

CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2015**

Officials Issuing Report

**Clay Pearson
City Manager**

**Jon Branson
Deputy City
Manager**

**Trent Epperson
Assistant City
Manager**

**Rick Overgaard
Assistant Director
of Finance**

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Introductory Section

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City of Pearland

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March 14, 2016

Honorable Mayor, Members
of City Council, and Citizens of the
City of Pearland, Texas USA

The Comprehensive Annual Financial Report (CAFR) of the City of Pearland, Texas (the “City”) for the fiscal year ending September 30, 2015, is hereby submitted as mandated by both local and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity and that an independent firm of certified public accountants audit this report.

Management assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that it has established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Whitley Penn, LLP, Certified Public Accountants, have issued an unmodified (or “clean”) opinion on the City of Pearland’s financial statements for the year ending September 30, 2015. The independent auditor’s report is located at the front of the financial section of this report.

Management’s discussion and analysis (MD&A) immediately follows the independent auditor’s report and provides a narrative introduction, overview, and analysis of the basic financial statements. MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILE OF THE GOVERNMENT

The City of Pearland, incorporated in 1959, is located across the northern end of Brazoria County and shares a common border with Houston, Texas to the north. The City also extends into Fort Bend and Harris Counties. The City of Pearland, encompassing approximately 48 square miles, is the fastest growing city in Brazoria County, increasing from approximately 18,000 residents in 1990 to 112,300 residents estimated as of September 2015.

The City of Pearland is a home-rule City operating under a Council-Manager form of government.

Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five other members. The Mayor and all Council members are elected at large. The Mayor is allowed to vote only in case of a tie vote. The Mayor and each Council member hold office for a period of three years and until his/her successor is elected and qualified. Council members are limited to two full consecutive terms of office and there is no limitation on the office of Mayor. The City Manager is appointed by Council and is responsible for implementation of Council policy, execution of the laws, and all day-to-day operations of the City.

A full range of municipal services is provided by the City of Pearland including public safety (police, fire, and emergency medical services); solid waste; water and wastewater utilities; public improvements; repair and maintenance of infrastructure; recreational and community activities; convention and visitor services; and general administrative services. In addition, the City provides planning for future land use, traffic control, building codes, and health inspections, and plans for new infrastructure and rehabilitation of infrastructure to meet the needs of the citizens today, as well as tomorrow. The City is authorized to issue debt, subject to certain limitations, for the purpose of financing its capital projects and the City is empowered to levy a property tax on real property within its boundaries.

Activities of the general, debt service, water and sewer, solid waste, capital project funds, and special revenue funds such as hotel/motel tax are included in the City's annual appropriated budget. Capital project funds are budgeted for project length. The legal level of control for each budget is at the fund level, which is to say that total expenditures for each fund should not exceed total budgeted expenditures for that fund. The City Manager is authorized to transfer budgeted amounts within and among departments. The City Council must approve any budget amendment that increases appropriations by fund. The City amends the budget at the end of each fiscal year to reflect current year projections for revenues and expenditures/expenses.

As an independent political subdivision of the State of Texas, the City is considered a primary government. Pursuant to standards established by the Governmental Accounting Standards Board (GASB), the City also reports for all funds for which the City, as the primary government, is financially accountable. As such, this report includes financial activities of three component units as follows: The Pearland Economic Development Corporation was created by the City in 1995 under the Texas Development Corporation Act of 1979 to promote, assist, and enhance economic and related development activities on behalf of the City. The Tax Increment Reinvestment Zone (TIRZ #2) was created in 1998 for the purposes of development and redevelopment in the Zone Area, better known as Shadow Creek Ranch. The City participates in the Zone by contributing a portion of tax increments produced in the Zone to the Tax Increment Fund. The Development Authority of Pearland was created in 2004 to provide financing for the development of TRIZ #2. All these component units are considered blended component units and have been included as in the Governmental Fund Financial Statements.

ECONOMIC CONDITIONS

Local Economy

Located 25 minutes away from downtown Houston, Texas, the nation's second largest seaport, the world-renowned Texas Medical Center, and NASA-Johnson Space Center, Pearland is a premier location for residential and commercial growth. With abundant land, business facilities, a sound infrastructure, and a diverse workforce supported by educational programs, Pearland's growth has been consistent and will continue to be sustained over time with continued residential and commercial development.

