



Annual Financial Report Summary

For the Fiscal Year Ended June 30, 2020

Pearland Independent School District

Pearland, Texas





**On the cover:
Pearland High School
student participating in the
2020 Rose Bowl Parade**

CONTENTS

- 3** Superintendent's Message
- 4** District's Mission and Vision
- 4** Enrollment and Demographics
- 5** Board of Trustees and Administration
- 6** General Fund Revenue
- 7** Property Values and Taxes
- 8** General Fund Expenditures
- 10** Statement of Net Position
- 11** Debt Service
- 12** Special Revenue Fund
- 12** Capital Projects Fund
- 13** Chief Financial Officer's Message
- 14** Outstanding Achievement Award
- 15** About the Annual Financial Report

SUPERINTENDENT'S MESSAGE

To the Citizens and Taxpayers of Pearland Independent School District:

Our outstanding CFO Jorgannie Carter has again composed, with the help of her department, the Pearland Independent School District's Annual Financial Report Summary for the fiscal year ended June 30, 2020. This report was newly initiated last year, won state acclamation for its publication, and most importantly demonstrates yet another annum 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.

The Covid Pandemic, uncertain funding for the end-of-year, and the necessity to outfit all students with technology (allowing future remote access to instruction) combined to make the year-end extremely challenging throughout Texas. Yet Pearland ISD continues to shine among the 1,000 plus school systems in our state. We're proud of our yearly Superior rating from TEA for fiscal accountability. Also, the Texas Smart Schools website rates school districts on the combination of academic prowess and financial efficiency. In those ratings, we remain one of less than a dozen school districts in Texas that have consistently earned 4 or 5 Stars for excellence.

We are currently in the midst of an even more challenging 2020-21 year due to continuing pandemic realities. Yet the prudent and cautious budgeting done during 2019-20 – as reflected in this publication—have made it possible for us to retain a high level of confidence and service for the 21,000 students we are educating!

May God continue to bless Pearland ISD!



Dr. John P. Kelly
Superintendent

A handwritten signature in black ink, appearing to read 'JPK', located below the printed name.



ABOUT THE DISTRICT

PEARLAND ISD is one of eight public school districts located in Brazoria County.

In addition to the regular educational program from pre-kindergarten to grade twelve, the District offers programs in areas such as vocational education, special education, bilingual/dual language, gifted and talented, 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, families, and students, Pearland ISD prepares all learners to achieve their highest potential.

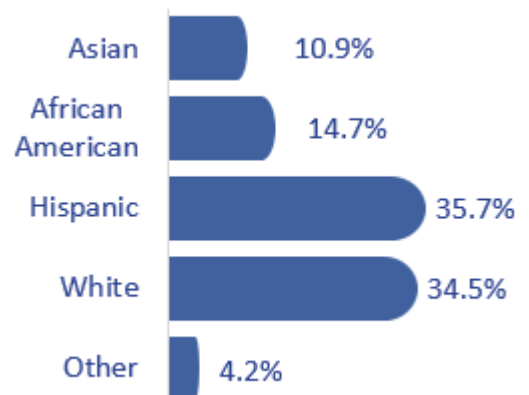
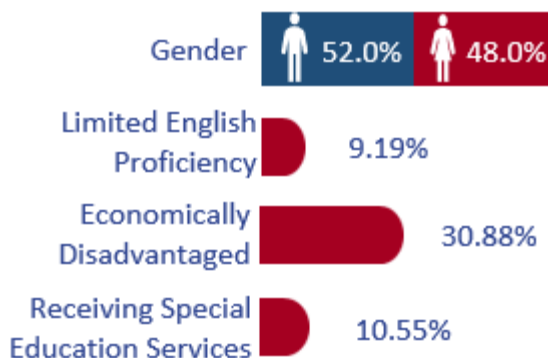
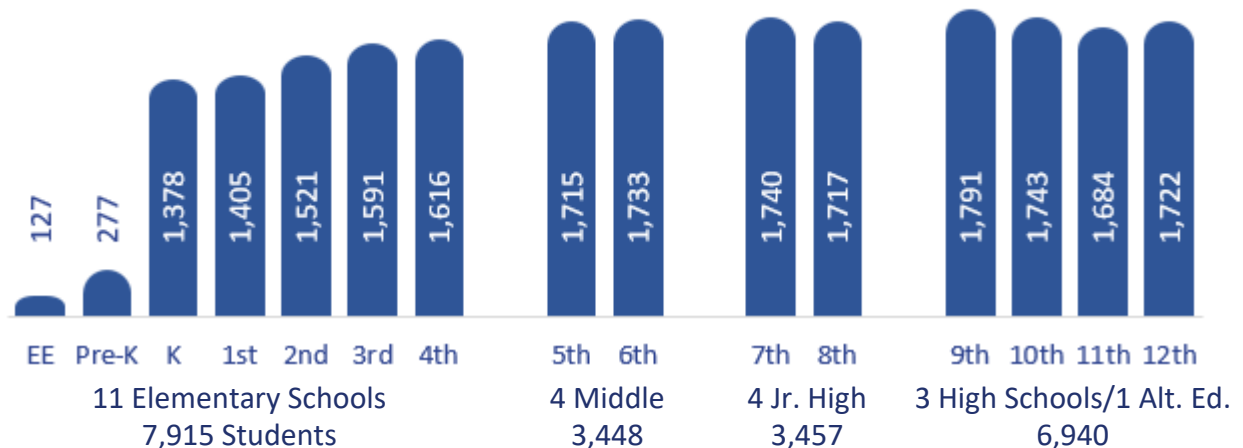
VISION Pearland ISD will empower, inspire, and develop courageous, confident individuals who excel in a global society .

