PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

AUGUST 31, 2018

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2018

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CERTIFICATE OF BOARD

Pleasant Grove Independent School District	Bowie	019-912
Name of School District	County	Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one) _________ approved _______ disapproved for the year ended August 31, 2018 at a meeting of the Board of Trustees of such school district on the ________of January, 2019.

_________________________________ Signature of Board Secretary

_________________________________ Signature of Board President

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

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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

Independent Auditors' 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, 2018, 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.

1810 Galleria Oaks • Texarkana, Texas 75503 • 903-793-5646 • FAX 903-792-7630 • www.wilhen.com

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, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note A to the financial statements during fiscal year 2018, the District adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions.* Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-12, budgetary comparison information on page 55, schedule of the District's proportionate share of the net pension liability (TRS) on page 56, schedule of District's contributions to TRS on page 57, schedule of the District's proportionate share of the OPEB liability (TRS) on page 58, and schedule of District's contributions to TRS OPEB plan on page 59 to 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 Unites States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated January 18, 2019 on our consideration of the Pleasant Grove Independent School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pleasant Grove Independent School District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

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

January 18, 2019

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, 2018. 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 $22,829,233 was generated in tax, other local, state, and federal revenues, and other sources for governmental funds.
- During the year, the District's expenditures totaled $23,031,485, of which $4,174,109 was expenditures for debt service.
- The General Fund ended the year with a fund balance of $6,945,414, which includes $807,000 in committed and $1,000,000 in assigned fund balance.
- The District's government-wide total combined net position decreased $($6,874,171) 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 2017-2018 increased $21,768,519.

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. 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.

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB).* With GASB 75, the District must assume their proportionate share of the Net OPEB Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is ($10,848,888).

The Statement of Net Position includes the District's portion of the Teacher Retirement System (TRS) net OPEB liability as a result of the implementation of GASB 75 in the current year 2018 only. The financials also reflect deferred outflows and inflows of resources to record the liability. The information is not available for the prior year 2017 financial statements.

Table I
Pleasant Grove Independent School District
NET POSITION

	Governmental Activities 2017	Governmental Activities 2018	Total % Change
Current and other assets	9,589,297	31,610,101	229.64%
Capital assets	43,938,260	42,220,554	-3.91%
Total Assets	53,527,557	73,830,655	37.93%
Deferred outflows of resources	3,880,826	3,479,101	-10.35%
Other liabilities	1,189,311	1,970,087	65.65%
Long-term liabilities	34,462,666	51,741,620	50.14%
TRS net pension liability	3,245,771	2,921,232	-10.00%
TRS net OPEB liability	-	6,187,012	100.00%
Total Liabilities	38,897,748	62,819,951	61.50%
Deferred inflows of resources	187,068	3,034,784	1522.29%
Net Position:			
Net Investment in Capital Assets	11,693,931	12,500,561	6.90%
Restricted	2,862,627	2,296,226	-19.79%
Unrestricted	3,767,009	(3,341,766)	188.71%
Total Net Position	18,323,567	11,455,021	-37.48%

As of August 31, 2018, the District's assets exceed liabilities by $11,449,396, in which $12,494,936 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding. $2,296,226 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 ($3,341,766) 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 $16,123,266 and the amount of these activities that our taxpayers paid for through property taxes was $12,823,166 or 79%.

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

	Governmental Activities 2017	Governmental Activities 2018	Total % Change
Revenues:			
Program Revenues:			
Charges for services	806,765	555,918	-31.09%
Operating grants and contributions	1,802,808	(1,370,227)	-176.01%
General Revenues:			
Property taxes	12,448,185	12,823,166	3.01%
Grants & contributions not restricted	6,691,198	6,710,138	0.28%
Interest Earnings	68,814	198,781	188.87%
Other general revenues	165,663	665,693	301.84%
Gain on sale of property	-	514,514	100.00%
Total Revenues	21,983,433	20,097,983	-8.58%
Expenses:			
Instruction	11,377,289	7,639,719	-32.85%
Instructional Resources and Media Services	127,262	95,701	-24.80%
Curriculum and Staff Development	56,953	17,587	-69.12%
Instructional Leadership	182,078	103,337	-43.25%
School Leadership	1,130,641	736,986	-34.82%
Guidance, Counseling and Evaluation Services	546,783	332,531	-39.18%
Health Services	161,789	94,513	-41.58%
Student (Pupil) Transportation	157,656	139,351	-11.61%
Food Services	635,390	890,413	40.14%
Cocurricular/Extracurricular Activities	1,506,343	1,511,824	0.36%
General Administration	1,031,306	716,888	-30.49%
Plant Maintenance and Operations	2,110,327	1,753,734	-16.90%
Security and Monitoring Services	97,403	68,606	-29.56%
Data Processing Services	106,718	170,270	59.55%
Debt Service - Interest on Long Term Debt	1,058,016	1,197,326	13.17%
Debt Service - Bond Issuance Cost and Fees	5,475	255,868	4573.39%
Payments to Fiscal Agents/Member Districts	209,775	213,071	1.57%
Other Intergovernmental Charges	148,435	179,916	21.21%
Total Expenses	20,649,639	16,117,641	-21.95%
Increase (Decrease) in Net Position	1,333,794	3,980,342	198.42%
Net Position Beginning of Year	16,989,773	18,323,567	7.85%
Prior Period Adjustment	-	(10,848,888)	-100.00%
Net Position End of Year	18,323,567	11,455,021	-37.48%

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 2017	Governmental Funds 2018	Total $ Change	Total % Change
Revenues:				
Local and Intermediate Sources	$ 13,506,715	$ 14,215,052	$ 708,337	5.24%
State Program Revenues	7,358,495	7,552,633	194,138	2.64%
Federal Program Revenues	976,335	1,061,548	85,213	8.73%
Total Revenues	21,841,545	22,829,233	987,688	4.52%
Expenditures:				
Instruction	10,295,084	10,571,229	276,145	2.68%
Instructional resources & media services	116,456	121,660	5,204	4.47%
Curriculum and instructional staff development	91,174	25,633	(65,541)	-71.89%
Instructional leadership	164,346	157,880	(6,466)	-3.93%
School leadership	1,023,081	1,053,995	30,914	3.02%
Guidance, counseling and evaluation services	493,644	508,241	14,597	2.96%
Health services	147,272	142,797	(4,475)	-3.04%
Student (Pupil) transportation	143,757	183,757	40,000	27.82%
Food services	582,409	835,386	252,977	43.44%
Extracurricular activities	1,391,432	1,632,859	241,427	17.35%
General administration	937,632	952,608	14,976	1.60%
Facilities maintenance & operations	1,949,908	1,945,201	(4,707)	-0.24%
Security & monitoring services	90,794	67,407	(23,387)	-25.76%
Data processing services	98,035	265,736	167,701	171.06%
Debt services	2,503,981	4,174,109	1,670,128	66.70%
Payments to fiscal agent/member of SSA	209,775	213,071	3,296	1.57%
Other intergovernmental charges	148,435	179,916	31,481	21.21%
Total Expenditures	20,387,215	23,031,485	2,644,270	12.97%
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	1,454,330	(202,252)	(1,656,582)	-113.91%
Other Financing Sources (Uses)				
Capital Related Debt Issued (Regular Bonds)	-	17,945,000	17,945,000	100.00%
Sale of Real and Personal Property	-	1,198,808	1,198,808	100.00%
Transfers In	906,530	27,000	(879,530)	-97.02%
Premium or Discount on Issuance of Bonds	-	2,266,349	2,266,349	100.00%
Transfers Out	(906,530)	(27,000)	879,530	97.02%
Total Other Financing Sources (Uses)	-	21,410,157	21,410,157	100.00%
Net Change in Fund Balances	1,454,330	21,207,905	19,753,575	1358.26%
Fund Balance - Beginning of Year	6,821,590	8,275,920	1,454,330	21.32%
Fund Balance - End of Year	$ 8,275,920	$ 29,483,825	21,207,905	256.26%

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 $29,483,825. 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)
$ 1,198,808 is committed for future construction (General Fund)
$ 1,000,000 is assigned for facility improvements (General Fund)
$ 20,012,762 is restricted for capital acquisition (Capital Projects Fund)
$ 2,271,119 is restricted for retirement of long-term debt (Debt Service Fund)
$ 25,821 is restricted for state/federal programs, and other local sources (Special Revenue Fund)
$ 223,084 is committed for campus activity funds (Special Revenue Fund)

The restricted, committed, and assigned funds total $25,544,2219, leaving unassigned funds of $3,939,606.

The District's combined fund balance increased from the prior year by $21,202,280. 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 30% 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	140,000
Increase in state program revenues	21,425
(Increase) in instruction expenditures	(211,196)
(Increase) in instructional resources and media services expenditures	(7,824)
(Increase) in curriculum and instructional staff development expenditure	(15,784)
Decrease in instructional leadership expenditures	2,430
(Increase) in school leadership expenditures	(40,061)
Decrease in guidance, counseling and evaluation services expenditures	3,447
(Increase) in health services expenditures	(4,820)
(Increase) in student (pupil) transportation expenditures	(75,800)
(Increase) in extracurricular activities expenditures	(107,440)
(Increase) in general administration expenditures	(130,798)
(Increase) in facilities maintenance and operations expenditures	(22,600)
Decrease in security and monitoring services expenditures	6,940
(Increase) in data processing services expenditures	(121,060)
Decrease in other intergovernmental changes	8,555
	(554,586)
Food Service Fund:	
(Increase) in food services expenditures	(75,000)
Debt Service Fund:	
(Increase) in debt service expenditures	(1,498,747)

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has $42,220,554 invested in capital assets. The District purchased videoboard for $123,493, new server hardware and software for $47,759, and installed fiber optic lines for $11,595. The District also sold a piece of land that had cost of $684,294.

