

**PLEASANT GROVE  
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
AUGUST 31, 2020**

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED AUGUST 31, 2020**

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CERTIFICATE OF BOARD

Pleasant Grove Independent School District  
Name of School District

Bowie  
County

019-912  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above-named school district were reviewed and (check one)  approved  disapproved for the year ended August 31, 2020 at a meeting of the Board of Trustees of such school district on the \_\_\_\_\_ of January 2021.

\_\_\_\_\_  
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)



**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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

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

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



## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pleasant Grove Independent School District as of August 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5-11, budgetary comparison information on page 50, schedule of the District's proportionate share of the net pension liability (TRS) on pages 51-52, schedule of District's contributions to TRS on pages 53-54, schedule of the District's proportionate share of the OPEB liability (TRS) on page 55, and schedule of District's contributions to TRS OPEB plan on page 56 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 and L-1. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2021 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.

  
WILL E. HENDERSON, P.C.  
Certified Public Accountants  
Texarkana, Texas

January 11, 2021

## 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, 2020. 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 \$26,872,362 was generated in tax, other local, state, and federal revenues, and other sources for governmental funds.
- During the year, the District's expenditures totaled \$38,069,870, of which \$3,499,526 was expenditures for debt service and \$12,093,014 for capital outlay.
- The General Fund ended the year with a fund balance of \$8,701,945, which includes \$2,005,808 in committed and \$1,000,000 in assigned fund balance.
- The District's government-wide total combined net position increased \$556,994 from the prior year.
- The District's total tax rate was \$1.38148 with \$0.365 for debt service and \$1.01648 for maintenance and operation.
- The local assessed/appraised property values for 2019-2020 increased \$22,586,416.

### 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.

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

	Governmental Activities 2019	Governmental Activities 2020	Total % Change
Current and other assets	30,506,713	20,284,909	-33.51%
Capital assets	44,288,030	55,064,371	24.33%
Total Assets	<u>74,794,743</u>	<u>75,349,280</u>	<u>0.74%</u>
Deferred outflows of resources	<u>5,322,098</u>	<u>4,851,193</u>	<u>-8.85%</u>
Other liabilities	2,728,730	3,763,234	37.91%
Long-term liabilities	49,901,637	47,948,133	-3.91%
TRS net pension liability	5,058,761	4,736,361	-6.37%
TRS net OPEB liability	7,179,020	6,552,456	-8.73%
Total Liabilities	<u>64,868,148</u>	<u>63,000,184</u>	<u>-2.88%</u>
Deferred inflows of resources	<u>2,547,375</u>	<u>3,920,864</u>	<u>53.92%</u>
Net Position:			
Net Investment in Capital Assets	13,368,743	13,434,878	0.49%
Restricted	2,517,237	2,853,094	13.34%
Unrestricted	<u>(3,184,662)</u>	<u>(3,008,547)</u>	<u>5.53%</u>
Total Net Position	<u><u>12,701,318</u></u>	<u><u>13,279,425</u></u>	<u><u>4.55%</u></u>

As of August 31, 2020, the District's assets exceed liabilities by \$13,279,425, of which \$13,434,878 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding. \$2,853,094 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 (\$3,008,547) 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 \$26,902,972 and the amount of these activities that our taxpayers paid for through property taxes was \$12,849,591 or 48%.

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

	Governmental Activities 2019	Governmental Activities 2020	Total% Change
<b>Revenues:</b>			
<b>Program Revenues:</b>			
Charges for services	1,166,524	924,939	-20.71%
Operating grants and contributions	2,704,041	3,103,253	14.76%
<b>General Revenues:</b>			
Property taxes	13,262,861	12,849,591	-3.12%
State Aid - Formula Grants	7,155,228	10,002,474	39.79%
Interest Earnings	780,849	371,183	-52.46%
Other general revenues	156,622	208,526	33.14%
<b>Total Revenues</b>	<b>25,226,125</b>	<b>27,459,966</b>	<b>8.86%</b>
<b>Expenses:</b>			
Instruction	12,406,372	14,913,315	20.21%
Instructional Resources and Media Services	119,511	107,132	-10.36%
Curriculum and Staff Development	55,072	66,241	20.28%
Instructional Leadership	200,012	254,257	27.12%
School Leadership	1,269,647	1,400,306	10.29%
Guidance, Counseling and Evaluation Services	567,852	598,111	5.33%
Health Services	151,771	159,739	5.25%
Student (Pupil) Transportation	186,909	144,437	-22.72%
Food Services	717,096	601,043	-16.18%
Cocurricular/Extracurricular Activities	2,000,070	1,591,334	-20.44%
General Administration	1,280,202	1,414,722	10.51%
Plant Maintenance and Operations	2,235,644	2,378,701	6.40%
Security and Monitoring Services	113,260	112,216	-0.92%
Data Processing Services	405,585	1,018,049	151.01%
Debt Service - Interest on Long Term Debt	1,852,088	1,702,183	-8.09%
Debt Service - Bond Issuance Cost and Fees	2,225	2,301	3.42%
Payments to Fiscal Agents/Member Districts	233,634	251,157	7.50%
Other Intergovernmental Charges	182,878	187,728	2.65%
<b>Total Expenses</b>	<b>23,979,828</b>	<b>26,902,972</b>	<b>12.19%</b>
<b>Increase (Decrease) in Net Position</b>	<b>1,246,297</b>	<b>556,994</b>	<b>-55.31%</b>
<b>Net Position Beginning of Year</b>	<b>11,455,021</b>	<b>12,701,318</b>	<b>10.88%</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>21,113</b>	<b>100.00%</b>
<b>Net Position End of Year</b>	<b>12,701,318</b>	<b>13,279,425</b>	<b>4.55%</b>

- The increase in state aid and corresponding expenditures is due to new legislation of House Bill 3, requiring mandatory salary increases.
- House Bill 3 also required a decrease in the property tax rates of the District.

## 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 2019	Governmental Funds 2020	Total \$ Change	Total % Change
<b>Revenues:</b>				
Local and Intermediate Sources	\$ 15,349,008	\$ 14,436,010	\$ (912,998)	-5.95%
State Program Revenues	8,201,321	11,327,583	3,126,262	38.12%
Federal Program Revenues	1,109,664	1,108,769	(895)	-0.08%
Total Revenues	<u>24,659,993</u>	<u>26,872,362</u>	<u>2,212,369</u>	<u>8.97%</u>
<b>Expenditures:</b>				
Instruction	10,958,709	13,081,044	2,122,335	19.37%
Instructional resources & media services	105,035	95,026	(10,009)	-9.53%
Curriculum and instructional staff development	51,302	62,063	10,761	20.98%
Instructional leadership	172,492	220,543	48,051	27.86%
School leadership	1,106,179	1,216,364	110,185	9.96%
Guidance, counseling and evaluation services	491,157	517,882	26,725	5.44%
Health services	132,378	139,610	7,232	5.46%
Student (Pupil) transportation	166,202	128,346	(37,856)	-22.78%
Food services	669,911	563,169	(106,742)	-15.93%
Extracurricular activities	1,842,483	1,455,816	(386,667)	-20.99%
General administration	1,138,859	1,253,531	114,672	10.07%
Facilities maintenance & operations	2,022,851	2,272,527	249,676	12.34%
Security & monitoring services	105,207	101,944	(3,263)	-3.10%
Data processing services	364,657	930,580	565,923	155.19%
Debt services	3,450,066	3,499,526	49,460	1.43%
Facilities acquisition and construction	3,311,374	12,093,014	8,781,640	265.20%
Payments to fiscal agent/member of SSA	233,634	251,157	17,523	7.50%
Other intergovernmental charges	182,878	187,728	4,850	2.65%
Total Expenditures	<u>26,505,374</u>	<u>38,069,870</u>	<u>11,564,496</u>	<u>43.63%</u>
Net Change in Fund Balances	(1,845,381)	(11,197,508)	(9,352,127)	-506.79%
Fund Balance - Beginning of Year	29,483,825	27,638,444	(1,845,381)	-6.26%
Prior Period Adjustment	-	21,113	21,113	100.00%
Fund Balance - End of Year	<u>\$ 27,638,444</u>	<u>\$ 16,462,049</u>	<u>(11,176,395)</u>	<u>-40.44%</u>

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

As the District completed the year, governmental funds reported a combined fund balance of \$16,462,049. This combined balance includes funds that are restricted, committed and assigned as follows:

- \$ 1,198,808 is committed for future construction (General Fund)
- \$ 207,000 is committed for payment of debt (General Fund)
- \$ 600,000 is committed for equipment (General Fund)
- \$ 265,180 is committed for campus activity funds (Special Revenue Fund)
- \$ 1,000,000 is assigned for facility improvements (General Fund)
- \$ 91,007 is restrict for prepaid items (General Fund)
- \$ 4,685,452 is restricted for capital acquisition (Capital Projects Fund)
- \$ 2,699,458 is restricted for retirement of long-term debt (Debt Service Fund)
- \$ 67,206 is restricted for state/federal programs, and other local sources (Special Revenue Fund)
- \$ 42,808 is restricted for locally funded special revenue funds (Special Revenue Fund)

The restricted, committed, and assigned funds total \$10,856,919, leaving unassigned funds of \$5,605,130. The District's combined fund balance decreased from the prior year by (\$11,197,508). 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 28% of the General Fund expenditures.

