



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Pearland Independent School District

For the Fiscal Year Ended

June 30, 2019

Pearland, TX





**PEARLAND
INDEPENDENT SCHOOL DISTRICT**

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

**Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2019**

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**

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PEARLAND INDEPENDENT SCHOOL DISTRICT

Comprehensive Annual Financial Report For the Year Ended June 30, 2019

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PEARLAND INDEPENDENT SCHOOL DISTRICT

*Comprehensive Annual Financial Report
For the Year Ended June 30, 2019*

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INTRODUCTORY SECTION





October 29, 2019

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, 2019. 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 6 to 67 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 2018-2019 as of Fall snapshot day was 21,606 students of which 6,929 students were enrolled at the high school level, 3,392 at the junior high school level, 3,375 at the middle school level, and 7,910 at the elementary level.

Approximately 31.4% of our students are classified as economically disadvantaged, 6.5% as Bilingual, 9.9% as Special Education, and 10.1% participate in Gifted and Talented courses. In addition, 22.8% of high school students take Career and Technology courses.

District's Purpose

Mission Statement

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

Our Call to Action

Establish a community of learning that empowers 100% of students to graduate and equips them with grit, skills and a mindset necessary to be successful, productive citizens able to adapt to an ever-changing society.

District Beliefs

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

District Strategic Goals

- We will strategically and collaboratively manage all District resources and funding to maximize the educational outcomes for every student.
- We will provide technological opportunities to facilitate learning.
- We will capitalize on the strengths, resources, and talents of our diverse community to engage students and parents.
- We will capitalize on the resources and talents of our business community to increase collaboration and expand opportunities for students to gain real world experiences.
- We will develop a system where student learning will be measured through application and transference from one discipline to another.
- We will meet the social and emotional needs of all students.

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 2018-2019, 69 grants were awarded totaling \$ 114,583 to improve services to students. The Foundation has awarded over \$ 361,000 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 2019, Pearland's population is an estimated 127,500, an increase of 39.7% 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 1,595 students in the last five years, representing a 5-year growth rate of 8%; peak enrollment during the 2018-2019 school year was 21,687 students. Average daily attendance (ADA) drives school funding and it currently averages 96.7%.

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. Also, new to Pearland 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 sold \$200 million of these bonds as of June 30, 2019, with the remaining \$ 20 million pending to be sold on July 6, 2019. 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 end of 2020.

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, 2018. The District has been awarded the "A" rating for "Superior Achievement" under Texas' Schools FIRST financial accountability rating system for 16 of the 17 years since inception. The rating is based upon an analysis of student and staff data reported for the 2017-2018 school year and budgetary and actual financial data for the fiscal year ended June 30, 2018.

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, 2018. 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, 2018. This award certifies that the Comprehensive Annual Financial Report for the fiscal year ended June 30, 2018, 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, Kennemer, Masters & Lunsford, 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

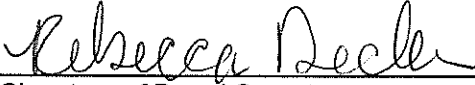
CERTIFICATE OF BOARD

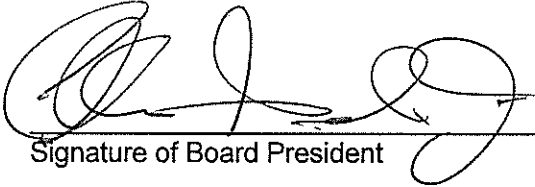
Pearland
Independent School District
Name of School District

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, 2019, at a meeting of the board of trustees of such school district on the 12th day of November 2019.


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, 2018

Christopher P. Morill

Executive Director/CEO



ASSOCIATION OF
SCHOOL BUSINESS OFFICIALS
INTERNATIONAL

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, 2018.

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



A handwritten signature in black ink, reading 'Tom Wohlleber'.

Tom Wohlleber, CSR
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

Mikael Floyd, Member
Student at the University of Houston Honors College

Sean Murphy, Member
Vice President of Home Town Bank of Pearland

ADMINISTRATION

Dr. John Kelly, Superintendent of Schools

Nanette Weimer, Deputy Superintendent

Jorgannie Carter, CPA, Chief Financial Officer

Cary Partin, Senior Assistant Superintendent for Support Services

Sonia Serrano, Senior Assistant Superintendent for Intermediate Education

Dr. Brenda Waters, Senior Assistant Superintendent for Elementary Education

Dr. Nyla Watson, Senior Assistant Superintendent of Instructional Programs

David Moody, Assistant Superintendent for Human Resource Services

Kim Hocott, Executive Director of Communications

Tanya Dawson, General Counsel

Greg Bartay, Chief Technology Officer

Dr. Lisa Nixon, Executive Director of Special Programs

Don Tillis, Director of Facilities and Planning

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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, 2019, 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,
Angleton, TX 77515
979-849-8297



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, 2019, 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 5 through 15, budgetary comparison information on page 67, required pension schedules on pages 68 through 71 and required OPEB schedules on pages 72 through 73 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.

Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

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 October 29, 2019, 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
October 29, 2019

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PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

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, 2019. 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 \$ 2,757,784 (*deficit net position*). Of this amount, unrestricted net position is a deficit of \$ 86,794,259.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$ 139,707,421. Approximately 26.16 percent of this total amount, \$ 36,540,581, 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 \$ 36,540,581, or 21.22% of the total general fund expenditures.
- The District reported net pension liability of \$ 62,357,231 and a net OPEB liability of \$ 74,367,821, as of June 30, 2019. With the addition of these non-current liabilities on an accrual basis, the District reported a deficit unrestricted position in the amount of \$ 86,794,259.

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 16 through 17 of this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT

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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-three (23) 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 (20) 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 18 through 21 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 22 through 24 of this report.

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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 25. 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 27 through 66 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 67 through 73 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 76 through 83 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 \$ 2,757,784 as of June 30, 2019. Deficit net position of the District's governmental activities decreased from \$ 9,602,211 to \$ 2,757,784.

The District's Net Position

	June 30, 2019	June 30, 2018
Current and other assets	\$ 192,755,359	\$ 192,945,283
Capital assets	<u>453,757,160</u>	<u>362,416,150</u>
Total assets	<u>646,512,519</u>	<u>555,361,433</u>
Deferred outflows of resources	<u>53,093,132</u>	<u>32,717,325</u>
Long-term liabilities outstanding	616,644,887	512,622,858
Other liabilities	<u>58,746,620</u>	<u>48,040,559</u>
Total liabilities	<u>675,391,507</u>	<u>560,663,417</u>
Deferred inflows of resources	<u>26,971,928</u>	<u>37,017,552</u>
Net Position:		
Net investment in capital assets	60,683,806	47,413,133
Restricted	23,352,669	22,408,288
Unrestricted	<u>(86,794,259)</u>	<u>(79,423,632)</u>
Total net position	<u>\$(2,757,784)</u>	<u>\$(9,602,211)</u>

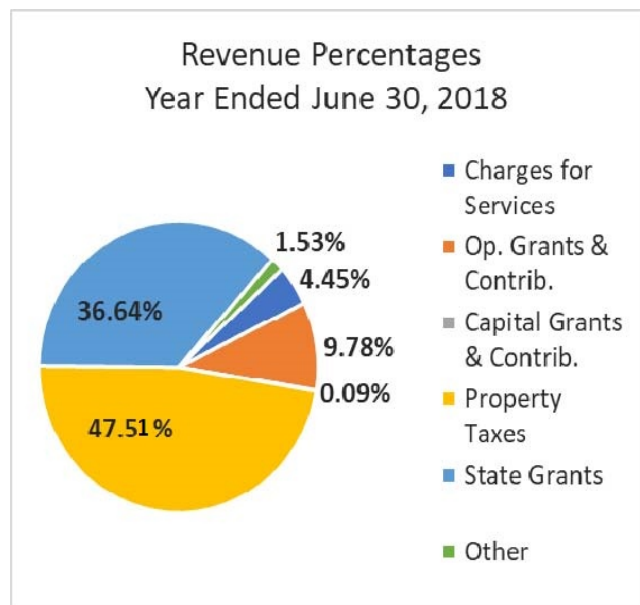
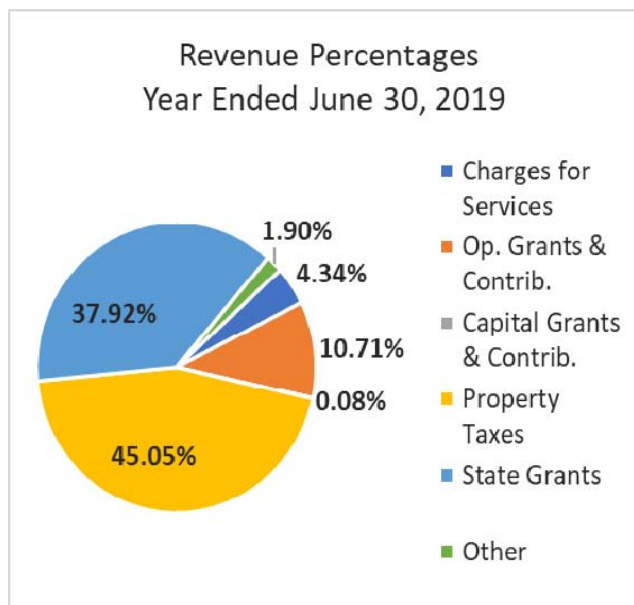
PEARLAND INDEPENDENT SCHOOL DISTRICT

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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 \$ 60,683,806. 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 \$ 23,352,669. The remaining balance is a deficit of \$ 86,794,259, 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 increased by \$ 6,844,427. The total cost of all *governmental activities* this year was \$ 233,503,362. The amount that our taxpayers paid for these activities through property taxes was \$ 108,276,747 or 46.37% of total cost. The amount of costs that were paid by those who directly benefited from the programs was \$ 10,427,633 or 4.47%. The costs that were paid by other governments and organizations that subsidized certain programs with grants and contributions or by State equalization funding were \$ 25,746,922 or 11.03% and \$ 91,129,765 or 39.03%, respectively.

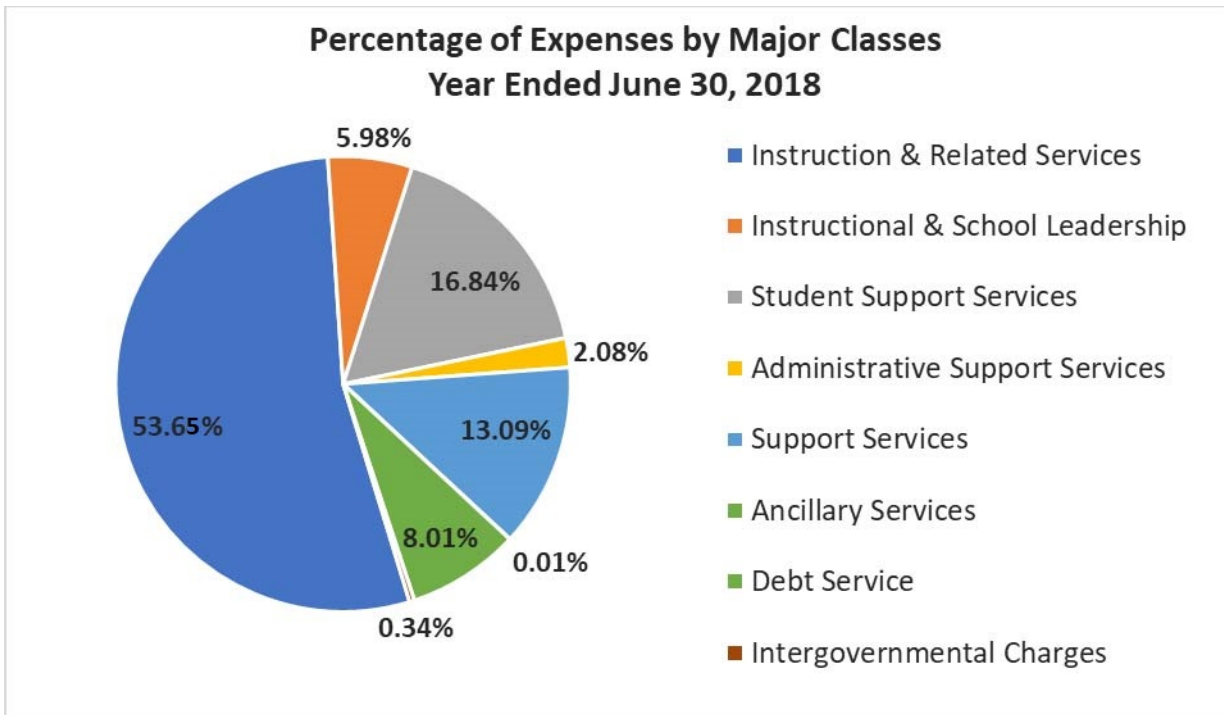
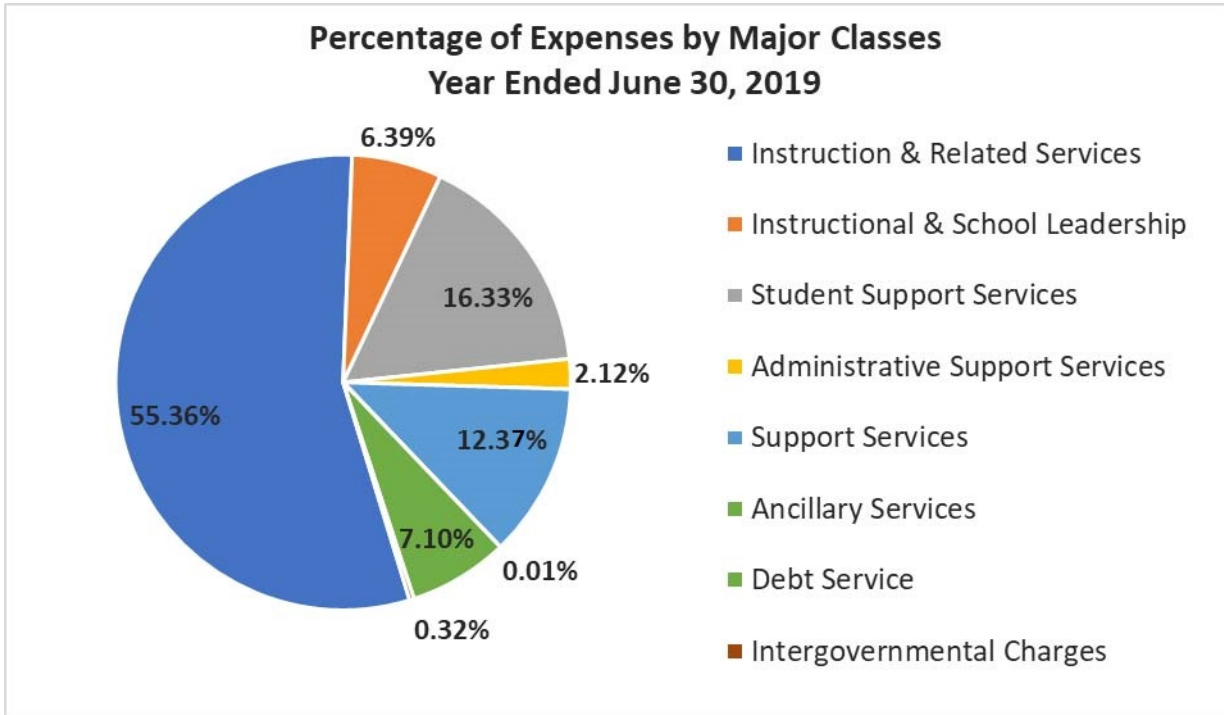


PEARLAND INDEPENDENT SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2019

Changes in the District's Net Position

	Year Ended <u>6-30-19</u>	Year Ended <u>6-30-18</u>
Revenues:		
Program Revenues:		
Charges for services	\$ 10,427,633	\$ 9,966,273
Operating grants and contributions	25,746,922	21,912,229
Capital grants and contributions	191,116	194,827
General Revenues:		
Property taxes	108,276,747	106,479,262
State grants	91,129,765	82,102,901
Other	<u>4,575,606</u>	<u>3,437,963</u>
Total revenues	<u>240,347,789</u>	<u>224,093,455</u>
Expenses:		
Instruction	121,399,219	101,971,641
Instructional resources & media services	2,093,071	1,874,480
Curriculum & instructional staff development	5,764,129	4,396,887
Instructional leadership	2,751,236	2,188,457
School leadership	12,175,638	9,884,886
Guidance, counseling & evaluation services	7,846,560	5,689,193
Social work services	766,826	594,806
Health services	1,807,969	1,322,930
Student transportation	7,868,200	6,707,250
Food service	9,774,564	9,539,071
Extracurricular activities	10,060,042	10,135,800
General administration	4,957,664	4,198,607
Facilities maintenance and operations	20,921,398	19,310,843
Security and monitoring services	1,797,862	1,956,123
Data processing services	6,183,838	5,141,820
Community services	19,340	17,057
Debt service	16,577,071	16,161,698
Payments to juvenile justice alternative education programs	83,400	44,800
Other intergovernmental charges	<u>655,335</u>	<u>650,378</u>
Total expenses	<u>233,503,362</u>	<u>201,786,727</u>
Increase in net position	6,844,427	22,306,728
Beginning net position	(<u>9,602,211</u>)	(<u>31,908,939</u>)
Ending net position	\$(<u>2,757,784</u>)	\$(<u>9,602,211</u>)

PEARLAND INDEPENDENT SCHOOL DISTRICT
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PEARLAND INDEPENDENT SCHOOL DISTRICT

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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 \$ 139,707,421, a decrease of \$ 9,665,047. Approximately 26.16% of this total amount, \$ 36,540,581 constitutes *unassigned fund balance*. The remainder of fund balance is *non-spendable, restricted, committed, or assigned* to indicate that it is not available for new spending because it has already been committed 1) for inventory \$ 402,706, 2) for prepaid items \$ 1,252,325, 3) for grant funds \$ 3,108,813, 4) capital acquisitions and contractual obligations \$ 40,712,809, 5) debt service \$ 23,683,089, 6) other \$ 3,497,098, 7) committed for construction \$ 7,500,000, and 8) assigned for other purposes \$ 23,010,000.

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 \$ 36,540,581, while the total fund balance was \$ 58,634,779. 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 21.22% of the total general fund expenditures, while total fund balance represents 34.05% of that same amount.