BELIEFS We believe:

- students come first.
- all learners are unique, valuable, and teachable.
- a successful education includes engaged students, staff, families, and community.
- that a positive culture and safe learning environment are critical for the success of all learners.

ENROLLMENT DEMOGRAPHICS

2019-2020 Enrollment by Grade Level
Total 21,760 Students



BOARD OF TRUSTEES



Lance Botkin
Vice President



Charles Gooden, Jr.
President



Rebecca Decker
Secretary



Jeff Barry



Crystal Carbone



Sean Murphy

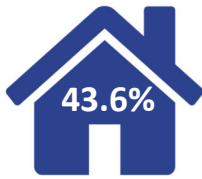
** Position 2 was vacant as of the date of this report.*

ADMINISTRATION

Dr. John Kelly Superintendent
Nanette Weimer Deputy Superintendent
Jorgannie Carter, CPA, RTSBA Chief Financial Officer
Sonia Serrano Sr. Asst. Superintendent for Intermediate Education
Dr. Brenda Waters Sr. Asst. Superintendent for Elementary Education
Dr. Nyla Watson Sr. Asst. Superintendent for Instructional Programs
Larry Berger Asst. Superintendent for Support Services
David Moody Asst. Superintendent for Human Resource Services
Tanya Dawson General Counsel
Kim Hocott Executive Director of Communications
Dr. Lisa Nixon Executive Director of Special Programs

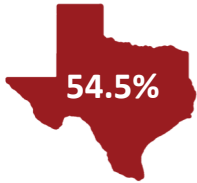
76.2%

OF DISTRICT REVENUES ARE ACCOUNTED FOR IN THE GENERAL OPERATING FUND



LOCAL

Local revenues generated \$80.1 million or 43.6% of all general fund revenues. Most local revenues are comprised of property tax collections and decreased by 4.5% from the prior fiscal year mostly due to the State's property value tax compression.



STATE

The district received \$100 million in state revenues; an increase of 1.2% from prior year.



