



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2020

Pearland Independent School District
Pearland, Texas



**PEARLAND
INDEPENDENT SCHOOL DISTRICT**

**1928 N. Main Street
Pearland, TX 77581**

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2020**

Issued by:

**Dr. John P. Kelly – Superintendent of Schools
Jorgannie Carter, CPA, RTSBA – Chief Financial Officer
Thu Pham – Director of Accounting
Yvette Rogers, RTSBA – Director of Budget and Compliance**

PEARLAND INDEPENDENT SCHOOL DISTRICT

Comprehensive Annual Financial Report For the Year Ended June 30, 2020

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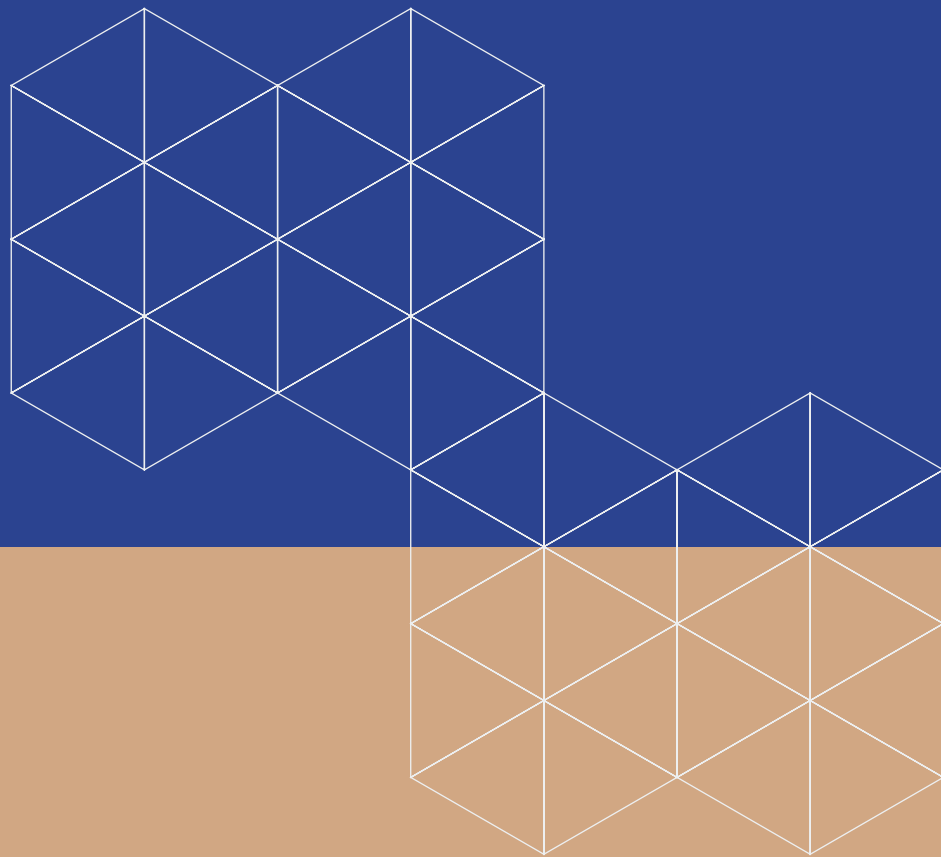
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INTRODUCTORY SECTION



November 5, 2020

To the Board of Trustees and Citizens of the Pearland Independent School District:

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) for the Pearland Independent School District (the "District") for the fiscal year ended June 30, 2020. The report was prepared by the District's Business Office. The basic financial statements have been audited by the independent accounting firm of KM&L, LLC, whose report is included herein. The financial data appearing in this report has been prepared in accordance with generally accepted accounting principles and reporting standards as promulgated by the Governmental Accounting Standards Board ("GASB").

Responsibility, for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the District. We believe the data, as presented, is accurate in all material respects and is presented in a manner which daily sets forth the financial position and results of operations of the District. Furthermore, we believe that all disclosures necessary to enable the reader to gain the maximum understanding of the District's financial activities have been included.

United States generally accepted accounting principles (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The District's MD&A can be found immediately following the report of the independent auditors.

Reporting Entity

The District is a political subdivision of the State of Texas located within Brazoria and Harris Counties. The District is governed by a seven-member Board of Trustees (the "Board"). Policy-making and supervisory functions are the responsibility of, and are vested in, the Board. The Board delegates administrative responsibilities to the Superintendent of Schools, who is the chief administrative officer of the District.

The District is not included in any other governmental reporting entity as defined by Governmental Accounting Standards Board Statement No. 14. As required by GAAP, the financial statements of the reporting entity include those of the District (the primary government) and its component unit in conformity with GASB Statement No. 14, The Financial Reporting Entity. The District is not reporting component units.

The Board is required to adopt an initial budget for the fiscal year no later than June 30 preceding the beginning of the fiscal year on July 1. This annual budget serves as the foundation for the District's financial planning and control. The budget is prepared and approved at least at the fund and function levels to comply with the state's legal level of control mandates.

Services Provided

Through all the years of growth in Pearland, the District has consistently been the heart of the town. The first school, built in 1893, was a one-room wood structure with a wood-burning stove and 23 students taught by Miss Nannie Rogers. More than a century later, the district has 23 campuses, including 11 elementary schools serving grades Pre-K-4, four middle schools serving grades 5-6, four junior high schools serving grades 7-8, three high schools serving grades 9-12, and an alternative school of choice serving over 21,000 students. The ages and capacities of these facilities range from 7 to 68 years with an average age of 25.1 years and can be found in Table 18 of the Statistical Section.

Pearland ISD strives to offer a world-class education that develops every child's unique gifts and talents. Our diverse programs challenge and equip students for future success:

- Gifted and Talented Academy
- Dual Language Pilot Program (dual English/Spanish classrooms)
- IB World School (Massey Ranch Elementary)
- Turner College and Career High School
- Career and Technical Education workforce learning and career pathways
- Dual credit/dual degrees through local colleges
- Associate degrees
- Professional certifications
- Championship athletic programs
- Premier drama, choral, band and art programs
- Special Olympics

The comprehensive academic program in grades K-12 provides students the opportunity to reach their full potential. Special Programs, bilingual/ESL, Gifted and Talented and pre-K services are offered to students who qualify.

At the secondary level (grades 7-12), the pre-AP/AP programs serve as the Gift and Talented program in addition to a Gifted and Talented Academy option for students in grades 5-8. With the State Board of Education-approved Texas Essential Knowledge and Skills (TEKS), the entire K-12 curriculum has real-life application and integrates technology. The district also has an extensive Career and Technical Education program that makes connections with the business community.

Enrollment

Our enrollment for school year 2019-2020 as of Fall snapshot day was 21,760 students of which 6,941 students were enrolled at the high school level, 3,454 at the junior high school level, 3,451 at the middle school level, and 7,914 at the elementary level.

Approximately 30.9% of our students are classified as economically disadvantaged, 7.1% as Bilingual, 10.6% as Special Education, and 10.4% participate in Gifted and Talented courses. In addition, 24.3% of high school students take Career and Technology courses.

District's Purpose

Mission Statement

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.

District Beliefs

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

District Strategic Goals

- Pearland ISD will continue to make student academic performance its top priority, through data, technology, and differentiated instruction.
- Pearland ISD will support the physical and mental health of all students and staff.
- Pearland ISD will provide a transparent communication system that fosters trust and enhances unity across the district and community.
- Pearland ISD will strategically maximize financial assets to provide resources to meet student needs in partnership with families and the greater community.
- Pearland ISD will meet all Federal and State Compliance Requirements.

Education Foundation

The Pearland ISD Education Foundation has been created to support the educational programs for both the students and staff of Pearland ISD. The foundation will provide funds for educational programs and activities that either have not been funded or have been under-funded by the normal operating budget. These funds will be used to facilitate student achievement and skill development, to recognize and encourage staff excellence and to expand community involvement from individuals, businesses, and civic organizations. Grant awards of up to \$ 5,000 are awarded for teacher or classroom projects. During 2019-2020, \$90,000 were raised and designated towards grants to improve services to students; however, the application cycle was postponed due to COVID-19. The Foundation has awarded over \$ 461,000 in grants since it began in 2014. The Foundation does not meet the criteria for inclusion in the District's financial statements under the provisions of GASB Statement No. 39.

Economic Condition and Outlook

The District is located in a residential and agricultural area that includes the City of Pearland, Texas, with a reported 2010 population of 91,252, a commercial center located 15 miles south of downtown Houston at the intersection of State Highway 35 and Farm to Market Road 518 in the northeast corner of Brazoria County, with a small portion in Harris County. Pearland is one of the fastest growing cities in Texas, positioned on a growth curve that extends well into the 21st century. Also included within the district is the Town of Brookside Village with a reported 2010 population of 1,523.

A Pearland economic and demographic profile prepared for the Pearland Economic Development Corporation shows Pearland's population growing rapidly since its incorporation, and especially since the year 2000. The 2010 US Census counted the city's population at 91,252, a 142.4% increase since the 2000 Census. The number of housing units also increased during this time, to 41,537, a 198.9% increase. As of January, 2020, Pearland's population is an estimated 129,600, an increase of 41.5% since 2010. From 2010 to 2017, Pearland ranked as the 10th fastest growing city in the U.S., compared to other cities with a population of 50,000 or more in 2010.

The District has added 1,210 students in the last five years, representing a 5-year growth rate of 5.9%; enrollment during the 2019-2020 school year was 21,760 students. Average daily attendance (ADA) drives school funding and it currently averages 97.6%.

The District's financial position has experienced surpluses over the past years with the fund balance remaining stable as an indicator of sound financial management.

Local Economy

The Brazoria County economy is largely based upon manufacturing and construction. Brazoria County was the first capital of the Republic of Texas, which proves the county's roots run rich with Texas history. Some of Pearland's largest employers are energy service companies and include such companies as Baker-Hughes, Weatherford International and Dover Energy. Pearland is located close to the Texas Medical Center and its 50 medical institutions. Kelsey Seybold relocated its administrative headquarters to Pearland in 2013. Pearland's top taxpayer is FloWorks International, a specialty industrial supplier of pipe, valves, and fittings.

Financial Policies and Long-Term Financial Planning

On November 8, 2016, voters of the District passed a \$220 million bond election by almost a two-thirds vote majority. This is the first bond election Pearland ISD has held since 2006.

The bond package addresses facility issues identified as top priorities by the District's Long-Range Planning Community Advisory Committee, campus and district personnel, and architects and engineers. It also prepares for anticipated enrollment growth of 2,000 students in the next decade; including significant enrollment growth at Dawson High School, which was built for 2,000 students and currently has 2,500 as well as 16 portable classrooms.

In addition to addressing enrollment growth issues by building additions to the high schools, building a new Career and Technology Education center and two ROTC facilities, and increasing the seating and parking at the football stadium, the bond package includes safety and security needs throughout the district, technology needs, and campus renovations.

The District has issued all the \$220 million bonds as of June 30, 2020. The District has moved forward with renovations and upgrades, with highest-priority items completed first; all bond projects are expected to be completed by the May 2021. Although it was initially estimated that the impact of the bond would be a 7-cent increase to taxpayers, the tax rate is now expected to rise to a total maximum of 5 cents in succeeding years.

It is the responsibility of the Business Office to oversee all finance related issues, including the investment of construction funds and other funds for maximization of interest earnings, and to provide financial status reports to the Board with the objective of assisting in the accountability and decision-making process.

Accounting System

The Business Office is responsible for providing all District financial services including financial accounting and reporting, payroll and accounts payable disbursement functions, cash and investment management, debt management budgeting, procurement, and special financial and policy analyses to District management. The Chief Financial Officer, appointed by the Superintendent, has oversight responsibility for the division's operations.

The District utilizes the Tyler Munis suite of financial and human resources software, which includes a system of internal accounting controls. Such controls have been designed and are continually being reevaluated to provide reasonable, but not absolute, assurance for the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability over the District's assets.

The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework and are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Accounting records for governmental fund types are maintained on a modified accrual basis with revenues recorded when services or goods are received and the liabilities are incurred. Accounting records for trust funds are maintained on the accrual basis.

Budgetary Financial Control

State law requires that every local education agency in Texas prepare and file an annual budget of anticipated revenues and expenditures with the Texas Education Agency. The annual budget serves as the foundation for the District's financial planning and control. The budget process must include budgeting for the General Fund, Debt Service Fund, and the Food Service Fund.

Each year, the Board of Trustees and the Superintendent begin the budget process by reviewing the goals that establish the basis for budgeting available resources. Considering the fast-growth environment, the economic conditions, the changes in accountability standards and the change in student population, the District makes it a priority to analyze and adjust the programmatic structure to best meet the needs of the students.

As the budgets are developed by each campus and department, the District and Campus Improvement Plans are considered in the needs assessments. The budgets represent a balance between the educational needs of the students and programs and the ability of the community and the State of Texas (State) to provide the necessary financial resources.

Each year, the budget process officially begins in November with the preparation of the budget calendar for the upcoming year. During November, the demographer study allows the District to begin looking at growth rates, trends, and economic conditions affecting the district. Enrollment projections are utilized to calculate staffing allotments and campus budget financial allotments. Through the course of the spring each year, the campuses and departments begin formulating the needs assessments and requests for the following budget. Consolidated budgeting information is then presented to the Superintendent's Cabinet and to the Board of Trustees in various workshops and meetings. With a July 1 fiscal start date, the budget must be approved by June 30th each year.

Subsequent budget amendments must be approved by the Board for the General Fund Budget. For Special Revenue Funds, budget amendments are subject to the approval by the granting agency. All departments are required to operate within their budgetary constraints. The operating budgets are amended prior to expenditure, and the accounting system provides a strong budgetary control over expenditures.

Independent Audit

The Texas Education Agency requires that an annual audit of the books of account, financial records, and transactions of all administrative departments of the school district be performed by an independent certified public accountant(s). The firm of KM&L, LLC, was selected by the District and approved by the Board. In addition to meeting the requirements set forth in the state and local policies, the audit was also designed to meet the 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). The auditor's report on the basic financial statements and schedules are included in a separate report. The auditor's report related specifically to the single audit is included in the Single Audit section of the report.

Awards

School FIRST Superior Achievement

The School FIRST (Financial Accountability Rating System of Texas) program, a financial accountability system for Texas school districts was developed by the Texas Education Agency in response to Senate Bill 218 of the 77th Texas Legislature in 2001. The TEA has awarded the District a rating of "Superior Achievement" for the year ended June 30, 2019. The District has been awarded the "A" rating for "Superior Achievement" under Texas' Schools FIRST financial accountability rating system for 17 of the 18 years since inception. The rating is based upon an analysis of student and staff data reported for the 2018-2019 school year and budgetary and actual financial data for the fiscal year ended June 30, 2019.

The primary goal of FIRST is to achieve quality performance in the management of school districts financial resources, a goal made more significant due to the complexity of accounting associated with the Texas school finance system. The "Superior Achievement" rating is the state's highest financial rating, demonstrating the quality of Pearland ISD's sound fiscal management.

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the District for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ASBO Certificate of Excellence


The District received the Association of School Business Officials' (ASBO) Certificate of Excellence in Financial Reporting for the fiscal year ended June 30, 2019. This award certifies that the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019, substantially conforms to the principles and standards of financial reporting as recommended and adopted by the ASBO. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Excellence Program's requirements and we are submitting it to the ASBO to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff in the Business Office and the leadership of the Superintendent. In addition, we would like to express our appreciation to other divisions, departments, schools, and individuals who assisted in its preparation.

We would also like to acknowledge the thorough professional and timely manner in which the audit was conducted by our independent auditors, KM&L, LLC. Furthermore, we would like to especially acknowledge the President of the Board and the Board of Trustees for supporting the school district's goals of excellence in all aspects of financial management.

Respectfully submitted,



Dr. John P. Kelly
Superintendent



Jorgannie G. Carter, CPA, RTSBA
Chief Financial Officer



Thu Pham
Director of Accounting



Yvette Rogers, RTSBA
Director of Budget and Compliance

CERTIFICATE OF BOARD


Pearland
Independent School District
Name of School District

Brazoria
County

020-908
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 June 30, 2020, at a meeting of the board of trustees of such school district on the 10th day of November 2020.


Signature of Board Secretary


Signature of Board President

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



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**Pearland Independent School District
Texas**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrell

Executive Director/CEO



**The Certificate of Excellence in Financial Reporting
is presented to**

Pearland Independent School District

**for its Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year Ended June 30, 2019.**

The CAFR meets the criteria established for
ASBO International's Certificate of Excellence.



A handwritten signature in black ink, reading 'Claire Hertz'.

Claire Hertz, SFO
President

A handwritten signature in black ink, reading 'David J. Lewis'.

David J. Lewis
Executive Director

**PEARLAND INDEPENDENT SCHOOL DISTRICT
BOARD OF TRUSTEES AND ADMINISTRATION**

BOARD OF TRUSTEES

Charles Gooden Jr., President
Part owner and COO of Charles D. Gooden Consulting Engineers, Inc.

Lance Botkin, Vice President
Outside sales and part owner of Floyd's on the Water Seafood Restaurant

Rebecca Decker, Secretary
Adjunct professor for University of Houston – Clear Lake

Jeff Barry, Member
President of Barry Insurance Group

Crystal Carbone, Member
Licensed Specialist in School Psychology

Sean Murphy, Member
Vice President of Hometown Bank of Pearland

Vacant
Position 2

ADMINISTRATION

Dr. John Kelly, Superintendent of Schools

Nanette Weimer, Deputy Superintendent

Jorgannie Carter, CPA, Chief Financial Officer

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

Larry Berger, Assistant Superintendent for Support Services

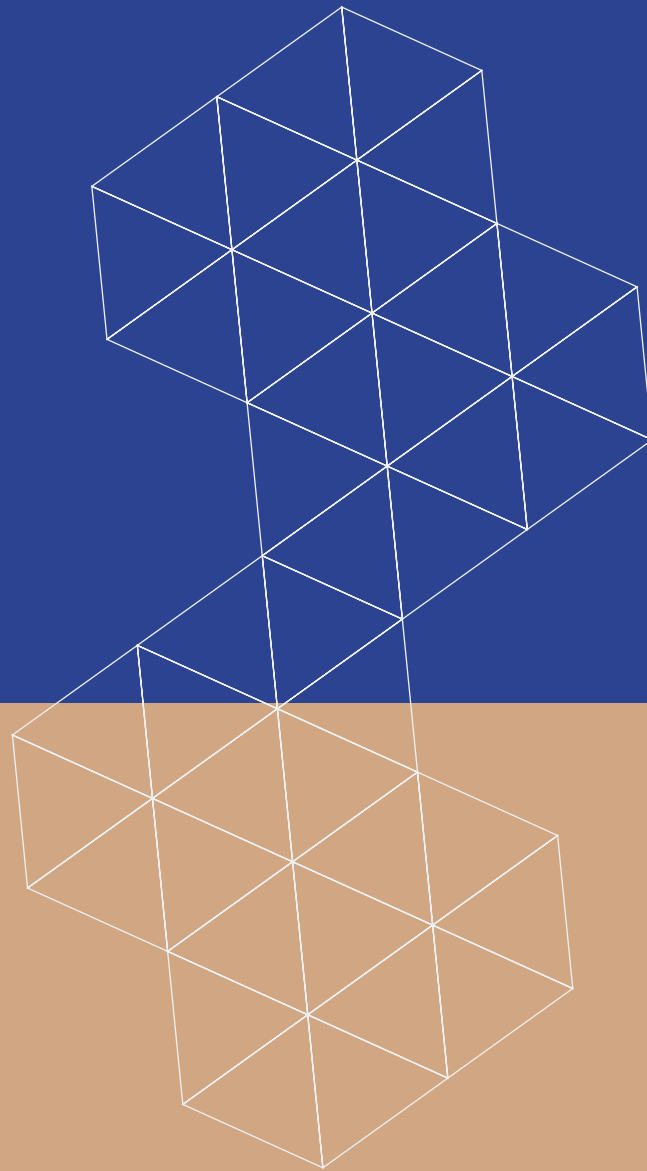
David Moody, Assistant Superintendent for Human Resource Services

Kim Hocott, Executive Director of Communications

Tanya Dawson, General Counsel

Dr. Lisa Nixon, Executive Director of Special Programs

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FINANCIAL SECTION



Independent Auditor's Report

To the Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

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 Pearland Independent School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



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 Pearland Independent School District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows 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 17 through 27, budgetary comparison information on page 79, required pension schedules on pages 80 through 83 and required OPEB schedules on pages 84 through 85 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 the District's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, required Texas Education Agency schedules and statistical section 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* 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.

Other Information - (Continued)

The combining and individual nonmajor fund financial statements, required Texas Education Agency schedules and the 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 and individual nonmajor fund financial statements, required Texas Education Agency schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2020, on our consideration of the 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 the 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 District's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
November 5, 2020

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PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

As management of the Pearland Independent School District (the "District"), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the District's financial statements, which follow this section.

Financial Highlights

- The liabilities and deferred inflows of resources of the District exceeded its assets and deferred outflows of resources at the close of the most recent period by \$ 3,112,423 (*deficit net position*). Of this amount, unrestricted net position is a deficit of \$ 93,535,389.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 121,479,214. Approximately 26% of this total amount, \$ 31,659,136, is *available for spending* at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 31,659,136, or 18% of the total general fund expenditures.
- The District reported net pension liability of \$ 57,992,918 and a net OPEB liability of \$ 70,636,735, as of June 30, 2020. With the addition of these non-current liabilities on an accrual basis, the District reported a deficit unrestricted position in the amount of \$ 93,535,389.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the District's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The *statement of activities* presents information for all of the current year's revenues and expenses regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the District's government-wide financial statements distinguish the functions of the District as being principally supported by taxes and intergovernmental revenues (*governmental activities*) as opposed to *business-type activities* that are intended to recover all or a significant portion of their costs through user fees and charges. The District has no *business-type activities* and no component units for which it is financially accountable. The government-wide financial statements can be found on pages 28 through 29 of this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related requirements. The fund financial statements provide more detailed information about the District's most significant funds - not the District as a whole.

- Some funds are required by State law and/or bond covenants.
- Other funds may be established by the Board to control and manage money for particular purposes or to show that it is properly using certain taxes or grants.

All of the funds of the District can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

- **Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, government fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the government fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The District maintains twenty-four (24) governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, each of which are considered to be major funds. Data from the other twenty-one (21) governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report. The District adopts an annual appropriated budget for its general fund, national school breakfast and lunch program, and debt service fund. A budgetary comparison schedule has been provided to demonstrate compliance with these budgets. The basic governmental fund financial statements can be found on pages 30 through 33 of this report.
- **Proprietary funds.** *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. There are two proprietary fund types. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. As mentioned above in the government-wide definition, the District has no *business-type activities* or *enterprise funds*. The second type of proprietary fund is the *internal service fund*. Internal service funds are an accounting device used to accumulate and allocate costs internally among the various functions. The District uses the *internal service fund* to report activities for its self-funded workers' compensation insurance program. The basic proprietary fund financial statements can be found on pages 34 through 36 of this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT

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- **Fiduciary funds.** *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the District's own programs. The District is the trustee, or *fiduciary*, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net position that can be found on page 37. These activities are excluded from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

Notes to the financial statements. The notes provide additional information that is essential to a complete understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 through 78 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 79 through 85 of this report.

The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 86 through 93 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$ 3,112,423 as of June 30, 2020. Deficit net position of the District's governmental activities increased from \$ 2,757,784 to \$ 3,112,423.

The District's Net Position

	June 30, 2020	June 30, 2019
Current and other assets	\$ 154,170,320	\$ 192,755,359
Capital assets	<u>484,832,544</u>	<u>453,757,160</u>
Total assets	<u>639,002,864</u>	<u>646,512,519</u>
Deferred outflows of resources	<u>47,764,400</u>	<u>53,093,132</u>
Long-term liabilities outstanding	610,984,102	616,644,887
Other liabilities	<u>38,305,166</u>	<u>58,746,620</u>
Total liabilities	<u>649,289,268</u>	<u>675,391,507</u>
Deferred inflows of resources	<u>40,590,419</u>	<u>26,971,928</u>
Net Position:		
Net investment in capital assets	58,123,658	60,683,806
Restricted	32,299,308	23,352,669
Unrestricted	<u>(93,535,389)</u>	<u>(86,794,259)</u>
Total net position	<u>\$ (3,112,423)</u>	<u>\$ (2,757,784)</u>

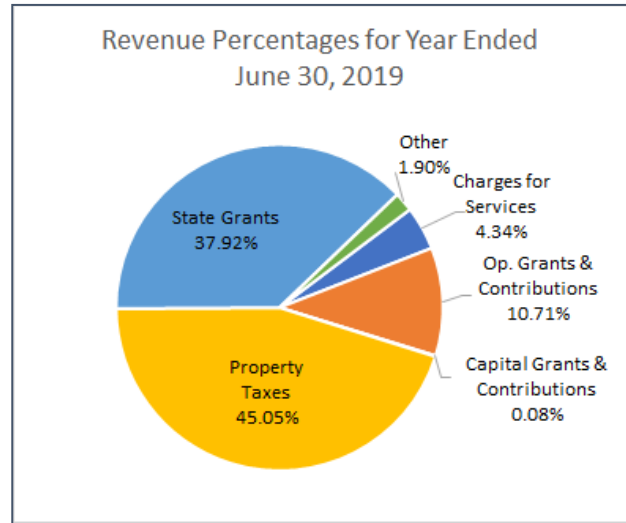
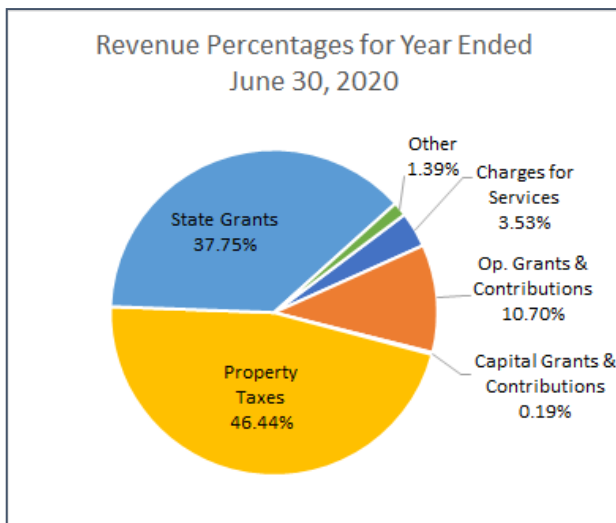
PEARLAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

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Investment in capital assets (e.g., land, buildings and improvements, furniture and equipment, construction in progress) less any related debt used to acquire those assets that is still outstanding is \$ 58,123,658. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Restricted net position represents resources that are subject to external restrictions on how they may be used amounted to \$ 32,299,308. The remaining balance is a deficit of \$ 93,535,389, which represents unrestricted net position. This deficit 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 liability and net OPEB liability, that are more than currently available resources.

