Annual Report of Certain Financial and Local Debt Information

Fiscal Year Ended June 30, 2018

☐ Denotes Required Information Pursuant to Local Government Code, Section 140.008

This report was posted on the District’s website on December 21, 2018.
Overview: Ector County 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.
  - Based on data for year 2016/17, the District was assigned a 2017/18 FIRST Rating of “Above Standard”.

- **Credit Ratings:** The District also maintains independent ratings from certain nationally recognized credit rating agencies, such as Moody’s Investors Service and S&P Global Ratings, that evaluate the District’s financial strength and its ability to pay its existing bonds.
  - **Moody’s Investors Service:** Assigns a “A1” credit rating to the District, defined as “Judged to be upper-medium grade and are subject to low credit risk.”
  - **S&P Global Ratings:** Assigns a “A+” credit rating to the District, defined as “Having a strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.”
Local Option, Additional Homestead Exemption: Unlike many Texas school districts, the District has approved an additional residential homestead exemption equal to 20% of the assessed value. In this regard, the residential homestead exemption lowers the taxable value of a taxpayer’s home for purposes of levying the District’s tax rate.

The following summarizes the estimated benefit that accrued to residential homeowners in year 2017/18.

20% Optional Residential Homestead Exemption – Estimated Decrease of Local Property Taxes – Year 2017/18

<table>
<thead>
<tr>
<th>Appraised Home Value</th>
<th>Decrease of Local Property Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100,000</td>
<td>$230</td>
</tr>
<tr>
<td>$200,000</td>
<td>$460</td>
</tr>
<tr>
<td>$300,000</td>
<td>$690</td>
</tr>
</tbody>
</table>
State Funding System – Where Do the District’s Revenues Come From: Ector County ISD is legally required to operate pursuant to the requirements of the Texas Education Code. In particular, the Texas Education Code determines 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 Ector 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 2017/18, the District’s sources for M&O revenues are summarized below.

Source: District’s Audited Financial Statements and District records.
Interest & Sinking Fund ("I&S") Tax Rate: To provide funds to pay the principal and interest on bonds approved by a majority of voters for capital improvements. The District does not receive any facilities funding from the State for the payment of bonds. The following summarizes the District’s bond programs approved by voters over the last 17 years:

<table>
<thead>
<tr>
<th>Election Date</th>
<th>Purpose</th>
<th>Student Enrollment</th>
<th>Election Amount</th>
<th>Dollar Amount Of Bonds Remaining To Be Issued</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 20, 2001</td>
<td>School Building</td>
<td>26,996</td>
<td>$89,510,000</td>
<td>$0</td>
</tr>
<tr>
<td>November 6, 2012</td>
<td>School Building</td>
<td>29,649</td>
<td>$129,750,000</td>
<td>$0</td>
</tr>
</tbody>
</table>

Total Dollar Amount Of Authorized But Unissued Bonds - As of June 30, 2018: $0

As of fiscal year ended June 30, 2018, the District had $142,510 within its Capital Projects Fund for existing/future projects.
Historical Student Enrollment

- Over the last 5 years, the number of students within the District has increased by 2,618 or an increase of 8.83%.

Source: Texas Education Agency - PEIMS and District records.
Over the last 5 years, the District’s full-time equivalent personnel has correspondingly increased by 512 to accommodate the additional 2,618 students attending schools within the District.

Source: Texas Education Agency - PEIMS and District records.
For year 2017/18, the District employed 0.1183 full-time equivalent personnel per student.

Source: Texas Education Agency - PEIMS and District records.
Over the last 5 years, the District’s total tax rate has increased by 3.0069 cents as a result of voters approving the 2012 Bond Program.

Source: District’s Audited Financial Statements and District records.
Historical Total Property Taxes For Maintenance and Operations and Voter-Approved Bonds – For Various Appraised Home Values

Note: Taxes are net of the State-mandated residential homestead exemption and a 20% local option, additional homestead exemption.
In year 2017/18, a homeowner with a $200,000 Appraised Home Value and 1 or no children attending Ector County ISD paid approximately $8.62 of school property taxes for each school day.

A homeowner with a $200,000 Appraised Home Value and 2 children attending Ector County ISD paid approximately $4.31 of school property taxes per child for each school day.

This includes the cost of instructional programs, teacher salaries, instructional supplies, security, student transportation, extracurricular activities, facilities infrastructure/maintenance and bond payments.
For year 2017/18, Single-Family Residential properties comprised 37.2% of the District’s total assessed valuation and other property categories comprised 62.8%.
The District’s taxable value per student has ranged from $376,604 to $445,907 over the last 5 years.

Source: Ector County Appraisal District, Texas Education Agency - PEIMS and District records.
The State funding system is structured to provide the District with an “equalized” dollar amount per student. The revenue sources for maintenance and operations and repayment of bonds is summarized below.

The District does not receive any facilities funding from the State for the payment of voter-approved bonds.

