<u>1,475,000</u>	<u>165,544</u>	<u>1,640,544</u>

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 \$16,001 at August 31, 2017. Amortization of \$3,404 is reflected in the Statement of Activities for the year ended August 31, 2017.

Note J. Bonds Payable and Debt Service Requirements

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 matured 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 matured 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, 2017, the District paid \$1,045,000 in principal, \$1,238,294 in interest, and \$5,175 in fees.

A summary of changes in bonded indebtedness for the year ended August 31, 2017 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2016	Issuance / Accretion	Retired	Amounts Outstanding 8/31/2017
Unlimited Tax Refunding & School Bldg Bonds- Series 2005, due in annual installments through February 15, 2018	3.0-3.875%	4,315,000	590,000	-	380,000	210,000
Unlimited Tax School Bldg Bonds- Series 2007, due in annual installments through February 15, 2017	4.0-4.25%	29,305,000	155,000	-	155,000	-
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	6,060,000	-	510,000	5,550,000
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 2015 Serial Current Interest Bonds due February 15, 2018 -2022, 2023, 2025-2027	3.0-5.0%	8,460,000	8,460,000	-	-	8,460,000
			31,395,000	-	1,045,000	30,350,000

Bonded debt service requirements are as follows:

Year Ended <u>August 31</u>	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2018	1,070,000	1,206,750	2,276,750
2019	1,160,000	1,173,300	2,333,300
2020	1,265,000	1,115,100	2,380,100
2021	1,380,000	1,054,750	2,434,750
2022	1,505,000	993,400	2,498,400
2023-2027	9,595,000	3,288,500	12,883,500
2028-2034	14,375,000	1,973,300	16,348,300
	<u>30,350,000</u>	<u>10,804,800</u>	<u>41,154,800</u>

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 \$2,539,926 at August 31, 2017. Bond premium/discount proceeds are deferred and amortized over the life of the bonds. Amortization of \$425,167 is reflected in the Statement of Activities for the year ended August 31, 2017.

	<u>Series 2005</u>	<u>Series 2007</u>	<u>Series 2010</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Total</u>
Premium on issuance of bonds	(1,024)	(554)	(218,609)	(646,098)	(629,979)	(1,468,829)	(2,965,093)
Current year amortization	<u>775</u>	<u>554</u>	<u>38,568</u>	<u>43,898</u>	<u>55,915</u>	<u>285,457</u>	<u>425,167</u>
Premium on issuance of bonds, net	<u>(249)</u>	<u>-</u>	<u>(180,041)</u>	<u>(602,200)</u>	<u>(574,064)</u>	<u>(1,183,372)</u>	<u>(2,539,926)</u>

The deferred charge on refunding bonds, net of accumulated amortization, totaled \$2,104,596 at August 31, 2017. Amortization of \$208,008 is reflected in the Statement of Activities for the year ended August 31, 2017. See Note M for more details.

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, 2017.

Note K. 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, 2017 totaled \$53,490.

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, 2017 totaled \$44,250.

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

Balance September 1, 2016	45,262
Additions	52,478
Deductions	<u>-</u>
Balance August 31, 2017	<u><u>97,740</u></u>

Note L. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2017, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes and Bonds Payable:					
Maintenance Tax Note Obligations	1,655,000	-	180,000	1,475,000	175,000
General Obligation Bonds	31,395,000	-	1,045,000	30,350,000	1,070,000
Premium/Discount on Issuance of Bonds, Net	2,965,093	-	425,167	2,539,926	-
Total Bonds and Notes Payable	<u>36,015,093</u>	<u>-</u>	<u>1,650,167</u>	<u>34,364,926</u>	<u>1,245,000</u>
Other Liabilities:					
Accumulated Leave Benefits Liability	45,262	52,478	-	97,740	-
Net Pension Liability	3,126,130	392,545	272,904	3,245,771	-
Total Other Liabilities	<u>3,171,392</u>	<u>445,023</u>	<u>272,904</u>	<u>3,343,511</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u><u>39,186,485</u></u>	<u><u>445,023</u></u>	<u><u>1,923,071</u></u>	<u><u>37,708,437</u></u>	<u><u>1,245,000</u></u>