Governmental activities. The District's total net position decreased by \$ 354,639. The total cost of all *governmental activities* this year was \$ 241,300,714. The amount that our taxpayers paid for these activities through property taxes was \$ 111,889,877 or 46.37% of total cost. The amount of costs that were paid by those who directly benefited from the programs was \$ 8,498,302 or 3.52%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding were \$ 25,783,688 or 10.69% and \$ 90,951,732 or 37.69%, respectively.



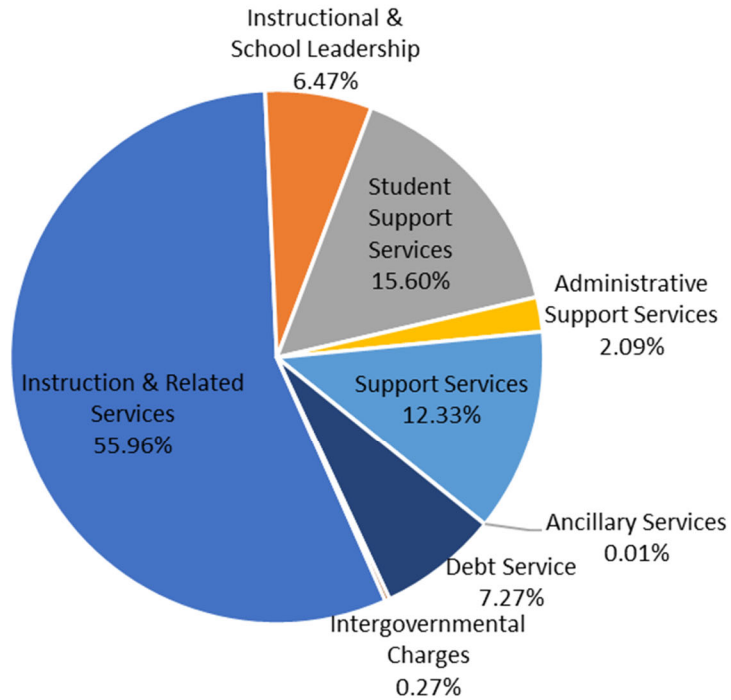
PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Changes in the District's Net Position

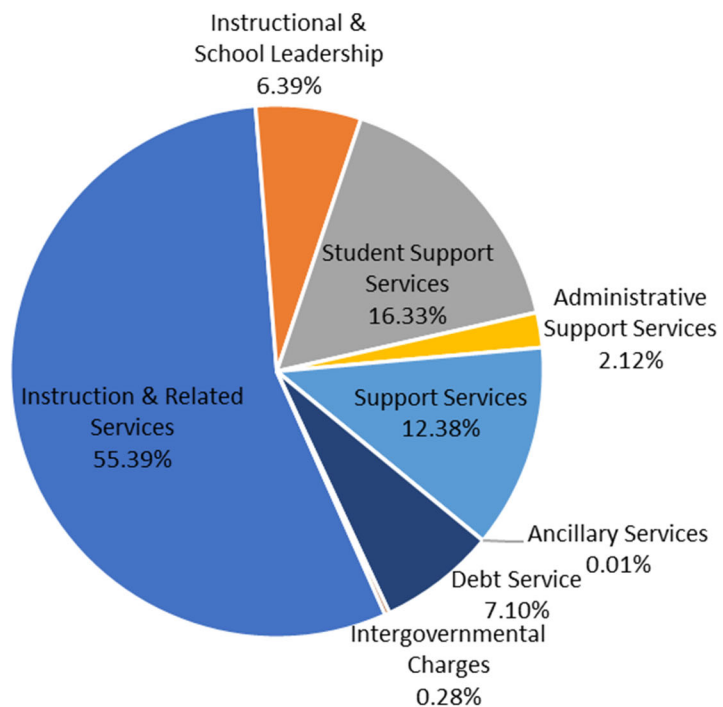
	Year Ended 6-30-20	Year Ended 6-30-19
Revenues:		
Program Revenues:		
Charges for services	\$ 8,498,302	\$ 10,427,633
Operating grants and contributions	25,783,688	25,746,922
Capital grants and contributions	462,194	191,116
General Revenues:		
Property taxes	111,889,877	108,276,747
State grants	90,951,732	91,129,765
Other	<u>3,360,282</u>	<u>4,575,606</u>
Total revenues	<u>240,946,075</u>	<u>240,347,789</u>
Expenses:		
Instruction	126,833,821	121,399,219
Instructional resources and media services	2,217,336	2,093,071
Curriculum and instructional staff development	5,943,688	5,764,129
Instructional leadership	2,925,918	2,751,236
School leadership	12,681,811	12,175,638
Guidance, counseling & evaluation services	8,599,077	7,846,560
Social work services	802,305	766,826
Health services	1,965,143	1,807,969
Student transportation	7,193,612	7,868,200
Food service	9,264,759	9,774,564
Extracurricular activities	9,820,049	10,060,042
General administration	5,034,601	4,957,664
Facilities maintenance and operations	21,169,918	20,921,398
Security and monitoring services	2,523,273	1,797,862
Data processing services	6,070,429	6,183,838
Community services	15,821	19,340
Debt service	17,543,127	16,577,071
Payments to juvenile justice alternative education programs	43,100	83,400
Other intergovernmental charges	<u>652,926</u>	<u>655,335</u>
Total expenses	<u>241,300,714</u>	<u>233,503,362</u>
Change in net position	(354,639)	6,844,427
Net position, beginning	(<u>2,757,784</u>)	(<u>9,602,211</u>)
Net position, ending	<u>\$ (3,112,423)</u>	<u>\$ (2,757,784)</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Expenses by Major Class - Year Ended June 30, 2020



Expenses by Major Class - Year Ended June 30, 2019



PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

Governmental funds. The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the District's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of the District's net resources available for spending at the end of a fiscal year.

At the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 121,479,214, a decrease of \$ 18,228,207. Approximately 26% of this total amount, \$ 31,659,136 constitutes *unassigned fund balance*. The remainder of fund balance is *nonspendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been committed (1) for inventories \$ 492,223, (2) for prepaid items \$ 1,279,508, (3) restricted for grant funds \$ 2,101,781, (4) restricted for capital acquisitions and contractual obligations \$ 15,475,794, (5) restricted for debt service \$ 24,836,124, (6) restricted for other purposes \$ 3,505,503, (7) committed \$ 17,000,000, and (8) assigned \$ 25,129,145.

The general fund is the primary operating fund of the District. At the end of the current fiscal year, unassigned fund balance of the general fund was \$ 31,659,136, while the total fund balance was \$ 62,308,136. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to the total fund expenditures. Unassigned fund balance represents 17.96% of the total general fund expenditures, while total fund balance represents 35.34% of that same amount.

The fund balance of the District's general fund increased by \$ 3.7 million during the current fiscal year, primarily due to:

- A \$7.3 million savings in expenditures as a result of closing due to the COVID-19 pandemic and switching to remote instruction and remote work; these savings include utilities, substitutes, extra duty pay for after-school tutorials, overtime, fuel, cancelled travel and events, supplies, and other miscellaneous expenses
- The net of other financing sources and uses was (\$ 3.6) million due to the receipt of nearly \$0.5 million in FEMA reimbursements for claims paid from Hurricane Ike and Hurricane Harvey, a transfer of \$4.5 million to fund district-wide capital improvement projects, technology equipment purchases, buses, and infrastructure upgrades needed to support the District's capital renewal plan needs, and \$0.4 million in special items.

The debt service fund has a total fund balance of \$ 24,836,124, all of which is restricted for the payment of debt service. The net increase in fund balance during the period in the debt service fund was \$ 1,153,035 from last year's balance of \$ 23,683,089. The net increase in fund balance is primarily due to higher than anticipated property tax collections.

The capital projects fund has a total fund balance of \$ 28,528,939, of which \$ 15,475,794 is considered restricted for capital acquisitions and contractual obligations and \$ 13,053,145 which is assigned for the District's capital renewal plan. The net decrease in fund balance during the period in the capital projects fund was \$ 22,183,870 from last year's balance of \$ 50,712,809. The net decrease in fund balance during the current year was primarily due to the expenditures related to ongoing capital projects.

Proprietary funds. As mentioned earlier, the District's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at June 30, 2020 amounted to \$ 379,985. The total increase in net position was \$ 48,878 from last year's balance of \$ 331,107.

PEARLAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

General Fund Budgetary Highlights

Over the course of the year, the District recommended, and the Board approved several revisions to the budgeted revenue and appropriations. Differences between the original and final amended budget of the general fund can be summarized as follows:

Revenues	
<u>(\$ 708,244)</u>	Decrease in local revenues due to lower than anticipated property values
200,000	Increase in prior year tax collections
300,000	Increase in interest earnings
6,336,621	Net increase in state revenue due to HB 3 funding increases for College, Career, and Military Readiness (CCMR), college prep and certification exam reimbursements, lower than anticipated property values and a favorable State Controller's Property Value Study increasing the state share of Tier I, and other miscellaneous adjustments
860,893	Increase in state revenue (settle-up payments) due to a favorable 2017-2018 property value audit and 2016-17 transportation route study
<u>(2,072,833)</u>	Decrease in state revenue as a result of adjustments to ADA due to the COVID-19 closure and the amount of the CARES-ESSER Grant
1,365,227	TRS On-Behalf calculation adjustment (offset by increase in expenditures)
<u>\$ 6,281,664</u>	Total Estimated Revenue Increase
Appropriations	
<u>\$ 195,000</u>	Increase to District's Statutory Minimum Contribution
350,000	Purchase of five portable buildings for Full-Day Pre-Kindergarten Program Expansion
150,000	Funding for three teachers and half a teacher aide
1,365,227	TRS On-Behalf calculation adjustment (offset by increase in revenues)
<u>\$ 2,060,227</u>	Total Estimated Appropriation Increase

After revenues and appropriations were amended as described above, actual revenues were \$ 50,760 above final budgeted amounts and actual expenditures were \$ 8.8 million below final budget amounts, due to district-wide savings as a result of closing due to the COVID-19 pandemic and switching to remote instruction and remote work. These include savings in all categories, including utilities, substitute staffing, extra duty pay for after-school tutorials, overtime, fuel, cancelled events and travel, supplies, and miscellaneous expenses.

PEARLAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

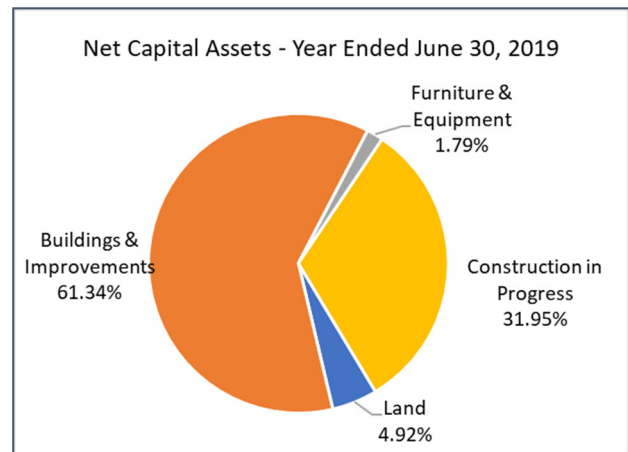
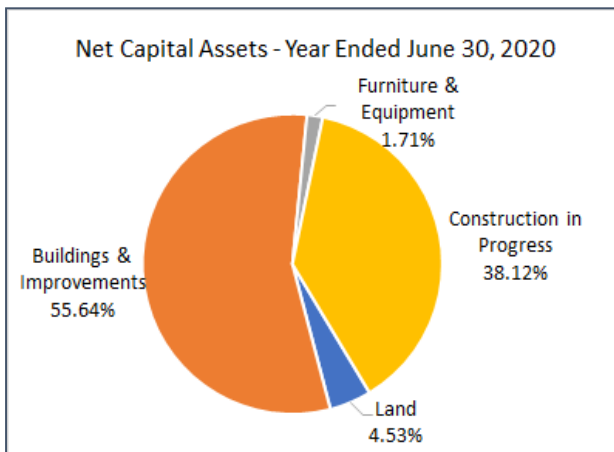
JUNE 30, 2020

Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2020 amounts to \$ 484,832,544 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, furniture and equipment, and construction in progress.

Major capital asset events during the current fiscal year included active construction projects from Series 2017, 2019 and 2019A bonds, including campus additions, new CTE and ROTC facilities, renovation of aging facilities, safety and security needs, and technology improvements.

District's Capital Assets (net of depreciation)

	June 30, 2020	June 30, 2019
Land	\$ 21,980,888	\$ 22,330,888
Buildings and improvements	269,745,568	278,338,760
Furniture and equipment	8,267,095	8,120,662
Construction in progress	<u>184,838,993</u>	<u>144,966,850</u>
Total at historical cost	<u>\$ 484,832,544</u>	<u>\$ 453,757,160</u>



Additional information on the District's capital assets can be found in Note 5 on pages 59 through 60 of this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

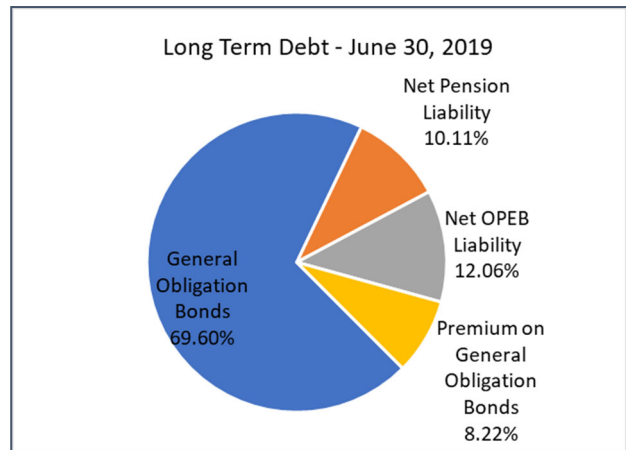
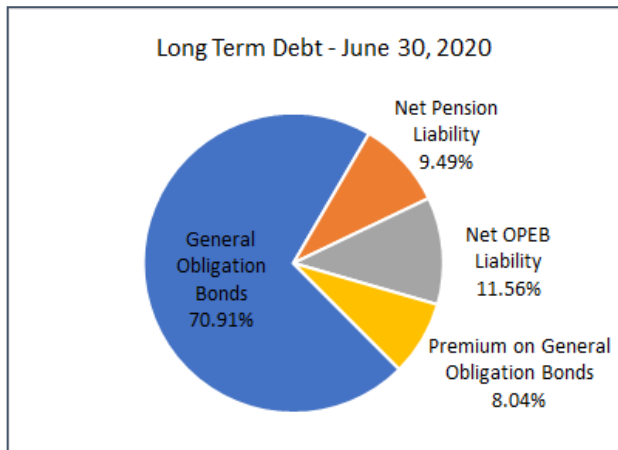
Long-term debt. At June 30, 2020, the District had total long-term debt outstanding of \$ 611 million, a decrease of \$ 5.7 million from the previous year.

The district issued \$ 19.3 million 2019A Series Bonds on July 2019, which is the remaining portion of the \$ 220 million bond referendum passed on November 2016. The 2016 bond referendum addresses safety and security projects, technology needs, campus expansion to accommodate student growth and campus renovations. The District experienced a \$4.4 million decrease in its proportional share of the TRS net pension liability and a \$3.7 million decrease in its proportional share of the TRS-Care post-employment benefit liability at year end.

Additional information on the District's long-term debt can be found in Note 6 on pages 61 through 62 of this report.

District's Long-Term Debt

	June 30, 2020	June 30, 2019
General obligation bonds	\$ 433,230,000	\$ 429,205,000
Net pension liability	57,992,918	62,357,231
Net OPEB liability	70,636,735	74,367,821
Premium on general obligation bonds	<u>49,124,449</u>	<u>50,714,835</u>
Total long-term debt	<u>\$ 610,984,102</u>	<u>\$ 616,644,887</u>



Economic Factors and Next Year's Budgets and Rates

As part of the budget development process, the District's management considers various factors that drive school district's budgets; these include enrollment trends, property values, state funding, facility needs, and the economy.

House Bill 3 (HB 3), as passed by the 86th Legislature, compressed school district tax rates, modified funding formulas (including the removal of the cost of education index and utilizing current year property values as opposed to prior-year property values in the calculation of state aid), aimed to increase teacher pay and mandated funding for a full day prekindergarten program for eligible students, amongst other changes.

PEARLAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

The COVID-19 pandemic has affected all educational institutions in the nation and the District had to suddenly adjust its delivery of instruction, implementing an online learning environment so that students could continue their learning remotely. At the time the District's budget was adopted, neither the nature of the COVID-19 pandemic impact nor the costs to address the related needs could be identified; hence, the budget assumed normal operations. The budget will need to be amended throughout the year to direct resources where appropriate to respond to the COVID-19 pandemic.

For fiscal year 2020-2021, the Commissioner of Education and TEA have implemented funding measures to ensure school districts are fully funded and held harmless, to an extent, for shifts in average daily attendance that may be caused by COVID-19. The 87th Texas Legislature will convene in January 2021 and will likely focus on the effects of COVID-19 on the Texas economy and its impact on the progress made through HB 3 and its sustainability.

The 2020-2021 fiscal year budget has been based on the following significant assumptions:

- An increase of 0.8% in enrollment as a result of expanding prekindergarten to full day.
- An increase of 10.09% in District's taxable values.
- A 6.44 cent tax rate decrease; the District adopted a tax rate of \$ 1.3312 per \$ 100 of assessed value for the 2020-21 fiscal year. The tax rate reflects a maintenance and operations tax rate of \$ 0.9056 and an interest and sinking fund tax rate of \$ 0.4256.
- General fund revenues of \$ 188.7 million and expenditures of \$ 189.9 million for a total budget deficit of \$ 1.2 million to be covered with fund balance accumulated in prior years.
- The expenditures budget includes a 4% general pay increase for all staff and an increase of \$ 600 to the annual medical premium contribution.

As of October 30, 2020, the District had amended its 2020-2021 fiscal year budget to reflect the following changes:

- Certified property value increase of 11.76%.
- Adopted M&O tax rate of \$ 0.9329, which includes a four-cent increase above the compressed tax rate triggering a Voter-Approval Tax Rate Election (VATRE) for November 3, 2020.
- Amended general fund revenues of \$ 189.9 million, expenditures of \$ 194.1 million (an increase of \$ 4.2 million to cover the purchase of electronic devices for all students, personal protective equipment, and other needs in response to the COVID-19 pandemic), and a transfer-out to the Food Service Fund of \$ 2.0 million to cover a projected revenue shortfall for a total budget deficit of \$ 6.2 million to be covered with fund balance accumulated in prior years.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances as well as demonstrate accountability for funds the District receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Office of the Chief Financial Officer, Pearland Independent School District, 1928 N. Main, Pearland, Texas 77581.

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020

EXHIBIT A-1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and cash equivalents	\$ 124,382,000
1220	Taxes receivable	3,561,228
1230	Allowance for uncollectible taxes	(1,704,653)
1240	Due from other governments	24,640,816
1290	Other receivables (net)	1,519,198
1300	Inventories	492,223
1410	Prepaid items	1,279,508
	Capital Assets:	
1510	Land	21,980,888
1520	Building and improvements, net	269,745,568
1530	Furniture and equipment, net	8,267,095
1580	Construction in progress	<u>184,838,993</u>
1000	Total assets	<u>639,002,864</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows of resources	<u>47,764,400</u>
	Total deferred outflows of resources	<u>47,764,400</u>
	LIABILITIES:	
2110	Accounts payable	6,260,303
2140	Interest payable	7,256,683
2150	Payroll deductions and withholdings	2,009,017
2165	Accrued liabilities	19,565,689
2200	Accrued expenses	549,460
2300	Unearned revenue	2,664,014
	Noncurrent Liabilities:	
2501	Due within one year	18,210,319
	Due in more than one year:	
2502	Bonds payable and other	464,144,130
2540	Net pension liability	57,992,918
2545	Net OPEB liability	<u>70,636,735</u>
2000	Total liabilities	<u>649,289,268</u>
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows of resources	<u>40,590,419</u>
	Total deferred inflows of resources	<u>40,590,419</u>
	NET POSITION:	
3200	Net investment in capital assets	58,123,658
	Restricted For:	
3820	Federal and state programs	11,765
3840	Food service	2,287,293
3850	Debt service	17,940,148
3860	Capital projects	8,553,145
3890	Campus activities	3,506,957
3900	Unrestricted	<u>(93,535,389)</u>
3000	Total net position	<u><u>\$ (3,112,423)</u></u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

EXHIBIT B-1

Data Control Codes	Functions/Programs	1 Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
			3 Charges for Services	4 Operating Grants and Contributions	5 Capital Grants and Contributions	
	GOVERNMENTAL ACTIVITIES:					
11	Instruction	\$ 126,833,821	\$ 324,802	\$ 12,572,215	\$	\$ (113,936,804)
12	Instructional resources and media services	2,217,336	461	106,004		(2,110,871)
13	Curriculum and instructions for staff development	5,943,688		845,376		(5,098,312)
21	Instructional leadership	2,925,918		619,477		(2,306,441)
23	School leadership	12,681,811		969,674		(11,712,137)
31	Guidance, counseling, and evaluation services	8,599,077		1,290,816		(7,308,261)
32	Social work services	802,305		2,744,516		1,942,211
33	Health services	1,965,143		148,270		(1,816,873)
34	Student transportation	7,193,612		330,861		(6,862,751)
35	Food service	9,264,759	3,769,233	3,867,660	287,310	(1,340,556)
36	Extracurricular activities	9,820,049	4,349,030	247,684		(5,223,335)
41	General administration	5,034,601	54,720	604,489		(4,375,392)
51	Facilities maintenance and operations	21,169,918		1,216,970	174,884	(19,778,064)
52	Security and monitoring services	2,523,273		41,574		(2,481,699)
53	Data processing services	6,070,429	56	165,866		(5,904,507)
61	Community services	15,821		12,236		(3,585)
71	Debt service	17,543,127				(17,543,127)
95	Payments to juvenile justice alternative education programs	43,100				(43,100)
99	Other intergovernmental charges	<u>652,926</u>				(652,926)
TG	Total governmental activities	<u>\$ 241,300,714</u>	<u>\$ 8,498,302</u>	<u>\$ 25,783,688</u>	<u>\$ 462,194</u>	<u>(206,556,530)</u>
	General Revenues:					
	Taxes:					
MT	Property taxes, levied for general purposes					77,798,829
DT	Property taxes, levied for debt service					34,091,048
SF	State aid-formula grants					90,951,732
GC	Grants and contributions not restricted to specific programs					492,919
IE	Investment earnings					2,311,372
MI	Miscellaneous					506,130
S1	Special items - gain on sale of land					<u>49,861</u>
TR	Total general revenues and special items					<u>206,201,891</u>
CN	Change in net position					(354,639)
NB	Net position - beginning					(2,757,784)
NE	Net position - ending					<u>\$(3,112,423)</u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2020

EXHIBIT C-1

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	ASSETS AND DEFERRED OUTFLOW OF RESOURCES:					
	Assets:					
1110	Cash and cash equivalents	\$ 64,658,594	\$ 24,297,554	\$ 28,377,773	\$ 6,616,909	\$ 123,950,830
1220	Taxes receivable	2,590,250	970,978			3,561,228
1230	Allowance for uncollectible taxes (credit)	(1,272,549)	(432,104)			(1,704,653)
1240	Due from other governments	21,821,041			2,819,775	24,640,816
1260	Due from other funds	2,044,372		4,500,000	341,643	6,886,015
1290	Other receivables	1,116,278	396,445	946	5,529	1,519,198
1300	Inventories	306,711			185,512	492,223
1410	Prepaid items	1,266,289			13,219	1,279,508
1000	Total assets	<u>92,530,986</u>	<u>25,232,873</u>	<u>32,878,719</u>	<u>9,982,587</u>	<u>160,625,165</u>
	Deferred Outflow of Resources:					
1700	Deferred outflows of resources					-0-
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 92,530,986</u>	<u>\$ 25,232,873</u>	<u>\$ 32,878,719</u>	<u>\$ 9,982,587</u>	<u>\$ 160,625,165</u>
	LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$ 1,527,726	\$	\$ 4,349,619	\$ 382,958	\$ 6,260,303
2150	Payroll deductions and withholdings	2,009,017				2,009,017
2160	Accrued wages payable	18,488,835			1,076,854	19,565,689
2170	Due to other funds	4,510,028		161	2,375,826	6,886,015
2200	Accrued expenditures	477,711			20,564	498,275
2300	Unearned revenue	2,307,602	36,042		320,370	2,664,014
2000	Total liabilities	<u>29,320,919</u>	<u>36,042</u>	<u>4,349,780</u>	<u>4,176,572</u>	<u>37,883,313</u>
	Deferred Inflow of Resources:					
2600	Deferred inflows of resources	901,931	360,707			1,262,638
	Total deferred inflows of resources	<u>901,931</u>	<u>360,707</u>	<u>-0-</u>	<u>-0-</u>	<u>1,262,638</u>
	Fund Balance:					
3410	Non-spendable - inventories	306,711			185,512	492,223
3430	Non-spendable - prepaid items	1,266,289			13,219	1,279,508
3450	Restricted - grant funds				2,101,781	2,101,781
3470	Restricted - capital acquisitions and contractual obligations			15,475,794		15,475,794
3480	Restricted - debt service		24,836,124			24,836,124
3490	Restricted - other				3,505,503	3,505,503
3545	Committed - other	17,000,000				17,000,000
3590	Assigned - other	12,076,000		13,053,145		25,129,145
3600	Unassigned	31,659,136				31,659,136
3000	Total fund balance	<u>62,308,136</u>	<u>24,836,124</u>	<u>28,528,939</u>	<u>5,806,015</u>	<u>121,479,214</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 92,530,986</u>	<u>\$ 25,232,873</u>	<u>\$ 32,878,719</u>	<u>\$ 9,982,587</u>	<u>\$ 160,625,165</u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF NET POSITION
JUNE 30, 2020

