



Annual Financial Report Summary



Pearland Independent School District

For the Fiscal Year Ended June 30, 2017

Pearland, Texas



The Pearland Independent School District (the “District”) is one of eight public school districts located in Brazoria County. It provides a program of public education from pre-kindergarten through grade twelve. The purpose and responsibility of the District is to provide a thorough and efficient educational system for the children enrolled in public schools within its boundaries whereby each child has access to programs and services that are appropriate to his or her educational needs. In addition to the regular educational program, the District offers programs in areas such as vocational education, special education, gifted and talented, bilingual, and compensatory education. All of the District’s schools are fully accredited by the TEA and the Southern Association of Colleges and Schools.

Mission

In partnership with the community, Pearland ISD shall prepare students to perform at their highest potential and produce global citizens of tomorrow.

Vision

We will graduate students who are . . .

- Responsible and resilient
- Passionate lifelong learners
- Complex thinkers and problem solvers
- Effective communicators
- Respectful of global interdependence and civic accountability

Student Ethnicity

- African-American 15.02%
- American Indian/Alaskan 0.45%
- Asian 10.78%
- Hawaiian/Pacific Islander 0.11%
- Hispanic 32.69%
- White 37.77%
- Two or More 3.18%

Additional Student Information

- Economically Disadvantaged 28.43%
- Limited English Proficient 8.34%

Elementary Schools: 11

Middle Schools: 4

Junior High Schools: 4

High Schools: 4

Total Schools: 23

Student Enrollment

Early Education: 90
 Prekindergarten: 370
 Kindergarten: 1,383
 Elementary: 6,332
 Middle: 3,290
 Junior High: 3,397
 High School: 6,723
 Total: 21,585



Superintendent's Letter to the Community

To the Citizens and Taxpayers of Pearland Independent School District:

I am pleased to present, for the first time ever, the Pearland Independent School District's Annual Financial Report Summary for the fiscal year ended June 30, 2017. This report demonstrates another year of prudent fiscal policies as exercised by our trustees and (on a daily basis) by our exemplary business office. We hope you find this report to be easy-to-read and informative.

Despite significant challenges such as reduced state aid and increased unfunded mandates for public schools, Pearland ISD continues to shine among the 1,000 school systems in Texas. I'm proud of our yearly Superior rating from TEA for fiscal accountability. Also, a few years ago, the Texas Comptroller established another method of grading the public schools on the combination of academic prowess and cost effectiveness; it is now a part of the Texas Smart Schools website. In those ratings, we are a 5 Star District, one of only 46 designated in Texas this year for that highest recognition.

Our business office is in transition with the retirement of our long-serving and amazing Chief Financial Officer Don Marshall, along with a couple of other outstanding professionals in that office. New to our district is Jorgannie Garza Carter, our CFO, who is the author of this new publication – and who has already done some amazing work as we calculate enrollment, facilities and other factors in this unusual year of Hurricane Harvey.

Our goal is nothing less than the pursuit of "world class" status as a school district. Many of the accomplishments of the recent past demonstrate we are on that path. Our Board's wise financial stewardship and its implementation through our business office is a sterling example.

May God continue to bless Pearland ISD!

JOHN P. KELLY, Ph.D.
Superintendent

SUPERINTENDENT'S CABINET

Dr. John Kelly, Superintendent

Nanette Weimer, Deputy Superintendent

Jorgannie Carter, Chief Financial Officer

Cary Partin, Senior Assistant Superintendent for Support Services

Sonia Serrano, Senior Assistant Superintendent for Intermediate Education

Dr. Brenda Waters, Senior Assistant Superintendent for Elementary Education

Dr. Nyla Watson, Senior Assistant Superintendent of Instructional Programs

David Moody, Assistant Superintendent for Human Resource Services

Kim Hocott, Executive Director of Communications

Tanya Dawson, General Counsel

Greg Bartay, Chief Technology Officer

Dr. Lisa Nixon, Executive Director of Special Programs

Don Tillis, Director of Facilities and Planning

BOARD OF TRUSTEES

Charles Gooden, Jr.
Vice President



Lance Botkin



Jeff Barry
Secretary



Mikael Floyd



Pam Boegler



Rebecca Decker
President



Sean Murphy



ACCOMPLISHMENTS OF THE BUSINESS OFFICE

Pearland Independent School District's Business Office is charged with the maximization of fiscal resources and utilization of sound financial management.

