



Annual Report of Certain Financial and Local Debt Information

Fiscal Year Ended June 30, 2016

Denotes Required Information Pursuant to Local Government Code, Section 140.008

This report was posted on the District's website on _____.



☑ Overview of Certain Financial/Bond Ratings

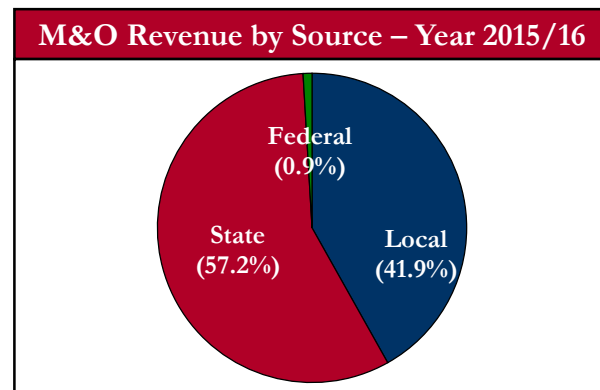
- ☐ **Overview:** Pearland Independent School District (the “District”) has been assigned the following independent financial/bond ratings that indicate the relative strength of the District’s financial and debt management:
 - **School Financial Integrity Rating System of Texas (“FIRST”):** Pursuant to Subchapter D, Chapter 39 of the Texas Education Code, the State annually deploys a financial accountability rating system to distinguish the level of a school district’s financial performance based upon certain uniform criteria.
 - ✓ For year 2015/16, the District was assigned a FIRST Rating of “Superior” and the District’s score was 94 out of a possible 100 points.
 - **Credit Ratings:** The District also maintains independent ratings from certain nationally recognized credit rating agencies, such as Moody’s Investors Service, Inc., S&P Global Ratings and Fitch Ratings, Inc. that evaluate the District’s financial strength and its ability to pay its existing bonds.
 - ✓ **Moody’s Investors Service, Inc.:** Assigns a “Aa2” credit rating to the District, defined as “Judged to be of high quality and are subject to very low credit risk.”
 - ✓ **S&P Global Ratings:** Assigns a “AA-” credit rating to the District, defined as “Having a very strong capacity to meet its financial commitments. It differs from the highest-rating only to a small degree.”
 - ✓ **Fitch Ratings, Inc.:** Assigns a “AA” credit rating to the District, defined as “Having very high credit quality and expectations of very low default risk. Indicates very strong capacity for payment of financial commitments and is not significantly vulnerable to foreseeable events.”

For comparison purposes, S&P Global Ratings assigns a credit rating of “AA” to the United States of America and a “BBB+” rating to Citigroup, Bank of America and Goldman Sachs – which is 2 rating categories below the District.



Overview of State Funding System

- ❑ **State Funding System – Where Do the District’s Revenues Come From:** Pearland ISD is legally required to operate pursuant to the requirements of the Texas Education Code. In particular, Chapters 41-45 of the Texas Education Code determine the District’s ability to generate local tax revenues for maintenance & operation purposes and for the repayment of voter-approved bonds. In this regard, the District annually sets two (2) separate tax rates that are levied upon its certified taxable value that is independently determined by the Brazoria County Appraisal District and Harris County Appraisal District:
- **Maintenance & Operations (“M&O”) Tax Rate:** To provide funds for the “day to day” operational expenses of the District, including instructional programs, teacher salaries, instructional supplies, security, student transportation, extracurricular activities, utilities, facility infrastructure/maintenance, etc.
 - ✓ The District’s annual funds for maintenance & operation purposes primarily consist of a combination of State funding and local M&O taxes. In general, the dollar amount of each component is determined by the District’s “Equalized Wealth per Student” (i.e. taxable value / weighted average daily attendance) as set by the State. For year 2015/16, the District’s sources for M&O revenues are summarized below.





☑ Overview of State Funding System

- Interest & Sinking Fund (“I&S”) Tax Rate:** To provide funds to pay the principal and interest on bonds previously approved by a majority of voters for capital improvements. The following summarizes the District’s bond programs approved by voters over the last 17 years:

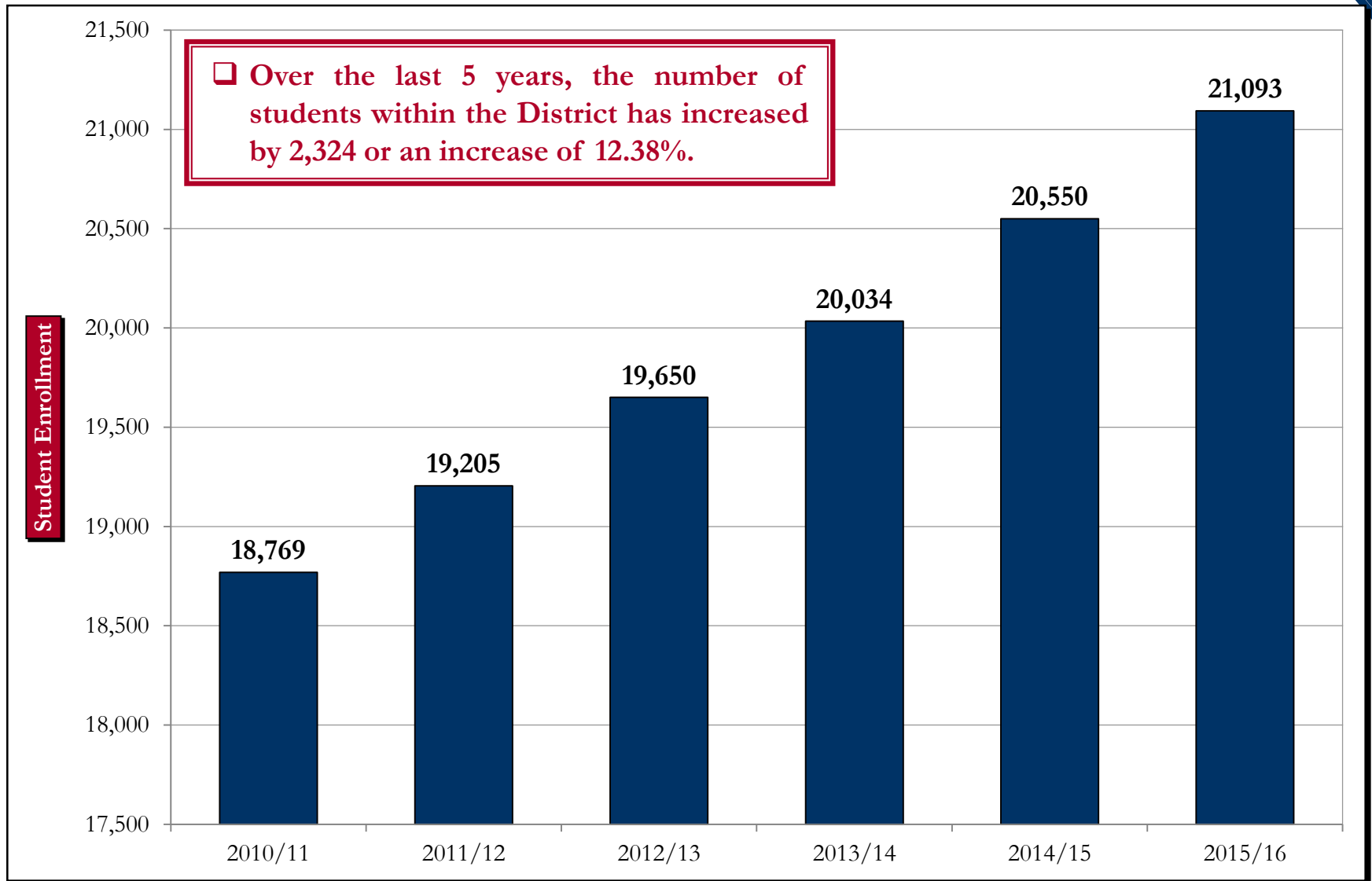
District’s Historical Bond Elections Approved By Voters

Election Date	Purpose	Student Enrollment	Election Amount	Dollar Amount To Be Issued - As of June 30, 2016	Dollar Amount Remaining To Be Issued - As of December 1, 2016
December 11, 1999	School Building	10,202	\$75,200,000	\$0	\$0
October 6, 2001	School Building	11,278	\$41,000,000	\$0	\$0
September 27, 2003	School Building	13,037	\$37,165,000	\$0	\$0
October 1, 2005	School Building	15,434	\$58,000,000	\$0	\$0
November 7, 2006	School Building	16,062	\$115,638,623	\$0	\$0
November 8, 2016	School Building & Technology	21,093	\$220,000,000	\$0	\$220,000,000
Total Dollar Amount Of Authorized But Unissued Bonds:				\$0	\$220,000,000

- ✓ On November 8, 2016, voters approved the District’s \$220,000,000 bond package referendum that will be implemented in upcoming years. At this time, the District anticipates the sale of approximately \$120 million from the 2016 Bond Program authorization on or about July 2017.