EXHIBIT C-1R

Total fund balances - governmental funds balance sheet (C-1)	\$ 121,479,214
Amounts reported for governmental activities in the statement of net position (A-1) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund financial statements but are reported in the governmental activities statement of net position. Capital assets include \$ 666,440,839 in assets less \$ 181,608,295 in accumulated depreciation.	484,832,544
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred property tax revenues for the general fund and the debt service fund amounted to \$ 901,931 and \$ 360,707, respectively.	1,262,638
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	379,985
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. This is the bond refunding costs which are amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. This amount is bond refunding costs of \$ 17,056,559 less accumulated costs of \$ 8,508,001, and is reported as a deferred outflow of resources.	8,548,558
Pension and OPEB deferred outflows of resources of \$ 39,215,842 less deferred inflows of resources of \$ 40,590,419.	(1,374,577)
Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds increase long-term liabilities in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 49,124,449 (premium on sale of bonds of \$ 66,380,347 less amortization costs of \$ 17,255,898).	(49,124,449)
Net pension liability	(57,992,918)
Net OPEB liability	(70,636,735)
Payables for bond principal are not reported in the funds.	(433,230,000)
Payables for bond interest are not reported in the funds.	(<u>7,256,683</u>)
Net position of governmental activities - statement of net position (A-1)	<u><u>\$ (3,112,423)</u></u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT C-2

Data Control Codes	Functions/Programs	10 General Fund	50 Debt Service Fund	60 Capital Projects Fund	Other Governmental Funds	98 Total Governmental Funds
	REVENUES:					
5700	Local and intermediate sources	\$ 80,118,547	\$ 34,382,914	\$ 863,957	\$ 7,835,798	\$ 123,201,216
5800	State program revenues	100,040,658	815,077	13,343	2,950,451	103,819,529
5900	Federal program revenues	<u>3,432,456</u>			<u>10,426,511</u>	<u>13,858,967</u>
5020	Total revenues	<u>183,591,661</u>	<u>35,197,991</u>	<u>877,300</u>	<u>21,212,760</u>	<u>240,879,712</u>
	EXPENDITURES:					
	Current:					
0011	Instruction	103,040,138		5,643,194	6,130,398	114,813,730
0012	Instructional resources and media services	1,837,341			549	1,837,890
0013	Curriculum and instructional staff development	5,162,170			460,122	5,622,292
0021	Instructional leadership	2,233,065			428,797	2,661,862
0023	School leadership	11,660,964		71,570	220,359	11,952,893
0031	Guidance, counseling, and evaluation services	7,269,276			848,558	8,117,834
0032	Social work services	639,339		1,700	112,604	753,643
0033	Health services	1,823,801			34,438	1,858,239
0034	Student transportation	6,076,780			48,754	6,125,534
0035	Food service				8,612,588	8,612,588
0036	Extracurricular activities	4,322,898		143,854	4,065,380	8,532,132
0041	General administration	4,340,898			333,271	4,674,169
0051	Facilities maintenance and operations	20,081,221		3,113,908	108,991	23,304,120
0052	Security and monitoring services	2,329,077		169,619		2,498,696
0053	Data processing services	4,255,251		986,892	6,555	5,248,698
0061	Community services	3,585			12,236	15,821
	Debt Service:					
0071	Debt service - principal		14,280,000			14,280,000
0071	Debt service - interest and fees		19,989,889			19,989,889
	Capital Outlay:					
0081	Facilities acquisition and construction	531,340		37,430,433	174,884	38,136,657
	Intergovernmental:					
0095	Payments to juvenile justice alternative education programs	43,100				43,100
0099	Other intergovernmental charges	<u>652,926</u>				<u>652,926</u>
6030	Total expenditures	<u>176,303,170</u>	<u>34,269,889</u>	<u>47,561,170</u>	<u>21,598,484</u>	<u>279,732,713</u>
1100	Excess (deficiency) of revenues over expenditures	<u>7,288,491</u>	<u>928,102</u>	<u>(46,683,870)</u>	<u>(385,724)</u>	<u>(38,853,001)</u>
	OTHER FINANCING SOURCES (USES):					
7911	Issuance of general obligation bonds			18,305,000		18,305,000
7912	Sale of real and personal property	16,920				16,920
7915	Transfers in	485,005		4,500,000		4,985,005
7916	Premium on issuance of general obligation bonds		224,933	1,695,000		1,919,933
7918	Special items	382,941				382,941
8911	Transfers out	<u>(4,500,000)</u>			<u>(485,005)</u>	<u>(4,985,005)</u>
	Total other financing sources (uses)	<u>(3,615,134)</u>	<u>224,933</u>	<u>24,500,000</u>	<u>(485,005)</u>	<u>20,624,794</u>
1200	Net change in fund balance	3,673,357	1,153,035	(22,183,870)	(870,729)	(18,228,207)
0100	Fund balance - beginning	<u>58,634,779</u>	<u>23,683,089</u>	<u>50,712,809</u>	<u>6,676,744</u>	<u>139,707,421</u>
3000	Fund balance - ending	<u>\$ 62,308,136</u>	<u>\$ 24,836,124</u>	<u>\$ 28,528,939</u>	<u>\$ 5,806,015</u>	<u>\$ 121,479,214</u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT C-2R

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net change in fund balances - total governmental funds (from C-2) \$(18,228,207)

Amounts reported for governmental activities in the statement of activities (B-1) are different because:

Governmental funds report capital outlay as expenditures. However, in the governmental activities statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay \$ 42,720,201 was more than depreciation of \$ 11,294,817 in the current period. 31,425,384

Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues decreased for the general fund and increased for the debt service fund amounted to \$ 75,444 and \$ 32,825, respectively. (42,619)

Premium on the issuance of bonds provide current financial resources to governmental funds but the proceeds decrease long-term assets in the statement of net position. This amount is amortized over the life of the bonds. Net premium on the issuance of bonds were \$ 1,590,386 (premium on the sale of bonds of \$ 1,919,933 less amortization of \$ 3,510,319). 1,590,386

Long-term debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the governmental activities statement of net position. Long-term proceeds in the governmental fund were \$ 18,305,000. (18,305,000)

Deferred refunding cost is another use in the governmental funds, but the costs increase long-term assets in the statement of net position. This amount is amortized over the life of the refunding bonds or the refunded bonds, whichever is shorter. The current year amortization of refunded bond costs was \$ 1,141,920. (1,141,920)

Governmental funds report pension and OPEB payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated actuarially and involves multiple factors. The amount of pension and OPEB expense reported was \$ 9,709,904 more than the amount reported in the funds. (9,709,904)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the governmental activities statement of net position. This amount was for general obligation bonded debt \$ 14,280,000. 14,280,000

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of accrued interest on long-term debt of \$ 78,363. 78,363

Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the basis in assets retired in the amount of \$ 350,000 (\$ 410,335 in asset cost less accumulated depreciation of \$ 60,335). (350,000)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and telecommunications to individual funds. The net revenue of the internal service funds is reported in the governmental activities statement of activities (see D-2) 48,878

Change in net position of governmental activities (see B-1) \$(354,639)

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2020

EXHIBIT D-1

<u>Data Control Codes</u>		<u>Governmental Activities Internal Service Fund - Workers Compensation</u>
	ASSETS:	
	Current Assets:	
1110	Cash and cash equivalents	\$ <u>431,170</u>
	Total assets	<u>431,170</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows	<u></u>
	Total deferred outflows of resources	<u>-0-</u>
	Total assets and deferred outflows of resources	\$ <u><u>431,170</u></u>
	LIABILITIES:	
	Current Liabilities:	
2210	Accrued expenses payable	\$ <u>51,185</u>
	Total liabilities	<u>51,185</u>
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows of resources	<u></u>
	Total deferred inflows of resources	<u>-0-</u>
	NET POSITION:	
3900	Unrestricted net position	<u>379,985</u>
	Total net position	<u>379,985</u>
	Total liabilities, deferred inflows of resources, and net position	\$ <u><u>431,170</u></u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT D-2

	Governmental Activities Internal Service Fund - Workers Compensation
Operating Revenues:	
Charges for services	\$ <u>54,720</u>
Total operating revenues	<u>54,720</u>
Operating Expenses:	
Insurance claims and expenses	<u>10,243</u>
Total operating expenses	<u>10,243</u>
Operating income	<u>44,477</u>
Nonoperating Revenues:	
Investment earnings	<u>4,401</u>
Total nonoperating revenues	<u>4,401</u>
Changes in net position	48,878
Net position - beginning	<u>331,107</u>
Net position - ending	\$ <u><u>379,985</u></u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF CASH FLOW
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

EXHIBIT D-3

	Governmental Activities Internal Service Fund - Workers Compensation
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from insurance	\$ 54,720
Claims paid	(65,660)
Net cash used by operating activities	(10,940)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided by noncapital financing activities	-0-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided by capital and related financing activities	-0-
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest earnings	4,401
Net cash provided by investing activities	4,401
Net decrease in cash and cash equivalents	(6,539)
Cash and cash equivalents at beginning of year	437,709
Cash and cash equivalents at end of year	\$ 431,170
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating income	\$ 44,477
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities:	
Changes in Assets and Liabilities:	
Accrued expenses payable	(55,417)
Net cash used by operating activities	\$(10,940)

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
FIDUCIARY FUNDS
JUNE 30, 2020

EXHIBIT E-1

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 558,334
Receivables:	
Other receivables	<u>8,392</u>
Total assets	<u>\$ 566,726</u>
LIABILITIES:	
Accounts payable	
Due to student groups	\$ 6,186
Accrued expenses	488,707
	<u>71,833</u>
Total liabilities	<u>\$ 566,726</u>

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

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PEARLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2020

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PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pearland Independent School District (the "District") is an independent public educational agency operating under applicable laws and regulations of the State of Texas. The District is autonomously governed by a seven-member Board of Trustees elected by the District's residents.

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; and it complies with the requirements of the appropriate version of Texas Education Agency's (the "TEA") *Financial Accountability System Resource Guide* (the "Resource Guide" or "FASRG") and the requirements of contracts and grants of agencies from which it receives funds.

Reporting Entity

The District is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the District's financial reporting entity. Based on these considerations, the District's basic financial statements do not include any other entities. Additionally, as the District is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the District's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the District is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the District's financial reporting entity status is that of a primary government are: that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Board of Trustees (the "Board") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the District is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34". The District receives support from various PTO, booster clubs and foundation organizations. None of these organizations meet the criteria specified by GASB 61 to be included in the District's financial statements. Therefore, there are no component units included within the reporting entity.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. The *governmental activities* are supported by tax revenues and intergovernmental revenues. The District has no *business-type activities* that rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Interfund activities between individual governmental funds and between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and Proprietary Fund Statement of Net Position and as other resources and other uses on the governmental fund Statement of Revenues, Expenses and Changes in Net Position. All interfund transactions between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide financial statements. The District has no interfund services provided and used between functions that would be program revenue which would not be eliminated in the process of consolidation.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements (the statement of net position and the statement of activities) are prepared using the economic resources measurement focus and the accrual basis of accounting and the information about the District as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of Texas are recognized under the susceptible-to-accrual concept. 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.

Revenue from investments, including governmental external investment pools, is based upon 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. External investment pools are permitted to report short-term debt investments at amortized cost, provided that the fair value of those investments is not significantly affected by the impairment of the credit standing of the issuer, or other factors. For that purpose, a pool's short-term investments are those with remaining maturities of up to ninety days.

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

The proprietary fund types and the fiduciary fund types 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. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the Statement of Net Position. The net position is segregated into restricted net position and unrestricted net position. The agency funds record only assets and liabilities and use the accrual basis of accounting to recognize receivables and payables. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and the unrestricted resources as needed.

The District reports the following major governmental funds:

The *general fund* is the government's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund. Major revenue sources include local property taxes, state funding under the Foundation School Program and interest earnings. Expenditures include all costs associated with the daily operations of the District except for specific programs funded by the federal and state government, food service, debt service, and capital projects.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds 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. Major revenue sources include local property taxes, state aid, and interest earnings. Expenditures include all costs associated with related debt service.

The *capital projects fund* accounts for the resources accumulated and made for Board authorized acquisition, construction, or renovation, as well as, furnishing and equipping of major capital facilities.

The District reports the following proprietary funds:

The *internal service fund* accounts for the District's self-funded workers' compensation program. The revenues of this fund are received from the general funds, and the expenses are comprised of claims paid on behalf of the District. The general fund is contingently liable for liabilities of this fund. See Note 13 for additional discussion of the District's self-insurance workers' compensation plan.

The District reports the following fiduciary funds:

The *agency funds* account for resources held in a custodial capacity by the District and consists of funds that are the property of students or others.

Cash and Investments

The District considers highly liquid investments (including restricted assets) with an original maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*, investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity of greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All outstanding balances between funds are reported as "due to/from other funds". The District had no advances between funds. See Note 4 for additional discussion of interfund receivables and payables.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the district in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the District is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years.

Under certain circumstances taxpayers and taxing units, including the District, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on August 1, 2019, upon which the levy for the 2019-20 fiscal year was based, was \$ 8,048,492,813 . Taxes are delinquent if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended June 30, 2020, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 0.9700 and \$ 0.4256 per \$ 100 valuation, respectively, for a total of \$ 1.3956 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2020 were 98.72% of the year end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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. As of June 30, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 1,317,701 and \$ 538,874 for the general and debt service funds, respectively.

Inventories

The consumption method is used to account for inventories (food products, school supplies and athletic equipment) of governmental funds. Under this method, these items are carried in an inventory account of the respective fund at cost, using the first-in, first-out method of accounting and are subsequently charged to expenditures when consumed. Governmental fund inventories are offset by a fund balance reserve indicating that they are unavailable as current expendable financial resources. Inventories of food commodities are recorded at market values supplied by the Texas Department of Human Services. Although commodities are received at no cost, their market value is recorded as inventory and deferred revenue when received in the governmental funds. When requisitioned, inventory and deferred revenue are relieved, expenditures are charged, and revenue is recognized for an equal amount.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets and Depreciation

Capital assets, which include land, buildings and improvements, and furniture and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government 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 or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition 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. When assets are retired or otherwise disposed of, the related costs or other recorded amounts are removed.

Buildings and building improvements, and 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 and improvements	5-50
Furniture and equipment	5-10

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Compensated Absences

Compensated absences are absences for which employees will be paid. A liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the government and its employees is accrued as employees earn the rights to the benefits. Compensated absences that relate to future services or that are contingent on a specific event that is outside the control of the government and its employees are accounted for in the period in which such services are rendered or such events take place.

In the governmental funds, compensated absences are reported only if they have matured. The remainder of the compensated absences liability is reported in long-term liabilities on the statement of net position.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)****Compensated Absences (Continued)**

Vacations are to be taken within the same year they are earned, and any unused days at the end of the year are forfeited. Therefore, no liability has been accrued in the accompanying basic financial statements. The District's sick leave policy allows employees to carryover unused sick days to subsequent years. Any employee who retires from the District through the Teacher Retirement System of Texas shall at the end of the last year of employment receive a lump-sum payment of unused sick leave up to a maximum of one hundred days determined by formula (number of unused local sick leave multiplied by final year contract salary divided by twice the number of days on contract multiplied by number of years in district divided by twenty). If the calculated lump-sum payment is less than \$ 100, no payment will be made. A summary of changes in the accumulated sick leave liability follows:

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

	<u>2020</u>	<u>2019</u>
Balance, July 1,	\$ 1,258,586	\$ 1,236,538
Additions - net unused	171,352	221,381
Deductions - payments	<u>(91,745)</u>	<u>(199,333)</u>
Balance, June 30,	\$ <u>1,338,373</u>	\$ <u>1,258,586</u>

The amounts attributable to the liabilities for compensated absences are pending payouts of unused leave owed to employees who qualified for retirement as of June 30, 2020. As such, the entire amount of the liability is accounted for in the general fund in the amount of \$ 1,281,733 and the Food Service Fund in the amount of \$ 56,640.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are unearned and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as or expenses in the current period. Net pension and OPEB liabilities are reported as long-term liabilities and pension and OPEB expenses, based upon actuarial data, is reported as expenses within functional categories.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of the debt is reported as other financing resources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Net pension and OPEB costs are reported, based upon required contributions for the current period, are reported within functional categories as expenditures.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

The fiduciary net position of the Teacher Retirement System of Texas (TRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TRS's fiduciary net position. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Other Post-Employment Benefits

The fiduciary net position of the Teacher Retirement System of Texas (TRS) TRS Care Plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from TRS Care's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

Budgetary Data

Formal budgetary accounting is employed for all required governmental funds, as outlined in TEA's FASRG, and is presented on the modified accrual basis of accounting consistent with generally accepted accounting principles. The budget is prepared and controlled at the function level within each organization to which responsibility for controlling operations is assigned.

The official school budget is prepared for adoption for required governmental funds prior to June 20 of the preceding fiscal year for the subsequent fiscal year beginning July 1. The budget is formally adopted by the Board of Trustees at a public meeting held at least ten days after public notice has been given.

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, debt service fund and the food service fund.

The remaining special revenue funds and the capital projects fund (if utilized) adopt project-length budgets, which do not correspond to the District's fiscal year. Each annual budget is presented on the modified accrual basis of accounting, which is consistent with generally accepted accounting principles. The budget was properly amended throughout the year by the Board of Trustees. Such amendments are before the fact and are reflected in the official minutes of the Board.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Data (Continued)

The Official Budget was prepared for adoption for the general fund, food service fund and debt service fund prior to June 30, 2019. The budget is prepared by fund, function, object, and organization. The budget is controlled at the organizational level by the appropriate department head or campus principal within Board allocations. Therefore, organizations may transfer appropriations as necessary without the approval of the board unless the intent is to cross fund, function or increase the overall budget allocations. Control of appropriations by the Board of Trustees is maintained within fund groups at the function code level and revenue object code level.

The Budget is formally adopted by the Board of Trustees at a duly advertised public meeting in accordance with law prior to the expenditure of funds. The approved budget is filed with the Texas Education Agency (TEA) through the Public Education Information Management System. Should any change in the approved budget be required, budget amendment requests are presented to the Board of Trustees for consideration. Amendments are made before the fact and once approved are reflected in the official minutes. During the year, the budget was properly amended in accordance with the above procedures.

Encumbrance Accounting

The District utilizes encumbrance accounting in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts) and are used to control expenditures for the period and to enhance cash management. A school district often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent and expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the school district likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the school district allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires, and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate.

At June 30, 2020, the District had no encumbrances outstanding (see page 60 for construction commitments).

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances

The District's Board of Trustees meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The District's Unassigned General Fund Balance is maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the Board of Trustees. Fund Balance of the District may be committed for a specific source by formal action of the District's Board of Trustees. Amendments or modifications of the committed fund balance must also be approved by board resolution by the District's Board of Trustees. When it is appropriate for fund balance to be assigned, the Board of Trustees delegates authority to the Superintendent or the Chief Financial Officer. 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, followed by committed fund balance, assigned fund balance, and lastly, unassigned fund balance.

The District has implemented GASB Statement No. 54, "Fund Balance, Reporting and Governmental Fund Type Definitions". This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balance more transparent. The following classifications describe the relative strength of spending constraints:

Nonspendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions of enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of board resolution by the Board of Trustees.

Assigned Fund Balance - Amounts that are constrained by the District's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body, another body (such as a Finance Committee), or by an official to whom that authority has been given. With the exception of the General Fund, this is the residual fund balance classification for all governmental funds with positive balances.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which an amount had been restricted, committed, or assigned.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances(Continued)

As of June 30, 2020, nonspendable fund balances include \$ 306,711 for inventories and \$ 1,266,289 for prepaid items in the General Fund. The Food Service Fund nonspendable fund balance includes \$ 185,512 for inventories. The Campus Activity Funds nonspendable fund balance includes \$ 13,219 for prepaid items. Restricted fund balances included \$ 15,475,794 for capital acquisitions and contractual obligations in the Capital Projects Fund, \$ 24,836,124 for debt service in the Debt Service Fund, \$ 2,101,781 for the Food Service Fund (special revenue fund), \$ 8,994 for Advanced Placement Incentives (special revenue fund), \$ 2,771 for State Instructional Materials Fund (special revenue fund), and \$ 3,493,738 for Campus Activity Funds (special revenue fund). Committed fund balance includes \$ 17,000,000 for other purposes in the General Fund. Assigned fund balance includes \$ 12,076,000 for other purposes in the General Fund and \$ 13,053,145 for the capital renewal plan in the Capital Projects Fund. Unassigned fund balance includes \$ 31,659,136 in the General Fund.

Data Control Codes

The data control codes refer to the account code structure prescribed by TEA in the FASRG. The TEA requires school districts to display these codes in the financial statements filed with the Agency in order to ensure accuracy in building a statewide database for policy development and funding plans.

Use of Estimates

The presentation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reporting amounts of assets and deferred outflows of resources, and, liabilities and deferred inflows of resources at the date of the financial statements, and the reported amounts of revenues and expenditures during the period. Actual results could differ from these estimates.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2019.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after December 15, 2019.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements (Continued)

GASB No. 87 “Leases” was issued in June 2017. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this Statement are effective for periods beginning after June 15, 2021.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 90 “Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statement of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the District. The requirements of this statement are effective immediately.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**New Pronouncements (Continued)**

GASB No. 96 "Subscription-Based Information Technology Arrangements" was issued in May 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" was issued in June 2020. The management of the District does not expect the implementation of this standard to have a material effect on the financial statements of the District. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES

The District classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has a maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of a year or more.

See Note 1 for additional Governmental Accounting Standards Board Statement No. 31 disclosures.

Cash and cash equivalents as reported on the statement of net position at June 30, 2020 are as follows:

	Governmental Funds	Proprietary (Internal Service) Funds	Fiduciary Funds	Total
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 21,976	\$	\$	\$ 21,976
Financial Institution Deposits:				
Demand deposits	12,677,806	120,523	558,334	13,356,663
Local Government Investment Pool:				
TexPool	62,221,075	310,647		62,531,722
TexPool Prime	16,134,688			16,134,688
Texas CLASS	15,876,429			15,876,429
Texas CLASS Government	14,518,206			14,518,206
Texas DAILY	650			650
Texas TERM	2,500,000			2,500,000
	<u>\$123,950,830</u>	<u>\$ 431,170</u>	<u>\$ 558,334</u>	<u>\$124,940,334</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to them. The District requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

Under Texas state law, a bank serving as the school depository must have a bond or in lieu thereof, deposited or pledged securities with the District or an independent third party agent, an amount equal to the highest daily balance of all deposits the District may have during the term of the depository contract, less any applicable FDIC insurance.

At June 30, 2020, in addition to petty cash of \$ 21,976 , the carrying amount of the District's cash, savings, and time deposits was \$ 13,356,663. The financial institutions balances were \$ 13,636,245 at June 30, 2020. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 13,386,245 was covered by collateral pledged in the District's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

Depository:

- a. Name of bank: Wells Fargo Bank, Pearland, Texas.
- b. Amount of bond and/or security pledged as of the date of the highest combined balance on deposit was \$ 22,473,356.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 22,723,356 and occurred on October 10, 2019
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the District to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The District's deposits and investments are invested pursuant to the investment policy, which is approved by the Board of Trustees. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition, it includes an "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the District will deposit funds is addressed. The District's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The District's management believes it complied with the requirements of the PFIA and the District's investment policy.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The District's Investment Officer submits an investment report each quarter to the Board of Trustees. The report details the investment positions of the District and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The District is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
7. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
8. Public funds investment pools as permitted by Government Code 2256.016.

The District invests in TexPool, TexPool Prime, Texas CLASS, Texas CLASS Government, Texas DAILY and Texas Term to provide its liquidity needs. TexPool and TexPool Prime is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool and TexPool Prime is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. TexPool and TexPool Prime are rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

Texas CLASS and Texas CLASS Government is a local government investment pool pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code. Per State Code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds and maximize yield. The Texas CLASS and Texas CLASS Government agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS and Texas CLASS Government seeks to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas CLASS and Texas CLASS Government is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**Investments (Continued)**

Texas DAILY and Texas Term is a local government investment pool that was established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. Texas DAILY and Texas Term is a 2(a)7 like fund, meaning that it is structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas DAILY and Texas Term are rated AAAM from Standard and Poor's and AAAF from Fitch, respectively, and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

The District considers holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

All of the District's investments are insured, registered, or the District's agent holds the securities in the District's name; therefore, the District is not exposed to custodial credit risk.

The following table includes the portfolio balances of all investment types of the District at June 30, 2020.