The fund balance of the District's general fund increased by \$ 6,565,602 during the current fiscal year:

- As a result of property value growth and a one-year maintenance and operations (M&O) tax rate increase of two cents, tax revenue was increased by \$ 3 million and State aid increased by approximately \$ 2.5 million. The one-year M&O tax rate increase was allowed due to a provision of the Texas Tax Code providing that, following a natural disaster such as that of Hurricane Harvey, a school district may adopt a tax rate for the year following the year in which the disaster occurred. To counteract the M&O tax rate increase, the district reduced the Interest and Sinking (I&S) tax rate by two cents. In addition, the district received two one-time appropriations from the State as part of Senate Bill 500 totaling \$ 6.4 million: (1) a payment of \$ 6.2 million to account for a decline in projected tax collections due to the district's lower than expected property value growth as a result of Hurricane Harvey and (2) a special education funding supplement. Federal funds also increased by \$ 2.5 million due to a change accelerating the payment of SHARS settlements; the District received its fiscal year 2017 settlement during the current fiscal year since the payment date was moved from December 31, 2019 to June 30, 2019.
- Expenditures increased by \$ 3.1 million due to a 3% general pay increase for fiscal year 2018-2019.
- The net of other financing sources and uses was (\$ 8.9) million due to the receipt of the Immediate Aid to Restart School Operations (Restart) grant of \$ 1.1 million and an operating transfer to the capital projects fund of \$10 million to establish initial funding for district-wide capital improvement projects, technology equipment purchases, buses, and infrastructure upgrades needed to support the District's capital renewal plan needs which are not addressed as part of the 2016 bond election.

The debt service fund has a total fund balance of \$ 23,683,089, 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 \$ 1,332,946 from last year's balance of \$ 22,350,143. The net increase in fund balance is primarily due to a premium on the issuance of Series 2019 bonds.

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The capital projects fund has a total fund balance of \$ 50,712,809, of which \$ 40,712,809 is considered restricted for capital acquisitions and contractual obligations and \$ 10,000,000 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 \$ 18,294,588 from last year's balance of \$ 69,007,397. 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, 2019 amounted to \$ 331,107. The total decrease in net position was \$ 73,587 from last year's balance of \$ 404,694.

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:

<u>Revenues</u>	
\$ 1,504,469	Increase in local revenues due to an M&O tax rate increase of two cents
4,301,865	Net increase in state revenue due to an M&O tax rate increase of two cents (addition of two golden pennies), a favorable tax year 2015 property value audit, and other miscellaneous adjustments
773,900	Increase in state revenue, mainly due to increased compensatory education enrollment counts
1,325,969	TRS On-Behalf calculation adjustment (offset by increase in expenditures)
2,280,000	Net increase in federal revenues due to an increase in indirect costs and an accelerated SHARS payment settlement
640,000	Net increase in local revenues mainly due to increase in earnings from investments
<u>\$ 10,826,203</u>	Total Estimated Revenue Increase

<u>Appropriations</u>	
\$ 165,000	Increase in bus driver pay
1,325,969	TRS On-Behalf calculation adjustment (offset by increase in revenues)
<u>\$ 1,490,969</u>	Total Estimated Appropriation Increase

After revenues and appropriations were amended as described above, actual revenues were \$ 9.4 million above final budgeted amounts, primarily due to the SB 500 appropriation. Actual expenditures were \$ 4.7 million below final budget amounts.

PEARLAND INDEPENDENT SCHOOL DISTRICT

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JUNE 30, 2019

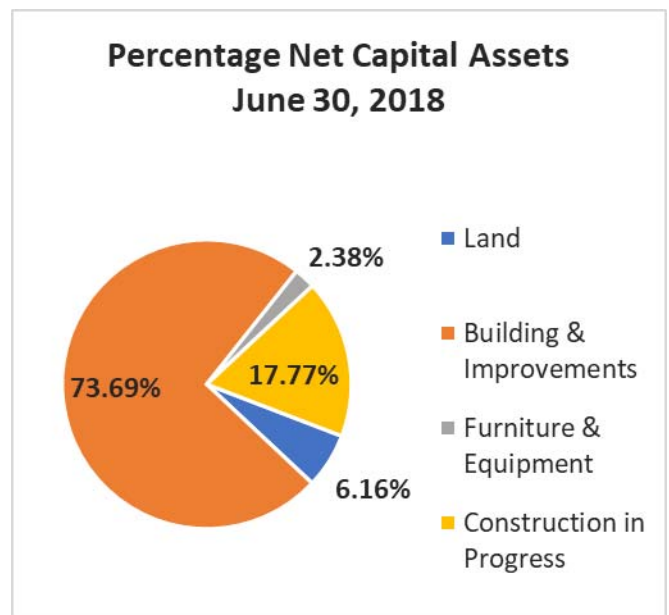
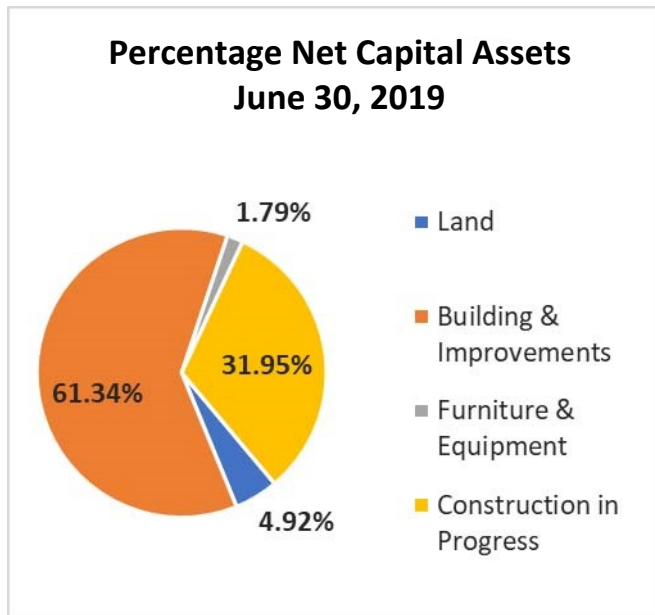
Capital Assets. The District's investment in capital assets for its governmental activities as of June 30, 2019 amounts to \$ 453,757,160 (net of accumulated depreciation). This investment in capital assets includes land, buildings and building improvements, furniture and equipment, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Carleston Elementary and Challenger Elementary additions and renovations were completed along with minor improvements at other facilities
- Active construction projects from Series 2017 and 2019 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)**

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
Land	\$ 22,330,888	\$ 22,330,888
Buildings and improvements	278,338,760	267,074,692
Furniture and equipment	8,120,662	8,617,473
Construction in progress	<u>144,966,850</u>	<u>64,393,097</u>
 Total at historical cost	 <u>\$ 453,757,160</u>	 <u>\$ 362,416,150</u>



Additional information on the District's capital assets can be found in Note 5 on pages 47 through 48 of this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT

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JUNE 30, 2019

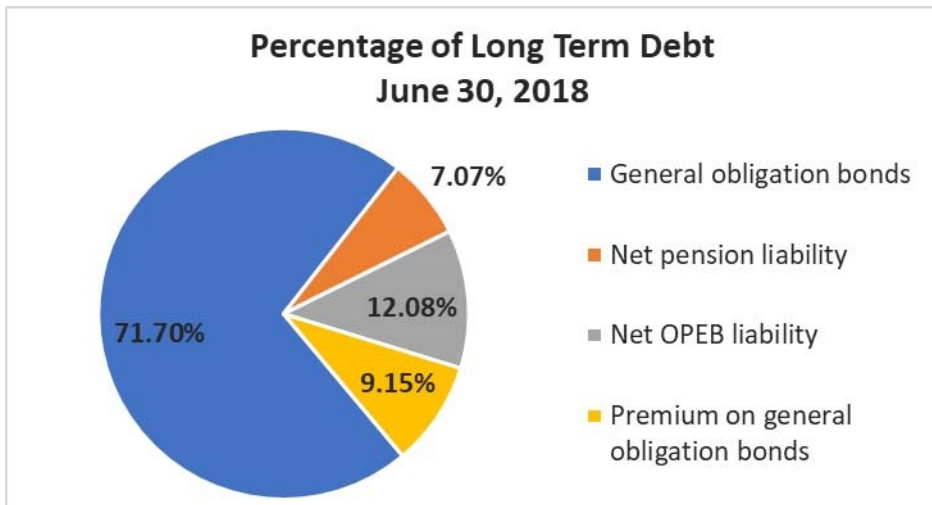
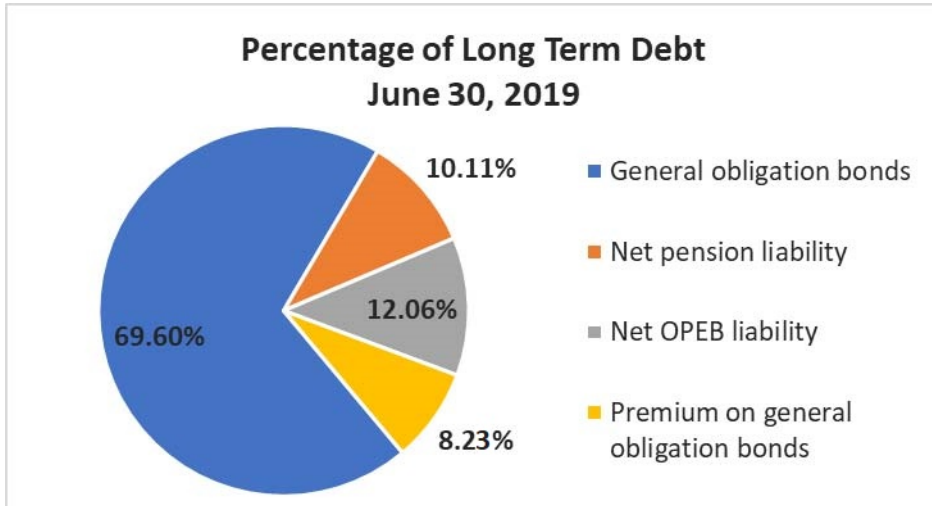
Long-term debt. At June 30, 2019, the District had total long-term debt outstanding of \$ 616,644,887, an increase of \$ 104,022,029 from the previous year.

The major increase in long-term debt was for general obligation bonds due to the issuance of \$ 80 million 2019 Series Bonds on February 26, 2019, which is part of the \$ 220 million bond referendum passed on November 2016. As of the close of the fiscal year, \$ 200 million had been issued with the remaining \$ 20 million to be issued on July 2019. The 2016 bond referendum addresses safety and security projects, technology needs, campus expansion to accommodate student growth and campus renovations.

Additional information on the District's long-term debt can be found in Note 6 on pages 49 through 50 of this report.

District's Long-Term Debt

	June 30, 2019	June 30, 2018
General obligation bonds	\$ 429,205,000	\$ 367,580,000
Net pension liability	62,357,231	36,245,657
Net OPEB liability	74,367,821	61,916,791
Premium on general obligation bonds	<u>50,714,835</u>	<u>46,880,410</u>
Total long-term debt	<u>\$ 616,644,887</u>	<u>\$ 512,622,858</u>



PEARLAND INDEPENDENT SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2019

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. Management made its best effort in interpreting HB 3 and as of the date of this report, clarity continues to emerge with respect to state funding calculations and the Commissioner's determination of formula weights and allotments.

The 2019-2020 fiscal year budget has been based on the following significant assumptions:

- Flat enrollment for the third year in a row.
- An increase of 4% in District's taxable values.
- A two-cent tax rate decrease; the District adopted a tax rate of \$ 1.3956 per \$100 of assessed value for the 2019-20 fiscal year. The tax rate reflects a maintenance and operations tax rate of \$ 0.97 and an interest and sinking fund tax rate of \$ 0.4256.
- General fund revenues of \$ 177.3 million and expenditures of \$ 183.1 million for a total budget deficit of \$ 5.8 million to be covered with fund balance accumulated in prior years.
- The expenditures budget includes a 3.25% salary increase for teachers, librarians, counselors and nurses with six or more years of experience (3% for those with five or less years of experience) and a 2.5% increase for all other staff; in addition to a \$ 300 increase to the annual medical premium contribution.

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, 2019

EXHIBIT A-1

Data Control Codes		Governmental Activities
	ASSETS:	
1110	Cash and cash equivalents	\$ 154,445,611
1220	Taxes receivable	3,445,841
1230	Allowance for uncollectible taxes	(1,624,729)
1240	Due from other governments	33,355,448
1290	Other receivables (net)	1,478,157
1300	Inventories	402,706
1410	Prepaid items	1,252,325
	Capital Assets:	
1510	Land	22,330,888
1520	Building and improvements, net	278,338,760
1530	Furniture and equipment, net	8,120,662
1580	Construction in progress	<u>144,966,850</u>
1000	Total assets	<u>646,512,519</u>
	DEFERRED OUTFLOWS OF RESOURCES:	
1700	Deferred outflows of resources	<u>53,093,132</u>
	Total deferred outflows of resources	<u>53,093,132</u>
	LIABILITIES:	
2110	Accounts payable	24,332,685
2140	Interest payable	7,335,046
2150	Payroll deductions and withholdings	1,922,171
2165	Accrued liabilities	19,003,458
2180	Due to other governments	584
2200	Accrued expenses	574,929
2300	Unearned revenue	5,577,747
	Noncurrent Liabilities:	
2501	Due within one year	17,705,480
2502	Due in more than one year	462,214,355
2540	Net pension liability	62,357,231
2545	Net OPEB liability	<u>74,367,821</u>
2000	Total liabilities	<u>675,391,507</u>
	DEFERRED INFLOWS OF RESOURCES:	
2600	Deferred inflows of resources	<u>26,971,928</u>
	Total deferred inflows of resources	<u>26,971,928</u>
	NET POSITION:	
3200	Net investment in capital assets	60,683,806
	Restricted For:	
3820	Federal and state programs	11,765
3840	Food service	3,179,646
3850	Debt service	16,675,925
3890	Campus activities	3,485,333
3900	Unrestricted	<u>(86,794,259)</u>
3000	Total net position	<u>\$ (2,757,784)</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, 2019

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	\$ 121,399,219	\$ 398,919	\$ 12,029,555	\$	\$(108,970,745)
12	Instructional resources and media services	2,093,071	1,033	85,349		(2,006,689)
13	Curriculum and instructions for staff development	5,764,129		1,020,527		(4,743,602)
21	Instructional leadership	2,751,236		391,356		(2,359,880)
23	School leadership	12,175,638		656,671		(11,518,967)
31	Guidance, counseling, and evaluation services	7,846,560		1,235,110		(6,611,450)
32	Social work services	766,826		4,352,643		3,585,817
33	Health services	1,807,969		140,982		(1,666,987)
34	Student transportation	7,868,200		277,322		(7,590,878)
35	Food service	9,774,564	4,869,544	4,484,653	134,036	(286,331)
36	Extracurricular activities	10,060,042	5,126,895	161,915	57,080	(4,714,152)
41	General administration	4,957,664	31,242	227,369		(4,699,053)
51	Facilities maintenance and operations	20,921,398		527,945		(20,393,453)
52	Security and monitoring services	1,797,862		12,057		(1,785,805)
53	Data processing services	6,183,838		132,152		(6,051,686)
61	Community services	19,340		11,316		(8,024)
71	Debt service	16,577,071				(16,577,071)
95	Payments to juvenile justice alternative education programs	83,400				(83,400)
99	Other intergovernmental charges	<u>655,335</u>				<u>(655,335)</u>
TG	Total governmental activities	<u>\$ 233,503,362</u>	<u>\$ 10,427,633</u>	<u>\$ 25,746,922</u>	<u>\$ 191,116</u>	<u>(197,137,691)</u>
General Revenues:						
Taxes:						
MT	Property taxes, levied for general purposes					81,104,706
DT	Property taxes, levied for debt service					27,172,041
SF	State aid-formula grants					91,129,765
GC	Grants and contributions not restricted to specific programs					543,154
IE	Investment earnings					3,249,250
MI	Miscellaneous					<u>783,202</u>
TR	Total general revenues					<u>203,982,118</u>
CN	Change in net position					6,844,427
NB	Net position – beginning					<u>(9,602,211)</u>
NE	Net position – ending					<u>\$(2,757,784)</u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019

EXHIBIT C-1

Data Control Codes	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	\$ 59,884,565	\$ 23,361,201	\$ 63,035,054	\$ 7,727,082	\$ 154,007,902
1220	Taxes receivable	2,587,155	858,686			3,445,841
1230	Allowance for uncollectible taxes (credit)	(1,223,971)	(400,758)			(1,624,729)
1240	Receivables from other governments	31,864,248			1,491,200	33,355,448
1260	Due from other funds	810,517		10,000,000		10,810,517
1290	Other receivables	1,131,138	346,819	200		1,478,157
1300	Inventories	331,873			70,833	402,706
1410	Prepaid items	1,252,325				1,252,325
1000	Total assets	<u>96,637,850</u>	<u>24,165,948</u>	<u>73,035,254</u>	<u>9,289,115</u>	<u>203,128,167</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>\$ 96,637,850</u>	<u>\$ 24,165,948</u>	<u>\$ 73,035,254</u>	<u>\$ 9,289,115</u>	<u>\$ 203,128,167</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 1,378,198	\$	\$ 22,322,445	\$ 632,042	\$ 24,332,685
2150	Payroll deductions and withholdings	1,922,171				1,922,171
2160	Accrued wages payable	17,956,854			1,046,604	19,003,458
2170	Due to other funds	10,000,000			810,517	10,810,517
2180	Payable to other government				584	584
2200	Accrued expenditures	468,327				468,327
2300	Unearned revenue	5,300,146	154,977		122,624	5,577,747
2000	Total liabilities	<u>37,025,696</u>	<u>154,977</u>	<u>22,322,445</u>	<u>2,612,371</u>	<u>62,115,489</u>
Deferred Inflow of Resources:						
2600	Deferred inflows of resources	977,375	327,882			1,305,257
	Total deferred inflows of resources	<u>977,375</u>	<u>327,882</u>	<u>-0-</u>	<u>-0-</u>	<u>1,305,257</u>
Fund Balances:						
3410	Non-spendable - inventories	331,873			70,833	402,706
3430	Non-spendable - prepaid items	1,252,325				1,252,325
3450	Restricted - grant funds				3,108,813	3,108,813
3470	Restricted - capital projects			40,712,809		40,712,809
3480	Restricted - debt service		23,683,089			23,683,089
3490	Restricted - other				3,497,098	3,497,098
3510	Committed - construction	7,500,000				7,500,000
3590	Assigned - other	13,010,000		10,000,000		23,010,000
3600	Unassigned	36,540,581				36,540,581
3000	Total fund balances	<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>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 96,637,850</u>	<u>\$ 24,165,948</u>	<u>\$ 73,035,254</u>	<u>\$ 9,289,115</u>	<u>\$ 203,128,167</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, 2019