The total of all new construction permitted during the 2015 calendar year was over \$430 million, an 11% increase in value from 2014. New single-family housing permits totaled 1,394 with a construction value of \$312 million. Multi-family permits totaled 284 with a value of \$19 million. Pearland's economy continues to grow. During the final quarter of 2015 building permit revenues are up for December 2015 over December 2014, from \$399,261 to \$456,464, a 14.3% increase. Revenues associated with development, including electrical, plumbing & gas, and mechanical permits combined, increased by \$66,483, from \$177,066 through December 2014 to \$243,549 December 2015, a 37.6% increase. The building plan check fee revenues increased by \$162,135, from \$234,748 to \$396,883, a 69.1% increase. The value of commercial building permits through December 2015 is \$19.8M compared to \$12.0M through last December. The number of single family permits, however dropped from 316 through last December to 253 this December. The average value for single family permits is \$219,153 compared to \$226,028 last year for this same period, a 3.0% decrease.

Sales of homes throughout the greater Houston area remained strong in 2015, but less than 2014 because of plunging oil prices and the resulting layoffs. The Houston Association of Realtors reported 73,724 single family home sales for 2015, down 2.4% from the 75,535 sales in 2014. The average price of a single family home rose 3.7% from \$270,182 in 2014 to \$280,290 in 2015. Indications are that the Houston area will continue to have a healthy market with a balanced supply of housing inventory and strong pricing – conditions that put Houston metro in an enviable position compared to other markets around the country.

Houston is the world's energy capital, however the oil and gas industry has contracted because of the continued decrease in the price of oil, resulting in a significant reduction in oil and gas exploration. Over the course of the year, drilling permits fell 41.6 percent, the North American rig count fell 61.4 percent, and the price of crude fell 29.6 percent. These declines are on top of the declines the industry already suffered in 2014. The impact outside the oil and gas industry in the Houston area has been mixed so far in 2016. Office leasing is down, but retail construction is up. Houston sales tax collections have slipped, but vehicle sales set a new record. Home closings have fallen, while airport and port traffic continues to grow. Employers continue to add jobs, just enough to offset losses in oil and gas. With the decrease in exploration, Houston will look to other sectors for growth.

Pearland's unemployment rate was 3.3% in September 2015, down from 4.3% in September 2014. This is compared to the national unemployment rate of 5.1% and the State of Texas unemployment rate of 4.7% as of September 2015. Pearland's unemployment is less than the national and state rates with a growing economy. Houston added 23,200 jobs in 2015 and the Greater Houston Partnership is forecasting 21,900 new jobs for 2016. Although this is much lower than the past couple of years, the Houston economy is still strong. The Houston area, and the State of Texas, is built on businesses, on jobs, and on economic opportunities. Pearland is poised to take advantage of those opportunities.

Energy, healthcare and life sciences, and manufacturing have been key areas of interest for Pearland for over ten years. Combined with a mix of reinforcing land uses, urban planning, key entertainment and cultural attractions, public spaces, and walkability and connectivity will provide for livable sustainable developments.

As noted later in the Economic Development section, PEDC and the City announced projects in all three key areas in 2015, including Lonza Houston, FloWorks and Mitsubishi Industries Compressor Corp.

In November 2015, Costco opened 150,000-square-foot store on Business Center Drive, just south of Pearland Town Center. The new store employs approximately 150 individuals.

In late 2014, Hospital Corporation of America (HCA) completed construction on its Pearland Medical Center, the community's first acute-care hospital. The 144,000 square-foot, 32-bed hospital contains surgical suites, medical/surgical beds, intensive care beds and a 24-hour emergency department. The hospital, which opened to the public in February 2015, is located on a 48-acre site that also is home to a full-service freestanding emergency department, imaging center and three-story, 80,000 square-foot medical office building.

Memorial Hermann is expected to open a new 64-bed acute care hospital in March 2016. Memorial Hermann Pearland sits on a 40 acre comprehensive medical campus that also includes a Convenient Care Center, a 100,000 square-foot physicians' office building and a Memorial Hermann Life Flight® helipad. The hospital will offer many of the high quality services already offered by Memorial Hermann at their other campuses, including cardiac catheterization labs, comprehensive radiology and laboratory services, women's and children's services and sports medicine and rehabilitation. Memorial Hermann Pearland is expected to add approximately 350 jobs to the local economy.