Our mission is to support Pearland ISD and our community. One way we can achieve this is providing transparency through accounting, accounts payable, budget, cash management, payroll and purchasing. Financial transparency is an ongoing goal for Pearland ISD.

Some of the accomplishments for the fiscal year ending June 30, 2017, include:

- No findings of questioned costs in the annual audit of fiscal operations
- TASBO Award of Merit for Purchasing Operations
- The highest rating of Superior under Schools FIRST (Financial Integrity Rating System of Texas) for the 2015-2016 school year
- One of 46 districts to earn the 2017 Five-Star Rating from TXSmartSchools.org for high academic achievement with cost effective operations
- Maintained high credit ratings from Fitch, Standard & Poor's and Moody's

Chief Financial Officer's Message



The Pearland Independent School District's first Annual Financial Report Summary ("AFR Summary") for the year ended June 30, 2017 is an easy-to-read publication that hopes to provide citizens with an overview of how their tax dollars are managed and spent. This report includes highlights and simplified information from the Annual Financial Report (AFR).

The AFR Summary summarizes the financial activities and operating results of the District and was gathered from the financial information reported in our audited 2017 AFR. The AFR is prepared in conformance with Generally Acceptable Accounting Principles (GAAP) and was audited by Kenemer, Masters & Lunsford, LLC, receiving a "not modified" (the highest) opinion. However, the AFR Summary is unaudited and presented on a GAAP basis. While the underlying accounting methods are similar to the AFR, the AFR Summary simplifies reporting by not including all segregated funds, required presentations, and full disclosure of all material financial and non-financial events in the notes to the financial statements. Citizens desiring to review full disclosure financial statements may obtain a copy of the AFR from the Business Office or may view it online at www.pearlandisd.org/transparency.

The AFR Summary is part of the District's ongoing commitment to keep citizens informed about the District's finances and to be accountable for the receipt and expenditure of public funds. While the main purpose of the report is to provide financial information, it also highlights accomplishments and major initiatives of the past year and demonstrates the vital role our District plays in educating our children.

Respectfully,

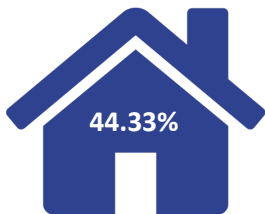
A handwritten signature in cursive script that reads "Jorgannie Carter".

Jorgannie Carter, CPA, RTSBA
Chief Financial Officer

WHERE DID THE 2016 GENERAL FUND REVENUES COME FROM?

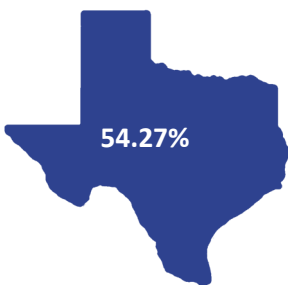
The District received \$168,773,473 in revenue for the general fund during fiscal year 2016-2017, an increase of 5.29% over the previous fiscal year. The general fund is the District's operating fund and accounts for 79.49% of the District's total revenues. The District's revenues come from local, state, and federal sources with state revenues being the primary source.

Resources from Operating Funds	Fiscal Year 2016	Fiscal Year 2017	% Change
Local Property Taxes	\$ 64,997,846	\$ 72,428,150	11.43%
Other Local Revenues	2,099,985	2,393,304	13.97%
State Revenues	91,703,004	91,588,072	-0.13%
Federal Revenues	1,488,025	2,363,947	58.86%
Total Revenues	\$ 160,288,860	\$ 168,773,473	5.29%



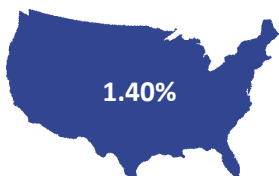
LOCAL SOURCES

Local sources of revenue generated 44.33% of all sources of revenue and increased by 11.51% over the previous fiscal year. Local revenues include property taxes, earnings on investments, and tuition and fees; nearly all of local revenues come from the collection of property taxes – what you, as a citizen, pay for educating our students.



STATE SOURCES

State sources of revenue that support the general fund are the most significant for the District, representing 54.27% of all available sources of funding. State revenues decreased by 0.13% from the previous fiscal year. The District received less state revenues as a percentage of total revenues than the prior year (57.21% in fiscal year 2016) due to an increase in local property values.