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

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

Source: District’s Audited Financial Statements and District records.
Total Revenues (All Governmental Funds*) By Source

- **$238,109,561** for 2012/13
  - **$23,483,485** Property Taxes
  - **$8,935,874** Other Local & Intermediate Sources
  - **$128,499,568** State Program Revenues
  - **$28,785,417** Federal Program Revenues

- **$271,322,427** for 2013/14
  - **$24,218,677** Property Taxes
  - **$11,219,375** Other Local & Intermediate Sources
  - **$151,568,434** State Program Revenues
  - **$28,737,179** Federal Program Revenues

- **$279,922,376** for 2014/15
  - **$29,203,303** Property Taxes
  - **$11,334,101** Other Local & Intermediate Sources
  - **$162,985,904** State Program Revenues
  - **$28,011,439** Federal Program Revenues

- **$264,523,102** for 2015/16
  - **$28,011,439** Property Taxes
  - **$10,266,461** Other Local & Intermediate Sources
  - **$149,835,628** State Program Revenues
  - **$10,340,877** Federal Program Revenues

- **$266,079,731** for 2016/17
  - **$28,785,417** Property Taxes
  - **$10,340,877** Other Local & Intermediate Sources
  - **$134,216,258** State Program Revenues
  - **$15,985,789** Federal Program Revenues

- **$270,965,956** for 2017/18
  - **$27,096,873** Property Taxes
  - **$15,985,789** Other Local & Intermediate Sources
  - **$141,221,740** State Program Revenues
  - **$114,351,554** Federal Program Revenues

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

(B) Includes maintenance and operation expenses and bond payments of voter-approved bonds.

*Excludes Capital Projects Fund. Source: District’s Audited Financial Statements and District records.
For 10-month time period of September 1, 2012 - June 30, 2013. Reflects initial year of District's change in fiscal year.

Includes maintenance and operation expenses and bond payments of voter-approved bonds.

*Excludes Capital Projects Fund. Source: District’s Audited Financial Statements, Texas Education Agency - PEIMS and District records.
<table>
<thead>
<tr>
<th>Year</th>
<th>Instruction &amp; Instructional Support</th>
<th>Central Administration</th>
<th>District Operations</th>
<th>Debt Service</th>
<th>Other(B)/Capital Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012/13(A)</td>
<td>$150,775,624</td>
<td>$4,887,605</td>
<td>$40,238,117</td>
<td>$150,910</td>
<td>$1,323,611</td>
</tr>
<tr>
<td>2013/14</td>
<td>$175,415,389</td>
<td>$51,272,861</td>
<td>$5,460,611</td>
<td>$40,238,117</td>
<td>$1,323,611</td>
</tr>
<tr>
<td>2014/15</td>
<td>$193,743,523</td>
<td>$6,460,611</td>
<td>$6,460,611</td>
<td>$3,403,754</td>
<td>$1,138,722</td>
</tr>
<tr>
<td>2015/16</td>
<td>$207,856,464</td>
<td>$6,959,545</td>
<td>$58,859,730</td>
<td>$3,246,205</td>
<td>$13,986,065</td>
</tr>
<tr>
<td>2016/17</td>
<td>$209,544,018</td>
<td>$6,579,487</td>
<td>$53,386,136</td>
<td>$3,246,205</td>
<td>$13,986,065</td>
</tr>
<tr>
<td>2017/18</td>
<td>$200,803,677</td>
<td>$6,735,260</td>
<td>$58,867,350</td>
<td>$3,246,205</td>
<td>$13,986,065</td>
</tr>
</tbody>
</table>

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

(B) Includes Chapter 41 Recapture Payment to State.

*Excludes Capital Projects Fund expenditures funded from voter-approved bonds payable from a levy of the I&S tax rate. Source: District’s Audited Financial Statements.
Total Expenditures (All Governmental Funds*) Per Student

- Instruction & Instructional Support
- Central Administration
- District Operations
- Debt Service
- Other(B)/Capital Projects

Expenditures Per Student

- 2012/13(A): $6,756
- 2013/14: $8,177
- 2014/15: $8,974
- 2015/16: $9,384
- 2016/17: $9,108
- 2017/18: $8,811

*Excludes Capital Projects Fund expenditures funded from voter-approved bonds payable from a levy of the I&S tax rate. Source: District’s Audited Financial Statements and TEA - PEIMS.
Unrestricted General Operating Fund Balance is a reserve maintained to meet future expenses, which equaled approximately 7.01% of the District’s operating expenditures for year 2017/18.

The Texas Education Agency and the bond rating agencies rely upon a school district’s General Operating Fund Balance to determine financial management ratings.

Source: District’s Audited Financial Statements and District records.
Total General Operating Fund Balance

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

Source: District’s Audited Financial Statements and District records.
Unlimited Tax Debt Service By Series – Existing Bonds Approved By Voters

Note: Although the District’s fiscal year ends on June 30, 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 2018 debt payments are not portrayed in the graph above.

Source: District’s Audited Financial Statements and District records – As of June 30, 2018.
Note: Although the District’s fiscal year ends on June 30, 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 2018 debt payments are not portrayed in the graph above.