Sales tax for fiscal year 2015 totaled \$28.2 million, an increase of \$2.6 million or 10.0% over fiscal year

2014. Of the \$28.2 million, \$18.8 million went to the City's General Fund for operations and \$9.4 million went to the City's Economic Development Corporation for specific economic development programs and activities. The City's General Fund is 29% funded by sales tax, an elastic revenue stream that will fluctuate with the economy. As such, the City closely monitors sales tax and the economy.

Pearland is a regional shopping destination and the economy has turned around since the recession of 2010 and 2011. The City saw a resurgence of spending in 2012, which continued through 2015. As such, the City projected an 8.8% growth in sales tax for fiscal year 2016. Retail sales nationally is expected to be decent in 2016, but at a slower pace than last year because of a mixed economy.

Long-Term Financial Planning

The City adopts a one-year operating budget, including a five-year capital improvement program (CIP). Even though a one-year budget is adopted, the budget implements strategies, both financial and operational, to meet existing challenges and to plan for the future.

The City's Five-Year CIP for fiscal year 2016 through fiscal year 2020 totals \$481 million and continues to implement the \$162 million bond program approved by the voters in May 2007. Projects include drainage (\$14M), streets (\$152M), facilities (\$25M), parks (\$28M), water and wastewater (\$262M). Projects in the CIP have identified funding sources or potential funding sources. Funding for these projects comes from the issuance of debt through Certificates of Obligation, General Obligation Bonds, and Revenue Bonds, as well as impact fees, cash, and contributions from the State, County, and other sources.

In order to fund obligations and implement the fiscal year CIP, the Debt Service tax rate will need to increase by \$0.0172 from the fiscal year 2016 tax rate of \$0.4828 to \$0.5000 in fiscal year 2018. From fiscal year 2016 to fiscal year 2018, total revenues are anticipated to increase 7.4% to 10.1% per year.

The City completes a Water/Sewer Cost of Service Rate Study annually for the forecast. The study is built around the Five-Year CIP, operating budget, and future needs. Due to funds on hand for pay-as-you go capital improvements, no rate increase was taken for fiscal year 2011, 2012 or 2013, however, the model produced a rate increase for 2015, and anticipates another for 2017 and 2018. The City's utility system continues to be self-supporting and financially sound.

Relevant Financial Policies/Guidelines

Financial Policies guide the development and implementation of the budget and are a framework for fiscal decision making and that ensure financial resources are available to meet the current and future needs of the City. The policy statements address areas of reporting and auditing, budgeting, revenues, capital improvements, debt, and grants to name a few. Some of the most relevant policies are:

- Recurring revenues fund recurring expenditures/expenses.
- Non-recurring funds fund non-recurring expenditures/expenses.
- General Fund Operating Reserves should be a minimum of two months of operations.
- Water and Wastewater Operating Reserves shall strive to be maintained at 25% of operations.
- Budget revenues on a conservative basis.
- Fund existing services at current service levels.
- Enterprise Funds must be self-supporting.
- Leverage City dollars by seeking outside funding sources.
- Maintain stable property tax rates.

Major Initiatives

The City Council, staff, and community share a vision that combines progress and innovation with prudent controls to shape Pearland's future, as it becomes one of the largest suburbs in the Houston area. Some of the major initiatives are as follows:

Public Safety

Among numerous other reasons, families move to Pearland for a high degree of personal safety and a low crime rate. Pearland was recently rated as one of the safest Cities in the United States ranking number 48 out of the top 50 cities. Pearland was one of two cities in the Houston area in the top 50. Pearland City Council continues to emphasize public safety and the City delivers services in the areas of law enforcement, emergency management, emergency medical services, and fire protection.

The Pearland Police Department has focused attention on the strategic priority of Safe Community. Several new programs were implemented throughout the fiscal year in order to increase efficiency, work with the public to deter crime, build stronger community relationships and catch violators. The Police Department implemented a Lobby Officer Detail, this position has reduced wait times for citizens filing non-emergency reports. The position has also allowed for patrol officers to stay on the streets and permitted a more professional and welcoming service to those visiting the public safety building.