Note M. 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, 2017:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deduction</u>	<u>Ending Balance</u>
Deferred charges on refunding notes	19,405	-	3,404	16,001
Deferred charges on refunding bonds:				
Series 2013	1,005,676	-	68,328	937,348
Series 2014	752,776	-	66,814	685,962
Series 2015	554,152	-	72,866	481,286
Total	<u><u>2,332,009</u></u>	<u><u>-</u></u>	<u><u>217,412</u></u>	<u><u>2,120,597</u></u>

Note N. 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.

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. The 83rd Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2014 and 2015. The 84th Texas Legislature, General Appropriations Act (GAA) established the employer contribution rates for fiscal years 2016 and 2017.

Contribution Rates

	<u>2016</u>	<u>2017</u>
Member (Employees)	7.2%	7.7%
Employer (District)	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
2017 PGISD Member Contributions		868,034
2017 PGISD Employer Contributions		299,428
2017 PGISD NECE On-Behalf Contributions		626,869
2016 PGISD NECE On-Behalf Contributions		638,124

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 21402 of the Texas Education Code.
- During a new member's first 90 days of employment
- When any part or all of an employee's salary is paid by federal funding source or a privately sponsored source.

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

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

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

Valuation Date	August 31, 2016
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	8.00%
Long-term expected Investment Rate of Return	8.00%
Inflation	2.5%
Salary Increases Including Inflation	3.5% to 9.5%
Payroll Growth Rate	2.50%
Benefit Changes during the year	None
Ad hoc post-employment benefit changes	None

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

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

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2016 are summarized below:

Asset Class	Target Allocation	Real Return Geometric Basis	Long-Term Expected Portfolio Real Rate of Return*
Global Equity			
U.S.	18%	4.6%	1.0%
Non-U.S. Developed	13%	5.1%	0.8%
Emerging Markets	9%	5.9%	0.7%
Directional Hedge Funds	4%	3.2%	0.1%
Private Equity	13%	7.0%	1.1%
Stable Value			
U.S. Treasuries	11%	0.7%	0.1%
Absolute Return	0%	1.8%	0.0%
Stable Value Hedge Funds	4%	3.0%	0.4%
Cash	1%	-0.2%	0.0%
Real Return			
Global Inflation Linked Bonds	3%	0.9%	0.0%
Real Assets	16%	5.1%	1.1%
Energy and Natural Resources	3%	6.6%	0.2%
Commodities	0%	1.2%	0.0%
Risk Parity			
Risk Parity	5%	6.7%	0.3%
Inflation Expectations			2.2%
Alpha			1.0%
Total	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 2016 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	5,023,360	3,245,771	1,738,016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2017, Pleasant Grove ISD reported a liability of \$3,245,771 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	\$ 3,245,771
State's proportionate share that is associated with the District	7,574,429
Total	\$ 10,820,200

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2015 thru August 31, 2016.

At August 31, 2016 the employer's proportion of the collective net pension liability was 0.0085893%, which was an increase (decrease) of (0.0002544%) from its proportion measured as of August 31, 2015.

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

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

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

For the year ended August 31, 2017, Pleasant Grove ISD recognized pension expense of \$786,045 and revenue of \$786,045 for support provided by the State.

At August 31, 2017, 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	\$ 50,893	\$ 96,917
Changes in actuarial assumptions	98,925	89,968
Difference between projected and actual investment earnings	274,846	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	1,036,137	183
Total as of August 31, 2016 measurement date	\$ 1,460,801	\$ 187,068
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	299,428	-
Total	\$ 1,760,229	\$ 187,068

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

Year ended August 31:	Pension Expense Amount
2018	233,411
2019	233,411
2020	408,720
2021	219,942
2022	159,940
Thereafter	18,309
	<u>\$ 1,273,733</u>

Note O. 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 2017-2015.