The District plans for future capital asset acquisitions of secure door entry points at all campuses and central services, and upgraded technology infrastructure in FY 2019.

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 final payment of $210,000 was made in fiscal year 2018.

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 $5,025,000 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 $6,740,000 with final payment in 2032. The District made an additional principal payment of $1,370,000 in fiscal year 2018.

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 $8,125,000 with final payment in 2027.

On May 8, 2018, the taxpayers of the District approved a bond issue to construct, equip and renovate school buildings in the District and to pay the costs associated with the issuance of the Bonds. On June 26, 2018, the District issue $17,945,000 of Unlimited Tax School Building Bonds, Series 2018. The stated interest rates range from 3.00% to 5.00%. The final payment on the bonds will be made February 15, 2043.

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 $1,300,000 with final payment in 2028.

Other obligations of the school district include the additional days worked beyond commitment leave liability in the amount of $58,542, and accumulated local personal leave benefit upon retirement liability in the amount of $34,200.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES (CLIENT UPDATE FOR FY 2018-2019)

The District's board of trustees adopted a budget of $21,290,111 for the school year 2018-2019 with the tax rate of $1.455. This tax rate is an increase of 1% over the prior year tax rate, of which $1.09 to be used for maintenance and operations and $0.365 to be used for retirement of debt.

State funding for 2018-19 is budgeted at $7,309,234, which includes revenue for students in attendance in average of 2,044.

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, 2018

Data Control Codes		Primary Government Governmental Activities
	ASSETS	
1110	Cash and Cash Equivalents	$ 30,429,847
1220	Property Taxes - Delinquent	386,865
1230	Allowance for Uncollectible Taxes	(179,835)
1240	Due from Other Governments	973,224
	Capital Assets:	
1510	Land	1,274,180
1520	Buildings and Improvements, Net	40,637,689
1530	Furniture and Equipment, Net	308,685
1000	Total Assets	73,830,655
	DEFERRED OUTFLOWS OF RESOURCES	
1701	Deferred Charge for Refunding	1,910,498
1705	Deferred Outflow Related to TRS Pension	1,475,421
1706	Deferred Outflow Related to TRS OPEB	93,182
1700	Total Deferred Outflows of Resources	3,479,101
	LIABILITIES	
2110	Accounts Payable	328,705
2140	Accrued Interest Payable	50,841
2150	Payroll Deductions and Withholdings	4,154
2160	Accrued Wages Payable	937,921
2180	Due to Other Governments	610,051
2300	Unearned Revenue	38,415
	Noncurrent Liabilities:	
2501	Due Within One Year	1,415,000
2502	Due in More Than One Year	50,326,620
2540	Net Pension Liability (District's Share)	2,921,232
2545	Net OPEB Liability (District's Share)	6,187,012
2000	Total Liabilities	62,819,951
	DEFERRED INFLOWS OF RESOURCES	
2605	Deferred Resource Inflow Related to TRS Pension	446,745
2606	Deferred Resource Inflow Related to TRS OPEB	2,588,039
2600	Total Deferred Inflows of Resources	3,034,784
	NET POSITION	
3200	Net Investment in Capital Assets	12,500,561
3820	Restricted for Federal and State Programs	188
3850	Restricted for Debt Service	2,270,405
3890	Restricted for Other Purposes	25,633
3900	Unrestricted	(3,341,766)
3000	Total Net Position	$ 11,455,021

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, 2018

Data Control Codes		1	3	4	6
			Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities
	Primary Government:				
	GOVERNMENTAL ACTIVITIES:				
11	Instruction	$ 7,639,719	$ 55,104	$ (1,033,352)	$ (8,617,967)
12	Instructional Resources and Media Services	95,701	-	(17,257)	(112,958)
13	Curriculum and Instructional Staff Development	17,587	-	(4,465)	(22,052)
21	Instructional Leadership	103,337	-	(24,457)	(127,794)
23	School Leadership	736,986	-	(170,296)	(907,282)
31	Guidance, Counseling and Evaluation Services	332,531	-	(18,733)	(351,264)
33	Health Services	94,513	-	(28,588)	(123,101)
34	Student (Pupil) Transportation	139,351	-	(31,232)	(170,583)
35	Food Services	890,413	287,052	380,878	(222,483)
36	Extracurricular Activities	1,511,824	213,762	(99,214)	(1,397,276)
41	General Administration	716,888	-	(126,803)	(843,691)
51	Facilities Maintenance and Operations	1,753,734	-	(172,294)	(1,926,028)
52	Security and Monitoring Services	68,606	-	(1,805)	(70,411)
53	Data Processing Services	170,270	-	(22,609)	(192,879)
72	Debt Service - Interest on Long-Term Debt	1,197,326	-	-	(1,197,326)
73	Debt Service - Bond Issuance Cost and Fees	255,868	-	-	(255,868)
93	Payments Related to Shared Services Arrangements	213,071	-	-	(213,071)
99	Other Intergovernmental Charges	179,916	-	-	(179,916)
[TP]	TOTAL PRIMARY GOVERNMENT:	$ 16,117,641	$ 555,918	$ (1,370,227)	(16,931,950)

Data Control Codes		
	General Revenues:	
	Taxes:	
MT	Property Taxes, Levied for General Purposes	9,702,928
DT	Property Taxes, Levied for Debt Service	3,120,238
GC	Grants and Contributions not Restricted	6,710,138
IE	Investment Earnings	198,781
MI	Miscellaneous Local and Intermediate Revenue	665,693
S2	Gain on Sale of Property	514,514
TR	Total General Revenues & Special Items	20,912,292
CN	Change in Net Position	3,980,342
NB	Net Position - Beginning	18,323,567
PA	Prior Period Adjustment	(10,848,888)
NE	Net Position--Ending	$ 11,455,021

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	ASSETS			
1110	Cash and Cash Equivalents	$ 7,955,263	$ 2,248,753	$ 20,018,387
1220	Property Taxes - Delinquent	293,020	93,845	-
1230	Allowance for Uncollectible Taxes	(136,117)	(43,718)	-
1240	Due from Other Governments	651,631	6,522	-
1260	Due from Other Funds	101,314	16,595	-
1000	Total Assets	$ 8,865,111	$ 2,321,997	$ 20,018,387
	LIABILITIES			
2110	Accounts Payable	$ 232,927	$ 751	$ -
2150	Payroll Deductions and Withholdings Payable	4,154	-	-
2160	Accrued Wages Payable	891,127	-	-
2170	Due to Other Funds	-	-	-
2180	Due to Other Governments	610,051	-	-
2300	Unearned Revenue	24,535	-	-
2000	Total Liabilities	1,762,794	751	-
	DEFERRED INFLOWS OF RESOURCES			
2601	Unavailable Revenue - Property Taxes	156,903	50,127	-
2600	Total Deferred Inflows of Resources	156,903	50,127	-
	FUND BALANCES			
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3480	Retirement of Long-Term Debt	-	2,271,119	-
3490	Other Restricted Fund Balance	-	-	20,018,387
	Committed Fund Balance:			
3510	Construction	1,198,808	-	-
3525	Retirement of Loans or Notes Payable	207,000	-	-
3530	Capital Expenditures for Equipment	600,000	-	-
3545	Other Committed Fund Balance	-	-	-
	Assigned Fund Balance:			
3550	Construction	1,000,000	-	-
3600	Unassigned Fund Balance	3,939,606	-	-
3000	Total Fund Balances	6,945,414	2,271,119	20,018,387
4000	Total Liabilities, Deferred Inflows & Fund Balances	$ 8,865,111	$ 2,321,997	$ 20,018,387

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

Other Funds	Total Governmental Funds
$ 207,444	$ 30,429,847
-	386,865
-	(179,835)
315,071	973,224
-	117,909
$ 522,515	$ 31,728,010
$ 95,027	$ 328,705
-	4,154
46,794	937,921
117,909	117,909
-	610,051
13,880	38,415
273,610	2,037,155
-	207,030
-	207,030
188	188
-	2,271,119
25,633	20,044,020
-	1,198,808
-	207,000
-	600,000
223,084	223,084
-	1,000,000
-	3,939,606
248,905	29,483,825
$ 522,515	$ 31,728,010

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
AUGUST 31, 2018

	Total Fund Balances - Governmental Funds	$	29,483,825
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 $63,512,564 and the accumulated depreciation was ($19,574,304). 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 ($34,462,666) 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. Note: Beginning Balances related to TRS are NOT included in this amount.		9,475,594
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. Additionally, current year disposals of fixed assets are recognized as revenue in the fund financial statements, but they should be shown as decrease in capital assets in the government-wide financial statements. The net effect of including the 2018 capital outlays, disposal of fixed assets and debt principal payments is to increase net position.		2,113,553
3	Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of $1,475,421, a deferred resource inflow of ($446,745), and a net pension liability in the aount of ($2,921,232). This resulted in a (decrease) in net position.		(1,892,556)
4	Included in the items related to debt is the recognition of the District's proportionate share of the net OPEB liability required by GASB 75. The net position related to TRS included a deferred resource outflow in the amount of $93,182, a deferred resource inflow in the amount of ($2,588,039), and a net OPEB liability in the amount of ($6,187,012). This resulted in a (decrease) in net position.		(8,681,869)
5	The 2018 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,216,259)
6	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 (decrease) net position.		(17,827,267)
19	**Net Position of Governmental Activities**	$	11,455,021

