

**PLEASANT GROVE
INDEPENDENT SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
AUGUST 31, 2021**

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED AUGUST 31, 2021**

TABLE OF CONTENTS

<u>Exhibit</u>	<u>Page</u>
CERTIFICATE OF BOARD	1
Independent Auditors' Report	2-4
Management's Discussion and Analysis	5-11
<u>Basic Financial Statements</u>	
Government Wide Statements:	
A-1 Statement of Net Position	12
B-1 Statement of Activities	13
Governmental Fund Financial Statements:	
C-1 Balance Sheet	14-15
C-2 Reconciliation for C-1	16
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balance	17-18
C-4 Reconciliation for C-3	19
Notes to the Financial Statements	20-48
<u>Required Supplementary Information</u>	
G-1 Budgetary Comparison Schedule - General Fund	49
G-6 Schedule of the District's Proportionate Share of the Net Pension Liability (TRS)	50-51
G-7 Schedule of District's Contributions to TRS	52-53
G-8 Schedule of District's Proportionate Share of the Net OPEB Liability (TRS)	54
G-9 Schedule of District's Contributions to TRS OPEB Plan	55
Notes to Required Supplementary Information	56
<u>Combining and Other Schedules</u>	
Nonmajor Governmental Funds:	
H-1 Combining Balance Sheet	57-59
H-2 Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	60-62
<u>Required TEA Schedules</u>	
J-1 Schedule of Delinquent Taxes	63-64
J-2 Budgetary Comparison Schedule – Food Service Fund	65
J-3 Budgetary Comparison Schedule - Debt Service Fund	66
J-4 State Compensatory Education and Bilingual Education Program Expenditures	67
<u>Reports on Compliance, Internal Control, and Federal Awards</u>	
Report on Internal Control Over Financial Reporting and Compliance and Other	
Matters Based on an Audit of Financial Statements Performed in Accordance with	
<i>Government Auditing Standards</i>	
Report on Compliance for Each Major Program and on Internal Control over Compliance	
Required by Uniform Guidance	
Schedule of Findings and Questioned Costs	
Schedule of Status of Prior Findings	
Corrective Action Plan	
K-1 Schedule of Expenditures of Federal Awards	78
Notes to Schedule of Expenditures of Federal Awards	79
<u>Required TEA Schedules</u>	
L-1 Schools First Questionnaire	80

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, 2021 at a meeting of the Board of Trustees of such school district on the _____ of January 2022.

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, 2021, 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, 2021, 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 49, schedule of the District's proportionate share of the net pension liability (TRS) on pages 50-51, schedule of District's contributions to TRS on pages 52-53, schedule of the District's proportionate share of the OPEB liability (TRS) on page 54, and schedule of District's contributions to TRS OPEB plan on page 55 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-4 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 12, 2022 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 solely 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 the effectiveness of Pleasant Grove Independent School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Pleasant Grove Independent School District's internal control over financial reporting and compliance.

Wilf & Henderson, P.C.

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

January 12, 2022

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, 2021. 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 \$28,236,029 was generated in tax, other local, state, and federal revenues, and other sources for governmental funds.
- During the year, the District's expenditures totaled \$30,179,275, of which \$3,982,272 was expenditures for debt service and \$2,328,478 for capital outlay.
- The General Fund ended the year with a fund balance of \$9,215,169, 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 697,963 from the prior year.
- The District's total tax rate was \$1.3678 with \$0.365 for debt service and \$1.0028 for maintenance and operation.
- The local assessed/appraised property values for 2020-2021 increased \$36,570,966.

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 2020	Governmental Activities 2021	Total % Change
Current and other assets	20,284,909	16,813,506	-17.11%
Capital assets	55,064,371	55,639,502	1.04%
Total Assets	75,349,280	72,453,008	-3.84%
Deferred outflows of resources	4,851,193	5,371,553	10.73%
Other liabilities	3,763,234	2,011,849	-46.54%
Long-term liabilities	47,948,133	46,367,750	-3.30%
TRS net pension liability	4,736,361	4,914,709	3.77%
TRS net OPEB liability	6,552,456	5,574,866	-14.92%
Total Liabilities	63,000,184	58,869,174	-6.56%
Deferred inflows of resources	3,920,864	4,977,999	26.96%
Net Position:			
Net Investment in Capital Assets	13,434,878	13,714,905	2.08%
Restricted	2,853,094	2,990,237	4.81%
Unrestricted	(3,008,547)	(2,727,754)	9.33%
Total Net Position	13,279,425	13,977,388	5.26%

As of August 31, 2021, the District's assets exceed liabilities by \$13,977,388, of which \$13,714,905 of the total net position represents the investment in capital assets less any related debt used to acquire those assets that are still outstanding. \$2,990,237 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 (\$2,727,754) 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 \$27,851,725 and the amount of these activities that our taxpayers paid for through property taxes was \$13,345,823 or 48%.

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

	Governmental Activities 2020	Governmental Activities 2021	Total % Change
Revenues:			
Program Revenues:			
Charges for services	924,939	1,005,299	8.69%
Operating grants and contributions	3,103,253	2,518,261	-18.85%
General Revenues:			
Property taxes	12,849,591	13,345,823	3.86%
State Aid - Formula Grants	10,002,474	11,293,051	12.90%
Interest Earnings	371,183	12,092	-96.74%
Other general revenues	208,526	375,162	79.91%
Total Revenues	27,459,966	28,549,688	3.97%
Expenses:			
Instruction	14,913,315	14,955,942	0.29%
Instructional Resources and Media Services	107,132	266,207	148.49%
Curriculum and Staff Development	66,241	115,909	74.98%
Instructional Leadership	254,257	169,607	-33.29%
School Leadership	1,400,306	1,451,429	3.65%
Guidance, Counseling and Evaluation Services	598,111	474,331	-20.70%
Health Services	159,739	171,764	7.53%
Student (Pupil) Transportation	144,437	119,109	-17.54%
Food Services	601,043	672,043	11.81%
Cocurricular/Extracurricular Activities	1,591,334	2,100,167	31.98%
General Administration	1,414,722	1,633,922	15.49%
Plant Maintenance and Operations	2,378,701	2,926,501	23.03%
Security and Monitoring Services	112,216	152,892	36.25%
Data Processing Services	1,018,049	631,524	-37.97%
Debt Service - Interest on Long Term Debt	1,702,183	1,243,527	-26.95%
Debt Service - Bond Issuance Cost and Fees	2,301	352,879	15235.90%
Payments to Fiscal Agents/Member Districts	251,157	223,119	-11.16%
Other Intergovernmental Charges	187,728	190,853	1.66%
Total Expenses	26,902,972	27,851,725	3.53%
Increase (Decrease) in Net Position	556,994	697,963	25.31%
Net Position Beginning of Year	12,701,318	13,279,425	4.55%
Prior Period Adjustment	21,113	-	-100.00%
Net Position End of Year	13,279,425	13,977,388	5.26%

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 2020	Governmental Funds 2021	Total \$ Change	Total % Change
Revenues:				
Local and Intermediate Sources	\$ 14,436,010	\$ 14,630,529	\$ 194,519	1.35%
State Program Revenues	11,327,583	12,039,971	712,388	6.29%
Federal Program Revenues	1,108,769	1,565,529	456,760	41.20%
Total Revenues	<u>26,872,362</u>	<u>28,236,029</u>	<u>1,363,667</u>	<u>5.07%</u>
Expenditures:				
Instruction	13,081,044	13,418,067	337,023	2.58%
Instructional resources & media services	95,026	242,306	147,280	154.99%
Curriculum and instructional staff development	62,063	106,764	44,701	72.03%
Instructional leadership	220,543	151,123	(69,420)	-31.48%
School leadership	1,216,364	1,295,474	79,110	6.50%
Guidance, counseling and evaluation services	517,882	424,984	(92,898)	-17.94%
Health services	139,610	153,634	14,024	10.05%
Student (Pupil) transportation	128,346	193,068	64,722	50.43%
Food services	563,169	619,022	55,853	9.92%
Extracurricular activities	1,455,816	1,913,214	457,398	31.42%
General administration	1,253,531	1,473,423	219,892	17.54%
Facilities maintenance & operations	2,272,527	2,682,548	410,021	18.04%
Security & monitoring services	101,944	138,945	37,001	36.30%
Data processing services	930,580	641,981	(288,599)	-31.01%
Debt services	3,499,526	3,982,272	482,746	13.79%
Facilities acquisition and construction	12,093,014	2,328,478	(9,764,536)	-80.75%
Payments to fiscal agent/member of SSA	251,157	223,119	(28,038)	-11.16%
Other intergovernmental charges	187,728	190,853	3,125	1.66%
Total Expenditures	<u>38,069,870</u>	<u>30,179,275</u>	<u>(7,890,595)</u>	<u>-20.73%</u>
Other Financing Sources (Uses)				
Capital Related Debt Issued (Regular Bonds)	-	20,490,000	20,490,000	100.00%
Transfers In	-	31,087	31,087	100.00%
Premium or Discount on Issuance of Bonds	-	2,316,493	2,316,493	100.00%
Transfers Out	-	(31,087)	(31,087)	-100.00%
Other (Uses)	-	(22,614,264)	(22,614,264)	-100.00%
Total Other Financing Sources (Uses)	<u>-</u>	<u>192,229</u>	<u>192,229</u>	<u>100.00%</u>
Net Change in Fund Balances	(11,197,508)	(1,751,017)	9,446,491	84.36%
Fund Balance - Beginning of Year	27,638,444	16,462,049	(11,176,395)	-40.44%
Prior Period Adjustment	21,113	-	(21,113)	-100.00%
Fund Balance - End of Year	<u>\$ 16,462,049</u>	<u>\$ 14,711,032</u>	<u>(1,751,017)</u>	<u>-10.64%</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 \$14,711,032. 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)
- \$ 267,812 is committed for campus activity funds (Special Revenue Fund)
- \$ 1,000,000 is assigned for facility improvements (General Fund)
- \$ 2,750,300 is restricted for retirement of long-term debt (Debt Service Fund)
- \$ 215,317 is restricted for state/federal programs, and other local sources (Special Revenue Fund)
- \$ 55,294 is restricted for locally funded special revenue funds (Special Revenue Fund)
- \$ 2,207,140 is restricted for capital acquisition and contractual obligations (Capital Projects Fund)

The restricted, committed, and assigned funds total \$8,501,671, leaving unassigned funds of \$6,209,361. The District’s combined fund balance decreased from the prior year by (\$1,751,017). 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:

General Fund:	
(Increase) in instruction expenditures	(740,359)
(Increase) in instructional resources and media services	(178,206)
Decrease in curriculum and instructional staff development	2,500
(Increase) in instructional leadership	(5,260)
(Increase) in school leadership	(25,068)
(Increase) in guidance, counseling, and evaluation services	(15,247)
(Increase) in health services	(7,533)
(Increase) in student (pupil) transportation	(16,513)
(Increase) in extracurricular activities	(357,320)
(Increase) in general administration	(278,089)
(Increase) in facilities maintenance and operations	(487,718)
(Increase) in security and monitoring services	(3,626)
(Increase) in data processing services	(144,674)
(Increase) in facilities acquisition and construction	(810,000)
	<u>(3,067,113)</u>
Debt Service Fund:	
(Increase) in principal on long-term debt	(455,000)
Increase in capital related debt issued	20,490,000
Increase in premium or discount on issuance of bonds	2,316,493
(Decrease) in other(uses)	(22,614,264)
	<u>(262,771)</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District has \$55,639,502 invested in capital assets. During the current year, the District purchased several capital assets, including a bus, fencing and a security system at the new elementary, a playground, school zone signage, and network upgrades.