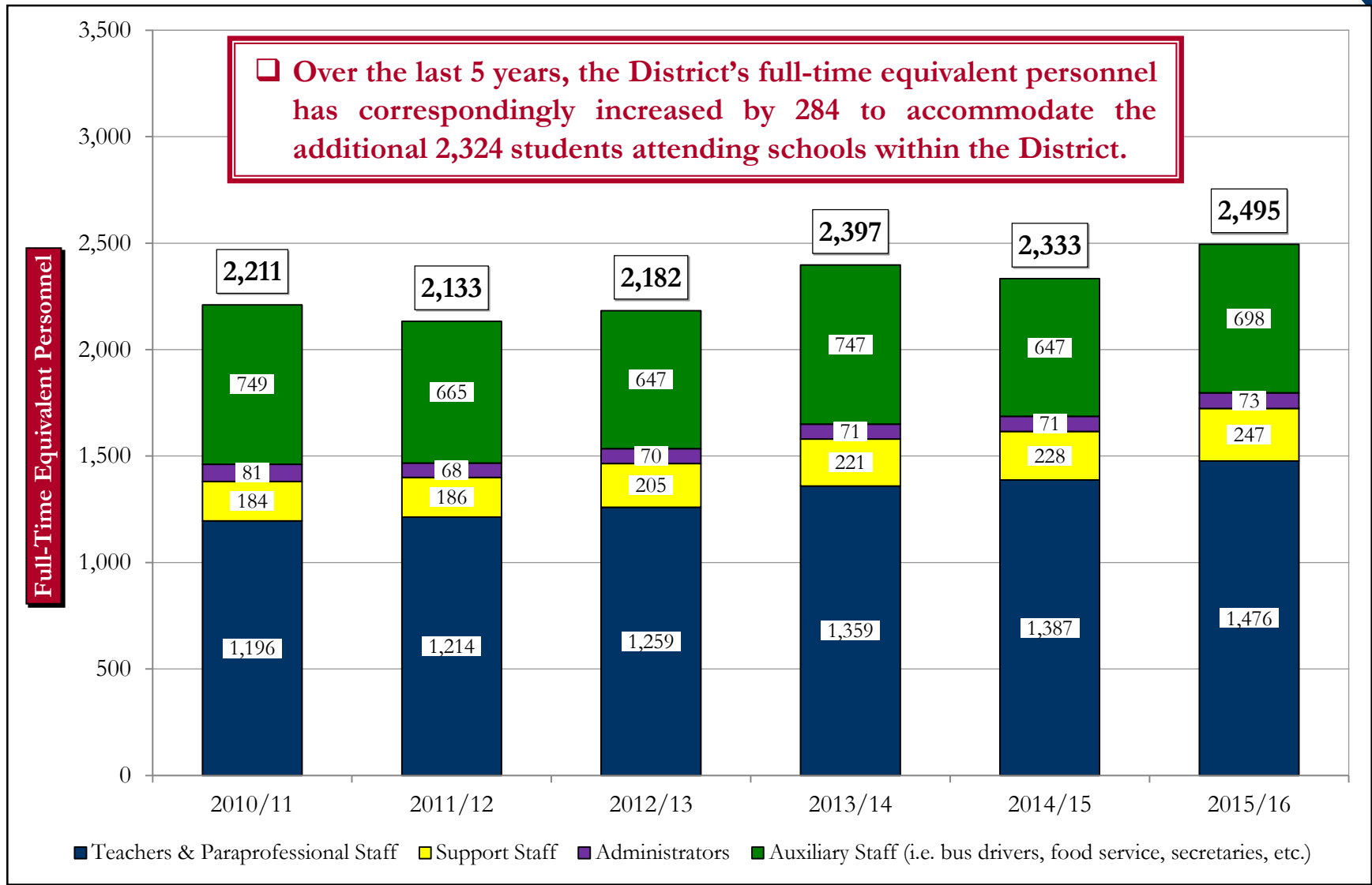


Historical Student Enrollment



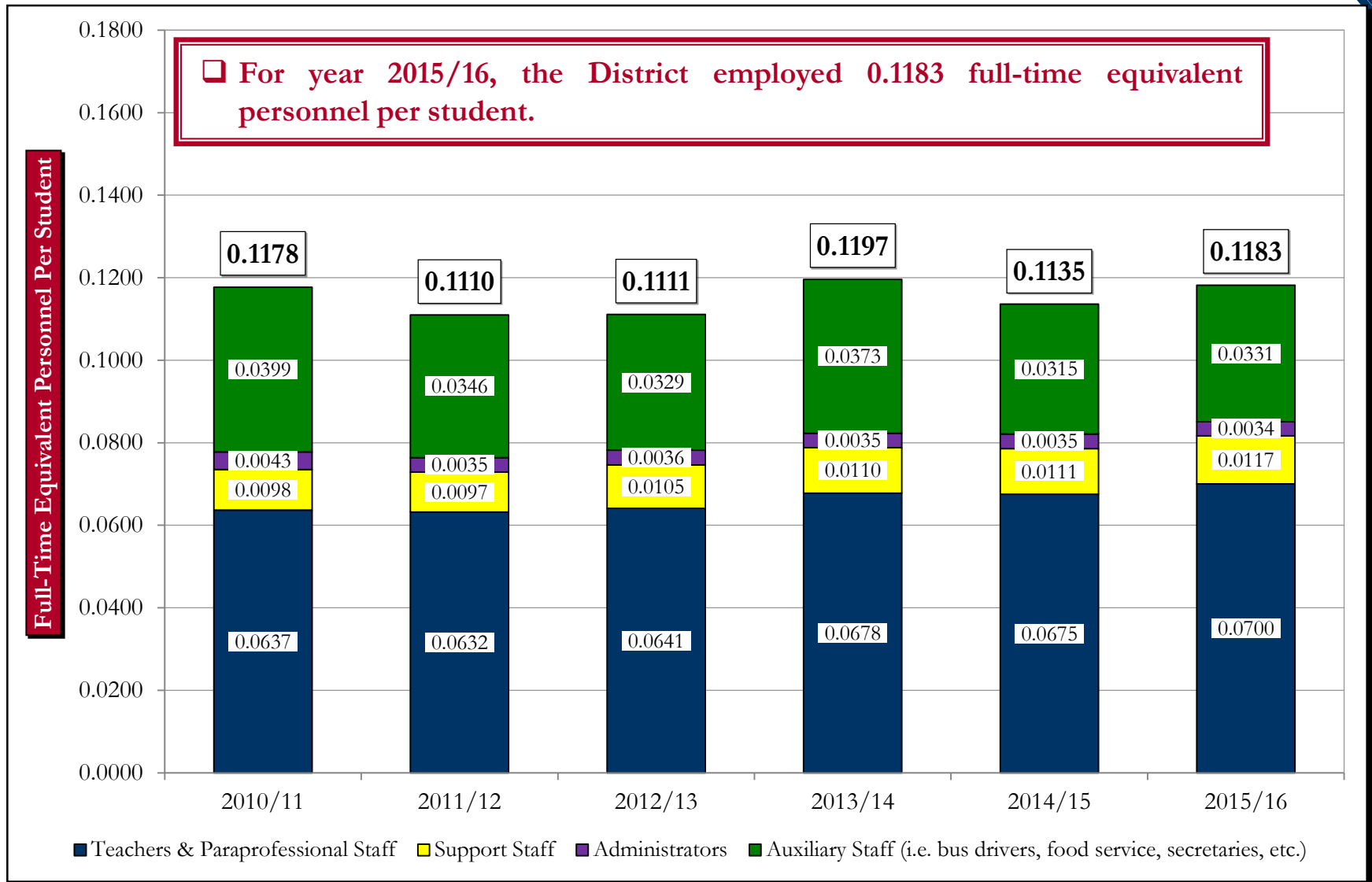


Full-Time Equivalent Personnel



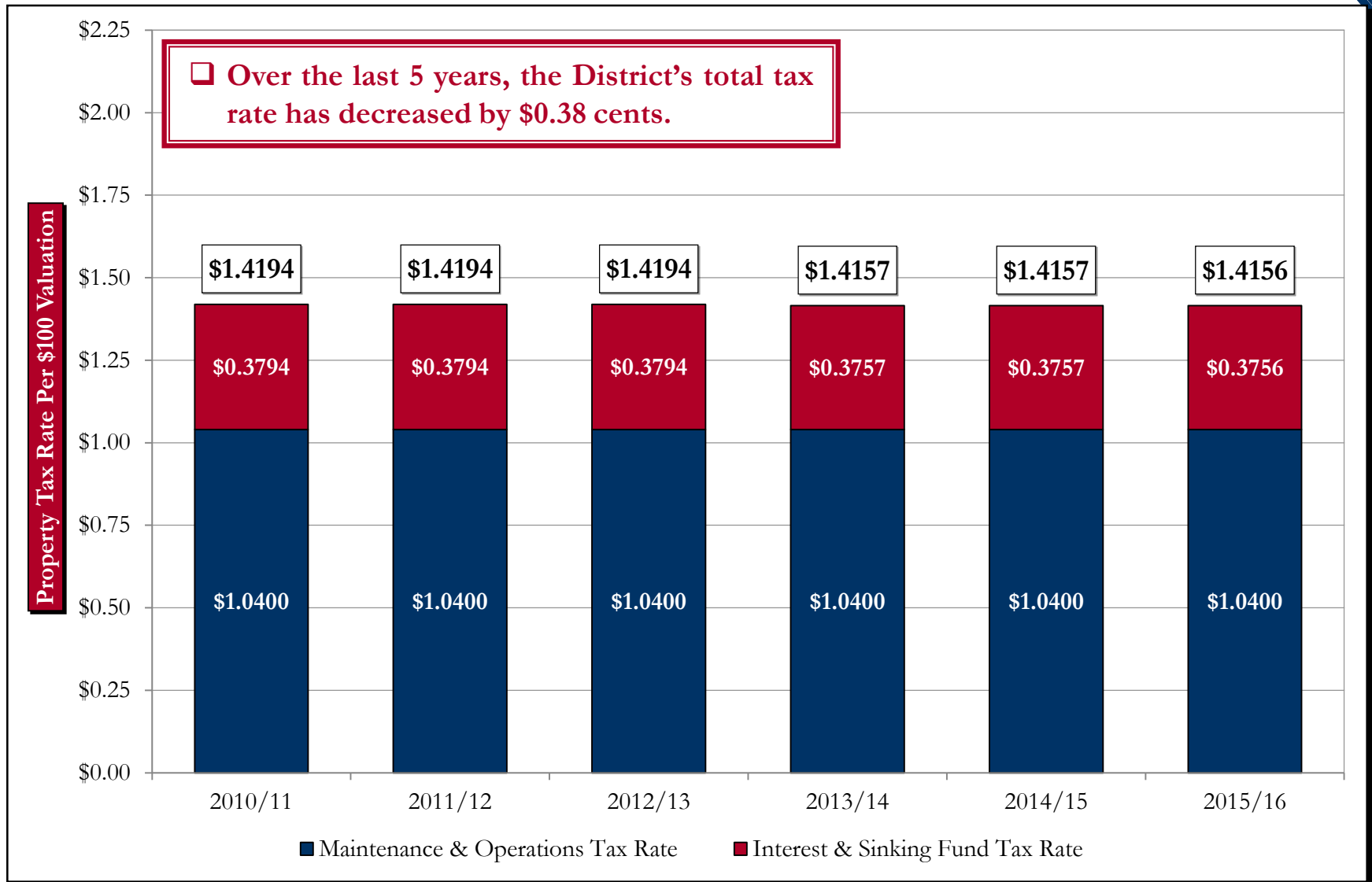


Full-Time Equivalent Personnel Per Student



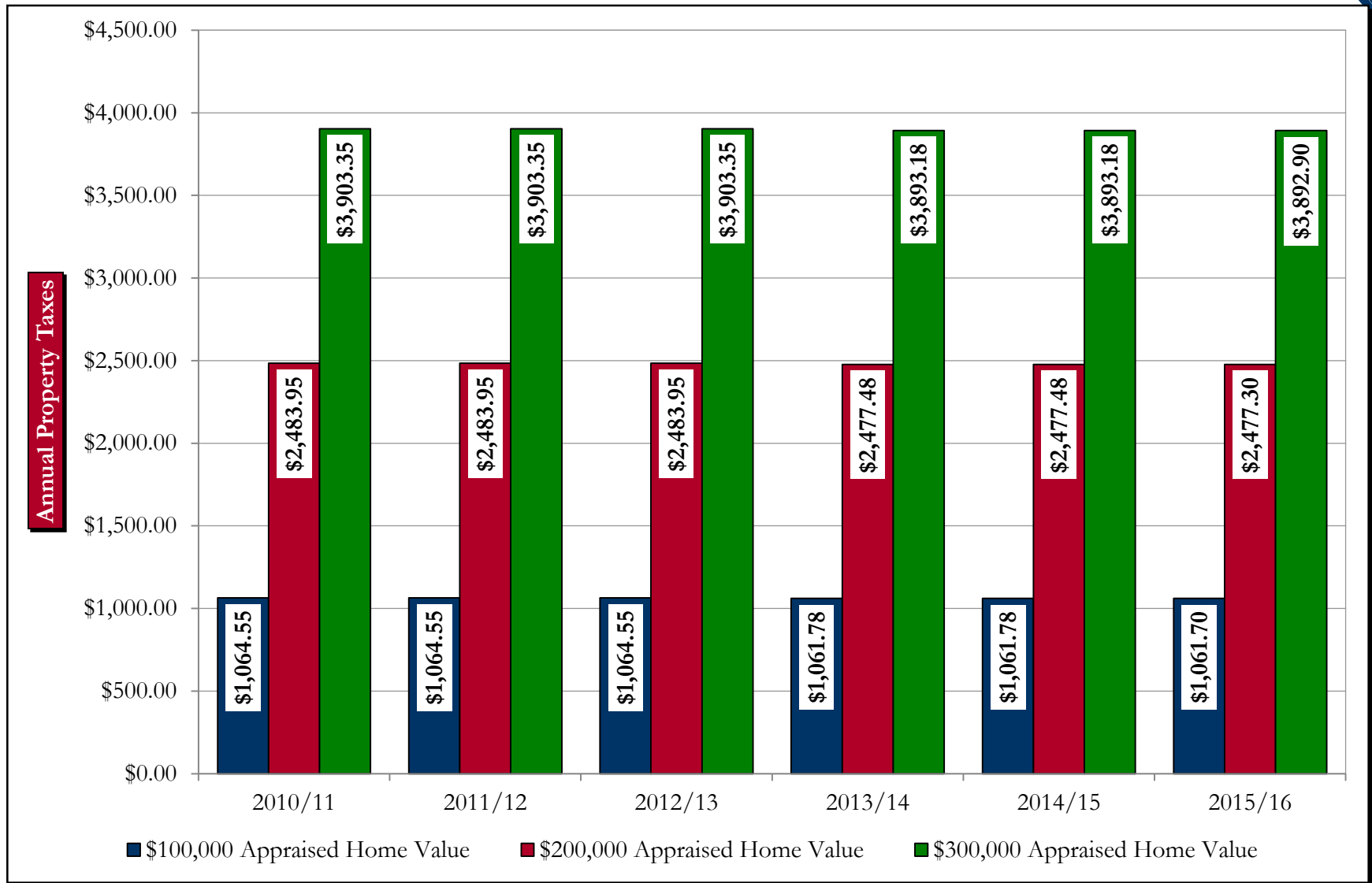


Historical Tax Rates





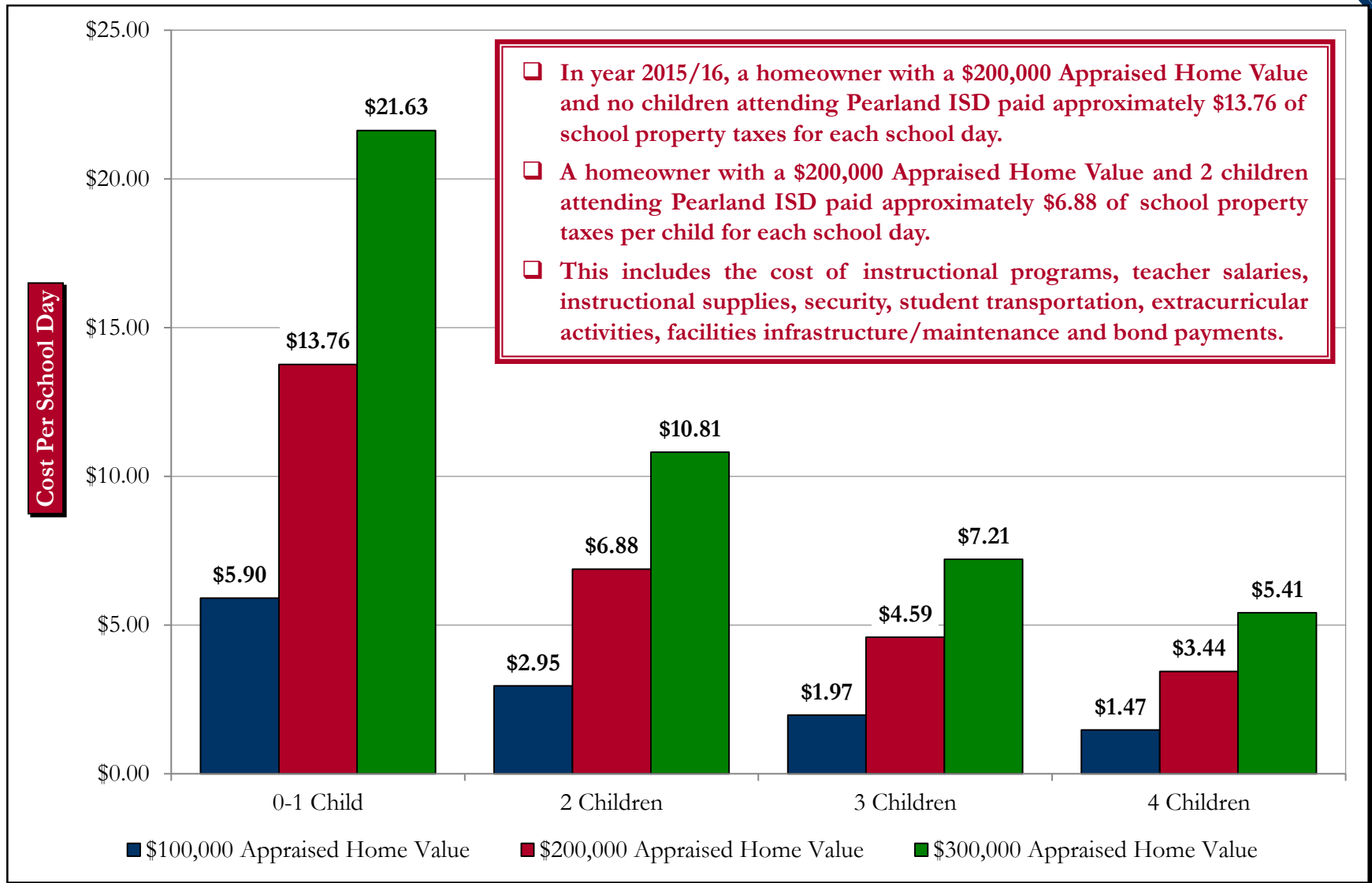