	<u>Fair Value</u>	<u>Weighted Average Maturity (in Days)</u>
Local Government Investment Pool:		
TexPool:		
TexPool	\$ 62,531,722	33
TexPool Prime	16,134,688	51
Texas CLASS:		
Texas CLASS	15,876,429	64
Texas CLASS Government	14,518,206	57
Texas Term:		
Texas DAILY	650	55
Texas Term	<u>2,500,000</u>	67
Total local government investment pool	<u>\$ 111,561,695</u>	44

Credit Risk - As of June 30, 2020, the local government investment pool (which represents 100% of the unrestricted portfolio) are rated AAAM by Standard and Poor's and AAAF by Fitch.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the District's cash flow requirements.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)**Investments (Continued)**

Fair Value - The District categorizes its fair value measurements within the fair value hierarchy established by GASB No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of June 30, 2020, the District had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES**Receivables and Allowances**

Receivables as of June 30, 2020, for the government's individual major funds and nonmajor, internal service, and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total
Receivables:					
Property taxes	\$ 2,590,250	\$ 970,978	\$	\$	\$ 3,561,228
Other governments	21,821,041			2,819,775	24,640,816
Other receivables	<u>1,116,278</u>	<u>396,445</u>	<u>946</u>	<u>5,529</u>	<u>1,519,198</u>
Gross receivables	25,572,569	1,367,423	946	2,825,304	29,721,242
Less: allowance for uncollectibles	<u>1,272,549</u>	<u>432,104</u>			<u>1,704,653</u>
Net receivables	<u>\$ 24,255,020</u>	<u>\$ 935,319</u>	<u>\$ 946</u>	<u>\$ 2,825,304</u>	<u>\$ 28,016,589</u>

Receivables from 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. All federal grants shown below are passed through the TEA or other state agency and are reported on the combined financial statements as either Receivable from or Due to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of June 30, 2020:

Fund	State Entitlements	Federal Grants	State Grants and Other	Total
Major Governmental Funds:				
General fund	\$ 21,556,164	\$ 264,877	\$	\$ 21,821,041
Other governmental funds		<u>2,572,468</u>	<u>247,307</u>	<u>2,819,775</u>
Total	<u>\$ 21,556,164</u>	<u>\$ 2,837,345</u>	<u>\$ 247,307</u>	<u>\$ 24,640,816</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)****Deferred Outflows and Inflows of Resources/Unearned Revenue****Governmental Funds**

Governmental funds defer the recognition of revenue in connection with receivables that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of June 30, 2020, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
Delinquent property taxes receivable (general fund)	\$ 901,931	\$
Delinquent property taxes receivable (debt service fund)	360,707	
Advance Funding:		
Federal grants		9,850
State entitlements		2,343,644
State grants		198,743
Local grants	<u> </u>	<u>111,777</u>
Total deferred/unearned revenue from governmental funds	\$ <u>1,262,638</u>	\$ <u>2,664,014</u>

Governmental Activities

Governmental activities defer the recognition of pension and OPEB expense for contributions made subsequent to the measurement date to the current year-end of June 30, 2020 and report these as deferred outflows of resources. Governmental activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES (Continued)**Deferred Outflows and Inflows of Resources/Unearned Revenue (Continued)**

As of June 30, 2020, the various components of deferred inflows and outflows of resources and unearned revenue reported in the governmental activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Unearned Revenue</u>
TRS pension deferred outflows and inflows	\$ 23,973,776	\$ 10,031,918	\$
TRS-Care OPEB deferred outflows and inflows	10,778,128	30,558,501	
TRS pension contributions subsequent to the measurement date	3,570,823		
TRS-Care OPEB contributions subsequent to the measurement date	893,115		
Bond refunding costs net of amortization	8,548,558		
Advance Funding:			
Federal grants			9,850
State entitlements			2,343,644
State grants			198,743
Local grants			111,777
Totals	<u>\$47,764,400</u>	<u>\$40,590,419</u>	<u>\$ 2,664,014</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**Interfund Receivables and Payables**

Interfund balances at June 30, 2020 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>6-30-20</u>
General Fund	Other Governmental Funds	\$ 2,044,211
General Fund	Capital Projects Fund	4,500,162
Other Governmental Funds	General Fund	10,028
Other Governmental Funds	Other Governmental Funds	<u>331,615</u>
		<u>\$ 6,886,015</u>

Interfund Transfers

Interfund transfers for the year ended June 30, 2020 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
Other Governmental Funds	General Fund	\$ 485,005
General Fund	Capital Projects Fund	<u>4,500,000</u>
		<u>\$ 4,985,005</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS (Continued)**Interfund Transfers (Continued)**

The General Fund received \$ 485,005 from the Federally Funded Special Revenue Funds related to reimbursements the District received from the Department of Homeland Security for Hurricane Ike and Hurricane Harvey. The Capital Projects Fund received \$4,500,000 from the General Fund for locally funded projects.

NOTE 5. CAPITAL ASSETS**Changes in Capital Assets and Accumulated Depreciation**

The following provides a summary of changes in capital assets and accumulated depreciation for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Retirements	Transfers	Balance June 30, 2020
Non-Depreciated Capital Assets:					
Land	\$ 22,330,888	\$	\$ 350,000	\$	\$ 21,980,888
Construction in progress	144,966,850	39,872,143			184,838,993
Total non-depreciated	167,297,738	39,872,143	350,000	-0-	206,819,881
Depreciated Capital Assets:					
Buildings and improvements	425,327,315	804,583			426,131,898
Furniture and equipment	31,505,920	2,043,475	60,335		33,489,060
Total depreciated	456,833,235	2,848,058	60,335	-0-	459,620,958
Total additions/transfers and retirements		\$ 42,720,201	\$ 410,335	\$ -0-	
Accumulated Depreciation:					
Buildings and improvements	146,988,555	\$ 9,397,775	\$	\$	\$ 156,386,330
Furniture and equipment	23,385,258	1,897,042	60,335		25,221,965
Total accumulated depreciation	170,373,813	\$ 11,294,817	\$ 60,335	\$ -0-	181,608,295
Net depreciated assets	286,459,422				278,012,663
Net capital assets	\$ 453,757,160				\$ 484,832,544

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 5. CAPITAL ASSETS (Continued)**Depreciation Expense**

In accordance with requirements of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*, depreciation expense of the governmental activities was charged to functions as follows:

<u>Data Control</u> <u>Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 6,858,260
0012	Instructional resources and media services	278,608
0021	Instructional leadership	80,998
0023	School leadership	12,201
0031	Guidance, counseling, and evaluation services	12,517
0032	Social work services	15,590
0033	Health services	10,200
0034	Student transportation	797,988
0035	Food service	693,218
0036	Extracurricular activities	1,289,313
0041	General administration	90,478
0051	Facilities maintenance and operations	216,574
0052	Security and monitoring services	6,074
0053	Data processing services	<u>932,798</u>
Total depreciation expense		<u>\$ 11,294,817</u>

Construction Commitments

	<u>Projects</u> <u>Authorized</u>	<u>Expended</u> <u>To Date</u>	<u>Commitment</u>
June 30, 2020:			
Food Service - PJHE Kitchen Renovation	\$ 323,167	\$ 66,922	\$ 256,245
ESC - Security Locks	349,606	174,884	174,722
Dawson HS Additions/Renovations - Pkg A791	29,658,922	29,199,922	459,000
Pearland HS Renovations - Pkg B792	52,575,583	50,734,533	1,841,050
Turner HS Renovations - Pkg C793	30,149,607	25,979,864	4,169,743
Pkg D794 Renovations	51,418,720	49,606,705	1,812,015
Pkg E795 Renovations	25,043,384	24,430,642	612,742
Pkg F796 renovations	11,808,784	11,090,998	717,786
Pkg G797 Infrastructure & Technology	<u>19,345,000</u>	<u>16,394,167</u>	<u>2,950,833</u>
Total governmental activities	<u>\$220,672,773</u>	<u>\$207,678,637</u>	<u>\$ 12,994,136</u>

As of June 30, 2020, no further financing was required on the construction commitments.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 6. LONG-TERM DEBT**Loans**

Short-term debts are accounted for through the appropriate fund and consist of notes made in accordance with the provisions of the Texas Education Code. The District was not a party to any loan transactions during the year ended June 30, 2020.

General Obligation Bonds

Long-term debt includes par bonds, capital appreciation (deep discount) serial bonds, contractual obligations, and loans. Contractual obligations are issued at parity with general obligation bonds, but carry a secondary revenue stream pledge; however, all certificates of obligation are tax, not revenue, supported. This debt, unlike other tax-supported debt, can be issued without a vote of the citizens. Bond premiums and discounts, and gains and losses on refunding are amortized using the straight-line method.

The following is a summary of the District's general obligation bonded debt as of June 30, 2020:

<u>Date of Issue</u>	<u>Original Issue</u>	<u>Final Maturity</u>	<u>Date Callable</u>	<u>% Rates</u>	<u>Outstanding Balance</u>
2001	\$ 22,500,000	2025	2021	4.125 - 4.750	\$ 22,500,000
2011	8,740,000	2027	2021	4.000	7,875,000
2012	62,845,000	2029	2021	3.000 - 5.000	52,145,000
2013A	15,490,000	2029	2023	3.000 - 5.000	12,825,000
2013B	38,155,000	2029	2023	2.000 - 5.000	22,755,000
2014	30,540,000	2029	2024	2.000 - 5.000	26,670,000
2014B	28,655,000	2039	2024	2.000 - 5.000	19,370,000
2016	41,335,000	2032	2026	5.000 - 5.250	41,335,000
2016A	42,200,000	2032	2026	2.000 - 5.000	28,885,000
2017	105,510,000	2042	2026	3.000 - 5.000	105,410,000
2019	75,155,000	2042	2029	3.000 - 5.000	75,155,000
2019A	<u>18,305,000</u>	2042	2029	3.000 - 5.000	<u>18,305,000</u>
Total	<u>\$ 489,430,000</u>				<u>\$ 433,230,000</u>

Presented below is a summary of general obligation bond requirements to maturity:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Requirement</u>
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	<u>34,515,000</u>	<u>2,561,450</u>	<u>37,076,450</u>
Totals	<u>\$ 433,230,000</u>	<u>\$ 211,362,763</u>	<u>\$ 644,592,763</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 6. LONG-TERM DEBT (Continued)**General Obligation Bonds (Continued)**

Bond indebtedness of the District is recorded in the governmental activities statement of net position, and current requirements for principal and interest expenditures are accounted for in the Debt Service Fund. Proceeds of long-term issues are reflected as "Other Resources" in the operating statement of the recipient fund.

There are limitations and restrictions contained in the general obligation bond indentures. The District is in compliance with all significant limitations and restrictions at June 30, 2020.

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2020 was as follows:

	Balance 07-01-19	Additions	Retirements	Balance 06-30-20	Due Within One Year
Long-Term Debt:					
General obligation bonds	\$ 429,205,000	\$ 18,305,000	\$ 14,280,000	\$ 433,230,000	\$ 14,700,000
Net pension liability	62,357,231	5,228,436	9,592,749	57,992,918	
Net OPEB liability	74,367,821	4,881,354	8,612,440	70,636,735	
Premium on general obligation bonds	<u>50,714,835</u>	<u>1,919,933</u>	<u>3,510,319</u>	<u>49,124,449</u>	<u>3,510,319</u>
	<u>\$ 616,644,887</u>	<u>\$ 30,334,723</u>	<u>\$ 35,995,508</u>	<u>\$ 610,984,102</u>	<u>\$ 18,210,319</u>

The General Fund has been used to liquidate the net pension liability and net OPEB liability.

NOTE 7. LEASES**Operating Leases**

Commitments under operating lease (non-capital) agreements for copier equipment, telephone equipment, security systems, and postage machines provide for minimum future rental payments as of June 30, 2020 as follows:

Year Ended June 30	Amount
2021	\$ 974,768
2022	917,753
2023	727,618
2024	<u>315,531</u>
Total minimum rentals	<u>\$ 2,935,670</u>

Rental expenditures on the above-mentioned equipment for the year ended June 30, 2020 were \$ 1,053,722.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS

Plan Description

The 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). It is a defined benefit pension plan 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-supposed education institutions in Texas who are employed for one-half or more of the standard workload 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

Detail information about the Teacher Retirement System's fiduciary net position is available in a separately issued Comprehensive Annual Financial Report that includes financial statements and required supplementary information. That report may be obtained on the Internet at <https://trs.texas.gov/TRS%20Documents/cafr2019.pdf> , selecting About TRS then Publications then Financial Reports or by writing to TRS at 1000 Red River Street, Austin, TX, 78701-2698.

Benefits Provided

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

Texas Government Code section 821.006 prohibits benefit improvements, if, as a result of the particular action, the time required to amortize TRS' unfunded actuarial liabilities would be increased to a period that exceeds 31 years, or, if the amortization period already exceeds 31 years, the period would be increased by such action.

In May 2019, the 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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

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 Texas Legislature amended Texas Government Code 825.402 for member contributions and increased employee and employer contribution rates for fiscal years 2020 thru 2025.

<u>Contribution Rates</u>	<u>2019</u>	<u>2020</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1427 - 2020 Employer Contributions	\$	4,182,913
Employer # 1427 - 2020 Member Contributions	\$	10,547,499
Employer # 1427 - 2020 NECE On-behalf Contributions	\$	7,560,727
Employer # 1427 - 2020 Medicare Part D Contributions	\$	584,826

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 employment.
- When any part or all of an employee's salary is paid by federal funding sources, a privately sponsored source, from non-educational and general, or local funds.
- When the employing district is a public junior college or junior college district, 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.
- When the employing district is a public or charter school, the employer shall contribute 1.5% of covered payroll to the pension fund beginning in fiscal year 2020. This contribution rate called the Public Education Employer Contribution will replace the Non(OASDI) surcharge that was in effect in fiscal year 2019.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

In addition to the employer contributions listed above, there is an additional surcharge an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement surcharge.
- When a school district or charter school does not contribute to the Federal Old-Age, Survivors and Disability Insurance (OASDI) Program for certain employees, they must contribute 1.5% of the state contribution rate for certain instructional or administrative employees; and 100% of the state contribution rate for all other employees. This surcharge was in effect through fiscal year 2019 and was replaced with the Public Education Employer Contribution explained above.

Actuarial Assumptions

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

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Fair Value
Single Discount Rate	7.25%
Long-term expected Investment Rate of Return	7.25%
Municipal Bond Rate as of August 2019	2.63%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Benefit changes during the year	None
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, 2018. For a full description of these assumptions please see the actuarial valuation report dated November 9, 2018.

Discount Rate

A single discount rate of 7.25 percent was used to measure the total pension liability. The single discount rate was based on the expected rate of return on plan investments of 7.25 percent. The projection of cash flows used to determine this single discount rate assumed that contributions from active members, employers and the non-employer contributing 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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

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, 2019 are summarized below:

Asset Class	FY 2019 Target Allocation*	New Target Allocation**	Long-Term Expected Geometric Real Rate of Return***
Global Equity:			
USA	18%	18%	6.4%
Non-U.S. Developed	13%	13%	6.3%
Emerging Markets	9%	9%	7.3%
Directional Hedge Funds	4%	-	-
Private Equity	13%	14%	8.4%
Stable Value:			
U.S. Treasuries****	11%	16%	3.1%
Stable Value Hedge Funds	4%	5%	4.5%
Absolute Return	-	-	-
Real Return:			
Global Inflation Linked Bonds****	3%	-	-
Real Estate	14%	15%	8.5%
Energy, Natural Resources, and Infrastructure	5%	6%	7.3%
Commodities	-	-	-
Risk Parity:			
Risk Parity*****	5%	8%	5.8%/6.5%
Leverage:			
Cash	1%	2%	2.5%
Asset Allocation Leverage	-	-6.0%	2.7%
Expected Return	<u>100%</u>	<u>100%</u>	<u>7.2%</u>

* FY 2019 Target Allocation based on the Strategic Asset Allocation dated 10/1/2018.

** New target allocation based on Strategic Asset Allocation dated 10/1/2019.

*** 10-Year annualized geometric nominal returns include the real rate of return and inflation of 2.1%

**** New Target Allocation groups Government Bonds within the stable value allocation. This includes global sovereign nominal and inflation-linked bonds.

***** 5.8% (6.5%) return expectation corresponds to Risk Parity with a 10% (12%) target volatility.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net Pension Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (7.25%) in measuring the Net Pension Liability.

	1% Decrease in Discount Rate (6.25%)	Discount Rate (7.25%)	1% Increase in Discount Rate (8.25%)
District's proportionate share of the Net pension liability	\$ <u>89,143,540</u>	\$ <u>57,992,918</u>	\$ <u>32,754,902</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$ 57,992,918 for its proportionate share of the TRS's net pension liability. This liability reflects a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the District were as follows:

District's Proportionate share of the collective net pension liability	\$ 57,992,918
State's proportionate share that is associated with the District	<u>28,795,408</u>
Total	\$ <u>86,788,326</u>

The net pension liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The employer's proportion of the net pension liability was based on the employer's contributions to the pension plan relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net pension liability was 0.1115610% which was a decrease of 0.0017283% from its proportion measured as of August 31, 2018.

Changes since the prior Actuarial Valuation

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

For the year ended June 30, 2020, the District recognized pension expense of \$ 5,228,436 and revenue of \$ 7,560,727 for support provided by the State.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)**

At June 30, 2020, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 243,622	\$ 2,013,606
Changes in actuarial assumptions	17,992,251	7,435,250
Net difference between projected and actual investment earnings	582,316	
Changes in proportion and difference between the employers' contributions and the proportionate share of contributions	5,155,587	583,062
Contributions paid to TRS subsequent to the measurement date	<u>3,570,823</u>	
Total	<u>\$ 27,544,599</u>	<u>\$ 10,031,918</u>

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

<u>Year Ended August 31,</u>	<u>Pension Expense Amount</u>
2021	\$ 4,022,347
2022	3,310,302
2023	3,465,715
2024	2,867,703
2025	847,175
Thereafter	(571,384)

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

Plan Description

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

OPEB Plan Fiduciary Net Position

Detail information about the TRS-Care's fiduciary net position is available in a separately issued TRS Comprehensive Annual Financial Report that includes financial statements and required supplementary information. The report may be obtained on the Internet at <http://www.trs.state.tx.us/amount/documents/cafr.pdf#CAFR>; by writing to TRS at 1000 Red River Street, Austin, TX 78701-2698; or by calling (512) 542-6592.

Benefits Provided

TRS-Care provides health insurance coverage to retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible 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. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes, including automatic COLAs.

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

TRS-Care Monthly Premium Rates

	<u>Medicare</u>	<u>Non-Medicare</u>
Retiree or Surviving Spouse	\$ 135	\$ 200
Retiree and Spouse	529	689
Retiree or Surviving Spouse and Children	468	408
Retiree and Family	1,020	999

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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

Contribution Rates

	<u>2019</u>	<u>2020</u>
Active Employee	0.65%	0.65%
Non-Employer Contributing Entity (State)	1.25%	1.25%
Employers	0.75%	0.75%
Federal/private Funding remitted by Employers	1.25%	1.25%
Employer # 1427 - 2020 Employer Contributions	\$	1,072,952
Employer # 1427 - 2020 Member Contributions	\$	890,372
Employer # 1427 - 2020 NECE On-behalf Contributions	\$	2,017,151

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 \$ 73.6 million in fiscal year 2019.

Actuarial Assumptions

The total OPEB liability in the August 31, 2018 actuarial valuation was rolled forward to August 31, 2019. The TRS-Care is similar to the actuarial valuations performed for the pension plan, except that the OPEB valuation is more complex. All of the demographic assumptions, including 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 active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females. The Post-retirement mortality rates were based on the 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).

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

The following assumptions and other inputs used for members of TRS-Care are identical to the assumptions used in the August 31, 2018 TRS pension actuarial valuation that was rolled forward to August 31, 2019; rates of mortality, rates of retirement, rates of termination, rates of disability incidence, general inflation, wage inflation and expected payroll growth.

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2018 rolled forward to August 31, 2019
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	2.63%*
Aging Factors	Based on plan specific experience
Expenses	Third-party administrative expenses related to the delivery of health care benefits are included in the age-adjusted claims costs.
Projected Salary Increases**	3.05% to 9.05%**
Healthcare Trend Rates***	4.50% to 10.25%***
Election Rates	Normal Retirement: 65% participation prior to age 65 and 50% participation after age 65. 25% of pre-65 retirees are assumed to discontinue coverage at age 65
Ad hoc post-employment benefit changes	None

* As of August 31, 2019

** Includes Inflation at 2.30%

*** Initial trend rates are 7.50% for non-Medicare retirees; 10.25% for Medicare retirees and 10.25% for prescriptions for all retirees. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 13 years.

Discount Rate

A single discount rate of 2.63% was used to measure the total OPEB liability. There was a decrease of 1.06 percent in the discount rate since the previous year. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The projection of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)**Discount Rate Sensitivity Analysis**

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.63%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (1.63%)</u>	<u>Discount Rate (2.63%)</u>	<u>1% Increase in Discount Rate (3.63%)</u>
District's proportionate share of the Net OPEB Liability	\$ <u>85,281,204</u>	\$ <u>70,636,735</u>	\$ <u>59,180,353</u>

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the District reported a liability of \$ 70,636,735 for its proportionate share of 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	\$ 70,636,735
State's proportionate share that is associated with the District	<u>40,304,610</u>
Total	\$ <u>110,941,345</u>

The Net OPEB Liability was measured as of August 31, 2018 and rolled forward to August 31, 2019 and the Total OPEB Liability used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date. The employer's proportion of the Net OPEB Liability was based on the employer's contributions to OPEB relative to the contributions of all employers to the plan for the period September 1, 2018 thru August 31, 2019.

At August 31, 2019, the employer's proportion of the collective net OPEB liability was 0.1489414326%, compared to 0.1493654165% as of August 31, 2018.

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

	<u>1% Decrease in Healthcare Trend Rate</u>	<u>Current Single Healthcare Trend Rate</u>	<u>1% Increase in Healthcare Trend Rate</u>
District's proportionate share of the Net OPEB Liability	\$ <u>57,622,971</u>	\$ <u>70,636,735</u>	\$ <u>88,069,204</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)****Changes since the prior Actual 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 3.69 percent as of August 31, 2018 to 2.63 percent as of August 31, 2019. This change increased the TOL.
- The health care trend rates were reset to better reflect the plan's anticipated experience. This change increased the TOL.
- The participation rate for pre-65 retirees was lowered from 70 percent to 65 percent. The participation rate for post-65 retirees was lowered from 75 percent to 50 percent. 25 percent of pre-65 retirees are assumed to discontinue their coverage at age 65. There was no lapse assumption in the prior valuation. These changes decreased the TOL.
- The percentage of retirees who are assumed to have two-person coverage was lowered from 20 percent to 15 percent. In addition, the participation assumption for the surviving spouses of employees that die while actively employed was lowered from 20 percent to 10 percent. These changes decreased the TOL.
- Change of Benefit Terms Since the Prior Measurement Date – There were no changes in benefit terms since the prior measurement date.

For the year ended June 30, 2020, the District recognized OPEB expense of \$ 4,881,354 and revenue of \$ 2,017,151 for support provided by the State.

At June 30, 2020, the District reported its proportionate share of TRS's deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 3,465,332	\$ 11,558,953
Changes in actuarial assumptions	3,923,320	18,999,548
Net difference between projected and actual investment earnings	7,621	
Changes in proportion and difference between the employers' contributions and the proportionate share of contributions	3,381,855	
Contributions paid to TRS subsequent to the measurement date	<u>893,115</u>	
Total	<u>\$ 11,671,243</u>	<u>\$ 30,558,501</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 9. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS (Continued)

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:

<u>Year Ended August 31,</u>	<u>OPEB Expense Amount</u>
2021	\$ (3,421,088)
2022	(3,421,088)
2023	(3,423,554)
2024	(3,424,965)
2025	(3,424,579)
Thereafter	(2,665,099)

NOTE 10. GENERAL FUND FEDERAL SOURCE REVENUES

Following is a schedule of federal source revenue recorded in the General Fund.

<u>Program or Source</u>	<u>CFDA #</u>	<u>Total</u>
Direct Costs:		
School Health and Related Services (SHARS)	---	\$ 2,597,267
Universal Service Fund - Schools and Libraries	32.004	115,197
ROTC	12.000	<u>157,174</u>
Total direct		<u>2,869,638</u>
Indirect Costs:		
School Breakfast Program	10.553	46,825
National School Lunch Program	10.555	157,143
Texas Education for Homeless Children & Youth	84.196A	1,369
ESSA, Title I, Part A, Improving Basic Programs	84.010A	56,409
IDEA, Part B, Formula	84.027	147,225
IDEA, Part B, Preschool	84.173	2,424
Career and Technical Education, Basic Grant	84.048	7,594
ESSA, Title II, Part A - Supporting Effective Instruction	84.367A	13,588
Title III, Part A - Language Education Program	84.365A	5,857
Title VI, Part A, Subpart 1 - Improving Academic Achievement	84.424	2,877
ESSER Grant	84.425D	120,632
Texas Hurricane for Homeless Youth	84.938B	<u>875</u>
Total indirect		<u>562,818</u>
Total		<u>\$ 3,432,456</u>

The School Health and Related Services (SHARS) funds are not considered federal financial assistance for inclusion in the Schedule of Federal Financial Assistance.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS**

YEAR ENDED JUNE 30, 2020

NOTE 11. LOCAL AND INTERMEDIATE REVENUES

During the year ended June 30, 2020, local and intermediate revenues for governmental funds consisted of the following:

	Major Funds			Other	
	General	Debt	Capital	Governmental	Total
	Fund	Service	Projects	Funds	
		Fund	Funds		
Property Taxes	\$ 77,374,194	\$ 33,889,354	\$	\$	\$ 111,263,548
Food sales				3,769,233	3,769,233
Investment income	1,118,323	324,691	863,957		2,306,971
Penalties, interest and other tax related income	500,079	168,869			668,948
Other tuition and fees from patrons	315,948				315,948
Co-curricular income	303,872			4,054,529	4,358,401
Rent	193,772				193,772
Other	312,359			12,036	324,395
Total	<u>\$ 80,118,547</u>	<u>\$ 34,382,914</u>	<u>\$ 863,957</u>	<u>\$ 7,835,798</u>	<u>\$ 123,201,216</u>

NOTE 12. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2020, the district purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

NOTE 13. SELF-INSURED WORKERS' COMPENSATION

Beginning September 1, 1991, the District established its self-funding Workers' Compensation program. The accrued liability for the Workers' Compensation self-insurance program is projected to be \$ 51,185 as of June 30, 2020. The District claim history does not allow for a credible projection of loss adjustment expenses (LAE), data from other self-insured and insurance entities suggests costs for these items may be in the neighborhood of 5% of the liability for losses. As of September 1, 2012, the District chose to switch to a fully insured workers' compensation program with Texas Mutual Insurance Company. The above liability is from claims before July 1, 2014 from the self-insured program which have not been closed out as of June 30, 2020.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 13. SELF-INSURED WORKERS' COMPENSATION (Continued)**

This liability reported in the fund at June 30, 2020, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, changes in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

Changes in the workers' compensation claim liability amounts in fiscal years 2018-2019 and 2019-2020 are represented below:

	Beginning of Fiscal-Period Liability	Current- Period Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Period-End
2018-2019 Year Ended Workers' Compensation	\$ 20,141	\$ 111,821	\$ 25,360	\$ 106,602
2019-2020 Year Ended Workers' Compensation	\$ 106,602	\$ 10,243	\$ 65,660	\$ 51,185

NOTE 14. LITIGATION AND CONTINGENCIES

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 that the District has not complied with the rules and regulations governing the grants, if any, refunds of any money received may be required and the collect ability of any related receivable at June 30, 2020 may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying combined financial statements for such contingencies.