Debt

Outstanding Bonded Debt of the District consists of the following:

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 \$1,755,000 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 \$2,385,000 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 \$17,595,000.

The District issued Refunding Bond Series 2020A and 2020B to refund Series 2010 and 2013 in full as well as a partial refunding of Series 2014 and 2015. The principal outstanding on the Series Current Interest Bond 2020A is \$3,115,000 paid off in 2025 and 2020B is \$16,330,000 paid off in 2032.

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 \$790,000 with final payment in 2028.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The District's board of trustees adopted a budget of \$20,771,123 for the school year 2021-2022 with the tax rate of \$1.3615. This tax rate is a decrease of .5% over the prior year tax rate, of which \$0.9965 to be used for maintenance and operations and \$0.365 to be used for retirement of debt.

State funding for 2021-2022 is budgeted at \$10,605,197, which includes revenue for students in attendance in average of 2,116.

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, 2021

EXHIBIT A-1

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 15,357,224
1220 Property Taxes - Delinquent	355,162
1230 Allowance for Uncollectible Taxes	(175,942)
1240 Due from Other Governments	1,277,062
Capital Assets:	
1510 Land	1,274,180
1520 Buildings and Improvements, Net	53,861,144
1530 Furniture and Equipment, Net	504,178
1000 Total Assets	72,453,008
DEFERRED OUTFLOWS OF RESOURCES	
1701 Deferred Charge for Refunding	2,154,447
1705 Deferred Outflow Related to TRS Pension	1,950,836
1706 Deferred Outflow Related to TRS OPEB	1,266,270
1700 Total Deferred Outflows of Resources	5,371,553
LIABILITIES	
2110 Accounts Payable	276,263
2140 Accrued Interest Payable	73,052
2150 Payroll Deductions and Withholdings	162,122
2160 Accrued Wages Payable	1,312,312
2300 Unearned Revenue	188,100
Noncurrent Liabilities:	
2501 Due Within One Year: Loans, Note, Leases, etc.	1,835,000
Due in More than One Year:	
2502 Bonds, Notes, Leases, etc.	44,532,750
2540 Net Pension Liability (District's Share)	4,914,709
2545 Net OPEB Liability (District's Share)	5,574,866
2000 Total Liabilities	58,869,174
DEFERRED INFLOWS OF RESOURCES	
2605 Deferred Inflow Related to TRS Pension	642,607
2606 Deferred Inflow Related to TRS OPEB	4,335,392
2600 Total Deferred Inflows of Resources	4,977,999
NET POSITION	
3200 Net Investment in Capital Assets	13,714,905
Restricted:	
3820 Restricted for Federal and State Programs	215,317
3850 Restricted for Debt Service	2,719,626
3890 Restricted for Other Purposes	55,294
3900 Unrestricted	(2,727,754)
3000 Total Net Position	\$ 13,977,388

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, 2021

Data Control Codes	1	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		3	4	6	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Gov. Governmental Activities	
Primary Government:					
GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 14,955,942	\$ 214,773	\$ 1,641,691	\$ (13,099,478)
12	Instructional Resources and Media Services	266,207	-	7,710	(258,497)
13	Curriculum and Instructional Staff Development	115,909	-	-	(115,909)
21	Instructional Leadership	169,607	-	10,652	(158,955)
23	School Leadership	1,451,429	-	92,818	(1,358,611)
31	Guidance, Counseling, and Evaluation Services	474,331	-	50,899	(423,432)
33	Health Services	171,764	-	12,223	(159,541)
34	Student (Pupil) Transportation	119,109	-	6,942	(112,167)
35	Food Services	672,043	280,394	455,652	64,003
36	Extracurricular Activities	2,100,167	510,132	41,619	(1,548,416)
41	General Administration	1,633,922	-	90,446	(1,543,476)
51	Facilities Maintenance and Operations	2,926,501	-	41,072	(2,885,429)
52	Security and Monitoring Services	152,892	-	38,738	(114,154)
53	Data Processing Services	631,524	-	27,799	(603,725)
72	Debt Service - Interest on Long-Term Debt	1,243,527	-	-	(1,243,527)
73	Debt Service - Bond Issuance Cost and Fees	352,879	-	-	(352,879)
93	Payments Related to Shared Services Arrangements	223,119	-	-	(223,119)
99	Other Intergovernmental Charges	190,853	-	-	(190,853)
	[TP] TOTAL PRIMARY GOVERNMENT:	\$ 27,851,725	\$ 1,005,299	\$ 2,518,261	(24,328,165)
Data Control Codes	General Revenues:				
	Taxes:				
MT	Property Taxes, Levied for General Purposes			9,786,264	
DT	Property Taxes, Levied for Debt Service			3,559,559	
SF	State Aid - Formula Grants			11,293,051	
IE	Investment Earnings			12,092	
MI	Miscellaneous Local and Intermediate Revenue			375,162	
TR	Total General Revenues			25,026,128	
CN	Change in Net Position			697,963	
NB	Net Position - Beginning			13,279,425	
NE	Net Position - Ending			\$ 13,977,388	

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

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
ASSETS			
1110 Cash and Cash Equivalents	\$ 9,713,970	\$ 2,725,760	\$ 2,207,140
1220 Property Taxes - Delinquent	265,090	90,072	-
1230 Allowance for Uncollectible Taxes	(132,362)	(43,580)	-
1240 Due from Other Governments	994,989	3,832	-
1260 Due from Other Funds	82,062	16,594	-
1000 Total Assets	<u>\$ 10,923,749</u>	<u>\$ 2,792,678</u>	<u>\$ 2,207,140</u>
LIABILITIES			
2110 Accounts Payable	\$ 182,558	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	153,600	-	-
2160 Accrued Wages Payable	1,217,090	-	-
2170 Due to Other Funds	-	-	-
2300 Unearned Revenue	34,033	-	-
2000 Total Liabilities	<u>1,587,281</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
2601 Unavailable Revenue - Property Taxes	121,299	42,378	-
2600 Total Deferred Inflows of Resources	<u>121,299</u>	<u>42,378</u>	<u>-</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3470 Capital Acquisition and Contractual Obligation	-	-	2,207,140
3480 Retirement of Long-Term Debt	-	2,750,300	-
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	6,209,361	-	-
3000 Total Fund Balances	<u>9,215,169</u>	<u>2,750,300</u>	<u>2,207,140</u>
4000 Total Liabilities, Deferred Inflows & Fund Balances	<u>\$ 10,923,749</u>	<u>\$ 2,792,678</u>	<u>\$ 2,207,140</u>

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

Other Funds	Total Governmental Funds
\$ 710,354	\$ 15,357,224
-	355,162
-	(175,942)
278,241	1,277,062
10,288	108,944
<u>\$ 998,883</u>	<u>\$ 16,922,450</u>
\$ 93,705	\$ 276,263
8,522	162,122
95,222	1,312,312
108,944	108,944
154,067	188,100
<u>460,460</u>	<u>2,047,741</u>
-	163,677
-	163,677
215,317	215,317
-	2,207,140
-	2,750,300
55,294	55,294
-	1,198,808
-	207,000
-	600,000
267,812	267,812
-	1,000,000
-	6,209,361
<u>538,423</u>	<u>14,711,032</u>
<u>\$ 998,883</u>	<u>\$ 16,922,450</u>

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET POSITION
 AUGUST 31, 2021

EXHIBIT C-2

Total Fund Balances - Governmental Funds	\$	14,711,032
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 \$78,697,789 and the accumulated depreciation was (\$23,633,418). 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. These total (\$47,948,133). The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net position.		7,116,238
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 2021 capital outlays and debt principal payments is to increase net position.		4,724,094
3 Included in the items related to debt is the recognition of the District's proportionate share of the net pension liability required by GASB 68. The net position related to TRS included a deferred resource outflow in the amount of \$1,950,836, a deferred resource inflow in the amount of (\$642,607), and a net pension liability in the amount of (\$4,914,709). This resulted in a (decrease) in net position.		(3,606,480)
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 \$1,266,270, a deferred resource inflow in the amount of (\$4,335,392), and a net OPEB liability in the amount of (\$5,574,866). This resulted in a (decrease) in net position.		(8,643,988)
5 The 2021 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.		(2,008,963)
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.		1,685,455
19 Net Position of Governmental Activities	\$	13,977,388