FEDERAL SOURCES

Revenues received from federal sources constitute 1.40% of total revenues; 2017 federal revenues experienced a 58.86% increase from 2016 revenues. Most federal revenues (92%) received are reimbursements through Medicaid for providing services to special education students.

PROPERTY VALUES AND TAXES

WHAT ARE PROPERTY TAXES?

Property taxes (also called ad valorem taxes) are locally assessed taxes. The Brazoria County Appraisal District (BCAD) appraises property located in the Pearland ISD boundaries, and collects property taxes based on the tax rates that are set by the District (a local taxing unit).

PROPERTY TAXABLE VALUES

The 2016 tax year experienced an increase in taxable values of approximately \$290 million. The Brazoria County Appraisal District is in charge of certifying the taxable values of our District. Total taxable valuation for the 2016 tax year was \$6,751,076,681, representing a 4.50% increase in total taxable values over the 2015 tax year.

TAX RATE

The tax rate of the District for fiscal year 2016-2017 was \$1.4156. Of this tax, \$1.04 is used for the maintenance and operations of the District and \$0.3756 to service debt.

TAX COLLECTIONS

The BCAD collected \$97,550,381 or 98.57% of the tax levied in the 2016 tax year during Fiscal Year 2016-2017.

TAX RATE OVER THE LAST FIVE YEARS

Fiscal Year Ended June 30,	Tax Year	Tax Rate*	Taxable Assessed Values (in billions)	Net Tax Levy (in millions)	Percent Collected Within Fiscal Year	To Date
2017	2016	\$1.4156	\$6.75	\$95.56	98.57%	99.10%
2016	2015	\$1.4156	\$6.46	\$88.57	98.63%	99.96%
2015	2014	\$1.4157	\$6.17	\$81.22	98.49%	99.92%
2014	2013	\$1.4157	\$5.84	\$80.89	98.57%	100.06%
2013	2012	\$1.4194	\$5.61	\$75.24	98.32%	99.54%

* Tax rates are per \$100 of assessed value.

TOP TAXPAYERS

Taxpayer	Property Type	2016 Taxable Assessed Valuation	% of Total Valuation
Weatherford US Inc.	Oil Field Equipment	\$60,419,650	0.89%
Forum US Inc.	Oil Field Equipment	\$41,468,290	0.61%
Wal-Mart Real Estate Trust	Department Stores	\$33,531,050	0.50%
VR St Andrew LP	Apartments	\$29,000,000	0.43%
Southwind Pearland Investors LLC	Apartments	\$24,164,120	0.36%
USA Tranquility Lake	Apartments	\$22,297,970	0.33%
TPRF III/SR Pearland LP	Construction Residential	\$21,559,710	0.32%
Wal-Mart Stores Inc.	Department Stores	\$20,550,620	0.30%
Westlake Residential Apartments LLC	Apartments	\$18,001,000	0.27%
Whispering Winds Apartments LLC	Apartments	\$17,290,120	0.26%
Total Assessed Value of Top 10 Taxpayers		\$288,282,530	4.27%

HOW WAS THE GENERAL FUND MONEY SPENT?

Pearland ISD had \$165,665,699 in general fund expenditures during Fiscal Year 2017, an increase of almost \$6.09 million or 3.81% over Fiscal Year 2016. The increase in expenditures was due, in part, to a 2% raise for all employees, salary equity adjustments, and 32.5 additional teaching positions and 13 additional campus staff to account for the increase in enrollment.

The primary use of money in the general fund is for instruction and instructional related services, which together encompassed 62.71% of total expenditures. The District is spending its funds where it matters most, in the classroom.