Contribution Rates and Contribution Amounts

Year	Active Member		State		School District	
	Rate	Amount	Rate	Amount	Rate	Amount
2017	0.65%	\$73,299	1.00%	\$106,706	0.55%	\$62,022
2016	0.65%	\$71,811	1.00%	\$105,272	0.55%	\$60,762
2015	0.65%	\$69,529	1.00%	\$106,968	0.55%	\$58,833

Note P. Medicare Part D (TRS)

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

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

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were \$32,904 for the year ended August 31, 2017. State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were \$32,599 for the year ended August 31, 2016. 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.

Note Q 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, 2017 may be impaired.

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

Note R. 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, 2017 are summarized below. All federal grants shown below are passed through the TEA and are reported on the combined financial statements as Due from/to Other Governments.

Fund	State Entitlements	Federal Entitlements	Local Agency	Total
Governmental Activities:				
Due From Other Governments:				
General Fund	502,655	-	10,705	513,360
Debt Service Fund	-	-	3,467	3,467
Nonmajor Governmental Funds (Special Revenue)	-	231,734	-	231,734
	502,655	231,734	14,172	748,561
Due To Other Governments:				
General Fund	224,872	-	-	224,872

Note S. Unearned Revenues

Unearned revenue at August 31, 2017 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Governmental Funds Total
Athletic receipts	15,010	-	15,010
Food Service receipts	-	13,592	13,592
	15,010	13,592	28,602

Note T. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2017 consisted of the following:

	General Fund	Debt Service Fund	Governmental Funds Total
Net uncollected tax revenue	135,060	43,464	178,524
Total unavailable revenue	<u>135,060</u>	<u>43,464</u>	<u>178,524</u>

Note U. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund: Transfer in (out) from/to General Fund	<u>906,530</u>	<u>906,530</u>

The General Fund transferred \$906,530 to subsidize the Co-Curricular Fund.

Note V. 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	9,485,651	3,045,882	-	12,531,533
Investment income	47,895	19,886	1,033	68,814
Food service revenue	-	-	272,344	272,344
Athletic	78,325	-	-	78,325
Foundation, gifts	-	-	48,277	48,277
Other local sources	94,221	-	399,948	494,169
Miscellaneous revenues	-	-	13,253	13,253
	<u>9,706,092</u>	<u>3,065,768</u>	<u>734,855</u>	<u>13,506,715</u>

Note W. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>Amount</u>
School Health and Related Services (SHARS)	<u>19,503</u>
	<u>19,503</u>

Note X. 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 \$209,775 for the year ended August 31, 2017.

A detail of Function 93 is as follows:

General Fund - Function 93:	
SSA - Transportation	<u>209,775</u>

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 does 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 Y. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through January 3, 2018, 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, 2017

Data Control Codes		Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
		Original	Final		
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 9,617,000	\$ 9,667,000	\$ 9,706,092	\$ 39,092
5800	State Program Revenues	6,545,556	7,008,556	7,207,371	198,815
5900	Federal Program Revenues	-	22,000	19,503	(2,497)
5020	Total Revenues	16,162,556	16,697,556	16,932,966	235,410
EXPENDITURES:					
Current:					
0010	Instruction	9,495,329	9,675,329	9,609,450	65,879
0012	Instructional Resources and Media Services	128,777	124,777	116,456	8,321
0013	Curriculum and Instructional Staff Development	38,718	89,718	89,255	463
0021	Instructional Leadership	167,061	167,061	164,346	2,715
0023	School Leadership	1,018,407	1,025,407	1,023,081	2,326
0031	Guidance, Counseling and Evaluation Services	449,985	449,985	437,513	12,472
0033	Health Services	142,708	148,708	147,272	1,436
0034	Student (Pupil) Transportation	158,739	158,739	143,757	14,982
0036	Extracurricular Activities	905,934	1,010,934	993,761	17,173
0041	General Administration	954,632	954,632	937,632	17,000
0051	Facilities Maintenance and Operations	2,053,613	2,053,613	1,949,908	103,705
0052	Security and Monitoring Services	81,340	100,340	90,794	9,546
0053	Data Processing Services	110,865	110,865	98,035	12,830
Debt Service:					
0071	Principal on Long Term Debt	180,000	180,000	180,000	-
0072	Interest on Long Term Debt	36,000	36,000	35,212	788
0073	Bond Issuance Cost and Fees	-	1,000	300	700
Intergovernmental:					
0093	Payments to Fiscal Agent/Member Districts of SSA	220,000	220,000	209,775	10,225
0099	Other Intergovernmental Charges	194,000	151,000	148,435	2,565
6030	Total Expenditures	16,336,108	16,658,108	16,374,982	283,126
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(173,552)	39,448	557,984	518,536
OTHER FINANCING SOURCES (USES):					
7915	Transfers In	-	935,000	906,530	(28,470)
8911	Transfers Out (Use)	-	(970,000)	(906,530)	63,470
7080	Total Other Financing Sources (Uses)	-	(35,000)	-	35,000
1200	Net Change in Fund Balances	(173,552)	4,448	557,984	553,536
0100	Fund Balance - September 1 (Beginning)	4,633,930	4,633,930	4,633,930	-
3000	Fund Balance - August 31 (Ending)	\$ 4,460,378	\$ 4,638,378	\$ 5,191,914	\$ 553,536