Historical Total Property Taxes For Maintenance and Operations and Voter-Approved Bonds – For Various Appraised Home Values



Note: Taxes are net of the \$25,000 Residential Homestead Exemption.



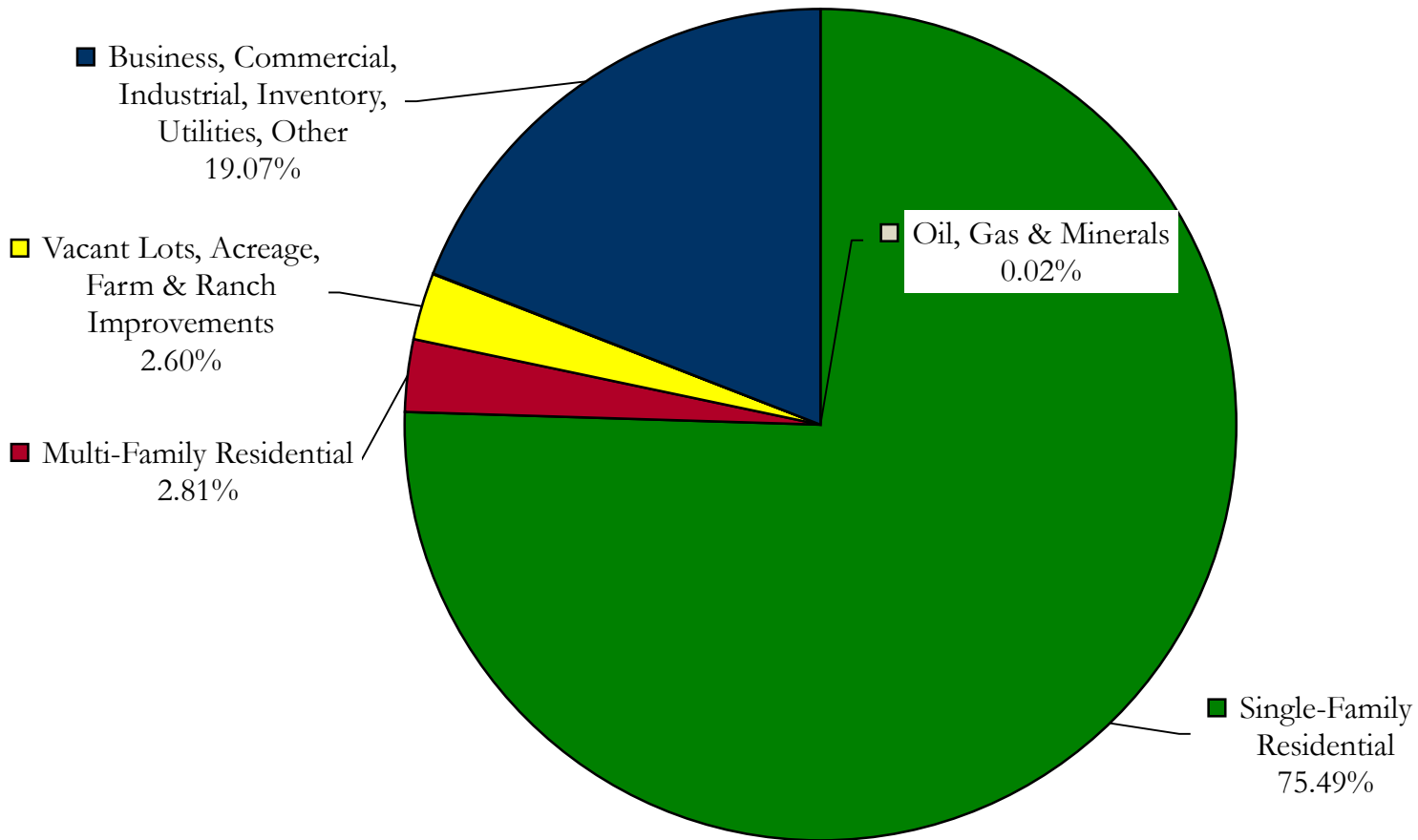
Summary of Property Tax Cost Per School Day – For Various Appraised Home Values – Year 2015/16