COMPARISON OF GENERAL FUND EXPENDITURES BY FUNCTION FISCAL YEARS 2016 AND 2017

Expenditures by Function	FY 2016	Percent of FY 2016 Expenditures	FY 2017	Percent of FY 2017 Expenditures
11 Instruction	\$ 92,725,179	58.11%	\$ 97,446,045	58.82%
12 Instructional Resources and Media Services	1,566,006	0.98%	1,714,034	1.03%
13 Curriculum and Staff Development	4,431,773	2.78%	4,674,984	2.82%
21 Instructional Leadership	1,880,881	1.18%	1,996,364	1.21%
23 School Leadership	9,847,842	6.17%	10,477,348	6.32%
31 Guidance and Counseling Services	5,296,331	3.32%	5,541,739	3.35%
32 Social Work Services	490,739	0.31%	530,827	0.32%
33 Health Services	1,417,082	0.89%	1,418,337	0.86%
34 Student (Pupil) Transportation	6,497,794	4.07%	6,807,783	4.11%
36 Co-curricular Activities	3,948,679	2.47%	3,969,913	2.40%
41 General Administration	3,977,831	2.49%	4,265,087	2.57%
51 Plant Maintenance and Operations	21,036,965	13.18%	20,294,006	12.25%
52 Security and Monitoring Services	1,808,689	1.13%	1,824,948	1.10%
53 Data Processing Services	3,776,107	2.37%	4,048,916	2.44%
61 Community Services	4,759	0.00%	10,453	0.01%
80 Capital Outlay	242,899	0.15%		
93 Payments Related to Shared Svcs. Arrangements	11,379	0.01%		
95 Alternative Education - JJAEP	20,000	0.01%	17,600	0.01%
99 Other Intergovernmental Charges	597,519	0.37%	627,315	0.38%
Total Expenditures	\$ 159,578,454	100.00%	\$ 165,665,699	100.00%

GENERAL FUND EXPENDITURES BY FUNCTION FISCAL YEAR ENDED JUNE 30, 2017

Instruction (58.82%) - This function is used for activities that deal directly with the interaction between teachers and students.

Instructional Resources & Media Services (1.03%) - Costs that are directly and exclusively used for resource centers, establishing and maintaining libraries, and other major facilities dealing with educational resources and media.

Curriculum & Staff Development (2.82 %) - Expenses used to aid instructional staff in planning, developing and evaluating the process of providing learning experiences for students.

Instructional Leadership (1.21%) - These are expenditures directly used for managing, directing, supervising and providing leadership for staff who provide general and specific instructional services.

School Leadership (6.32%) - These expenditures are used to direct and manage a school campus and include activities performed by the principal, assistant principals and other assistants while they: supervise all operations of the campus, evaluate staff members of the campus, assign duties to staff members maintaining records of the students on the campus, and coordinate school instructional activities with those of the entire school district.

Guidance & Counseling Services (3.35%) - Costs of psychological services, identification of individual characteristics, testing, educational counseling, student evaluation and occupational counseling.

Health Services (0.86%) – These are expenditures used for providing physical health services such as appropriate medical, dental, and nursing services to students.

Co-curricular Activities (2.40%) - These are expenditures for school-sponsored activities outside of the school day. These activities are generally designed to provide students with experiences such as motivation and the enjoyment and improvement of skills in either a competitive or non-competitive setting.

Student (Pupil) Transportation (4.11%) - These are expenditures that are incurred for transporting students to and from school.

General Administration (2.57%) - Costs associated with the overall general administrative support services of the school district.

Plant Maintenance and Operations (12.25%) - These are expenditures for activities to keep the physical plant and grounds open, clean, comfortable and in effective working condition and state of repair.

Security & Monitoring Services (1.10%) - Expenditures used for activities to keep students and staff surroundings safe, whether in transit to or from school, on a campus or participating in school-sponsored events at another location.

Data Processing Services (2.44%) - Costs for computer facility management, computer processing, systems development, analysis and design, and those interfacing costs associated with general types of technical assistance to data users.

Community Services (0.01%) - Expenditures used for services or activities relating to the whole community or some segment of the community.

Intergovernmental Charges (0.38%) - These are payments made for specific services to other governmental entities.



GENERAL FUND EXPENDITURES BY OBJECT FISCAL YEAR ENDED JUNE 30, 2017

Payroll costs of \$140,870,389 include the gross salaries or wages and benefit costs for employee services.

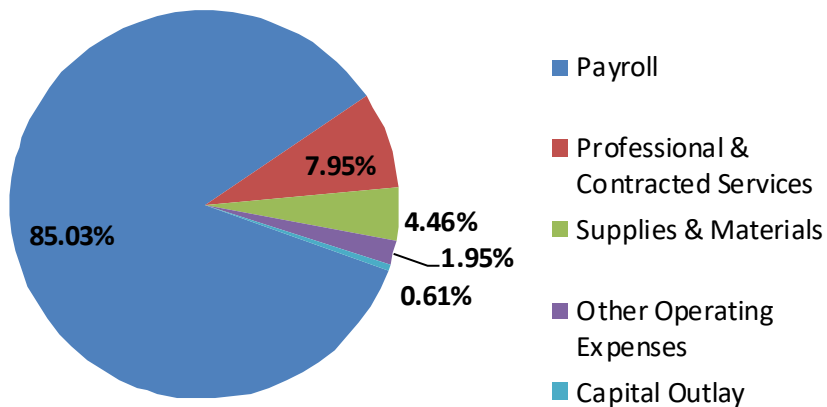
Professional & Contracted Services costs of \$13,168,945 were used for services rendered to the school district by firms, individuals, utility companies, and/or other organizations.