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

<b>General Fund:</b>	
Increase in total local and intermediate sources	216,477
Increase in state program revenues	305,556
Increase in federal program revenues	18,900
(Increase) in instruction expenditures	(98,902)
Decrease in instructional resources and media services	4,441
Decrease in curriculum and instructional staff development	5,850
(Increase) in instructional leadership	(6,327)
(Increase) in school leadership	(98,723)
(Increase) in guidance, counseling, and evaluation services	(17,878)
(Increase) in health services	(12,991)
(Increase) in student (pupil) transportation	(3,778)
(Increase) in extracurricular activities	(59,824)
(Increase) in general administration	(205,216)
(Increase) in facilities maintenance and operations	(250,164)
(Increase) in security and monitoring services	(13,710)
(Increase) in data processing services	(449,983)
(Increase) in debt service	(5,400)
(Increase) in payments to SSA	(10,000)
	<u>(681,672)</u>
<b>Debt Service Fund:</b>	
Increase in total local and intermediate sources	25,735
(Increase) in interest on long-term debt	(94,975)
	<u>(69,240)</u>



## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The District has \$55,064,371 invested in capital assets. During the current year, the District purchased several capital assets, including a visualization table and TV for the CATE program, wireless headset, smartboard and band instruments. The District also had several projects completed, such as installation of a door lock system, installation of an intercom system and computer network upgrades. The District began a track resurfacing project and construction of a new elementary campus in the current year.

The District plans to continue construction of the elementary campus for future capital asset acquisitions in FY 2021.

### **Debt**

Outstanding Bonded Debt of the District consists of the following:

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 \$3,920,000 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 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 \$6,805,000 with final payment in 2027.

The District issued \$17,945,000 of Unlimited Tax School Building Bonds, Series 2018 to construct, equip and renovate school buildings. The final payment on the bonds will be made February 15, 2043. The principal outstanding on the unlimited tax school building bonds is \$17,725,000.

Other debt outstanding to the District includes:

The District issued \$2,235,000 of Limited Tax Refunding Bonds, Series 2012. This issue redeemed in full Maintenance Note Refunding, Series 2008 and Limited Tax Refunding Bonds, Series 2008. The principal outstanding on this note is \$965,000 with final payment in 2028.

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

The District's board of trustees adopted a budget of \$20,226,987 for the school year 2020-2021 with the tax rate of \$1.3678. This tax rate is a decrease of 1% over the prior year tax rate, of which \$1.0028 to be used for maintenance and operations and \$0.365 to be used for retirement of debt.

State funding for 2020-2021 is budgeted at \$10,992,066, which includes revenue for students in attendance in average of 2,075.

## **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, 2020

EXHIBIT A-1

Data Control Codes	Primary Government
	Governmental Activities
<b>ASSETS</b>	
1110 Cash and Cash Equivalents	\$ 18,711,371
1220 Property Taxes - Delinquent	349,210
1230 Allowance for Uncollectible Taxes	(168,108)
1240 Due from Other Governments	1,301,429
1410 Prepayments	91,007
Capital Assets:	
1510 Land	1,274,180
1520 Buildings and Improvements, Net	39,417,867
1530 Furniture and Equipment, Net	494,580
1580 Construction in Progress	13,877,744
1000 Total Assets	75,349,280
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
1701 Deferred Charge for Refunding	1,531,631
1705 Deferred Outflow Related to TRS Pension	2,449,958
1706 Deferred Outflow Related to TRS OPEB	869,604
1700 Total Deferred Outflows of Resources	4,851,193
<b>LIABILITIES</b>	
2110 Accounts Payable	1,465,546
2140 Accrued Interest Payable	83,481
2150 Payroll Deductions and Withholdings	157,546
2160 Accrued Wages Payable	1,149,837
2200 Accrued Expenses	643,631
2300 Unearned Revenue	263,193
Noncurrent Liabilities:	
2501 Due Within One Year	1,685,000
2502 Due in More Than One Year	46,263,133
2540 Net Pension Liability (District's Share)	4,736,361
2545 Net OPEB Liability (District's Share)	6,552,456
2000 Total Liabilities	63,000,184
<b>DEFERRED INFLOWS OF RESOURCES</b>	
2605 Deferred Inflow Related to TRS Pension	797,024
2606 Deferred Inflow Related to TRS OPEB	3,123,840
2600 Total Deferred Inflows of Resources	3,920,864
<b>NET POSITION</b>	
3200 Net Investment in Capital Assets	13,434,878
3820 Restricted for Federal and State Programs	67,206
3850 Restricted for Debt Service	2,652,073
3890 Restricted for Other Purposes	133,815
3900 Unrestricted	(3,008,547)
3000 Total Net Position	\$ 13,279,425

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, 2020

EXHIBITaB-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
<b>Primary Government:</b>				
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 14,913,315	\$ 171,837	\$ 2,120,383	\$ (12,621,095)
12 Instructional Resources and Media Services	107,132	-	8,937	(98,195)
13 Curriculum and Instructional Staff Development	66,241	-	5	(66,236)
21 Instructional Leadership	254,257	-	24,335	(229,922)
23 School Leadership	1,400,306	-	118,543	(1,281,763)
31 Guidance, Counseling and Evaluation Services	598,111	-	107,443	(490,668)
33 Health Services	159,739	-	16,356	(143,383)
34 Student (Pupil) Transportation	144,437	-	11,712	(132,725)
35 Food Services	601,043	218,868	354,618	(27,557)
36 Extracurricular Activities	1,591,334	534,234	53,505	(1,003,595)
41 General Administration	1,414,722	-	110,893	(1,303,829)
51 Facilities Maintenance and Operations	2,378,701	-	111,133	(2,267,568)
52 Security and Monitoring Services	112,216	-	5,341	(106,875)
53 Data Processing Services	1,018,049	-	60,049	(958,000)
72 Debt Service - Interest on Long-Term Debt	1,702,183	-	-	(1,702,183)
73 Debt Service - Bond Issuance Cost and Fees	2,301	-	-	(2,301)
93 Payments Related to Shared Services Arrangements	251,157	-	-	(251,157)
99 Other Intergovernmental Charges	187,728	-	-	(187,728)
<b>[TP] TOTAL PRIMARY GOVERNMENT:</b>	<b>\$ 26,902,972</b>	<b>\$ 924,939</b>	<b>\$ 3,103,253</b>	<b>(22,874,780)</b>
General Revenues:				
Taxes:				
MT		Property Taxes, Levied for General Purposes		9,436,362
DT		Property Taxes, Levied for Debt Service		3,413,229
GC		State Aid - Formula Grants		10,002,474
IE		Investment Earnings		371,183
MI		Miscellaneous Local and Intermediate Revenue		208,526
TR		<b>Total General Revenues</b>		<b>23,431,774</b>
CN		Change in Net Position		556,994
NB		Net Position - Beginning		12,701,318
PA		Prior Period Adjustment		21,113
NE		<b>Net Position - Ending</b>		<b>\$ 13,279,425</b>