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, 2021

Data Control Codes	10 General Fund	50 Debt Service Fund	60 Capital Projects
REVENUES:			
5700 Total Local and Intermediate Sources	\$ 10,224,407	\$ 3,576,885	\$ 5,292
5800 State Program Revenues	11,835,948	68,956	-
5900 Federal Program Revenues	396,338	-	-
5020 Total Revenues	<u>22,456,693</u>	<u>3,645,841</u>	<u>5,292</u>
EXPENDITURES:			
Current:			
0011 Instruction	12,496,795	-	79,587
0012 Instructional Resources and Media Services	242,306	-	-
0013 Curriculum and Instructional Staff Development	106,764	-	-
0021 Instructional Leadership	151,123	-	-
0023 School Leadership	1,295,474	-	-
0031 Guidance, Counseling, and Evaluation Services	407,970	-	-
0033 Health Services	153,634	-	-
0034 Student (Pupil) Transportation	193,068	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	1,429,793	-	-
0041 General Administration	1,473,423	-	-
0051 Facilities Maintenance and Operations	2,607,009	-	75,539
0052 Security and Monitoring Services	104,026	-	-
0053 Data Processing Services	641,981	-	-
Debt Service:			
0071 Principal on Long-Term Debt	175,000	1,965,000	-
0072 Interest on Long-Term Debt	19,894	1,469,499	-
0073 Bond Issuance Cost and Fees	150	352,729	-
Capital Outlay:			
0081 Facilities Acquisition and Construction	-	-	2,328,478
Intergovernmental:			
0093 Payments to Fiscal Agent/Member Districts of SSA	223,119	-	-
0099 Other Intergovernmental Charges	190,853	-	-
6030 Total Expenditures	<u>21,912,382</u>	<u>3,787,228</u>	<u>2,483,604</u>
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>544,311</u>	<u>(141,387)</u>	<u>(2,478,312)</u>
OTHER FINANCING SOURCES (USES):			
7911 Capital Related Debt Issued	-	20,490,000	-
7915 Transfers In	-	-	-
7916 Premium or Discount on Issuance of Bonds	-	2,316,493	-
8911 Transfers Out (Use)	(31,087)	-	-
8949 Other (Uses)	-	(22,614,264)	-
7080 Total Other Financing Sources (Uses)	<u>(31,087)</u>	<u>192,229</u>	<u>-</u>
1200 Net Change in Fund Balances	513,224	50,842	(2,478,312)
0100 Fund Balance - September 1 (Beginning)	<u>8,701,945</u>	<u>2,699,458</u>	<u>4,685,452</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 9,215,169</u>	<u>\$ 2,750,300</u>	<u>\$ 2,207,140</u>

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

	Other Funds	Total Governmental Funds
\$	823,945	\$ 14,630,529
	135,067	12,039,971
	1,169,191	1,565,529
	2,128,203	28,236,029
	841,685	13,418,067
	-	242,306
	-	106,764
	-	151,123
	-	1,295,474
	17,014	424,984
	-	153,634
	-	193,068
	619,022	619,022
	483,421	1,913,214
	-	1,473,423
	-	2,682,548
	34,919	138,945
	-	641,981
	-	2,140,000
	-	1,489,393
	-	352,879
	-	2,328,478
	-	223,119
	-	190,853
	1,996,061	30,179,275
	132,142	(1,943,246)
	-	20,490,000
	31,087	31,087
	-	2,316,493
	-	(31,087)
	-	(22,614,264)
	31,087	192,229
	163,229	(1,751,017)
	375,194	16,462,049
\$	538,423	\$ 14,711,032

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, 2021

EXHIBIT C-4

Total Net Change in Fund Balances - Governmental Funds	\$ (1,751,017)
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 2021 capital outlays and debt principal payments is to increase net position.	4,724,094
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.	(2,008,963)
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.	94,198
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 \$386,746. 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 (\$383,054). Finally, the proportionate share of the TRS pension expense on the plan as a whole had to be recorded. The net pension expense decreased the change in net position by (\$526,745). The net result is a (decrease) in the change in net position.	(523,053)
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 \$114,426. 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 (\$111,465). Finally, the proportionate share of the TRS OPEB expense on the plan as a whole had to be recorded. The net OPEB expense increased the change in net position by \$159,743. The net result is an increase in the change in net position.	162,704
Change in Net Position of Governmental Activities	\$ 697,963

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

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2021**

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.

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 government-wide 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, 2021, employees of Pleasant Grove Independent School District were covered by a uniform statewide health care program for public education employees. The District contributed \$250 per month. Employees, at their option, may authorize payroll withholdings to pay the remaining balance of the premium for employee coverage and/or dependents. All contributions/premiums were paid to the statewide health care program. The Plan was authorized by House Bill 3343 and will be administered by the Teacher Retirement System of Texas (TRS). The TRS board approved the selection of Blue Cross Blue Shield 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, 2021, 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, 2020, the Fund carries a discounted reserve of \$44,135,645 for future development on reported claims and claims that have been incurred but not yet reported. For the year-ended August 31, 2021, 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, 2021, 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 instruction expenditures	(740,359)
(Increase) in instructional resources and media services	(178,206)
Decrease in curriculum and instructional staff development	2,500
(Increase) in instructional leadership	(5,260)
(Increase) in school leadership	(25,068)
(Increase) in guidance, counseling, and evaluation services	(15,247)
(Increase) in health services	(7,533)
(Increase) in student (pupil) transportation	(16,513)
(Increase) in extracurricular activities	(357,320)
(Increase) in general administration	(278,089)
(Increase) in facilities maintenance and operations	(487,718)
(Increase) in security and monitoring services	(3,626)
(Increase) in data processing services	(144,674)
(Increase) in facilities acquisition and construction	(810,000)
	<u>(3,067,113)</u>
Debt Service Fund:	
(Increase) in principal on long-term debt	(455,000)
Increase in capital related debt issued	20,490,000
Increase in premium or discount on issuance of bonds	2,316,493
(Decrease) in other(uses)	(22,614,264)
	<u>(262,771)</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:

Note C. Deposits and Investments

District Policies and Legal and Contractual Provisions Governing Deposits:

	August 31, 2021
	<u>Fund Balance</u>
Appropriated Budget Funds - Food Service Special Revenue Fund	215,317
Non appropriated Budget Funds	<u>323,106</u>
All Nonmajor Governmental Special Revenue Funds	<u><u>538,423</u></u>

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, 2021 consist of the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Other Governmental Funds	Balance Sheet Total
Cash and Cash Equivalents	17,046,183	(11,586,004)	2,207,140	(3,885,005)	3,782,314
Temporary Investments	(7,332,213)	14,311,764	-	4,595,359	11,574,910
Total	9,713,970	2,725,760	2,207,140	710,354	15,357,224

The District's cash deposits at August 31, 2021 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, 2021, 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 ***	4,611,142	4,611,142	-	-	-
TexStar ***	6,963,768	6,963,768	-	-	-
Total	11,574,910	11,574,910			

*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 PFI Act 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, 2021, 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, 2020 upon which the levy for the 2021 fiscal year was based was \$976,147,244. The tax rates levied for the year ended August 31, 2021, to finance General Fund operations and the payment of principal and interest on general obligations long-term debt were \$1.0028 and \$0.365 per \$100 per valuation, respectively, for a total of \$1.3678 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, 2021, were as follows:

	<u>Property Taxes</u>	<u>Other Governments</u>	<u>Other Funds</u>	<u>Total Receivables</u>
Governmental Activities:				
General Fund	265,090	994,989	82,062	1,342,141
Debt Service	90,072	3,832	16,594	110,498
Nonmajor Governmental Funds (Special Revenue)	-	278,241	10,288	288,529
Total - Governmental Activities	<u>355,162</u>	<u>1,277,062</u>	<u>108,944</u>	<u>1,741,168</u>
Amounts not scheduled for collection during the subsequent year	<u>(175,942)</u>	<u>-</u>	<u>-</u>	<u>(175,942)</u>

Payables at August 31, 2021, were as follows:

	<u>Accounts Payable</u>	<u>Salaries/ Benefits</u>	<u>Other Funds</u>	<u>Total Payables</u>
Governmental Activities:				
General Fund	182,558	1,370,690	-	1,553,248
Nonmajor Governmental Funds (Special Revenue)	<u>93,705</u>	<u>103,744</u>	<u>108,944</u>	<u>306,393</u>
Total - Governmental Activities	<u>276,263</u>	<u>1,474,434</u>	<u>108,944</u>	<u>1,859,641</u>

Note G. Capital Asset Activity

During the current year, the District purchased several capital assets, including a bus, fencing and a security system at the new elementary, a playground, school zone signage, and network upgrades.

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 \$13,877,744 of the construction costs during the prior year. Current year costs total \$2,145,045 on the construction of the new campus. The total project cost was \$16,022,789. The elementary campus project was completed in November 2020.

The District also sold three fully depreciated vehicles for a total gain of \$2,750.

Capital asset activity for the District for the year ended August 31, 2021, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities:				
Land	1,274,180	-	-	1,274,180
Building and Improvements	60,381,586	232,010	16,022,789	76,636,385
Furniture and Equipment	3,164,279	207,039	(50,831)	3,320,487
Construction in Progress	13,877,744	2,145,045	(16,022,789)	-
Totals at Historic Cost	<u>78,697,789</u>	<u>2,584,094</u>	<u>(50,831)</u>	<u>81,231,052</u>
Less Accumulated Depreciation for:				
Buildings and Improvements	(20,963,719)	(1,811,522)	-	(22,775,241)
Furniture and Equipment	(2,669,699)	(197,441)	50,831	(2,816,309)
Total Accumulated Depreciation	<u>(23,633,418)</u>	<u>(2,008,963)</u>	<u>50,831</u>	<u>(25,591,550)</u>
Governmental Activities, Net:				
Land	1,274,180	-	-	1,274,180
Building and Improvements	39,417,867	(1,579,512)	16,022,789	53,861,144
Furniture and Equipment	494,580	9,598	-	504,178
Construction in Progress	13,877,744	2,145,045	(16,022,789)	-
Capital Assets, Net	<u>55,064,371</u>	<u>575,131</u>	<u>-</u>	<u>55,639,502</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	1,149,304
Instructional Resources and Media Services	20,754
Curriculum Development and Instructional Staff	9,145
Instructional Development	12,944
School Leadership	110,962
Guidance, Counseling and Evaluation Services	36,401
Health Services	13,159
Student (Pupil) Transportation	16,537
Food Services	53,021
Cocurricular/Extracurricular Activities	163,873
General Administration	126,204
Plant Maintenance and Operations	229,770
Security and Monitoring Service	11,901
Data Processing Services	54,988
Total Depreciation Expense - Governmental Activities	<u>2,008,963</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, 2021, the District paid \$175,000 in principal, \$19,894 in interest, and \$150 in fees.