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 BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		10 General Fund	50 Debt Service Fund	60 Capital Projects
	REVENUES:			
5700	Total Local and Intermediate Sources	$ 10,087,076	$ 3,156,644	$ 48,525
5800	State Program Revenues	7,378,376	69,665	-
5900	Federal Program Revenues	33,730	-	-
5020	Total Revenues	17,499,182	3,226,309	48,525
	EXPENDITURES:			
	Current:			
0011	Instruction	9,838,151	-	-
0012	Instructional Resources and Media Services	121,660	-	-
0013	Curriculum and Instructional Staff Development	25,633	-	-
0021	Instructional Leadership	157,880	-	-
0023	School Leadership	1,053,995	-	-
0031	Guidance, Counseling and Evaluation Services	447,508	-	-
0033	Health Services	142,797	-	-
0034	Student (Pupil) Transportation	183,757	-	-
0035	Food Services	-	-	-
0036	Extracurricular Activities	1,115,801	-	-
0041	General Administration	952,608	-	-
0051	Facilities Maintenance and Operations	1,945,201	-	-
0052	Security and Monitoring Services	67,407	-	-
0053	Data Processing Services	265,736	-	-
	Debt Service:			
0071	Principal on Long-Term Debt	175,000	2,440,000	-
0072	Interest on Long-Term Debt	31,219	1,272,022	-
0073	Bond Issuance Cost and Fees	150	14,231	241,487
	Intergovernmental:			
0093	Payments to Fiscal Agent/Member Districts of SSA	213,071	-	-
0099	Other Intergovernmental Charges	179,916	-	-
6030	Total Expenditures	16,917,490	3,726,253	241,487
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	581,692	(499,944)	(192,962)
	OTHER FINANCING SOURCES (USES):			
7911	Capital Related Debt Issued (Regular Bonds)	-	-	17,945,000
7912	Sale of Real and Personal Property	1,198,808	-	-
7915	Transfers In	-	-	-
7916	Premium or Discount on Issuance of Bonds	-	-	2,266,349
8911	Transfers Out (Use)	(27,000)	-	-
7080	Total Other Financing Sources (Uses)	1,171,808	-	20,211,349
1200	Net Change in Fund Balances	1,753,500	(499,944)	20,018,387
0100	Fund Balance - September 1 (Beginning)	5,191,914	2,771,063	-
3000	Fund Balance - August 31 (Ending)	$ 6,945,414	$ 2,271,119	$ 20,018,387

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

Other Funds	Total Governmental Funds
$ 922,807	$ 14,215,052
104,592	7,552,633
1,027,818	1,061,548
2,055,217	22,829,233
733,078	10,571,229
-	121,660
-	25,633
-	157,880
-	1,053,995
60,733	508,241
-	142,797
-	183,757
835,386	835,386
517,058	1,632,859
-	952,608
-	1,945,201
-	67,407
-	265,736
-	2,615,000
-	1,303,241
-	255,868
-	213,071
-	179,916
2,146,255	23,031,485
(91,038)	(202,252)
-	17,945,000
-	1,198,808
27,000	27,000
-	2,266,349
-	(27,000)
27,000	21,410,157
(64,038)	21,207,905
312,943	8,275,920
$ 248,905	$ 29,483,825

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, 2018

Total Net Change in Fund Balances - Governmental Funds	$ 21,207,905
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. Additionally, current year disposals of fixed assets are recognized as revenue in the fund financial statements, but they should be shown as decrease in capital assets in the government-wide financial statements. The net effect of removing the 2018 capital outlays, debt principal payments, and disposals of fixed asset is to increase net position.	2,113,553
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.	(1,216,259)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to (decrease) net position.	(20,071,930)
GASB 68 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in net position to increase by $309,510. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a (decrease) in net position totaling ($299,428). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by ($230,028). The net result is a (decrease) in the change in net position.	(219,946)
GASB 75 required that certain plan expenditures be de-expended and recorded as deferred resource outflows. These contributions made after the measurement date of the plan caused the change in ending net position to increase by $92,213. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net pension liability. This caused a decrease in net position totaling ($73,969). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense increased increased the change in net position by $2,148,775. The net result is an increase in the change in net position.	2,167,019
Change in Net Position of Governmental Activities	$ 3,980,342

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, 2018

	Agency Fund
ASSETS	
Cash and Cash Equivalents	$ 24,562
Total Assets	$ 24,562
LIABILITIES	
Due to Student Groups	$ 24,562
Total Liabilities	$ 24,562

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

Note A. Summary of Significant Accounting Policies

Pleasant Grove Independent School District (the "District") is a public educational agency operating under the applicable laws and regulations of the State of Texas. It is governed by a seven member Board of Trustees (the "Board") elected by registered voters of the District. The District prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board "(GASB)" and other authoritative sources identified in *Statement on Auditing Standards No. 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.

Other Post-Employment Benefits. The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan 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 OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as you-go plan and all cash is held in a cash account.

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.

Pleasant Grove Independent School District implemented Governmental Accounting Standards Board (GASB) Number 75 *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB)* to assume its proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas (TRS) in the current year.

1. Reporting Entity

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

2. Government-Wide and Fund Financial Statements

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

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

Interfund activities between governmental funds appear as due to/due froms on the Governmental Fund Balance Sheet and as other resources and other uses on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due froms on the government-wide Statement of Activities.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and fiduciary. Since the resources in the fiduciary funds cannot be used for District operations, they are not included in the government-wide statements. The District considers some governmental funds major and reports their financial condition and results of operations in a separate column.

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

The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. Revenues are considered to be available when they are collectible, if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept, that is, when they are both measurable and available. The District considers them available if they will be collected within 60 days of the end of the fiscal year. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometime require the District to refund all or part of the unused amount.

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

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.

Capital Projects Fund – This fund is established to account for proceeds from long-term debt financing and revenues and expenditures related to authorized construction and other capital asset acquisitions.

Additionally, the District reports the following fund types:

Governmental Fund Type:

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

Fiduciary Fund Type:

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

5. **Cash Equivalents**

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

6. **Investments**

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

7. **Inventories**

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

8. **Asset Capitalization and Useful Lives**

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

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

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

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

9. **Compensated Absences**

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

10. **Long-Term Debt**

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

11. **Fund Equity**

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

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

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

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

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

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

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

12. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

13. Health Care Coverage

During the year ended August 31, 2018, 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, 2018, 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 $2 million. The Fund uses the services of an independent actuary to determine reserve adequacy and fully funds those reserves.

As of August 31, 2017, the Fund carries a discounted reserve of $49,076,113 for future development on reported claims and claims that have been incurred but not yet reported. For the year ended August 31, 2018, 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, 2017 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 @ 5/31/2018	District's Aggregate Liability	Paid Loss & ALAE @ 8/31/2018	Ultimate Loss & ALAE @ 8/31/2018	Outstanding Loss & ALAE 8/31/2018
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	-
2016-17	10	46,753	48,471	46,753	-
2017-18	9	47,557	22,388	47,557	25,169

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.

The details for this element are as follows:

	Amount	Adjustments to Net Position
Adjustments to Revenue and Unavailable Revenue		
Uncollected taxes (assumed collectible) from prior year levies	90,327	
Uncollected taxes (assumed collectible) from current year levy	116,703	
Total Adjustments to Revenue and Unavailable Revenue		207,030
Adjustments Associated with Long-Term Debt		
Decrease in compensated absences liability for current year	4,998	
Interest accrued on bonds payable for current year	(50,841)	
Deferred charge on refunding, net - beginning of year	2,120,597	
Amortization of deferred charge on refunding note and bond	(210,099)	
Amortization of premium/discount on bonds for current year	312,397	
Issuance of bonds payable for current year	(17,945,000)	
Premium of new bonds payable	(2,266,349)	
Total Adjustments to Long-Term Debt		(18,034,297)
Net Adjustments to Net Position - (Decrease)		(17,827,267)

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.

The details for this element are as follows:

	Amount	Adjustments to Changes in Net Position
Adjustments to Revenue and Unavailable Revenue		
Taxes collected from prior year levies	(88,197)	
Uncollected taxes (assumed collectible) from current year levy	116,703	
Total Adjustments to Revenue and Unavailable Revenue		28,506
Adjustments Associated with Long-Term Debt		
Decrease in compensated absences liability	4,998	
Decrease in accrued interest payable	3,617	
Amortization of deferred charge on refunding note and bond	(210,099)	
Amortization of premium/discount for current year	312,397	
Issuance of bonds payable for current year	(17,945,000)	
Premium of new bonds payable	(2,266,349)	
Total Adjustments to Long-Term Debt		(20,100,436)
Net Adjustments to Changes in Net Position - (Decrease)		(20,071,930)

Note C. <u>Stewardship, Compliance and Accountability</u>

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	140,000
Increase in state program revenues	21,425
(Increase) in instruction expenditures	(211,196)
(Increase) in instructional resources and media services expenditures	(7,824)
(Increase) in curriculum and instructional staff development expenditure	(15,784)
Decrease in instructional leadership expenditures	2,430
(Increase) in school leadership expenditures	(40,061)
Decrease in guidance, counseling and evaluation services expenditures	3,447
(Increase) in health services expenditures	(4,820)
(Increase) in student (pupil) transportation expenditures	(75,800)
(Increase) in extracurricular activities expenditures	(107,440)
(Increase) in general administration expenditures	(130,798)
(Increase) in facilities maintenance and operations expenditures	(22,600)
Decrease in security and monitoring services expenditures	6,940
(Increase) in data processing services expenditures	(121,060)
Decrease in other intergovernmental changes	8,555
	(554,586)
Food Service Fund:	
(Increase) in food services expenditures	(75,000)
Debt Service Fund:	
(Increase) in debt service expenditures	(1,498,747)