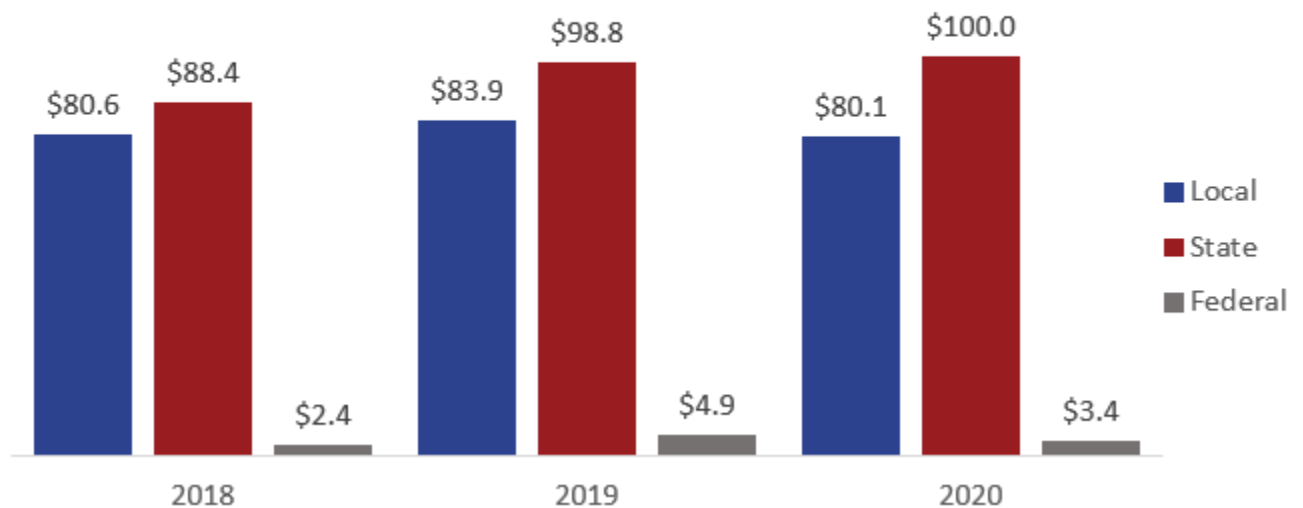
FEDERAL

Revenues received from federal sources account for \$3.4 million or 1.9% of total revenues. Most federal revenues come from reimbursements through Medicaid for providing School Health and Related Services (SHARS).

\$183.6 MILLION

TOTAL GENERAL FUND REVENUES

General Fund Revenue Sources
(Fiscal Years Ended June 30 | in Millions)



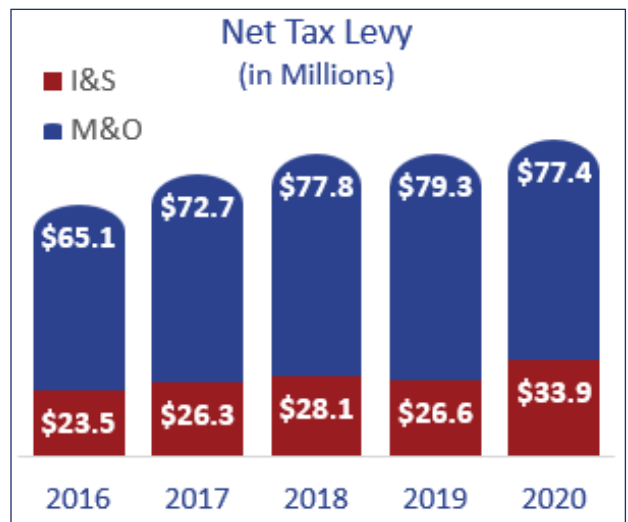
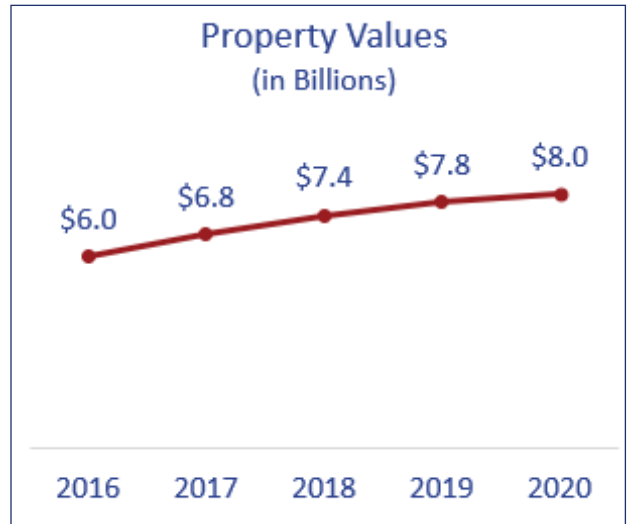
PROPERTY VALUES & TAX RATES

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.

Property Values — The Property values for fiscal year 2019-20 increased by \$272.9 million or 3.5%.

Tax Rate — The total tax rate has remained the lowest in over a decade. The 2019 M&O tax rate was compressed to \$0.97 from \$1.06 in 2018. The debt service (I&S) tax rate was adopted at \$0.4256 to prior meet the debt obligations after the issuance of all \$220 million in bonds approved at the November 2016 bond election.