A summary of changes in Maintenance Tax Note Obligations for the year ended August 31, 2021 is as follows:

Purpose	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 09/01/20	Issued	Retired	Amounts Outstanding 08/31/21
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	965,000	-	175,000	790,000
			965,000	-	175,000	790,000

Maintenance Tax Note Obligations requirements are as follows:

Year Ended August 31	Maintenance Tax Note Obligations - Direct Borrowing		
	Principal	Interest	Total Requirements
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	115,000	6,581	121,581
2027-2028	235,000	5,343	240,343
	790,000	63,562	853,562

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 \$6,144 at August 31, 2021. Amortization of \$1,908 is reflected in the Statement of Activities for the year ended August 31, 2021. 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 issued to redeem in full Pleasant Grove Independent School District Unlimited Tax Refunding and School Building Bonds, Series 2001 in the amount of \$7,000,000. The Series 2010 was comprised of \$6,875,000 in Serial Current Interest Bonds with stated interest rate ranging between 2.00% through 4.00% and \$124,999 in Premium Capital Appreciation Bonds that had discounted principal balances of \$124,999 at the date of issue. The Premium Capital Appreciation Bonds matured at \$485,000 on February 15, 2015.

On April 4, 2013, the District issued \$8,274,990 of Unlimited Tax School Building Bonds, Series 2013 issued to redeem a portion Pleasant Grove Independent School District Unlimited Tax Refunding and School Building Bonds, Series 2007 in the amount of \$8,275,000. The Series 2013 was comprised of \$8,110,000 in Serial Current Interest Bonds with a stated interest rate of 3.5% and \$164,990 in Premium Capital Appreciation Bonds that had discounted principal balances of \$131,558 and \$33,432 at the date of issue. The Premium Capital Appreciation Bonds matured at \$545,000 and \$600,000 on August 15, 2013 and February 15, 2015, respectively. On October 10, 2017, the Board authorized the District to defease a portion of the outstanding bonds. The District deposited \$1,488,247 into an escrow fund titled "Special Series 2013 Pleasant Grove Independent School District Unlimited Tax Refunding Bonds 2017 Defeasance Escrow Fund" with Regions Bank, Houston, Texas. The defeased bonds are called for redemption and shall be redeemed on February 15, 2023, at the price of par and accrued interest to the date of redemption. The aggregate principal amount defeased is \$1,370,000. The cost of the defeasance to the District was \$10,500. The total amount of savings resulting from this transaction is \$530,652.

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

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

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

On December 16, 2020, the District issued \$3,875,000 of Unlimited Tax Refunding Bonds, Series 2020A to redeem Unlimited Tax School Building Bonds, Series 2010 in the amount of \$3,920,000. The Series 2020A was comprised of \$3,875,000 in Serial Current Interest Bonds and premium of \$189,356 at the date of issue and a stated interest rate of 2.00%-3.00%. The Series 2020A bonds are set to mature in 2025. The defeased bonds are called for redemption on December 16, 2020 at the price of par and accrued interest to the date of redemption in the amount of \$3,972,703, which is reflected in the Debt Service Fund as Other Financing Uses. The refunding resulted in a gross savings of \$295,805 and net present value benefit of \$299,883. Bond proceeds are accounted for in the Debt Service Fund as other financing sources in the amount of \$3,875,000 for refunding bond issued and paid.

On December 16, 2020, the District issued \$16,615,000 of Unlimited Tax Refunding Bonds, Series 2020B to redeem Unlimited Tax Refunding Bonds, Series 2013 in the amount of \$6,740,000, a portion of Unlimited Tax Refunding Bonds, Series 2014 in the amount of \$6,265,000, and a portion of Unlimited Tax Refunding Bonds, Series 2015 in the amount of \$3,630,000. The Series 2020B was comprised of \$16,615,000 in Serial Current Interest Bonds and premium of \$2,127,137 at the date of issue and a stated interest rate of 1.78%-5.00%. The Series 2020B bonds are set to mature in 2032. The District deposited \$18,641,561 into an escrow fund, which is reflected in the Debt Service Fund as Other Financing Uses. The defeased bonds are called for redemption and shall be redeemed February 15, 2023 and February 15, 2024. The aggregate principal amount defeased is \$16,635,000. The refunding resulted in a gross savings of \$1,228,788 and net present value benefit of \$1,232,615. Bond proceeds are accounted for in the Debt Service Fund as other financing sources in the amount of \$16,615,000 for refunding bond issued and paid.

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, 2021, the District paid \$1,965,000 in principal, \$1,469,499 in interest, and \$352,729 in fees.

A summary of changes in bonded indebtedness for the year ended August 31, 2021 is as follows:

	Stated Interest Rate	Amounts Original Issue	Amounts Outstanding 09/01/20	Issuance / Accretion	Retired	Amounts Outstanding 08/31/21
Unlimited Tax Refunding Bonds, Series 2010						
Serial Current Interest Bonds due in annual installments through February 15, 2026	2.0-4.0%	6,875,000	3,920,000	- (a)	3,920,000	-
Unlimited Tax Refunding Bonds, Series 2013						
Serial Current Interest Bonds due February 15, 2030, 2031 and 2032	3.5%	8,110,000	6,740,000	- (a)	6,740,000	-
Unlimited Tax Refunding Bonds, Series 2014						
Serial Current Interest Bonds due February 15, 2023, 2024, 2028-2030	3.5-4.0%	8,020,000	8,020,000	- (a)	6,265,000	1,755,000
Unlimited Tax Refunding Bonds, Series 2015						
Serial Current Interest Bonds due February 15, 2018 -2022, 2023, 2025-2027	3.0-5.0%	8,460,000	6,805,000	- (a) (b)	3,630,000 790,000	2,385,000
Unlimited Tax School Bldg Bonds- Series 2018						
due in annual installments through February 15, 2043	3.0-5.0%	17,945,000	17,725,000	- (b)	130,000	17,595,000
Unlimited Tax Refunding Bonds, Series 2020A						
Serial Current Interest Bonds due February 15, 2021-2025	2.0-3.0%	3,875,000	-	3,875,000 (b)	760,000	3,115,000
Unlimited Tax Refunding Bonds, Series 2020B						
Serial Current Interest Bonds due February 15, 2021, 2026-2032	1.72% - 5.0%	16,615,000	-	16,615,000 (b)	285,000	16,330,000
			<u>43,210,000</u>	<u>20,490,000</u>	<u>22,520,000</u>	<u>41,180,000</u>

- (a) \$20,555,000 refunded bonds
- (b) \$1,965,000 principal paid on bonds

Bonded debt service requirements are as follows:

Year Ended <u>August 31</u>	General Obligation Bonds		
	<u>Principal</u>	<u>Interest</u>	<u>Total Requirements</u>
2022	1,730,000	1,632,029	3,362,029
2023	1,820,000	1,571,579	3,391,579
2024	1,895,000	1,507,579	3,402,579
2025	2,035,000	1,434,979	3,469,979
2026	1,305,000	1,363,704	2,668,704
2027-2031	12,380,000	5,308,246	17,688,246
2032-2036	7,820,000	3,724,115	11,544,115
2037-2041	8,215,000	2,067,375	10,282,375
2042-2043	3,980,000	201,750	4,181,750
	<u>41,180,000</u>	<u>18,811,356</u>	<u>59,991,356</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 \$510,103 is reflected in the Statement of Activities for the year ended August 31, 2021.

	<u>Series 2010</u>	<u>Series 2013</u>	<u>Series 2014</u>	<u>Series 2015</u>	<u>Series 2018</u>	<u>Series 2020A</u>	<u>Series 2020B</u>	<u>Total</u>
Premium on issuance of bonds	(83,537)	(470,506)	(406,319)	(677,876)	(2,033,338)	-	-	(3,671,576)
Current year amortization	-	-	30,442	131,817	112,752	50,650	184,442	510,103
Refunded premium	83,537	470,506	316,929	290,809	-	(189,356)	(2,127,136)	(1,154,711)
Premium on issuance of bonds, net	<u>-</u>	<u>-</u>	<u>(58,948)</u>	<u>(255,250)</u>	<u>(1,920,586)</u>	<u>(138,706)</u>	<u>(1,942,694)</u>	<u>(4,316,184)</u>

The deferred charge on refunding bonds, net of accumulated amortization, totaled \$2,148,303 at August 31, 2021. Amortization of \$272,758 is reflected in the Statement of Activities for the year ended August 31, 2021. 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, 2021.

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, 2021 totaled \$41,703.

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, 2021 totaled \$39,863.

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

Balance September 1, 2020	101,557
Additions	-
Deductions	<u>(19,991)</u>
Balance August 31, 2021	<u>81,566</u>

Note K. Changes in Long-Term Liabilities

Long-term liability activity for the year ended August 31, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Notes and Bonds Payable:					
Maintenance Tax Note Obligations	965,000	-	175,000	790,000	105,000
General Obligation Bonds	43,210,000	20,490,000	22,520,000	41,180,000	1,730,000
Premium/Discount on Issuance of Bonds, Net	3,671,576	2,316,492	1,671,884	4,316,184	-
Total Bonds and Notes Payable	<u>47,846,576</u>	<u>22,806,492</u>	<u>24,366,884</u>	<u>46,286,184</u>	<u>1,835,000</u>
Other Liabilities:					
Accumulated Leave Benefits Liability	101,557	-	19,991	81,566	-
Net Pension Liability	4,736,361	556,970	378,622	4,914,709	-
Net OPEB Liability	6,552,456	-	977,590	5,574,866	-
Total Other Liabilities	<u>11,390,374</u>	<u>556,970</u>	<u>1,376,203</u>	<u>10,571,141</u>	<u>-</u>
Total Governmental Activities					
Long-term Liabilities	<u>59,236,950</u>	<u>23,363,462</u>	<u>25,743,087</u>	<u>56,857,325</u>	<u>1,835,000</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, 2021:

	Beginning Balance	Additions	Deduction	Ending Balance
Deferred charges on refunding notes	8,052	-	(1,908)	6,144
Deferred charges on refunding bonds:				
Series 2013	762,362	- (a)	(762,362)	-
Series 2014	485,520	- (a)	(379,240)	70,086
Series 2014			(b) (36,194)	
Series 2015	275,697	- (a)	(118,274)	103,812
Series 2015			(b) (53,611)	
Series 2020A	-	(30,835) (b)	8,248	(22,587)
Series 2020B	-	2,188,193 (b)	(191,201)	1,996,992
Total	<u>1,531,631</u>	<u>2,157,358</u>	<u>(1,534,542)</u>	<u>2,154,447</u>

(a) Refunded bonds \$1,259,876

(b) Deferred charge amortization \$274,666

Note M. Defined Benefit Pension Plan (TRS)

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.