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, 2018 Fund Balance
Appropriated Budget Funds - Food Service Special Revenue Fund	188
Non appropriated Budget Funds	248,717
All Nonmajor Governmental Special Revenue Funds	248,905

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, 2018 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Balance Sheet Total	Fiduciary Funds
Cash and Certificates of Deposit	3,448,240	(1,443,891)	20,018,387	(744,289)	21,278,447	24,562
Temporary Investments	4,507,023	3,692,644	-	951,733	9,151,400	-
Total	7,955,263	2,248,753	20,018,387	207,444	30,429,847	24,562

The District's cash deposits at August 31, 2018 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, 2018, Pleasant Grove Independent School District had the following investments:

		Investment Maturities (in years)			
	Fair	Less			More
Investment Type	Value*	than 1	1-5	6-10	than 10
Investment Pools **					
Lone Star ***	3,669,612	3,669,612			
TexStar ***	5,481,788	5,481,788			
Total	9,151,400	9,151,400			

*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, 2018, 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, 2017 upon which the levy for the 2018 fiscal year was based was $896,213,732. The tax rates levied for the year ended August 31, 2018, 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, 2018, were as follows:

	Property Taxes	Other Governments	Other Funds	Total Receivables
Governmental Activities:				
General Fund	293,020	651,631	101,314	1,045,965
Debt Service	93,845	6,522	16,595	116,962
Nonmajor Governmental Funds				-
(Special Revenue)	-	315,071	-	315,071
Total - Governmental Activities	386,865	973,224	117,909	1,477,998
Amounts not scheduled for collection during the subsequent year	(179,835)	-	-	(179,835)

Payables at August 31, 2018, were as follows:

	Accounts Payable	Salaries/ Benefits	Other Governments	Other Funds	Total Payables
Governmental Activities:					
General Fund	232,927	895,281	610,051	-	1,738,259
Debt Service	751	-	-	-	751
Nonmajor Governmental Funds (Special Revenue)	95,027	46,794	-	117,909	259,730
Total - Governmental Activities	328,705	942,075	610,051	117,909	1,998,740

Note H. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2018, was as follows below. The District purchased videoboards for $123,493, new server software and hardware for $47,759, and paid to install fiber optic internet to the District at a total cost of $11,595. The District sold a piece of land for a total cost of $684,294. The District sold land invested at Bringle Lake for a price of $1,198,808.

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	1,958,474	-	(684,294)	1,274,180
Building and Improvements	59,028,238	-	-	59,028,238
Furniture and Equipment	2,525,852	182,847	-	2,708,699
Totals at Historic Cost	63,512,564	182,847	(684,294)	63,011,117
Less Accumulated Depreciation for:				
Buildings and Improvements	(17,260,589)	(1,129,960)	-	(18,390,549)
Furniture and Equipment	(2,313,715)	(86,299)	-	(2,400,014)
Total Accumulated Depreciation	(19,574,304)	(1,216,259)	-	(20,790,563)
Governmental Activities, Net:				
Land	1,958,474	-	(684,294)	1,274,180
Building and Improvements	41,767,649	(1,129,960)	-	40,637,689
Furniture and Equipment	212,137	96,548	-	308,685
Capital Assets, Net	43,938,260	(1,033,412)	(684,294)	42,220,554

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	696,333
Instructional Resources and Media Services	8,014
Curriculum Development and Instructional Staff	1,688
Instructional Development	10,400
School Leadership	69,427
Guidance, Counseling and Evaluation Services	33,478
Health Services	9,406
Student (Pupil) Transportation	12,104
Food Services	55,027
Cocurricular/Extracurricular Activities	107,557
General Administration	62,749
Plant Maintenance and Operations	128,131
Security and Monitoring Service	4,440
Data Processing Services	17,505
Total Depreciation Expense - Governmental Activities	1,216,259

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, 2018, the District paid $175,000 in principal, $31,219 in interest, and $150 in fees.

A summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2018 is as follows:

Purpose	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2017	Issued	Retired	Amounts Outstanding 8/31/2018
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	1,475,000	-	175,000	1,300,000
			1,475,000	-	175,000	1,300,000

Maintenance Tax Note Obligations requirements are as follows:

Year Ended August 31	Maintenance Tax Note Obligations Principal	Interest	Total Requirements
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	110,000	14,175	124,175
2034 - 2028	575,000	32,794	607,794
	1,300,000	134,326	1,434,326

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 $12,983 at August 31, 2018. Amortization of $3,018 is reflected in the Statement of Activities for the year ended August 31, 2018.

Note J. Bonds Payable and Debt Service Requirements

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 October 10, 2017, the Board authorized the District to defease a portion of the outstanding bonds. The District deposited $1,488,247 into an escrow fund titled "Special Series 2013 Pleasant Grove Independent School District Unlimited Tax Refunding Bonds 2017 Defeasance Escrow Fund" with Regions Bank, Houston, Texas. The defeased bonds are called for redemption and shall be redeemed on February 15, 2023, at the price of par and accrued interest to the date of redemption. The aggregate principal amount defeased is $1,370,000. The cost of the defeasance to the District was $10,500. The total amount of savings resulting from this transaction is $530,652.

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%.

On May 8, 2018, the taxpayers of the District approved a bond issue to construct, equip and renovate school buildings in the District and to pay the costs associated with the issuance of the Bonds. On June 26, 2018, the District issue $17,945,000 of Unlimited Tax School Building Bonds, Series 2018. The stated interest rates range from 3.00% to 5.00%. The final payment on the bonds will be made February 15, 2042. In the governmental fund financial statement, the bond proceeds are recognized as Other Financing Sources – Capital Related Debt Issued of $17,945,000, Premium or Discount on Issuance of Bonds of $2,266,349 and Bond Issuance Costs and Fees of $241,487.

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, 2018, the District paid $2,440,000 in principal, $1,272,022 in interest, and $14,201 in fees.

A summary of changes in bonded indebtedness for the year ended August 31, 2018 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 9/1/2017	Issuance / Accretion	Retired	Amounts Outstanding 8/31/2018
Unlimited Tax Refunding & School Bldg Bonds- Series 2005, due in annual installments through February 15, 2018	3.0-3.875%	4,315,000	210,000	-	210,000	-
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	5,550,000	-	525,000	5,025,000
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	-	1,370,000	6,740,000
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	-	335,000	8,125,000
Unlimited Tax School Bldg Bonds- Series 2018, due in annual installments through February 15, 2042	3.0-5.0%	17,945,000	-	17,945,000		17,945,000
			30,350,000	17,945,000	2,440,000	45,855,000

Bonded debt service requirements are as follows:

	General Obligation Bonds		
Year Ended August 31	Principal	Interest	Total Requirements
2019	1,250,000	2,005,297	3,255,297
2020	1,395,000	1,908,450	3,303,450
2021	1,510,000	1,844,200	3,354,200
2022	1,600,000	1,779,175	3,379,175
2023	1,690,000	1,716,375	3,406,375
2024 - 2028	10,480,000	7,335,950	17,815,950
2029 - 2033	11,755,000	4,878,050	16,633,050
2034 - 2038	6,995,000	3,143,925	10,138,925
2039 - 2042	9,180,000	1,198,250	10,378,250
	45,855,000	25,809,672	71,664,672

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 $2,227,280 at August 31, 2018. Bond premium/discount proceeds are deferred and amortized over the life of the bonds. Amortization of $312,397 is reflected in the Statement of Activities for the year ended August 31, 2018.

	Series 2010	Series 2013	Series 2014	Series 2015	Series 2018	Total
Premium on issuance of bonds	(180,041)	(602,200)	(574,064)	(1,183,372)	(2,266,349)	(4,806,026)
Current year amortization	35,702	43,898	55,915	176,882	-	312,397
Premium on issuance of bonds, net	(144,339)	(558,302)	(518,149)	(1,006,490)	(2,266,349)	(4,493,629)

The deferred charge on refunding bonds, net of accumulated amortization, totaled $1,897,513 at August 31, 2018. Amortization of $207,081 is reflected in the Statement of Activities for the year ended August 31, 2018. 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 incompliance with all significant limitations and restrictions at August 31, 2018.

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, 2018 totaled $58,542.

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, 2018 totaled $34,200.

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

Balance September 1, 2017	97,740
Additions	-
Deductions	(4,998)
Balance August 31, 2018	92,742

Note L. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2018, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes and Bonds Payable:					
Maintenance Tax Note Obligations	1,475,000	-	175,000	1,300,000	165,000
General Obligation Bonds	30,350,000	17,945,000	2,440,000	45,855,000	1,250,000
Premium/Discount on Issuance of Bonds, Net	2,539,926	2,266,349	312,397	4,493,878	-
Total Bonds and Notes Payable	34,364,926	20,211,349	2,927,397	51,648,878	1,415,000
Other Liabilities:					
Accumulated Leave Benefits Liability	97,740	-	4,998	92,742	-
Net Pension Liability	3,245,771	(25,111)	299,428	2,921,232	-
Net OPEB Liability	10,922,857	(4,661,876)	73,969	6,187,012	-
Total Other Liabilities	3,343,511	(25,111)	304,426	3,013,974	-
Total Governmental Activities Long-term Liabilities	37,708,437	20,186,238	3,231,823	54,662,852	1,415,000

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, 2018:

	Beginning Balance	Additions	Deduction	Ending Balance
Deferred charges on refunding notes	16,001	-	3,018	12,983
Deferred charges on refunding bonds:				
Series 2013	937,348	-	68,328	869,020
Series 2014	685,962	-	66,814	619,148
Series 2015	481,286	-	71,939	409,347
Total	2,120,597	-	210,099	1,910,498

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 2017 and 2018. Contribution rates can be found in the TRS 2017 CAFR, Note 12, on page 88.