Tax Collections— The District collected 98.7% of assessed taxes during the year.



| TAX RATE HISTORY | | | |
|------------------|-----------------|-----------------|-----------------|
| | 2017-18 | 2018-19 | 2019-20 |
| M&O | \$1.0400 | \$1.0600 | \$0.9700 |
| I&S | 0.3756 | 0.3556 | 0.4256 |
| Total | \$1.4156 | \$1.4156 | \$1.3956 |

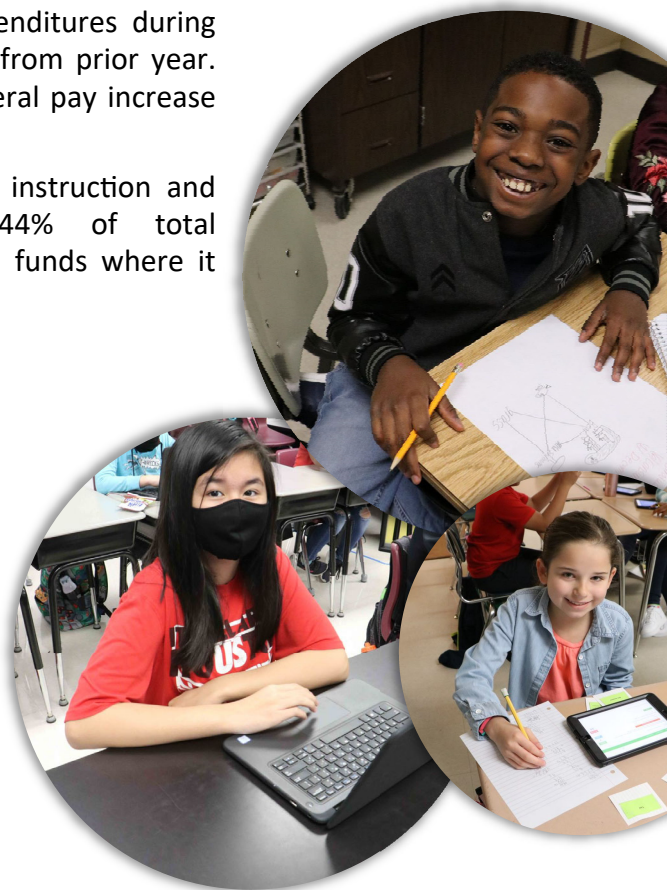
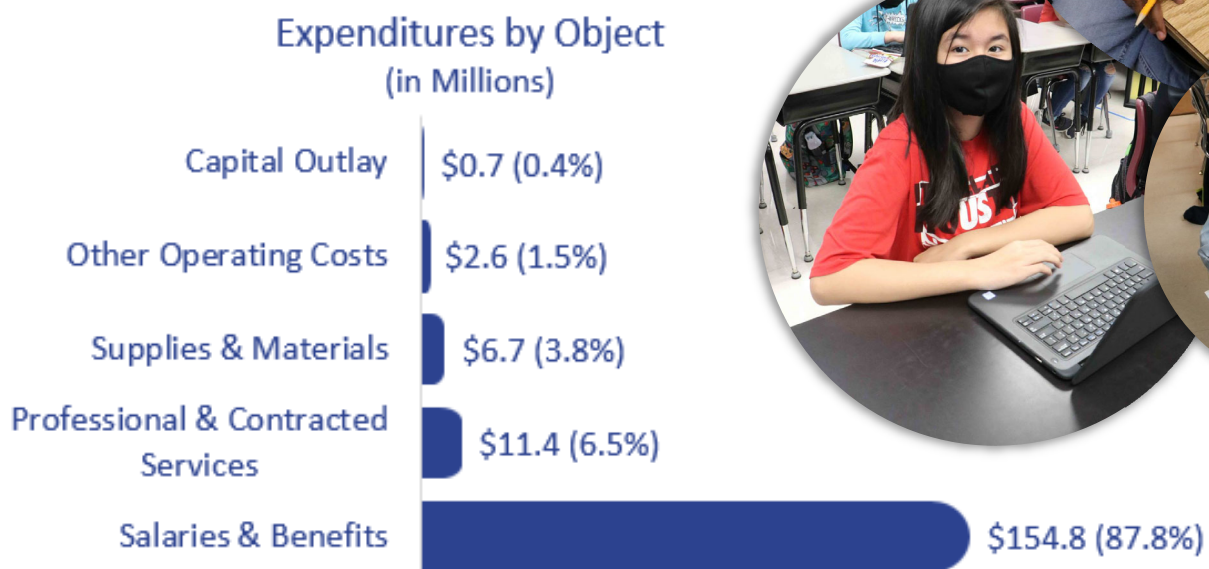
Tax rates are per \$100 of assessed value.