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 www.trs.texas.gov/TRS%20Documents/cafr2019.pdf, or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698, or by calling (512)542-6592.

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

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. Actuarial implications of the funding provided in the manner are determined by the System's actuary.

In May 2019, the 86th Texas Legislature approved the 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 13th 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 86th 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

	2020	2021
Member (Employees)	7.7%	7.7%
Employer (District)	7.5%	7.5%
Non-Employer Contributing Entity (State)	7.5%	7.5%
PGISD Fiscal Year Member Contributions	1,025,977	1,051,251
PGISD Fiscal Year Employer Contributions	383,054	386,746
PGISD NECE On-Behalf Contributions	617,122	810,891

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 source or 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 to the retirement system an amount equal to 50% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees.

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.
- All public schools, charter school, and regional educational service centers must contribute 1.5% of the member's salary beginning in fiscal year 2020, gradually increasing to 2% in fiscal year 2025.

Actuarial Assumptions. The pension liability in the August 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
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 2020	2.33%. 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	2119
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 used in the determination of the total pension liability are the same assumptions used in the actuarial valuation as of August 31, 2019. For a full description of these assumptions please see the actuarial valuation reported dated November 14, 2019.

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. The projection of cash flows used to determine the single 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 session. 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-term 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-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of geometric real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2020 are summarized below:

<u>Asset Class</u>	<u>Allocation¹</u> %	<u>Expected Arithmetic</u> <u>Real Rate of Return²</u>	<u>Long-Term</u> <u>Portfolio Returns</u>
Global Equity			
USA	18.0%	3.9%	0.99%
Non-U.S. Development	13.0%	5.1%	0.92%
Emerging Markets	9.0%	5.6%	0.83%
Private Equity	14.0%	6.7%	1.41%
Stable Value			
Government Bonds	16.0%	-0.7%	-0.05%
Stable Value Hedge	5.0%	1.9%	0.11%
Real Return			
Real Estate	15.0%	4.6%	1.01%
Energy, Natural Reserves	6.0%	6.0%	0.42%
Risk Parity			
Risk Parity	8.0%	3.0%	0.30%
Leverage			
Cash	2.0%	-1.5%	-0.03%
Asset Allocation Leverage	-6.0%	-1.3%	0.08%
Inflation Expectation			2.00%
Volatility Drag³			-0.67%
Total	100.00%		7.33%

¹ Target allocations are based on the FY 2020 policy manual.

² Capital Asset Market Assumptions come from Aon Hewitt (as of 8/31/2020).

³ The volatility drag results from the conversion between arithmetic and geometric mean returns.

Discount Rate Sensitivity Analysis. The following table presents the Net Pension Liability of the plan using the discount rate of 7.25%, and what the net pension liability would be if it were calculated using a discount rate that is one % point lower (6.25%) or one % point higher (8.25%) than the current rate.

	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	7,578,393	4,914,709	2,750,524

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. At August 31, 2021, Pleasant Grove ISD reported a liability of \$4,914,709 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to Pleasant Grove ISD. The amount recognized by Pleasant Grove ISD as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with Pleasant Grove ISD were as follows:

District's proportionate share of the collective net pension liability	\$ 4,914,709
State's proportionate share that is associated with the District	<u>10,525,800</u>
Total	<u>\$ 15,440,509</u>

The net pension liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective net pension liability was 0.0091764298%, which was an increase (decrease) of 0.0000650864% from its proportion measured as of August 31, 2019.

Changes Since the Prior Actuarial Valuation

There were no changes in assumptions since the prior measurement date.

For the year ended August 31, 2021, Pleasant Grove School recognized pension expense of \$2,175,819 and revenue of \$1,266,020 for support provided by the State.

At August 31, 2021, Pleasant Grove School 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	\$ 8,974	\$ 137,156
Changes in actuarial assumptions	1,140,387	484,885
Difference between projected and actual investment earnings	99,494	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	315,235	20,566
Total as of August 31, 2020 measurement date	\$ 1,564,090	\$ 642,607
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	386,746	-
Total as of August 31, 2021	\$ 1,950,836	\$ 642,607

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
2022	318,946
2023	299,037
2024	267,279
2025	80,887
2026	(44,891)
Thereafter	225
	<u>\$ 921,483</u>

Note N. Defined Other Post-Employment Benefit Plan

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.

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 TRS-Care program was established in 1986 by the Texas Legislature.

The TRS Board of Trustees administers the TRS- Care program and the related fund in accordance with Texas Insurance Code Chapter 1575. 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. The Board may adopt rules, plans, procedures, and orders reasonably necessary to administer the program, including minimum benefits and financing standards.

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.texas.gov/Pages/aboutpublications.aspx>; 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 to retirees from public and 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 non-Medicare retirees and their dependents may enroll in TRS-Care Standard, a high deductible health plan. Eligible Medicare retirees and their dependents may enroll in the TRS-Care Medicare Advantage medical plan and the TRS-Care Medicare Rx prescription drug plan. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for retirees are reflected in the following table.

	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
<i>*or surviving spouse</i>		

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, Section 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 .65% of pay. Section 1575.204 establishes an employer contribution rate of not less than 0.25 percent or not more than 0.75 percent of the salary of each active employee of the public or charter school. 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.

Contribution Rates		
	<u>2020</u>	<u>2021</u>
Active Employee	0.65%	0.65%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Non-Employer Contributing Entity (State)	1.25%	1.25%
PGISD's Fiscal Year Member Contributions	86,608	88,742
PGISD's Fiscal Year Employer Contributions	111,465	114,426
Measurement Year NECE On-behalf Contributions	130,659	149,780

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 appropriations from the State of Texas as the Non-Employer Contributing Entity in the amount of \$280.8 million in fiscal year 2020 to maintain premiums and benefit levels in the 2020-2021 biennium.

Actuarial Assumptions

The actuarial valuation was performed as of August 31, 2019. Update procedures were used to roll forward the Total OPEB Liability to August 31, 2020. The actuarial valuation was determined using the following actuarial assumptions:

The actuarial valuation of the OPEB plan offered through TRS-Care is similar to the actuarial valuation performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including rates of retirement, termination, and disability, and most of the economic assumptions, including general inflation and salary increases, used in the OPEB valuation were identical to those used in the respective TRS pension valuation. The demographic assumptions were developed in the experience study performed for TRS for the period ending August 31, 2017.

The following assumptions and other inputs used for members of TRS-Care are based on an established pattern of practice and are identical to the assumptions used in the August 31, 2019 TRS pension actuarial valuation that was rolled forward to August 31, 2020:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The post-retirement mortality rates for healthy lives were based on the 2018 TRS of Texas Healthy Pensioner Mortality Tables, with full generational projection using the ultimate improvement rates from the most recently published scale (U-MP).

Valuation Date	August 31, 2019 rolled forward to August 31, 2020
Actuarial Cost Method	Individual Entry-Age Normal
Inflation	2.30%
Single Discount Rate	2.33% as of August 31, 2020
Aging Factors	Based on plan specific experience Normal Retirement: 65% participation prior to age 65 and 40% participation 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 costs.
Salary Increases	3.05% to 9.05%, including inflation
Ad Hoc Post-Employment Benefit Changes	None

Discount Rate: A single discount rate of 2.33% was used to measure the total OPEB liability. There was a decrease of .30 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 used for the long-term rate of return and was applied to all periods of projected benefit payments to determine the total OPEB liability.

The source of the municipal bond rate is the Fidelity “20-year Municipal GO AA Index” as of August 31, 2020 using the fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% point lower than and 1% point higher than the discount rate that was used (2.33%) in measuring the Net OPEB Liability.

	1% Decrease in Discount Rate (1.33%)	Current Single Discount Rate (2.33%)	1% Increase in Discount Rate (3.33%)
PGISD's proportionate share of the Net OPEB Liability	6,689,827	5,574,866	4,694,208

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs. At August 31, 2021 the District reported a liability of \$5,574,866 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	\$ 5,574,866
State's proportionate share that is associated with the District	<u>7,491,284</u>
Total	<u>\$ 13,066,150</u>

The Net OPEB Liability was measured as of August 31, 2019 and rolled forward to August 31, 2020 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, 2019 thru August 31, 2020.

At August 31, 2020 the employer's proportion of the collective Net OPEB Liability was 0.0146650991%, compared to 0.0008095564% August 31, 2019.

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 health trend rates assumed.

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of Net OPEB Liability	4,553,952	5,574,866	6,934,581

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 (TOL) since the prior measurement period:

- The discount rate changed from 2.63 percent as of August 31, 2019 to 2.33 percent as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for pre-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend rate assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

Change of Benefit Terms Since the Prior Measurement Date – There were not changes in benefit terms since the prior measurement date.

At August 31, 2021, 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	\$ 291,898	\$ 2,551,344
Changes in actuarial assumptions	343,853	1,530,887
Net Difference between projected and actual investment earnings	1,811	-
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	514,282	253,161
Total as of August 31, 2020 measurement date	1,151,844	4,335,392
Contributions paid to TRS subsequent to the measurement date (to be calculated by employer)	114,426	
Total as of August 31, 2021 fiscal year-end	\$ 1,266,270	\$ 4,335,392

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
2022	\$ (544,005)
2023	(544,247)
2024	(544,386)
2025	(544,348)
2026	(395,442)
Thereafter	<u>(611,120)</u>
	<u>\$ (3,183,548)</u>

For the year ended August 31, 2021, the District recognized OPEB expense of (\$100,295) and revenue of (\$52,017) for support provided by the State.

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 \$60,490 for the year ended August 31, 2021. 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.