Supplies & Materials amounted to \$7,386,563; these include textbooks, testing materials, fuel to transport children, and other general supplies and materials.

Capital Outlay of \$1,011,906 was spent on building and land improvements, furniture, buses and vehicles, and other equipment.

Other Operating Costs of \$3,227,895 were mainly spent on student and staff travel and casualty insurance costs.

**General Fund Expenditures by Object
Fiscal Year Ended June 30, 2017**



DEBT SERVICE (Payment of Debt)

The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal and interest. The District issues general obligation bonds to provide funds for the construction, renovation and equipment of school facilities, and other major capital acquisitions. Debt service requirements are payable solely from future revenue of the Debt Service Fund which consist principally of property taxes collected by the District, state funding and investment income.

The District received revenues of \$29,347,541 in Fiscal Year 2016-2017; \$26,386,290 and \$2,961,251, in local and state revenues, respectively. As of Fiscal Year ending June 30, 2016, the District had a balance of \$274,992,134 in general obligation bonds; the table presented on the bottom of the page is a schedule of their required payments.

GENERAL OBLIGATION AND REFUNDING BONDS PAYABLE AT JUNE 30, 2017

Date of Issue	Original Issue	Final Maturity	Interest Rates (%)	Outstanding Balance
1997	\$ 2,512,590	2018	5.800 - 5.900	\$ 617,134
2001	22,500,000	2025	4.125 - 4.750	22,500,000
2011	8,740,000	2027	4.000	8,690,000
2012	62,845,000	2029	3.000 - 5.000	59,420,000
2013A	15,490,000	2029	3.000 - 5.000	12,825,000
2013B	38,155,000	2029	2.000 - 5.000	34,290,000
2014	30,540,000	2029	2.000 - 5.000	29,340,000
2014B	28,655,000	2039	2.000 - 5.000	24,180,000
2016	41,335,000	2032	5.000 - 5.250	41,335,000
2016A	42,200,000	2032	5.000 - 5.250	41,795,000
Total	\$ 292,972,590			\$ 274,992,134

PRINCIPAL AND INTEREST PAYMENT OBLIGATIONS BY YEAR

Year Ended June 30,	Principal	Interest	Total
2018	\$12,945,000	\$12,393,766	\$25,338,766
2019	13,530,000	11,858,566	25,388,566
2020	14,180,000	11,224,066	25,404,066
2021	14,080,000	10,548,766	24,628,766
2022	15,060,000	9,948,766	25,008,766
2023-2027	88,825,000	38,623,563	127,448,563
2028-2032	102,825,000	17,608,519	120,433,519
2033-2037	9,200,000	2,518,750	11,718,750
2038-2039	4,370,000	330,501	4,700,501
Total	\$275,015,000	\$115,055,263	\$390,070,263

* The \$22,866 difference between the general obligation bonds outstanding at June 30, 2017 of \$ 274,992,134 and the general obligation bond principal requirements of \$275,015,000 represents the amount of capital appreciation bonds to be accreted as interest over the life of these bonds.

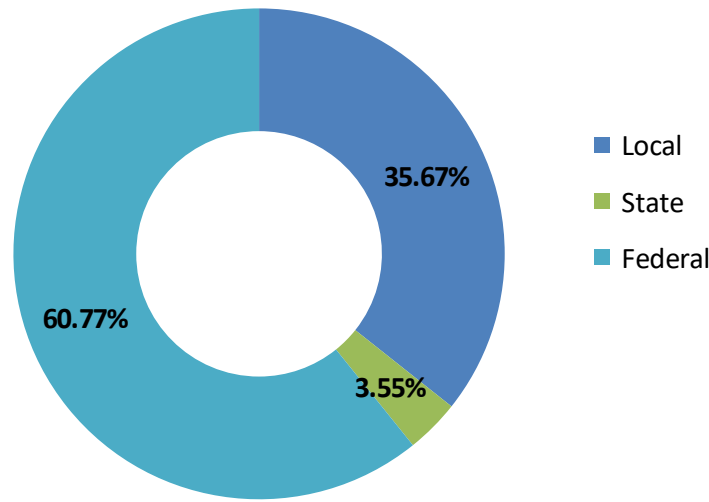
SPECIAL REVENUE FUNDS

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. During Fiscal Year 2016-2017 the District spent \$13,836,202 and received \$14,197,272 in special revenues from local, state, and federal sources.