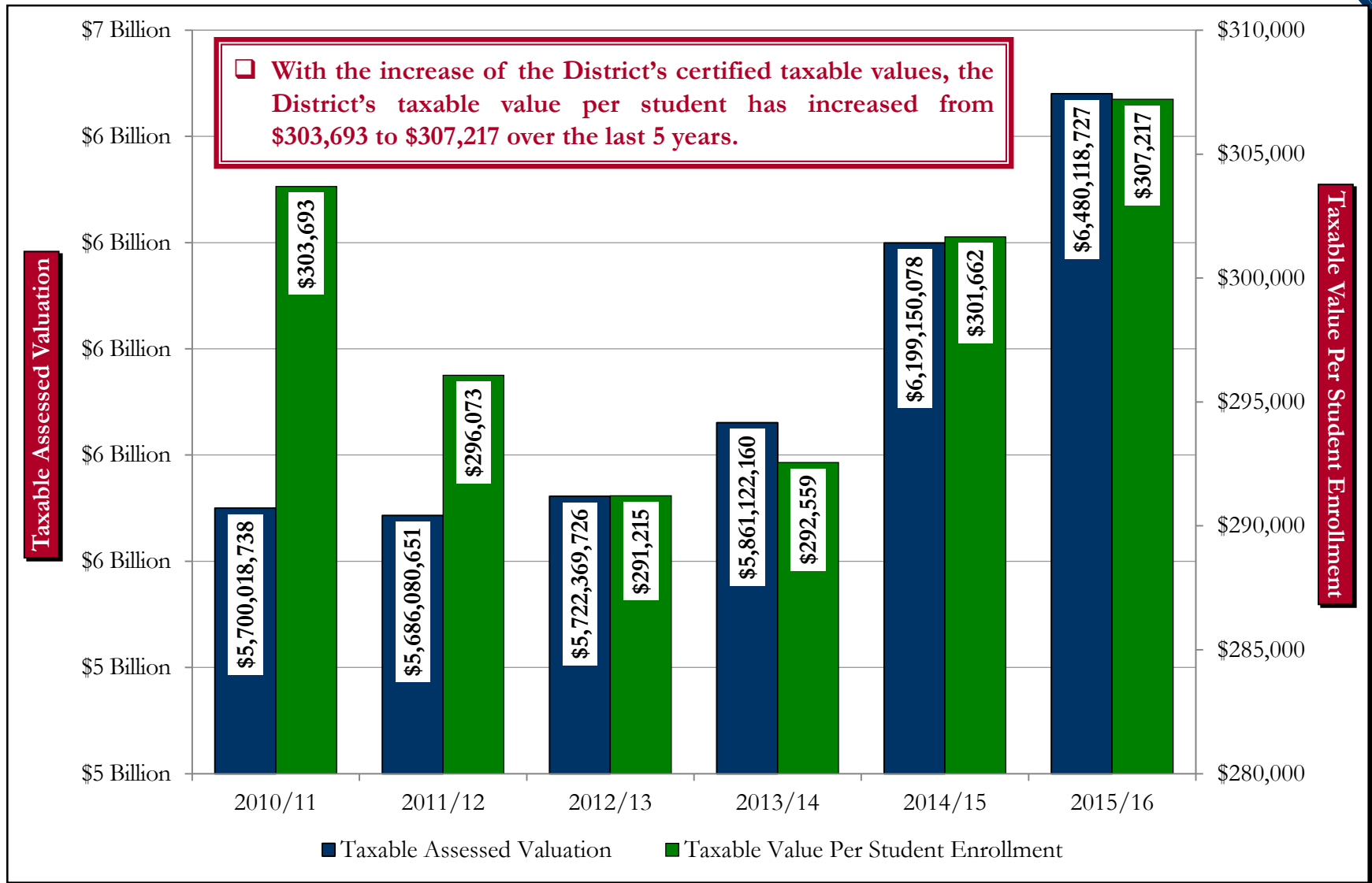
Composition of Total Assessed Valuation – Year 2015/16

For year 2015/16, Single-Family Residential properties comprised 75.49% of the District's total assessed valuation and other property categories comprised 24.51%.





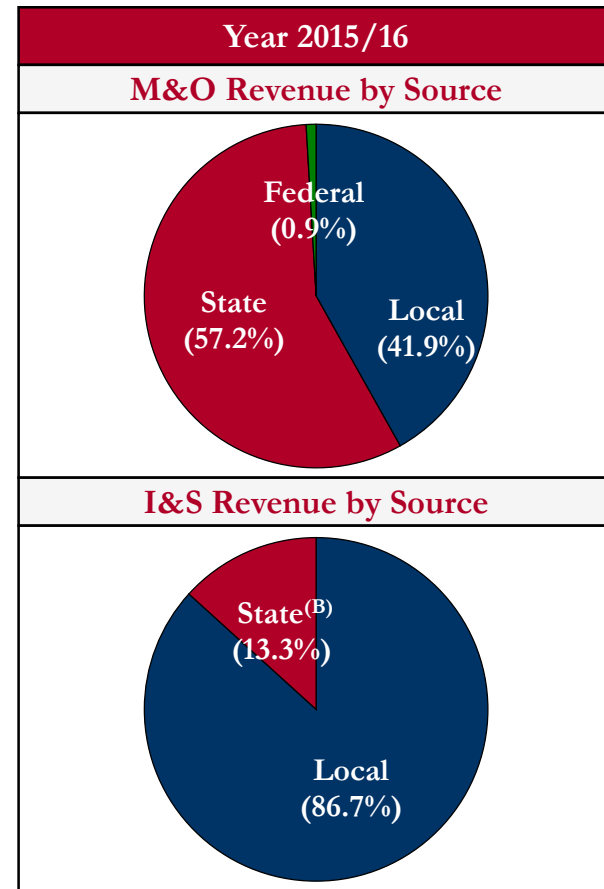
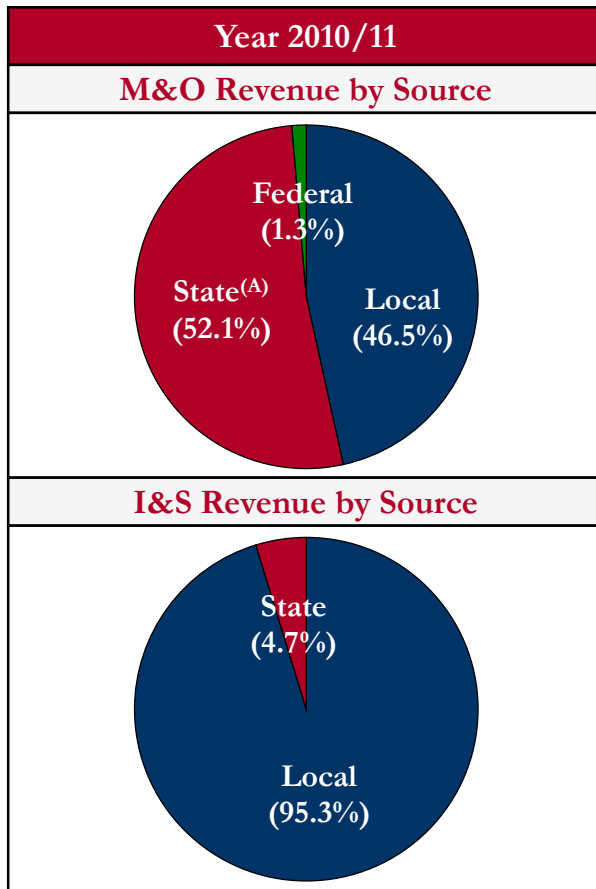
Historical Taxable Assessed Valuation and Taxable Value Per Student Enrollment





General Fund and Debt Service Fund – Revenue By Source

- Given the State funding system is structured to provide the District with an “equalized” dollar amount per student, the increase of the District’s taxable value per student has increased the percentage of M&O revenues received from the State from 52.1% to 57.2% over the last 5 years.

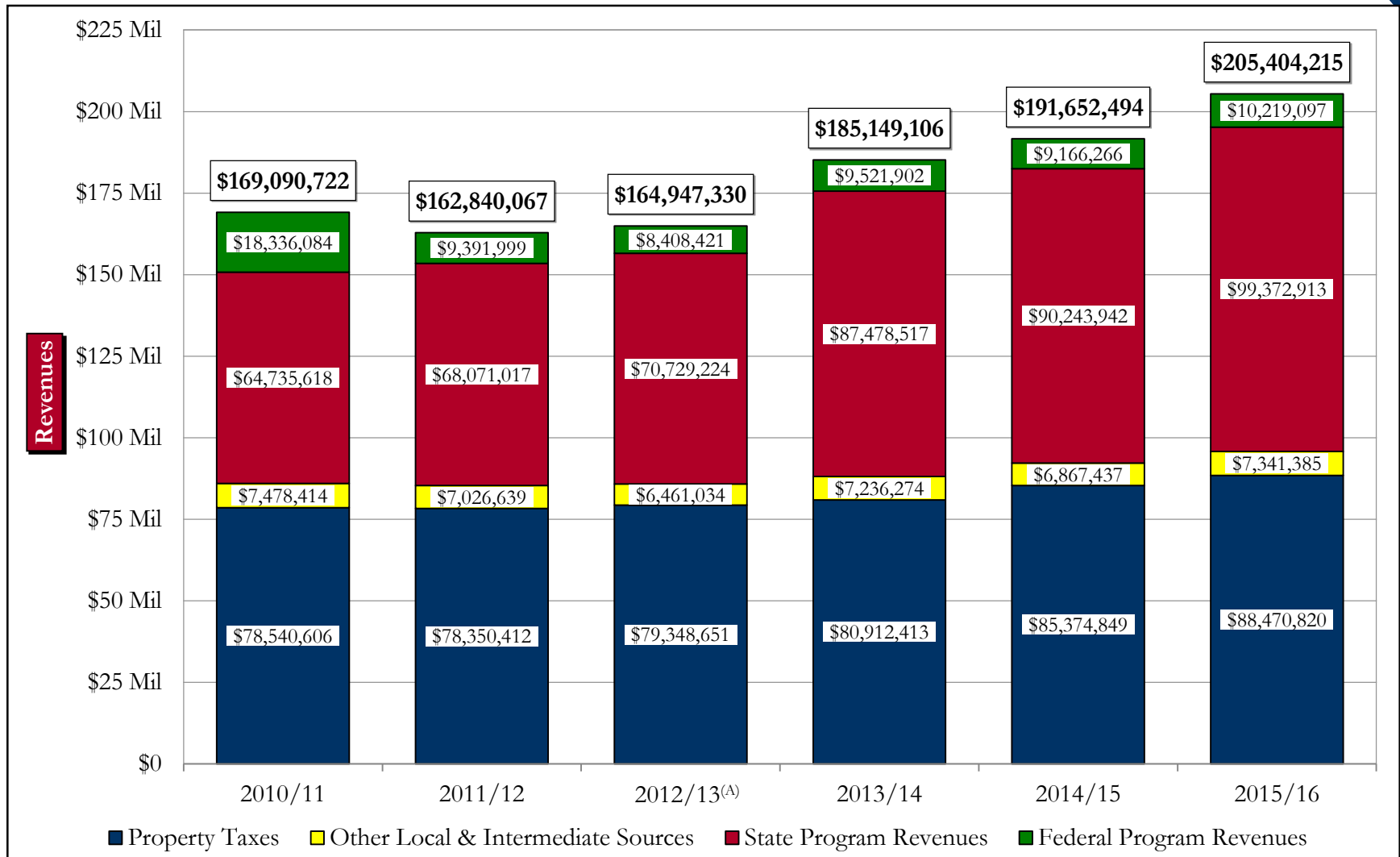


^(A) Includes \$5,182,546 from the State Fiscal Stabilization Fund, distributed under the Federal American Recovery and Reinvestment Act.