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, 2017

EXHIBIT G-6

	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.0085893%	0.0088437%	0.0039584%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 3,245,771	\$ 3,426,130	\$ 1,057,343
State's Proportionate Share of the Net Pension Liability (Asset) associated with the District	7,574,429	7,289,680	6,643,653
Total	<u>\$ 10,820,200</u>	<u>\$ 10,415,810</u>	<u>\$ 7,700,996</u>
District's Covered-Employee Payroll	\$ 11,047,817	\$ 10,696,865	\$ 10,633,842
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered-Employee Payroll	29.38%	29.22%	9.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.00%	78.43%	83.25%

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

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

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

EXHIBIT G-7

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 299,428	\$ 272,904	\$ 261,866
Contribution in Relation to the Contractually Required Contribution	(299,428)	(272,904)	(261,866)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
District's Covered-Employee Payroll	\$ 11,276,722	\$ 11,047,817	\$ 10,696,865
Contributions as a Percentage of Covered-Employee Payroll	2.66%	2.47%	2.45%

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

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED AUGUST 31, 2017

Changes of benefit terms

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

Changes of assumptions

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

COMBINING SCHEDULES

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEAa Part B Formula	225 IDEAa Part B Preschool	240 National Breakfast and Lunch Program	
ASSETS					
1110	Cash and Cash Equivalents	\$ (42,639)	\$ (88,133)	\$ -	\$ 79,832
1240	Receivables from Other Governments	68,356	139,405	-	22,006
1000	Total Assets	<u>\$ 25,717</u>	<u>\$ 50,972</u>	<u>\$ -</u>	<u>\$ 101,838</u>
LIABILITIES					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 2,621
2160	Accrued Wages Payable	11,077	17,765	-	-
2170	Due to Other Funds	14,640	33,207	-	-
2300	Unearned Revenues	-	-	-	13,592
2000	Total Liabilities	<u>25,717</u>	<u>50,972</u>	<u>-</u>	<u>16,213</u>
FUND BALANCES					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	85,625
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>85,625</u>
4000	Total Liabilities and Fund Balances	<u>\$ 25,717</u>	<u>\$ 50,972</u>	<u>\$ -</u>	<u>\$ 101,838</u>

244 Career and Technical - Basic Grant	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
\$ -	\$ 910	\$ -	\$ -	\$ 5,792	\$ 213,585	\$ 16,933	\$ 186,280
-	2,267	-	-	-	-	-	231,734
<u>\$ -</u>	<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,792</u>	<u>\$ 213,585</u>	<u>\$ 16,933</u>	<u>\$ 418,014</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,200	\$ -	\$ 5,821
-	-	-	-	2,068	-	-	30,910
-	3,177	-	-	3,724	-	-	54,748
-	-	-	-	-	-	-	13,592
<u>-</u>	<u>3,177</u>	<u>-</u>	<u>-</u>	<u>5,792</u>	<u>3,200</u>	<u>-</u>	<u>105,071</u>
-	-	-	-	-	-	-	85,625
-	-	-	-	-	-	16,933	16,933
-	-	-	-	-	210,385	-	210,385
-	-	-	-	-	210,385	16,933	312,943
<u>\$ -</u>	<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,792</u>	<u>\$ 213,585</u>	<u>\$ 16,933</u>	<u>\$ 418,014</u>