\$176.3 MILLION TOTAL GENERAL FUND EXPENDITURES

Pearland ISD had \$176.3 million in general fund expenditures during fiscal year 2020; an increase of \$4.1 million or 2.39% from prior year. The increase in expenditures was mostly due to a general pay increase between 2.5% and 3.25% for all employees.

The primary use of funds in the general fund is for instruction and instructional related services encompassing 62.44% of total expenditures. As you can see, the District spends its funds where it matters most...in the classroom.



DETAIL OF EXPENDITURES BY FUNCTION

Instruction (58.44%) - Costs dealing directly with the interaction between teachers and students.

Instructional Resources & Media Services (1.04%) - Costs to operate campus libraries.

Curriculum & Staff Development (2.93%) - Costs to aid instructional staff in planning, developing and evaluating the process of providing learning experiences for students.


Instructional Leadership (1.27%) - Costs for managing, directing, supervising and providing leadership to campus staff.

School Leadership (6.61%) - Costs for directing, managing, and supervising campus operations.

Guidance & Counseling Services (4.12%) - Costs of psychological services, student evaluation, testing, and educational and occupational counseling.

Health Services (1.03%) - Costs for physical health services such as appropriate medical, dental, and nursing services to students.

General Administration (2.46%) - Costs associated with the overall general administrative support services of the district.



| EXPENDITURES BY FUNCTION | FY 2018 | FY 2019 | FY 2020 |
|--|---------------|----------------|----------------|
| 11 Instruction | \$ 99,220,920 | \$ 100,542,435 | \$ 103,040,138 |
| 12 Instructional Res. and Media Services | 1,805,340 | 1,763,132 | 1,837,341 |
| 13 Curriculum and Staff Development | 4,732,487 | 5,158,795 | 5,162,170 |
| 21 Instructional Leadership | 2,203,154 | 2,309,478 | 2,233,065 |
| 23 School Leadership | 11,179,202 | 11,490,315 | 11,660,964 |
| 31 Guidance and Counseling Services | 5,692,280 | 6,666,330 | 7,269,276 |
| 32 Social Work Services | 567,832 | 627,549 | 639,339 |
| 33 Health Services | 1,499,201 | 1,680,191 | 1,823,801 |
| 34 Student (Pupil) Transportation | 7,101,491 | 6,747,608 | 6,076,780 |
| 36 Co-curricular Activities | 4,227,183 | 4,168,496 | 4,322,898 |
| 41 General Administration | 4,609,335 | 4,575,629 | 4,340,898 |
| 51 Plant Maintenance and Operations | 19,740,935 | 20,201,580 | 20,081,221 |
| 52 Security and Monitoring Services | 1,810,517 | 1,747,827 | 2,329,077 |
| 53 Data Processing Services | 3,993,554 | 3,767,168 | 4,255,251 |
| 61 Community Services | 8,790 | 8,024 | 3,585 |
| 81 Facilities Acquisition & Construction | | | 531,340 |
| 95 Alternative Education - JJAEP | 44,800 | 83,400 | 43,100 |
| 99 Other Intergovernmental Charges | 650,378 | 655,335 | 652,926 |
| Total Expenditures | \$169,087,399 | \$172,193,292 | \$176,303,170 |

Student Transportation (3.45%) - Costs for transporting students to and from school. The amount spent decreased due to fuel savings while the District was closed due to COVID-19.

Co-curricular Activities (2.45%) - Costs of school-sponsored activities outside of the school day, which provide students with experiences in either a competitive or non-competitive setting.

Plant Maintenance and Operations (11.39%) - Costs to keep facilities and grounds in effective working condition and state of repair.

Security & Monitoring Services (1.32%) - Costs to keep students and staff surroundings safe.