^(B) Includes payment from State received for lost tax revenues resulting from increase of residential homestead exemption in year 2015/16.



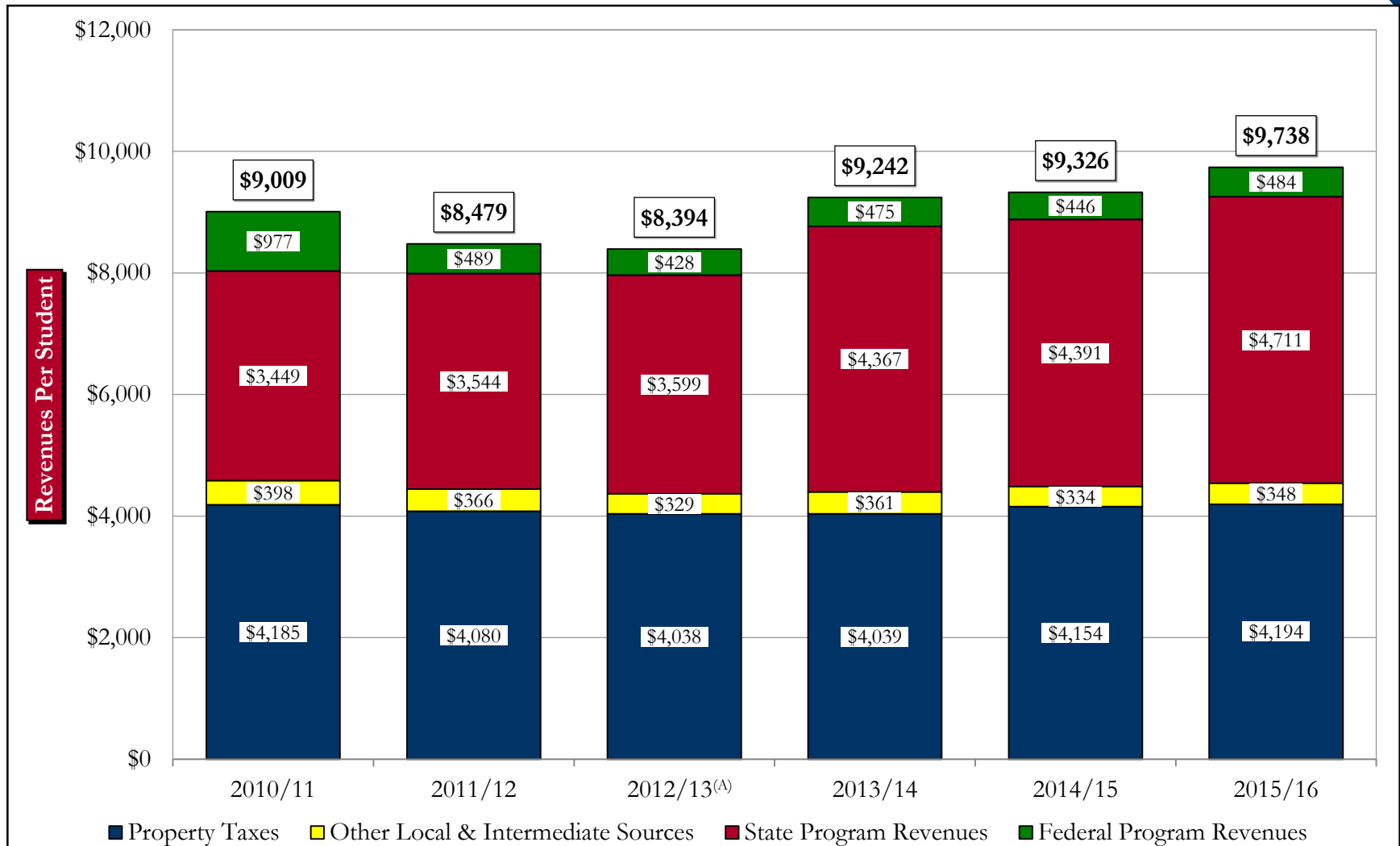
Total Revenues (All Governmental Funds*) By Source



^(A) For 10-month time period of September 1, 2012 - June 30, 2013. Reflects initial year of District's change in fiscal year.



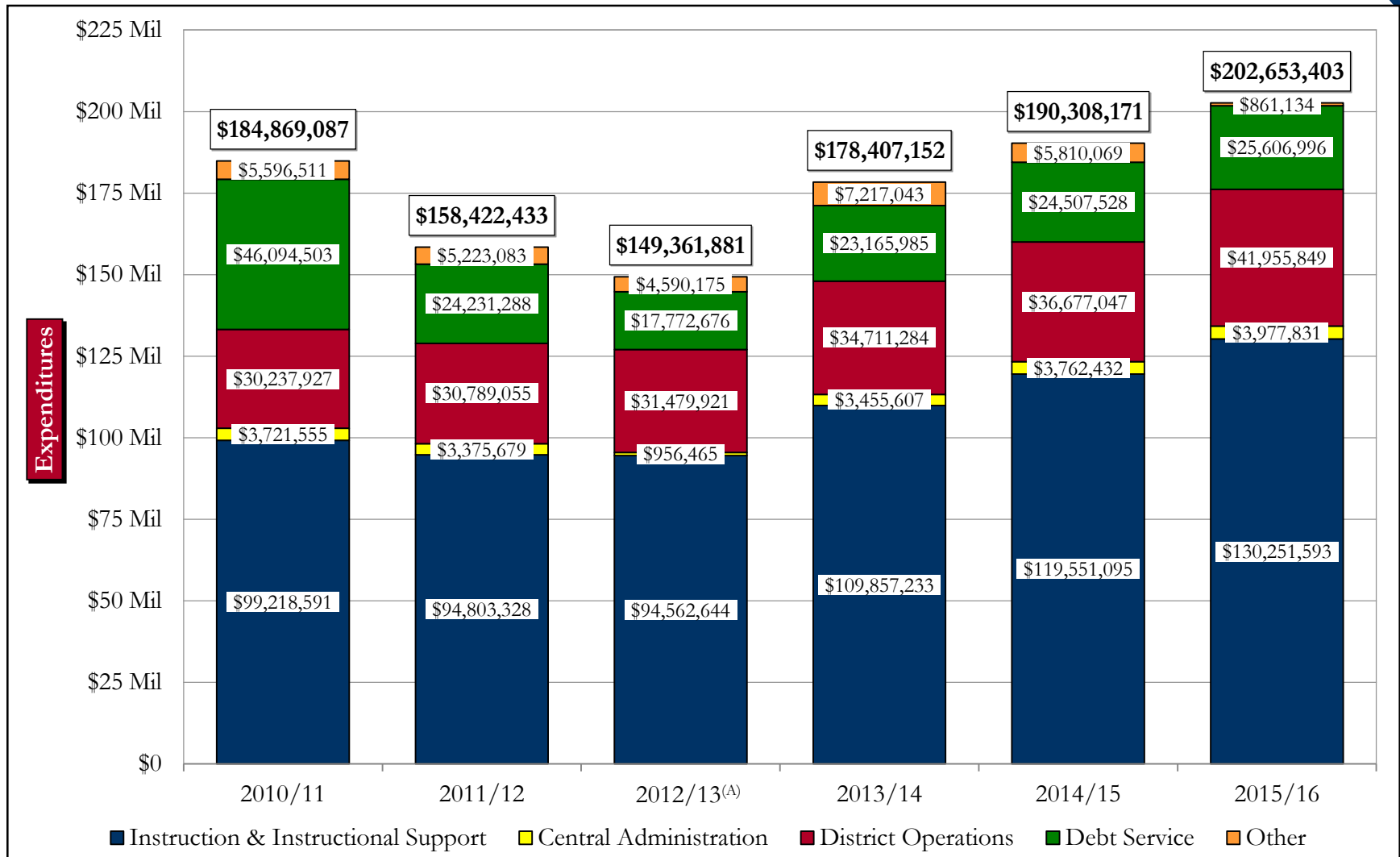
Total Revenues (All Governmental Funds*) Per Student



^(A) For 10-month time period of September 1, 2012 - June 30, 2013. Reflects initial year of District's change in fiscal year.