EXHIBIT C-1R

Total fund balances – governmental funds balance sheet (C-1)	\$ 139,707,421
Amounts reported for <i>governmental activities</i> 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 \$ 624,130,973 in assets less \$ 170,373,813 in accumulated depreciation.	453,757,160
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 \$ 977,375 and \$ 327,882, respectively.	1,305,257
The assets and liabilities of internal service funds are included in governmental activities in the statement of net position.	331,107
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 \$ 7,366,081, and is reported as a deferred outflow of resources.	9,690,478
Pension and OPEB deferred outflows of resources of \$ 46,643,315 less deferred inflows of resources of \$ 30,212,589.	16,430,726
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 \$ 46,880,410 (premium on sale of bonds of \$ 64,460,414 less amortization costs of \$ 13,745,579).	(50,714,835)
Net pension liability	(62,357,231)
Net OPEB liability	(74,367,821)
Payables for bond principal are not reported in the funds.	(429,205,000)
Payables for bond interest are not reported in the funds.	<u>(7,335,046)</u>
Net position of governmental activities – statement of net position (A-1)	<u><u>\$ (2,757,784)</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, 2019

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	\$ 83,894,094	\$ 27,699,701	\$ 1,401,825	\$ 9,915,921	\$ 122,911,541
5800	State program revenues	98,814,453	928,188	10,767	2,013,068	101,766,476
5900	Federal program revenues	<u>4,912,633</u>			<u>10,714,363</u>	<u>15,626,996</u>
5020	Total revenues	<u>187,621,180</u>	<u>28,627,889</u>	<u>1,412,592</u>	<u>22,643,352</u>	<u>240,305,013</u>
EXPENDITURES:						
Current:						
0011	Instruction	100,542,435		4,927,856	5,697,769	111,168,060
0012	Instructional resources and media services	1,763,132			1,020	1,764,152
0013	Curriculum and instructional staff development	5,158,795			386,817	5,545,612
0021	Instructional leadership	2,309,478			254,453	2,563,931
0023	School leadership	11,490,315		158,594	1,262	11,650,171
0031	Guidance, counseling, and evaluation services	6,666,330		17,146	844,965	7,528,441
0032	Social work services	627,549			100,442	727,991
0033	Health services	1,680,191			37,632	1,717,823
0034	Student transportation	6,747,608				6,747,608
0035	Food service				9,074,753	9,074,753
0036	Extracurricular activities	4,168,496		121,210	4,383,244	8,672,950
0041	General administration	4,575,629				4,575,629
0051	Facilities maintenance and operations	20,201,580		355,527		20,557,107
0052	Security and monitoring services	1,747,827		35,169		1,782,996
0053	Data processing services	3,767,168		1,937,207	5,980	5,710,355
0061	Community services	8,024			11,316	19,340
0071	Debt service – principal		13,530,000			13,530,000
0071	Debt service – interest and fees		17,523,575			17,523,575
0081	Facilities acquisition and construction			100,625,564	15,668	100,641,232
0095	Payments to juvenile justice alternative education programs	83,400				83,400
0099	Other intergovernmental charges	<u>655,335</u>				<u>655,335</u>
6030	Total expenditures	<u>172,193,292</u>	<u>31,053,575</u>	<u>108,178,273</u>	<u>20,815,321</u>	<u>332,240,461</u>
1100	Excess (deficiency) of revenues over expenditures	<u>15,427,888</u>	<u>(2,425,686)</u>	<u>(106,765,681)</u>	<u>1,828,031</u>	<u>(91,935,448)</u>
OTHER FINANCING SOURCES (USES):						
7911	Issuance of general obligation bonds			75,155,000		75,155,000
7912	Sale of real and personal property	40,676				40,676
7915	Transfers in	1,097,038	1,563,061	10,034,154		12,694,253
7916	Premium on issuance of general obligation bonds		2,229,725	4,845,000		7,074,725
8911	Transfers out	<u>(10,000,000)</u>	<u>(34,154)</u>	<u>(1,563,061)</u>	<u>(1,097,038)</u>	<u>(12,694,253)</u>
	Total other financing sources and (uses)	<u>(8,862,286)</u>	<u>3,758,632</u>	<u>88,471,093</u>	<u>(1,097,038)</u>	<u>82,270,401</u>
1200	Net change in fund balances	6,565,602	1,332,946	(18,294,588)	730,993	(9,665,047)
0100	Fund balances – beginning	<u>52,069,177</u>	<u>22,350,143</u>	<u>69,007,397</u>	<u>5,945,751</u>	<u>149,372,468</u>
3000	Fund balances – ending	<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>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
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, 2019

EXHIBIT C-2R

Net change in fund balances – total governmental funds (from C-2) \$(9,665,047)

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

Governmental funds report capital outlays 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 outlays \$ 102,192,485 was more than depreciation of \$ 10,892,482 in the current period.	91,300,003
Contributions of capital assets are not reported in the funds, however, contributions of capital assets are reported as capital contributions in the governmental activities statement of activities. During the current year, \$ 57,080 in equipment were contributed to and accepted by the District.	57,080
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 the debt service fund amounted to \$ 37,793 and \$ 39,348, respectively.	(77,141)
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 \$ 3,834,425 (premium on the sale of bonds of \$ 7,074,725 less amortization of \$ 3,240,300).	(3,834,425)
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 \$ 75,155,000.	(75,155,000)
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 \$ 1,213,586.	(1,213,586)
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 \$ 6,927,587 more than the amount reported in the funds.	(6,927,587)
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 \$ 13,530,000.	13,530,000
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 \$ 1,080,210	(1,080,210)
The net effect of miscellaneous transactions involving capital assets (transfer, adjustments and dispositions) is a decrease to net position.	(16,073)
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 (expense) of the internal service funds is reported in the governmental activities statement of activities (see D-2)	(<u>73,587</u>)
Change in net position of governmental activities (see B-1)	\$ <u><u>6,844,427</u></u>

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, 2019

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>437,709</u>
	Total assets	<u>437,709</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>\$ 437,709</u>
	LIABILITIES:	
	Current Liabilities:	
2210	Accrued expenses payable	\$ <u>106,602</u>
	Total liabilities	<u>106,602</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>331,107</u>
	Total net position	<u>331,107</u>
	Total liabilities, deferred inflows of resources, and net position	<u>\$ 437,709</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, 2019

EXHIBIT D-2

	Governmental Activities Internal Service Fund – Workers <u>Compensation</u>
Operating Revenues:	
Charges for services	\$ <u>31,242</u>
Total operating revenues	<u>31,242</u>
Operating Expenses:	
Insurance claims and expenses	<u>111,821</u>
Total operating expenses	<u>111,821</u>
Operating loss	<u>(80,579)</u>
Nonoperating Revenues:	
Investment earnings	<u>6,992</u>
Total nonoperating revenues	<u>6,992</u>
Changes in net position	<u>(73,587)</u>
Net position – beginning	<u>404,694</u>
Net position – ending	<u>\$ <u>331,107</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, 2019

EXHIBIT D-3

	Governmental Activities Internal Service Fund – Workers <u>Compensation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from insurance	\$ 31,242
Claims paid	<u>(25,360)</u>
Net cash provided by operating activities	<u>5,882</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Net cash provided by noncapital financing activities	<u>-0-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Net cash provided by capital and related financing activities	<u>-0-</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest and dividends	<u>6,992</u>
Net cash provided by investing activities	<u>6,992</u>
Net increase in cash and cash equivalents	12,874
Balances – beginning of year	<u>424,835</u>
Balances – end of year	<u>\$ 437,709</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	\$(80,579)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:	
Changes in Assets and Liabilities:	
Accrued expenses payable	<u>86,461</u>
Net cash provided by operating activities	<u>\$ 5,882</u>

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

PEARLAND INDEPENDENT SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2019

EXHIBIT E-1

	<u>Agency Funds</u>
ASSETS:	
Cash and cash equivalents	\$ 568,194
Receivables:	
Other receivables	<u>8,303</u>
Total assets	<u>\$ 576,497</u>
LIABILITIES:	
Accounts payable	\$ 15,744
Amounts due to student groups	<u>560,753</u>
Total liabilities	<u>\$ 576,497</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, 2019

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PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019

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 governmental funds appear as due to/due from on the Governmental Fund Balance Sheet and as other resources and other uses on the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance. Interfund services provided and used are not eliminated in the consolidation of funds for the Statement of Activities. All interfund transactions that do not represent services provided and used between governmental funds and between governmental funds and internal service funds are eliminated on the government-wide statements.

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, 2019

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.

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.

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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 workers' compensation program provides for incurred but not reported costs for workers' compensation claims through the establishment of undiscounted liability accounts and net position. As of June 30, 2019, undiscounted liabilities totaled \$ 106,602 and net position of the workers' compensation program was \$ 331,107. The District chose to switch to a fully insured workers' compensation program with Texas Mutual Insurance Company as of July 1, 2013. 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, 2019.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

Additionally, 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, 2019

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, 2018, upon which the levy for the 2018-19 fiscal year was based, was \$ 7,775,608,498. 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, 2019, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were \$ 1.0600 and \$ 0.3556 per \$ 100 valuation, respectively, for a total of \$ 1.4156 per \$ 100 valuation.

Current tax collections for the year ended June 30, 2019 were 98.76% 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, 2019, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 1,363,184 and \$ 457,928 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, 2019

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, 2019

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>2019</u>	<u>2018</u>
Balance, July 1,	\$ 1,236,538	\$ 1,286,813
Additions – net unused	298,650	261,331
Deductions – payments	<u>(276,602)</u>	<u>(311,606)</u>
Balance, June 30,	<u>\$ 1,258,586</u>	<u>\$ 1,236,538</u>

The amounts attributable to the current and non-current portions on the liability resulting from this policy can only be estimated. As such, the entire amount of the liability is accounted for in the general fund in the amount of \$ 1,213,979 and the National School Lunch and Breakfast Program Fund in the amount of \$ 44,607.

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, 2019

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, 2019

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, 2018. 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 an 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, 2019, the District had no encumbrances outstanding.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Balances(Continued)

As of June 30, 2019, non-spendable fund balances includes \$ 331,873 for inventories, and \$ 1,252,325 for prepaid items in the General fund. The National School Breakfast and Lunch Program special revenue fund non-spendable fund balance includes \$ 70,833 for inventories. Restricted fund balances included \$ 40,712,809 for capital acquisitions and contractual obligations in the Capital Projects Fund, \$ 23,683,089 for Debt Service fund, \$ 3,108,813 for the National School Breakfast and Lunch Program (special revenue fund), \$ 8,994 for Advanced Placement Incentives (special revenue fund), \$ 2,771 for State Instructional Materials Fund (special revenue fund), and \$ 3,485,333 for Campus Activities (special revenue fund). Committed fund balance includes \$ 7,500,000 for construction in the General fund. Assigned fund balance includes \$ 13,010,000 for other purposes in the General fund and \$ 10,000,000 for the capital renewal plan in the Capital Projects Fund. Unassigned fund balance includes \$ 36,540,581 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. This statement was implemented and did not have a material effect on the District's financial statements. The requirements of this Statement are effective for periods beginning after June 15, 2018.

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, 2018.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 December 15, 2019.

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, 2019.

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, 2019.

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, 2018.

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, 2020.

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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Cash and cash equivalents as reported on the statement of net position at June 30, 2019 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary (Internal Service) Funds</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents:				
Cash (petty cash accounts)	\$ 22,179	\$	\$	\$ 22,179
Financial Institution Deposits:				
Demand deposits	6,191,472	131,463	568,194	6,891,129
Local Government Investment Pool:				
Texpool	68,051,230	306,246		68,357,476
Texpool Prime	39,653,641			39,653,641
Texas Class	29,900,179			29,900,179
Texas Daily	189,201			189,201
Texas Term CP	<u>10,000,000</u>	<u> </u>	<u> </u>	<u>10,000,000</u>
	<u>\$154,007,902</u>	<u>\$ 437,709</u>	<u>\$ 568,194</u>	<u>\$155,013,805</u>

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, 2019, in addition to petty cash of \$ 22,179, the carrying amount of the District's cash, savings, and time deposits was \$ 6,891,129. The financial institutions balances were \$ 10,282,513 at June 30, 2019. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 10,032,513 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 \$ 30,773,797.
- c. Largest cash, savings and time deposit combined account balance amounted to \$ 31,023,797 and occurred on November 13, 2018
- d. Total amount of FDIC coverage at the time of the largest combined balance was \$ 250,000.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

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.

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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

The District invests in Texpool, Texpool Prime, Texas CLASS, 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 was created as 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 agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. Texas CLASS seeks to maintain a constant net asset value of \$ 1.00, although this cannot be fully guaranteed. Texas CLASS is rated AAAM and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit.

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 Poors and AA Af 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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 2. DEPOSITS, INVESTMENTS AND DERIVATIVES (Continued)

Investments (Continued)

The following table includes the portfolio balances of all investment types of the District at June 30, 2019.

	<u>Market Value</u>	<u>Weighted Average Maturity (in Days)</u>
Local Government Investment Pool:		
Texpool:		
Texpool	\$ 68,357,476	35
Texpool Prime	39,653,641	39
Texas Class	29,900,179	76
Texas Term:		
Texas Daily	189,201	34
Texas Term	<u>10,000,000</u>	84
Total local government investment pool	<u>\$ 148,100,497</u>	48

Credit Risk – As of June 30, 2019, 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.

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, 2019, the District had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

Derivatives

Interest in derivative products has increased in recent years. Derivatives are investment products, which may be a security or contract, which derives its value from another security, currency, commodity, or index, regardless of the source of funds used. The District made no direct investments in derivatives during the year ended June 30, 2019, and holds no direct investments in derivatives at June 30, 2019.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 3. RECEIVABLES, UNCOLLECTIBLE ACCOUNTS, DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES, AND UNEARNED REVENUES

Receivables and Allowances

Receivables as of June 30, 2019, 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:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Property taxes	\$ 2,587,155	\$ 858,686	\$	\$	\$ 3,445,841
Receivables from other governments	31,864,248			1,491,200	33,355,448
Other receivables	<u>1,131,138</u>	<u>346,819</u>	<u>200</u>		<u>1,478,157</u>
Gross receivables	35,582,541	1,205,505	200	1,491,200	38,279,446
Less: allowance for uncollectibles	<u>1,223,971</u>	<u>400,758</u>			<u>1,624,729</u>
Net receivables	<u>\$34,358,570</u>	<u>\$ 804,747</u>	<u>\$ 200</u>	<u>\$ 1,491,200</u>	<u>\$36,654,717</u>

Receivables/Payables 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 to Other Governments, as applicable.

Amounts due from federal, state, and local governments as of June 30, 2019 are summarized below.

<u>Fund</u>	<u>State Entitlements</u>	<u>Federal Grants</u>	<u>State Grants and Other</u>	<u>Total</u>
Major Governmental Funds:				
General fund	\$ 31,722,515	\$ 141,733	\$	\$ 31,864,248
Other governmental funds		<u>1,454,485</u>	<u>36,715</u>	<u>1,491,200</u>
Total	<u>\$31,722,515</u>	<u>\$ 1,596,218</u>	<u>\$ 36,715</u>	<u>\$33,355,448</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019, 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)	\$ 977,375	\$
Delinquent property taxes receivable (debt service fund)	327,882	
Advance Funding:		
State entitlements		5,442,803
State grants		10,847
Local grants		111,777
Co-curricular		<u>12,320</u>
Total deferred/unearned revenue from governmental funds	<u>\$ 1,305,257</u>	<u>\$ 5,577,747</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, 2019 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, 2019

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, 2019, 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	\$ 30,428,145	\$ 3,455,032	\$
TRS-Care OPEB deferred outflows and inflows	8,795,659	23,516,896	
TRS pension contributions subsequent to the measurement date	3,299,109		
TRS-Care OPEB contributions subsequent to the measurement date	879,741		
Bond refunding costs net of amortization	9,690,478		
Advance Funding:			
State entitlements			5,442,803
State grants			10,847
Local grants			111,777
Co-curricular			<u>12,320</u>
Totals	<u>\$53,093,132</u>	<u>\$26,971,928</u>	<u>\$ 5,577,747</u>

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund Receivables and Payables

Interfund balances at June 30, 2019 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>6-30-19</u>
General Fund	Other Governmental Funds	\$ 810,517
Capital Projects Fund	General Fund	<u>10,000,000</u>
		<u>\$ 10,968,916</u>

Interfund Transfers

Interfund transfers for the year ended June 30, 2019 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Capital Projects Fund	\$ 10,000,000
Debt Service Fund	Capital Projects Fund	34,154
Capital Projects Fund	Debt Service Fund	1,563,061
Other Governmental Funds	General Fund	<u>1,097,038</u>
		<u>\$ 12,694,253</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

The district prepared a 10-year capital renewal plan and established a capital projects fund to account for non-bond financed capital and equipment needs of the district with an initial transfer of \$10 million from the general fund. The net transfer of \$1,528,907 from capital projects to debt service was to account for the \$1.5 million reduction in local property tax revenue as a result of a one-year interest and sinking fund tax decrease of two cents; the transfer included investment earnings of \$565,000 from 2017 bond projects funds and \$963,907 remaining in 2014 bond projects funds after completion of all projects (the transfer out was to account for an outstanding 2014 bond project invoice that was processed after the remaining 2014 capital projects fund balance had been transferred out to debt service). Lastly, the general fund received \$1,097,038 from the Hurricane Harvey Restart Grant.