Contribution Rates

	2017	2018
Member (Employees)	7.7%	7.7%
Employer (District)	6.8%	6.8%
Non-Employer Contributing Entity (State)	6.8%	6.8%
PGISD Member Contributions	868,034	854,685
PGISD Employer Contributions	299,428	309,510
PGISD NECE On-Behalf Contributions	626,869	626,869

Contributors to the plan include members, employers and the State of Texas as the only non-employer contributing entity. The State is the employer for senior colleges, medical schools and state agencies including TRS. In each respective the State contributes to the plan in accordance with state statute 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 (public school, junior college, and other entities or the State of Texas as the employer for senior universities and medical schools) are required to pay the employer contribution rate in the following instances:

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

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

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district does not contribute to the Federal Old-Age, Survivors and Disability 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017
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%
Municipal Bond Rate	N/A*
Last year ending August 31 in 2017 to 2116	
Projection period (100) years	
Inflation	2.0%
Salary Increases Including Inflation	3.5% to 9.5%
Ad hoc post-employment benefit changes	None

**If a municipal bond rate was to be used, the rate would be 3.42% as of August 2017 (i.e. the rate closest to but not Later than the Measurement date). The source for the rate is the Fixed Income Market Data/Yield Curve/Data Municipal Bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index."*

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 single discount rate used to measure the total pension liability was 8.0%. The Discount Rate can be found in the 2017 TRS CAFR on page 90. 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, 2017 are summarized below:

Asset Class	Target Allocation* %	Long-Term Expected Geometric Real Rate of Return	Expected Contribution to Long-Term Portfolio Returns**
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%	0.1%
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%

* *Target allocations are based on the FY2014 policy model. Infrastructure was moved from Real Assets to Energy and Natural Resources in FY2017, but the reallocation does not affect the long-term expected geometric real rate of return or expected contribution to long-term portfolio returns.*

** *The Expected Contribution to Long-Term Portfolio Returns incorporates the volatility drag resulting from the conversion between arithmetic and geometric mean returns.*

For the fiscal year ended August 31, 2017, the annual money-weighted rate of return on pension plan investments was 12.98 percent. The annual money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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 2017 Net Pension Liability. The discount rate can be found in the 2017 CAFR, Note 12, page 91.

	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	4,924,620	2,921,232	1,253,086

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2018, Pleasant Grove ISD reported a liability of $2,921,232 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	$ 2,921,232
State's proportionate share that is associated with the District	6,132,262
Total	$ 9,053,494

The net pension liability was measured as of August 31, 2017 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, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective net pension liability was 0.0091360987%, which was an increase of 0.0005467926 from its proportion measured as of August 31, 2016.

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, 2018, Pleasant Grove ISD recognized pension expense of $997,201 and revenue of $467,745 for support provided by the State.

At August 31, 2018, 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	$ 42,739	$ 157,538
Changes in actuarial assumptions	133,067	76,178
Difference between projected and actual investment earnings	-	212,893
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	990,105	136
Total as of August 31, 2017 measurement date	$ 1,165,911	$ 446,745
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	309,510	-
Total	$ 1,475,421	$ 446,745

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
2019	140,639
2020	327,109
2021	126,313
2022	63,657
2023	43,066
Thereafter	18,382
	$ 719,166

Note O. Defined Other Post-Employment Benefit Plan

Plan Description. Pleasant Grove Independent School District participates in the Texas Public School Retired Employees Group Insurance Program (TRS-Care). It is a multiple-employer, cost sharing defined Other Post-Employment Benefit (OPEB) plan that has a special funding situation. The plan is administered through a trust by the Teacher Retirement System of Texas (TRS) Board of Trustees. It is established and administered in accordance with the Texas Insurance Code, Chapter 1575.

OPEB Plan Fiduciary Net Position. Detail information about the TRS-Care's fiduciary net position is available in the separately-issued TRS 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.

Components of the net OPEB liability of the TRS-Care plan as of August 31, 2017 are as follows:

Net OPEB Liability	
Total OPEB Liability	$ 43,885,784,621
Less: plan fiduciary net position	399,535,986
Net OPEB Liability	$ 43,486,248,635
Net position as a percentage of total OPEB liability	0.92%

Benefits Provided. TRS-Care provides a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for the average retiree with Medicare Parts A&B coverage, with 20 to 29 years of service for the basic plan and the two optional plans.

TRS-Care Plan Premium Rates

Effective Sept. 1, 2016 - Dec. 31, 2017

	TRS-Care 1 Basic Plan	TRS-Care 2 Optional Plan	TRS-Care 3 Optional Plan
Retiree*	$ -	$ 70	$ 100
Retiree and Spouse	20	175	255
Retiree* and Children	41	132	182
Retiree and Family	61	237	337
Surviving Children only	28	62	82

Contributions. Contribution rates for the TRS-Care plan are established in state statute by the Texas Legislature, and there is no continuing obligation to provide benefits beyond each fiscal year. The TRS-Care plan is currently funded on a pay-as-you-go basis and is subject to change based on available funding. Funding for TRS-Care is provided by retiree premium contributions and contributions from the state, active employees, and school districts based upon public school district payroll. The TRS Board of trustees does not have the authority to set or amend contribution rates.

Texas Insurance Code 1575.202 establishes the state's contribution rate which is 1.0% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public. The actual employer contribution rate is prescribed by the Legislature in the General Appropriations Act. The following table shows contributions to the TRS-Care plan by type of contributor.

	2017	2018
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.00%	1.25%
Employers	0.55%	0.75%
Federal/private Funding remitted by Employers	1.00%	1.25%
PGISD's 2018 FY Member Contributions		72,149
PGISD's 2018 FY Employer Contributions		92,213
Measurement Year NECE On-behalf Contributions		106,126

In addition to the employer contributions listed above, there is an additional surcharge all TRS employers are subject to (*regardless of whether or not they participate in the TRS Care OPEB program).* When employers hire a TRS retiree, they are required to pay to TRS Care, a monthly surcharge of $535 per retiree.

TRS-Care received supplemental appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of $15.6 million in fiscal year 2017. House Bill 21 was passed in special session and provided a supplemental appropriation in the amount of $212 million in fiscal year 2018.

The District's proportionate share of the $212,000,000 received during the district's 2018 fiscal year is reported in the fund level financial statements as an on-behalf contribution as required by GASB 85 and GASB 24.

Actuarial Methods and Assumptions. The total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions: [Actuarial Assumptions can be found in the 2017 TRS CAFR, Note 10, page 82].

The actuarial valuation of TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including mortality, and most of the economic assumptions are identical to those which were adopted by the Board in 2015 and are based on the 2014 actuarial experience study of TRS.

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 2015 TRS of Texas Healthy Pensioner Mortality Tables.

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2017 TRS annual pension actuarial valuation:

Rates of Mortality	General Inflation
Rates of Retirement	Wage Inflation
Rates of Termination	Expected Payroll Growth
Rates of Disability Incidence	

Additional Actuarial Methods and Assumptions

Valuation Date	August 31, 2017
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.50%
Discount Rate*	3.42%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost.
Payroll Growth Rate	2.50%
Projected Salary Increases **	3.50% to 9.50%**
Healthcare Trend Rates***	4.50% to 12.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad-hoc post-employment benefit changes	None

**Source: Fixed income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2017.*

*** Includes Inflation at 2.50%*

**** Initial trend rates are 7.00% for non-Medicare retirees; 10.00% for Medicare retirees and 12.00% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 10 years.*

Discount Rate: A single discount rate of 3.42% was used to measure the total OPEB liability. There was a change of .44 percent in the discount rate since the previous year. The Discount Rate can be found in the 2017 TRS CAFR on page 83. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active 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 OPEB plan's fiduciary net position was projected to *not be able* to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability. ***The source of the municipal bond rate was Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of August 31, 2017.***

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.42%) in measuring the Net OPEB Liability. The current single discount rate (3.42%) used was for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

	1% Decrease in Discount Rate (2.42%)	Current Single Discount Rate (3.42%)	1% Increase in Discount Rate (4.42%)
PGISD's proportionate share of the Net OPEB Liability	7,302,210	6,187,012	5,290,644

Healthcare Cost Trend Rates Sensitivity Analysis. The following presents the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is one-percentage point lower or one-percentage point higher than the assumed healthcare cost trend rate.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	5,151,305	6,187,012	7,545,989

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2018, the District reported a liability of $6,187,012 for its proportionate share of the TRS's Net OPEB Liability. This liability reflects a reduction for State OPEB support provided to the District. The amount recognized by the District as its proportionate share of the net OPEB liability, the related State support, and the total portion of the net OPEB liability that was associated with the District were as follows:

District's proportionate share of the collective Net OPEB Liability	$ 6,187,012
State's proportionate share that is associated with the District	8,876,706
Total	$ 15,063,718

The Net OPEB Liability was measured as of August 31, 2017 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2016 thru August 31, 2017.

At August 31, 2017 the employer's proportion of the collective Net OPEB Liability was .0142275132% which was the same proportion measured as of August 31, 2016.

Changes Since the Prior Actuarial Valuation. The following were changes to the actuarial assumptions or other inputs that affected measurement of the Total OPEB liability since the prior measurement period:

The following assumptions and other inputs which are specific to TRS-Care were updated from the prior year's report:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.