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AUGUST 31, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>ASSETS</b>			
1110 Cash and Cash Equivalents	\$ 8,976,825	\$ 2,659,647	\$ 6,407,016
1220 Property Taxes - Delinquent	261,791	87,419	-
1230 Allowance for Uncollectible Taxes	(126,862)	(41,246)	-
1240 Due from Other Governments	1,077,634	2,134	-
1260 Due from Other Funds	108,945	27,600	-
1410 Prepayments	91,007	-	-
1000 Total Assets	<u>\$ 10,389,340</u>	<u>\$ 2,735,554</u>	<u>\$ 6,407,016</u>
<b>LIABILITIES</b>			
2110 Accounts Payable	\$ 266,528	\$ -	\$ 1,077,933
2150 Payroll Deductions and Withholdings Payable	150,727	-	-
2160 Accrued Wages Payable	1,110,200	-	-
2170 Due to Other Funds	27,600	-	-
2200 Accrued Expenditures	-	-	643,631
2300 Unearned Revenue	25,329	-	-
2000 Total Liabilities	<u>1,580,384</u>	<u>-</u>	<u>1,721,564</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
2601 Unavailable Revenue - Property Taxes	107,011	36,096	-
2600 Total Deferred Inflows of Resources	<u>107,011</u>	<u>36,096</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable Fund Balance:			
3430 Prepaid Items	91,007	-	-
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	4,685,452
3480 Retirement of Long-Term Debt	-	2,699,458	-
3490 Other Restricted Fund Balance	-	-	-
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	5,605,130	-	-
3000 Total Fund Balances	<u>8,701,945</u>	<u>2,699,458</u>	<u>4,685,452</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,389,340</u>	<u>\$ 2,735,554</u>	<u>\$ 6,407,016</u>

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

Other Funds	Total Governmental Funds
\$ 667,883	\$ 18,711,371
-	349,210
-	(168,108)
221,661	1,301,429
-	136,545
-	91,007
<u>\$ 889,544</u>	<u>\$ 20,421,454</u>
\$ 121,085	\$ 1,465,546
6,819	157,546
39,637	1,149,837
108,945	136,545
-	643,631
237,864	263,193
<u>514,350</u>	<u>3,816,298</u>
-	143,107
-	143,107
-	91,007
67,206	67,206
-	4,685,452
-	2,699,458
42,808	42,808
-	1,198,808
-	207,000
-	600,000
265,180	265,180
-	1,000,000
-	5,605,130
<u>375,194</u>	<u>16,462,049</u>
<u>\$ 889,544</u>	<u>\$ 20,421,454</u>

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
AUGUST 31, 2020

EXHIBIT C-2

<b>Total Fund Balances - Governmental Funds</b>	<b>\$</b>	<b>16,462,049</b>
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 \$66,439,319 and the accumulated depreciation was (\$22,151,289). 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 (\$49,901,637). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to (decrease) net position.		(5,613,607)
2 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase net position.		13,823,470
3 Included in the items related to 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 \$2,449,958, a deferred resource inflow in the amount of (\$797,024), and a net pension liability in the amount of (\$4,736,361). This resulted in a (decrease) in net position.		(3,083,427)
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 \$869,604, a deferred resource inflow in the amount of (\$3,123,840), and a net OPEB liability in the amount of (\$6,552,456). This resulted in a (decrease) in net position.		(8,806,692)
5 The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to (decrease) net position.		(1,482,129)
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 increase net position.		1,979,761
<b>19 Net Position of Governmental Activities</b>	<b>\$</b>	<b>13,279,425</b>

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, 2020

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
<b>REVENUES:</b>			
5700 Total Local and Intermediate Sources	\$ 10,061,212	\$ 3,474,540	\$ 214,046
5800 State Program Revenues	10,885,365	67,558	-
5900 Federal Program Revenues	49,464	-	-
5020 Total Revenues	<u>20,996,041</u>	<u>3,542,098</u>	<u>214,046</u>
<b>EXPENDITURES:</b>			
Current:			
0011 Instruction	11,449,367	-	566,131
0012 Instructional Resources and Media Services	95,026	-	-
0013 Curriculum and Instructional Staff Development	62,063	-	-
0021 Instructional Leadership	220,543	-	-
0023 School Leadership	1,185,891	-	30,473
0031 Guidance, Counseling, and Evaluation Services	464,214	-	-
0033 Health Services	139,610	-	-
0034 Student (Pupil) Transportation	128,346	-	-
0035 Food Services	-	-	20,966
0036 Extracurricular Activities	1,082,038	-	-
0041 General Administration	1,253,531	-	-
0051 Facilities Maintenance and Operations	2,272,527	-	-
0052 Security and Monitoring Services	101,944	-	-
0053 Data Processing Services	900,058	-	6,852
Debt Service:			
0071 Principal on Long-Term Debt	170,000	1,395,000	-
0072 Interest on Long-Term Debt	23,775	1,908,450	-
0073 Bond Issuance Cost and Fees	650	1,651	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	12,093,014
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	251,157	-	-
0099 Other Intergovernmental Charges	187,728	-	-
6030 Total Expenditures	<u>19,988,468</u>	<u>3,305,101</u>	<u>12,717,436</u>
1200 Net Change in Fund Balances	1,007,573	236,997	(12,503,390)
0100 Fund Balance - September 1 (Beginning)	7,694,372	2,462,461	17,188,842
1300 Prior Period Adjustment	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ 8,701,945</u>	<u>\$ 2,699,458</u>	<u>\$ 4,685,452</u>

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



Other Funds	Total Governmental Funds
\$ 686,212	\$ 14,436,010
374,660	11,327,583
1,059,305	1,108,769
<u>2,120,177</u>	<u>26,872,362</u>
1,065,546	13,081,044
-	95,026
-	62,063
-	220,543
-	1,216,364
53,668	517,882
-	139,610
-	128,346
542,203	563,169
373,778	1,455,816
-	1,253,531
-	2,272,527
-	101,944
23,670	930,580
-	1,565,000
-	1,932,225
-	2,301
-	12,093,014
-	251,157
-	187,728
<u>2,058,865</u>	<u>38,069,870</u>
61,312	(11,197,508)
292,769	27,638,444
21,113	21,113
<u>\$ 375,194</u>	<u>\$ 16,462,049</u>

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED AUGUST 31, 2020

EXHIBIT C-4

<b>Total Net Change in Fund Balances - Governmental Funds</b>	<b>\$ (11,197,508)</b>
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase net position.	13,823,470
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.	(1,482,129)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue from property taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position.	136,812
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 ending net position to increase by \$383,054. 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 the change in net position totaling (\$311,860). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense (increased) decreased the change in net position by (\$754,725). The net result is a (decrease) in the change in net position.	(683,531)
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 \$111,465. Contributions made before the measurement date and during the previous fiscal year were also expended and recorded as a reduction in net OPEB liability. This caused a decrease in the change in net position totaling (\$98,333). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense (increased) decreased the change in net position by (\$53,252). The net result is a (decrease) in the change in net position.	(40,120)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 556,994</b>

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

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED AUGUST 31, 2020**

**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 implemented Governmental Accounting Standards Board (GASB) Number 84 *Fiduciary Activities* to improve identification of fiduciary activities for accounting and financial reporting purposes 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 from 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 governmentwide statements. Interfund activities between governmental funds and fiduciary funds remain as due to/due from 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.

#### 5. Cash Equivalents

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

#### 6. Investments

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

#### 7. Inventories

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

**8. Asset Capitalization and Useful Lives**

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	50
Building Improvements	20-30
Furniture and Equipment	5-10

**9. Compensated Absences**

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

**10. Long-Term Debt**

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

**11. Fund Equity**

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

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

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

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

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

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

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

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

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

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

## **13. Health Care Coverage**

During the year ended August 31, 2020, 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, 2020, Pleasant Grove ISD met its statutory worker’s compensation obligations through participants 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 members participating in the Fund execute Interlocal Agreements that define the responsibilities of the parties. The Fund provides statutory workers’ compensation benefits to its members’ injured employees.

The Fund and its members are protected against higher than expected claims costs 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, 2019, the Fund carries a discounted reserve of \$45,439,534 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2020, the Fund anticipates no additional liability to members beyond their contractual obligations for payment of contributions.

The Fund engages the services of an independent auditor to conduct a financial audit after the close of each year on August 31. The audit is accepted by the Fund's Board of Trustees in February of the following year. The Fund's audited financial statements as of August 31, 2019, are available on the TASB Risk Management Fund website and have been filed with the Texas Department of Insurance in Austin.

**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. Stewardship, Compliance and Accountability**

**Budgetary Data**

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



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

1. Prior to August 20 of the preceding fiscal year, the District prepares a budget for the next succeeding fiscal year beginning September 1. The operating budget includes proposed expenditures and the means of financing them.
2. A meeting of the Board is then called for the purpose of adopting the proposed budget. At least ten days public notice of the meeting must be given.
3. Prior to September 1, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can only be amended at the function and fund level by approval of a majority of the members of the Board. Amendments are presented to the Board at its regular meetings. Each amendment must have Board approval. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board, and are not made after fiscal year end. Because the District has a policy of careful budgetary control, several amendments were necessary during the year.