Federal Revenues received were \$8,627,871 or 60.77%. Of these revenues, the District received 47.61% or \$4,108,073 to fund the Nutritional School Breakfast and Lunch Program.

Local and State Revenues received were \$5,064,699 and \$504,702, respectively. Included in local revenues are \$4.9 million generated from food sales.

**Special Revenue Fund Revenues
Fiscal Year Ended June 30, 2017**



CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for proceeds from the sale of general obligation bonds and the expenditure of these funds for the construction and equipping of new school facilities, the purchase of school sites, renovation of present facilities, and the purchase of school buses.

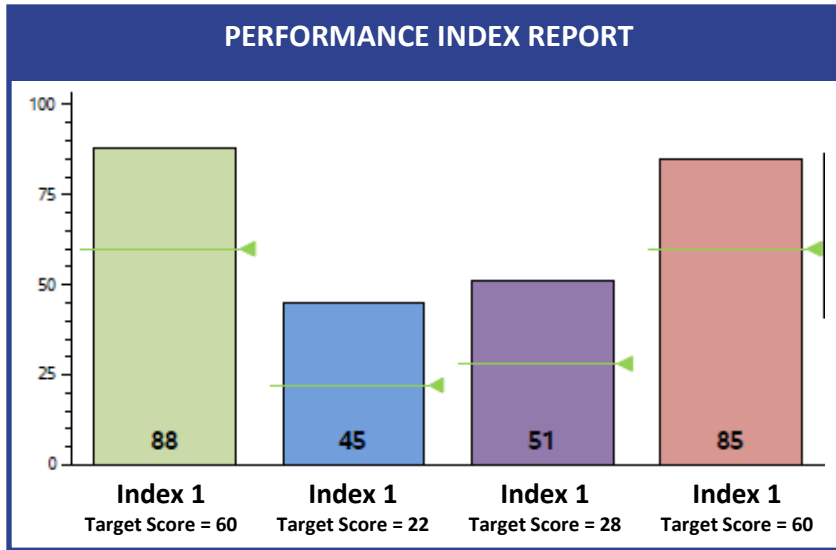
During Fiscal Year 2016-2017, \$16,298,328 was spent in renovation projects, including renovations at Pearland High School, the expansion of Carlestone Elementary, the expansion of Lawhon Elementary and the purchase of technology equipment.

TEXAS EDUCATION AGENCY 2017 ACCOUNTABILITY SUMMARY

The public school accountability system in Texas allows for a comprehensive evaluation of district and campus effectiveness by using a framework of four indices that measure the quality of learning from different perspectives. Index 1 provides a snapshot of student performance across all subjects, Index 2 measures year-to-year student improvement, Index 3 emphasizes the academic achievement of certain student groups, and Index 4 emphasizes the importance of a high school diploma for success in postsecondary life. Additionally, distinction designations highlight achievement in specific areas by those districts and campuses that earn a Met Standard rating. Finally, system safeguards ensure that—in an aggregated district or campus report—substandard performance in one or more areas or by one or more student groups is not disguised by higher performance in other areas or by other student groups.

2017 ACCOUNTABILITY RATING:

MET STANDARD



PERFORMANCE INDEX SUMMARY

Index	Points Earned	Maximum Points	Index Score
1 - Student Achievement	31,314	35,780	88
2 - Student Progress	907	2,000	45
3 - Closing Performance Gaps	1,525	3,000	51
4 - Postsecondary Readiness			
STAAR Score	17.4		
Graduation Rate Score	24.9		
Graduation Plan Score	21.9		
Postsecondary Component Score	21.1		85

SYSTEM SAFEGUARDS

Number and Percentage of Indicators Met	
Performance Rates	44 out of 48 = 92%
Participation Rates	20 out of 20 = 100%
Graduation Rates	8 out of 8 = 100%
Met Federal Limits on Alternative Assessments	1 out of 1 = 100%
Total	73 out of 77 = 95%

Pearland

Independent School District

PREPARE PERFORM PRODUCE



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