Data Processing Services (2.41%) - Costs related to technology and data services.

Facilities Acquisition & Construction (0.30%) - In FY 2020, the District purchased portable buildings for its full-day PreK program expansion.

Other Expenditures (0.76%) - Costs for social work services, community services, and payments made to other governmental entities.

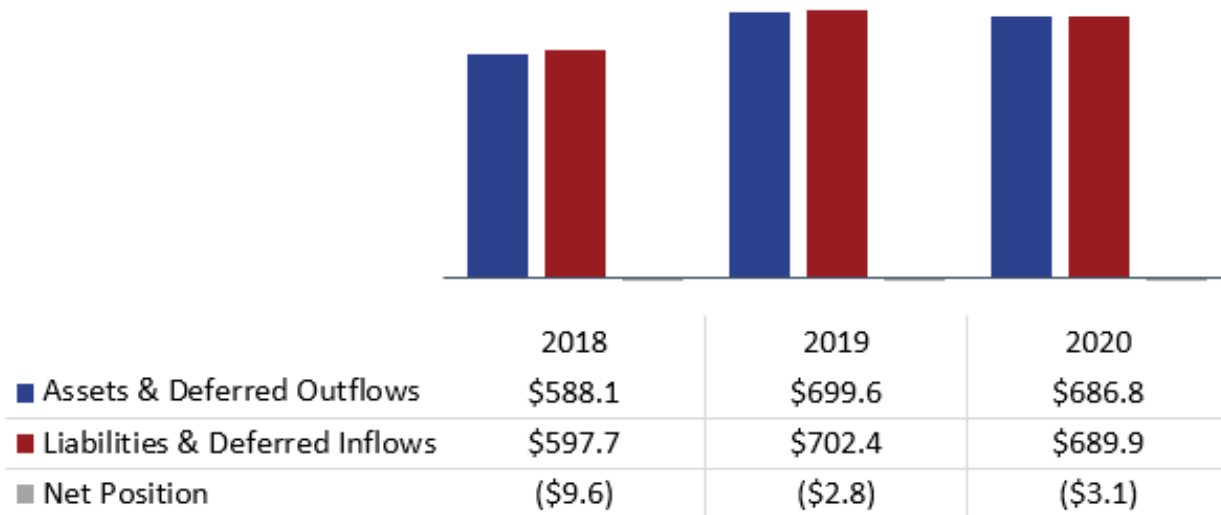
NET POSITION

The Statement of Net Position provides information on all of the District's assets (what we own) and liabilities (what we owe), with the difference between the two reported as net position or "net worth". Changes in net position serves as a useful indicator of whether the financial position of the District is improving or declining.

The District adopted a new governmental accounting standard (GASBS No. 68) in 2015 which required the District to calculate and report its proportionate share of the costs and obligations associated with pensions. Also, the District adopted GASBS No. 75 in fiscal year 2017, requiring the District to report a liability for other postemployment benefits (OPEB), such as retirees' health insurance. These implementations include recognizing for the first time a large pension liability on the statement of net position, thus significantly reducing our net position in 2017.

During fiscal year 2020, the District's liabilities increased more than its assets resulting in an overall decrease of \$0.3 million in total net position. The fiscal year end deficit of \$3.1 million is not an indication that the District does not have significant resources available to meet financial obligations next year, but rather, the result of having long-term commitments, specifically the net pension and OPEB liabilities that are more than currently available resources.

District Net Position
(As of June 30 | in Millions)



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.

The District received revenues of \$34.4 million in fiscal year 2019-20; \$34.4 million and \$0.8 million, in local and state revenues, respectively. Principal and interest paid was \$14.3 million and \$20 million, respectively, for a total of \$34.3 million. As of fiscal year ended June 30, 2020, the District had a balance of \$433.2 million in general obligation bonds.