NOTE 15. JOINT VENTURES-SHARED SERVICE ARRANGEMENTS

The District participates in a shared services arrangement for Brazoria County Juvenile Justice Alternative Education Program with six other school districts. Although a percentage of the activity of the shared services arrangement is attributable to the District's participation, the District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in capital assets purchased by the fiscal agent, Brazoria County, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the shared services arrangement. The expenditures attributable to the District's participation totaled \$ 43,100 and were coded to 6223 Student tuition - other than to public schools.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NOTES TO THE FINANCIAL STATEMENTS****YEAR ENDED JUNE 30, 2020****NOTE 15. JOINT VENTURES-SHARED SERVICE ARRANGEMENTS (Continued)**

The District has a partnership agreement with Communities in Schools (CIS) of Brazoria County. The intent of both parties is to bring the resources of CIS after school Centers on Education (CIS-ACE) to facilitate the academic achievement and personal success of students by providing the full range of CIS-ACE services to those students and their families by creating seven CIS traditional program sites (at Carlestone Elementary, Cockrell Elementary, Jamison Middle, Lawhon Elementary, Pearland Junior High South, Pearland Junior High West and Sablatura Middle Schools) at a cost of \$ 18,000 per site and three 21st Century ACE program sites (at Magnolia Elementary, Pearland Junior High South, and Lawhon Elementary Schools) at a cost of \$ 15,000 per site. The expenditures attributable to the District's participation totaled \$ 171,000 and were coded to 6299 Miscellaneous Contract Services in Function 32 Social Work Services.

NOTE 16. EVALUATION OF SUBSEQUENT EVENTS

The District has evaluated subsequent events through November 5, 2020, the date which the financial statements were available to be issued.

Series 2020 Unlimited Tax Refunding Bonds

On November 1, 2020, the District issued \$ 78,675,000 of Series 2020 Unlimited Tax Refunding Bonds for the refunding of Series 2001B, Series 2011, Series 2012, and Series 2013B, maturing in 2029. The bonds have stated interest rates of 5.000%. The bonds are to be paid from annual ad valorem interest and bonded indebtedness.

The following is a schedule of principal maturity for the Series 2020 Unlimited Tax Refunding Bonds:

<u>Maturing February 15</u>	<u>Principal</u>
2021	\$ -0-
2022	4,980,000
2023	7,360,000
2024	7,710,000
2025	7,680,000
2026-2029	<u>50,945,000</u>
Total	<u>\$ 78,675,000</u>

Voter Approved Tax Rate Election

On November 3, 2020, Pearland Independent School District (the "District") is holding an election to approve an increase in the District's maintenance and operations voter-approval tax rate (VATR). Maintenance and Operations (M&O) taxes are for the operation of public schools. The District has not held a tax ratification election in the past.

PEARLAND INDEPENDENT SCHOOL DISTRICT

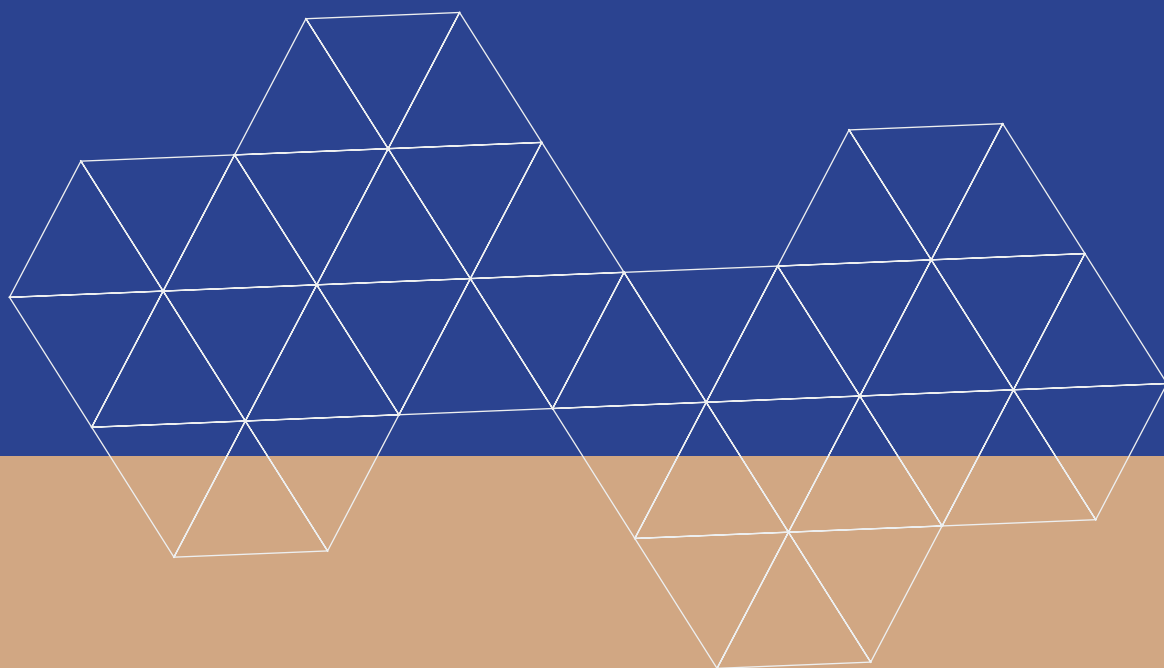
NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2020

NOTE 16. EVALUATION OF SUBSEQUENT EVENTS (Continued)

Although the District adopted M&O tax rate is decreasing from \$ 0.97 to \$ 0.9329, the District's VATR is \$ 0.8929, triggering a Voter-Approval Tax Rate Election (VATRE). The incremental tax revenue estimated to be generated in the first school year is approximately \$10,000,000, which is 5.27% of the District's current adopted operating budget. If the District's M&O VATRE is successful, the estimated savings in property taxes paid by the owner of a single-family residential property at the current average home value of the district will be \$ 96.52 each year compared to \$198.75 if the measure is unsuccessful . This proposed tax rate of \$ 0.9329 is in addition to the tax rates adopted by city, county, and special taxing districts.

The District intends to use the additional tax revenue to recruit and retain highly qualified teachers and staff, provide enhance learning programs, and fund the District's Connect:ED 1:1 device initiative, unfunded mandates, and facilities maintenance and repairs.



REQUIRED SUPPLEMENTAL INFORMATION

PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-1

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2020**

		General Fund			Variance with Final Budget Positive (Negative)
Data Control Codes		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 79,554,626	\$ 79,346,382	\$ 80,118,547	\$ 772,165
5800	State program revenues	95,038,611	101,528,519	100,040,658	(1,487,861)
5900	Federal program revenues	<u>2,666,000</u>	<u>2,666,000</u>	<u>3,432,456</u>	<u>766,456</u>
5020	Total revenues	<u>177,259,237</u>	<u>183,540,901</u>	<u>183,591,661</u>	<u>50,760</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	105,139,942	105,373,188	103,040,138	2,333,050
0012	Instructional resources and media services	1,868,723	1,892,850	1,837,341	55,509
0013	Curriculum and instructional staff development	5,439,154	5,414,784	5,162,170	252,614
0021	Instructional leadership	2,436,183	2,473,309	2,233,065	240,244
0023	School leadership	11,828,617	11,965,007	11,660,964	304,043
0031	Guidance, counseling, and evaluation services	6,505,721	7,385,125	7,269,276	115,849
0032	Social work services	659,489	696,591	639,339	57,252
0033	Health services	1,773,607	1,885,532	1,823,801	61,731
0034	Student transportation	7,712,138	7,131,490	6,076,780	1,054,710
0036	Extracurricular activities	4,411,766	4,722,223	4,322,898	399,325
0041	General administration	5,034,719	5,176,068	4,340,898	835,170
0051	Facility maintenance and operations	22,916,987	22,523,490	20,081,221	2,442,269
0052	Security and monitoring services	2,072,060	2,417,262	2,329,077	88,185
0053	Data processing services	4,402,139	4,663,878	4,255,251	407,418
0061	Community services	12,850	13,525	3,585	9,940
	Capital Outlay:				
0081	Facilities acquisition and construction		540,000	531,340	8,660
	Intergovernmental:				
0095	Payments to juvenile justice alternative education programs	118,672	118,672	43,100	75,572
0099	Other intergovernmental charges	<u>727,128</u>	<u>727,128</u>	<u>652,926</u>	<u>74,202</u>
6030	Total expenditures	<u>183,059,895</u>	<u>185,120,122</u>	<u>176,303,170</u>	<u>8,816,952</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(5,800,658)</u>	<u>(1,579,221)</u>	<u>7,288,491</u>	<u>8,766,192</u>
	OTHER FINANCING SOURCES:				
7912	Sale of real and personal property			16,920	16,920
7915	Transfers in		494,927	485,005	(9,922)
7918	Special items			382,941	382,941
8911	Transfers out			<u>(4,500,000)</u>	<u>(4,500,000)</u>
	Total other financing sources		<u>494,927</u>	<u>(3,615,134)</u>	<u>(4,110,061)</u>
1200	Net change in fund balance	<u>(5,800,658)</u>	<u>(1,084,294)</u>	3,673,357	4,757,651
0100	Fund balance - beginning	<u>58,634,779</u>	<u>58,634,779</u>	<u>58,634,779</u>	
3000	Fund balance - ending	<u>\$ 52,834,121</u>	<u>\$ 57,550,485</u>	<u>\$ 62,308,136</u>	<u>\$ 4,757,651</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND
RELATED RATIOS - COST SHARING EMPLOYER PLAN**

For the Last Ten Measurement Years Ended August 31 (1)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
District's proportion of the net pension liability	0.0608658%	0.1064410%	0.1126804%	0.1133576%
District's proportionate share of the net pension liability	\$ 16,258,097	\$ 37,625,477	\$ 42,580,241	\$ 36,245,657
State's proportionate share of the net pension liability associated with the District	<u>9,818,511</u>	<u>20,222,708</u>	<u>22,456,121</u>	<u>18,781,290</u>
Total	<u>\$ 26,076,608</u>	<u>\$ 57,848,185</u>	<u>\$ 65,036,362</u>	<u>\$ 55,026,947</u>
District's covered payroll	\$ 103,284,170	\$ 111,507,045	\$ 113,654,057	\$ 126,681,823
District's proportionate share of the net pension liability as a percentage of its covered payroll	15.74%	33.74%	37.46%	28.61%
Plan fiduciary net position as a percentage of total pension liability	83.25%	78.43%	78.00%	82.17%

(1) - Ten years of data should be presented with this schedule but data is unavailable prior to 2014. Net pension liability and related ratios will be presented prospectively as data becomes available.

<u>2018</u>	<u>2019</u>
0.1132894%	0.1115610%
\$ 62,357,231	\$ 57,992,918
<u>31,779,833</u>	<u>28,795,408</u>
<u>\$ 94,137,064</u>	<u>\$ 86,788,326</u>
\$ 130,171,373	\$ 134,140,118
47.90%	43.23%
73.74%	75.24%

PEARLAND INDEPENDENT SCHOOL DISTRICT**SCHEDULE OF REQUIRED RETIREMENT CONTRIBUTIONS - COST SHARING EMPLOYER PLAN**

For the Last Ten Years Ended June 30, (1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 1,543,117	\$ 3,151,764	\$ 3,662,404	\$ 3,859,394
Contributions in relation to the contractually required contribution	<u>1,543,117</u>	<u>3,151,764</u>	<u>3,662,404</u>	<u>3,859,394</u>
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
District's covered payroll	\$ 110,772,783	\$ 111,507,045	\$ 125,800,864	\$ 129,610,826
Contributions as a percentage of covered payroll	1.39%	2.83%	2.91%	2.98%

(1) - The first TRS actuarial report was completed for the year ended August 31, 2014 (measurement date), therefore only six years of required supplementary information is available.

<u>2019</u>	<u>2020</u>
\$ 3,943,079	\$ 4,182,913
<u>3,943,079</u>	<u>4,182,913</u>
\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>
\$ 133,520,841	\$ 136,980,416
2.95%	3.05%

PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-4

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
AND RELATED RATIOS - COST SHARING EMPLOYER PLAN**

For the Last Ten Measurement Years Ended August 31, (1)

	<u>2017</u>	<u>2018</u>	<u>2019</u>
District's proportion of the net OPEB liability	0.1423825%	0.1489414%	0.1493654%
District's proportionate share of the net OPEB liability	\$ 61,916,791	\$ 74,367,821	\$ 70,636,735
State's proportionate share of the net OPEB liability associated with the District	<u>36,184,923</u>	<u>42,706,020</u>	<u>40,304,610</u>
Total	<u>\$ 98,101,714</u>	<u>\$ 117,073,841</u>	<u>\$ 110,941,345</u>
District's covered payroll	\$ 126,681,823	\$ 130,171,373	\$ 134,140,118
District's proportionate share of the net OPEB liability as a percentage of its covered payroll	48.88%	57.13%	52.66%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%	1.57%	2.66%

(1) - Ten years of data should be presented with this schedule but data is unavailable prior to 2017. Net OPEB liability and related ratios will be presented prospectively as data becomes available.

PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-5

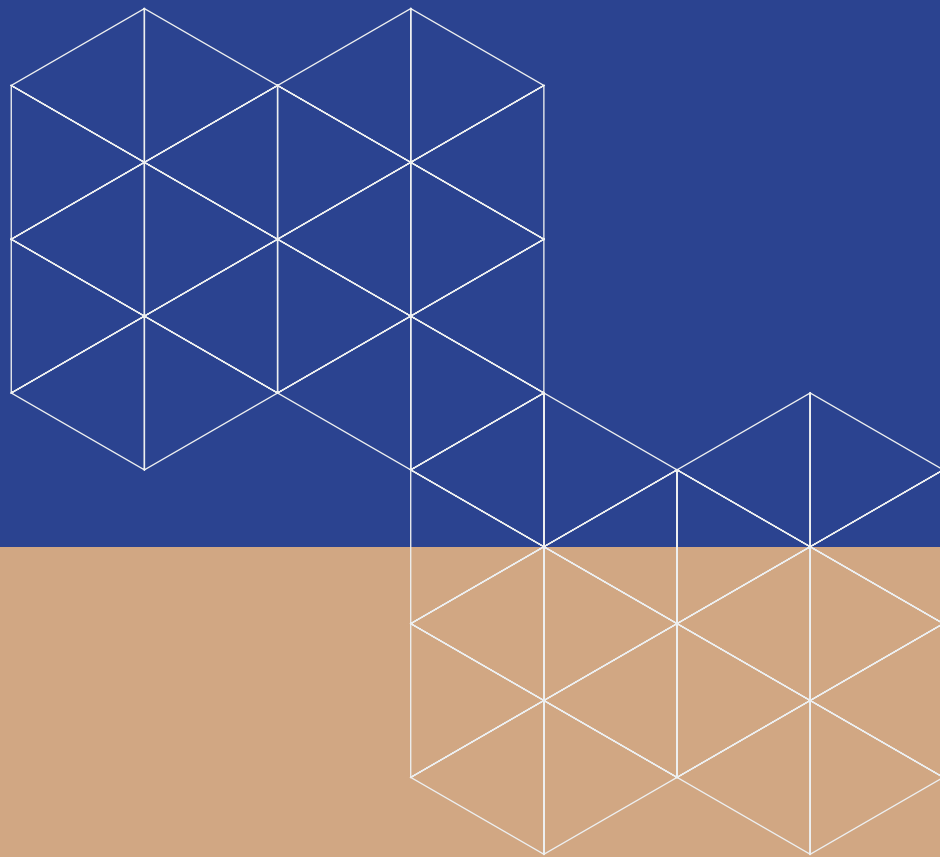
SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS - COST SHARING EMPLOYER PLAN

For the Last Ten Years Ended June 30, (1)

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contributions	\$ 981,381	\$ 1,055,979	\$ 1,072,952
Contributions in relation to the contractually required contribution	<u>981,381</u>	<u>1,055,979</u>	<u>1,072,952</u>
Contribution deficiency (excess)	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
District's covered payroll	\$ 129,610,826	\$ 133,520,841	\$ 136,980,416
Contributions as a percentage of Covered payroll	0.76%	0.79%	0.78%

(1) This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10-year trend is complied, the District will present information for those years for which information is available.

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OTHER SUPPLEMENTARY INFORMATION

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PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

Data Control Codes		206	211	224	225	Special 226
		ESSA, Title X, Part C-Education for the Homeless Children and Youth	ESSA Title I, Part A Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B High Cost Fund
	ASSETS AND OUTFLOWS OF RESOURCES					
	Assets:					
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments	4,396	378,154	574,859	15,488	282,805
1260	Due from other funds			331,511		
1290	Other receivables					
1300	Inventories					
1410	Prepaid items					
1000	Total assets	<u>4,396</u>	<u>378,154</u>	<u>906,370</u>	<u>15,488</u>	<u>282,805</u>
	Deferred Outflow of Resources:					
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 4,396</u>	<u>\$ 378,154</u>	<u>\$ 906,370</u>	<u>\$ 15,488</u>	<u>\$ 282,805</u>
	LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$ 13,904	\$ 7,981	\$	\$
2160	Accrued wages payable		166,980	247,694	7,326	
2170	Due to other funds	4,396	197,270	650,695	8,162	282,805
2200	Accrued expenditures					
2300	Unearned revenue					
2000	Total liabilities	<u>4,396</u>	<u>378,154</u>	<u>906,370</u>	<u>15,488</u>	<u>282,805</u>
	Deferred Inflows of Resources:					
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balance:					
3410	Nonspendable - inventories					
3430	Nonspendable - prepaid items					
3450	Restricted - food service					
3490	Restricted - other					
3000	Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 4,396</u>	<u>\$ 378,154</u>	<u>\$ 906,370</u>	<u>\$ 15,488</u>	<u>\$ 282,805</u>

Revenue Funds							
240	244	255	263	266	267	272	289
Food Service Fund	Career and Technical Basic Grant	ESSA, Title II, Part A Supporting Effective Instruction	Title III, Part A English Language Acquisition Enhancement Program	ESSER CARES Act	Improving Academic Achievement	Medicaid Administrative Claiming Program	Federally Funded Special Revenue Funds
\$ 2,629,562	\$	\$	\$	\$	\$	\$	\$
91,548	46,577	64,917	43,700	999,769	5,359	4,154	7,850
72							60,742
185,512							
<u>2,906,694</u>	<u>46,577</u>	<u>64,917</u>	<u>43,700</u>	<u>999,769</u>	<u>5,359</u>	<u>4,154</u>	<u>68,592</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 2,906,694</u>	<u>\$ 46,577</u>	<u>\$ 64,917</u>	<u>\$ 43,700</u>	<u>\$ 999,769</u>	<u>\$ 5,359</u>	<u>\$ 4,154</u>	<u>\$ 68,592</u>
\$ 21,953	\$ 18,297	\$	\$ 1,306	\$	\$ 5,359	\$	\$
541,862	381	63,360	14,675				
47,904	15,107	1,057	27,719	999,769		4,154	59,242
7,682	12,792						
		500					9,350
<u>619,401</u>	<u>46,577</u>	<u>64,917</u>	<u>43,700</u>	<u>999,769</u>	<u>5,359</u>	<u>4,154</u>	<u>68,592</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
185,512							
2,101,781							
<u>2,287,293</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 2,906,694</u>	<u>\$ 46,577</u>	<u>\$ 64,917</u>	<u>\$ 43,700</u>	<u>\$ 999,769</u>	<u>\$ 5,359</u>	<u>\$ 4,154</u>	<u>\$ 68,592</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020

Data Control Codes		Special Revenue				
		383	385 State Supplemental	397	410	423
		Professional Staff Development	Visually Impaired (SSVI)	Advanced Placement Incentives	State Instructional Materials	Truancy Intervention Program
	ASSETS AND OUTFLOWS OF RESOURCES					
	Assets:					
1110	Cash and cash equivalents	\$ 18,643	\$ 10,000	\$ 17,015	\$ 82,140	\$
1240	Receivables from other governments				43,776	28,647
1260	Due from other funds					
1290	Other receivables					
1300	Inventories					
1410	Prepaid items					
1000	Total assets	<u>18,643</u>	<u>10,000</u>	<u>17,015</u>	<u>125,916</u>	<u>28,647</u>
	DEFERRED OUTFLOWS OF RESOURCES					
1700	Deferred outflows of resources					
	Total deferred outflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
1000A	Total assets and deferred outflows of resources	<u>\$ 18,643</u>	<u>\$ 10,000</u>	<u>\$ 17,015</u>	<u>\$ 125,916</u>	<u>\$ 28,647</u>
	LIABILITIES AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$ 16,041	\$	\$	\$ 11,287	\$
2160	Accrued wages payable					
2170	Due to other funds				32	28,647
2200	Accrued expenditures					
2300	Unearned revenue	<u>2,602</u>	<u>10,000</u>	<u>8,021</u>	<u>111,826</u>	
2000	Total liabilities	<u>18,643</u>	<u>10,000</u>	<u>8,021</u>	<u>123,145</u>	<u>28,647</u>
	Deferred Inflows of Resources:					
1700	Deferred inflows of resources					
	Total deferred inflows of resources	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	Fund Balance:					
3410	Nonspendable - inventories					
3430	Nonspendable - prepaid items					
3450	Restricted - food service					
3490	Restricted - other			8,994	2,771	
3000	Total fund balance	<u>-0-</u>	<u>-0-</u>	<u>8,994</u>	<u>2,771</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 18,643</u>	<u>\$ 10,000</u>	<u>\$ 17,015</u>	<u>\$ 125,916</u>	<u>\$ 28,647</u>

Funds			
429 State Funded Special Revenue Fund	461 Campus Activity Funds	485 Locally Funded Special Revenue Fund	Total Nonmajor Governmental Funds
\$ 115,058	\$ 3,624,864	\$ 111,777	\$ 6,616,909
174,884			2,819,775
32	10,028		341,643
	5,529		5,529
			185,512
	13,219		13,219
<u>289,974</u>	<u>3,653,640</u>	<u>111,777</u>	<u>9,982,587</u>
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 289,974</u>	<u>\$ 3,653,640</u>	<u>\$ 111,777</u>	<u>\$ 9,982,587</u>
\$ 174,884	\$ 111,946	\$	\$ 382,958
	34,576		1,076,854
48,796	71		2,375,826
	90		20,564
<u>66,294</u>		<u>111,777</u>	<u>320,370</u>
<u>289,974</u>	<u>146,683</u>	<u>111,777</u>	<u>4,176,572</u>
			-0-
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
			185,512
	13,219		13,219
			2,101,781
	<u>3,493,738</u>		<u>3,505,503</u>
<u>-0-</u>	<u>3,506,957</u>	<u>-0-</u>	<u>5,806,015</u>
<u>\$ 289,974</u>	<u>\$ 3,653,640</u>	<u>\$ 111,777</u>	<u>\$ 9,982,587</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

Data Control codes		206	211	224	225	Special 226
		ESSA, Title X, Part C-Education for the Homeless Children and Youth	ESSA Title I, Part A Improving Basic Programs	IDEA Part B Formula	IDEA Part B Preschool	IDEA Part B High Cost Fund
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	28,624	1,180,100	3,084,501	50,728	282,805
5020	Total revenues	28,624	1,180,100	3,084,501	50,728	282,805
	EXPENDITURES:					
	Current:					
0011	Instruction	15,200	1,160,053	2,006,907	50,728	282,805
0012	Instructional resources and media services					
0013	Curriculum and staff development		8,046	10,778		
0021	Instructional leadership			290,953		
0023	School leadership					
0031	Guidance, counseling, and evaluation services			775,863		
0032	Social work services	13,424	1,871			
0033	Health services					
0034	Student transportation					
0035	Food service					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0053	Data processing services					
0061	Community services		10,130			
	Capital Outlay:					
0081	Facilities acquisition and construction					
6030	Total expenditures	28,624	1,180,100	3,084,501	50,728	282,805
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	-0-	-0-
	OTHER FINANCING USES:					
8911	Transfers out					
	Total other financing uses	-0-	-0-	-0-	-0-	-0-
1200	Net change in fund balance	-0-	-0-	-0-	-0-	-0-
0100	Fund balance - beginning					
3000	Fund balance - ending	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Revenue Funds							
240	244	255	263	266	267	272	289
Food Service Fund	Career and Technical Basic Grant	ESSA, Title II, Part A Supporting Effective Instruction	Title III, Part A English Language Acquisition Enhancement Program	ESSER CARES Act	Improving Academic Achievement	Medicaid Administrative Claiming Program	Federally Funded Special Revenue Funds
\$ 3,769,233	\$	\$	\$	\$	\$	\$	\$
295,398							
<u>3,655,604</u>	<u>158,872</u>	<u>284,261</u>	<u>122,521</u>	<u>999,769</u>	<u>60,187</u>	<u>15,234</u>	<u>503,305</u>
<u>7,720,235</u>	<u>158,872</u>	<u>284,261</u>	<u>122,521</u>	<u>999,769</u>	<u>60,187</u>	<u>15,234</u>	<u>503,305</u>
	130,435	88,839	83,685				
	9,000	195,422	36,730	84,998	60,187		18,300
				137,844			
				220,359			
				23,989			
				19,204		15,234	
8,612,588				48,754			
				41,796			
	19,437			333,271			
				89,554			
			2,106				
<u>8,612,588</u>	<u>158,872</u>	<u>284,261</u>	<u>122,521</u>	<u>999,769</u>	<u>60,187</u>	<u>15,234</u>	<u>18,300</u>
(892,353)	-0-	-0-	-0-	-0-	-0-	-0-	485,005
							(485,005)
-0-	-0-	-0-	-0-	-0-	-0-	-0-	(485,005)
(892,353)	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>3,179,646</u>							
\$ <u>2,287,293</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