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, 2019:

	Balance July 1, 2018	Additions	Retirements	Transfers	Balance June 30, 2019
Non-Depreciated Capital Assets:					
Land	\$ 22,330,888	\$	\$	\$	\$ 22,330,888
Construction in progress	<u>64,393,097</u>	<u>100,621,233</u>	<u> </u>	<u>(20,047,480)</u>	<u>144,966,850</u>
Total non-depreciated	<u>86,723,985</u>	<u>100,621,233</u>	<u> </u>	<u>(20,047,480)</u>	<u>167,297,738</u>
Depreciated Capital Assets:					
Buildings and improvements	405,094,659	185,176		20,047,480	425,327,315
Furniture and equipment	<u>31,648,304</u>	<u>1,443,156</u>	<u>1,585,540</u>	<u> </u>	<u>31,505,920</u>
Total depreciated	<u>436,742,963</u>	<u>1,628,332</u>	<u>1,585,540</u>	<u>20,047,480</u>	<u>456,833,235</u>
Total additions/transfers and retirements		<u>\$ 102,249,565</u>	<u>\$ 1,585,540</u>	<u>\$ -0-</u>	
Accumulated Depreciation:					
Buildings and improvements	138,019,967	\$ 8,968,588	\$	\$	\$ 146,988,555
Furniture and equipment	<u>23,030,831</u>	<u>1,923,894</u>	<u>1,569,467</u>	<u> </u>	<u>23,385,258</u>
Total accumulated depreciation	<u>161,050,798</u>	<u>\$ 10,892,482</u>	<u>\$ 1,569,467</u>	<u>\$ -0-</u>	<u>170,373,813</u>
Net depreciated assets	<u>275,692,165</u>				<u>286,459,422</u>
Net capital assets	<u>\$ 362,416,150</u>				<u>\$ 453,757,160</u>

During the year ended June 30, 2019, the District received furniture and equipment from various sources totaling \$ 57,080.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 Codes</u>	<u>Function</u>	<u>Amount</u>
0011	Instruction	\$ 6,424,596
0012	Instructional resources and media services	261,542
0021	Instructional leadership	80,162
0023	School leadership	11,427
0031	Guidance, counseling, and evaluation services	11,745
0032	Social work services	14,817
0033	Health services	9,087
0034	Student transportation	903,206
0035	Food service	662,569
0036	Extracurricular activities	1,280,317
0041	General administration	92,049
0051	Facilities maintenance and operations	204,110
0052	Security and monitoring services	4,890
0053	Data processing services	<u>931,965</u>
	Total depreciation expense	<u>\$ 10,892,482</u>

Construction Commitments

	<u>Projects Authorized</u>	<u>Expended To Date</u>	<u>Commitment</u>
June 30, 2019:			
Dawson HS Additions/Renovations-Pkg A791	\$ 32,620,922	\$ 28,146,042	\$ 4,557,752
Pearland HS Renovations-Pkg B792	50,183,583	37,120,806	13,062,777
Turner HS Renovations-Pkg C793	27,904,607	23,971,247	3,933,360
Pkg D794 Renovations	52,818,720	42,514,987	10,303,733
Pkg E795 Renovations	25,068,384	9,848,755	15,219,630
Pkg F796 Renovations	12,058,784	7,668,371	4,390,413
Pkg G797 Infrastructure & Technology	<u>19,345,000</u>	<u>12,200,163</u>	<u>7,144,837</u>
Total governmental activities	<u>\$220,000,000</u>	<u>\$161,387,498</u>	<u>\$ 58,612,502</u>

As of June 30, 2019, no further financing was required on the construction commitments.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019.

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, 2019:

<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	8,690,000
2012	62,845,000	2029	2021	3.000 - 5.000	55,485,000
2013A	15,490,000	2029	2023	3.000 - 5.000	12,825,000
2013B	38,155,000	2029	2023	2.000 - 5.000	25,700,000
2014	30,540,000	2029	2024	2.000 - 5.000	27,580,000
2014B	28,655,000	2039	2024	2.000 - 5.000	21,015,000
2016	41,335,000	2032	2026	5.000 - 5.250	41,335,000
2016A	42,200,000	2032	2026	2.000 - 5.000	33,410,000
2017	105,510,000	2042	2026	3.000 - 5.000	105,510,000
2019	<u>75,155,000</u>	2042	2029	3.000 - 5.000	<u>75,155,000</u>
Total	<u>\$ 471,125,000</u>				<u>\$ 429,205,000</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>
2020	\$ 14,280,000	\$ 19,354,866	\$ 33,634,866
2021	14,410,000	18,776,316	33,186,316
2022	16,740,000	18,166,416	34,906,416
2023	18,425,000	17,375,466	35,800,466
2024	20,160,000	16,516,866	36,676,866
2025-2029	124,280,000	67,466,161	191,746,161
2030-2034	111,640,000	37,573,638	149,213,638
2035-2039	63,435,000	20,218,650	83,653,650
2040-2042	<u>45,835,000</u>	<u>4,660,000</u>	<u>50,495,000</u>
Totals	<u>\$ 429,205,000</u>	<u>\$ 220,108,379</u>	<u>\$ 649,313,379</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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, 2019.

Changes in Long-Term Liabilities

Long-term liability activity for the governmental activities for the year ended June 30, 2019 was as follows:

	Balance 07-01-18	Additions	Retirements	Balance 06-30-19	Due Within One Year
Long-Term Debt:					
General obligation bonds	\$ 367,580,000	\$ 75,155,000	\$ 13,530,000	\$ 429,205,000	\$ 14,280,000
Net pension liability	36,245,657	29,928,007	3,816,433	62,357,231	
Net OPEB liability	61,916,791	13,478,513	1,027,483	74,367,821	
Premium on general obligation bonds	<u>46,880,410</u>	<u>7,074,725</u>	<u>3,240,300</u>	<u>50,714,835</u>	<u>3,425,480</u>
	<u>\$ 512,622,858</u>	<u>\$125,636,245</u>	<u>\$ 21,614,216</u>	<u>\$ 616,644,887</u>	<u>\$ 17,705,480</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, 2019 as follows:

Year Ended June 30	Amount
2020	\$ 1,053,723
2021	974,769
2022	917,754
2023	727,619
2024	<u>315,531</u>
Total minimum rentals	<u>\$ 3,989,396</u>

Rental expenditures on the above-mentioned equipment for the year ended June 30, 2019 were \$ 763,761.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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) and is established and administered in accordance with the Texas Constitution, Article XVI, Section 67 and Texas Government Code, Title 8, Subtitle C. The pension trust fund is a qualified 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 work load 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. 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 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 credit 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.

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. 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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

Employee contribution rates are set in state statute, Texas Government Code 825.402. Senate Bill 1458 of the 83rd Texas Legislature amended Texas Government Code 825.402 for member contributions and established employee contribution rates for fiscal years 2014 thru 2017. The 85th Texas Legislature, General Appropriations Act (GAA) affirmed that the employer contribution rates for fiscal years 2018 and 2019 would remain the same.

	<u>Contribution Rates</u>	
	<u>2018</u>	<u>2019</u>
Member	7.7%	7.7%
Non-Employer Contributing Entity (State)	6.8%	6.8%
Employers	6.8%	6.8%
Employer # 1427 – 2019 Employer Contributions	\$	3,943,079
Employer # 1427 – 2019 Member Contributions	\$	10,281,012
Employer # 1427 – 2019 NECE On-behalf Contributions	\$	7,040,446
Employer # 1427 – 2019 Medicare Part D	\$	503,918

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.

In addition to the employer contributions listed above, there are two additional surcharges an employer is subject to.

- When employing a retiree of the Teacher Retirement System the employer shall pay both the member contribution and the state contribution as an employment after retirement age surcharge.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

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

Actuarial Assumptions

The total pension liability in the August 31, 2017 actuarial valuation rolled forward to August 31, 2018 was determined using the following actuarial assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Asset Valuation Method	Market Value
Single Discount Rate	6.907%
Long-term expected Investment Rate of Return	7.25%
Inflation	2.30%
Salary Increases including inflation	3.05% to 9.05%
Payroll Growth Rate	2.50%
Benefit changes during the year	None
Ad-hoc post-employment benefit changes	None

The actuarial methods and assumptions are based primarily on a study of actual experience for the three year period ending August 31, 2017 and adopted in July 2018.

Discount Rate

The single discount rate used to measure the total pension liability was 6.907%. The single discount rate was based on the expected rate of return on pension plan investments of 7.25 percent and a municipal bond rate of 3.69%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers and the non-employer contributing entity are made at the statutory required rates. Based on those assumptions, the pension plan's fiduciary net position was sufficient to finance the benefit payments until the year 2069. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments after the date. 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the Systems target asset allocation as of August 31, 2018 are summarized below:

PEARLAND INDEPENDENT SCHOOL DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

Asset Class	Target Allocation*	Long-Term Expected Arithmetic Real Rate of Return**	Expected Contribution to Long-Term Portfolio Returns
Global Equity:			
U.S.	18.00%	5.70%	1.04%
Non-U.S. Developed	13.00%	6.90%	0.90%
Emerging Markets	9.00%	8.95%	0.80%
Directional Hedge Funds	4.00%	3.53%	0.14%
Private Equity	13.00%	10.18%	1.32%
Stable Value:			
U.S. Treasuries	11.00%	1.11%	0.12%
Absolute Return	0.00%	0.00%	0.00%
Stable Value Hedge Funds	4.00%	3.09%	0.12%
Cash	1.00%	-0.30%	0.00%
Real Return:			
Global Inflation Linked Bonds	3.00%	0.70%	0.02%
Real Assets	14.00%	5.21%	0.73%
Energy and Natural Resources	5.00%	7.48%	0.37%
Commodities	0.00%	0.00%	0.00%
Risk Parity:			
Risk Parity	5.00%	3.70%	0.18%
Inflation Expectation			2.30%
Volatility Drag ***			-0.79%
Total	100.00%		7.25%

* Target allocations are based on the FY2016 policy model.

** Capital market assumptions come from Aon Hewitt (2017 Q4)

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

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 (6.907%) in measuring the 2018 Net Pension Liability.

	1% Decrease in Discount Rate (5.907%)	Discount Rate (6.907%)	1% Increase in Discount Rate (7.907%)
District's proportionate share of the Net pension liability	\$ <u>94,112,014</u>	\$ <u>62,357,231</u>	\$ <u>36,649,850</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

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

At June 30, 2019, the District reported a liability of \$ 62,357,231 for its proportionate share of 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	\$ 62,357,231
State's proportionate share that is associated with the District	<u>31,779,833</u>
Total	<u>\$ 94,137,064</u>

The net pension liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2017 rolled forward to August 31, 2018. 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, 2017 thru August 31, 2018.

At August 31, 2018 the employer's proportion of the collective net pension liability was 0.1132893919% which was a decrease of 0.00006822% from its proportion measured as of August 31, 2017.

Changes Since the Prior Actual Valuation

There were no changes to the actuarial assumptions or other inputs that affected measurement of the total pension liability since the prior measurement period.

- The Total Pension Liability as of August 31, 2018 was developed using a roll-forward method from the August 31, 2017 valuation.
- Demographic assumptions including post-retirement mortality, termination rates, and rates of retirement were updated based on the experience study performed by TRS for the period ending August 31, 2017.
- Economic assumptions including rates of salary increase for individual participants was updated based on the same experience study.
- The discount rate changed from 8.0 percent as of August 31, 2017 to 6.907 percent as of August 31, 2018.
- The long-term assumed rate of return changed from 8.0 percent to 7.25 percent.
- The change in the long-term assumed rate of return combined with the change in the single discount rate was the primary reason for the increase in the Net Pension Liability.

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

For the year ended June 30, 2019, the District recognized pension expense of \$ 10,423,539 and revenue of \$ 7,040,446 for support provided by the State.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 8. DEFINED BENEFIT PENSION PLANS (Continued)

At June 30, 2019, 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	\$ 388,684	\$ 1,530,000
Changes in actuarial assumptions	22,482,785	702,588
Difference between projected and actual investment earnings		1,183,184
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	7,556,676	39,260
Contributions paid to TRS subsequent to the measurement date	<u>3,299,109</u>	
Total	<u>\$ 33,727,254</u>	<u>\$ 3,455,032</u>

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

<u>Year Ended June 30,</u>	<u>Pension Expense Amount</u>
2020	\$ 7,372,583
2021	4,882,648
2022	4,162,215
2023	4,346,832
2024	3,746,926
Thereafter	2,461,909

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 a basic health insurance coverage (TRS-Care 1), at no cost to all retirees from public schools, charter schools, regional education service centers and other educational districts who are members of the TRS pension plan. Optional dependent coverage is available for an additional fee.

Eligible retirees and their dependents are not enrolled in Medicare may pay premiums to participate in one of two optional insurance plans with more comprehensive benefits (TRS-Care 2 and TRS-Care 3). Eligible retirees and dependents enrolled in Medicare may elect to participate in one of the two Medicare health plans for an additional fee. To qualify for TRS-Care coverage, a retiree must have at least 10 years of service credit in the TRS pension system. The Board of Trustees is granted the authority to establish basic and optional group insurance coverage for participants as well as to amend benefit terms as needed under Chapter 1575.052. There are no automatic post-employment benefit changes; including automatic COLAs.

The premium rates for the optional health insurance are based on years of service of the member. The schedule below shows the monthly rates for a retiree with and without Medicare coverage.

TRS-Care Monthly for Retirees
Effective January 1, 2018 thru December 31, 2018

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

* or surviving spouse

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 as 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>2018</u>	<u>2019</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 – 2019 Employer Contributions		\$ 1,055,979
Employer # 1427 – 2019 Member Contributions		\$ 867,877
Employer # 1427 – 2019 NECE On-behalf Contributions		\$ 1,294,200

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 \$ 182.6 million in fiscal year 2018. The 85th Texas Legislature, House Bill 30 provided an additional \$ 212 million in one-time, supplemental funding for the FY2018-19 biennium to continue to support the program. This was also received in FY2018 bringing the total appropriations received in fiscal year 2018 to \$ 394.6 million.

Actuarial Assumptions

The total OPEB liability in the August 31, 2017 was rolled forward to August 31, 2018. The actual valuation of 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, salary increases, and general payroll growth, used in this OPEB valuation were identical to those used in the respective TRS pension valuation. Since the assumptions were based upon a recent actuarial experience study performed and they were reasonable for this OPEB valuation, they were employed in this report.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

The following assumptions used for members of TRS are identical to the assumptions employed in the August 31, 2018 TRS annual pension actuarial valuation:

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

The active mortality rates were based on 90 percent of the RP-2014 Employee Mortality Tables for males and females, with full generational mortality using Scale BB. The Post-retirement mortality rates 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).

Additional Actuarial Methods and Assumptions:

Valuation Date	August 31, 2017 rolled forward to August 31, 2018
Actuarial Cost Method	Individual Entry Age Normal
Inflation	2.30%
Discount Rate*	3.69%*
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 claim costs.
Payroll Growth Rate	3.00%
Projected Salary Increases**	3.05% to 9.05%**
Healthcare Trend Rates***	6.75% to 11.00%***
Election Rates	Normal Retirement: 70% participation prior to age 65 and 75% participation after age 65
Ad hoc post-employment benefit changes	None

* Source: Fixed Income municipal bonds with 20 years to maturity that include only federal tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of August 31, 2018

** Includes Inflation at 2.30%

*** Initial medical trend rates of 107.74% and 9.00% for Medicare retirees and initial medical trend rate of 6.75% for non-Medicare retirees. Initial prescription drug trend rate of 11.00% for all retirees. The first year medical trend for Medicare retirees (107.74%) reflects the anticipated return of the Health Insurer Fee (HIF) in 2020. Initial trend rates decrease to an ultimate trend rate of 4.50% over a period of 9 years.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

In this valuation, the impact of the Cadillac Tax has been calculated as a portion of the trend assumption. Assumptions and methods used to determine the impact of the Cadillac Tax include:

- 2018 thresholds of \$ 850 / \$ 2,292 were indexed annually by 2.50%
- Premium data submitted was not adjusted for permissible exclusions to the Cadillac Tax.
- There were no special adjustments to the dollar limit other than those permissible for non-Medicare retirees over 55.

Results indicate that the value of the excise tax would be reasonably represented by a 25 basis point addition to the long-term trend rate assumption.

Discount Rate

A single discount rate of 3.69% was used to measure the total OPEB liability. There was an increase of 0.27 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 project of cash flows used to determine the discount rate assumed that contributions from active members and those of the contributing employers and the non-employer contributing entity are made at the statutorily required rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, the municipal bond rate was applied to all periods of projected benefit payments to determine the total OPEB liability.

Discount Rate Sensitivity Analysis

The following schedule shows the impact of the Net OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (3.69%) in measuring the Net OPEB Liability.

	<u>1% Decrease in Discount Rate (2.69%)</u>	<u>Discount Rate (3.69%)</u>	<u>1% Increase in Discount Rate (4.69%)</u>
District’s proportionate share of the Net OPEB Liability	\$ <u>88,523,258</u>	\$ <u>74,367,821</u>	\$ <u>63,169,958</u>

Healthcare Cost Trend Rates Sensitivity Analysis

The following schedules presents the District’s proportional share of the net OPEB liability of the plan using the assumed healthcare cost trend rate, as well as what the net OPEB liability would be if it were calculated using a trend rate that is 1% greater than and 1% less than the assumed healthcare cost trend rate:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
District’s proportionate share of the Net OPEB Liability	\$ <u>61,763,686</u>	\$ <u>74,367,821</u>	\$ <u>90,967,738</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

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

At June 30, 2019, the District reported a liability of \$ 74,367,821 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	\$ 74,367,821
State's proportionate share that is associated with the District	<u>42,706,020</u>
Total	<u>\$ 117,073,841</u>

The net OPEB liability was measured as of August 31, 2017 and rolled forward to August 31, 2018 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The employer's proportion of the net OPEB liability was based on the employer's contributions to the OPEB plan relative to the contributions of all employers to the plan for the period September 1, 2017 thru August 31, 2018.

At June 30, 2019 the employer's proportion of the collective net OPEB liability was 0.1489414326% compared to 0.1423824600% as of June 30, 2018.