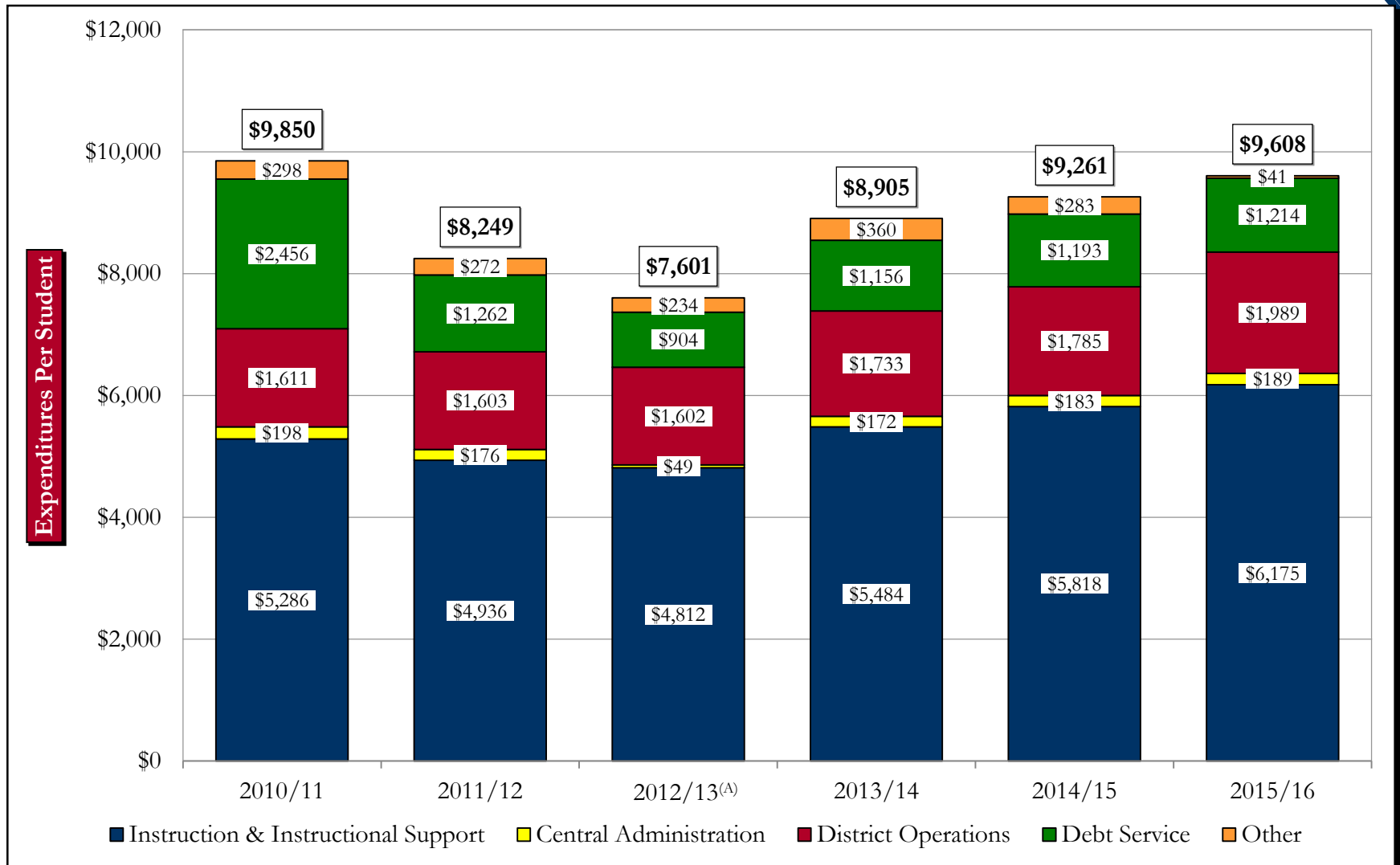
Total Expenditures (All Governmental Funds*) By Source



^(A) For 10-month time period of September 1, 2012 - June 30, 2013. Reflects initial year of District's change in fiscal year.



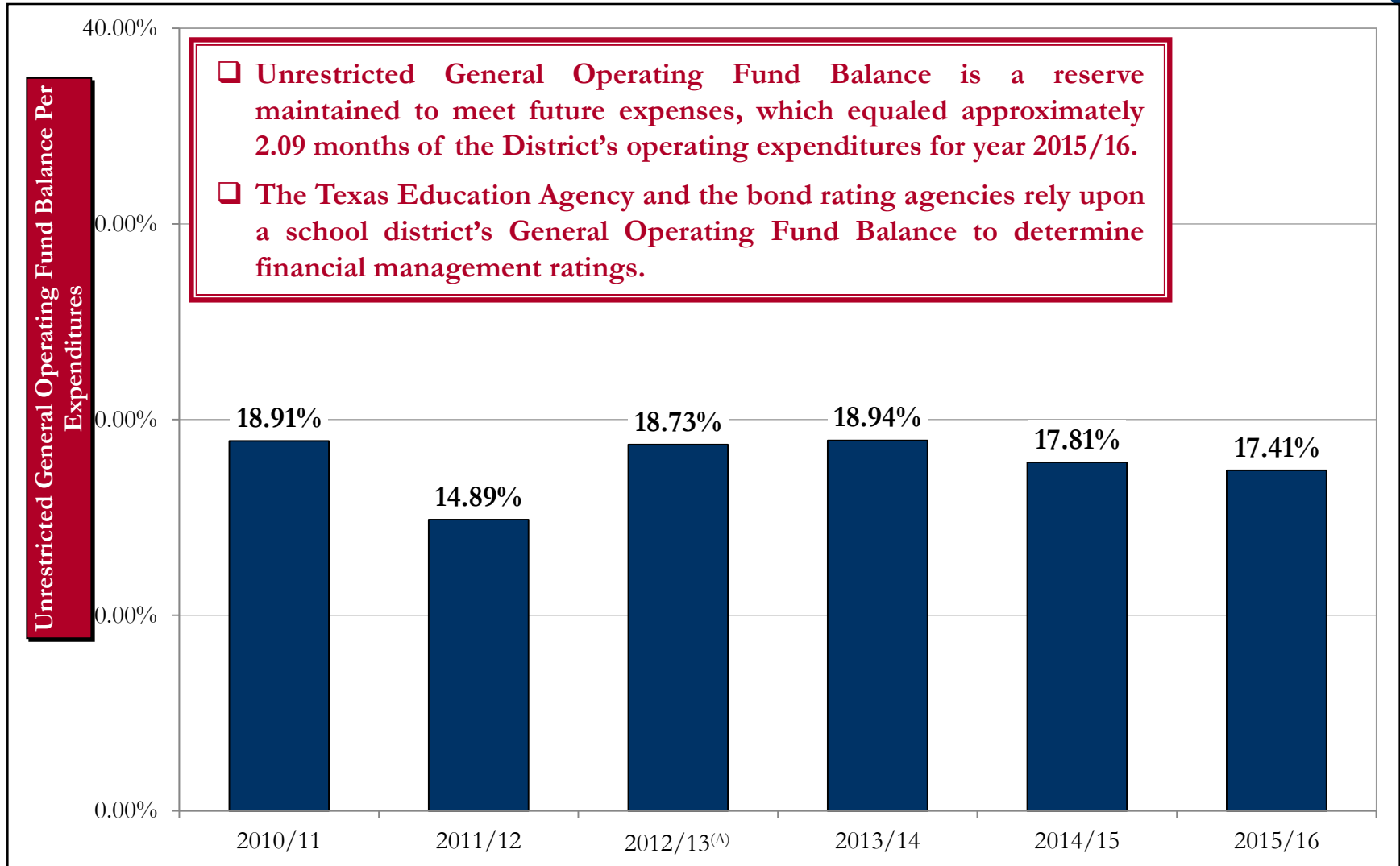
Total Expenditures (All Governmental Funds*) Per Student



^(A) For 10-month time period of September 1, 2012 - June 30, 2013. Reflects initial year of District's change in fiscal year.



Unrestricted General Operating Fund Balance as a Percentage of General Operating Expenditures

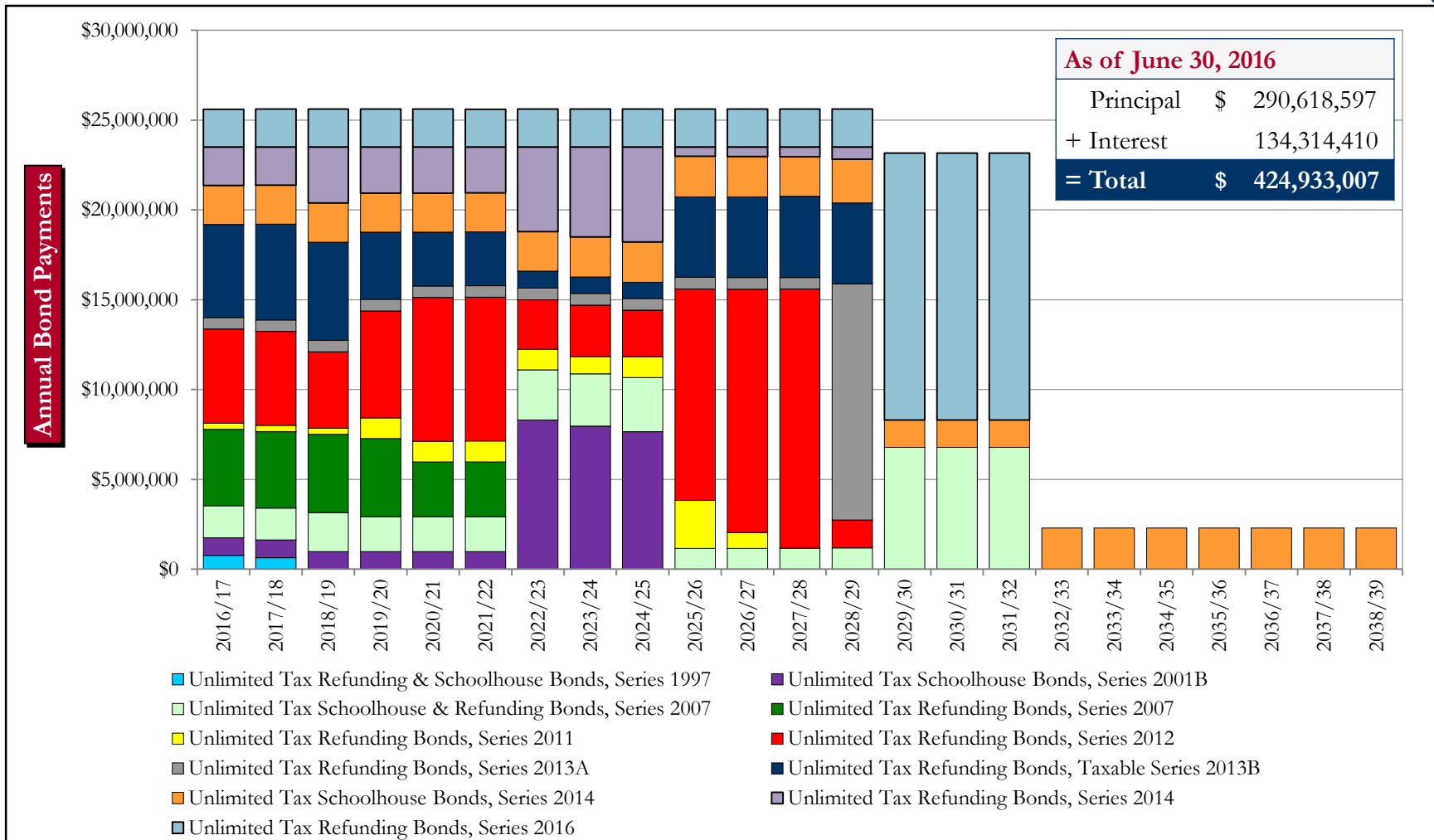


- Unrestricted General Operating Fund Balance is a reserve maintained to meet future expenses, which equaled approximately 2.09 months of the District's operating expenditures for year 2015/16.
- The Texas Education Agency and the bond rating agencies rely upon a school district's General Operating Fund Balance to determine financial management ratings.

^(A) For 10-month time period of September 1, 2012 - June 30, 2013. Reflects initial year of District's change in fiscal year.