Community policing efforts have included a Teen Citizen Police Academy which hosted over 20 local students. This class is helping bridge the gap between the police and the public we serve. Pearland officers have also attended "Coffee with a Cop" programs sponsored by private local businesses. The police department is also working with other city departments to host CRASE (Citizen Response to Active Shooter Encounters) training. Numerous classes were completed to educate the City of Pearland's employees on actions to take in case of this serious threat.

Technological advances are helping the police department work more efficiently and increase the connection with the public to catch violators. Programs such as Text to 911 and civilian camera registrations are permitting the police to communicate with the public in new forms. In addition, the department implemented an Online Reporting system. This new technology allows victims to be able to report certain property crimes online. This has reduced greatly the time needed by patrol to respond to what are most often citizen calls for service with no viable leads. It has also helped create a convenient way for the public to contact the department, without requiring an officer to go to their homes or places of business.

The City of Pearland Police Department communications division provided dispatch services for the City's Police and Fire departments. Due to the rapid population growth and increased demands for service in the City, it became apparent that the Police communications division workload was unsustainable. By utilizing contracted personnel specifically trained and certified for the Fire and EMS dispatch role, as well as employing a Computer Aided Dispatch system specifically configured for Fire dispatching, this arrangement has contributed to increased safety for emergency responders as well as better deployment and utilization of resources.

Fire Station 2, located at the northeast corner of Harkey Road and Fite Road, is under construction. This station will be approximately 10,726 sq. ft. and house an operation crew, one fire engine, and one ambulance. This facility construction started in October 2014 and will be ready for starting occupancy by February 2016.

Fire Station 1, currently located at the corner of Orange Street and Old Alvin Road, will relocate in 2017 to provide quicker response times. The new station will be located on Old Alvin Road at McHard. At approximately 8,500 sq. ft., the station will house a 24-hour operation crew, one fire engine, and one

ambulance.

Fire Station 3 began construction in June 2014 on a new 10,726 square foot station which is located on the corner of Yost and Broadway adjacent to the existing EMS station. The new Fire Station #3 will accommodate up to 10 full-time fire fighters and became operational in August 2015.

Economic Development

The Pearland Economic Development Corporation (PEDC) is a non-profit Type B Corporation under the Texas Development Corporation Act and is primarily funded by a half-cent sales tax in the City of Pearland. PEDC is committed to enhancing the community's economic vitality through the attraction, retention and expansion of primary employers. PEDC works to ensure Pearland's business climate and built environment strongly support these efforts by focusing on aesthetics, infrastructure, quality of life, image, workforce and quality development and redevelopment of key Pearland districts and corridors.

PEDC works with the City to generally promote the City and to utilize various tools such as tax abatement and the authority granted the City under Chapter 380 of the Local Government Code to encourage new jobs and investment in the community. The following highlights a few of PEDC's Fiscal Year 2015 attraction and retention projects.

Lonza Houston, one of the world's leading and most-trusted suppliers to the pharma & biotech and specialty ingredient markets, announced the construction of a 100,000 square-foot biotech facility on an 11-acre site in Pearland's Lower Kirby District.

FloWorks International, a leading specialty supplier of pipe, valves, fittings and related products, broke ground on a 225,000-square-foot facility, located on a 41-acre site northwest of the Bailey Road and State Highway 35 intersection. Scheduled for completion in 2016, the facility will be home to approximately 80 employees, including executive management, sales, operations, administrative, accounting and warehouse personnel.

In April 2015, Mitsubishi Heavy Industries Compressor International Corporation (MCO-I) celebrated the grand opening of Pearland Works, its new office, manufacturing and service facility in Pearland's Lower Kirby District. It is the first U.S.-based manufacturing and service location for the Japanese-owned company. The 180,000-square-foot facility, located at 14888 Kirby Drive, houses packaging and assembly, vertical and horizontal rotor storage, repair and maintenance services, administrative offices and a training center. In addition, MCO-I also constructed a 49,500-square-foot warehouse facility, which opened in late 2015.

PEDC continued to work with the Highway 288 Management District (PMMD#2), created in 2013, on corridor beautification. The corridor currently is non-landscaped and does not reflect City standards. The goal is to create a vibrant visually appealing corridor that will attract investment in the City. District board members have been appointed and the District has levied a 10-cent tax rate, which is anticipated to generate approximately \$400,000 annually. The Board has also approved a master plan for the District and cleanup efforts have begun in the corridor.