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 since the prior measurement period:

1. Adjustments were made for retirees that were known to have discontinued their health care coverage in fiscal year 2018. This change increased the Total OPEB Liability.
2. The health care trend rate assumption was updated to reflect the anticipated return of the Health Insurer Fee (HIF) in 2020. This change increased the Total OPEB Liability.
3. Demographic and economic assumptions were updated based on the experience study performed for TRS for the period ending August 31, 2017. This change increased the Total OPEB liability.
4. The discount rate was changed from 3.42 percent as of August 31, 2017 to 3.69 percent as of August 31, 2018. This change lowered the Total OPEB liability \$ 2.3 billion.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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

5. Changes in Benefit Terms Since the Prior Measurement Date - The 85th Legislature, Regular Session, passed the following statutory changes in House Bill 3976 which became effective on September 1, 2017:
 - a. Created a high-deductible health plan that provides zero cost for generic prescriptions for certain preventive drugs and provides a zero premium for disability retirees who retired as a disability retiree on or before January 1, 2017 and are not eligible to enroll in Medicare.
 - b. Created a single Medicare Advantage plan and Medicare prescription drug plan for all Medicare-eligible participants.
 - c. Allowed the System to provide other, appropriate health benefit plans to address the needs of enrollees eligible for Medicare.
 - d. Allowed eligible retirees and their eligible dependents to enroll in TRS-Care when the retiree reaches 65 years of age, rather than waiting for the next enrollment period.
 - e. Eliminated free coverage under TRS-Care, except for certain disability retirees enrolled during Plan Years 2018 through 2021, requiring members to contribute \$ 200 per month toward their health insurance premiums.

For the year ended June 30, 2019, the District recognized OPEB expense of \$ 4,186,556 and revenue of \$ 1,294,200 for support provided by the State.

At June 30, 2019, 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	\$ 3,946,424	\$ 1,173,633
Changes in actuarial assumptions	1,240,997	22,343,263
Difference between projected and actual investment earnings	13,006	
Changes in proportion and difference between the employer's contributions and the proportionate share of contributions	3,595,232	
Contributions paid to TRS subsequent to the measurement date	<u>879,741</u>	
Total	<u>\$ 9,675,400</u>	<u>\$ 23,516,896</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

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 June 30,</u>	<u>OPEB Expense Amount</u>
2020	\$ (2,479,696)
2021	(2,479,696)
2022	(2,479,696)
2023	(2,482,155)
2024	(2,483,562)
Thereafter	(2,316,432)

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)	---	\$ 4,221,196
Disaster Grants - Public Assistance	97.036	110,013
ROTC Salary Aid	12.000	<u>159,451</u>
Total direct		<u>4,490,660</u>
Indirect Costs:		
School Breakfast Program	10.553	37,795
National School Lunch Program	10.555	163,056
Texas Support for Homeless Education	84.196	870
ESSA, Title I, Part A - Improving Basic Programs	84.010	58,215
IDEA, Part B, Formula	84.027	128,983
IDEA, Part B, Preschool	84.173	2,842
Vocational Education, Basic Grant	84.048	7,029
Title II, Part A - Teacher/Principal	84.367	11,590
Title III, Part A - English Language Education Program	84.365	6,728
Title VI, Part A, Subpart 1 Improving Academic Achievement	84.424	3,541
Immediate Aid to Restart School Operations (RESTART)	84.938A	1,111
Assistance for Homeless Children and Youth	84.938B	<u>213</u>
Total indirect		<u>421,973</u>
Total		<u>\$ 4,912,633</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, 2019***NOTE 11. LOCAL AND INTERMEDIATE REVENUES**

During the year ended June 30, 2019, local and intermediate revenues for governmental funds consisted of the following:

	Major Funds			Other Governmental Funds	Total
	General Fund	Debt Service Fund	Capital Projects Funds		
Property Taxes	\$ 80,628,068	\$ 27,060,542	\$	\$	\$ 107,688,610
Food sales				4,863,382	4,863,382
Investment income	1,342,359	488,312	1,401,825	9,762	3,242,258
Penalties, interest and other tax related income	514,431	150,847			665,278
Other tuition and fees from patrons	351,906				351,906
Co-curricular income	298,730			4,876,212	5,174,942
Rent	334,350				334,350
Contributions				158,215	158,215
Other	424,250			8,350	432,600
Total	<u>\$ 83,894,094</u>	<u>\$ 27,699,701</u>	<u>\$ 1,401,825</u>	<u>\$ 9,915,921</u>	<u>\$ 122,911,541</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, 2019, 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 \$ 106,602 as of June 30, 2019. 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, 2019.

PEARLAND INDEPENDENT SCHOOL DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2019

NOTE 13. SELF-INSURED WORKERS' COMPENSATION (Continued)

This liability reported in the fund at June 30, 2019, 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 2017-2018 and 2018-2019 are represented below:

	<u>Beginning of Fiscal-Period Liability</u>	<u>Current- Period Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance at Fiscal Period-End</u>
2017-2018 Year Ended Workers' Compensation	\$ 18,305	\$ 46,072	\$ 44,236	\$ 20,141
2018-2019 Year Ended Workers' Compensation	\$ 20,141	\$ 111,821	\$ 25,360	\$ 106,602

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, 2019 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 fixed 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 \$ 83,400 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, 2019

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 six CIS traditional program sites (at Carleston Elementary, Cockrell Elementary, Jamison Middle, Lawhon Elementary, Pearland Junior High South 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 \$ 153,000 and were coded to 6299 Miscellaneous Contract Services in Function 32 Social Work Services.

NOTE 16. EVALUATION OF SUBSEQUENT EVENT

The District has evaluated subsequent events through October 29, 2019, the date which the financial statements were available to be issued.

On July 6, 2019, the District issued \$ 18,305,000 of Series 2019A Unlimited Tax School Building Bonds for the construction, renovation, and equipment of school facilities, maturing in 2042. The bonds have stated interest rates of 3.000% - 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 2019A Unlimited Tax School Building Bonds:

<u>Maturing February 15</u>	<u>Principal</u>
2020	\$ -0-
2021	290,000
2022	300,000
2023	315,000
2024	330,000
2025-2029	1,865,000
2030-2034	3,760,000
2035-2039	6,740,000
2040-2042	<u>4,705,000</u>
Total	<u>\$ 18,305,000</u>

REQUIRED SUPPLEMENTARY INFORMATION

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PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT G-1

Data Control Codes		General Fund			Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 81,190,400	\$ 83,334,869	\$ 83,894,094	\$ 559,225
5800	State program revenues	84,076,711	90,478,445	98,814,453	8,336,008
5900	Federal program revenues	<u>2,106,000</u>	<u>4,386,000</u>	<u>4,912,633</u>	<u>526,633</u>
5020	Total revenues	<u>167,373,111</u>	<u>178,199,314</u>	<u>187,621,180</u>	<u>9,421,866</u>
	EXPENDITURES:				
	Current:				
0011	Instruction	101,547,534	101,782,487	100,542,435	1,240,052
0012	Instructional resources and media services	1,771,078	1,796,122	1,763,132	32,990
0013	Curriculum and instructional staff development	4,880,410	5,190,670	5,158,795	31,875
0021	Instructional leadership	2,401,276	2,429,418	2,309,478	119,940
0023	School leadership	11,401,202	11,578,500	11,490,315	88,185
0031	Guidance, counseling, and evaluation services	6,728,752	6,729,372	6,666,330	63,042
0032	Social work services	610,248	672,063	627,549	44,514
0033	Health services	1,594,778	1,719,601	1,680,191	39,410
0034	Student transportation	7,181,430	7,366,768	6,747,608	619,160
0036	Extracurricular activities	4,181,793	4,347,217	4,168,496	178,721
0041	General administration	4,558,925	4,658,778	4,575,629	83,149
0051	Facility maintenance and operations	21,621,689	21,614,014	20,201,580	1,412,434
0052	Security and monitoring services	2,079,337	2,079,564	1,747,827	331,737
0053	Data processing services	4,062,966	4,082,704	3,767,168	315,536
0061	Community services	11,204	11,313	8,024	3,289
0095	Payments to juvenile justice alternative education programs	53,672	118,672	83,400	35,272
0099	Other intergovernmental charges	<u>727,128</u>	<u>727,128</u>	<u>655,335</u>	<u>71,793</u>
6030	Total expenditures	<u>175,413,422</u>	<u>176,904,391</u>	<u>172,193,292</u>	<u>4,711,099</u>
1100	Excess (deficiency) of revenues over expenditures	<u>(8,040,311)</u>	<u>1,294,923</u>	<u>15,427,888</u>	<u>14,132,965</u>
	OTHER FINANCING SOURCES (USES):				
7912	Sale of real and personal property			40,676	40,676
7915	Transfers in		1,042,061	1,097,038	54,977
8911	Transfers out			<u>(10,000,000)</u>	<u>(10,000,000)</u>
	Total other financing sources (uses)	<u>-0-</u>	<u>1,042,061</u>	<u>(8,862,286)</u>	<u>(9,904,347)</u>
1200	Net change in fund balances	<u>(8,040,311)</u>	<u>2,336,984</u>	<u>6,565,602</u>	<u>4,228,618</u>
0100	Fund balances – beginning	<u>52,069,177</u>	<u>52,069,177</u>	<u>52,069,177</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 44,028,866</u>	<u>\$ 54,406,161</u>	<u>\$ 58,634,779</u>	<u>\$ 4,228,618</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 employee 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.

2018

0.1132894 %

\$ 62,357,231

31,779,833

\$ 94,137,064

\$ 130,171,373

47.90%

73.74%

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

For the Last Ten Years Ended June 30, 2019(1)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Contractually required contributions	\$ 1,543,117	\$ 3,151,764	\$ 3,580,141	\$ 3,715,201
Contributions in relation to the contractually required contribution	<u>1,543,117</u>	<u>3,151,764</u>	<u>3,580,141</u>	<u>3,715,201</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	\$ 103,264,170	\$ 111,507,045	\$ 125,800,864	\$ 129,610,826
Contributions as a percentage of covered-employee payroll	1.49%	2.83%	2.85%	2.87%

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

2019

\$ 3,816,433

3,816,433

\$ -0-

\$ 133,520,841

2.66%

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>2018</u>	<u>2019</u>
District's proportion of the net OPEB Liability	0.1423825%	0.1489414%
District's proportionate share of the net OPEB liability	\$ 61,916,791	\$ 74,367,821
State's proportionate share of the net OPEB liability associated with the District	<u>36,184,923</u>	<u>42,706,020</u>
Total	<u>\$ 98,101,714</u>	<u>\$ 117,073,841</u>
District's covered payroll	\$ 126,681,823	\$ 130,171,373
District's proportionate share of the net OPEB liability as a percentage of its covered employee payroll	48.88%	57.13%
Plan fiduciary net position as a percentage of total OPEB liability	0.91%	1.57%

(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.

PEARLAND INDEPENDENT SCHOOL DISTRICT

EXHIBIT G-5

SCHEDULE OF REQUIRED OPEB CONTRIBUTIONS - COST SHARING EMPLOYER PLAN

For the Last Ten Years Ended June 30, 2019(1)

	<u>2018</u>	<u>2019</u>
Contractually required contributions	\$ 740,248	\$ 1,027,483
Contributions in relation to the contractually required contribution	<u>740,248</u>	<u>1,027,483</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>
District's covered payroll	\$ 129,610,826	\$ 133,520,841
Contributions as a percentage of covered-employee payroll	0.57%	0.77%

(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, 2019

Data Control Codes		Special				
		206 ESSA, Title X, Part C-Education for the Homeless Children and Youth	211 ESSA, Title I, Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
	ASSETS AND OUTFLOWS OF RESOURCES					
	Assets:					
1110	Cash and cash equivalents	\$	\$	\$	\$	\$
1240	Receivables from other governments	7,776	452,804	610,666	28,669	158,399
1300	Inventories					
1000	Total assets	<u>7,776</u>	<u>452,804</u>	<u>610,666</u>	<u>28,669</u>	<u>158,399</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>\$ 7,776</u>	<u>\$ 452,804</u>	<u>\$ 610,666</u>	<u>\$ 28,669</u>	<u>\$ 158,399</u>
	LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES:					
	Liabilities:					
2110	Accounts payable	\$	\$ 80,290	\$ 46,764	\$ 10,000	\$
2160	Accrued wages payable		171,694	266,423	6,424	
2170	Due to other funds	7,776	200,820	279,479	12,245	158,399
2180	Payable to other governments					
2300	Unearned revenue					
2000	Total liabilities	<u>7,776</u>	<u>452,804</u>	<u>610,666</u>	<u>28,669</u>	<u>158,399</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 Balances:					
3410	Non-spendable - inventories					
3450	Restricted - grant funds					
3490	Restricted - other					
3000	Total fund balances	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,776</u>	<u>\$ 452,804</u>	<u>\$ 610,666</u>	<u>\$ 28,669</u>	<u>\$ 158,399</u>

Revenue Funds							
240	244	255	263	265	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	Title IV, Part B 21 st Century Community Learning Centers	Improving Academic Achievement	Medicaid Administrative Claiming Program	Federally Funded Special Revenue Funds
\$ 3,604,399	\$ 36,802	\$ 43,212	\$ 63,698	\$	\$ 32,443	\$ 10,502	\$ 4,800
70,833						15,214	
<u>3,675,232</u>	<u>36,802</u>	<u>43,212</u>	<u>63,698</u>	<u>-0-</u>	<u>32,443</u>	<u>25,716</u>	<u>4,800</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>\$ 3,675,232</u>	<u>\$ 36,802</u>	<u>\$ 43,212</u>	<u>\$ 63,698</u>	<u>\$ -0-</u>	<u>\$ 32,443</u>	<u>\$ 25,716</u>	<u>\$ 4,800</u>
\$ 18,342	\$ 9,027	\$ 958	\$ 400	\$	\$ 10,681	\$ 25,716	\$
477,244	27,775	37,874	20,014		21,762		4,800
		4,380	43,284				
<u>495,586</u>	<u>36,802</u>	<u>43,212</u>	<u>63,698</u>	<u>-0-</u>	<u>32,443</u>	<u>25,716</u>	<u>4,800</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>
70,833							
3,108,813							
<u>3,179,646</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
<u>\$ 3,875,232</u>	<u>\$ 36,802</u>	<u>\$ 43,212</u>	<u>\$ 63,698</u>	<u>\$ -0-</u>	<u>\$ 32,443</u>	<u>\$ 25,716</u>	<u>\$ 4,800</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2019

Data Control Codes		Special Revenue				
		383	397	410	423	429
		Professional Staff Development	Advanced Placement Incentives	State Instructional Materials	Truancy Intervention Program	State Funded Special Revenue Fund
ASSETS AND OUTFLOWS OF RESOURCES						
Assets:						
1110	Cash and cash equivalents	\$ 9,266	\$ 8,994	\$ 280,409	\$	\$
1240	Receivables from other governments				36,717	
1300	Inventories					
1000	Total assets	<u>9,266</u>	<u>8,994</u>	<u>280,409</u>	<u>36,717</u>	<u>-0-</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>\$ 9,266</u>	<u>\$ 8,994</u>	<u>\$ 280,409</u>	<u>\$ 36,717</u>	<u>\$ -0-</u>
LIABILITIES AND FUND BALANCES:						
Liabilities:						
2110	Accounts payable	\$ 4,084	\$	\$ 271,483	\$	\$
2160	Accrued wages payable				4,920	
2170	Due to other funds				31,797	
2180	Payable to other governments			490		
2300	Unearned revenue	<u>5,182</u>		<u>5,665</u>		
2000	Total liabilities	<u>9,266</u>	<u>-0-</u>	<u>277,638</u>	<u>36,717</u>	<u>-0-</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 Balances:						
3410	Non-spendable - inventories					
3450	Restricted - grant funds					
3490	Restricted - other		<u>8,994</u>	<u>2,771</u>		
3000	Total fund balances	<u>-0-</u>	<u>8,994</u>	<u>2,771</u>	<u>-0-</u>	<u>-0-</u>
4000	Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,266</u>	<u>\$ 8,994</u>	<u>\$ 280,409</u>	<u>\$ 36,717</u>	<u>\$ -0-</u>

<u>Funds</u>		
461	485	
Campus Activity Funds	Locally Funded Special Revenue Fund	Total Nonmajor Governmental Funds
\$ 3,701,735	\$ 111,777	\$ 7,727,082
		1,491,200
		70,833
<u>3,701,735</u>	<u>111,777</u>	<u>9,289,115</u>
		-0-
-0-	-0-	-0-
<u>\$ 3,701,735</u>	<u>\$ 111,777</u>	<u>\$ 9,289,115</u>
\$ 154,297	\$	\$ 632,042
62,011		1,046,604
		810,517
94		584
	<u>111,777</u>	<u>122,624</u>
<u>216,402</u>	<u>111,777</u>	<u>2,612,371</u>
-0-	-0-	-0-
		70,833
		3,108,813
<u>3,485,333</u>		<u>3,497,098</u>
<u>3,485,333</u>	<u>-0-</u>	<u>6,676,744</u>
<u>\$ 3,701,735</u>	<u>\$ 111,777</u>	<u>\$ 9,289,115</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

Data Control codes		Special				
		206 ESSA, Title X, Part C-Education for the Homeless Children and Youth	211 ESSA, Title I, Part A Improving Basic Programs	224 IDEA Part B Formula	225 IDEA Part B Preschool	226 IDEA Part B Discretionary
	REVENUES:					
5700	Local and intermediate sources	\$	\$	\$	\$	\$
5800	State program revenues					
5900	Federal program revenues	19,573	1,309,699	2,950,356	63,933	198,399
5020	Total revenues	19,573	1,309,699	2,950,356	63,933	198,399
	EXPENDITURES:					
	Current:					
0011	Instruction	13,225	1,279,786	1,878,807	63,933	191,956
0012	Instructional resources and media services					
0013	Curriculum and staff development	206	13,505	17,280		
0021	Instructional leadership			216,250		
0023	School leadership					
0031	Guidance, counseling, and evaluation services	503		838,019		6,443
0032	Social work services	5,639	5,092			
0033	Health services					
0035	Food service					
0036	Extracurricular activities					
0053	Data processing services					
0061	Community services		11,316			
0081	Capital outlay					
6030	Total expenditures	19,573	1,309,699	2,950,356	63,933	198,399
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 changes in fund balances	-0-	-0-	-0-	-0-	-0-
0100	Fund balances - beginning					
3000	Fund balances - ending	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-