Significant budget amendments were as follows:

General Fund:

Increase in total local and intermediate sources	216,477
Increase in state program revenues	305,556
Increase in federal program revenues	18,900
(Increase) in instruction expenditures	(98,902)
Decrease in instructional resources and media services	4,441
Decrease in curriculum and instructional staff development	5,850
(Increase) in instructional leadership	(6,327)
(Increase) in school leadership	(98,723)
(Increase) in guidance, counseling, and evaluation services	(17,878)
(Increase) in health services	(12,991)
(Increase) in student (pupil) transportation	(3,778)
(Increase) in extracurricular activities	(59,824)
(Increase) in general administration	(205,216)
(Increase) in facilities maintenance and operations	(250,164)
(Increase) in security and monitoring services	(13,710)
(Increase) in data processing services	(449,983)
(Increase) in debt service	(5,400)
(Increase) in payments to SSA	(10,000)
	<u>(681,672)</u>

Debt Service Fund:

Increase in total local and intermediate sources	25,735
(Increase) in interest on long-term debt	(94,975)
	<u>(69,240)</u>

Each budget is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Board. All budget appropriations lapse at year end.

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

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

	August 31, 2020
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	67,206
Non appropriated Budget Funds	<u>307,988</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>375,194</u></u>

**Note C. 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 at August 31, 2020 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Balance Sheet Total
Cash and Cash Equivalents	11,723,345	(8,011,811)	6,407,016	(2,831,814)	7,286,736
Temporary Investments	<u>(2,746,520)</u>	<u>10,671,458</u>	<u>-</u>	<u>3,499,697</u>	<u>11,424,635</u>
Total	<u><u>8,976,825</u></u>	<u><u>2,659,647</u></u>	<u><u>6,407,016</u></u>	<u><u>667,883</u></u>	<u><u>18,711,371</u></u>

The District's cash deposits at August 31, 2020 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, 2020, Pleasant Grove Independent School District had the following investments:

Investment Type	Investment Maturities (in years)				
	Fair Value*	Less than 1	1-5	6-10	More than 10
Investment Pools **					
Lone Star ***	5,674,011	5,674,011			
TexStar ***	5,750,624	5,750,624			
Total	11,424,635	11,424,635			

\*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 72, 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, 2020, 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 D. 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, 2019 upon which the levy for the 2020 fiscal year was based was \$939,576,278. The tax rates levied for the year ended August 31, 2020, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.016480 and \$0.365 per \$100 per valuation, respectively, for a total of \$1.38148 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 E. 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 F. Disaggregation of Receivables and Payables**

Receivables at August 31, 2020, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other Funds</u>	<u>Total Receivables</u>
<b>Governmental Activities:</b>				
General Fund	261,791	1,077,634	108,945	1,448,370
Debt Service	87,419	2,134	27,600	117,153
Nonmajor Governmental Funds (Special Revenue)	-	221,661	-	221,661
<b>Total - Governmental Activities</b>	<u>349,210</u>	<u>1,301,429</u>	<u>136,545</u>	<u>1,787,184</u>
Amounts not scheduled for collection during the subsequent year	<u>(168,108)</u>	<u>-</u>	<u>-</u>	<u>(168,108)</u>

Payables at August 31, 2020, were as follows:

	<u>Accounts Payable</u>	<u>Salaries/ Benefits</u>	<u>Other Funds</u>	<u>Total Payables</u>
<b>Governmental Activities:</b>				
General Fund	266,528	1,260,927	27,600	1,555,055
Capital Projects	1,721,564	-	-	1,721,564
Nonmajor Governmental Funds (Special Revenue)	121,085	46,456	108,945	276,486
<b>Total - Governmental Activities</b>	<u>2,109,177</u>	<u>1,307,383</u>	<u>136,545</u>	<u>3,553,105</u>

Note G. Capital Asset Activity

Capital asset activity for the District for the year ended August 31, 2020, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	1,274,180	-	-	1,274,180
Building and Improvements	60,107,495	90,852	183,239	60,381,586
Furniture and Equipment	2,864,320	299,959	-	3,164,279
Construction in Progress	2,193,324	11,867,659	(183,239)	13,877,744
Totals at Historic Cost	<u>66,439,319</u>	<u>12,258,470</u>	<u>-</u>	<u>78,697,789</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(19,626,432)	(1,337,287)	-	(20,963,719)
Furniture and Equipment	(2,524,857)	(144,842)	-	(2,669,699)
Total Accumulated Depreciation	<u>(22,151,289)</u>	<u>(1,482,129)</u>	<u>-</u>	<u>(23,633,418)</u>
Governmental Activities, Net:				
Land	1,274,180	-	-	1,274,180
Building and Improvements	40,481,063	(1,246,435)	183,239	39,417,867
Furniture and Equipment	339,463	155,117	-	494,580
Construction in Progress	2,193,324	11,867,659	(183,239)	13,877,744
Capital Assets, Net	<u>44,288,030</u>	<u>10,776,341</u>	<u>-</u>	<u>55,064,371</u>

During the current year, the District purchased several capital assets, including flat panel screens, a football state championship monument, fencing, two maintenance vehicles, a scissor lift, new playground, and security cameras. The District completed the resurfacing of the track during the year at a total cost of \$183,239.

In March 2019, the District signed a construction contract with Nabholz Construction as the Construction Manager at Risk for the construction of a new elementary campus. The District incurred costs of \$2,027,085 of the construction costs during the prior year. Current year costs total \$11,850,659 on the construction of the new campus. The total project is reflected as construction in progress as \$13,877,744. The elementary campus project was completed in November 2020.

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	879,726
Instructional Resources and Media Services	6,391
Curriculum Development and Instructional Staff	4,174
Instructional Development	14,832
School Leadership	81,803
Guidance, Counseling and Evaluation Services	34,829
Health Services	9,389
Student (Pupil) Transportation	8,631
Food Services	37,874
Cocurricular/Extracurricular Activities	97,907
General Administration	84,302
Plant Maintenance and Operations	152,832
Security and Monitoring Service	6,856
Data Processing Services	62,583
Total Depreciation Expense - Governmental Activities	<u>1,482,129</u>

**Note H. 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, 2020, the District paid \$170,000 in principal, \$23,775 in interest, and \$650 in fees.

A summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2020 is as follows:

Purpose	Stated	Amounts	Amounts	Amounts		
	Interest	Original	Outstanding	Issued	Retired	Outstanding
	Rate	Issue	09/01/19			08/31/20
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	1,135,000	-	170,000	965,000
			<u>1,135,000</u>	<u>-</u>	<u>170,000</u>	<u>965,000</u>

Maintenance Tax Note Obligations requirements are as follows:

Year Ended	Maintenance Tax Note Obligations - Direct Borrowing		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
<u>August 31</u>			
2021	175,000	19,744	194,744
2022	105,000	16,594	121,594
2023	110,000	14,175	124,175
2024	110,000	11,700	121,700
2025	115,000	9,169	124,169
2026-2028	350,000	11,925	361,925
	<u>965,000</u>	<u>83,307</u>	<u>1,048,307</u>

In the government-wide financial statements, maintenance note indebtedness is reflected in the Statement of Net Position. The deferred charge on refunding the maintenance note, net of accumulated amortization, totaled \$8,052 at August 31, 2020. Amortization of \$2,283 is reflected in the Statement of Activities for the year ended August 31, 2020. See Note L for more details.

**Note I. 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 issued \$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 statements, the current expenditures for principal and in 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, 2020, the District paid \$1,395,000 in principal, \$1,908,450 in interest, and \$1,651 in fees.