PEDC, along with local partners in government, education, healthcare and business, continue to work on implementation of the Pearland 20/20 community strategic plan. The long-term strategic community and economic development plan that was created in 2012 incorporates nine strategies to ensure a shared vision for the community's future growth and an action plan to achieve it. The plan's steering committee completed a mid-course update to the plan in 2015 to get a big-picture sense of key successes and challenges. The nine strategies are 1. Economic Development Marketing, 2. Mobility, 3. Corridors and Character Districts, 4. Recreation and Culture, 5. Aesthetics, 6. Lower Kirby District, 7. Multi-Use Event Center, 8. Education and Workforce, and 9. Internal Marketing.

One of the City's prime areas for development, the Lower Kirby District, a 1,200 acre mixed-use development located at Hwy 288 and Beltway 8, has infrastructure needs that make it more difficult to develop. The PEDC is working with two area Municipal Management Districts and the City on the development of regional detention, reconstruction of Hooper Road and the installation of underground electricity that will serve developable sites on Kirby Drive.

PEDC continues to promote Pearland and is working with a myriad of companies on future relocations and site visits as well as working with existing businesses on future expansions.

The City's Convention and Visitor's Bureau (CVB), funded by hotel occupancy taxes, also focuses on economic development through tourism and putting heads in beds. In late 2012, the City Council authorized the creation of a city department for the Convention and Visitor's Bureau, service that had been previously contracted out. In fiscal year 2013, an Executive Director and staff was hired. The location of Pearland, as previously mentioned, makes Pearland a perfect hub and spoke for visitors and "A Perfect Pick...to play, stay, meet, and getaway", the tag line for the CVB. The time has come for Pearland to complement and support its development with cultural and lifestyle amenities to include a multi-use events center. This need has been noted in multiple Pearland planning processes as an enhancement to make the city more competitive for employers and residents. Annual hotel occupancy taxes total \$1.5 million dollars and the funds ending balance is \$3.7 million as of September 30, 2015.

Land Use Plan/Annexation

Land use planning seeks to order and regulate the use of land in an efficient and ethical way, thus preventing land use conflicts. Land use planning is the systematic assessment of land, alternatives for land use, and social and economic conditions in order to select and adopt the best land use options. Its purpose is to select and put into practice those land uses that will best meet the needs of the people while safeguarding resources and ensuring sustainability.

PEDC and the City of Pearland, in partnership with Gateway Planning, finalized a market-based master plan and implementation strategy for the area formerly known as the Spectrum District, and currently known as the Lower Kirby Mixed Use District, that leverages the area's unique location (on Beltway 8 and 288) and creates a de facto "master development" context. The area is planned to be a regional employment center with destination mixed use urban living, and concentrated retail/entertainment areas.

The key issues addressed by the plan include drainage, transportation access, linkages, and transit; revision of the existing zoning and development standards; incorporating new development with existing uses; involving the existing municipal management districts; and incorporating public parks and open spaces.

The master plan and associated regulatory recommendation of a form-based code envisions a market-based approach and identifies different "character zones" of development, each implementing a unique neighborhood within the Lower Kirby Mixed Use District. This form-based code is combined with the overall infrastructure strategy that identifies the major regional drainage and roadway improvements needed to bring the plan together. This master plan and implementation strategy for Lower Kirby ensure that the vision for the mixed use regional destination is feasible, but flexible to address changing market conditions. In order to implement this vibrant vision for the Lower Kirby Mixed Use District, PEDC is working with the City of Pearland and the two area Municipal Management District Boards to create a coordinated action plan that identifies the responsibilities and roles of each of the entities.

In January 2013, City Council voted to incorporate the Grand Avenue Master Plan into the City's Comprehensive Plan. The plan is designed to facilitate future development of Grand Avenue as a focal point for the Old Town Site while also responding to existing growth patterns in the city. A primary

initiative for this plan is to reinvent the Old Town Site as a modern village with a compatible mix of residential and non-residential uses. The Plan recommends adopting form based codes that would be used to ensure buildings and streets are coordinated in a manner that is attractive to pedestrians and encourages outdoor activities. Using form based codes allows for more flexibility and a mix of uses as compared to traditional zoning used throughout the City.