Revenue Funds							
240	244	255	263	265	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	Title IV, Part B 21 st Century Community Learning Centers	Improving Academic Achievement	Medicaid Administrative Claiming Program	Federally Funded Special Revenue Funds
\$ 4,873,393	\$	\$	\$	\$	\$	\$	\$
263,920							
<u>4,354,769</u>	<u>158,154</u>	<u>260,753</u>	<u>164,408</u>	<u>5,703</u>	<u>79,698</u>	<u>37,632</u>	<u>1,111,286</u>
<u>9,492,082</u>	<u>158,154</u>	<u>260,753</u>	<u>164,408</u>	<u>5,703</u>	<u>79,698</u>	<u>37,632</u>	<u>1,111,286</u>
	110,641	95,015	108,005	4,441	268		10,013
	9,800	165,738	56,403		79,430		4,800
	37,713			1,262			
						37,632	
9,074,753							
<u>9,074,753</u>	<u>158,154</u>	<u>260,753</u>	<u>164,408</u>	<u>5,703</u>	<u>79,698</u>	<u>37,632</u>	<u>14,813</u>
<u>417,329</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>1,096,473</u>
							(1,096,473)
<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(1,096,473)</u>
417,329	-0-	-0-	-0-	-0-	-0-	-0-	-0-
<u>2,762,317</u>							
<u>\$ 3,179,646</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, 2019

Data Control Codes		Special Revenue				
		383	397	410	423	429
		Professional Staff Development	Advanced Placement Incentives	State Instructional Materials	Truancy Intervention Program	State Funded Special Revenue Fund
REVENUES:						
5700	Local and intermediate sources	\$	\$	\$ 2,189	\$	\$
5800	State program revenues	26,705		1,619,285	89,711	13,447
5900	Federal program revenues					
5020	Total revenues	<u>26,705</u>	<u>-0-</u>	<u>1,621,474</u>	<u>89,711</u>	<u>13,447</u>
EXPENDITURES:						
Current:						
0011	Instruction			1,737,983		2,800
0012	Instructional resources and media services					82
0013	Curriculum and staff development	26,705		2,950		10,000
0021	Instructional leadership			490		
0023	School leadership					
0031	Guidance, counseling, and evaluation services					
0032	Social work services				89,711	
0033	Health services					
0035	Food service					
0036	Extracurricular activities					
0063	Data processing services			5,980		
0061	Community services					
0081	Capital outlay					
6030	Total expenditures	<u>26,705</u>	<u>-0-</u>	<u>1,747,403</u>	<u>89,711</u>	<u>12,882</u>
1100	Excess (deficiency) of revenues over expenditures	<u>-0-</u>	<u>-0-</u>	<u>(125,929)</u>	<u>-0-</u>	<u>565</u>
OTHER FINANCING USES:						
8911	Transfers out					(565)
	Total other financing uses	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(565)</u>
1200	Net changes in fund balances	<u>-0-</u>	<u>-0-</u>	<u>(125,929)</u>	<u>-0-</u>	<u>-0-</u>
0100	Fund balances - beginning		8,994	128,700		
3000	Fund balances - ending	<u>\$ -0-</u>	<u>\$ 8,994</u>	<u>\$ 2,771</u>	<u>\$ -0-</u>	<u>\$ -0-</u>

<u>Funds</u>		
<u>461</u>	<u>485</u>	
<u>Campus Activity Funds</u>	<u>Locally Funded Special Revenue Fund</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 4,882,124	\$ 158,215	\$ 9,915,921
		2,013,068
		<u>10,714,363</u>
<u>4,882,124</u>	<u>158,215</u>	<u>22,643,352</u>
42,681	158,215	5,697,769
938		1,020
		386,817
		254,453
		1,262
		844,965
		100,442
		37,632
		9,074,753
4,383,244		4,383,244
		5,980
		11,316
<u>15,668</u>		<u>15,668</u>
<u>4,442,531</u>	<u>158,215</u>	<u>20,815,321</u>
<u>439,593</u>	<u>-0-</u>	<u>1,828,031</u>
		<u>(1,097,038)</u>
<u>-0-</u>	<u>-0-</u>	<u>(1,097,038)</u>
439,593	-0-	730,993
<u>3,045,740</u>		<u>5,945,751</u>
<u>\$ 3,485,333</u>	<u>\$ -0-</u>	<u>\$ 6,676,744</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF DELINQUENT TAXES RECEIVABLE
YEAR ENDED JUNE 30, 2019

Last Ten Periods Ended August 31, / June 30,	Tax Rates		Assessed/Appraised Value for School Tax Purposes	Beginning Balance July 1, 2018
	Maintenance	Debt Service		
2010 and Prior (1)	\$ -----	\$ -----	\$ -----	\$ 647,668
2011 (1)	1.0400	0.3794	5,457,877,836	98,356
2012 (1)	1.0400	0.3794	5,501,975,666	125,837
2013 (2)	1.0400	0.3794	5,429,246,212	147,902
2014 (3)	1.0400	0.3757	5,525,748,732	172,465
2015 (3)	1.0400	0.3757	5,976,127,923	213,361
2016 (3)	1.0400	0.3756	6,045,998,468	246,238
2017 (3)	1.0400	0.3756	6,751,076,681	462,745
2018 (3)	1.0400	0.3756	7,361,661,103	1,399,073
2019 School Period under Audit (3)	1.0600	0.3556	7,775,608,498	
1000 Totals				\$ <u>3,513,645</u>

- (1) Year Ended August 31,
- (2) Ten Months Ended June 30, 2013
- (3) Year Ended June 30,

<u>Current Year's Total Levy</u>	<u>Maintenance Total Collections</u>	<u>Debt Service Total Collections</u>	<u>Entire Year's Adjustments</u>	<u>Ending Balance June 30, 2019</u>
\$	\$ 24,852	\$ 6,389	\$(116,416)	\$ 500,011
	6,156	2,246	(115)	89,839
	7,776	2,837	(114)	115,110
	7,683	2,803	(1,489)	135,927
	26,355	9,522	25,099	161,687
	38,907	14,056	31,893	192,291
	40,350	14,573	13,662	204,977
	90,018	32,510	(39,052)	301,165
	654,091	236,228	(75,520)	433,234
<u>105,921,921</u>	<u>79,720,618</u>	<u>26,744,012</u>	<u>1,854,309</u>	<u>1,311,600</u>
<u>\$ 105,921,921</u>	<u>\$ 80,616,806</u>	<u>\$ 27,065,176</u>	<u>\$ 1,692,257</u>	<u>\$ 3,445,841</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - FOOD SERVICE FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT J-4

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 5,232,000	\$ 5,232,000	\$ 4,873,393	\$ (358,607)
5800	State program revenues	218,000	218,000	263,920	45,920
5900	Federal program revenues	4,400,000	4,400,000	4,354,769	(45,231)
5020	Total revenues	9,850,000	9,850,000	9,492,082	(357,918)
	EXPENDITURES:				
	Current:				
0035	Food service	9,850,000	9,850,000	9,074,753	775,247
6030	Total expenditures	9,850,000	9,850,000	9,074,753	775,247
1100	Excess of revenues over expenditures	-0-	-0-	417,329	417,329
	OTHER FINANCING SOURCES (USES):				
	Total other financing sources and (uses)	-0-	-0-	-0-	-0-
1200	Net change in fund balances	-0-	-0-	417,329	417,329
0100	Fund balances – beginning	2,762,317	2,762,317	2,762,317	-0-
3000	Fund balances – ending	\$ 2,762,317	\$ 2,762,317	\$ 3,179,646	\$ 417,329

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - DEBT SERVICE FUND
YEAR ENDED JUNE 30, 2019

EXHIBIT J-5

Data Control Codes		Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
		Original	Final		
	REVENUES:				
5700	Local and intermediate sources	\$ 28,868,932	\$ 27,629,463	\$ 27,699,701	\$ 70,238
5800	State program revenues	<u>268,384</u>	<u>268,384</u>	<u>928,188</u>	<u>659,804</u>
5020	Total revenues	<u>29,137,316</u>	<u>27,897,847</u>	<u>28,627,889</u>	<u>730,042</u>
	EXPENDITURES:				
	Current:				
0071	Principal on long-term debt	13,530,000	13,530,000	13,530,000	-0-
0072	Interest on long-term debt	<u>17,407,316</u>	<u>17,523,577</u>	<u>17,523,575</u>	<u>2</u>
6030	Total expenditures	<u>30,937,316</u>	<u>31,053,577</u>	<u>31,053,575</u>	<u>2</u>
1100	Excess (deficiency) of revenues over expenditures	(1,800,000)	(3,155,730)	(2,425,686)	730,044
	OTHER FINANCING SOURCES (USES):				
7915	Transfers in		1,563,061	1,563,061	-0-
7916	Premium on issuance of bonds	1,800,000	2,229,726	2,229,725	(1)
8911	Transfers out		(34,155)	(34,154)	1
	Total other financing sources and (uses)	<u>1,800,000</u>	<u>3,758,632</u>	<u>3,758,632</u>	<u>-0-</u>
1200	Net change in fund balances	-0-	602,902	1,332,946	730,044
0100	Fund balances – beginning	<u>22,350,143</u>	<u>22,350,143</u>	<u>22,350,143</u>	<u>-0-</u>
3000	Fund balances – ending	<u>\$ 22,350,143</u>	<u>\$ 22,953,045</u>	<u>\$ 23,683,089</u>	<u>\$ 730,044</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>2010⁽⁵⁾</u>	<u>2011</u>	<u>2012⁽⁴⁾</u>	<u>2013</u>	<u>2014</u>
Governmental Activities:					
Net investment in capital assets	\$ 34,723,829	\$ 33,405,783	\$ 16,762,579	\$ 15,946,723	\$ 18,897,541
Restricted	9,033,173	8,393,854	17,954,836	22,536,155	22,519,103
Unrestricted	<u>8,928,992</u>	<u>16,043,287</u>	<u>20,880,554</u>	<u>29,483,989</u>	<u>34,680,706</u>
Total Primary Government Net Position	<u>\$ 52,685,994</u>	<u>\$ 57,842,924</u>	<u>\$ 55,597,969</u>	<u>\$ 67,966,867</u>	<u>\$ 76,097,350</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.
- (5) Restated 2010 – Prior Period Adjustment and Change in Accounting Estimate in building depreciation from 30 to 50 years life.

Table 1

<u>2015⁽³⁾</u>	<u>2016⁽²⁾</u>	<u>2017</u>	<u>2018⁽¹⁾</u>	<u>2019</u>
\$ 17,282,340	\$ 23,401,439	\$ 31,924,248	\$ 47,413,133	\$ 60,683,806
23,587,767	30,576,858	32,597,373	22,408,288	23,352,669
<u>21,468,018</u>	<u>17,128,959</u>	<u>12,140,158</u>	<u>(79,423,632)</u>	<u>(86,794,259)</u>
<u>\$ 62,338,125</u>	<u>\$ 71,107,256</u>	<u>\$ 76,661,779</u>	<u>\$ (9,602,211)</u>	<u>\$ (2,757,784)</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

Statement of Activities - Last Ten Fiscal Years

(accrual basis of accounting)

(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Expenses					
Governmental Activities:					
Instruction	\$ 84,472,430	\$ 81,548,870	\$ 80,497,321	\$ 76,616,490	\$ 90,613,629
Instructional resources and media services	1,975,321	1,674,598	1,684,201	1,596,399	1,830,154
Curriculum and instructional staff development	4,005,145	3,720,990	3,307,258	3,231,292	3,790,285
Instructional leadership	1,961,544	1,791,046	1,764,562	1,532,989	1,916,644
School leadership	8,490,448	8,387,538	8,083,392	7,873,688	9,010,467
Guidance, counseling, and evaluation services	4,527,280	4,209,541	4,440,673	4,512,404	5,127,407
Social work services	264,452	322,953	318,057	282,937	392,206
Health services	1,408,357	1,274,915	1,186,173	1,129,578	1,246,878
Student transportation	6,435,026	5,913,327	6,337,619	5,581,988	6,927,329
Food service	7,960,909	8,281,869	8,758,214	8,046,156	9,617,535
Extracurricular activities	5,405,580	5,094,316	5,523,241	4,324,185	5,161,116
General administration	3,688,701	3,821,622	3,445,382	2,860,991	3,547,964
Facilities maintenance and operations	14,549,456	13,097,062	13,089,155	11,583,898	14,638,541
Security and monitoring services	1,316,846	1,259,194	1,265,546	1,389,484	1,677,065
Data processing services	3,772,124	3,066,501	4,239,364	5,354,227	3,554,845
Community services	177,710	67,999	241,622	32,860	16,074
Debt service	15,020,335	14,869,983	14,034,122	11,991,930	12,949,879
Payments to shared service arrangements	4,990,347	4,960,051	4,608,101	4,082,692	4,428,939
Payments to juvenile justice alternative education programs	12,300	800	2,600	20,100	7,200
Other intergovernmental charges	<u>548,387</u>	<u>568,461</u>	<u>558,860</u>	<u>408,183</u>	<u>546,652</u>
Total primary government expenses	<u>\$170,982,698</u>	<u>\$163,931,636</u>	<u>\$163,385,463</u>	<u>\$152,452,471</u>	<u>\$177,000,809</u>
Program Revenues					
Governmental Activities:					
Charges for Services:					
Instructional	\$ 3,075,127	\$ 268,719	\$ 265,391	\$ 236,203	\$ 253,799
Food service	4,940,509	4,928,457	5,069,888	4,766,315	4,984,064
Extracurricular activities	332,556	446,404	459,306	349,925	421,770
General administration	73,648	7,526	82	19	1,544
Other activities	1,205,290	45,380	2,158	30,968	40,214
Operating grants and contributions	17,817,538	22,037,720	14,151,769	16,906,922	20,632,311
Capital grants and contributions	<u>433,314</u>	<u>573,609</u>	<u>344,944</u>	<u>121,961</u>	<u>78,193</u>
Total primary government program revenues	<u>27,877,982</u>	<u>28,307,815</u>	<u>20,293,538</u>	<u>22,412,313</u>	<u>26,411,895</u>
Net primary government expense	<u>\$(143,104,716)</u>	<u>\$(135,623,821)</u>	<u>\$(143,091,925)</u>	<u>\$(130,040,158)</u>	<u>\$(150,588,914)</u>

(continued)

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 96,418,084	\$108,018,146	\$111,410,232	\$101,971,641	\$121,399,219
1,748,551	1,892,690	2,023,569	1,874,480	2,093,071
4,420,330	4,798,357	5,032,868	4,396,887	5,764,129
2,022,634	2,117,324	2,364,184	2,188,457	2,751,236
9,340,019	10,145,554	10,889,063	9,884,886	12,175,638
5,511,460	6,212,844	6,549,827	5,689,193	7,846,560
446,637	528,261	564,122	594,806	766,826
1,336,795	1,452,554	1,470,916	1,322,930	1,807,969
6,768,116	6,920,831	7,166,128	6,707,250	7,868,200
9,314,602	9,640,501	9,628,376	9,539,071	9,774,564
4,993,563	5,297,839	5,352,392	10,135,800	10,060,042
3,819,145	4,148,299	4,461,643	4,198,607	4,957,664
15,370,044	20,729,037	20,600,321	19,310,843	20,921,398
1,740,251	1,907,967	1,837,076	1,956,123	1,797,862
3,927,450	4,267,205	5,418,925	5,141,820	6,183,838
13,829	9,337	17,607	17,057	19,340
14,211,829	12,306,612	11,537,729	16,161,698	16,577,071
4,605,539	11,379			
14,500	20,000	17,600	44,800	83,400
<u>566,318</u>	<u>597,519</u>	<u>627,315</u>	<u>650,378</u>	<u>655,335</u>
<u>\$186,589,696</u>	<u>\$201,022,256</u>	<u>\$206,969,893</u>	<u>\$201,786,727</u>	<u>\$233,503,362</u>
\$ 237,221	\$ 271,748	\$ 346,793	\$ 365,685	\$ 398,919
4,784,658	5,069,315	4,973,390	4,235,483	4,869,544
422,991	396,299	436,099	5,349,495	5,126,895
939	721	507	545	31,242
24,450	18,776	19,711	15,065	1,033
19,750,202	23,923,153	21,001,150	21,912,229	25,746,922
<u>91,482</u>	<u>72,335</u>	<u>111,512</u>	<u>194,827</u>	<u>191,116</u>
<u>25,311,943</u>	<u>29,752,347</u>	<u>26,889,162</u>	<u>32,073,329</u>	<u>36,365,671</u>
<u>\$(161,277,753)</u>	<u>\$(171,269,909)</u>	<u>\$(180,080,731)</u>	<u>\$(169,713,398)</u>	<u>\$(197,137,691)</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

Statement of Activities - Last Ten Fiscal Years (Continued)
(accrual basis of accounting)
(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental Revenues and Other Changes in Net Position:					
Governmental Activities:					
Property taxes - levied for general purposes	\$ 58,460,553	\$ 57,961,231	\$ 57,911,874	\$ 58,423,733	\$ 59,785,723
Property taxes - levied for debt service	21,299,380	21,126,157	21,107,056	21,312,482	21,585,188
State aid - formula grants	57,286,699	57,075,582	58,481,482	61,729,034	75,904,945
Other grants and contributions not restricted to specific programs	2,177,319	3,685,816	4,547,211	400,529	663,162
Investment earnings	126,797	89,393	91,822	77,126	68,493
Miscellaneous	892,744	842,572	604,694	466,152	709,666
Special item/gain on sale	<u>(3,485,408)</u>	<u> </u>	<u>12,707</u>	<u> </u>	<u>2,220</u>
Total primary government general revenues	<u>136,758,084</u>	<u>140,780,751</u>	<u>142,756,846</u>	<u>142,409,056</u>	<u>158,719,397</u>
Total primary government change in net position	<u>\$ (6,346,632)</u>	<u>\$ 5,156,930</u>	<u>\$ (335,079)</u>	<u>\$ 12,368,898</u>	<u>\$ 8,130,483</u>

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 63,077,455	\$ 65,527,661	\$ 72,912,075	\$ 78,244,130	\$ 81,104,706
22,772,073	23,638,974	26,318,697	28,235,132	27,172,041
79,599,546	85,600,906	84,989,975	82,102,901	91,129,765
146,102	143,358	144,820	121,350	543,154
77,851	171,783	359,826	2,261,747	3,249,250
697,906	790,255	909,861	1,003,357	783,202
<u>28,348</u>	<u>1,156,502</u>		<u>51,509</u>	
<u>166,399,281</u>	<u>177,029,439</u>	<u>185,635,254</u>	<u>192,020,126</u>	<u>203,982,118</u>
<u>\$ 5,121,528</u>	<u>\$ 5,759,530</u>	<u>\$ 5,554,523</u>	<u>\$ 22,306,728</u>	<u>\$ 6,844,427</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