2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.

3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.50 percent.

- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.

- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increase or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

For the year ended August 31, 2018, the District recognized OPEB expense of ($5,045,188) and revenue of ($2,970,382) for support provided by the State.

At August 31, 2018, the District reported its proportionate share of the TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 129,159
Changes in actuarial assumptions	-	2,458,880
Net Difference between projected and actual investment earnings	940	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	29	-
Total as of August 31, 2017 measurement date	969	2,588,039
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	92,213	-
Total as of August 31, 2018 fiscal year-end	$ 93,182	$ 2,588,039

The net amounts of the employer's balances of deferred outflows and inflows (not including the deferred contribution paid subsequent to the measurement date) of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended August 31:	OPEB Expense Amount
2019	$ (341,367)
2020	(341,367)
2021	(341,367)
2022	(341,367)
2023	(341,602)
Thereafter	(880,000)
	$ (2,587,070)

Note P. 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 2018-2016.

Contribution Rates and Contribution Amounts

	Active Member		State		School District	
Year	Rate	Amount	Rate	Amount	Rate	Amount
2018	0.65%	$72,148	1.25%	$138,747	0.75%	$72,902
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

Note Q. Medicare Part D (TRS)

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

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

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were $30,162 for the year ended August 31, 2018. 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.

Note R. Negative Operating Grants and Contributions – Statement of Activities

Expense activity is required to be recorded by districts who are participants in cost-sharing pension and OPEB benefit plans with a special funding situation where non-employer contributing entities (NECE) also participate in contributions to the plans. TRS-retirement and TRS-care benefit plans are both cost-sharing plans with special funding situations. Therefore, on-behalf expense activity of the NECE must be recorded at the government-wide level of reporting on the Statement of Activities in accordance with GASB 68 and 75.

During the year under audit, the NECE expense was negative due to changes in benefits within the TRS-care plan. The accrual for proportionate share of that expense was a negative on-behalf revenue and negative on-behalf expense. This resulted in negative revenue for operating grants and contributions on the Statement of Activities. According to guidance provided directly from GASB, this is the correct reporting.

Following are the effect on the Statement of Activities as a result of the negative on-behalf accruals recorded:

	Operating Grants and Contributions	Negative On-Behalf Accruals	Operating Grants and Contributions (excluding on-behalf accruals)
11 - Instruction	$ (1,033,352)	$ (2,046,402)	1,013,050
12 - Instructional Resources and Media Services	(17,257)	(20,482)	3,225
13 - Curriculum and Instructional Staff Development	(4,465)	(5,299)	834
21 - Instructional Leadership	(24,457)	(29,028)	4,571
23 - School Leadership	(107,296)	(202,125)	94,829
31 - Guidance, Counseling and Evaluation Services	(18,733)	(94,318)	75,585
33 - Health Services	(28,588)	(33,931)	5,343
34 - Student (Pupil) Transportation	(31,232)	(37,065)	5,833
35 - Food Services	380,878	-	380,878
36 - Extracurricular Activities	(99,214)	(117,757)	18,543
41 - General Administration	(126,803)	(150,502)	23,699
51 - Facilities Maintenance and Operations	(172,294)	(204,496)	32,202
52 - Security and Monitoring Services	(1,805)	(2,142)	337
53 - Data Processing Services	(22,609)	(26,835)	4,226
	$ (1,307,227)	$ (2,970,382)	$ 1,663,155

Note S 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, 2018 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 T. 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, 2018 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	630,374	-	21,257	651,631
Debt Service Fund	-	-	6,522	6,522
Nonmajor Governmental Funds (Special Revenue)	2,520	312,551	-	315,071
	632,894	312,551	27,779	973,224
Due To Other Governments:				
General Fund	610,051	-	-	610,051

Note U. Unearned Revenues

Unearned revenue at August 31, 2018 consisted of the following:

	General Fund	Nonmajor Governmental Funds	Governmental Funds Total
Athletic receipts	24,535	-	24,535
Food Service receipts	-	13,200	13,200
Freight Charges	-	680	680
	24,535	13,880	38,415

Note V. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2018 consisted of the following:

	General Fund	Debt Service Fund	Governmental Funds Total
Net uncollected tax revenue	156,903	50,127	207,030
Total unavailable revenue	156,903	50,127	207,030

Note W. Transfer In and Transfer Out

	Transfer In	Transfer Out
General Fund:		
To Special Revenue Fund	-	$ 27,000
Special Revenue Fund:		
From General Fund	$ 27,000	-

The General Fund transferred $27,000 to subsidize the Food Service Fund.

Note X. Revenue from Local and Intermediate Sources

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

Revenue Sources	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Funds Total
Property taxes and related income	9,736,423	3,126,347	-	-	12,862,770
Investment income	119,939	30,297	48,525	20	198,781
Food service revenue	-	-	-	342,051	342,051
Athletic	89,638	-	-	-	89,638
Foundation, gifts	-	-	-	46,414	46,414
Activity reveune	-	-	-	529,757	529,757
Other local sources	141,076	-	-	-	141,076
Miscellaneous revenues	-	-	-	4,565	4,565
	10,087,076	3,156,644	48,525	922,807	14,215,052

Note Y. General Fund Federal Source Revenues

Program or Source	Amount
School Health and Related Services (SHARS)	33,730
	33,730

Note Z. Shared Service Arrangements

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

State/Local Funded - Bowie County Schools Transportation Department fiscal agent: The District participates in a state/local funded SSA which provides transportation services to member districts. In addition to the District, other member districts include all the districts in Bowie County. All services are provided by the fiscal agent. The Texas Education Agency and the member districts provide funds to the fiscal agent. Although a portion of the funding received by the fiscal agent from the Texas Education Agency is attributable to the District's participation, the District does not account for revenues or expenditures of this program and does not disclose them in these financial statements. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The District has accounted for their portion of the payment of the activities of the SSA in the General Fund Function 93, Shared Services Arrangements, and has accounted for the payment using Model 3 in the SSA section of the Resource Guide. These payments totaled $213,071 for the year ended August 31, 2018.

A detail of Function 93 is as follows:

General Fund - Function 93:	
SSA - Transportation	213,071

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

Note AA. Prior Period Adjustment – Government Wide Statements

During fiscal year 2018, the District adopted GASB Statement No. 75 for *Accounting and Financial Reporting for Postemployment Benefits other than Pensions (OPEB).* With GASB 75, the District must assume their proportionate share of the Net Postemployment Benefits other than Pensions Liability of the Teachers Retirement System of Texas. Adoption of GASB 75 required a prior period adjustment to report the effect of GASB 75 retroactively. The amount of the prior period adjustment is ($10,848,888). The restated beginning net position is $7,474,679.

Note AB. Subsequent Events

In reviewing its financial statements, management has evaluated events subsequent to the balance sheet date through January 18, 2019, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 9,620,000	$ 9,760,000	$ 10,087,076	$ 327,076
5800	State Program Revenues	6,785,822	6,807,247	7,378,376	571,129
5900	Federal Program Revenues	-	-	33,730	33,730
5020	Total Revenues	16,405,822	16,567,247	17,499,182	931,935
	EXPENDITURES:				
	Current:				
0011	Instruction	9,629,901	9,841,097	9,838,151	2,946
0012	Instructional Resources and Media Services	124,583	132,407	121,660	10,747
0013	Curriculum and Instructional Staff Development	40,628	56,412	25,633	30,779
0021	Instructional Leadership	168,068	165,638	157,880	7,758
0023	School Leadership	1,025,690	1,065,751	1,053,995	11,756
0031	Guidance, Counseling and Evaluation Services	461,864	458,417	447,508	10,909
0033	Health Services	145,230	150,050	142,797	7,253
0034	Student (Pupil) Transportation	139,204	215,004	183,757	31,247
0036	Extracurricular Activities	1,004,696	1,112,136	1,115,801	(3,665)
0041	General Administration	868,575	999,373	952,608	46,765
0051	Facilities Maintenance and Operations	2,065,866	2,088,466	1,945,201	143,265
0052	Security and Monitoring Services	92,980	86,040	67,407	18,633
0053	Data Processing Services	164,623	285,683	265,736	19,947
	Debt Service:				
0071	Principal on Long-Term Debt	175,000	175,000	175,000	-
0072	Interest on Long-Term Debt	32,000	32,000	31,219	781
0073	Bond Issuance Cost and Fees	300	300	150	150
	Intergovernmental:				
0093	Payments to Fiscal Agent/Member Districts of SSA	220,000	220,000	213,071	6,929
0099	Other Intergovernmental Charges	194,000	185,445	179,916	5,529
6030	Total Expenditures	16,553,208	17,269,219	16,917,490	351,729
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	(147,386)	(701,972)	581,692	1,283,664
	OTHER FINANCING SOURCES (USES):				
7912	Sale of Real and Personal Property	-	-	1,198,808	1,198,808
8911	Transfers Out (Use)	-	-	(27,000)	(27,000)
7080	Total Other Financing Sources (Uses)	-	-	1,171,808	1,171,808
1200	Net Change in Fund Balances	(147,386)	(701,972)	1,753,500	2,455,472
0100	Fund Balance - September 1 (Beginning)	5,191,914	5,191,914	5,191,914	-
3000	Fund Balance - August 31 (Ending)	$ 5,044,528	$ 4,489,942	$ 6,945,414	$ 2,455,472

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, 2018

	FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
District's Proportion of the Net Pension Liability (Asset)	0.009136099%	0.0085893%	0.0088437%	0.0039584%
District's Proportionate Share of Net Pension Liability (Asset)	$ 2,921,232	$ 3,245,771	$ 3,126,130	$ 1,057,343
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	6,132,262	7,574,429	7,289,680	6,643,653
Total	$ 9,053,494	$ 10,820,200	$ 10,415,810	$ 7,700,996
District's Covered Payroll	$ 11,276,722	$ 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 Payroll	25.90%	29.38%	29.22%	9.94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	82.17%	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, 2017 for year 2018, 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 four 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'S CONTRIBUTIONS FOR PENSIONS
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018	2017	2016	2015
Contractually Required Contribution	$ 309,510	$ 299,428	$ 272,904	$ 261,866
Contribution in Relation to the Contractually Required Contribution	(309,510)	(299,428)	(272,904)	(261,866)
Contribution Deficiency (Excess)	$ -0-	$ -0-	$ -0-	$ -0-
District's Covered Payroll	$ 11,105,587	$ 11,276,722	$ 11,047,817	$ 10,696,865
Contributions as a Percentage of Covered Payroll	2.79%	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 of the preceding year.