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, 2021 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.

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The Governor has issued proclamations renewing the disaster for all Texas counties in each subsequent month effective through the date of this report. 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.

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, 2021 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	984,329	-	10,660	994,989
Debt Service Fund	-	-	3,832	3,832
Nonmajor Governmental Funds (Special Revenue)	-	278,241	-	278,241
	<u>984,329</u>	<u>278,241</u>	<u>14,492</u>	<u>1,277,062</u>

Note R. Unearned Revenues

Unearned revenue at August 31, 2021 consisted of the following:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds Total</u>
Athletic receipts	25,813	-	25,813
Tuition	8,220	-	8,220
Food Service receipts	-	23,471	23,471
Instructional material allotment	-	119,876	119,876
Other special revenue funds	-	10,720	10,720
	<u>34,033</u>	<u>154,067</u>	<u>188,100</u>

Note S. Deferred Inflows of Resources (Governmental Funds)

Unavailable revenue – property taxes at August 31, 2021 consisted of the following:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Governmental Funds Total</u>
Net uncollected tax revenue	121,299	42,378	163,677
Total unavailable revenue	<u>121,299</u>	<u>42,378</u>	<u>163,677</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>	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Governmental Funds Total</u>
Property taxes and related income	9,801,694	3,566,337	-	-	13,368,031
Investment income	5,961	839	5,292	-	12,092
Food service revenue	-	-	-	280,394	280,394
Athletic	113,208	-	-	-	113,208
Tuition and fees	115,542	-	-	-	115,542
Rent	1,100	-	-	-	1,100
Insurance Recovery	21,117	-	-	-	21,117
Foundation, gifts	-	-	-	57,505	57,505
Other local sources	165,785	9,709	-	486,046	661,540
	<u>10,224,407</u>	<u>3,576,885</u>	<u>5,292</u>	<u>823,945</u>	<u>14,630,529</u>

Note U. General Fund Federal Source Revenues

<u>Program or Source</u>	<u>ALN</u>	<u>Amount</u>
School Health and Related Services (SHARS)	N/A	29,217
ERATE	N/A	175,248
RLOC Prior Purchasing Program	21.019	191,873
		<u>\$ 396,338</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 \$223,119 for the year ended August 31, 2021.

A detail of Function 93 is as follows:

General Fund - Function 93:	
SSA - Transportation	<u>223,119</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. Subsequent Events

Management evaluated subsequent events after the date of the balance sheet and prior to the release of these financial statements which was January 12, 2022.

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, 2021

Data Control Codes	Budgeted Amounts		Actual Amounts (GAAP BASIS)	Variance With Final Budget Positive or (Negative)
	Original	Final		
REVENUES:				
5700 Total Local and Intermediate Sources	\$ 9,545,776	\$ 9,545,776	\$ 10,224,407	\$ 678,631
5800 State Program Revenues	10,988,817	10,988,817	11,835,948	847,131
5900 Federal Program Revenues	50,000	50,000	396,338	346,338
5020 Total Revenues	20,584,593	20,584,593	22,456,693	1,872,100
EXPENDITURES:				
Current:				
0011 Instruction	11,759,641	12,500,000	12,496,795	3,205
0012 Instructional Resources and Media Services	96,794	275,000	242,306	32,694
0013 Curriculum and Instructional Staff Development	187,500	185,000	106,764	78,236
0021 Instructional Leadership	154,740	160,000	151,123	8,877
0023 School Leadership	1,274,932	1,300,000	1,295,474	4,526
0031 Guidance, Counseling, and Evaluation Services	394,753	410,000	407,970	2,030
0033 Health Services	152,467	160,000	153,634	6,366
0034 Student (Pupil) Transportation	205,187	221,700	193,068	28,632
0036 Extracurricular Activities	1,142,680	1,500,000	1,429,793	70,207
0041 General Administration	1,271,911	1,550,000	1,473,423	76,577
0051 Facilities Maintenance and Operations	2,265,582	2,753,300	2,607,009	146,291
0052 Security and Monitoring Services	114,774	118,400	104,026	14,374
0053 Data Processing Services	505,326	650,000	641,981	8,019
Debt Service:				
0071 Principal on Long-Term Debt	175,000	175,000	175,000	-
0072 Interest on Long-Term Debt	25,000	25,000	19,894	5,106
0073 Bond Issuance Cost and Fees	700	700	150	550
Capital Outlay:				
0081 Facilities Acquisition and Construction	-	810,000	-	810,000
Intergovernmental:				
0093 Payments to Fiscal Agent/Member Districts of SSA	275,000	275,000	223,119	51,881
0099 Other Intergovernmental Charges	225,000	225,000	190,853	34,147
6030 Total Expenditures	20,226,987	23,294,100	21,912,382	1,381,718
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	357,606	(2,709,507)	544,311	3,253,818
OTHER FINANCING SOURCES (USES):				
8911 Transfers Out (Use)	-	-	(31,087)	(31,087)
1200 Net Change in Fund Balances	357,606	(2,709,507)	513,224	3,222,731
0100 Fund Balance - September 1 (Beginning)	8,701,945	8,701,945	8,701,945	-
3000 Fund Balance - August 31 (Ending)	\$ 9,059,551	\$ 5,992,438	\$ 9,215,169	\$ 3,222,731

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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018
District's Proportion of the Net Pension Liability (Asset)	0.00917643%	0.009111343%	0.009190657%
District's Proportionate Share of Net Pension Liability (Asset)	\$ 4,914,709	\$ 4,736,361	\$ 5,058,761
State's Proportionate Share of the Net Pension Liability (Asset) Associated with the District	10,525,800	9,165,771	9,790,275
Total	<u>\$ 15,440,509</u>	<u>\$ 13,902,132</u>	<u>\$ 14,849,036</u>
District's Covered Payroll	\$ 13,325,277	\$ 11,534,484	\$ 11,105,587
District's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	36.88%	41.06%	45.55%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75.54%	75.24%	73.74%

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, 2020 for year 2021, 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.

FY 2018 Plan Year 2017	FY 2017 Plan Year 2016	FY 2016 Plan Year 2015	FY 2015 Plan Year 2014
0.009136099%	0.008589306%	0.0088437%	0.0039584%
\$ 2,921,232	\$ 3,245,771	\$ 3,126,130	\$ 1,057,343
6,132,262	7,574,429	7,289,680	6,643,653
<u>\$ 9,053,494</u>	<u>\$ 10,820,200</u>	<u>\$ 10,415,810</u>	<u>\$ 7,700,996</u>
\$ 11,276,722	\$ 11,047,817	\$ 10,696,865	\$ 10,633,842
25.90%	29.38%	29.22%	9.94%
82.17%	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 2021

	2021	2020	2019
Contractually Required Contribution	\$ 386,746	\$ 383,054	\$ 311,860
Contribution in Relation to the Contractually Required Contribution	(386,746)	(383,054)	(311,860)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,653,328	\$ 13,325,277	\$ 11,534,484
Contributions as a Percentage of Covered Payroll	2.83%	2.87%	2.70%

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.

	2018	2017	2016	2015
\$	309,510	\$ 299,428	\$ 272,904	\$ 261,866
	(309,510)	(299,428)	(272,904)	(261,866)
\$	-	\$ -	\$ -	\$ -
\$	11,105,587	\$ 11,276,722	\$ 11,047,817	\$ 10,696,865
	2.79%	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, 2021

	FY 2021 Plan Year 2020	FY 2020 Plan Year 2019	FY 2019 Plan Year 2018	FY 2018 Plan Year 2017
District's Proportion of the Net Liability (Asset) for Other Postemployment Benefits	0.014665099%	0.013855543%	0.014377906%	0.014227513%
District's Proportionate Share of Net OPEB Liability (Asset)	\$ 5,574,866	\$ 6,552,456	\$ 7,179,020	\$ 6,187,012
State's Proportionate Share of the Net OPEB Liability (Asset) Associated with the District	7,491,284	8,706,748	9,720,387	8,876,706
Total	<u>\$ 13,066,150</u>	<u>\$ 15,259,204</u>	<u>\$ 16,899,407</u>	<u>\$ 15,063,718</u>
District's Covered Payroll	\$ 13,325,277	\$ 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	41.84%	56.81%	64.64%	54.87%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	4.99%	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 2021 are for the measurement date of August 31, 2020. The amounts 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 2021

	2021	2020	2019	2018
Contractually Required Contribution	\$ 114,426	\$ 111,465	\$ 98,333	\$ 92,213
Contribution in Relation to the Contractually Required Contribution	(114,426)	(111,465)	(98,333)	(92,213)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 13,653,328	\$ 13,325,277	\$ 11,534,484	\$ 11,105,587
Contributions as a Percentage of Covered Payroll	0.84%	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, 2021**

A. Notes to Schedules for the TRS Pension

Changes of Benefit terms.

In May 2019, the 86th Texas legislature approved the TRS Pension Reform Bill (SB12) that provides for gradual contribution increases from the state, participating employers and active employees to make the pension fund actuarially sound. The increases immediately made the pension fund actuarially sound and the legislature approved funding for a 13th check.

All eligible members retired as of December 31, 2018 received an extra annuity check in September 2019 in either the matching amount of their monthly annuity payment or \$2,000, whichever was less.

Changes of Assumptions.

There were no changes in assumptions since the prior measurement date.

B. Notes to Schedules for the TRS OPEB Plan

Changes in Benefits.

There were no changes in benefit terms since the prior measurement date.

Changes in Assumptions.

The following assumptions, methods and plan changes which are specific to TRS-Care were updated from the prior year's report:

- The discount rate changed from 2.64 percent as of August 31, 2019 to 2.33 percent, as of August 31, 2020. This change increased the Total OPEB Liability.
- The participation rate for post-65 retirees was lowered from 50 percent to 40 percent. This change lowered the Total OPEB Liability.
- The ultimate health care trend assumption was lowered from 4.50 percent to 4.25 percent as a result of Congress' repeal of the excise (Cadillac) tax on high-cost employer health plans in December 2019. This change lowered the Total OPEB Liability.