Data Control Codes		Special Revenue				
		383	385 State Supplemental Visually Impaired (SSVI)	397	410	423
		Professional Staff Development		Advanced Placement Incentives	State Instructional Materials	Truancy Intervention Program
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$ 12,036	\$
5800	State program revenues	25,756		10,905	2,293,903	97,309
5900	Federal program revenues					
5020	Total revenues	25,756	-0-	10,905	2,305,939	97,309
	EXPENDITURES:					
	Current:					
0011	Instruction				2,299,439	
0012	Instructional resources and media services					
0013	Curriculum and staff development	25,756		10,905		
0021	Instructional leadership					
0023	School leadership					
0031	Guidance, counseling, and evaluation services					
0032	Social work services					97,309
0033	Health services					
0034	Student transportation					
0035	Food service					
0036	Extracurricular activities					
0041	General administration					
0051	Plant maintenance and operations					
0053	Data processing services				6,500	
0061	Community services					
	Capital Outlay:					
0081	Facilities acquisition and construction					
6030	Total expenditures	25,756	-0-	10,905	2,305,939	97,309
1100	Excess (deficiency) of revenues over expenditures	-0-	-0-	-0-	-0-	-0-
	OTHER FINANCING USES:					
8911	Transfers out					
	Total other financing uses	-0-	-0-	-0-	-0-	-0-
1200	Net change in fund balance	-0-	-0-	-0-	-0-	-0-
0100	Fund balance - beginning			8,994	2,771	
3000	Fund balance - ending	\$ -0-	\$ -0-	\$ 8,994	\$ 2,771	\$ -0-

Funds			
429 State Funded Special Revenue Fund	461 Campus Activity Funds	485 Locally Funded Special Revenue Fund	Total Nonmajor Governmental Funds
\$ 227,180	\$ 4,054,529	\$	\$ 7,835,798
			2,950,451
			10,426,511
<u>227,180</u>	<u>4,054,529</u>	<u>-0-</u>	<u>21,212,760</u>
3,500	8,807		6,130,398
90	459		549
			460,122
			428,797
			220,359
48,706			848,558
			112,604
			34,438
			48,754
			8,612,588
	4,023,584		4,065,380
			333,271
			108,991
	55		6,555
			12,236
<u>174,884</u>			<u>174,884</u>
<u>227,180</u>	<u>4,032,905</u>	<u>-0-</u>	<u>21,598,484</u>
<u>-0-</u>	<u>21,624</u>	<u>-0-</u>	<u>(385,724)</u>
			<u>(485,005)</u>
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(485,005)</u>
<u>-0-</u>	<u>21,624</u>	<u>-0-</u>	<u>(870,729)</u>
	<u>3,485,333</u>		<u>6,676,744</u>
<u>\$ -0-</u>	<u>\$ 3,506,957</u>	<u>\$ -0-</u>	<u>\$ 5,806,015</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
Year Ended June 30, 2020

Period Ended	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance July 1, 2019
	Maintenance	Debt Service		
2011 and Prior (1)	\$ ----	\$ ----	\$ ----	\$ 589,850
2012 (1)	1.0400	0.3794	5,501,975,666	115,110
2013 (2)	1.0400	0.3794	5,429,246,212	135,927
2014 (3)	1.0400	0.3757	5,525,748,732	161,687
2015 (3)	1.0400	0.3757	5,976,127,923	192,291
2016 (3)	1.0400	0.3756	6,045,998,468	204,977
2017 (3)	1.0400	0.3756	6,751,076,681	301,165
2018 (3)	1.0400	0.3756	7,361,661,103	433,234
2019 (3)	1.0600	0.3556	7,775,608,498	1,311,600
2020 School Period under Audit (3)	0.9700	0.4256	8,048,492,813	
1000 Totals				\$ <u>3,445,841</u>

(1) Year Ended August 31,

(2) Ten Months Ended June 30, 2013

(3) Year Ended June 30,

Current Year's Total Levy	Maintenance Total Collections	Debt Service Total Collections	Entire Year's Adjustments	Ending Balance June 30, 2019
\$	\$ 39,198	\$ 10,929	\$ (18,845)	\$ 520,878
	10,293	3,755	(477)	100,585
	12,166	4,438	(477)	118,846
	14,869	5,372	(471)	140,975
	33,487	12,098	10,856	157,562
	41,200	14,880	12,579	161,476
	65,667	23,716	16,671	228,453
	95,350	34,436	(4,343)	299,105
	650,348	218,173	(30,920)	412,159
<u>108,357,834</u>	<u>76,381,655</u>	<u>33,513,436</u>	<u>2,958,446</u>	<u>1,421,189</u>
<u>\$ 108,357,834</u>	<u>\$ 77,344,233</u>	<u>\$ 33,841,233</u>	<u>\$ 2,943,019</u>	<u>\$ 3,561,228</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-4

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -

Budget and Actual - Food Service Fund

Year Ended June 30, 2020

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 5,209,850	\$ 5,209,850	\$ 3,769,233	\$(1,440,617)
5800	State program revenues	268,000	302,773	295,398	(7,375)
5900	Federal program revenues	<u>4,627,000</u>	<u>4,627,000</u>	<u>3,655,604</u>	<u>(971,396)</u>
5020	Total revenues	<u>10,104,850</u>	<u>10,139,623</u>	<u>7,720,235</u>	<u>(2,419,388)</u>
	EXPENDITURES:				
	Current:				
0035	Food service	10,104,850	10,301,956	8,612,588	1,689,368
	Capital Outlay:				
0081	Facilities acquisition and construction		<u>323,167</u>		<u>323,167</u>
6030	Total expenditures	<u>10,104,850</u>	<u>10,625,123</u>	<u>8,612,588</u>	<u>2,012,535</u>
1200	Net change in fund balance	-0-	(485,500)	(892,353)	(406,853)
0100	Fund balance - beginning	<u>3,179,646</u>	<u>3,179,646</u>	<u>3,179,646</u>	<u>-0-</u>
3000	Fund balance - ending	<u>\$ 3,179,646</u>	<u>\$ 2,694,146</u>	<u>\$ 2,287,293</u>	<u>\$(406,853)</u>

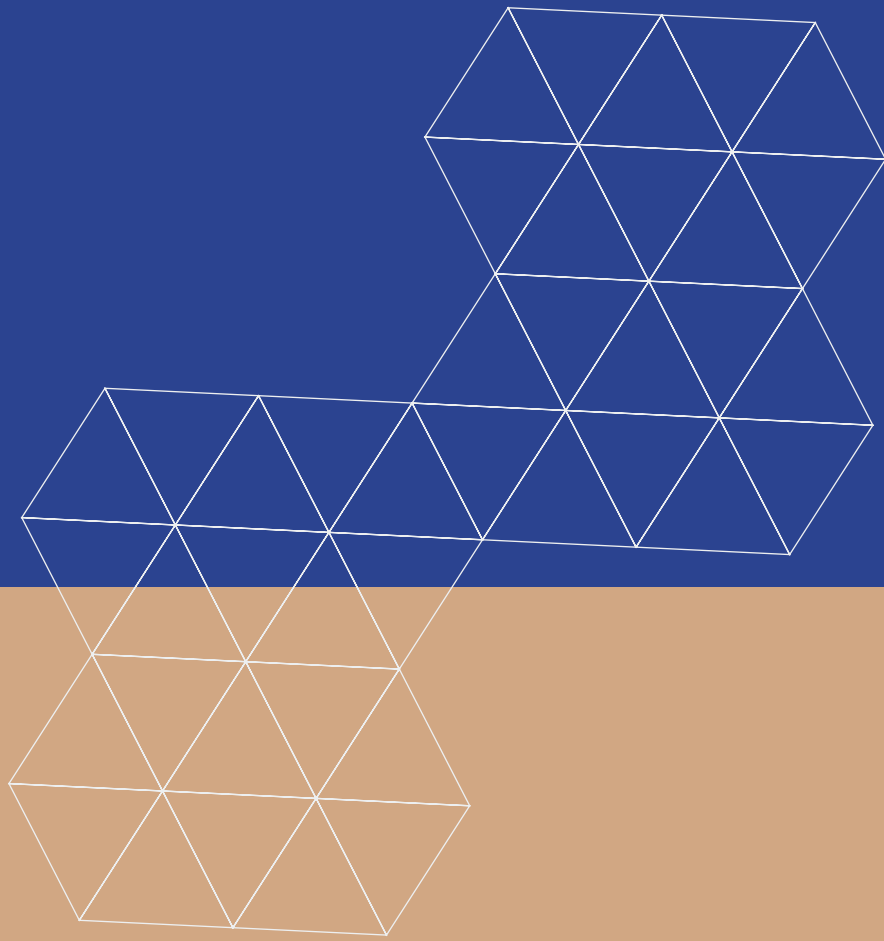
PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2020**

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 31,580,168	\$ 34,103,111	\$ 34,382,914	\$ 279,803
5800	State program revenues	<u>250,000</u>	<u>707,817</u>	<u>815,077</u>	<u>107,620</u>
5020	Total revenues	<u>31,830,168</u>	<u>34,810,928</u>	<u>35,197,991</u>	<u>387,063</u>
	EXPENDITURES:				
	Debt Service:				
0071	Debt service - principal	14,280,000	14,280,000	14,280,000	
0072	Debt service - interest and fees	<u>20,089,867</u>	<u>20,089,867</u>	<u>19,989,889</u>	<u>99,978</u>
6030	Total expenditures	<u>34,369,867</u>	<u>34,369,867</u>	<u>34,269,889</u>	<u>99,978</u>
1100	Excess (deficiency) of revenues over expenditures	(<u>2,539,699</u>)	<u>441,061</u>	<u>928,102</u>	<u>487,041</u>
	OTHER FINANCING SOURCES:				
7916	Premium on issuance of general obligation bonds	<u>1,382,052</u>	<u>1,382,052</u>	<u>224,933</u>	(<u>1,157,119</u>)
	Total other financing sources	<u>1,382,052</u>	<u>1,382,052</u>	<u>224,933</u>	(<u>1,157,119</u>)
1200	Net change in fund balance	(<u>1,157,647</u>)	<u>1,823,113</u>	<u>1,153,035</u>	(<u>670,078</u>)
0100	Fund balance - beginning	<u>23,683,089</u>	<u>23,683,089</u>	<u>23,683,089</u>	
3000	Fund balance - ending	\$ <u>22,525,442</u>	\$ <u>25,506,202</u>	\$ <u>24,836,124</u>	\$ (<u>670,078</u>)

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STATISTICAL SECTION

STATISTICAL SECTION

Statistical tables are used to provide detailed data on the physical, economic, and political characteristics of a government. They are intended to provide financial report users with a broader and more complete understanding of the government and its financial affairs than it is possible from the basic financial statements. The information is provided in five categories.

Financial Trends Information (tables 1-4)

Intended to assist users in understanding and assessing how a District's financial position has changed over time.

Revenue Capacity Information (tables 5-8)

Intended to assist users in understanding and assessing the factors affecting the District's ability to generate its own-source revenues.

Debt Capacity Information (tables 9-12)

Intended to assist users in understanding and assessing the District's debt burden and its ability to issue additional debt.

Demographic and Economic Information (tables 13-14)

Intended to assist users in understanding the socioeconomic environment within which the District operated and to provide information that facilitates comparisons of financial statement information over time and among other school districts.

Operating Information (tables 15-18)

Intended to provide contextual information the District's operations and resources to assist readers in using financial statement information to understand and assess the District's economic condition.

The District's statistical tables usually cover ten fiscal years and often present data from outside the accounting records. The source of information is from District data found in this report, unless indicated otherwise. The tables are unaudited due to the nature of the information contained therein.

PEARLAND INDEPENDENT SCHOOL DISTRICT**NET POSITION BY COMPONENT**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012⁽⁴⁾</u>	<u>2013</u>	<u>2014</u>	<u>2015⁽³⁾</u>
Governmental Activities:					
Net investment in capital assets	\$ 33,405,783	\$ 16,762,579	\$ 15,946,723	\$ 18,897,541	\$ 17,282,340
Restricted	8,393,854	17,954,836	22,536,155	22,519,103	23,587,767
Unrestricted	<u>16,043,287</u>	<u>20,880,554</u>	<u>29,483,989</u>	<u>34,680,706</u>	<u>21,468,018</u>
Total Primary Government Net Position	<u>\$ 57,842,924</u>	<u>\$ 55,597,969</u>	<u>\$ 67,966,867</u>	<u>\$ 76,097,350</u>	<u>\$ 62,338,125</u>

(1) The District implemented GASB Statement No. 75 in 2018. The effects of this statement were not applied to previous years.

(2) Restated 2016 – Prior Period Adjustment in Agency Funds.

(3) The District implemented GASB Statement No. 68 in 2015. The effects of this statement were not applied to previous years.

(4) The District implemented GASB Statement No. 65 in 2013, which resulted in a retroactive restatement of Net Position in 2012.

Table 1

<u>2016⁽²⁾</u>	<u>2017</u>	<u>2018⁽¹⁾</u>	<u>2019</u>	<u>2020</u>
\$ 23,401,439	\$ 31,924,248	\$ 47,413,133	\$ 60,683,806	\$ 58,123,658
30,576,858	32,597,373	22,408,288	23,352,669	32,299,308
<u>17,128,959</u>	<u>12,140,158</u>	<u>(79,423,632)</u>	<u>(86,794,259)</u>	<u>(93,535,389)</u>
<u>\$ 71,107,256</u>	<u>\$ 76,661,779</u>	<u>\$ (9,602,211)</u>	<u>\$ (2,757,784)</u>	<u>\$ (3,112,423)</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Expenses					
Governmental Activities:					
Instruction	\$ 81,548,870	\$ 80,497,321	\$ 76,616,490	\$ 90,613,629	\$ 96,418,084
Instructional resources and media services	1,674,598	1,684,201	1,596,399	1,830,154	1,748,551
Curriculum and instructional staff development	3,720,990	3,307,258	3,231,292	3,790,285	4,420,330
Instructional leadership	1,791,046	1,764,562	1,532,989	1,916,644	2,022,634
School leadership	8,387,538	8,083,392	7,873,688	9,010,467	9,340,019
Guidance, counseling, and evaluation services	4,209,541	4,440,673	4,512,404	5,127,407	5,511,460
Social work services	322,953	318,057	282,937	392,206	446,637
Health services	1,274,915	1,186,173	1,129,578	1,246,878	1,336,795
Student transportation	5,913,327	6,337,619	5,581,988	6,927,329	6,768,116
Food service	8,281,869	8,758,214	8,046,156	9,617,535	9,314,602
Extracurricular activities	5,094,316	5,523,241	4,324,185	5,161,116	4,993,563
General administration	3,821,622	3,445,382	2,860,991	3,547,964	3,819,145
Facilities maintenance and operations	13,097,062	13,089,155	11,583,898	14,638,541	15,370,044
Security and monitoring services	1,259,194	1,265,546	1,389,484	1,677,065	1,740,251
Data processing services	3,066,501	4,239,364	5,354,227	3,554,845	3,927,450
Community services	67,999	241,622	32,860	16,074	13,829
Debt service	14,869,983	14,034,122	11,991,930	12,949,879	14,211,829
Payments to shared service arrangements	4,960,051	4,608,101	4,082,692	4,428,939	4,605,539
Payments to juvenile justice alternative education programs	800	2,600	20,100	7,200	14,500
Other intergovernmental charges	<u>568,461</u>	<u>558,860</u>	<u>408,183</u>	<u>546,652</u>	<u>566,318</u>
Total primary government expenses	<u>\$163,931,636</u>	<u>\$163,385,463</u>	<u>\$152,452,471</u>	<u>\$177,000,809</u>	<u>\$186,589,696</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
Instructional	\$ 268,719	\$ 265,391	\$ 236,203	\$ 253,799	\$ 237,221
Food service	4,928,457	5,069,888	4,766,315	4,984,064	4,784,658
Extracurricular activities	446,404	459,306	349,925	421,770	422,991
General administration	7,526	82	19	1,544	939
Other activities	45,380	2,158	30,968	40,214	24,450
Operating grants and contributions	22,037,720	14,151,769	16,906,922	20,632,311	19,750,202
Capital grants and contributions	<u>573,609</u>	<u>344,944</u>	<u>121,961</u>	<u>78,193</u>	<u>91,482</u>
Total primary government program revenues	<u>28,307,815</u>	<u>20,293,538</u>	<u>22,412,313</u>	<u>26,411,895</u>	<u>25,311,943</u>
Net primary government expense	<u>\$(135,623,821)</u>	<u>\$(143,091,925)</u>	<u>\$(130,040,158)</u>	<u>\$(150,588,914)</u>	<u>\$(161,277,753)</u>

(continued)

Table 2
Page 1 of 2

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$108,018,146	\$111,410,232	\$101,971,641	\$121,399,219	\$126,833,821
1,892,690	2,023,569	1,874,480	2,093,071	2,217,336
4,798,357	5,032,868	4,396,887	5,764,129	5,943,688
2,117,324	2,364,184	2,188,457	2,751,236	2,925,918
10,145,554	10,889,063	9,884,886	12,175,638	12,681,811
6,212,844	6,549,827	5,689,193	7,846,560	8,599,077
528,261	564,122	594,806	766,826	802,305
1,452,554	1,470,916	1,322,930	1,807,969	1,965,143
6,920,831	7,166,128	6,707,250	7,868,200	7,193,612
9,640,501	9,628,376	9,539,071	9,774,564	9,264,759
5,297,839	5,352,392	10,135,800	10,060,042	9,820,049
4,148,299	4,461,643	4,198,607	4,957,664	5,034,601
20,729,037	20,600,321	19,310,843	20,921,398	21,169,918
1,907,967	1,837,076	1,956,123	1,797,862	2,523,273
4,267,205	5,418,925	5,141,820	6,183,838	6,070,429
9,337	17,607	17,057	19,340	15,821
12,306,612	11,537,729	16,161,698	16,577,071	17,543,127
11,379				
20,000	17,600	44,800	83,400	43,100
<u>597,519</u>	<u>627,315</u>	<u>650,378</u>	<u>655,335</u>	<u>652,926</u>
<u>\$201,022,256</u>	<u>\$206,969,893</u>	<u>\$201,786,727</u>	<u>\$233,503,362</u>	<u>\$241,300,714</u>
\$ 271,748	\$ 346,793	\$ 365,685	\$ 398,919	\$ 324,802
5,069,315	4,973,390	4,235,483	4,869,544	3,769,233
396,299	436,099	5,349,495	5,126,895	4,349,030
721	507	545	31,242	54,720
18,776	19,711	15,065	1,033	517
23,923,153	21,001,150	21,912,229	25,746,922	25,783,688
<u>72,335</u>	<u>111,512</u>	<u>194,827</u>	<u>191,116</u>	<u>462,194</u>
<u>29,752,347</u>	<u>26,889,162</u>	<u>32,073,329</u>	<u>36,365,671</u>	<u>34,744,184</u>
<u>\$(171,269,909)</u>	<u>\$(180,080,731)</u>	<u>\$(169,713,398)</u>	<u>\$(197,137,691)</u>	<u>\$(206,556,530)</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**STATEMENT OF ACTIVITIES (CONTINUED)**

Last Ten Fiscal Years

(Accrual Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Revenues and Other Changes in Net Position:					
Governmental Activities:					
Property taxes - levied for general purposes	\$ 57,961,231	\$ 57,911,874	\$ 58,423,733	\$ 59,785,723	\$ 63,077,455
Property taxes - levied for debt service	21,126,157	21,107,056	21,312,482	21,585,188	22,772,073
State aid - formula grants	57,075,582	58,481,482	61,729,034	75,904,945	79,599,546
Other grants and contributions not restricted to specific programs	3,685,816	4,547,211	400,529	663,162	146,102
Investment earnings	89,393	91,822	77,126	68,493	77,851
Miscellaneous	842,572	604,694	466,152	709,666	697,906
Special item/gain on sale	<u> </u>	<u>12,707</u>	<u> </u>	<u>2,220</u>	<u>28,348</u>
Total primary government general revenues	<u>140,780,751</u>	<u>142,756,846</u>	<u>142,409,056</u>	<u>158,719,397</u>	<u>166,399,281</u>
Total primary government change in net position	<u>\$ 5,156,930</u>	<u>\$ (335,079)</u>	<u>\$ 12,368,898</u>	<u>\$ 8,130,483</u>	<u>\$ 5,121,528</u>

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 65,527,661	\$ 72,912,075	\$ 78,244,130	\$ 81,104,706	\$ 77,798,829
23,638,974	26,318,697	28,235,132	27,172,041	34,091,048
85,600,906	84,989,975	82,102,901	91,129,765	90,951,732
143,358	144,820	121,350	543,154	492,919
171,783	359,826	2,261,747	3,249,250	2,311,372
790,255	909,861	1,003,357	783,202	506,130
<u>1,156,502</u>		<u>51,509</u>		<u>49,861</u>
<u>177,029,439</u>	<u>185,635,254</u>	<u>192,020,126</u>	<u>203,982,118</u>	<u>206,201,891</u>
<u>\$ 5,759,530</u>	<u>\$ 5,554,523</u>	<u>\$ 22,306,728</u>	<u>\$ 6,844,427</u>	<u>\$ (354,639)</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT**FUND BALANCES – GOVERNMENTAL FUNDS**

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General Fund:					
Nonspendable	\$ 1,432,471	\$ 1,783,714	\$ 1,829,626	\$ 1,848,036	\$ 1,585,944
Committed	7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
Assigned	4,688,000	12,888,000	12,888,000	13,370,000	12,954,000
Unassigned	<u>21,803,839</u>	<u>17,795,984</u>	<u>22,099,193</u>	<u>26,410,060</u>	<u>26,982,273</u>
Total General Fund	<u>\$ 35,424,310</u>	<u>\$ 39,967,698</u>	<u>\$ 44,316,819</u>	<u>\$ 49,128,096</u>	<u>\$ 49,022,217</u>
All Other Governmental Funds:					
Nonspendable	\$ 355,846	\$ 269,818	\$ 226,429	\$ 229,309	\$ 171,651
Restricted	13,682,882	9,485,437	15,249,516	16,146,706	45,033,702
Assigned					
Unassigned	<u> </u>	<u>(3,353)</u>	<u> </u>	<u> </u>	<u> </u>
Total All Other Governmental Funds	<u>\$ 14,038,728</u>	<u>\$ 9,751,902</u>	<u>\$ 15,475,945</u>	<u>\$ 16,376,015</u>	<u>\$ 45,205,353</u>

Source:

District Financial Statements

Table 3

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 1,325,206	\$ 1,542,508	\$ 1,346,834	\$ 1,584,198	\$ 1,573,000
7,500,000	7,500,000	7,500,000	7,500,000	17,000,000
13,010,000	13,010,000	13,010,000	13,010,000	12,076,000
<u>27,778,841</u>	<u>28,684,274</u>	<u>30,212,343</u>	<u>36,540,581</u>	<u>31,659,136</u>
<u>\$ 49,614,047</u>	<u>\$ 50,736,782</u>	<u>\$ 52,069,177</u>	<u>\$ 58,634,779</u>	<u>\$ 62,308,136</u>
\$ 80,175	\$ 62,004	\$ 70,833	\$ 70,833	\$ 198,731
30,926,787	24,672,554	97,232,458	71,001,809	45,919,202
			10,000,000	13,053,145
<u> </u>	<u>(2,335,819)</u>	<u> </u>	<u> </u>	<u> </u>
<u>\$ 31,006,962</u>	<u>\$ 22,398,739</u>	<u>\$ 97,303,291</u>	<u>\$ 81,072,642</u>	<u>\$ 59,171,078</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Revenues:					
Local and intermediate revenues	\$ 86,033,628	\$ 85,384,461	\$ 85,813,263	\$ 88,149,171	\$ 92,259,239
State program revenues	64,735,618	68,071,017	70,729,224	87,478,517	90,243,942
Federal program revenues	<u>18,336,084</u>	<u>9,391,999</u>	<u>8,408,421</u>	<u>9,521,902</u>	<u>9,166,266</u>
Total revenues	<u>169,105,330</u>	<u>162,847,477</u>	<u>164,950,908</u>	<u>185,149,590</u>	<u>191,669,447</u>
Expenditures:					
Current:					
Instruction	75,645,220	71,955,957	71,595,464	83,293,152	91,108,999
Instructional resources and media services	1,488,432	1,324,124	1,370,073	1,512,263	1,486,919
Curriculum and instructional staff development	3,731,013	3,307,696	3,230,825	3,797,096	4,458,486
Instructional leadership	1,623,080	1,617,989	1,438,960	1,805,692	1,957,579
School leadership	8,380,307	8,077,039	7,854,749	8,993,223	9,438,721
Guidance, counseling and evaluation services	4,196,413	4,432,383	4,498,708	5,111,852	5,559,429
Social work services	311,869	303,051	273,348	400,795	435,596
Health services	1,265,804	1,176,379	1,120,465	1,235,398	1,342,241
Student transportation	5,803,787	5,470,788	5,467,048	6,421,043	6,455,439
Food service	7,676,835	8,253,341	7,522,486	9,149,610	8,673,990
Extracurricular activities	3,812,466	3,764,988	3,296,014	3,700,562	3,748,625
General administration	3,721,555	3,375,679	2,781,871	3,455,607	3,762,432
Facilities maintenance and operations	13,128,891	13,745,853	11,844,128	14,778,758	15,884,651
Security and monitoring services	1,295,938	1,273,963	1,418,875	1,658,041	1,714,442
Data processing services	2,861,136	4,878,313	5,227,384	2,969,483	3,950,814
Community services	67,999	56,122	32,860	16,074	13,829
Debt Service:					
Principal	31,085,000	9,710,000	10,060,000	10,415,000	10,810,000
Interest and fees	15,009,503	14,521,288	7,712,676	12,750,985	13,697,528
Capital Outlay:					
Facilities acquisition and construction		102,640	3,399,607	3,019,989	7,758,952
Intergovernmental:					
Payments to shared services arrangement	4,960,051	4,608,101	4,082,692	4,428,939	4,605,539
Payments to juvenile justice alternative education programs	800	2,600	20,100	7,200	14,500
Other intergovernmental charges	<u>568,461</u>	<u>558,860</u>	<u>408,183</u>	<u>546,652</u>	<u>566,318</u>
Total expenditures	<u>186,634,560</u>	<u>162,517,154</u>	<u>154,656,516</u>	<u>179,467,414</u>	<u>197,445,029</u>
Excess (deficiency) of revenues over expenditures	<u>(17,529,230)</u>	<u>330,323</u>	<u>10,294,392</u>	<u>5,682,176</u>	<u>(5,775,582)</u>