Fund Balances – Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General Fund:					
Non-spendable	\$ 1,659,225	\$ 1,432,471	\$ 1,783,714	\$ 1,829,626	\$ 1,848,036
Committed	7,159,744	7,500,000	7,500,000	7,500,000	7,500,000
Assigned	5,825,000	4,688,000	12,888,000	12,888,000	13,370,000
Unassigned	<u>13,235,716</u>	<u>21,803,839</u>	<u>17,795,984</u>	<u>22,099,193</u>	<u>26,410,060</u>
Total General Fund	<u>\$ 27,879,685</u>	<u>\$ 35,424,310</u>	<u>\$ 39,967,698</u>	<u>\$ 44,316,819</u>	<u>\$ 49,128,096</u>
All Other Governmental Funds:					
Non-spendable	\$ 371,220	\$ 355,846	\$ 269,818	\$ 226,429	\$ 229,309
Restricted	16,101,743	13,682,882	9,485,437	15,249,516	16,146,706
Assigned					
Unassigned	<u>30,605</u>	<u> </u>	<u>(3,353)</u>	<u> </u>	<u> </u>
Total All Other Governmental Funds	<u>\$ 16,503,568</u>	<u>\$ 14,038,728</u>	<u>\$ 9,751,902</u>	<u>\$ 15,475,945</u>	<u>\$ 16,376,015</u>

Source of Information: District Financial Statements

Table 3

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 1,585,944	\$ 1,325,206	\$ 1,542,508	\$ 1,346,834	\$ 1,584,198
7,500,000	7,500,000	7,500,000	7,500,000	7,500,000
12,954,000	13,010,000	13,010,000	13,010,000	13,010,000
<u>26,982,273</u>	<u>27,778,841</u>	<u>28,684,274</u>	<u>30,212,343</u>	<u>36,540,581</u>
<u>\$ 49,022,217</u>	<u>\$ 49,614,047</u>	<u>\$ 50,736,782</u>	<u>\$ 52,069,177</u>	<u>\$ 58,634,779</u>
\$ 171,651	\$ 80,175	\$ 62,004	\$ 70,833	\$ 70,833
45,033,702	30,926,787	24,672,554	97,232,458	71,001,809
		(2,335,819)		10,000,000
<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<u>\$ 45,205,353</u>	<u>\$ 31,006,962</u>	<u>\$ 22,398,739</u>	<u>\$ 97,303,291</u>	<u>\$ 81,072,642</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

Changes in Fund Balances – Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues:					
Local and Intermediate Revenues	\$ 86,486,397	\$ 86,033,628	\$ 85,384,461	\$ 85,813,263	\$ 88,149,171
State Program Revenues	63,756,285	64,735,618	68,071,017	70,729,224	87,478,517
Federal Program Revenues	<u>13,807,695</u>	<u>18,336,084</u>	<u>9,391,999</u>	<u>8,408,421</u>	<u>9,521,902</u>
Total revenues	<u>164,050,377</u>	<u>169,105,330</u>	<u>162,847,477</u>	<u>164,950,908</u>	<u>185,149,590</u>
Expenditures:					
Current:					
Instruction	73,518,858	75,645,220	71,955,957	71,595,464	83,293,152
Instructional resources and media services	1,576,972	1,488,432	1,324,124	1,370,073	1,512,263
Curriculum and instructional staff development	3,919,492	3,731,013	3,307,696	3,230,825	3,797,096
Instructional leadership	1,682,143	1,623,080	1,617,989	1,438,960	1,805,692
School leadership	8,244,100	8,380,307	8,077,039	7,854,749	8,993,223
Guidance, counseling and evaluation services	4,401,477	4,196,413	4,432,383	4,498,708	5,111,852
Social work services	239,467	311,869	303,051	273,348	400,795
Health services	1,363,602	1,265,804	1,176,379	1,120,465	1,235,398
Student transportation	5,682,798	5,803,787	5,470,788	5,467,048	6,421,043
Food service	6,949,567	7,676,835	8,253,341	7,522,486	9,149,610
Extracurricular activities	3,741,589	3,812,466	3,764,988	3,296,014	3,700,562
General administration	3,465,022	3,721,555	3,375,679	2,781,871	3,455,607
Facilities maintenance and operations	14,315,364	13,128,891	13,745,853	11,844,128	14,778,758
Security and monitoring services	1,311,972	1,295,938	1,273,963	1,418,875	1,658,041
Data processing services	3,953,767	2,861,136	4,878,313	5,227,384	2,969,483
Community services	177,710	67,999	56,122	32,860	16,074
Debt Service:					
Principal	7,040,000	31,085,000	9,710,000	10,060,000	10,415,000
Interest and fees	14,957,103	15,009,503	14,521,288	7,712,676	12,750,985
Capital Outlay:					
Facilities acquisition and construction	951,655		102,640	3,399,607	3,019,989
Intergovernmental Charges:					
Payments to shared services arrangement	4,990,347	4,960,051	4,608,101	4,082,692	4,428,939
Payments to juvenile justice alternative education programs	12,300	800	2,600	20,100	7,200
Other intergovernmental charges	<u>548,387</u>	<u>568,461</u>	<u>558,860</u>	<u>408,183</u>	<u>546,652</u>
Total expenditures	<u>163,043,692</u>	<u>186,634,560</u>	<u>162,517,154</u>	<u>154,656,516</u>	<u>179,467,414</u>
Excess (deficiency) of revenues over (under) expenditures	<u>1,006,685</u>	<u>(17,529,230)</u>	<u>330,323</u>	<u>10,294,392</u>	<u>5,682,176</u>

(continued)

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 92,259,239	\$ 95,840,980	\$106,286,528	\$119,717,684	\$122,911,541
90,243,942	99,372,913	95,054,025	91,753,852	101,766,476
<u>9,166,266</u>	<u>10,219,097</u>	<u>10,991,818</u>	<u>12,409,786</u>	<u>15,626,996</u>
<u>191,669,447</u>	<u>205,432,990</u>	<u>212,332,371</u>	<u>223,881,322</u>	<u>240,305,013</u>
91,108,999	100,013,539	102,346,015	108,279,374	111,168,060
1,486,919	1,592,494	1,714,063	1,805,416	1,764,152
4,458,486	4,715,540	4,896,907	5,032,642	5,545,612
1,957,579	1,997,282	2,222,639	2,444,464	2,563,931
9,438,721	9,942,149	10,569,398	11,317,318	11,650,171
5,559,429	6,101,343	6,360,812	6,534,444	7,528,441
435,596	503,485	537,927	647,112	727,991
1,342,241	1,417,082	1,421,014	1,499,353	1,717,823
6,455,439	6,497,794	6,813,120	7,142,491	6,747,608
8,673,990	8,829,449	8,894,463	9,554,503	9,074,753
3,748,625	3,948,679	4,018,146	9,275,938	8,672,950
3,762,432	3,977,831	4,265,087	4,609,335	4,575,629
15,884,651	21,045,183	20,324,077	22,840,181	20,557,107
1,714,442	1,809,034	1,824,948	1,970,223	1,782,996
3,950,814	3,782,607	6,074,903	6,034,405	5,710,355
13,829	9,337	17,607	17,057	19,340
10,810,000	11,485,000	14,190,000	12,945,000	13,530,000
13,697,528	14,121,996	12,753,433	16,367,370	17,523,575
7,758,952	19,332,936	12,854,188	41,905,501	100,641,232
4,605,539	11,379			
14,500	20,000	17,600	44,800	83,400
<u>566,318</u>	<u>597,519</u>	<u>627,315</u>	<u>650,378</u>	<u>655,335</u>
<u>197,445,029</u>	<u>221,751,658</u>	<u>222,743,662</u>	<u>270,917,305</u>	<u>332,240,461</u>
(5,775,582)	(16,318,668)	(10,411,291)	(47,035,983)	(91,935,448)

PEARLAND INDEPENDENT SCHOOL DISTRICT

Changes in Fund Balances – Governmental Funds (Continued)

Last Ten Fiscal Years

(modified accrual basis of accounting)

(Unaudited)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Other Financing Sources (Uses):					
Issuance of general obligation bonds	\$	\$ 22,500,000	\$ 71,585,000	\$ 53,645,000	\$
Sale of property	24,797	16,157	23,456		29,171
Sale of land					
Transfers in	1,174,090	26,004,202		3,717,700	101,061
Insurance recoveries					
Premium on issuance of general obligation bonds		181,050	11,649,616	6,148,388	
Transfers out	(1,174,090)	(26,092,394)		(3,717,700)	(101,061)
Payment to refunded bond escrow agent			(83,331,833)	(60,014,616)	
	<u>24,797</u>	<u>22,609,015</u>	<u>(73,761)</u>	<u>(221,228)</u>	<u>29,171</u>
Total other financing sources (uses)					
Net change in fund balances	<u>\$ 1,031,482</u>	<u>\$ 5,079,785</u>	<u>\$ 256,562</u>	<u>\$ 10,073,164</u>	<u>\$ 5,711,347</u>
Debt Service (Principal and Interest) as a Percentage of Non-Capital Expenditures	13.7%	28.5%	14.7%	11.5%	13.3%

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 59,195,000	\$ 41,335,000	\$ 42,200,000	\$105,510,000	\$ 75,155,000
36,348	10,480	14,961	4,369	40,676
	2,625,612			
1,214,495	25,826	2,000,000	1,001,385	12,694,253
			51,509	
8,439,077	9,921,717	3,748,706	17,707,052	7,074,725
(1,214,495)	(154,882)	(2,000,000)	(1,001,385)	(12,694,253)
<u>(33,171,384)</u>	<u>(51,051,646)</u>	<u>(46,047,466)</u>	<u> </u>	<u> </u>
<u>34,499,041</u>	<u>2,712,107</u>	<u>(83,799)</u>	<u>123,272,930</u>	<u>82,270,401</u>
<u>\$ 28,723,459</u>	<u>\$(13,606,561)</u>	<u>\$(10,495,090)</u>	<u>\$ 76,236,947</u>	<u>\$(9,665,047)</u>
12.7%	12.5%	12.8%	12.7%	13.2%

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
2010	\$ 4,429,477,477	\$ 1,037,254,338	\$ 90,864,380	\$ 66,319,676	\$ 63,828,358
2011	4,705,708,340	1,037,254,338	88,834,439	63,380,405	67,512,160
2012	4,754,837,955	1,012,427,768	90,673,419	62,639,517	66,809,201
2013	4,716,596,082	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	1,334,242,825	98,244,561	65,989,906	74,267,400
2016	5,321,992,392	1,334,242,825	108,350,862	66,684,347	63,394,190
2017	6,036,550,378	1,435,484,716	136,431,796	77,775,860	73,020,770
2018	6,403,075,267	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

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

Source: Brazoria County (Texas) Appraisal District provides the District's tax office with appraised 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.

Table 5

	Other	Less: Exemptions	Total Taxable Assessed Value	Total Direct Rate ⁽¹⁾
\$	425,295,515	\$ 900,127,019	\$ 5,212,912,725	1.4194
	576,274,070	1,081,085,916	5,457,877,836	1.4194
	578,113,480	1,063,525,674	5,501,975,666	1.4194
	591,743,497	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	5,976,127,923	1.4157
	591,732,048	1,440,398,196	6,045,998,468	1.4156
	641,416,649	1,649,903,488	6,751,076,681	1.4156
	706,649,611	1,575,957,892	7,361,661,103	1.4156
	685,191,509	1,561,130,046	7,775,608,498	1.4156

PEARLAND INDEPENDENT SCHOOL DISTRICT

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

(PER \$100 OF ASSESSED VALUATION)

Last Ten Fiscal Years

(Unaudited)

	<u>2010</u> Tax Rate	<u>2011</u> Tax Rate	<u>2012</u> Tax Rate	<u>2013</u> Tax Rate	<u>2014</u> Tax Rate
Brazoria County	0.426	0.463	0.473	0.486	0.492
Brazoria County MUD No. 2	0.500	0.500	0.500	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	0.950	0.940	0.940
Brazoria County MUD No. 17	0.600	0.547	0.547	0.544	0.544
Brazoria County MUD No. 18	0.560	0.550	0.545	0.530	0.510
Brazoria County MUD No. 19	0.630	0.620	0.600	0.580	0.550
Brazoria County MUD No. 23	0.800	0.770	0.630	0.610	0.600
Brazoria County MUD No. 28	0.820	0.820	0.820	0.820	0.820
Harris County	0.391	0.388	0.391	0.400	0.415
Harris County Department of Education	0.060	0.007	0.007	0.007	0.006
Harris County Flood Control District	0.029	0.029	0.028	0.028	0.028
Harris County Hospital District	0.192	0.192	0.192	0.182	0.170
Harris-Brazoria Counties MUD No. 509	N/A	N/A	N/A	N/A	0.850
City of Pearland	0.653	0.665	0.685	0.705	0.705
Port of Houston Authority	0.016	0.021	0.019	0.020	0.017
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>0.3794</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>1.4194</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>2015</u> <u>Tax Rate</u>	<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>
0.499	0.486	0.440	0.440	0.428
0.490	0.440	0.400	0.400	0.400
0.630	0.620	0.590	0.590	0.590
0.630	0.600	0.600	0.600	0.600
0.940	0.940	0.940	0.940	0.890
0.520	0.460	0.410	0.380	0.380
0.470	0.390	0.350	0.310	0.310
0.510	0.450	0.400	0.380	0.360
0.580	0.540	0.480	0.470	0.460
0.820	0.820	0.820	0.820	0.820
0.417	0.419	0.417	0.418	0.419
0.006	0.005	0.005	0.005	0.005
0.027	0.027	0.283	0.028	0.029
0.170	0.170	0.172	0.171	0.171
0.850	0.850	0.850	0.850	0.850
0.712	0.705	0.681	0.685	0.709
0.015	0.013	0.013	0.013	0.116
1.0400	1.0400	1.0400	1.0400	1.0600
<u>0.3757</u>	<u>0.3756</u>	<u>0.3756</u>	<u>0.3756</u>	<u>0.3556</u>
<u>1.4157</u>	<u>1.4156</u>	<u>1.4156</u>	<u>1.4156</u>	<u>1.4156</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT

PRINCIPAL PROPERTY TAXPAYERS

Table 7

Current Year and Nine Years Ago

(Amounts in thousands)

Taxpayer	Type of Property	Fiscal Year Ended June 30, 2019			Fiscal Year Ended June 30, 2010		
		Taxable Assessed Valuation ⁽¹⁾	Rank	Percentage of Total Assessed Valuation ⁽²⁾	Taxable Assessed Valuation ⁽¹⁾	Rank	Percentage of Total Assessed Valuation ⁽³⁾
Weatherford US Inc.	Oil Field Equipment	\$ 45,442,990	1	0.58%	\$ 58,636,172	1	1.12%
Pearland Dunhill 1, LLC	Retail Center	34,003,660	2	0.44%			
Centerpoint Energy	Electric Utility	32,458,940	3	0.42%	26,163,610	2	0.50%
VR St. Andrew LP	Apartments	30,703,630	4	0.39%			
Wal-Mart Real Estate Trust	Department Store	29,400,000	5	0.38%	24,373,700	4	0.47%
USA Tranquility Lake 2 LLC etal	Apartments	23,800,000	6	0.31%	16,756,130	8	0.32%
Southwind Pearland Investors, LLC	Apartments	23,379,500	7	0.30%			
Flowworks	Industrial	21,299,020	8	0.27%			
Westlake Residential Apartments	Apartments	20,050,110	9	0.26%			
Wal-Mart Stores Texas LLC	Department Store	19,367,390	10	0.25%	22,171,570	5	0.43%
Kahn St. Andrews II LP etal	Apartments				25,000,000	3	0.48%
Aggreko Inc.	Industrial				19,687,010	6	0.38%
Southwind Festival Apartments LP	Apartments				16,775,000	7	0.32%
The Apartments at Summerwind, LP	Apartments				14,567,350	9	0.28%
Shawcorp Pipe Protection, LLC	Industrial				14,146,230	10	0.27%
Total of Top Ten Taxpayers		<u>\$ 279,905,240</u>		<u>3.60%</u>	<u>\$ 238,276,772</u>		<u>4.57%</u>

(1) Taxable assessed value equals appraised value after exemption

(2) Taxable Assessed Value \$ 7,775,608,498

(3) Taxable Assessed Value \$ 5,212,912,725

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
2010	\$ 79,007,457	\$ 78,027,516	98.76%	\$ 890,690	\$ 78,914,206	99.89%
2011	78,589,124	77,678,292	98.84%	820,993	78,499,285	99.89%
2012	78,623,411	77,772,903	98.92%	735,398	78,508,301	99.85%
2013	79,509,130	78,244,832	98.41%	1,128,371	79,373,203	99.83%
2014	80,891,038	79,737,865	98.57%	991,486	80,729,351	99.80%
2015	85,400,235	84,071,053	98.44%	1,136,891	85,207,944	99.77%
2016	88,576,876	87,364,047	98.63%	1,007,852	88,371,899	99.77%
2017	98,968,277	97,550,381	98.57%	1,116,731	98,667,112	99.70%
2018	105,893,344	104,494,272	98.68%	965,838	105,460,110	99.59%
2019	105,921,921	104,610,322	98.76%	-0-	104,610,322	98.76%

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⁾
2010	\$ 338,064,617	6.49%	\$ 19,520	\$ 3,651	10.99%
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	N/A	N/A

- (1) See Table 5 for assessed value date.
- (2) See Table 16 for student enrollment date.
- (3) See Table 13 for population and income information. Personal Income date not available for 2019. Population data not available for 2019.