COMBINING SCHEDULES

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
ASSETS			
1110 Cash and Cash Equivalents	\$ (33,739)	\$ 32,351	\$ (351)
1240 Due from Other Governments	73,813	71,030	469
1260 Due from Other Funds	-	-	-
1000 Total Assets	<u>\$ 40,074</u>	<u>\$ 103,381</u>	<u>\$ 118</u>
LIABILITIES			
2110 Accounts Payable	\$ -	\$ -	\$ -
2150 Payroll Deductions and Withholdings Payable	2,435	5,791	118
2160 Accrued Wages Payable	9,824	35,754	-
2170 Due to Other Funds	27,815	61,836	-
2300 Unearned Revenue	-	-	-
2000 Total Liabilities	<u>40,074</u>	<u>103,381</u>	<u>118</u>
FUND BALANCES			
Restricted Fund Balance:			
3450 Federal or State Funds Grant Restriction	-	-	-
3490 Other Restricted Fund Balance	-	-	-
Committed Fund Balance:			
3545 Other Committed Fund Balance	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ 40,074</u>	<u>\$ 103,381</u>	<u>\$ 118</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	282 ESSER-School Emergency Relief III	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ 261,591	\$ (12,620)	\$ -	\$ (5,208)	\$ (1,334)	\$ 141,667	\$ 10,816	\$ 261,683
60,864	15,797	-	54,934	1,334	-	-	-
-	-	-	-	-	-	-	10,288
<u>\$ 322,455</u>	<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ 49,726</u>	<u>\$ -</u>	<u>\$ 141,667</u>	<u>\$ 10,816</u>	<u>\$ 271,971</u>
\$ 81,046	\$ -	\$ -	\$ -	\$ -	\$ 8,500	\$ -	\$ 4,159
-	-	-	82	-	-	96	-
-	-	-	49,644	-	-	-	-
2,621	3,177	-	-	-	13,291	-	-
23,471	-	-	-	-	119,876	10,720	-
<u>107,138</u>	<u>3,177</u>	<u>-</u>	<u>49,726</u>	<u>-</u>	<u>141,667</u>	<u>10,816</u>	<u>4,159</u>
215,317	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	267,812
<u>215,317</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>267,812</u>
<u>\$ 322,455</u>	<u>\$ 3,177</u>	<u>\$ -</u>	<u>\$ 49,726</u>	<u>\$ -</u>	<u>\$ 141,667</u>	<u>\$ 10,816</u>	<u>\$ 271,971</u>

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 AUGUST 31, 2021

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
ASSETS		
1110 Cash and Cash Equivalents	\$ 55,498	\$ 710,354
1240 Due from Other Governments	-	278,241
1260 Due from Other Funds	-	10,288
1000 Total Assets	<u>\$ 55,498</u>	<u>\$ 998,883</u>
LIABILITIES		
2110 Accounts Payable	\$ -	\$ 93,705
2150 Payroll Deductions and Withholdings Payable	-	8,522
2160 Accrued Wages Payable	-	95,222
2170 Due to Other Funds	204	108,944
2300 Unearned Revenue	-	154,067
2000 Total Liabilities	<u>204</u>	<u>460,460</u>
FUND BALANCES		
Restricted Fund Balance:		
3450 Federal or State Funds Grant Restriction	-	215,317
3490 Other Restricted Fund Balance	55,294	55,294
Committed Fund Balance:		
3545 Other Committed Fund Balance	-	267,812
3000 Total Fund Balances	<u>55,294</u>	<u>538,423</u>
4000 Total Liabilities and Fund Balances	<u>\$ 55,498</u>	<u>\$ 998,883</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, 2021

Data Control Codes	211 ESEA I, A Improving Basic Program	224 IDEA - Part B Formula	225 IDEA - Part B Preschool
REVENUES:			
5700 Total Local and Intermediate Sources	\$ -	\$ -	\$ -
5800 State Program Revenues	-	-	-
5900 Federal Program Revenues	223,768	359,675	8,198
5020 Total Revenues	<u>223,768</u>	<u>359,675</u>	<u>8,198</u>
EXPENDITURES:			
Current:			
0011 Instruction	223,768	359,675	8,198
0031 Guidance, Counseling, and Evaluation Services	-	-	-
0035 Food Services	-	-	-
0036 Extracurricular Activities	-	-	-
0052 Security and Monitoring Services	-	-	-
6030 Total Expenditures	<u>223,768</u>	<u>359,675</u>	<u>8,198</u>
1100 Excess of Revenues Over Expenditures	-	-	-
OTHER FINANCING SOURCES (USES):			
7915 Transfers In	-	-	-
1200 Net Change in Fund Balance	-	-	-
0100 Fund Balance - September 1 (Beginning)	-	-	-
3000 Fund Balance - August 31 (Ending)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

240 National Breakfast and Lunch Program	255 ESEA II,A Training and Recruiting	266 ESSER -School Emergency Relief	282 ESSER-School Emergency Relief III	289 Other Federal Special Revenue Funds	410 State Instructional Materials	429 Other State Special Revenue Funds	461 Campus Activity Funds
\$ 280,394	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 486,046
3,413	-	-	-	-	72,955	58,692	7
452,239	44,977	-	54,934	25,400	-	-	-
736,046	44,977	-	54,934	25,400	72,955	58,692	486,053
-	44,977	-	37,920	25,400	72,955	23,773	-
-	-	-	17,014	-	-	-	-
619,022	-	-	-	-	-	-	-
-	-	-	-	-	-	-	483,421
-	-	-	-	-	-	34,919	-
619,022	44,977	-	54,934	25,400	72,955	58,692	483,421
117,024	-	-	-	-	-	-	2,632
31,087	-	-	-	-	-	-	-
148,111	-	-	-	-	-	-	2,632
67,206	-	-	-	-	-	-	265,180
\$ 215,317	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 267,812

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED AUGUST 31, 2021

Data Control Codes	499 Other Local Special Revenue Funds	Total Nonmajor Governmental Funds
REVENUES:		
5700 Total Local and Intermediate Sources	\$ 57,505	\$ 823,945
5800 State Program Revenues	-	135,067
5900 Federal Program Revenues	-	1,169,191
5020 Total Revenues	<u>57,505</u>	<u>2,128,203</u>
EXPENDITURES:		
Current:		
0011 Instruction	45,019	841,685
0031 Guidance, Counseling, and Evaluation Services	-	17,014
0035 Food Services	-	619,022
0036 Extracurricular Activities	-	483,421
0052 Security and Monitoring Services	-	34,919
6030 Total Expenditures	<u>45,019</u>	<u>1,996,061</u>
1100 Excess of Revenues Over Expenditures	12,486	132,142
OTHER FINANCING SOURCES (USES):		
7915 Transfers In	-	31,087
1200 Net Change in Fund Balance	12,486	163,229
0100 Fund Balance - September 1 (Beginning)	<u>42,808</u>	<u>375,194</u>
3000 Fund Balance - August 31 (Ending)	<u>\$ 55,294</u>	<u>\$ 538,423</u>

REQUIRED T.E.A. SCHEDULES

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
FISCAL YEAR ENDED AUGUST 31, 2021

Last 10 Years Ended August 31	(1)	(2)	(3)
	Tax Rates		Assessed/Appraised Value for School Tax Purposes
	Maintenance	Debt Service	
2012 and prior years	Various	Various	\$ Various
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	1.016480	0.365000	939,576,278
2021 (School year under audit)	1.002800	0.365000	976,147,244
1000 TOTALS			

	(10) Beginning Balance 9/1/2020	(20) Current Year's Total Levy	(31) Maintenance Collections	(32) Debt Service Collections	(40) Entire Year's Adjustments	(50) Ending Balance 8/31/2021
\$	72,437	\$ -	\$ 2,924	\$ 939	\$ (2,449)	\$ 66,125
	15,976	-	954	306	(14)	14,702
	15,127	-	940	302	(12)	13,873
	17,215	-	1,200	385	(14)	15,616
	19,769	-	1,588	510	(10)	17,661
	23,388	-	1,359	437	(446)	21,146
	28,427	-	2,586	831	(284)	24,726
	37,149	-	1,255	420	(5,742)	29,732
	119,721	-	49,072	17,620	(13,271)	39,758
	-	13,351,742	9,707,435	3,534,190	1,705	111,822
\$	<u>349,210</u>	\$ <u>13,351,742</u>	\$ <u>9,769,313</u>	\$ <u>3,555,940</u>	\$ <u>(20,537)</u>	\$ <u>355,162</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, 2021

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	\$ 280,394	\$ (8,844)
5800 State Program Revenues	3,500	3,500	3,413	(87)
5900 Federal Program Revenues	414,327	414,327	452,239	37,912
5020 Total Revenues	707,065	707,065	736,046	28,981
EXPENDITURES:				
Current:				
0035 Food Services	696,537	696,537	619,022	77,515
6030 Total Expenditures	696,537	696,537	619,022	77,515
1100 Excess of Revenues Over Expenditures	10,528	10,528	117,024	106,496
OTHER FINANCING SOURCES (USES):				
7915 Transfers In	-	-	31,087	31,087
1200 Net Change in Fund Balances	10,528	10,528	148,111	137,583
0100 Fund Balance - September 1 (Beginning)	67,206	67,206	67,206	-
3000 Fund Balance - August 31 (Ending)	\$ 77,734	\$ 77,734	\$ 215,317	\$ 137,583

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, 2021

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	\$ 3,585,678	\$ 3,585,678	\$ 3,576,885	\$ (8,793)
5800 State Program Revenues	-	-	68,956	68,956
5020 Total Revenues	3,585,678	3,585,678	3,645,841	60,163
EXPENDITURES:				
Debt Service:				
0071 Principal on Long-Term Debt	1,510,000	1,965,000	1,965,000	-
0072 Interest on Long-Term Debt	1,844,200	1,844,200	1,469,499	374,701
0073 Bond Issuance Cost and Fees	2,000	2,000	352,729	(350,729)
6030 Total Expenditures	3,356,200	3,811,200	3,787,228	23,972
1100 Excess (Deficiency) of Revenues Over (Under) Expenditures	229,478	(225,522)	(141,387)	84,135
OTHER FINANCING SOURCES (USES):				
7911 Capital Related Debt Issued	-	20,490,000	20,490,000	-
7916 Premium or Discount on Issuance of Bonds	-	2,316,493	2,316,493	-
8949 Other (Uses)	-	(22,614,264)	(22,614,264)	-
7080 Total Other Financing Sources (Uses)	-	192,229	192,229	-
1200 Net Change in Fund Balances	229,478	(33,293)	50,842	84,135
0100 Fund Balance - September 1 (Beginning)	2,699,458	2,699,458	2,699,458	-
3000 Fund Balance - August 31 (Ending)	\$ 2,928,936	\$ 2,666,165	\$ 2,750,300	\$ 84,135