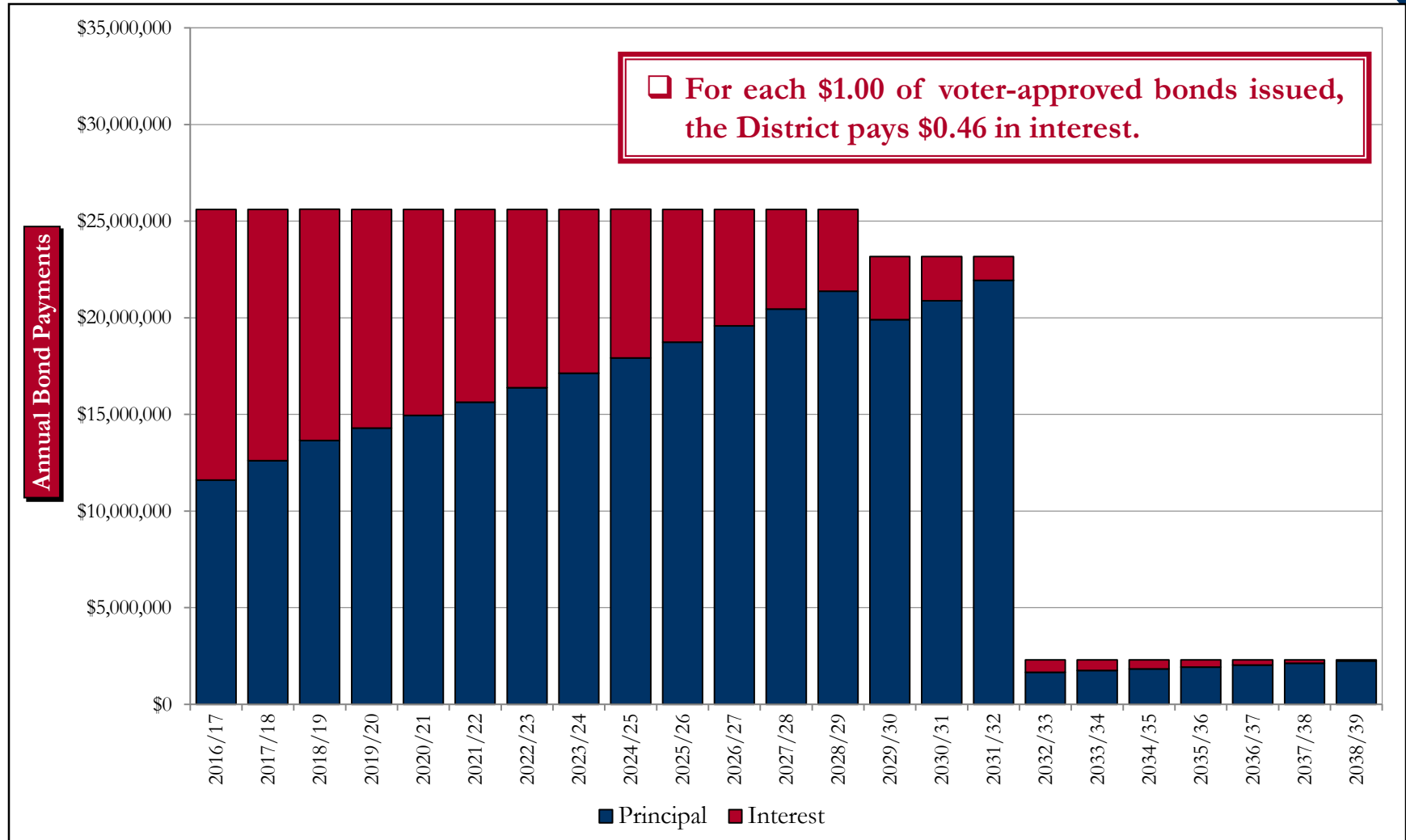
☑ Unlimited Tax Debt Service By Series – Existing Bonds Approved By Voters



Note: Although the District's fiscal year ends on June 30th, debt service payments reflect payments from September 1 through August 31 to match the receipt of tax collections and the District's budget. As such, the District's August 2016 debt payments are not portrayed in the graph above.



☑ Unlimited Tax Debt Service By Principal and Interest – Existing Bonds Approved By Voters



Note: Although the District's fiscal year ends on June 30th, debt service payments reflect payments from September 1 through August 31 to match the receipt of tax collections and the District's budget. As such, the District's August 2016 debt payments are not portrayed in the graph above.



Savings from District's Recent Bond Refunding Programs to Lower Interest Costs

- ❑ Pearland ISD has implemented 7 refunding programs to reduce the cost of voter-approved bonds – which have generated more than \$25.5 million of savings for District taxpayers over the last 11 years.

Summary of Interest Cost Savings – Bond Refunding Programs

Issue	Series Refunded	Principal Amount Refunded	Total Savings
Unlimited Tax Schoolhouse & Refunding Bonds, Series 2007	2001C, 2002, 2003A, 2004	\$ 30,365,000	\$ 869,349
Unlimited Tax Refunding Bonds, Series 2007	1997, 1998, 2001C	32,350,000	1,900,266
Unlimited Tax Refunding Bonds, Series 2011	2003A, 2004	8,790,000	806,509
Unlimited Tax Refunding Bonds, Series 2012	2003A, 2004, 2005A	65,040,000	4,142,007
Unlimited Tax Refunding Bonds, Series 2013A	2001C, 2003A, 2005A, 2007	17,020,000	1,031,258
Unlimited Tax Refunding Bonds, Taxable Series 2013B	2005, 2005A	38,155,000	4,911,897
Unlimited Tax Refunding Bonds, Series 2014	2005, 2005A, 2007	30,350,000	2,745,793
Unlimited Tax Refunding Bonds, Series 2016	2007	49,080,000	9,236,931
Totals	---	\$ 271,150,000.00	\$ 25,644,010.00

- ✓ Additionally, On November 29, 2016, the District refunded \$45,020,000 in principal amount of portions of the outstanding Series 2007 Unlimited Tax Refunding Bonds and Series 2007 Unlimited Tax Schoolhouse and Refunding Bonds and, as a result, generated \$7,555,568 in savings.

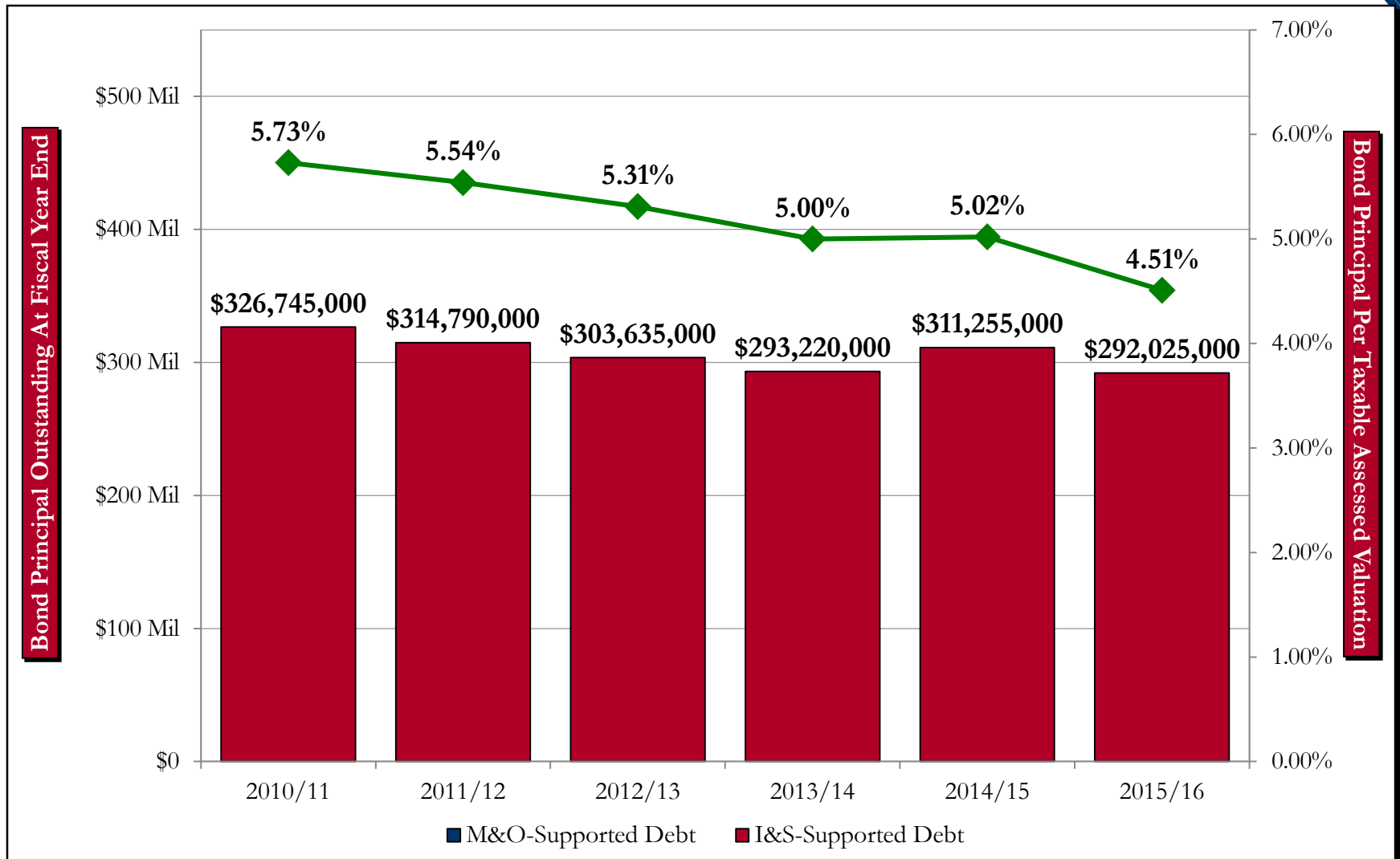


☑ Summary of Unlimited Tax Debt Outstanding By Series – As of Fiscal Year Ended June 30, 2016