PEARLAND INDEPENDENT SCHOOL DISTRICT

RATIOS OF NET GENERAL OBLIGATION BONDED DEBT OUTSTANDING

Table 10

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>
2010	\$ 338,064,617	\$ 6,303,875	\$ 331,760,742	6.36%	\$ 19,156
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

- (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 governmental funds 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>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Debt Limit ⁽¹⁾	\$ 521,291,273	\$ 545,787,784	\$ 550,197,567	\$ 542,924,621	\$ 552,574,873
Total Net Debt Applicable to Limit	<u>327,769,910</u>	<u>320,681,060</u>	<u>309,521,690</u>	<u>292,056,315</u>	<u>279,315,718</u>
Legal debt Margin	193,521,363	225,106,724	240,675,877	250,868,306	273,259,155
Total Net Debt Applicable to the Limit As a Percentage of Debt limit	62.88%	58.76%	56.26%	53.79%	50.55%

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed Value ⁽²⁾	7,775,608,498
Debt Limit Percentage of Assessed Value	<u>10.00%</u>
Debt Limitation ⁽¹⁾	777,560,850
Debt Applicable to Debt Limitation:	
Total Bonded Debt	429,205,000
Less: Amount set aside for repayment of bonds ⁽³⁾	<u>23,683,089</u>
Total Amount of Debt Applicable to Debt Limitation	<u>405,521,911</u>
Legal Debt Margin	372,038,939

- (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 assessed value date.
- (3) See restricted for debt service at the fund level.

Table 11

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 597,612,792	\$ 604,599,847	\$ 675,107,668	\$ 736,166,110	\$ 777,560,850
<u>296,069,224</u>	<u>275,086,780</u>	<u>255,839,100</u>	<u>345,229,857</u>	<u>405,521,911</u>
301,543,568	329,513,067	419,268,568	390,936,253	372,038,939
49.54%	45.50%	37.90%	46.90%	52.15%

PEARLAND INDEPENDENT SCHOOL DISTRICT

COMPUTATION OF ESTIMATED DIRECT AND OVERLAPPING DEBT

Table 12

As of June 30, 2019
(Unaudited)

<u>Taxing Jurisdiction</u>	<u>Gross Tax Debt</u>	<u>Percent Overlapping (A)</u>	<u>Amount Overlapping</u>
Brazoria County	\$ 69,425,000	18.55%	\$ 12,878,338
Brazoria County MUD #3	3,135,000	100.00%	3,135,000
Brazoria County MUD #6	17,615,000	84.60%	14,902,290
Brazoria County MUD #16	13,800,000	100.00%	13,800,000
Brazoria County MUD #17	21,835,000	100.00%	21,835,000
Brazoria County MUD #18	22,345,000	99.39%	22,208,696
Brazoria County MUD #19	26,715,000	100.00%	26,715,000
Brazoria County MUD #23	13,820,000	99.53%	13,755,046
Brazoria County MUD #28	57,645,000	78.20%	45,078,390
Brazoria County Toll Road Authority	83,538,313	18.55%	15,496,357
Harris County	2,050,758,022	0.04%	820,303
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	57,300,000	0.04%	22,920
Harris-Brazoria Counties MUD #509	33,635,000	26.22%	8,819,097
Pearland, City of	306,065,000	59.36%	181,680,184
Port of Houston Authority	593,754,397	0.04%	<u>237,502</u>
 Total Overlapping Debt			 381,419,880
 Pearland ISD			 <u>479,919,835</u>
 Total Direct and Overlapping Debt			 <u>\$ 861,339,715</u>

(A) 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

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

Table 13

<u>Fiscal Year Ended June 30</u>	<u>Population</u>	<u>Total Personal Income</u>	<u>Per Capita Personal Income(1)</u>	<u>Unemployment Rate(2)</u>
2019	124,321	\$ (3)	\$ (3)	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	3,822,958,222	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%
2010	92,600	3,076,788,000	33,227	6.9%

(1) Source: Pearland Economic Development Corporation

(2) Source: Bureau of Labor Statistics

(3) Personal income data is not available for 2019 at the time of this report

Note: Data is for City of Pearland.

PEARLAND INDEPENDENT SCHOOL DISTRICT

PRINCIPAL EMPLOYERS

Table 14

Current Year and Nine Years Ago
(Unaudited)

Employer	2019			2010		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Pearland ISD	2,660	1	4.04%	2,274	1	4.62%
Kelsey Seybold	801	2	1.22%			
City of Pearland	787	3	1.19%	601	3	1.22 %
Alvin ISD	753	4	1.14%			
Memorial Hermann	450	5	0.68%			
Merit Medical	310	6	0.47%			
Pearland Medical Center	300	7	0.46%			
Kemlon	300	8	0.46%	325	4	0.66%
Lonza	272	9	0.41%			
Dover Energy	212	10	0.32%			
Wal-Mart				800	2	1.62%
Bass Pro Shop				300	5	0.61%
Packaging Services Co Inc				235	6	0.48%
Home Depot				225	7	0.46%
TurboCare				180	8	0.37%
Weatherford				175	9	0.37%
Profax				160	10	0.32%
Total	6,845		10.39%	5,275		10.73%

Source: Pearland Economic Development Commission
Labor force participation:

2019	65,893
2010	49,237

Note: Data is for the City of Pearland.

PEARLAND INDEPENDENT SCHOOL DISTRICT
FULL-TIME EQUIVALENT DISTRICT EMPLOYEES BY FUNCTION
 Last Ten Fiscal Years
 (Unaudited)

Table 15

Function	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Teachers:										
Total Teaching Staff	<u>1,087</u>	<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>
Professional Support:										
Athletic Trainer	2	5	5	5	5	6	6	6	7	9
Counselor	35	30	30	34	38	37	42	39	43	53
Educational Diagnostician	1	2	2	3	2	2	3	3	3	6
Librarian	19	16	15	15	14	15	15	15	16	19
LSSP/Psychologist	14	16	17	16	19	22	23	21	22	21
Other Campus Professional	26	7	4	8	8	7	8	9	13	15
Other Non-Instructional	82	78	86	94	105	111	118	98	98	110
School Nurse	21	17	13	13	13	13	14	14	13	17
Speech Therapist/Speech-Language Pathologist	7	12	13	14	16	12	15	14	16	18
Truant Officer	1	2	2	3	2	2	2	--	3	5
Total Professional Staff	<u>208</u>	<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>
Administrative Staff:										
Assistant Principal	31	31	29	32	33	32	33	30	43	49
Asst/Assoc/Deputy Superintendent	5	5	5	6	5	5	5	7	7	6
Athletic Director	2	1	1	--	--	--	--	--	1	1
Business Manager	1	1	1	1	1	1	1	2	1	1
Director of Personnel/HR	1	1	1	1	1	1	1	1	1	1
Dist Instr Program Director or Executive Director	2	16	6	7	5	5	6	10	7	8
Principal	23	23	22	20	22	23	23	22	21	23
Registrar	8	3	2	2	3	3	3	3	3	3
Superintendent	1	1	1	1	1	1	1	1	1	1
Teacher Supervisor	--	--	--	1	--	--	--	--	--	--
Total Administrative Staff	<u>74</u>	<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>
Total Professional Staff	<u>1,369</u>	<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>
ParaProfessional Staff:										
Educational Aide	<u>119</u>	<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>
Total ParaProfessional Staff	<u>119</u>	<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>
Auxillary:										
Auxillary	<u>679</u>	<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>
Total Auxillary	<u>679</u>	<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>
Total Personnel	<u>2,167</u>	<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>

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>
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%)
2010	17,319	140,094,934	8,089	(2.56%)	170,982,698	9,873	(1.66%)

- (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>
1,307	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%
1,087	18,308	16.84	24.44%

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

Table 17

<u>Fiscal Year Ended June 30</u>	<u>Minimum Salary⁽¹⁾</u>	<u>Maximum Salary⁽¹⁾</u>	<u>Average Salary⁽²⁾</u>	<u>Region 4 Average Salary⁽³⁾</u>	<u>Statewide Average Salary⁽³⁾</u>
2019	\$ 54,500	\$ 71,500	\$ 58,841	\$ (4)	\$ (4)
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
2010	44,335	58,195	48,294	50,129	48,263

- (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) 2019 Region 4 and Statewide Average Salary will be released in December.

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

Table 18
 Page 1 of 2

School Name	Fiscal Year									
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
High Schools:										
Pearland ⁽¹⁾ (1991)										
Square Feet	623,380	623,380	623,380	623,380	623,380	623,380	623,380	623,380	683,768	683,768
Capacity	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	3,850	6,900
PEIMS Enrollment	3,009	3,141	3,261	3,288	2,896	2,920	2,969	2,982	3,056	3,053
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	121	124	110	101	103	128	120	102	86	82
Glenda Dawson (2009)										
Square Feet	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	360,000	450,000
Capacity	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,725
PEIMS Enrollment	1,956	2,004	2,020	2,148	2,114	2,257	2,407	2,466	2,518	2,518
Robert Turner College & Career (2013)										
Square Feet	--	--	--	--	219,548	219,548	219,548	219,548	219,548	296,047
Capacity	--	--	--	--	1,250	1,250	1,250	1,250	1,250	1,300
PEIMS Enrollment	--	--	--	--	701	848	1,001	1,169	1,200	1,200
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	96,947	116,547
Capacity	900	900	900	900	900	900	900	900	900	975
PEIMS Enrollment	90	671	647	682	668	674	716	798	782	782
Junior High West (1952)										
Square Feet	146,907	146,907	146,907	146,907	146,907	146,907	146,907	146,907	146,907	220,907
Capacity	900	900	900	900	900	900	900	900	900	975
PEIMS Enrollment	537	567	699	726	773	848	844	830	816	816
Junior High South (2002)										
Square Feet	219,548	219,548	219,548	219,548	219,548	219,548	219,548	219,548	219,548	219,548
Capacity	875	875	875	875	875	875	875	875	875	875
PEIMS Enrollment	678	688	748	829	849	802	853	863	890	890
Berry Miller (2008)										
Square Feet	169,774	169,774	169,774	169,774	169,774	169,774	169,774	169,774	169,744	169,744
Capacity	900	900	900	900	900	900	900	900	900	900
PEIMS Enrollment	738	791	820	851	895	961	956	906	906	906
Middle Schools:										
Sam Jamison (1982)										
Square Feet	86,950	86,950	86,950	86,950	86,950	86,950	86,950	86,950	86,950	97,940
Capacity	925	925	925	925	925	925	925	925	925	1,000
PEIMS Enrollment	748	772	795	782	818	814	852	836	814	814
Leon Sablatura (1997)										
Square Feet	92,174	92,174	92,174	92,174	92,174	92,174	92,174	92,174	92,174	99,544
Capacity	900	900	900	900	900	900	900	900	900	1,000
PEIMS Enrollment	590	594	733	815	825	805	892	896	830	830
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	839	899	892	928	823	889	896	853	814	814
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	690	715	617	622	660	691	615	705	806	806

(continued)

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

Table 18
 Page 2 of 2

School Name	Fiscal Year										
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	
Elementary Schools:											
E.A. Lawson (1963)											
Square Feet	73,290	73,290	73,290	73,290	73,290	73,290	73,290	73,290	73,290	98,043	
Capacity	990	990	990	990	990	990	990	990	990	990	
PEIMS Enrollment	592	631	615	686	682	690	716	809	818	818	
C.J. Harris (1998)											
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	
Capacity	770	770	770	770	770	770	770	770	770	770	
PEIMS Enrollment	679	676	680	678	676	731	741	685	637	637	
Shadycrest (1969)											
Square Feet	64,866	64,866	64,866	64,866	64,866	64,866	64,866	64,866	64,866	70,866	
Capacity	748	748	748	748	748	748	748	748	748	748	
PEIIMS Enrollment	618	594	575	578	583	588	613	698	683	683	
H.C. Carleston (1980)											
Square Feet	62,651	62,651	62,651	62,651	62,651	62,651	62,651	62,651	62,651	81,739	
Capacity	990	990	990	990	990	990	990	990	990	990	
PEIMS Enrollment	795	826	795	780	788	787	793	771	815	814	
Challenger (1993)											
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	
Capacity	770	770	770	770	770	770	770	770	770	770	
PEIMS Enrollment	718	739	705	690	671	660	662	688	683	683	
Rustic Oak (1993)											
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	
Capacity	770	770	770	770	770	770	770	770	770	770	
PEIMS Enrollment	569	649	578	568	560	559	543	678	706	706	
Silverlake (1998)											
Square Feet	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	77,688	83,688	
Capacity	770	770	770	770	770	770	770	770	770	770	
PEIMS Enrollment	777	794	773	705	711	718	719	709	731	730	
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	870	936	839	850	832	803	773	747	727	727	
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	727	657	737	726	695	721	717	705	681	681	
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	731	758	787	818	805	846	863	807	767	767	
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	649	638	775	792	802	808	825	878	867	867	

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



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, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 29, 2019.

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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979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
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2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297



Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

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
October 29, 2019



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, 2019. 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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Angleton, TX 77515
979-849-8297



Board of Trustees
Pearland Independent School District
Pearland, Texas 77588

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, 2019.

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
October 29, 2019

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019

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:
 - Title I Grants to Local Education Agencies – CFDA 84.010
 - Immediate Aid to Restart School Operations (RESTART) – CFDA 84.938
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, 2019

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	18610101020908	\$ 21,236
ESSA, Title I Part A, Improving Basic Programs	84.010A	19610101020908	<u>1,346,678</u>
			<u>1,367,914</u>
Passed Through State Department of Education:			
IDEA Part B, Formula*	84.027	186600010209086600	1,250,611
IDEA Part B, Formula*	84.027	196600010209086600	1,828,728
IDEA Part B, Evaluation High Cost*	84.027	66001906	158,399
Passed Through ESC Region 20:			
IDEA Part B, Evaluation Capacity*	84.027	226-543-19-04-023	<u>40,000</u>
			<u>3,277,738</u>
Passed Through State Department of Education:			
Career and Technical Education, Basic Grant	84.048	18420006020908	6,565
Career and Technical Education, Basic Grant	84.048	19420006020908	<u>158,618</u>
			<u>165,183</u>
Passed Through State Department of Education:			
IDEA Part B, Preschool*	84.173	186610010209086610	19,992
IDEA Part B, Preschool*	84.173	196610010209086610	<u>46,783</u>
			<u>66,775</u>
Passed Through Harris County Department of Education:			
Title IV, Part B, 21 st Century Community Learning Centers	84.287	S287C15044	<u>5,703</u>
			<u>5,703</u>
Passed Through State Department of Education:			
Title III, Part A, Language Education Program	84.365A	18671001020908	24,178
Title III, Part A, Language Education Program	84.365A	19671001020908	<u>146,958</u>
			<u>171,136</u>
Passed Through State Department of Education:			
ESSA, Title II, Part A - Supporting Effective Instruction	84.367A	18694501020908	59,497
ESSA, Title II, Part A - Supporting Effective Instruction	84.367A	19694501020908	<u>212,846</u>
			<u>272,343</u>
Passed Through State Department of Education:			
Grant for State Assessment and Related Activities	84.369	69551802	<u>10,013</u>
Passed Through State Department of Education:			
Title VI, Part A, Subpart 1 - Improving Academic Achievement	84.424	18680101020908	132
Title VI, Part A, Subpart 1 - Improving Academic Achievement	84.424	19680101020908	<u>83,107</u>
			<u>83,239</u>
Passed Through State Department of Education:			
Immediate Aid to Restart School Operations (RESTART)	84.938A	18511701020908	1,002,496
Texas Hurricane for Homeless Youth	84.938B	19513701020908	<u>5,013</u>
			<u>1,007,509</u>
Passed Through State Department of Education:			
Texas Education for Homeless Children & Youth	84.196A	194600057110054	<u>20,443</u>
			<u>20,443</u>
TOTAL DEPARTMENT OF EDUCATION			\$ <u>6,447,996</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

EXHIBIT K-1
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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	020908	\$ <u>634,177</u>
Passed Through State Department of Education:			
School Breakfast Program**	10.553	7131801	112,597
School Breakfast Program**	10.553	7131901	654,504
National School Lunch Program**	10.555	7141801	522,806
National School Lunch Program**	10.555	7141901	<u>2,631,536</u>
			<u>3,921,443</u>
TOTAL DEPARTMENT OF AGRICULTURE			\$ <u>4,555,620</u>
<u>U.S. Department of Defense</u>			
Direct Programs:			
ROTC	12.000	020908	\$ <u>159,451</u>
TOTAL DEPARTMENT OF DEFENSE			\$ <u>159,451</u>
<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	020908	\$ <u>37,632</u>
TOTAL DEPARTMENT OF HEALTH AND HUMAN SERVICES			\$ <u>37,632</u>
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Department of Public Safety:			
Disaster Grants – Public Assistance	97.036	PA-06-TX-4332-PW-04145	\$ 9,922
Disaster Grants – Public Assistance	97.036	PA-06-TX-4332-PW-00532	146,988
Disaster Grants – Public Assistance	97.036	PA-06-TX-4332-PW-01539	5,088
Disaster Grants – Public Assistance	97.036	DR-1791-TX-PW-12165	<u>43,103</u>
			<u>205,101</u>
TOTAL DEPARTMENT OF HOMELAND SECURITY			\$ <u>205,101</u>
TOTAL FEDERAL ASSISTANCE			\$ <u>11,405,800</u>
* IDEA Cluster Programs			
** National School Lunch Cluster Programs			
RECONCILIATION:			
Federal program revenues (Exhibit C-2)			\$ 15,626,996
Less: School Health and Related Services (SHARS) not considered federal revenue for the Schedule of Federal Awards			<u>4,221,196</u>
Total federal financial assistance (Schedule of expenditures of Federal Awards)			\$ <u>11,405,800</u>

See Notes to Supplement Schedule of Expenditures of Federal Awards

PEARLAND INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
 YEAR ENDED JUNE 30, 2019

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 \$ 634,177, while the monetary value of goods used and recognized as income and expenditures was \$ 634,177.

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, 2019. 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)	\$ 11,405,800
Federal Revenue Not Included in the Schedule of Federal Awards:	
School Health and Related Services (SHARS)	<u>4,221,196</u>
Total federal revenue (Exhibit C-2)	<u>\$ 15,626,996</u>

PEARLAND INDEPENDENT SCHOOL DISTRICT
NOTES ON ACCOUNTING POLICIES FOR FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 4 – FEDERAL INDIRECT RATE

The District has elected to use the 10 percent de minimis indirect cost rate.

NOTE 5 – DISASTER GRANTS – PUBLIC ASSISTANCE

As of June 30, 2019, the District included \$ 205,101 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 \$ 205,101 in the current year.

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