A summary of changes in bonded indebtedness for the year ended August 31, 2020 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 09/01/19	Issuance / Accretion	Retired	Amounts Outstanding 08/31/20
<b>Unlimited Tax Refunding Bonds, Series 2010</b>						
Serial Current Interest Bonds due in annual installments through February 15, 2026	2.0-4.0%	6,875,000	4,485,000	-	565,000	3,920,000
<b>Unlimited Tax Refunding Bonds, Series 2013</b>						
Serial Current Interest Bonds due February 15, 2030, 2031 and 2032	3.5%	8,110,000	6,740,000	-	-	6,740,000
<b>Unlimited Tax Refunding Bonds, Series 2014</b>						
Serial Current Interest Bonds due February 15, 2023, 2024, 2028-2030	3.5-4.0%	8,020,000	8,020,000	-	-	8,020,000
<b>Unlimited Tax Refunding Bonds, Series 2015</b>						
Serial Current Interest Bonds due February 15, 2018 -2022, 2023, 2025-2027	3.0-5.0%	8,460,000	7,505,000	-	700,000	6,805,000
<b>Unlimited Tax School Bldg Bonds-</b>						
Series 2018, due in annual installments through February 15, 2042	3.0-5.0%	17,945,000	17,855,000	-	130,000	17,725,000
			44,605,000	-	1,395,000	43,210,000

Bonded debt service requirements are as follows:

Year Ended	General Obligation Bonds		
	Principal	Interest	Total Requirements
<u>August 31</u>			
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	1,770,000	1,649,750	3,419,750
2025	1,915,000	1,569,950	3,484,950
2026-2030	11,945,000	6,346,875	18,291,875
2031-2035	9,195,000	4,082,925	13,277,925
2036-2040	7,775,000	2,460,175	10,235,175
2041-2042	5,810,000	446,500	6,256,500
	<u>43,210,000</u>	<u>21,895,925</u>	<u>65,105,925</u>

In the government-wide financial statements, bonded indebtedness of the District is reflected in the Statement of Net Position. Bond premium/discount proceeds are deferred and amortized over the life of the bonds. Amortization of \$399,963 is reflected in the Statement of Activities for the year ended August 31, 2020.

	Series 2010	Series 2013	Series 2014	Series 2015	Series 2018	Total
Premium on issuance of bonds	(112,180)	(514,404)	(462,234)	(836,105)	(2,146,616)	(4,071,539)
Current year amortization	28,643	43,898	55,915	158,229	113,278	399,963
Premium on issuance of bonds, net	<u>(83,537)</u>	<u>(470,506)</u>	<u>(406,319)</u>	<u>(677,876)</u>	<u>(2,033,338)</u>	<u>(3,671,576)</u>

The deferred charge on refunding bonds, net of accumulated amortization, totaled \$1,523,579 at August 31, 2020. Amortization of \$169,496 is reflected in the Statement of Activities for the year ended August 31, 2020. See Note L for more details.

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

There are a number of limitations and restriction contained in the general obligation bond indenture. Management has indicated that the District is in compliance with all significant limitations and restrictions at August 31, 2020.

**Note J. 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, 2020 totaled \$68,295.

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, 2020 totaled \$33,262.

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

Balance September 1, 2019	90,098
Additions	11,459
Deductions	<u>-</u>
Balance August 31, 2020	<u>101,557</u>

**Note K. Changes in Long-Term Liabilities**

Long-term liability activity for the year ended August 31, 2020, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Notes and Bonds Payable:					
Maintenance Tax Note Obligations	1,135,000	-	170,000	965,000	175,000
General Obligation Bonds	44,605,000	-	1,395,000	43,210,000	1,510,000
Premium/Discount on Issuance of Bonds, Net	4,071,539	-	399,963	3,671,576	-
Total Bonds and Notes Payable	<u>49,811,539</u>	<u>-</u>	<u>1,964,963</u>	<u>47,846,576</u>	<u>1,685,000</u>
Other Liabilities:					
Accumulated Leave Benefits Liability	90,098	11,459	-	101,557	-
Net Pension Liability	5,058,761	-	322,400	4,736,361	-
Net OPEB Liability	7,179,020	-	626,564	6,552,456	-
Total Other Liabilities	<u>12,327,879</u>	<u>11,459</u>	<u>948,964</u>	<u>11,390,374</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>62,139,418</u>	<u>11,459</u>	<u>2,913,927</u>	<u>59,236,950</u>	<u>1,685,000</u>

**Note L. 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, 2020:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deduction</u>	<u>Ending Balance</u>
Deferred charges on refunding notes	10,335	-	2,283	8,052
Deferred charges on refunding bonds:				
Series 2013	800,691	-	38,329	762,362
Series 2014	552,334	-	66,814	485,520
Series 2015	340,050	-	64,353	275,697
Total	<u>1,703,410</u>	<u>-</u>	<u>171,779</u>	<u>1,531,631</u>

**Note M. 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 <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf>, selecting *About TRS* then *Publications* then *Financial Reports* or by writing TRS at 1000 Red River Street, Austin, TX, 78701-2698.

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

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.

In May 2019, the 86<sup>th</sup> Texas Legislature approved TRS Pension Reform Bill (Senate Bill 12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. This action causing the pension fund to be actuarially sound, allowed the legislature to approve funding for a 13<sup>th</sup> check in September 2019. All eligible members retired as of December 31, 2018 received an extra annuity check in either the matching amount of their monthly annuity or \$2,000, whichever was less.

**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.

Employee contribution rates are set in state statute, Texas Government Code 825.402. The TRS Pension Reform Bill (Senate Bill 12) of the 86<sup>th</sup> Legislature amended Texas Government Code 825-402 for member contributions and increased employee and employer contribution rates for the fiscal years 2020 through 2025.

**Contribution Rates**

	<u>2019</u>	<u>2020</u>
Member (Employees)	7.7%	7.7%
Employer (District)	6.8%	7.5%
Non-Employer Contributing Entity (State)	6.8%	7.5%
PGISD Fiscal Year Member Contributions	888,123	1,025,977
PGISD Fiscal Year Employer Contributions	314,860	383,054
PGISD NECE On-Behalf Contributions	598,819	617,122

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 role, the State contributes to the plan in accordance with state statutes and the General Appropriations Act (GAA).

As the non-employer contributing entity for public education and junior colleges, 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, 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 sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

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 or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

**Actuarial Assumptions.** The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	7.25%
Long-Term Expected Rate	7.25%
Municipal Bond Rate as of August 2019	2.63%. 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."
Last year ending August 31 in	
Projection Period (100) years	2116
Inflation	2.30%
Salary Increases	3.05% to 9.05% including inflation
Ad hoc post-employment benefit changes	None

The actuarial methods and assumptions are primarily based on a study of actual experience for the three year period ending August 31, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

**Discount Rate.** A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69 percent. The projection of cash flows used to determine the discount rate assumed that contributions from active members, employers and non-employer contribution entity will be made at the rates set by the legislature during the 2019 season. It is assumed that future employer and state contributions will be 8.50 percent of payroll in fiscal year 2020 gradually increasing to 9.55 percent of payroll over the next several years. This includes all employer and state contributions for active and rehired retirees.

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-rate of return on pension plan investments is 7.25%. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 weighing 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, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation <sup>1</sup> %	New Target Allocation <sup>2</sup> %	Long-Term Expected Geometric Real Rate of Return <sup>3</sup>
<b>Global Equity</b>			
USA	18.0%	18.0%	6.4%
Non-U.S. Developed	13.0%	13.0%	6.3%
Emerging Markets	9.0%	9.0%	7.3%
Directional Hedge Funds	4.0%	-	-
Private Equity	13.0%	14.0%	8.4%
<b>Stable Value</b>			
U.S. Treasuries <sup>4</sup>	11.0%	16.0%	3.1%
Stable Value Hedge Funds	4.0%	5.0%	4.5%
Absolute Return	0.0%	0.0%	0.0%
<b>Real Return</b>			
Global Inflation Linked Bonds <sup>4</sup>	3.0%	-	-
Real Estate	14.0%	15.0%	8.5%
Energy, Natural Resources and Infrastructure	5.0%	6.0%	7.3%
Commodities	0.0%	0.0%	0.0%
<b>Risk Parity</b>			
Risk Parity	5.0%	8.0%	5.8% / 6.5% <sup>5</sup>
<b>Leverage</b>			
Cash	1.0%	2.0%	2.50%
Asset Allocation Leverage	-	-6.0%	2.70%
<b>Expected Return</b>	100.00%	100.0%	7.23%

<sup>1</sup> Target allocations are based on the Strategic Asset Allocations as of FY 2019.

<sup>2</sup> New allocations are based on the Strategic Asset Allocation to be implemented FY 2020.

<sup>3</sup> 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

<sup>4</sup> New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

<sup>5</sup> 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

**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 (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
PGISD's proportionate share of the net pension liability	7,280,475	4,736,361	2,675,138

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.*** At August 31, 2020, the District reported a liability of \$4,736,361 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's proportionate share of the collective net pension liability	\$ 4,736,361
State's proportionate share that is associated with the District	<u>9,165,771</u>
Total	<u><u>\$ 13,902,132</u></u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.009111343%, which was a decrease of (0.0000793141%) from its proportion measurement as of August 31, 2018.