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
STATE COMPENSATORY EDUCATION AND BILINGUAL EDUCATION PROGRAM EXPENDITURES
FOR THE YEAR ENDED AUGUST 31, 2021

Section A: Compensatory Education Programs

AP1	Did your LEA expend any state compensatory education program state allotment funds during the district's fiscal year?	Yes
AP2	Does the LEA have written policies and procedures for its state compensatory education program?	Yes
AP3	List the total state allotment funds received for state compensatory education programs during the district's fiscal year.	1,125,143
AP4	List the actual direct program expenditures for state compensatory education programs during the LEA's fiscal year.	613,442

Section B: Bilingual Education Programs

AP5	Did your LEA expend any bilingual education program state allotment funds during the LEA's fiscal year?	Yes
AP6	Does the LEA have written policies and procedures for its bilingual education program?	Yes
AP7	List the total state allotment funds received for bilingual education programs during the LEA's fiscal year.	36,775
AP8	List the actual direct program expenditures for bilingual education programs during the LEA's fiscal year. (PICs 25,35)	41,413

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



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

Independent Auditors' Report

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

Members of the Board:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pleasant Grove Independent School District (the District), as of and for the year ended August 31, 2021, 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 12, 2022.

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) as a basis for designing 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 financial statements. 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.

Wilf & Henderson, P.C.

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

January 12, 2022



**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, 2021. 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, 2021.

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, we did identify a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2021-1, that we consider to be a significant deficiency.

Pleasant Grove Independent School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Pleasant Grove Independent School District's response was not subjected to the auditing procedures applied in the audit of compliance, and, accordingly, we express no opinion on the response.

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

Wilf & Henderson, P.C.

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

January 12, 2022

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED AUGUST 31, 2021**

I. Summary of the Auditor's Results:

- a. The type of report issued on the financial statements of the Pleasant Grove Independent School District was an unmodified opinion.
- b. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the report on internal control over financial reporting and on compliance and other matters required by the GAO's *Government Auditing Standards*.
- c. No instances of noncompliance material to the financial statements of the Pleasant Grove Independent School District was disclosed during the audit.
- d. One significant deficiency 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. Audit findings relative to the major federal awards programs were disclosed by the audit that were required to be reported under 2 CFR 200.516 (a).
- g. The programs tested as major programs were:

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

- h. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
- I. Pleasant Grove Independent School District was determined to be a low-risk auditee.

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

No findings were required to be reported.

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

U.S DEPARTMENT OF AGRICULTURE
PASSED THROUGH TEXAS DEPARTMENT OF AGRICULTURE
CHILD NUTRITION CLUSTER (CASH ASSISTANCE) – CFDA # 10.555 AND 10.553
AUDIT PERIOD – YEAR ENDED AUGUST 31, 2021

2021-1 Procurement and Suspension and Debarment – Internal Control

Criteria: Title 7 *U.S. Code of Federal Regulations (CFR)* § 210.16 requires that any school district that employs a food service management company in the operation of its nonprofit school food service program must ensure that the food service operation is in conformance with the District’s agreement under the School Breakfast Program and National School Lunch Program.

Condition: The District did not establish controls and procedures to ensure costs billed to the District’s child nutrition program were accurate and allowable.

Cause: Lack in internal controls and management oversight.

Effect or potential effect: Without adequate internal controls to monitor a cost-reimbursable contract, reimbursements for unallowable costs could be charged to the District’s nonprofit food service account.

Context: Examination of contract with a food service management company and establish controls and procedures for monitoring the contract.

Recommendation: District management should establish procedures and internal controls to properly monitor the cost-reimbursable contract with a food service management company.

Views of responsible officials: The District will put procedures and internal controls in place to properly monitor the cost-reimbursable contract with the food service management company to ensure that all costs billed to the District are allowable and accurate. The Director of Finance will monitor this procedures to ensure compliance.

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED AUGUST 31, 2021**

There were no prior year audit findings.

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED AUGUST 31, 2021**

Findings and Questioned Costs for Federal Awards

2021-1 Procurement and Suspension and Debarment – Internal Control

Action: The District will put procedures and internal controls in place to properly monitor the cost-reimbursable contract with a food service management contract. Additional comments are on pages 76-77.

Contact Person: Derick Sibley, Director of Finance

Anticipated Completion Date: Immediately



PLEASANT GROVE

INDEPENDENT SCHOOL DISTRICT

On April 2, 2021, Pleasant Grove ISD received notification from the Texas Department of Agriculture (TDA) that the district had been paying Chartwells, the district's food service management company (FSMC), for items that were deemed unallowable charges. Many of these charges pertained to secondary billing items that had to be covered exclusively by the Chartwells administrative and management fee. According to the original RFP, the

"FSMC must (1) separately identify, for each cost submitted for payment to the school food authority, the amount of an Allowable Cost and the amount that is unallowable, or (2) FSMC must exclude all unallowable cost from its billing documents and certify that only allowable costs are submitted for payment and that records have been established that maintain the visibility of unallowable costs, including directly associated costs in a manner suitable for Contract cost determination and verification." (Section E - Purchases)

"All program expenses not otherwise defined in the Contract will be assumed to be covered by the FSMC under the General and Administrative Expense Fee. All indirect and overhead costs must be included in the General and Administrative Expense Fee." (Section J – Financial Terms)

Under the Federal False Claims Act, any improper claim for payment may result in penalties for every document making a false claim for payment. As such, the district assumed that Chartwells knew, understood, and was complying with the contract under the original RFP.

According to the RFP, Section J – Financial Terms, the following charges must be included in the General and Administrative Expense Fee and may not be charged in any other expenses. However, Chartwell charged the district these individual expenses on monthly invoices.

- Maint SoftwareMid
- MySTAFF
- MyFi
- MyCompass
- My Admin Accounting
- Webtrition
- Training
- Recruiting

According to the letter from TDA, the following charge is required for a vendor to have in order to be considered to bid and is an unallowable cost for the school district. However, Chartwells charged the district this expense on monthly invoices.

- Insurance Other

Because of the unallowable charges determined by TDA during the procurement review, the district performed an audit on the Chartwells invoices from August 2017 through June 2021. The purpose of the audit was to determine how much in unallowable charges were charged to the district since the inception of its contract with Chartwells in 2017. The final audit determined that Chartwells had invoiced the district a total of \$65,712.63 in unallowable charges.

Since notification from TDA on the unallowable charge, the district is not currently paying these unallowable charges, even though they continue to appear on the monthly invoices from Chartwells. The district has sought reimbursement from Chartwells for these charges. Chartwells stands by their claim that since the close of the review with Pleasant Grove ISD, TDA has reversed course on calling these unallowable charges. However, communication with TDA states, "the charges that were previously deemed as improperly charged to the district are still considered unallowable."

PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED AUGUST 31, 2021

(1)	(2)	(3)	(4)
FEDERAL GRANTOR/ PASS-THROUGH GRANTOR/ PROGRAM or CLUSTER TITLE	Federal Assistance Listing No.	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
<u>Passed Through State Department of Education</u>			
RLOC Prior Purchase Reimbursement Project	21.019	522022003	\$ 191,873
ESEA, Title I, Part A - Improving Basic Programs	84.010A	20-610101019912	20,704
ESEA, Title I, Part A - Improving Basic Programs	84.010A	21-610101019912	193,239
ESEA, Title I, Part A - Improving Basic Programs	84.010A	22-610101019912	9,825
Total Assistance Listing Number 84.010A			223,768
*IDEA - Part B, Formula	84.027	20-6600010199126000	16,636
*IDEA - Part B, Formula	84.027	21-6600010199126000	307,286
*IDEA - Part B, Formula	84.027	22-6600010199126000	35,753
Total Assistance Listing Number 84.027			359,675
*IDEA - Part B, Preschool	84.173	20-9910010199126000	1,116
*IDEA - Part B, Preschool	84.173	21-9910010199126000	7,082
Total Assistance Listing Number 84.173			8,198
Total Special Education Cluster (IDEA)			367,873
ESEA, Title II, Part A, Supporting Effective Instr	84.367A	21-694501019912	44,977
Title IV, Part A, Subpart 1	84.424A	20-680101019912	11,393
Title IV, Part A, Subpart 1	84.424A	21-680101019912	14,007
Total Assistance Listing Number 84.424A			25,400
ESSER Grant Fund III	84.425U	21-528001019912	5,290
ESSER Grant Fund III	84.425U	22-528001019912	49,644
Total Assistance Listing Number 84.425			54,934
Total Passed Through State Department of Education			908,825
TOTAL U.S. DEPARTMENT OF EDUCATION			908,825
U.S. DEPARTMENT OF AGRICULTURE			
<u>Passed Through the State Department of Agriculture</u>			
*School Breakfast Program	10.553	N/A	68,382
*National School Lunch Program - Cash Assistance	10.555	N/A	288,098
*National School Lunch Prog. - Non-Cash Assistance	10.555	N/A	53,959
*COVID-19 Emergency Op Cost Reimbursement Program	10.555	N/A	41,800
Total Assistance Listing Number 10.555			383,857
Total Child Nutrition Cluster			452,239
Total Passed Through the State Department of Agriculture			452,239
TOTAL U.S. DEPARTMENT OF AGRICULTURE			452,239
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,361,064

*Clustered Programs as required by Compliance Supplement 2021

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**PLEASANT GROVE INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED AUGUST 31, 2021**

- 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	396,338
Other Special Revenue Funds	<u>1,169,191</u>
Sub -total	1,565,529
Less:	
SSA - School Health & Related Services (SHARS)	(29,219)
ERATE	<u>(175,248)</u>
 Total Federal Program Expenditures	 <u><u>1,361,064</u></u>

SCHOOLS FIRST QUESTIONNAIRE

Pleasant Grove Independent School District

Fiscal Year 2021

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.	