| GENERAL OBLIGATION AND REFUNDING BONDS OUTSTANDING AT JUNE 30, 2019 | | | | |
|---|----------------|----------------|--------------------|---------------------|
| Date of Issue | Original Issue | Final Maturity | Interest Rates (%) | Outstanding Balance |
| 2001B | \$ 22,500,000 | 2025 | 4.125 - 4.750 | \$ 22,500,000 |
| 2011 | 8,740,000 | 2027 | 4.000 | 7,875,000 |
| 2012 | 62,845,000 | 2029 | 3.000 - 5.000 | 52,145,000 |
| 2013A | 15,490,000 | 2029 | 3.000 - 5.000 | 12,825,000 |
| 2013B | 38,155,000 | 2029 | 2.000 - 5.000 | 22,755,000 |
| 2014 | 30,540,000 | 2029 | 2.000 - 5.000 | 26,670,000 |
| 2014B | 28,655,000 | 2039 | 2.000 - 5.000 | 19,370,000 |
| 2016 | 41,335,000 | 2032 | 5.000 - 5.250 | 41,335,000 |
| 2016A | 42,200,000 | 2032 | 2.000 - 5.000 | 28,885,000 |
| 2017 | 105,510,000 | 2042 | 3.000 - 5.000 | 105,410,000 |
| 2019 | 75,155,000 | 2042 | 3.000 - 5.000 | 75,155,000 |
| 2019A | 18,305,000 | 2042 | 3.000 - 5.000 | 18,305,000 |
| Total | \$ 489,430,000 | | | \$ 433,230,000 |

| SCHEDULE OF PAYMENT OBLIGATIONS FOR CURRENT OUTSTANDING BOND BALANCES | | | |
|---|----------------|----------------|----------------|
| Year Ending June 30, | Principal | Interest | Total |
| 2021 | \$ 14,700,000 | \$ 19,478,216 | \$ 34,178,216 |
| 2022 | 17,040,000 | 18,859,616 | 35,899,616 |
| 2023 | 18,740,000 | 18,059,666 | 36,799,666 |
| 2024 | 20,490,000 | 17,191,616 | 37,681,616 |
| 2025 | 22,310,000 | 16,287,441 | 38,597,441 |
| 2026-2030 | 132,890,000 | 64,884,983 | 197,774,983 |
| 2031-2035 | 99,195,000 | 35,164,775 | 134,359,775 |
| 2036-2040 | 73,350,000 | 18,875,000 | 92,225,000 |
| 2041-2042 | 34,515,000 | 2,561,450 | 37,076,450 |
| Total | \$ 433,230,000 | \$ 211,362,763 | \$ 644,592,763 |

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 2019-2020 the District spent \$21.6 million and received \$21.2 million in special revenues from local, state, and federal sources.

Federal revenues received were \$10.4 million or 49.2%. Of these revenues, the District received 35% or \$3.7 million to fund the Nutritional School Breakfast and Lunch Program.

Local and state revenues received were \$7.8 million and \$3 million, respectively. Local revenues include \$3.8 million generated from food sales.

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.

A \$220 million bond referendum passed on November 2016 to fund the projects listed on the chart below; all bonds had been issued as of the end of the fiscal year. As of June 30, 2020, expenditures from the sale of these bonds totaled \$208 million.

As of fiscal year end, the District had active construction projects, including campus additions, new CTE and ROTC facilities, renovation of aging facilities, projects addressing safety and security needs, renovations to the stadium, and technology improvements. All projects are estimated to be completed by May 2021.

BOND PROJECTS



SAFETY + SECURITY

- Additional fencing at elementary & middle schools
- Add & upgrade security cameras
- Security door controls
- New security entrances



TECHNOLOGY

- At least one set of laptops per grade level
- Replace obsolete equipment
- Laptop/tablet access for students
- Strengthen Wi-Fi access points



GROWTH

- DHS & PHS additions
- TCCHS new CTE facility
- DHS & PHS ROTC facilities
- Additional space/classrooms
- Additional stadium seating & parking



AGING FACILITIES

- PHS, TCCHS & DHS renovations
- PJH East & PJH West renovations
- Jamison & Sablatura MS renovations
- Elementary renovations

CHIEF FINANCIAL OFFICER'S MESSAGE

The Pearland ISD's Business Office is charged with the maximization of fiscal resources and utilization of sound financial management. One way in which we support our District and our community is by providing transparency, an ongoing goal of Pearland ISD.