**Changes Since the Prior Actuarial Valuation**

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

- The single discount rate as of August 31, 2018 was a blended rate of 6.907 percent and that has changed to the long-term rate of return of 7.25 percent as of August 31, 2019.
- With the enactment of SB 3 by the 2019 Texas Legislature, an assumption has been made about how this would impact future salaries. It is assumed that eligible active members will each receive a \$2,700 increase in fiscal year 2020. This is in addition to the salary increase expected in the actuarial assumptions.
- The Texas Legislature approved funding for a 13<sup>th</sup> check. All eligible member retired as of December 31, 2018 will receive an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment of \$2,000 or less.

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, 2020, the District recognized pension expense of \$2,506,399 and revenue of \$1,439,814 for support provided by the State.



At August 31, 2020, the District reported its proportionate share of the TRS’s deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 19,897	\$ 164,454
Changes in actuarial assumptions	1,469,452	607,247
Difference between projected and actual investment earnings	47,558	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	529,997	25,323
Total as of August 31, 2019 measurement date	\$ 2,066,904	\$ 797,024
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	383,054	-
Total as of August 31, 2020	\$ 2,449,958	\$ 797,024

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
2020	375,396
2021	312,860
2022	291,851
2023	260,165
2024	74,939
Thereafter	(45,331)
	<u>\$ 1,269,880</u>

**Note N. 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.

**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 a retiree with and without Medicare coverage.

	TRS-Care Monthly for Retirees	
	Medicare	Non-Medicare
Retiree*	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree* and Children	468	408
Retiree and Family	1020	999

*\*or surviving spouse*

**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 1.25% of the employee's salary. Section 1575.203 establishes the active employee's rate which is .75% 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.

	2019	2020
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
PGISD's Fiscal Year Member Contributions	74,973	86,608
PGISD's Fiscal Year Employer Contributions	98,333	111,465
Measurement Year NECE On-behalf Contributions	134,108	130,659

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 hiring a TRS retiree, employers are required to pay TRS Care, a monthly surcharge of \$535 per retiree.

TRS-Care received supplemental appropriation from the State of Texas as the Non-Employer Contributing Entity in the amount of \$73.6 million in fiscal year 2019.

**Actuarial Methods and Assumptions.** The total OPEB liability in the August 31, 2018 was rolled forward to August 31, 2019. The actuarial valuation was determined using the following actuarial assumptions:

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS annual pension actuarial valuation that was rolled forward to August 31, 2019:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Single Discount Rate	2.63% as of August 31, 2019
Aging Factors	Based on plan specific experience Normal Retirement: 65% participation prior to age 65 and 50% after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Election Rates	
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims cost
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

**Discount Rate:** A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. 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.

**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 (2.63%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.63%)	Current Single Discount Rate (2.63%)	1% Increase in Discount Rate (3.63%)
PGISD's proportionate share of the Net OPEB Liability	7,910,917	6,552,456	5,489,731

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs***

At August 31, 2020, the District reported a liability of \$6,552,456 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	\$ 6,552,456
State's proportionate share that is associated with the District	<u>8,706,748</u>
Total	<u><u>\$ 15,259,204</u></u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 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, 2018 thru August 31, 2019.

At August 31, 2019 the employer's proportion of the collective Net OPEB Liability was 0.013855543% which was an increase of (0.0005223632%) from its proportion measured as of August 31, 2018.

The following schedule shows the impact of the Net OPEB Liability if a healthcare trend rate that is 1% less than and 1% greater than the assumed 8.5% rate used.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	5,345,264	6,552,456	8,169,539

***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 discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that due while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- There were not changes in benefit terms since the prior measurement date.

For the year ended August 31, 2020, the District recognized OPEB expense of \$381,059 and revenue of \$229,474 for support provided by the State.

At August 31, 2020, 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	\$ 321,454	\$ 1,072,240
Changes in actuarial assumptions	363,938	1,762,450
Net Difference between projected and actual investment earnings	707	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	72,040	289,150
Total as of August 31, 2019 measurement date	758,139	3,123,840
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	111,465	-
Total as of August 31, 2020 fiscal year-end	\$ 869,604	\$ 3,123,840

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

Year ended August 31:	OPEB Expense Amount
2020	\$ (387,291)
2021	(387,291)
2022	(387,519)
2023	(387,650)
2024	(387,614)
Thereafter	(428,336)
	<u>\$ (2,365,701)</u>

**Note O. Medicare Part D (TRS)**

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

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

Contribution amounts are as follows: State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were \$56,413 for the year ended August 31, 2020. State Contributions for Medicare Part D made on behalf of Pleasant Grove Independent School District's employees were \$42,969 for the year ended August 31, 2019. 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.

**Note P. 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, 2020 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 Q. 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, 2020 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.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Entitlements</u>	<u>Local Agency</u>	<u>Total</u>
Governmental Activities:				
Due From Other Governments:				
General Fund	1,071,623	-	6,011	1,077,634
Debt Service Fund	-	-	2,134	2,134
Nonmajor Governmental Funds (Special Revenue)	-	221,661	-	221,661
	<u>1,071,623</u>	<u>221,661</u>	<u>8,145</u>	<u>1,301,429</u>

**Note R. Unearned Revenues**

Unearned revenue at August 31, 2020 consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds Total</u>
Athletic receipts	19,877	-	19,877
Tuition	5,452	-	5,452
Food Service receipts	-	31,614	31,614
Instructional material allotment	-	172,282	172,282
Other special revenue funds	-	33,968	33,968
	<u>25,329</u>	<u>237,864</u>	<u>263,193</u>

**Note S. Deferred Inflows of Resources (Governmental Funds)**

Unavailable revenue – property taxes at August 31, 2020 consisted of the following:

	General Fund	Debt Service Fund	Governmental Funds Total
Net uncollected tax revenue	107,011	36,096	143,107
Total unavailable revenue	<u>107,011</u>	<u>36,096</u>	<u>143,107</u>

**Note T. Revenue from Local and Intermediate Sources**

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

<u>Revenue Sources</u>	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Governmental Funds	Governmental Funds Total
Property taxes and related income	9,628,302	3,453,149	-	-	13,081,451
Investment income	135,746	21,391	214,046	-	371,183
Food service revenue	-	-	-	218,868	218,868
Athletic	119,467	-	-	-	119,467
Activity revenue	-	-	-	409,584	409,584
Other local sources	177,697	-	-	57,760	235,457
	<u>10,061,212</u>	<u>3,474,540</u>	<u>214,046</u>	<u>686,212</u>	<u>14,436,010</u>

**Note U. General Fund Federal Source Revenues**

<u>Program or Source</u>	<u>Amount</u>
School Health and Related Services (SHARS)	49,464
	<u>49,464</u>

**Note V. 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 \$251,157 for the year ended August 31, 2020.

A detail of Function 93 is as follows:

General Fund - Function 93:	
SSA - Transportation	<u>251,157</u>

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

**Note W. Prior Period Adjustment**

During fiscal year 2020, the District adopted GASB Statement No. 84 for *Fiduciary Activities*. With GASB 84, the District evaluated all fiduciary funds to determine the proper classification of custodial funds. Adoption of GASB 84 requires a prior period adjustment to report the effect of GASB 84 retroactively. The amount of the prior period adjustment for activity funds reclassified to a Special Revenue Fund is reflected on the Statement of Activities and Statement of Revenues, Expenditures and Changes in Fund Balances as \$21,113. The restated beginning net position is \$12,722,431 and the restated beginning fund balance is \$27,659,557.

**Note X. Subsequent Events**

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements which was January 11, 2021.