(continued)

Table 4
Page 1 of 2

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 95,840,980	\$ 106,286,528	\$ 119,717,684	\$ 122,911,541	\$ 123,201,216
99,372,913	95,054,025	91,753,852	101,766,476	103,819,529
<u>10,219,097</u>	<u>10,991,818</u>	<u>12,409,786</u>	<u>15,626,996</u>	<u>13,858,967</u>
<u>205,432,990</u>	<u>212,332,371</u>	<u>223,881,322</u>	<u>240,305,013</u>	<u>240,879,712</u>
100,013,539	102,346,015	108,279,374	111,168,060	114,813,730
1,592,494	1,714,063	1,805,416	1,764,152	1,837,890
4,715,540	4,896,907	5,032,642	5,545,612	5,622,292
1,997,282	2,222,639	2,444,464	2,563,931	2,661,862
9,942,149	10,569,398	11,317,318	11,650,171	11,952,893
6,101,343	6,360,812	6,534,444	7,528,441	8,117,834
503,485	537,927	647,112	727,991	753,643
1,417,082	1,421,014	1,499,353	1,717,823	1,858,239
6,497,794	6,813,120	7,142,491	6,747,608	6,125,534
8,829,449	8,894,463	9,554,503	9,074,753	8,612,588
3,948,679	4,018,146	9,275,938	8,672,950	8,532,132
3,977,831	4,265,087	4,609,335	4,575,629	4,674,169
21,045,183	20,324,077	22,840,181	20,557,107	23,304,120
1,809,034	1,824,948	1,970,223	1,782,996	2,498,696
3,782,607	6,074,903	6,034,405	5,710,355	5,248,698
9,337	17,607	17,057	19,340	15,821
11,485,000	14,190,000	12,945,000	13,530,000	14,280,000
14,121,996	12,753,433	16,367,370	17,523,575	19,989,889
19,332,936	12,854,188	41,905,501	100,641,232	38,136,657
11,379				
20,000	17,600	44,800	83,400	43,100
<u>597,519</u>	<u>627,315</u>	<u>650,378</u>	<u>655,335</u>	<u>652,926</u>
<u>221,751,658</u>	<u>222,743,662</u>	<u>270,917,305</u>	<u>332,240,461</u>	<u>279,732,713</u>
(16,318,668)	(10,411,291)	(47,035,983)	(91,935,448)	(38,853,001)

PEARLAND INDEPENDENT SCHOOL DISTRICT**CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS (CONTINUED)**

Last Ten Fiscal Years

(Modified Accrual Basis of Accounting)

(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Other Financing Sources (Uses):					
Issuance of general obligation bonds	\$ 22,500,000	\$ 71,585,000	\$ 53,645,000	\$	\$ 59,195,000
Sale of property	16,157	23,456		29,171	36,348
Sale of land					
Transfers in	26,004,202		3,717,700	101,061	1,214,495
Insurance recoveries					
Premium on issuance of general obligation bonds	181,050	11,649,616	6,148,388		8,439,077
Transfers out	(26,092,394)		(3,717,700)	(101,061)	(1,214,495)
Payment to refunded bond escrow agent		(83,331,833)	(60,014,616)		(33,171,384)
	<u>22,609,015</u>	<u>(73,761)</u>	<u>(221,228)</u>	<u>29,171</u>	<u>34,499,041</u>
Total other financing sources (uses)					
	<u>22,609,015</u>	<u>(73,761)</u>	<u>(221,228)</u>	<u>29,171</u>	<u>34,499,041</u>
Net change in fund balance	\$ <u>5,079,785</u>	\$ <u>256,562</u>	\$ <u>10,073,164</u>	\$ <u>5,711,347</u>	\$ <u>28,723,459</u>
Debt Service (Principal and Interest) as a Percentage of Non-Capital Expenditures	24.7%	14.9%	11.7%	13.1%	12.9%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 41,335,000	\$ 42,200,000	\$105,510,000	\$ 75,155,000	\$ 18,305,000
10,480	14,961	4,369	40,676	16,920
2,625,612				382,941
25,826	2,000,000	1,001,385	12,694,253	4,985,005
		51,509		
9,921,717	3,748,706	17,707,052	7,074,725	1,919,933
(154,882)	(2,000,000)	(1,001,385)	(12,694,253)	(4,985,005)
<u>(51,051,646)</u>	<u>(46,047,466)</u>			
<u>2,712,107</u>	<u>(83,799)</u>	<u>123,272,930</u>	<u>82,270,401</u>	<u>20,624,794</u>
<u>\$(13,606,561)</u>	<u>\$(10,495,090)</u>	<u>\$ 76,236,947</u>	<u>\$(9,665,047)</u>	<u>\$(18,228,207)</u>
12.7%	12.8%	13.1%	13.5%	14.4%

PEARLAND INDEPENDENT SCHOOL DISTRICT
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Actual Value				
	Residential	Commercial, Industrial and Multi-Family	Acreage	Vacant Lots and Tracts	Utilities
2011	\$ 4,705,708,340	\$ 1,037,254,448	\$ 88,834,439	\$ 63,380,405	\$ 67,512,160
2012	4,730,736,168	1,012,427,768	90,673,419	62,639,517	66,809,201
2013	4,698,908,575	998,188,364	92,587,505	62,997,062	57,963,290
2014	4,759,250,132	1,052,563,173	106,704,868	66,228,503	61,860,480
2015	4,948,471,437	1,235,935,304	98,244,561	65,989,906	74,267,400
2016	5,321,992,392	1,334,242,825	108,350,862	66,684,347	60,032,490
2017	6,036,550,378	1,435,484,716	136,431,796	77,775,860	73,020,770
2018	6,424,323,025	1,512,698,674	139,444,658	78,359,815	97,390,970
2019	6,640,490,559	1,689,682,193	139,866,994	81,184,509	100,322,780
2020	6,852,563,878	1,781,315,768	138,375,032	80,959,891	126,775,340

(1) Tax rates are per \$100 of assessed value.

(2) Tax levy is billing levy. Supplements to the certified appraisal roll were added before October 1, 2020 creating 2010 billing levy.

Source:

Brazoria County (Texas) Appraisal District and Harris County (Texas) Appraisal District provides the District's tax office with certified appraised and taxable values for properties within the District's tax authority. Actual value equals appraised value. Actual value less exemptions equals taxable assessed value. Taxable assessed value times the tax rate set by the District's Board of Trustees each fall equals the tax levy. Additional factors influence certified levy such as late rendition penalties, late penalties, late ag penalties and actual collectable levy of properties receiving tax ceiling for over 65 exemption.

Table 5

Other		Less: Exemptions	Total Taxable Assessed Value	Total Direct Rate ⁽¹⁾
\$	576,273,960	\$ 1,081,085,916	\$5,457,877,836 (2)	1.4194
	602,215,267	1,063,525,674	5,501,975,666	1.4194
	609,431,004	1,090,829,588	5,429,246,212	1.4194
	585,335,382	1,106,193,806	5,525,748,732	1.4157
	599,853,402	1,144,941,608	5,877,820,402	1.4157
	595,093,748	1,440,398,196	6,045,998,468	1.4156
	641,416,649	1,649,603,488	6,751,076,681	1.4156
	685,401,853	1,575,957,892	7,361,661,103	1.4156
	685,191,509	1,561,130,046	7,775,608,498	1.4156
	722,923,104	1,654,420,200	8,048,492,813	1.3956

PEARLAND INDEPENDENT SCHOOL DISTRICT**PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS**

(PER \$100 OF ASSESSED VALUATION)

Last Ten Fiscal Years

(Unaudited)

	2011 Tax Rate	2012 Tax Rate	2013 Tax Rate	2014 Tax Rate	2015 Tax Rate
Brazoria County	0.463	0.473	0.486	0.492	0.499
Brazoria County MUD No. 2	0.500	0.500	0.490	0.490	0.490
Brazoria County MUD No. 3	0.630	0.630	0.630	0.630	0.630
Brazoria County MUD No. 6	0.630	0.630	0.630	0.630	0.630
Brazoria County MUD No. 16	0.950	0.950	0.940	0.940	0.940
Brazoria County MUD No. 17	0.547	0.547	0.544	0.544	0.520
Brazoria County MUD No. 18	0.550	0.545	0.530	0.510	0.470
Brazoria County MUD No. 19	0.620	0.600	0.580	0.550	0.510
Brazoria County MUD No. 23	0.770	0.630	0.610	0.600	0.580
Brazoria County MUD No. 28	0.820	0.820	0.820	0.820	0.820
Harris County	0.388	0.391	0.400	0.415	0.417
Harris County Department of Education	0.007	0.007	0.007	0.006	0.006
Harris County Flood Control District	0.029	0.028	0.028	0.028	0.027
Harris County Hospital District	0.192	0.192	0.182	0.170	0.170
Harris-Brazoria Counties MUD No. 509	N/A	N/A	N/A	0.850	0.850
City of Pearland	0.665	0.685	0.705	0.705	0.712
Port of Houston Authority	0.021	0.019	0.020	0.017	0.015
Pearland ISD Direct Rates:					
Maintenance & Operations	1.0400	1.0400	1.0400	1.0400	1.0400
Debt Service	<u>0.3794</u>	<u>0.3794</u>	<u>0.3794</u>	<u>0.3757</u>	<u>0.3757</u>
Total District Direct Rates	<u><u>1.4194</u></u>	<u><u>1.4194</u></u>	<u><u>1.4194</u></u>	<u><u>1.4157</u></u>	<u><u>1.4157</u></u>

Note: An individual resident of Pearland ISD resides in only one county and one utility district. Therefore, the total taxes applicable to the individual resident are insignificantly less than the sum of the taxes shown.

Table 6

<u>2016</u> <u>Tax Rate</u>	<u>2017</u> <u>Tax Rate</u>	<u>2018</u> <u>Tax Rate</u>	<u>2019</u> <u>Tax Rate</u>	<u>2020</u> <u>Tax Rate</u>
0.486	0.440	0.440	0.428	0.415
0.440	0.400	0.400	0.400	0.400
0.620	0.590	0.590	0.590	0.590
0.600	0.600	0.600	0.600	0.600
0.940	0.940	0.940	0.890	0.850
0.460	0.410	0.380	0.380	0.360
0.390	0.350	0.310	0.310	0.290
0.450	0.400	0.380	0.360	0.350
0.540	0.480	0.470	0.460	0.460
0.820	0.820	0.820	0.820	0.820
0.419	0.417	0.418	0.419	0.419
0.005	0.005	0.005	0.005	0.005
0.027	0.028	0.028	0.029	0.029
0.170	0.172	0.171	0.171	0.179
0.850	0.850	0.850	0.850	0.850
0.705	0.681	0.685	0.709	0.741
0.013	0.013	0.013	0.012	0.011
1.0400	1.0400	1.0400	1.0600	0.9700
<u>0.3756</u>	<u>0.3756</u>	<u>0.3756</u>	<u>0.3556</u>	<u>0.4256</u>
<u>1.4156</u>	<u>1.4156</u>	<u>1.4156</u>	<u>1.4156</u>	<u>1.3956</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

(Amounts in thousands)

Table 7

Taxpayer	Type of Property	Fiscal Year Ended June 30, 2020			Fiscal Year Ended June 30, 2011		
		Taxable Assessed Valuation ⁽¹⁾	Rank	Percentage of Total Assessed Valuation ⁽²⁾	Taxable Assessed Valuation ⁽¹⁾	Rank	Percentage of Total Assessed Valuation ⁽³⁾
Floworks	Industrial	\$ 45,895,913	1	0.57%			
CenterPoint Energy Inc.	Electric Utility	33,186,960	2	0.41%	\$ 25,946,710	5	0.48%
Pearland Dunhill 1, LLC	Retail Center	31,352,910	3	0.39%			
Lake Park Pearland LTD	Apartments	30,904,090	4	0.38%			
VR St. Andrew LP	Apartments	30,741,120	5	0.38%			
Weatherford US LP	Oil Field Equipment	29,651,260	6	0.37%	45,210,463	3	0.83%
Wal-Mart Real Estate Trust	Department Store	29,370,230	7	0.36%	23,412,910	7	0.43%
Seaway Crude Pipeline Company	Oil Field Equipment	26,293,930	8	0.33%			
Southwind Pearland Investors, LLC	Apartments	24,714,460	9	0.31%			
USA Tranquility Lake 2 LLC	Apartments	24,115,500	10	0.30%			
Pearland Town Center LP	Retail Center				67,661,190	1	1.24%
Amreit SPF Shadow Creek LP					50,744,245	2	0.93%
Pearland Investments LTD					35,554,380	4	0.65%
Pearland Lifestyle Center LP					24,153,065	6	0.44%
Shadow Kirby LTD Partnership					23,114,059	8	0.42%
HCA Healthcare Corp.					20,030,180	9	0.37%
Inland American Waterford LTD					17,125,100	10	0.31%
Total of Top Ten Taxpayers		\$ 306,226,373		3.80%	\$ 332,952,302		6.10%

(1) Taxable assessed valuation equals appraised value after exemption.

(2) Total Assessed Valuation \$ 8,048,492,813

(3) Total Assessed Valuation \$ 5,457,877,836

Source:

Brazoria County (Texas) Appraisal District

PEARLAND INDEPENDENT SCHOOL DISTRICT
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years
(Unaudited)

Table 8

Fiscal Year June 30	Net Tax Levy for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Net Tax Levy		Amount	Percentage of Total Tax Collections
2011	\$ 78,589,124	\$ 77,678,292	98.84%	\$ 830,686	\$ 78,508,978	99.90%
2012	78,623,411	77,772,903	98.92%	749,923	78,522,826	99.87%
2013	79,509,130	78,244,832	98.41%	1,145,452	79,390,284	99.85%
2014	80,891,038	79,737,865	98.57%	1,012,198	80,750,063	99.83%
2015	85,400,235	84,071,053	98.44%	1,171,620	85,242,673	99.82%
2016	88,576,876	87,364,047	98.63%	1,051,353	88,415,400	99.82%
2017	98,968,277	97,550,381	98.57%	1,189,443	98,739,824	99.77%
2018	105,893,344	104,494,272	98.68%	1,099,967	105,594,239	99.72%
2019	105,921,921	104,610,322	98.76%	899,440	105,509,762	99.61%
2020	111,316,280	109,895,091	98.72%	-0-	109,895,091	98.72%

PEARLAND INDEPENDENT SCHOOL DISTRICT
OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(Unaudited)

Table 9

Fiscal Year Ended June 30	General Obligation Bonds	Ratio of Debt to Assessed Value ⁽¹⁾	Debt per ADA ⁽²⁾	Debt per Capita ⁽³⁾	Percentage of Personal Income ⁽³⁾
2011	\$ 329,618,448	6.04%	\$ 18,492	\$ 3,391	11.08%
2012	329,046,200	5.98%	17,938	3,297	10.24%
2013	321,511,552	5.92%	17,138	3,088	9.04%
2014	310,017,354	5.61%	16,201	2,900	8.11%
2015	334,863,345	5.60%	17,085	2,982	8.24%
2016	323,447,812	5.35%	16,012	2,762	6.97%
2017	307,271,914	4.55%	14,918	2,529	7.14%
2018	414,460,410	5.63%	20,066	3,310	8.07%
2019	479,919,835	6.17%	23,276	3,860	10.65%
2020	482,354,449	5.99%	23,136	3,670	8.02%

(1) See Table 5 for total taxable assessed value data.

(2) See Table 16 for student enrollment data.

(3) See Table 13 for population and income information.

PEARLAND INDEPENDENT SCHOOL DISTRICT

Table 10

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING

Last Ten Fiscal Years

(Unaudited)

<u>Fiscal Year Ended June 30</u>	<u>General Obligation Bonds⁽¹⁾</u>	<u>Less Restricted for Retirement of Bonded Debt⁽²⁾</u>	<u>Net Bonded Debt</u>	<u>Ratio of Debt to Assessed Value⁽³⁾</u>	<u>Debt per ADA⁽⁴⁾</u>
2011	\$ 329,618,448	\$ 5,105,959	\$ 324,512,489	5.95%	\$ 18,205
2012	329,046,200	4,564,005	324,482,195	5.90%	17,689
2013	321,511,552	11,046,490	310,465,062	5.72%	16,549
2014	310,017,354	13,159,629	296,857,725	5.37%	15,513
2015	334,863,345	14,986,658	319,876,687	5.35%	16,320
2016	323,447,812	16,847,686	306,600,126	5.07%	15,178
2017	307,271,914	19,153,034	288,118,880	4.27%	13,988
2018	414,460,410	16,462,537	397,997,873	5.41%	19,269
2019	479,919,835	16,675,925	463,243,910	5.96%	22,467
2020	482,354,449	17,940,148	464,414,301	5.77%	22,275

(1) Details regarding the District's outstanding debt can be found in the Notes to the Financial Statements.

(2) This is the amount restricted for debt service on the government-wide financial statements.

(3) See Table 5 for assessed value data.

(4) See Table 16 for student enrollment data.

PEARLAND INDEPENDENT SCHOOL DISTRICT
LEGAL DEBT MARGIN INFORMATION
Last Ten Fiscal Years
(Unaudited)

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Debt Limit ⁽¹⁾	\$ 545,787,784	\$ 550,197,567	\$ 542,924,621	\$ 552,574,873	\$ 597,612,792
Total Net Debt Applicable to Limit	<u>320,681,060</u>	<u>309,521,690</u>	<u>292,056,315</u>	<u>279,315,718</u>	<u>296,069,224</u>
Legal Debt Margin	225,106,724	240,675,877	250,868,306	273,259,155	301,543,568
Total Net Debt Applicable to the Limit As a Percentage of Debt limit	58.76%	56.26%	53.79%	50.55%	49.54%

Legal Debt Margin Calculation for Fiscal Year 2020

Assessed Value ⁽²⁾	8,048,492,813
Debt Limit Percentage of Assessed Value	<u>10.00%</u>
Debt Limitation ⁽¹⁾	804,849,281
Debt Applicable to Debt Limitation:	
Total Bonded Debt	433,230,000
Less: Amount set aside for repayment of bonds ⁽³⁾	<u>24,836,124</u>
Total Amount of Debt Applicable to Debt Limitation	<u>408,393,876</u>
Legal Debt Margin	396,455,405

- (1) Although there is no legal debt limit in the State of Texas, most school business officials in the State hold the opinion that the Attorney General would not approve bonded indebtedness in excess of 10 percent of assessed value.
(2) See Table 5 for taxable assessed value data.
(3) See restricted for debt service at the fund level.

Table 11

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 604,599,847	\$ 675,107,668	\$ 736,166,110	\$ 777,560,850	\$ 804,849,281
<u>275,086,780</u>	<u>255,839,100</u>	<u>345,229,857</u>	<u>372,038,939</u>	<u>396,455,405</u>
329,513,067	419,268,568	390,936,253	405,521,911	408,393,876
45.50%	37.90%	46.90%	47.85%	49.26%

PEARLAND INDEPENDENT SCHOOL DISTRICT

Table 12

COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT

As of June 30, 2020

(Unaudited)

<u>Taxing Jurisdiction</u>	<u>Gross Tax Debt</u>	<u>Percent Overlapping (1)</u>	<u>Amount Overlapping</u>
Brazoria County	\$ 139,678,313	18.55%	\$ 25,910,327
Brazoria County MUD #3	1,605,000	100.00%	1,605,000
Brazoria County MUD #6	15,030,000	84.60%	12,715,380
Brazoria County MUD #16	13,435,000	100.00%	13,435,000
Brazoria County MUD #17	20,535,000	100.00%	20,535,000
Brazoria County MUD #18	20,890,000	99.39%	20,762,571
Brazoria County MUD #19	25,045,000	100.00%	25,045,000
Brazoria County MUD #23	13,330,000	99.53%	13,267,349
Brazoria County MUD #28	55,995,000	78.20%	43,788,090
Harris County	1,885,182,125	0.04%	754,073
Harris County Department of Education	6,320,000	0.04%	2,528
Harris County Flood Control District	83,075,000	0.04%	33,230
Harris County Hospital District	86,050,000	0.04%	34,420
Harris-Brazoria Counties MUD #509	42,470,000	26.22%	11,135,634
Pearland, City of	306,095,000	59.36%	181,697,992
Port of Houston Authority	572,569,397	0.04%	<u>229,028</u>
Total Overlapping Debt			370,950,622
Pearland ISD			<u>482,354,449</u>
Total Direct and Overlapping Debt			<u>\$853,305,071</u>

(1) The percentage of overlapping debt is estimated using taxable assessed property values. Percentages were estimated by determining the portion of the overlapping taxing authority's taxable assessed value that is within the District's boundaries and dividing it by the overlapping taxing authority's total taxable assessed value.

Source:

District's Financial Advisor and Municipal Advisory Council of Texas.

PEARLAND INDEPENDENT SCHOOL DISTRICT
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years
(Unaudited)

Table 13

<u>Fiscal Year Ended June 30</u>	<u>Population (1)</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income (1)</u>	<u>Unemployment Rate (2)</u>
2020	131,448	\$ 6,015,060,480	\$ 45,760	5.6%
2019	124,321	4,505,393,040	36,240	2.8%
2018	125,198	5,134,370,000	41,010	3.5%
2017	121,500	4,305,839,000	35,439	4.3%
2016	117,100	4,637,394,000	39,602	3.8%
2015	112,300	4,063,014,000	36,180	3.3%
2014	106,900	3,822,958,000	35,762	4.3%
2013	104,100	3,555,431,000	34,154	5.0%
2012	99,800	3,213,184,000	32,196	5.6%
2011	97,200	2,974,785,000	30,605	6.9%

(1) Source: Census Data Tables

(2) Source: Bureau of Labor Statistics

Note:

Data is for City of Pearland.