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

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
REVENUES:				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 273,376
5800 State Program Revenues	-	-	-	11,996
5900 Federal Program Revenues	179,218	370,816	6,141	359,223
5020 Total Revenues	<u>179,218</u>	<u>370,816</u>	<u>6,141</u>	<u>644,595</u>
EXPENDITURES:				
Current:				
0014 Instruction	179,218	320,826	-	-
0013 Curriculum and Instructional Staff Development	-	-	-	-
0034 Guidance, Counseling and Evaluation Services	-	49,990	6,141	-
0035 Food Services	-	-	-	582,409
0036 Extracurricular Activities	-	-	-	-
6030 Total Expenditures	<u>179,218</u>	<u>370,816</u>	<u>6,141</u>	<u>582,409</u>
1200 Net Change in Fund Balance	-	-	-	62,186
0100 Fund Balance - September 1 (Beginning)	-	-	-	23,439
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,625</u>

244 Career and Technical - Basic Grant	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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,949	\$ 61,530	\$ 734,855
-	-	1,220	40,200	26,080	-	-	79,496
13,117	28,317	-	-	-	-	-	956,832
13,117	28,317	1,220	40,200	26,080	399,949	61,530	1,771,183
13,117	28,317	1,220	40,200	26,080	-	76,656	685,634
-	-	-	-	-	-	1,919	1,919
-	-	-	-	-	-	-	56,131
-	-	-	-	-	-	-	582,409
-	-	-	-	-	397,671	-	397,671
13,117	28,317	1,220	40,200	26,080	397,671	78,575	1,723,764
-	-	-	-	-	2,278	(17,045)	47,419
-	-	-	-	-	208,107	33,978	265,524
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 210,385	\$ 16,933	\$ 312,943

REQUIRED T.E.A. SCHEDULES

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

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2008 and prior years	Various	Various	\$ Various
2009	1.090000	0.350000	750,278,472
2010	1.090000	0.350000	783,546,783
2011	1.090000	0.350000	802,167,684
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	1.090000	0.350000	856,637,248
2016	1.090000	0.350000	861,230,039
2017 (School year under audit)	1.090000	0.350000	874,445,213
1000 TOTALS			

(10) Beginning Balance 9/1/2016	(20) Current Year's Total Levy	(3d) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/3d/2017
\$ 37,363	\$ -	\$ -	\$ -	\$ (10,476)	\$ 26,887
11,941	-	-	-	(173)	11,769
15,720	-	-	-	(173)	15,547
21,538	-	27	9	(173)	21,329
17,787	-	-	-	(173)	17,614
26,249	-	457	147	(3,504)	22,142
25,592	-	1,506	484	-	23,602
53,659	-	10,283	3,303	(722)	39,352
135,867	-	41,014	13,172	(38,510)	43,174
-	12,592,011	9,381,832	3,013,243	(83,922)	113,015
<u>\$ 345,716</u>	<u>\$ 12,592,011</u>	<u>\$ 9,435,116</u>	<u>\$ 3,030,356</u>	<u>\$ (137,826)</u>	<u>\$ 334,428</u>

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

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 283,000	\$ 283,000	\$ 273,376	\$ (9,624)
5800 State Program Revenues	3,000	3,000	11,996	8,996
5900 Federal Program Revenues	305,000	351,000	359,223	8,223
5020 Total Revenues	591,000	637,000	644,595	7,595
EXPENDITURES:				
0035 Food Services	591,622	676,622	582,409	94,213
6030 Total Expenditures	591,622	676,622	582,409	94,213
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	(622)	(39,622)	62,186	101,808
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	35,000	-	(35,000)
1200 Net Change in Fund Balances	(622)	(4,622)	62,186	66,808
0100 Fund Balance - September 1 (Beginning)	23,439	23,439	23,439	-
3000 Fund Balance - August 31 (Ending)	\$ 22,817	\$ 18,817	\$ 85,625	\$ 66,808