**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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ 9,803,523	\$ 10,020,000	\$ 10,061,212	\$ 41,212
5800 State Program Revenues	10,140,989	10,446,545	10,885,365	438,820
5900 Federal Program Revenues	30,000	48,900	49,464	564
5020 Total Revenues	19,974,512	20,515,445	20,996,041	480,596
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	11,351,098	11,450,000	11,449,367	633
0012 Instructional Resources and Media Services	119,441	115,000	95,026	19,974
0013 Curriculum and Instructional Staff Development	105,850	100,000	62,063	37,937
0021 Instructional Leadership	223,673	230,000	220,543	9,457
0023 School Leadership	1,126,277	1,225,000	1,185,891	39,109
0031 Guidance, Counseling, and Evaluation Services	457,122	475,000	464,214	10,786
0033 Health Services	137,009	150,000	139,610	10,390
0034 Student (Pupil) Transportation	171,222	175,000	128,346	46,654
0036 Extracurricular Activities	1,090,176	1,150,000	1,082,038	67,962
0041 General Administration	1,144,784	1,350,000	1,253,531	96,469
0051 Facilities Maintenance and Operations	2,099,836	2,350,000	2,272,527	77,473
0052 Security and Monitoring Services	118,290	132,000	101,944	30,056
0053 Data Processing Services	475,017	925,000	900,058	24,942
Debt Service:				
0071 Principal on Long-Term Debt	170,000	175,400	170,000	5,400
0072 Interest on Long-Term Debt	24,650	24,650	23,775	875
0073 Bond Issuance Cost and Fees	650	650	650	-
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	250,000	260,000	251,157	8,843
0099 Other Intergovernmental Charges	225,000	225,000	187,728	37,272
6030 Total Expenditures	19,290,095	20,512,700	19,988,468	524,232
1200 Net Change in Fund Balances	684,417	2,745	1,007,573	1,004,828
0100 Fund Balance - September 1 (Beginning)	7,694,372	7,694,372	7,694,372	-
3000 Fund Balance - August 31 (Ending)	\$ 8,378,789	\$ 7,697,117	\$ 8,701,945	\$ 1,004,828

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, 2020

	FY 2020 PlaneYear@2019	FY 2019 PlaneYear@2018	FY 2018 PlaneYear@2017
District's Proportion of the Net Pension Liability (Asset)	0.009111343%	0.009190657%	0.009136099%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,736,361	\$ 5,058,761	\$ 2,921,232
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	9,165,771	9,790,275	6,132,262
Total	<u>\$ 13,902,132</u>	<u>\$ 14,849,036</u>	<u>\$ 9,053,494</u>
District's Covered Payroll	\$ 11,534,484	\$ 11,105,587	\$ 11,276,722
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	41.06%	45.55%	25.90%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.24%	73.74%	82.17%

Note: GASB Codification, Vol. 2, P20.183 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, 2019 for year 2020, August 31, 2018 for year 2019, August 31, 2017 for year 2018, August 31, 2016 for year 2017, August 31, 2015 for year 2016 and August 31, 2014 for year 2015.

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

<u>FY 2017</u>	<u>FY 2016</u>	<u>FY 2015</u>
<u>Plan Year 2016</u>	<u>Plan Year 2015</u>	<u>Plan Year 2014</u>
0.008589306%	0.0088437%	0.0039584%
\$ 3,245,771	\$ 3,126,130	\$ 1,057,343
7,574,429	7,289,680	6,643,653
<u>\$ 10,820,200</u>	<u>\$ 10,415,810</u>	<u>\$ 7,700,996</u>
\$ 11,047,817	\$ 10,696,865	\$ 10,633,842
29.38%	29.22%	9.94%
78.00%	78.43%	83.25%

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF DISTRICT'S CONTRIBUTIONS FOR PENSIONS  
TEACHER RETIREMENT SYSTEM OF TEXAS  
FOR FISCAL YEAR 2020

	2020	2019	2018
Contractually Required Contribution	\$ 383,054	\$ 311,860	\$ 309,510
Contribution in Relation to the Contractually Required Contribution	(383,054)	(311,860)	(309,510)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,325,277	\$ 11,534,484	\$ 11,105,587
Contributions as a Percentage of Covered Payroll	2.87%	2.70%	2.79%

Note: GASB Codification, Vol. 2, P20.183 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.

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

	2017	2016	2015
\$	299,428	\$ 272,904	\$ 261,866
	(299,428)	(272,904)	(261,866)
\$	-	\$ -	\$ -
\$	11,276,722	\$ 11,047,817	\$ 10,696,865
	2.66%	2.47%	2.45%

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, 2020

	FY2020 Plan Year 2019	FY2019 Plan Year 2018	FY2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.013855543%	0.014377906%	0.014227513%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 6,552,456	\$ 7,179,020	\$ 6,187,012
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	8,706,748	9,720,387	8,876,706
Total	<u>\$ 15,259,204</u>	<u>\$ 16,899,407</u>	<u>\$ 15,063,718</u>
District's Covered Payroll	\$ 11,534,484	\$ 11,105,587	\$ 11,276,722
District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	56.81%	64.64%	54.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	2.66%	1.57%	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 2020 are for the measurement date of August 31, 2019. The amounts for FY 2019 are for the measurement date August 31, 2018. The amounts for FY 2018 are based on the August 31, 2017 measurement date.

This schedule shows only the years 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 2020

	2020	2019	2018
Contractually Required Contribution	\$ 111,465	\$ 98,333	\$ 92,213
Contribution in Relation to the Contractually Required Contribution	(111,465)	(98,333)	(92,213)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,325,277	\$ 11,534,484	\$ 11,105,587
Contributions as a Percentage of Covered Payroll	0.84%	0.85%	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.



PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED AUGUST 31, 2020

**A. Notes to Schedules for the TRS Pension Plan**

*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 in the actuarial assumptions used in the determination of the total pension liability during the measurement period.

**B. Notes to Schedules for the TRS OPEB Plan**

*Changes of benefit*

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

*Changes in Assumptions*

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 discount rate changed from 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.

## **COMBINING SCHEDULES**

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEAe Part B Preschool	240 National Breakfast and Lunch Program	
<b>ASSETS</b>					
1110	Cash and Cash Equivalents	\$ 16,922	\$ 41,464	\$ 48	\$ 146,585
1240	Due from Other Governments	29,149	48,524	-	17,310
1000	Total Assets	<u>\$ 46,071</u>	<u>\$ 89,988</u>	<u>\$ 48</u>	<u>\$ 163,895</u>
<b>LIABILITIES</b>					
2110	Accounts Payable	\$ -	\$ -	\$ -	\$ 62,454
2150	Payroll Deductions and Withholdings Payable	2,271	4,500	48	-
2160	Accrued Wages Payable	15,985	23,652	-	-
2170	Due to Other Funds	27,815	61,836	-	2,621
2300	Unearned Revenue	-	-	-	31,614
2000	Total Liabilities	<u>46,071</u>	<u>89,988</u>	<u>48</u>	<u>96,689</u>
<b>FUND BALANCES</b>					
Restricted Fund Balance:					
3450	Federal or State Funds Grant Restriction	-	-	-	67,206
3490	Other Restricted Fund Balance	-	-	-	-
Committed Fund Balance:					
3545	Other Committed Fund Balance	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>67,206</u>
4000	Total Liabilities and Fund Balances	<u>\$ 46,071</u>	<u>\$ 89,988</u>	<u>\$ 48</u>	<u>\$ 163,895</u>

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ 3,177	\$ (126,678)	\$ -	\$ 240,315	\$ 33,968	\$ 269,069	\$ 43,013	\$ 667,883
-	126,678	-	-	-	-	-	221,661
<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,315</u>	<u>\$ 33,968</u>	<u>\$ 269,069</u>	<u>\$ 43,013</u>	<u>\$ 889,544</u>
\$ -	\$ -	\$ -	\$ 54,742	\$ -	\$ 3,889	\$ -	\$ 121,085
-	-	-	-	-	-	-	6,819
-	-	-	-	-	-	-	39,637
3,177	-	-	13,291	-	-	205	108,945
-	-	-	172,282	33,968	-	-	237,864
<u>3,177</u>	<u>-</u>	<u>-</u>	<u>240,315</u>	<u>33,968</u>	<u>3,889</u>	<u>205</u>	<u>514,350</u>
-	-	-	-	-	-	-	67,206
-	-	-	-	-	-	42,808	42,808
-	-	-	-	-	265,180	-	265,180
-	-	-	-	-	265,180	42,808	375,194
<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 240,315</u>	<u>\$ 33,968</u>	<u>\$ 269,069</u>	<u>\$ 43,013</u>	<u>\$ 889,544</u>