PEARLAND INDEPENDENT SCHOOL DISTRICT

Table 14

PRINCIPAL EMPLOYERS

Current Year and Nine Years Ago
(Unaudited)

Employer	2020 (1)			2011		
	Number of Employees	Rank	% of Total County Employment	Number of Employees	Rank	% of Total County Employment
Pearland ISD	2,660	1	4.20%	2,212	1	4.85%
Kelsey Seybold	863	2	1.36%			
City of Pearland	787	3	1.24%	619	3	1.36 %
Alvin ISD	753	4	1.19%			
Memorial Hermann	450	5	0.71%			
Lonza	420	6	0.66%			
Pearland Medical Center	400	7	0.63%			
Dover Energy	330	8	0.52%			
Merit Medical	303	9	0.48%			
Kemlon	268	10	0.42%			
Wal-Mart				1,185	2	2.60%
Kemlon				370	4	0.81%
HEB				350	5	0.77%
Home Depot				230	6	0.50%
Bredero Shaw				225	7	0.49%
Bass Pro Shop				200	8	0.44%
Packaging Service Co. Inc.				200	9	0.44%
Texas Honing				178	10	0.39%
Total	<u>7,234</u>		<u>11.41%</u>	<u>5,769</u>		<u>12.65%</u>

Source: Pearland Economic Development Commission
Labor force participation:

2019	63,333
2011	45,602

(1) Data is for 2019. 2020 data is not available at the time of this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT

Table 15

FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION

Last Ten Fiscal Years

(Unaudited)

Function	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Teachers:										
Total Teaching Staff	<u>1,109</u>	<u>1,083</u>	<u>1,120</u>	<u>1,208</u>	<u>1,239</u>	<u>1,306</u>	<u>1,343</u>	<u>1,323</u>	<u>1,307</u>	<u>1,299</u>
Professional Support:										
Athletic Trainer	5	5	5	5	6	6	6	7	9	9
Counselor	30	30	34	38	37	42	39	43	53	52
Educational Diagnostician	2	2	3	2	2	3	3	3	6	9
Librarian	16	15	15	14	15	15	15	16	19	20
LSSP/Psychologist	16	17	16	19	22	23	21	22	21	17
Other Campus Professional	7	4	8	8	7	8	9	13	15	11
Other Non-Instructional	78	86	94	105	111	118	98	98	110	121
School Nurse	17	13	13	13	13	14	14	13	17	19
Speech Therapist/Speech-19	12	13	14	16	12	15	14	16	18	19
Truant Officer	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	<u>--</u>	<u>3</u>	<u>5</u>	<u>5</u>
Total Professional Staff	<u>185</u>	<u>187</u>	<u>205</u>	<u>222</u>	<u>227</u>	<u>246</u>	<u>219</u>	<u>234</u>	<u>273</u>	<u>282</u>
Administrative Staff:										
Assistant Principal	31	29	32	33	32	33	30	43	49	49
Asst/Assoc/Deputy Superintendent	5	5	6	5	5	5	7	7	6	6
Athletic Director	1	1	--	--	--	--	--	1	1	1
Business Manager	1	1	1	1	1	1	2	1	1	1
Director of Personnel/HR	1	1	1	1	1	1	1	1	1	1
Dist Instr Program Director or Executive Director	16	6	7	5	5	6	10	7	8	7
Principal	23	22	20	22	23	23	22	21	23	23
Registrar	3	2	2	3	3	3	3	3	3	3
Teacher Supervisor			1							
Superintendent	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
Total Administrative Staff	<u>82</u>	<u>68</u>	<u>71</u>	<u>71</u>	<u>71</u>	<u>73</u>	<u>76</u>	<u>85</u>	<u>93</u>	<u>92</u>
Total Professional Staff	<u>1,376</u>	<u>1,338</u>	<u>1,396</u>	<u>1,501</u>	<u>1,537</u>	<u>1,625</u>	<u>1,638</u>	<u>1,642</u>	<u>1,673</u>	<u>1,673</u>
Paraprofessional Staff:										
Educational Aide	<u>86</u>	<u>130</u>	<u>139</u>	<u>151</u>	<u>148</u>	<u>171</u>	<u>167</u>	<u>163</u>	<u>168</u>	<u>191</u>
Total Paraprofessional Staff	<u>86</u>	<u>130</u>	<u>139</u>	<u>151</u>	<u>148</u>	<u>171</u>	<u>167</u>	<u>163</u>	<u>168</u>	<u>191</u>
Auxiliary:										
Auxiliary	<u>749</u>	<u>665</u>	<u>647</u>	<u>747</u>	<u>647</u>	<u>698</u>	<u>711</u>	<u>694</u>	<u>714</u>	<u>715</u>
Total Auxiliary	<u>749</u>	<u>665</u>	<u>647</u>	<u>747</u>	<u>647</u>	<u>698</u>	<u>711</u>	<u>694</u>	<u>714</u>	<u>715</u>
Total Personnel	<u>2,211</u>	<u>2,133</u>	<u>2,182</u>	<u>2,399</u>	<u>2,332</u>	<u>2,494</u>	<u>2,516</u>	<u>2,499</u>	<u>2,555</u>	<u>2,579</u>

Source: Texas Education Agency (TEA), Staff FTE Counts and Salary Reports.

PEARLAND INDEPENDENT SCHOOL DISTRICT
OPERATING STATISTICS
Last Ten Fiscal Years
(Unaudited)

<u>Fiscal Year-end June 30</u>	<u>Average Daily Attendance</u>	<u>Operating Expenditures⁽¹⁾</u>	<u>Cost Per Student</u>	<u>Percentage Change</u>	<u>Government Wide Expenses</u>	<u>Cost Per Student</u>	<u>Percentage Change</u>
2020	20,849	\$ 203,283,464	\$ 9,750	1.03%	\$ 241,300,714	\$ 11,574	2.20%
2019	20,619	200,545,654	9,726	0.60%	233,503,362	11,325	15.92%
2018	20,655	199,699,434	9,668	8.85%	201,786,727	9,770 (	2.78%)
2017	20,597	182,946,041	8,882	1.48%	206,969,893	10,049	0.97%
2016	20,200	176,811,726	8,753	3.86%	201,022,256	9,952	4.53%
2015	19,600	165,178,549	8,427	5.21%	186,589,696	9,520	2.92%
2014	19,136	153,281,440	8,010	12.57%	177,000,809	9,250	13.82%
2013	18,760	133,484,233	7,115 (	5.54%)	152,452,471	8,126 (	8.76%)
2012	18,344	138,183,226	7,533 (	4.46%)	163,385,463	8,907 (	3.15%)
2011	17,825	140,540,057	7,884 (	2.53%)	163,931,636	9,197 (	6.85%)

(1) Operating expenditures are total governmental fund expenditures, less debt service and capital outlays.

(2) Enrollment is the total number of students in the District who were reported to the Texas Education Agency (TEA) as of the last Friday of October.

Source:

Texas Education Agency (TEA), Texas Student Data System (TSDS), Public Education Information Management System (PEIMS) and District records.

Table 16

<u>Teaching Staff</u>	<u>Enrollment⁽²⁾</u>	<u>Student to Teacher Ratio</u>	<u>Percentage of Students in Free/Reduced Lunch Program</u>
1,315	21,760	16.55	31.35%
1,307	21,606	16.53	31.36%
1,323	21,628	16.35	26.71%
1,343	21,585	16.07	28.10%
1,306	21,093	16.15	26.32%
1,239	20,550	16.59	26.69%
1,208	20,034	16.58	27.44%
1,120	19,650	17.54	27.26%
1,083	19,205	17.73	26.81%
1,109	18,769	16.92	26.39%

PEARLAND INDEPENDENT SCHOOL DISTRICT
TEACHER BASE SALARIES
Last Ten Fiscal Years
(Unaudited)

Table 17

Fiscal Year Ended June 30	Minimum Salary ⁽¹⁾	Maximum Salary ⁽¹⁾	Average Salary ⁽²⁾	Region 4 Average Salary ⁽³⁾	Statewide Average Salary ⁽³⁾
2020	\$ 56,000	\$ 72,000	\$ 60,609	\$ (4)	\$ (4)
2019	54,500	71,500	58,841	57,707	54,122
2018	53,000	68,020	57,380	57,076	53,334
2017	52,000	70,000	55,999	55,992	52,525
2016	51,200	70,000	54,833	55,580	51,891
2015	50,000	70,000	52,863	54,157	50,715
2014	47,000	61,495	50,181	52,222	49,692
2013	45,750	59,995	49,510	50,968	48,821
2012	44,600	58,695	48,311	50,383	48,375
2011	44,685	58,695	48,781	50,616	48,638

(1) Source: District records based on new teacher entry schedule.

(2) Source: Texas Education Agency (TEA), Texas Academic Performance Report (TAPR).

(3) Source: Texas Education Agency (TEA), Texas Performance Reporting System (TPRS).

(4) 2020 Region 4 and Statewide Average Salary will be released in December.

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PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHOOL BUILDING INFORMATION
Last Ten Fiscal Years
(Unaudited)

Table 18
Page 1 of 2

School Name	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
High Schools:										
Pearland ⁽¹⁾ (1991)										
Square Feet	623,380	623,380	623,380	623,380	623,380	623,380	623,380	683,786	683,786	683,786
Capacity	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,900	3,900	3,900
PEIMS Enrollment	3,141	3,261	3,288	2,896	2,920	2,969	2,982	3,056	3,053	3,092
PACE (2003)										
Square Feet	34,411	34,411	34,411	34,411	34,411	34,411	34,411	34,411	34,411	34,411
Capacity	300	300	300	300	300	300	300	300	300	300
PEIMS Enrollment	124	110	101	103	128	120	102	86	82	89
Glenda Dawson (2009)										
Square Feet	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	457,736	457,736
Capacity	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,725	2,725
PEIMS Enrollment	2,004	2,020	2,148	2,114	2,257	2,407	2,466	2,518	2,518	2,580
Robert Turner College & Career (2013)										
Square Feet	--	--	--	219,548	219,548	219,548	219,548	219,548	259,552	259,552
Capacity	--	--	--	1,250	1,250	1,250	1,250	1,250	1,300	1,300
PEIMS Enrollment	--	--	--	701	848	1,001	1,169	1,200	1,200	1,167
Junior High Schools:										
Junior High East (1971)										
Square Feet	96,947	96,947	96,947	96,947	96,947	96,947	96,947	96,947	145,112	145,112
Capacity	900	900	900	900	900	900	900	900	975	975
PEIMS Enrollment	671	647	682	668	674	716	798	782	782	901
Junior High West (1952)										
Square Feet	146,907	146,907	146,907	146,907	146,907	146,907	146,907	146,907	177,341	177,341
Capacity	900	900	900	900	900	900	900	900	975	975
PEIMS Enrollment	567	699	726	773	848	844	830	816	816	839
Junior High South (2002)										
Square Feet	219,548	219,548	219,548	219,548	219,548	29,548	219,548	219,548	219,548	219,548
Capacity	875	875	875	875	875	875	875	875	875	875
PEIMS Enrollment	688	748	829	849	802	853	863	890	890	849
Berry Miller (2008)										
Square Feet	169,774	169,774	169,774	169,774	169,774	169,774	169,774	169,744	169,744	169,744
Capacity	900	900	900	900	900	900	900	900	900	900
PEIMS Enrollment	791	820	851	895	961	956	906	906	906	864
Middle Schools:										
Sam Jamison (1982)										
Square Feet	86,950	86,950	86,950	86,950	86,950	86,950	86,950	86,950	91,890	91,890
Capacity	925	925	925	925	925	925	925	925	1,000	1,000
PEIMS Enrollment	772	795	782	818	814	852	836	814	814	905
Leon Sablatura (1997)										
Square Feet	92,174	92,174	92,174	92,174	92,174	92,174	92,174	92,174	97,423	97,423
Capacity	900	900	900	900	900	900	900	900	1,000	1,000
PEIMS Enrollment	594	733	815	825	805	892	896	830	830	888
Rogers (2003)										
Square Feet	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000
Capacity	925	925	925	925	925	925	925	925	925	925
PEIMS Enrollment	899	892	928	923	889	896	853	814	814	803
Alexander (2007)										
Square Feet	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000	112,000
Capacity	925	925	925	925	925	925	925	925	925	925
PEIMS Enrollment	715	617	622	660	691	615	705	806	806	853

PEARLAND INDEPENDENT SCHOOL DISTRICT

SCHOOL BUILDING INFORMATION

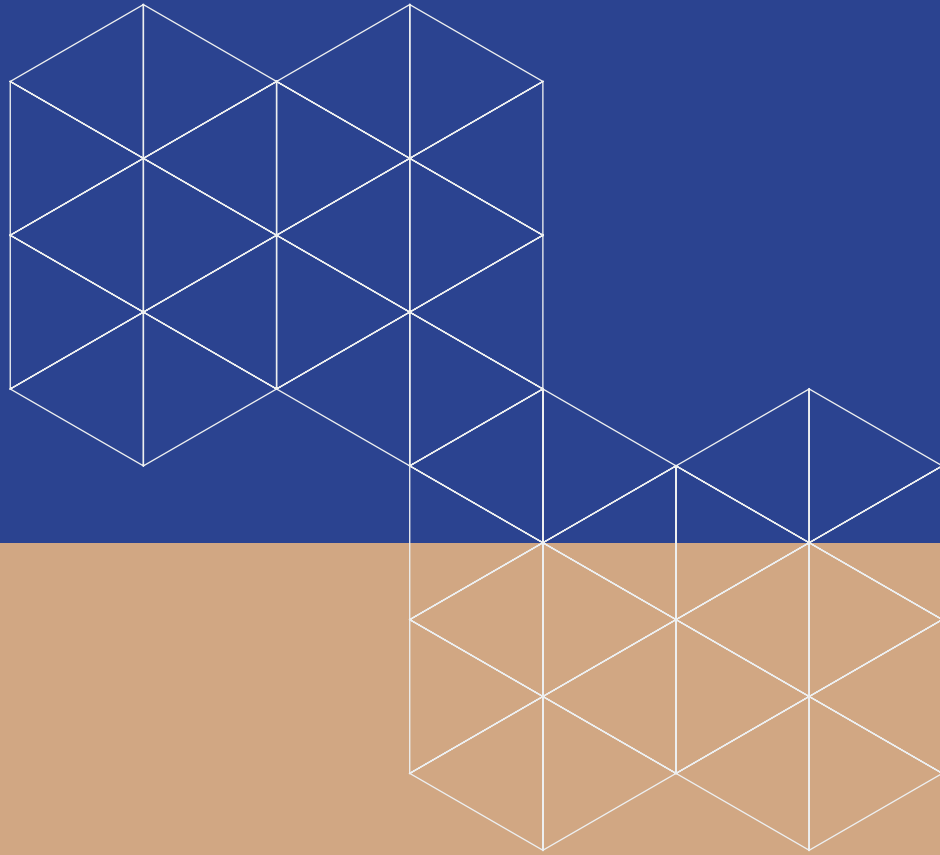
Last Ten Fiscal Years
(Unaudited)

Table 18
Page 2 of 2

School Name	Fiscal Year									
	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Elementary Schools:										
E.A. Lawson (1963)										
Square Feet	73,290	73,290	73,290	73,290	73,290	73,290	73,290	73,290	93,336	93,336
Capacity	990	990	990	990	990	990	990	990	990	990
PEIMS Enrollment	631	615	686	682	690	716	809	818	818	834
C.J. Harris (1998)										
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	83,688
Capacity	770	770	770	770	770	770	770	770	770	770
PEIMS Enrollment	676	680	678	676	731	741	685	637	637	667
Shadycrest (1969)										
Square Feet	64,866	64,866	64,866	64,866	64,866	64,866	64,866	64,866	71,314	71,314
Capacity	748	748	748	748	748	748	748	748	748	748
PEIMS Enrollment	594	575	578	583	588	613	698	683	683	632
H.C. Carleston (1980)										
Square Feet	62,651	62,651	62,651	62,651	62,651	62,651	62,651	62,651	90,992	90,992
Capacity	990	990	990	990	990	990	990	990	990	990
PEIMS Enrollment	826	795	780	788	787	793	771	815	814	734
Challenger (1993)										
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	83,688
Capacity	770	770	770	770	770	770	770	770	770	770
PEIMS Enrollment	739	705	690	671	660	662	688	683	683	642
Rustic Oak (1993)										
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	83,688
Capacity	770	770	770	770	770	770	770	770	770	770
PEIMS Enrollment	649	578	568	560	559	543	678	706	706	666
Silverlake (1998)										
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	83,688
Capacity	770	770	770	770	770	770	770	770	770	770
PEIMS Enrollment	794	773	705	711	718	719	709	731	730	690
Silvercrest (2002)										
Square Feet	86,963	86,963	86,963	86,963	86,963	86,963	86,963	86,963	86,963	86,963
Capacity	814	814	814	814	814	814	814	814	814	814
PEIMS Enrollment	936	839	850	832	803	773	747	727	727	717
Massey Ranch (2006)										
Square Feet	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867
Capacity	858	858	858	858	858	858	858	858	858	858
PEIMS Enrollment	657	737	726	695	721	717	705	681	681	721
Barbara Cockrell (2007)										
Square Feet	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867
Capacity	858	858	858	858	858	858	858	858	858	858
PEIMS Enrollment	758	787	818	805	846	863	807	767	767	715
Magnolia (2007)										
Square Feet	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867	86,867
Capacity	858	858	858	858	858	858	858	858	858	858
PEIMS Enrollment	638	775	792	802	808	825	878	867	867	896

(1) Including 52,220 ft. for Ag Facility
Source: District Records

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FEDERAL AWARDS SECTION



Independent Auditor's Report

On Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

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 Pearland Independent School District (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 5, 2020.

Internal Control over Financial Reporting

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

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

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

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Angleton
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Bay City, TX 77414
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Compliance and Other Matters

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

Purpose of this Report

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

KM&L, LLC

Lake Jackson, Texas
November 5, 2020



Independent Auditor's Report
On Compliance for Each Major Program and on Internal Control
over Compliance Required by the Uniform Guidance

To the Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

Report on Compliance for Each Major Federal Program

We have audited Pearland 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 June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the 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 the District's compliance.

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Opinion on Each Major Federal Program

In our opinion, the 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 June 30, 2020.

Report on Internal Control over Compliance

Management of the 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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

KM&L, LLC

Lake Jackson, Texas
November 5, 2020

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

I. Summary of auditor's results:

1. Type of auditor's report issued on the financial statements: Unmodified.
2. No internal control findings, that were required to be reported in this schedule, were disclosed in the audit of the financial statements.
3. Noncompliance, which is material to the financial statements: None.
4. No internal control findings, that were required to be reported in this schedule, were disclosed in the audit of the major programs.
5. Type of auditor's report on compliance for major programs: Unmodified.
6. Did the audit disclose findings, which are required to be reported in accordance with 2 CFR 200.516(a): No.
7. Major programs include:
 - Special Education Grant Cluster
 - Special Education Grants to States (IDEA, Part B) - CFDA 84.027
 - Special Education Preschool Grants (IDEA, Preschool) - CFDA 84.173
 - Elementary and Secondary School Emergency Relief Fund - CFDA 84.425D
8. Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000.
9. Low risk auditee: Yes.

II. Findings related to the financial statements.

The audit disclosed the following finding required to be reported:

None.

III. Findings and questioned costs related to the federal awards.

The audit disclosed the following finding required to be reported:

None.



Jorgannie Carter, CPA
Chief Financial Officer

In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. This summary schedule of prior audit findings must report the status of the following:

- All audit findings included in the prior audit's schedule of findings and questioned costs
- All audit findings reported in the prior audit's summary schedule of prior audit findings except audit findings listed as corrected.

The schedule of status of prior audit findings is as follows:

None



Jorgannie Carter, CPA
Chief Financial Officer

In accordance with Title 2 U.S. Code of Federal Regulations §200.511, the auditee must prepare, in a document separate from the auditor's findings described in §200.516 Audit findings, a corrective action plan must be presented to address each finding included in the current year auditor's reports. The corrective action plan is as follows:

None

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

EXHIBIT K-1
Page 1 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
ESSA, Title I Part A, Improving Basic Programs	84.010A	19610101020908	\$ 24,696
ESSA, Title I Part A, Improving Basic Programs	84.010A	20610101020908	1,211,813
			<u>1,236,509</u>
Passed Through State Department of Education:			
IDEA Part B, Formula*	84.027A	186600010209086600	188,027
IDEA Part B, Formula*	84.027A	196600010209086600	247,321
IDEA Part B, Formula*	84.027A	206600010209086600	2,796,378
IDEA Part B, High Cost Fund*	84.027A	66002006	282,805
			<u>3,514,531</u>
Passed Through State Department of Education:			
Career and Technical Education, Basic Grant**	84.048A	20420006020908	152,478
Perkins Reserve**	84.048A	204200287110067	13,988
			<u>166,466</u>
Passed Through State Department of Education:			
IDEA Part B, Preschool*	84.173A	186610010209086610	6,652
IDEA Part B, Preschool*	84.173A	196610010209086610	668
IDEA Part B, Preschool*	84.173A	206610010209086610	45,832
			<u>53,152</u>
Passed Through State Department of Education:			
ESSA, Title III, Part A, ELA	84.365A	19671001020908	7,869
ESSA, Title III, Part A, ELA	84.365A	20671001020908	120,509
			<u>128,378</u>
Passed Through State Department of Education:			
ESSA, Title II, Part A, Supporting Effective Instruction	84.367A	19694501020908	90,420
ESSA, Title II, Part A, Supporting Effective Instruction	84.367A	20694501020908	207,429
			<u>297,849</u>
Passed Through State Department of Education:			
ESSA, Title VI, Part A, Subpart 1	84.424A	19680101020908	1,145
ESSA, Title VI, Part A, Subpart 1	84.424A	20680101020908	61,919
			<u>63,064</u>
Passed Through State Department of Education:			
ESSER Grant	84.425D	20521001020908	1,120,401
			<u>1,120,401</u>
Passed Through State Department of Education:			
Texas Hurricane for Homeless Children and Youth Program	84.938B	19513701020908	19,175
			<u>19,175</u>
Passed Through State Department of Education:			
Texas Education for Homeless Children and Youth	84.196A	194600057110054	5,868
Texas Education for Homeless Children and Youth	84.196A	204600057110058	24,125
			<u>29,993</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>6,629,518</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

EXHIBIT K-1
Page 2 of 2

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures Indirect Costs or Award Amount
<u>U.S. Department of Agriculture</u>			
Direct Program:			
Commodity Supplement Program***	10.555		\$ 446,728
Passed Through State Department of Education:			
School Breakfast Program (SBP)***	10.553	52402001	35,334
School Breakfast Program (SBP)***	10.553	71401901	146,244
School Breakfast Program (SBP)***	10.553	71402001	601,916
National School Lunch Program (NSLP)***	10.555	52302001	56,213
National School Lunch Program (NSLP)***	10.555	71301901	589,580
National School Lunch Program (NSLP)***	10.555	71302001	1,983,557
			<u>3,412,844</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ 3,859,572
<u>U.S. Department of Defense</u>			
Direct Programs:			
Junior Reserve Officers' Training Corps (JROTC)	12.000		\$ 157,174
TOTAL DEPARTMENT OF DEFENSE			\$ 157,174
<u>U.S. Department of Health & Human Services</u>			
Passed Through Texas Department of Health and Human Services:			
Medicaid Administrative Claiming Program (MAC)	93.778	529-07-0157-00120	\$ 15,234
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ 15,234
<u>U.S. Federal Communications Commission</u>			
Direct Program:			
Universal Service Fund - Schools and Libraries	32.004		\$ 115,197
TOTAL FEDERAL COMMUNICATIONS COMMISSION			\$ 115,197
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety:			
Disaster Grants - Public Assistance	97.036	PA-06-TX-1791-PW-13812	\$ 418,264
Disaster Grants - Public Assistance	97.036	PA-06-TX-4332-PW-00532	7,500
Disaster Grants - Public Assistance	97.036	PA-06-TX-1791-PW-14396	59,241
			<u>485,005</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ 485,005
TOTAL FEDERAL ASSISTANCE			\$ 11,261,700

* IDEA Cluster Programs

** CTE Cluster Programs

*** National School Lunch Cluster Programs

PEARLAND INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 1 - BASIS OF ACCOUNTING

The District accounts for all awards under federal programs in the General and certain special revenue funds in accordance with the Texas Education Agency's *Financial Accountability System Resource Guide*. These programs are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e. revenues and other financing sources) and decreases (i.e. expenditures and other financing uses) in net current position.

The modified accrual basis of accounting is used for these 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 liability is incurred, if measurable, except for 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 unearned revenues until earned. Generally unused balances are returned to the grantor at the close of specified project periods.

Commodity Supplement (CFDA 10.555) received like kind goods and no grant revenue received was reported on the schedule for the monetary value of these goods. The monetary value of goods received was \$ 446,728, while the monetary value of goods used and recognized as income and expenditures was \$ 446,728.

NOTE 2 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the District under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the 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). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District.

NOTE 3 - RECONCILIATION TO BASIC FINANCIAL STATEMENTS

The following is a reconciliation of expenditures of federal awards program per Exhibit K-1 and expenditures reported on Exhibit C-2:

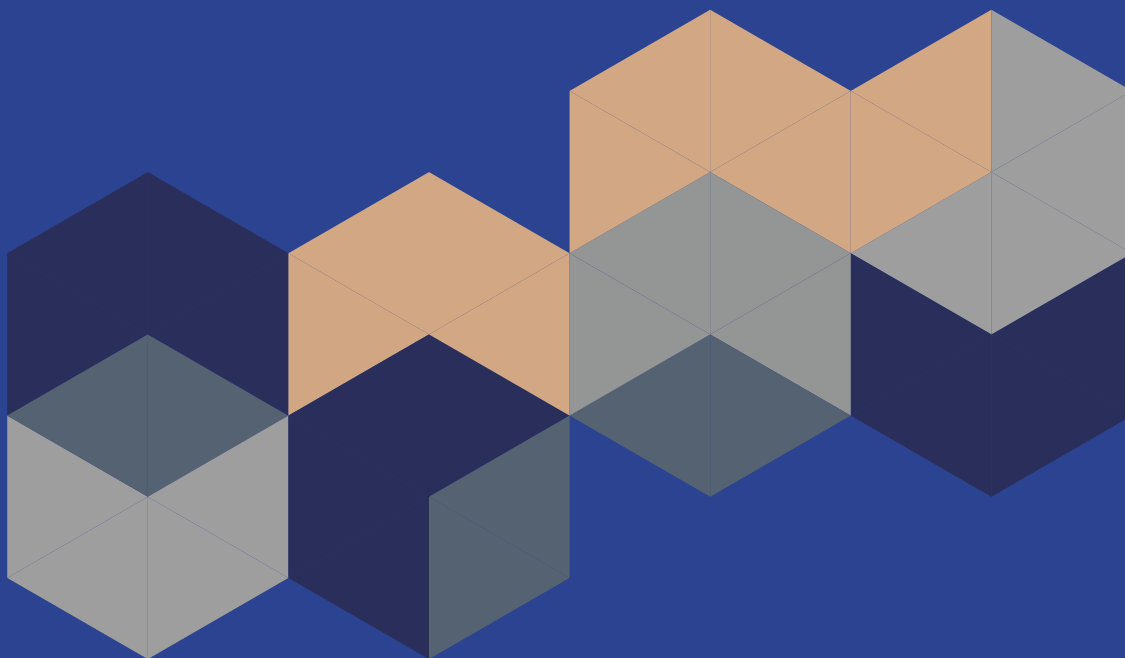
Total shown on Schedule of Expenditures of Federal Awards (Exhibit K-1)	\$ 11,261,700
Federal Revenue Not Included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	<u>2,597,267</u>
Total federal revenue (Exhibit C-2)	\$ <u>13,858,967</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

NOTE 4 - DISASTER GRANTS - PUBLIC ASSISTANCE

As of June 30, 2020, the District included \$ 485,005 on the schedule of expenditures of federal awards from the Public Assistance Grant CFDA 97.036 for expenditures that were incurred in previous fiscal year. The Federal Emergency Management Agency approved the project worksheets related to the \$ 485,005 in the current year.

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