Note: In accordance with GASB 68, Paragraph 138, only four 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 THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR THE YEAR ENDED AUGUST 31, 2018

	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Post Employment Benefits	0.014227513%
District's Proportionate Share of Net Post Employment Benefit Liability (Asset)	$ 6,187,012
State's Proportionate Share of the Net Post Employment Benefit Liability (Asset) Associated with the District	8,876,706
Total	$ 15,063,718
District's Covered Payroll	$ 11,276,722
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	54.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.91%

Note: GASB Codification, Vol. 2, P50.238 states that the information on this schedule should be determined as of the measurement date. Therefore the amounts reported for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the year for which this information is available. Additional information will be added until 10 years of data are available and reported.

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)
TEACHER RETIREMENT SYSTEM OF TEXAS
FOR FISCAL YEAR 2018

	2018
Contractually Required Contribution	$ 92,213
Contribution in Relation to the Contractually Required Contribution	(92,213)
Contribution Deficiency (Excess)	$ -0-
District's Covered Payroll	$ 11,105,587
Contributions as a Percentage of Covered Payroll	0.83%

Note: GASB Codification, Vol. 2, P50.238 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 of the preceding year.

Information in this schedule should be provided only for the years where data is available. Eventually 10 years of data should be presented.

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.

A. Notes to Schedules for the TRS OPEB Plan

Changes of benefit

There were no changes of benefit terms that affected measurement of the Total OPEB liability during the measurement period.

Changes in Assumptions

The following were changes to the actuarial assumptions or other inputs that affected measurement of Total OPEB liability since the prior measurement period:

1. Significant plan changes were adopted during fiscal year ending August 31, 2017. Effective January 1, 2018, only one health plan option will exist (instead of three), and all retirees will be required to contribute monthly premiums for coverage. The health plan changes triggered changes to several of the assumptions, including participation rates, retirement rates, and spousal participation rates.
2. The August 31, 2016 valuation had assumed that the savings related to the Medicare Part D reimbursements would phase out by 2022. This assumption was removed for the August 31, 2017 valuation. Although there is uncertainty regarding these federal subsidies, the new assumption better reflects the current substantive plan. This change was unrelated to the plan amendment, and its impact was included as an assumption change in the reconciliation of the total OPEB liability. This change significantly lowered the OPEB liability.
3. The discount rate changed from 2.98 percent as of August 31, 2016 to 3.42 percent as of August 31, 2017. This change lowered the total OPEB liability.

In this valuation the impact of the Cadillac tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of $850/$2,292 were indexed annually by 2.50 percent.
- Premium data submitted was not adjusted for the permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long term trend rate assumption.

Future actuarial measurements may differ significantly from the current measurements due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements; and changes in plan provisions or applicable law.

COMBINING SCHEDULES

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	ASSETS			
1110	Cash and Cash Equivalents	$ 2,503	$ (115,140)	$ (8,507)
1240	Due from Other Governments	38,645	210,437	8,507
1000	Total Assets	$ 41,148	$ 95,297	$ -
	LIABILITIES			
2110	Accounts Payable	$ -	$ -	$ -
2160	Accrued Wages Payable	13,333	33,461	-
2170	Due to Other Funds	27,815	61,836	-
2300	Unearned Revenue	-	-	-
2000	Total Liabilities	41,148	95,297	-
	FUND BALANCES			
	Restricted Fund Balance:			
3450	Federal or State Funds Grant Restriction	-	-	-
3490	Other Restricted Fund Balance	-	-	-
	Committed Fund Balance:			
3545	Other Committed Fund Balance	-	-	-
3000	Total Fund Balances	-	-	-
4000	Total Liabilities and Fund Balances	$ 41,148	$ 95,297	$ -

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
$ 76,385	$ (16,383)	$ (3,533)	$ (3,765)	$ -	$ 13,820	$ 9,644	$ 226,583
28,104	19,560	3,533	3,765	-	2,520	-	-
$ 104,489	$ 3,177	$ -	$ -	$ -	$ 16,340	$ 9,644	$ 226,583
$ 88,480	$ -	$ -	$ -	$ -	$ 3,048	$ -	$ 3,499
-	-	-	-	-	-	-	-
2,621	3,177	-	-	-	12,612	9,644	-
13,200	-	-	-	-	680	-	-
104,301	3,177	-	-	-	16,340	9,644	3,499
188	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	223,084
188	-	-	-	-	-	-	223,084
$ 104,489	$ 3,177	$ -	$ -	$ -	$ 16,340	$ 9,644	$ 226,583

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
AUGUST 31, 2018

Data Control Codes		499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	ASSETS		
1110	Cash and Cash Equivalents	$ 25,837	$ 207,444
1240	Due from Other Governments	-	315,071
1000	Total Assets	$ 25,837	$ 522,515
	LIABILITIES		
2110	Accounts Payable	$ -	$ 95,027
2160	Accrued Wages Payable	-	46,794
2170	Due to Other Funds	204	117,909
2300	Unearned Revenue	-	13,880
2000	Total Liabilities	204	273,610
	FUND BALANCES		
	Restricted Fund Balance:		
3450	Federal or State Funds Grant Restriction	-	188
3490	Other Restricted Fund Balance	25,633	25,633
	Committed Fund Balance:		
3545	Other Committed Fund Balance	-	223,084
3000	Total Fund Balances	25,633	248,905
4000	Total Liabilities and Fund Balances	$ 25,837	$ 522,515

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
	REVENUES:			
5700	Total Local and Intermediate Sources	$ -	$ -	$ -
5800	State Program Revenues	-	-	-
5900	Federal Program Revenues	158,748	439,850	8,507
5020	Total Revenues	158,748	439,850	8,507
	EXPENDITURES:			
	Current:			
0011	Instruction	158,748	387,624	-
0031	Guidance, Counseling and Evaluation Services	-	52,226	8,507
0035	Food Services	-	-	-
0036	Extracurricular Activities	-	-	-
6030	Total Expenditures	158,748	439,850	8,507
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	-
	OTHER FINANCING SOURCES (USES):			
7915	Transfers In	-	-	-
1200	Net Change in Fund Balance	-	-	-
0100	Fund Balance - September 1 (Beginning)	-	-	-
3000	Fund Balance - August 31 (Ending)	$ -	$ -	$ -

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	263 Title III, A English Lang. Acquisition	289 Other Federal Special Revenue Funds	385 Visually Impaired SSVI	410 State Textbook Fund	429 Other State Special Revenue Funds	461 Campus Activity Funds
$ 342,071	$ -	$ -	$ -	$ -	$ -	$ -	$ 529,757
3,181	-	-	-	708	100,703	-	-
377,697	35,718	3,533	3,765	-	-	-	-
722,949	35,718	3,533	3,765	708	100,703	-	529,757
-	35,718	3,533	3,765	708	100,703	-	-
-	-	-	-	-	-	-	-
835,386	-	-	-	-	-	-	-
-	-	-	-	-	-	-	517,058
835,386	35,718	3,533	3,765	708	100,703	-	517,058
(112,437)	-	-	-	-	-	-	12,699
27,000	-	-	-	-	-	-	-
(85,437)	-	-	-	-	-	-	12,699
85,625	-	-	-	-	-	-	210,385
$ 188	$ -	$ -	$ -	$ -	$ -	$ -	$ 223,084

EXHIBIT H-2

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2018

Data Control Codes		499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
	REVENUES:		
5700	Total Local and Intermediate Sources	$ 50,979	$ 922,807
5800	State Program Revenues	-	104,592
5900	Federal Program Revenues	-	1,027,818
5020	Total Revenues	50,979	2,055,217
	EXPENDITURES:		
	Current:		
0011	Instruction	42,279	733,078
0031	Guidance, Counseling and Evaluation Services	-	60,733
0035	Food Services	-	835,386
0036	Extracurricular Activities	-	517,058
6030	Total Expenditures	42,279	2,146,255
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	8,700	(91,038)
	OTHER FINANCING SOURCES (USES):		
7915	Transfers In	-	27,000
1200	Net Change in Fund Balance	8,700	(64,038)
0100	Fund Balance - September 1 (Beginning)	16,933	312,943
3000	Fund Balance - August 31 (Ending)	$ 25,633	$ 248,905

REQUIRED T.E.A. SCHEDULES

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2018

Last 10 Years Ended August 31	(1) Tax Rates Maintenance	(2) Tax Rates Debt Service	(3) Assessed/Appraised Value for School Tax Purposes
2009 and prior years	Various	Various	$ Various
2010	1.090000	0.350000	783,546,783
2011	1.090000	0.350000	802,167,681
2012	1.090000	0.350000	818,413,294
2013	1.090000	0.350000	823,688,226
2014	1.090000	0.350000	847,891,432
2015	1.090000	0.350000	856,637,248
2016	1.090000	0.350000	861,230,039
2017	1.090000	0.350000	874,445,213
2018 (School year under audit)	1.090000	0.350000	896,213,732
1000 TOTALS			