Source: District’s Audited Financial Statements and District records – As of June 30, 2018.
Ector County ISD has implemented 3 bond refunding programs and prepaid approximately $5.64 million of existing bonds to reduce the cost of voter-approved bonds – Which have generated more than $17.6 million of savings for District taxpayers in recent years.

<table>
<thead>
<tr>
<th>Issue / Description</th>
<th>Series Refunded / Redeemed</th>
<th>Par Amount Refunded / Redeemed</th>
<th>Total Savings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unlimited Tax Refunding Bonds, Series 2016</td>
<td>2007</td>
<td>55,677,169</td>
<td>9,588,712</td>
</tr>
<tr>
<td><strong>Total - Bond Refunding Programs at a Lower Interest Rate</strong></td>
<td>---</td>
<td>$116,827,282</td>
<td>$13,443,786</td>
</tr>
<tr>
<td>Prepayment of Series 2003A Bonds - August 2013</td>
<td>2003A</td>
<td>$1,644,874</td>
<td>$1,029,459</td>
</tr>
<tr>
<td>Prepayment of Series 2013 Bonds - August 2015</td>
<td>2013</td>
<td>4,000,000</td>
<td>3,220,000</td>
</tr>
<tr>
<td><strong>Total - Prepayment of Bonds Prior to Scheduled Maturity</strong></td>
<td>---</td>
<td>$5,644,874</td>
<td>$4,249,459</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td>---</td>
<td>$122,472,156</td>
<td>$17,693,245</td>
</tr>
</tbody>
</table>

Source: District records.
## Summary of Unlimited Tax Debt Outstanding By Series – As of Fiscal Year Ended June 30, 2018

<table>
<thead>
<tr>
<th>No.</th>
<th>Issue Description</th>
<th>Purpose</th>
<th>Original Principal Amount</th>
<th>Outstanding Principal</th>
<th>Total Outstanding Debt Service</th>
<th>Outstanding Principal Per Capita</th>
<th>Outstanding Debt Service Per Capita</th>
<th>Final Maturity Date</th>
<th>Total Proceeds Received</th>
<th>Spent Proceeds</th>
<th>Unspent Proceeds</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Unlimited Tax School Building and Refunding Bonds, Series 2001</td>
<td>Capital Improvements &amp; Refunding at a lower interest rate, etc.</td>
<td>$55,868,557.70</td>
<td>$2,727,386.60</td>
<td>$7,130,000.00</td>
<td>$17.34</td>
<td>$45.32</td>
<td>08/15/2019</td>
<td>$57,958,088.55</td>
<td>$57,958,088.55</td>
<td>$0.00</td>
</tr>
<tr>
<td>2</td>
<td>Unlimited Tax Refunding Bonds, Series 2012</td>
<td>Refunding at a lower interest rate, etc.</td>
<td>$4,690,000.00</td>
<td>$2,110,000.00</td>
<td>$2,401,075.00</td>
<td>$13.41</td>
<td>$15.26</td>
<td>08/15/2025</td>
<td>$4,938,900.17</td>
<td>$4,938,900.17</td>
<td>$0.00</td>
</tr>
<tr>
<td>3</td>
<td>Unlimited Tax School Building Bonds, Series 2013</td>
<td>Capital Improvements</td>
<td>$121,595,000.00</td>
<td>$114,645,000.00</td>
<td>$183,808,265.78</td>
<td>$728.74</td>
<td>$1,168.37</td>
<td>08/15/2038</td>
<td>$132,036,250.90</td>
<td>$132,036,250.90</td>
<td>$0.00</td>
</tr>
<tr>
<td>4</td>
<td>Unlimited Tax Refunding Bonds, Series 2016</td>
<td>Refunding at a lower interest rate, etc.</td>
<td>$49,235,000.00</td>
<td>$48,555,000.00</td>
<td>$63,049,600.00</td>
<td>$308.64</td>
<td>$400.77</td>
<td>08/15/2027</td>
<td>$58,854,816.26</td>
<td>$58,854,816.26</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Source: District’s Audited Financial Statements, 2010 U.S. Census (Interpolated) and District records. Per capita figures are based upon an estimated population of 157,320.
Tax-Supported Debt Obligations At Fiscal Year End and As a Percentage of Taxable Assessed Valuation

Note: The District has no outstanding debt payable from M&O taxes.

Source: District’s Audited Financial Statements, Ector County Appraisal District and District records.
Note: The District has no outstanding debt payable from M&O taxes.

Reflects an estimate of District’s principal amount of tax-supported debt outstanding per capita, with years 2012/13 - 2016/17 adjusted by rate of inflation portrayed by the Consumer Price Index.

On a per capita basis, reflects an estimate of local property taxes used to fund the District’s annual principal and interest requirements of its tax-supported debt, with years 2012/13 - 2016/17 adjusted by rate of inflation portrayed by the Consumer Price Index.
Main Office Contact Information:

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Odessa, Texas 79761

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For additional information regarding this report, please contact:

Mr. David Harwell
Chief Financial Officer
Phone: (432) 456-9499
Email: david.harwell@ectorcountyisd.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