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool	240 National Breakfast and Lunch Program
<b>REVENUES:</b>				
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ 218,868
5800 State Program Revenues	-	-	-	3,193
5900 Federal Program Revenues	166,382	348,602	5,798	351,425
5020 Total Revenues	<u>166,382</u>	<u>348,602</u>	<u>5,798</u>	<u>573,486</u>
<b>EXPENDITURES:</b>				
Current:				
0011 Instruction	166,382	294,934	5,798	-
0031 Guidance, Counseling, and Evaluation Services	-	53,668	-	-
0035 Food Services	-	-	-	542,203
0036 Extracurricular Activities	-	-	-	-
0053 Data Processing Services	-	-	-	-
6030 Total Expenditures	<u>166,382</u>	<u>348,602</u>	<u>5,798</u>	<u>542,203</u>
1200 Net Change in Fund Balance	-	-	-	31,283
0100 Fund Balance - September 1 (Beginning)	-	-	-	35,923
1300 Prior Period Adjustment	-	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,206</u>

255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 409,584	\$ 57,760	\$ 686,212
-	-	-	367,855	3,612	-	-	374,660
28,750	158,348	-	-	-	-	-	1,059,305
28,750	158,348	-	367,855	3,612	409,584	57,760	2,120,177
28,750	158,348	-	344,185	3,612	-	63,537	1,065,546
-	-	-	-	-	-	-	53,668
-	-	-	-	-	-	-	542,203
-	-	-	-	-	373,778	-	373,778
-	-	-	23,670	-	-	-	23,670
28,750	158,348	-	367,855	3,612	373,778	63,537	2,058,865
-	-	-	-	-	35,806	(5,777)	61,312
-	-	-	-	-	208,261	48,585	292,769
-	-	-	-	-	21,113	-	21,113
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 265,180	\$ 42,808	\$ 375,194

**REQUIRED T.E.A. SCHEDULE**

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF DELINQUENT TAXES RECEIVABLE  
 FISCAL YEAR ENDED AUGUST 31, 2020

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2011 and prior years	Various	Various	\$ Various
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	1.090000	0.350000	896,213,732
2019	1.090000	0.365000	916,989,862
2020 (School year under audit)	1.016480	0.365000	939,576,278
1000 TOTALS			



(10) Beginning Balance 9/1/2019	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2020
\$ 67,732	\$ -	\$ 3,956	\$ 1,271	\$ (4,253)	\$ 58,252
16,863	-	1,969	632	(76)	14,186
20,804	-	3,597	1,155	(76)	15,976
20,626	-	4,106	1,319	(73)	15,127
22,731	-	4,119	1,323	(73)	17,215
28,887	-	6,659	2,139	(320)	19,769
39,493	-	11,960	3,841	(304)	23,388
64,446	-	25,254	8,111	(2,654)	28,427
139,800	-	24,679	7,926	(70,046)	37,149
-	12,980,058	9,431,003	3,386,343	(42,992)	119,721
<u>\$ 421,381</u>	<u>\$ 12,980,058</u>	<u>\$ 9,517,302</u>	<u>\$ 3,414,060</u>	<u>\$ (120,867)</u>	<u>\$ 349,210</u>

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
 SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL - FOOD SERVICE FUND  
 FOR THE YEAR ENDED AUGUST 31, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 289,238	\$ 289,238	\$ 218,868	\$ (70,370)
5800 State Program Revenues	3,500	3,500	3,193	(307)
5900 Federal Program Revenues	414,327	414,327	351,425	(62,902)
5020 Total Revenues	707,065	707,065	573,486	(133,579)
EXPENDITURES:				
Current:				
0035 Food Services	696,537	696,537	542,203	154,334
6030 Total Expenditures	696,537	696,537	542,203	154,334
1200 Net Change in Fund Balances	10,528	10,528	31,283	20,755
0100 Fund Balance - September 1 (Beginning)	35,923	35,923	35,923	-
3000 Fund Balance - August 31 (Ending)	\$ 46,451	\$ 46,451	\$ 67,206	\$ 20,755

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, 2020

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 3,374,266	\$ 3,400,001	\$ 3,474,540	\$ 74,539
5800 State Program Revenues	-	-	67,558	67,558
5020 Total Revenues	3,374,266	3,400,001	3,542,098	142,097
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,454,919	1,454,919	1,395,000	59,919
0072 Interest on Long-Term Debt	1,848,456	1,943,431	1,908,450	34,981
0073 Bond Issuance Cost and Fees	1,651	1,651	1,651	-
6030 Total Expenditures	3,305,026	3,400,001	3,305,101	94,900
1200 Net Change in Fund Balances	69,240	-	236,997	236,997
0100 Fund Balance - September 1 (Beginning)	2,462,461	2,462,461	2,462,461	-
3000 Fund Balance - August 31 (Ending)	\$ 2,531,701	\$ 2,462,461	\$ 2,699,458	\$ 236,997

**COMPLIANCE, INTERNAL CONTROL, AND  
FEDERAL AWARDS SECTION**



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

Independent 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, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 11, 2021.

**Internal Control over Financial Reporting**

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

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

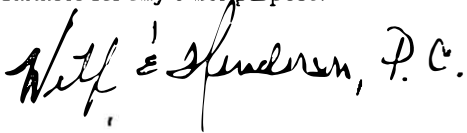
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

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

**Purpose of this Report**

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

A handwritten signature in black ink that reads "Wilf & Henderson, P.C." in a cursive script.

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

**January 11, 2021**



**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, 2020. 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, 2020.

## 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 on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



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

January 11, 2021



**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED AUGUST 31, 2020**

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

- a. The type of report issued on the financial statements of the Pleasant Grove Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instance of noncompliance material to the financial statements of the Pleasant Grove Independent School District was disclosed during the audit.
- d. No significant deficiency or material weakness relating to the audit of the major federal award program is 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 200.546 (a).
- g. The programs tested as major programs were:

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

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- i. Pleasant Grove Independent School District was not determined to be a low-risk auditee.

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

No findings were required to be reported.

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

No findings required to be reported.

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED AUGUST 31, 2020**

There were no prior year audit findings.

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED AUGUST 31, 2020**

There were no current year audit findings or questioned costs.

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2020

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
<u>Passed Through State Department of Education</u>			
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101212903	\$ 150,397
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21-610101212903	15,985
Total CFDA Number 84.010A			166,382
*IDEA - Part B, Formula	84.027	20-6600012129036600	281,042
*IDEA - Part B, Formula	84.027	21-6600012129036600	67,560
Total CFDA Number 84.027			348,602
*IDEA - Part B, Preschool	84.173	20-6610012129036610	5,798
Total Special Education Cluster (IDEA)			354,400
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	20-694501212903	28,750
ESSER Grant Fund	84.425D	20-521001019912	158,348
Total Passed Through State Department of Education			707,880
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>			707,880
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	66,640
*National School Lunch Program - Cash Assistance	10.555	N/A	231,947
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	52,838
Total CFDA Number 10.555			284,785
Total Child Nutrition Cluster			351,425
Total Passed Through the State Department of Agriculture			351,425
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			351,425
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,059,305</b>

\*Clustered Programs as required by Compliance Supplement 2020

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT  
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS  
YEAR ENDED AUGUST 31, 2020**

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	49,464
Other Special Revenue Funds	<u>1,059,305</u>
Sub -total	1,108,769
Less Medicaid Arrangements Payments:	
SSA - School Health & Related Services (SHARS)	<u>(49,464)</u>
 Total Federal Program Expenditures	 <u>1,059,305</u>

**REQUIRED T.E.A. SCHEDULE**

SCHOOLS FIRST QUESTIONNAIRE

Pleasant Grove Independent School District

Fiscal Year 2020

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SF1	Was there an unmodified opinion in the Annual Financial Report on the financial statements as a whole?	Yes
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning nonpayment of any terms of any debt agreement?	No
SF3	Did the school district make timely payments to the Teachers Retirement System (TRS), Texas Workforce Commission (TWC), Internal Revenue Service (IRS), and other government agencies? (If there was a warrant hold not cleared in 30 days, then not timely.)	Yes
SF4	Was the school district issued a warrant hold? (Yes even if cleared within 30 days.)	No
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls over financial reporting and compliance for local, state or federal funds?	No
SF6	Was there any disclosure in the Annual Financial Report of material noncompliance for grants, contracts, and laws related to local, state, or federal funds?	No
SF7	Did the school district post the required financial information on its website in accordance with Government Code, Local Government Code, Texas Education Code, Texas Administrative Code and other statutes, laws and rules in effect at the fiscal year end?	Yes
SF8	Did the school board members discuss the school district's property values at a board meeting within 120 days before the school district adopted its budget?	Yes
SF9	Total accumulated accretion on CABs included in government-wide financial statements at fiscal year end.	