(10) Beginning Balance 9/1/2017	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2018
$ 38,656	$ -	$ -	$ -	$ (4,785)	$ 33,871
15,547	-	-	-	-	15,547
21,329	-	-	-	-	21,329
17,614	-	-	-	-	17,614
22,142	-	26	8	-	22,108
23,602	-	311	100	(92)	23,099
39,352	-	3,863	1,241	(183)	34,065
43,174	-	8,562	2,750	(222)	31,640
113,015	-	44,883	14,415	(3,154)	50,563
-	12,905,478	9,626,634	3,091,868	(49,944)	137,032
$ 334,428	$ 12,905,478	$ 9,684,279	$ 3,110,382	$ (58,380)	$ 386,865

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, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ 431,000	$ 431,000	$ 342,071	$ (88,929)
5800	State Program Revenues	15,000	15,000	3,181	(11,819)
5900	Federal Program Revenues	362,000	362,000	377,697	15,697
5020	Total Revenues	808,000	808,000	722,949	(85,051)
	EXPENDITURES:				
0035	Food Services	739,000	814,000	835,386	(21,386)
6030	Total Expenditures	739,000	814,000	835,386	(21,386)
1100	Excess (Deficiency) of Revenues Over (Under) Expenditures	69,000	(6,000)	(112,437)	(106,437)
	OTHER FINANCING SOURCES (USES):				
7915	Transfers In	-	-	27,000	27,000
1200	Net Change in Fund Balances	69,000	(6,000)	(85,437)	(79,437)
0100	Fund Balance - September 1 (Beginning)	85,625	85,625	85,625	-
3000	Fund Balance - August 31 (Ending)	$ 154,625	$ 79,625	$ 188	$ (79,437)

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, 2018

Data Control Codes		Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	REVENUES:				
5700	Total Local and Intermediate Sources	$ -	$ 2,809,000	$ 3,156,644	$ 347,644
5800	State Program Revenues	-	65,000	69,665	4,665
5020	Total Revenues	-	2,874,000	3,226,309	352,309
	EXPENDITURES:				
	Debt Service:				
0071	Principal on Long-Term Debt	2,278,500	2,440,000	2,440,000	-
0072	Interest on Long-Term Debt	-	1,320,247	1,272,022	48,225
0073	Bond Issuance Cost and Fees	-	17,000	14,231	2,769
6030	Total Expenditures	2,278,500	3,777,247	3,726,253	50,994
1200	Net Change in Fund Balances	(2,278,500)	(903,247)	(499,944)	403,303
0100	Fund Balance - September 1 (Beginning)	2,771,063	2,771,063	2,771,063	-
3000	Fund Balance - August 31 (Ending)	$ 492,563	$ 1,867,816	$ 2,271,119	$ 403,303

COMPLIANCE, INTERNAL CONTROL, AND FEDERAL AWARDS SECTION

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS
Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

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 Auditors' 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, 2018, and the related notes to the financial statements, which collectively compromise the District's basic financial statements, and have issued our report thereon dated January 18, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses as Findings 2018-01 and 2018-02.

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 one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and is described in the accompanying schedule of findings and questions costs as Finding 2018-03.

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Pleasant Grove Independent School District's Response to Finding

Pleasant Grove Independent School District's response to the finding identified in our audit is described in the accompanying schedule of findings and responses. Pleasant Grove Independent School District's response was not subject to the auditing procedure applied in the audit of the financial statements and accordingly, we express no opinion on it.

Purpose of this Report

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

Wilf & Henderson, P.C.

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

January 18, 2019

WILF & HENDERSON, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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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, 2018. 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, 2018.

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Report on Internal Control Over Compliance

Management of Pleasant Grove Independent School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

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

January 18, 2019

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2018

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. Two 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*. These findings are reported as material weaknesses

c. One instance of noncompliance material to the financial statements of the Pleasant Grove Independent School District was 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 were required to be reported under 2 CFR 200.516 (a).

g. The programs tested as major programs were:

School Breakfast Program – Cash Assistance	CFDA # 10.553
School Breakfast Program – Non-Cash Assistance	CFDA # 10.553
National School Lunch Program – Cash Assistance	CFDA # 10.555
National School Lunch Program – Non-Cash Assistance	CFDA # 10.555

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.*

2018-01 Bank Reconciliation – Material Weakness

Condition: Cash was not reconciled in an accurate and timely manner.

Criteria: District internal controls require that the books be reconciled monthly and reviewed for accuracy on a monthly basis.

Cause and Effect: The District had a change in payroll personnel during the year. The new payroll personnel did not receive adequate training on how to post certain payroll entries. Entries that were processed and paid separately in the past were now being processed together. However, the payments continued to be made separately, and in most cases, in separate months. As a result, the Director of Finance had a difficult time reconciling the new payroll entries to the bank statement. An audit adjustment was proposed in order to correct the cash balance, clear payroll liabilities and increase payroll expenditures on the books.

Recommendation: The District should perform bank reconciliations in an accurate and timely manner to ensure financial statements are properly presented to the board each month. If the District cannot reconcile, the Director of Finance should seek outside assistance to resolve the reconciliation issue.

2018-02 **Expenditures Exceeded Budgetary Guideline – Material Weakness**

Condition: Expenditures for the Food Service Fund exceeded budgetary guidelines in Function 35 – Food Services by ($21,386). The expenditures exceeded their budgetary constraints by function and for the overall Food Service Fund budget.

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

Cause and Effect: Although management budgeted and amended the budget as needs changed during the year, the District failed to budget adequate expenditures for the Food Service Fund for the current year of operation. In addition, revenue was over budgeted, causing a shortfall in the fund and requiring a subsidy to be transferred from the General Fund. The transfer was not budgeted in the General Fund.

Recommendation: The District should review the balances of this fund on a continuous basis to ascertain expenditures are within budget and the Food Service Fund is operating as planned by the board.

2018-03 **Material Budget Violation – Noncompliance**

Condition: Expenditures for the Food Service Fund exceeded budgetary guidelines in Function 35 – Food Services by ($21,386). The expenditures exceeded their budgetary constraints by function and for the overall Food Service Fund budget.

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

Cause and Effect: Although management budgeted and amended the budget as needs changed during the year, the District failed to budget adequate expenditures for the Food Service Fund for the current year of operation. In addition, revenue was over budgeted, causing a shortfall in the fund and requiring a subsidy to be transferred from the General Fund. The transfer was not budgeted in the General Fund.

Recommendation: The District should review the balances of this fund on a continuous basis to ascertain expenditures are within budget and the Food Service Fund is operating as planned by the board

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, 2018

There were no prior year audit findings or questioned costs.

PLEASANT GROVE INDEPENDENT SCHOOL DISTRCT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2018

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

2018-01 Bank Reconciliation – Material Weakness

Action: The District will reconcile cash accounts to the general ledger on a monthly basis in a timely and accurate matter. If problems with the reconciliation occur, the District will seek outside assistance immediately to rectify the problem and balance the reconciliation.

Contact Person: Derick Sibley, Director of Finance

Anticipated Completion Date: Immediately

2018-02 Expenditures Exceeded Budgetary Guideline – Material Weakness

Action: The District will review and amend budgetary amounts as necessary.

Contact Person: Derick Sibley, Director of Finance

Anticipated Completion Date: Immediately

2018-03 Material Budget Violation

Action: The District will review the Food Service Fund financials throughout the year and make budget amendments as necessary.

Contact Person: Derick Sibley, Director of Finance

Anticipated Completion Date: Immediately

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2018

(1) FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	(2) Federal CFDA Number	(3) Pass-Through Entity Identifying Number	(4) Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed Through State Department of Education			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	18-610101019912	$ 145,415
ESEA, Title I, Part A - Improving Basic Programs	84.010A	19-610101019912	13,333
Total CFDA Number 84.010A			158,748
*IDEA - Part B, Formula	84.027	18-6600010199126600	406,389
*IDEA - Part B, Formula	84.027	19-6600010199126600	33,461
Total CFDA Number 84.027			439,850
*IDEA - Part B, Preschool	84.173	18-6610010199126610	8,507
Total Special Education Cluster (IDEA)			448,357
Title III, Part A - English Language Acquisition	84.365A	N/A	3,533
	84.424A	18-680101019912	3,765
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	18-694501019912	35,718
Total Passed Through State Department of Education			650,121
TOTAL U.S. DEPARTMENT OF EDUCATION			650,121
U.S. DEPARTMENT OF AGRICULTURE			
Passed Through the State Department of Agriculture			
*School Breakfast Program - Cash Assistance	10.553	N/A	67,959
*School Breakfast Program - NonCash Assistance	10.553	N/A	6,154
Total CFDA Number 10.553			74,113
*National School Lunch Program - Cash Assistance	10.555	N/A	278,970
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	24,614
Total CFDA Number 10.555			303,584
Total Child Nutrition Cluster			377,697
Total Passed Through the State Department of Agriculture			377,697
TOTAL U.S. DEPARTMENT OF AGRICULTURE			377,697
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 1,027,818

*Clustered Programs

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2018

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.

   The District has elected to not use the 10% de minimum indirect cost rate as allowed under the Uniform Guidance

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	33,730
Other Special Revenue Funds	1,027,818
Sub -total	1,061,548
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	(33,730)
Total Federal Program Expenditures	1,027,818