Issue Description	Purpose	Original Principal Amount	Outstanding Principal	Total Outstanding Debt Service	Outstanding Principal Per Capita	Outstanding Debt Service Per Capita	Final Maturity Date	Total Proceeds Received	Spent Proceeds	Unspent Proceeds
Unlimited Tax Refunding & Schoolhouse Bonds, Series 1997	Refunding at a lower interest rate, etc. and capital improvements	\$27,512,590.00	\$438,596.90	\$1,410,000.00	\$4.19	\$13.47	02/15/2018	\$27,756,133.87	\$27,756,133.87	\$0.00
Unlimited Tax Schoolhouse Bonds, Series 2001B	Capital Improvements	\$22,500,000.00	\$22,500,000.00	\$30,337,500.00	\$214.92	\$289.79	02/15/2025	\$22,500,000.00	\$22,500,000.00	\$0.00
Unlimited Tax Schoolhouse & Refunding Bonds, Series 2007	Refunding at a lower interest rate, etc. and capital improvements	\$111,680,000.00	\$29,680,000.00	\$46,014,400.00	\$283.51	\$439.54	02/15/2032	\$112,165,162.07	\$112,165,162.07	\$0.00
Unlimited Tax Refunding Bonds, Series 2007	Refunding at a lower interest rate, etc.	\$31,535,000.00	\$20,345,000.00	\$23,751,475.00	\$194.34	\$226.88	02/15/2022	\$32,459,274.30	\$32,459,274.30	\$0.00
Unlimited Tax Refunding Bonds, Series 2011	Refunding at a lower interest rate, etc.	\$8,740,000.00	\$8,690,000.00	\$11,479,000.00	\$83.01	\$109.65	02/15/2027	\$8,588,435.00	\$8,588,435.00	\$0.00
Unlimited Tax Refunding Bonds, Series 2012	Refunding at a lower interest rate, etc.	\$62,845,000.00	\$61,750,000.00	\$87,685,268.88	\$589.85	\$837.59	02/15/2029	\$73,040,825.90	\$73,040,825.90	\$0.00
Unlimited Tax Refunding Bonds, Series 2013A	Refunding at a lower interest rate, etc.	\$15,490,000.00	\$12,825,000.00	\$21,161,250.00	\$122.51	\$202.14	02/15/2029	\$18,134,919.20	\$18,134,919.20	\$0.00
Unlimited Tax Refunding Bonds, Taxable Series 2013B	Refunding at a lower interest rate, etc.	\$38,155,000.00	\$37,680,000.00	\$47,181,960.00	\$359.93	\$450.69	02/15/2029	\$41,328,370.51	\$41,328,370.51	\$0.00
Unlimited Tax Schoolhouse Bonds, Series 2014	Capital Improvements	\$30,540,000.00	\$30,180,000.00	\$50,136,950.00	\$288.29	\$478.92	02/15/2039	\$34,469,924.55	\$22,521,500.55	\$11,948,424.00
Unlimited Tax Refunding Bonds, Series 2014	Refunding at a lower interest rate, etc.	\$28,655,000.00	\$25,195,000.00	\$32,965,050.00	\$240.67	\$314.89	02/15/2029	\$32,820,444.85	\$32,820,444.85	\$0.00
Unlimited Tax Refunding Bonds, Series 2016	Refunding at a lower interest rate, etc.	\$41,335,000.00	\$41,335,000.00	\$72,810,153.13	\$394.84	\$695.50	02/15/2032	\$50,998,382.49	\$50,998,382.49	\$0.00



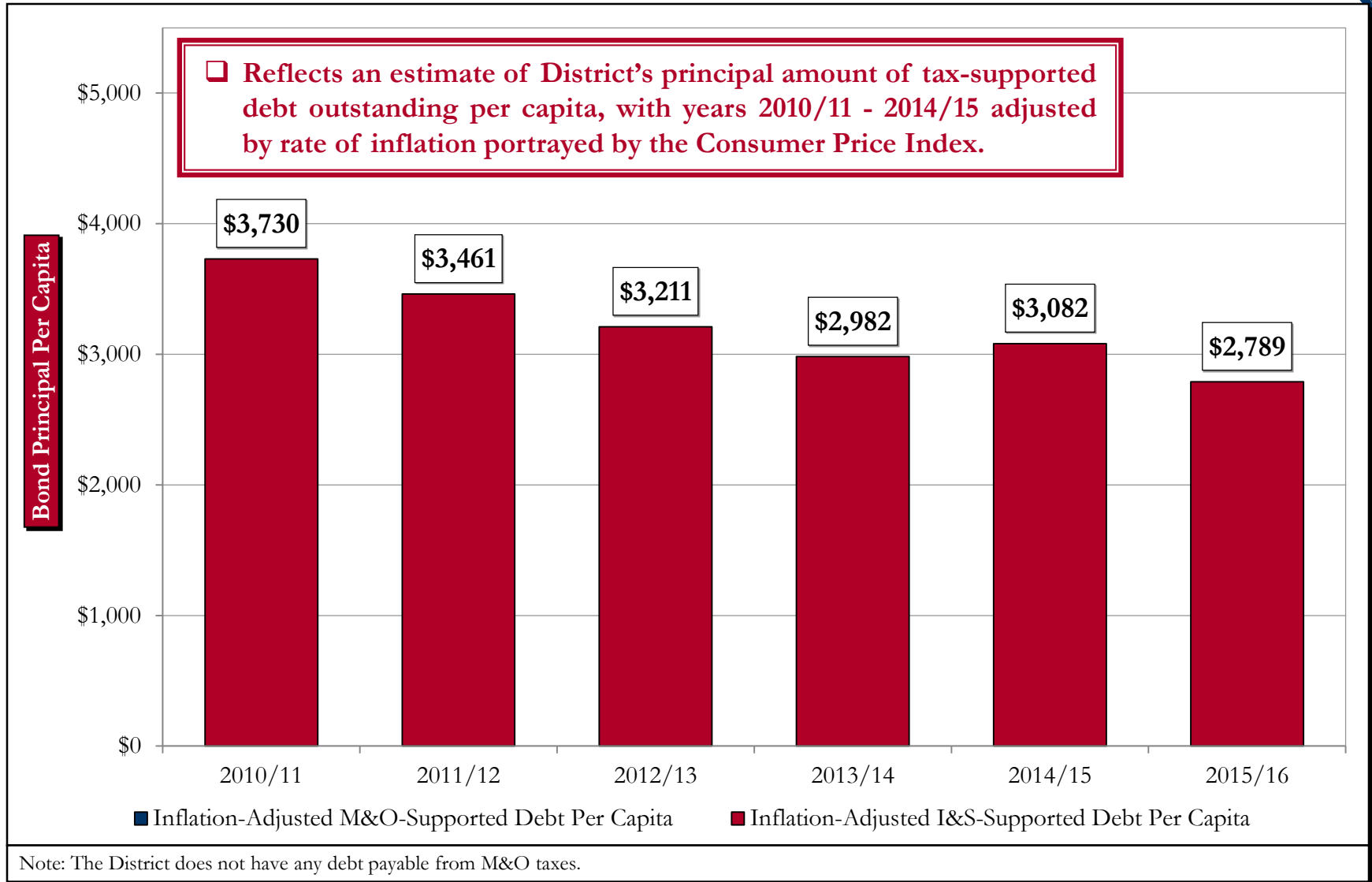
Tax-Supported Debt Obligations At Fiscal Year End and As a Percentage of Taxable Assessed Valuation



Note: The District does not have any debt payable from M&O taxes.

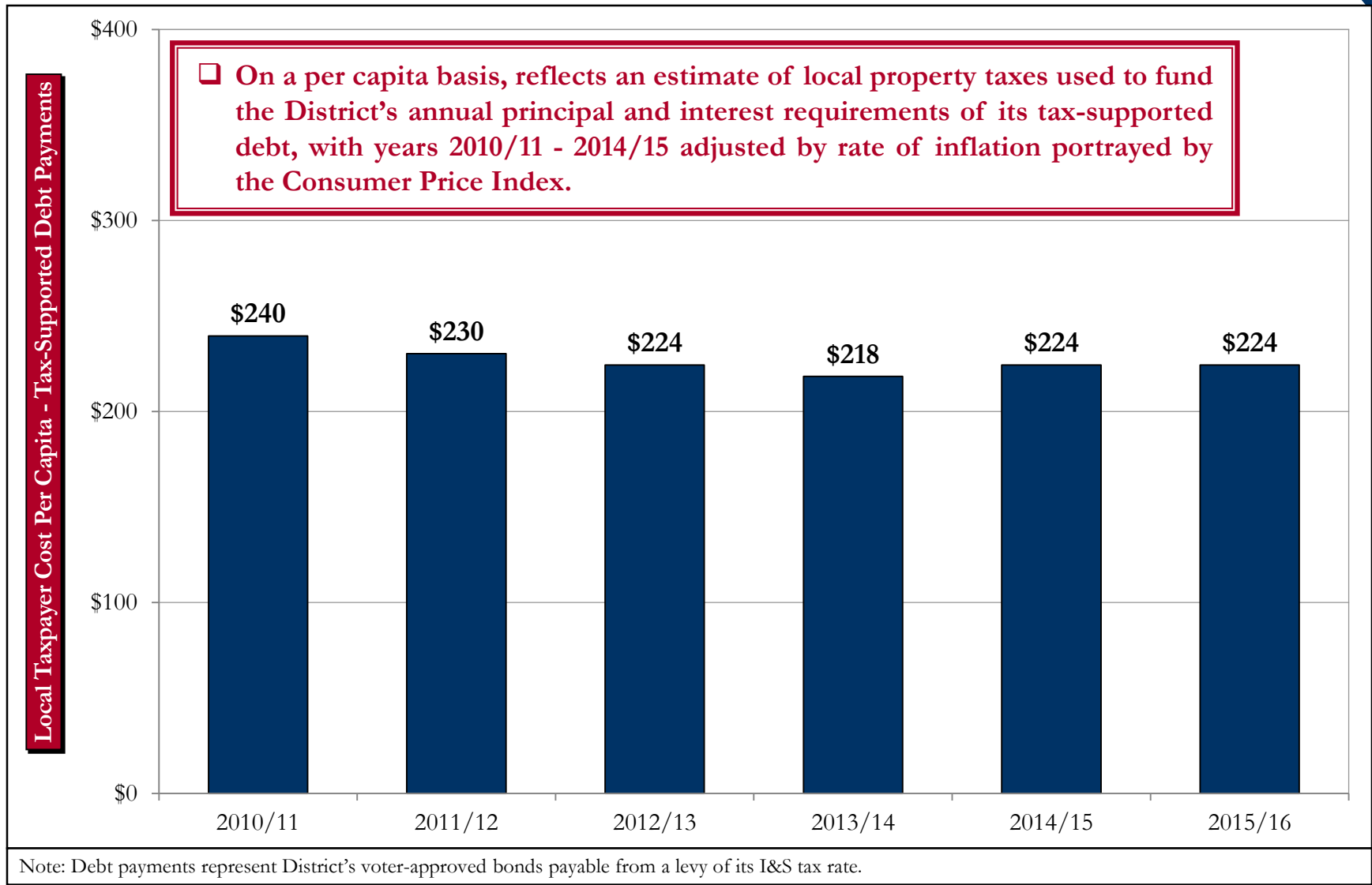


Inflation-Adjusted Tax-Supported Debt Per Capita





Inflation-Adjusted Tax-Supported Debt Cost Per Capita – Principal and Interest In Each of the Last 5 Years





Contact Information and Links to Additional Resources

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Don Marshall

Chief Financial Officer

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Email: marshall@pearlandisd.org

Links to Additional Resources:

<https://www.comptroller.texas.gov/transparency/local/debt/isds.php>

http://www.brb.state.tx.us/local_debt_search.aspx