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, 2017

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)	
	Original	Final			
REVENUES:					
5700	Total Local and Intermediate Sources	\$ 2,684,500	\$ 3,044,500	\$ 3,065,768	\$ 21,268
5800	State Program Revenues	65,000	65,000	71,628	6,628
5020	Total Revenues	2,749,500	3,109,500	3,137,396	27,896
EXPENDITURES:					
Debt Service:					
0071	Principal on Long Term Debt	1,045,000	1,045,000	1,045,000	-
0072	Interest on Long Term Debt	1,240,000	1,240,000	1,238,294	1,706
0073	Bond Issuance Cost and Fees	5,000	6,000	5,175	825
6030	Total Expenditures	2,290,000	2,291,000	2,288,469	2,531
1200	Net Change in Fund Balances	459,500	818,500	848,927	30,427
0100	Fund Balance - September 1 (Beginning)	1,922,136	1,922,136	1,922,136	-
3000	Fund Balance - August 31 (Ending)	\$ 2,381,636	\$ 2,740,636	\$ 2,771,063	\$ 30,427

FEDERAL AWARDS SECTION

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

Independent Auditor's Report

Board of Trustees
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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 3, 2018.

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.

Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "Wilf & Henderson, P.C." with a small vertical line above the ampersand.

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

January 3, 2018

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Independent Auditor's Report

Board of Trustees
Pleasant Grove Independent School District
8500 North Kings Highway
Pleasant Grove, 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 *OMB 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, 2017. 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 federal statutes, regulations, and the terms and conditions of its federal awards 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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, 2017.

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 the Uniform Guidance, 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

January 3, 2018

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2017**

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 unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the 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 Uniform Guidance.
- e. The type of report the auditor issued on compliance for major programs was an unmodified 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 Uniform Guidance.
- g. The programs tested as major programs were:

IDEA - Part B, Formula	CFDA# 84.027
IDEA - Part B, Preschool	CFDA# 84.173
- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Pleasant Grove Independent School District was 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, 2017**

There were no prior year audit findings or questioned costs.

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

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, 2017

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	17-610101019912	\$ 168,141
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101019912	11,077
Total CFDA Number 84.010A			179,208
*IDEA - Part B, Formula	84.027	17-6600010199126600	353,051
*IDEA - Part B, Formula	84.027	18-6600010199126600	17,765
Total CFDA Number 84.027			370,816
*IDEA - Part B, Preschool	84.073	17-6600010199126610	6,141
Total Special Education Cluster (IDEA)			376,957
Career and Technical - Basic Grant	84.048	17-420006019912	13,117
ESEA, Title II, Part A, Teacher/Principal Training	84.367A	17-694500019912	28,307
Total Passed Through State Department of Education			597,609
TOTAL U.S. DEPARTMENT OF EDUCATION			597,609
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program - Cash Assistance	10.553	N/A	61,025
*School Breakfast Program - Non-Cash Assistance	10.553	N/A	7,067
Total CFDA Number 10.553			68,092
*National School Lunch Program - Cash Assistance	10.555	N/A	260,220
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	30,311
Total CFDA Number 10.555			290,531
Total Child Nutrition Cluster			359,223
Total Passed Through the State Department of Agriculture			359,223
TOTAL U.S. DEPARTMENT OF AGRICULTURE			359,223
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 956,832

*Clustered Programs as required by Compliance Supplement April 2017

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2017**

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 Uniform Guidance 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.

A reconciliation of federal program revenues and expenditures is as follows:

General Fund	19,503
Other Special Revenue Funds	<u>956,832</u>
Sub -total	976,335
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	<u>(19,503)</u>
 Total Federal Program Expenditures	 <u>956,832</u>