I'm proud of our Business Office staff, our shared vision for continuously improving our processes and our grit in striving for financial excellence. We are honored to have received GFOA's Award for Outstanding Achievement in Popular Annual Financial Reporting for our Annual Financial Report Summary for the last three years. In addition to this award, other financial accolades the District received throughout the year include:

- GFOA's Certificate of Achievement for Excellence in Financial Reporting and the Association of School Business Officials International (ASBO) Certificate of Excellence in Financial Reporting award for its FY 2019 Comprehensive Annual Financial Report
- ASBO's Meritorious Budget Award for the fiscal year 2019-20 Budget
- The Texas Association of School Business Officials (TASBO) Award of Merit for Purchasing Operations
- No findings of questioned costs in the annual audit of fiscal operations
- The highest rating of Superior under the Financial Integrity Rating System of Texas for the 2018-19 school year
- Consistently earned four or five stars in the Five-Star Rating from TXSmartSchools.org for high academic achievement with cost effective operations
- High credit ratings from Fitch and Moody's

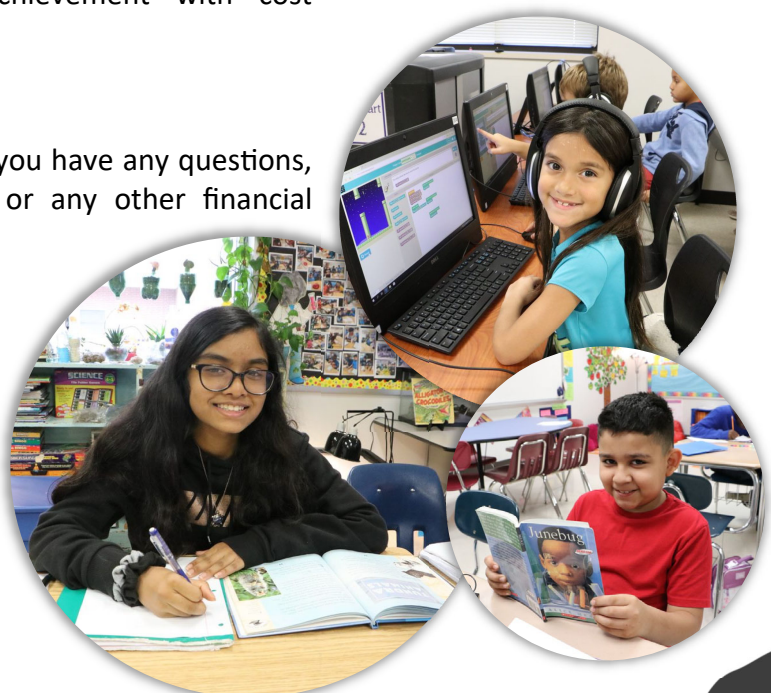
Thank you for reading our 2020 AFR Summary. If you have any questions, comments or suggestions regarding this report or any other financial matters, please contact us at 281-485-3203.

Respectfully submitted,

Jorgannie Carter



Jorgannie Carter, CPA
Chief Financial Officer





Government Finance Officers Association

**Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting**

Presented to

**Pearland Independent School District
Texas**

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

OUTSTANDING ACHIEVEMENT AWARD

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Pearland Independent School District for its Annual Financial Report Summary for the fiscal year ended June 30, 2019. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

In order to receive an Award for Outstanding Achievement in Popular Annual Financial Reporting, a government unit must publish a Popular Annual Financial Report, whose contents conform to program standards of creativity, presentation, understandability and reader appeal.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. This is the first time that Pearland ISD has received a Popular Award. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, as we prepare for its submission to GFOA.

ABOUT THE ANNUAL FINANCIAL REPORT SUMMARY

The District's Annual Financial Report Summary ("AFR Summary") for the year ended June 30, 2020, is designed to give residents a snapshot of Pearland ISD finances for the prior year, as well as general information that highlights student achievement.

This report summarizes the financial activities and operating results of the District and was gathered from the financial information reported in our audited 2020 Comprehensive Annual Financial Report (CAFR). The CAFR is prepared in conformance with Generally Acceptable Accounting Principles (GAAP) and was audited by KM&L, 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 CAFR, 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.

The District's administration and school board firmly believe in public scrutiny and transparency of the district finances. Citizens desiring to review full disclosure financial statements may obtain a copy of the CAFR from the Business Office or may view it online at www.pearlandisd.org/transparency.



**Virgil Gant Education Support Center
1928 N. Main St.
Pearland, TX 77581**

**Phone: 281-485-3203
Fax: 281-412-1306
www.pearlandisd.org**