Capital Improvement Projects and Planning

With continued residential and commercial growth, and to plan for the future, the need to build new infrastructure and maintain existing infrastructure is a priority and will be implemented through an aggressive capital improvement program. The City's Five-Year CIP 2016–2020 totals \$481 million. Projects include drainage (\$14M), streets (\$152M), facilities (\$25M), parks (\$28M), water and wastewater (\$262M).

Major thoroughfare projects include the widening of Bailey Road between FM1128 and Veterans, reconstruction of one mile of Old Alvin Road from Plum Street to McHard Road, McHard Road extension from Mykawa Road to Cullen Boulevard, expansion of Smith Ranch Road from two lanes asphalt to four lanes concrete, curb and gutter from Hughes Ranch to north of Broadway, the widening of Max Road between Broadway and Hughes Ranch Road, and the extension of Fite between McLean and Veterans. Major drainage projects include expansion of the D.L. Smith detention pond by approximately 150 acre-feet and future storm water regional detention at FM518 and Cullen.

Major park projects include a field sports complex, improvements to Independence and Centennial Parks, Phase I development of the Shadow Creek Ranch Park, and a 7,000 square foot Nature Center.

Facility projects include a 7,900 square feet expansion and renovation to the Tom Reid Library, reconstruction of Fire Station #2, relocation of Fire Station #1, and City Hall and Orange Street Service Center facility improvements.

Water projects include the preliminary design of a 10 million gallon per day (MGD) surface water plant, which is phase I of an ultimate capacity of 20 MGD. Associated with the water plant construction are multiple water transmission and distribution lines.

Major wastewater plant projects include expansion 4.0 MGD expansion of the Reflection Bay plant, an approximate 2.0 MGD of the Barry Rose plant, and an approximate 2.0 MGD of the JHEC plant. In addition, the program includes an extension of the trunk sewer on McHard, and various lift station projects.

Transportation Improvements and Strategic Planning

Charged with planning, establishing, and maintaining an effective transportation system, the City of Pearland is involved in numerous activities to face this challenge. The \$84 million transportation bond program (passed in 2007) will construct major projects mentioned previously.

The City is also involved in regional efforts for long-range transportation planning and funding. The Mayor is the Secretary for H-GAC's Transportation Policy Council (TPC), with the Deputy City Manager serving as an alternate. The Assistant City Manager is the 2nd Vice-Chair of the Technical Advisory Committee (TAC), a sub-committee of the TPC, a member of the Transportation Improvement Program (TIP) Subcommittee, and Chair of the Regional Transportation Plan (RTP) Subcommittee.

The City submitted several proposed roadway projects from its Capital Improvement Program for possible funding in the region's Transportation Improvement Program (TIP) for 2015- 2018 and five of the City's projects were selected for funding. The projects are Mykawa Road (FM518 to Beltway),

Hughes Ranch Road (Smith Ranch to Cullen Parkway), SH288 Northbound Frontage Road (CR59 to FM518), Clear Creek Trail (Hughes Road to University of Houston Clear Lake, Pearland Campus) and Safe Routes to School (including Carlestone Elementary, Cockrell Elementary and Jr High South) These projects will also receive State and federal funding in the amount of 80% totaling \$60,367,000 with the City providing 20% matching funds. These project are scheduled for completion between 2018 and 2022. These projects are in addition to the five projects selected in 2013 totaling \$63,251,113 and the four projects that received funding in 2011 totaling \$20,180,901

With the growth in population along the Highway 288 corridor and the number of Pearland residents that rely on Hwy 288 to commute to Houston and the Texas Medical Center, the City along with Brazoria County have been meeting and working with the Texas Department of Transportation to provide traffic relief on the corridor through managed toll lanes. Harris County is preparing to begin construction this year on four new toll lanes on Texas 288 north of the Brazoria-Harris County line to the Texas Medical Center. Brazoria County will follow with managed toll lanes from the county line south to County Road 58. In addition, the County has secured TIP funds to reconstruct the SH288 overpass at FM518, FM518 under SH288 and the associated frontage road approaches to the intersection, which addresses the main congestion issues at our busiest intersection. The TIP funds will provide 80% of the funds and the Texas Department of Transportation (TxDOT) is providing the 20% matching funds. This project will be constructed in conjunction with the toll lane project.

The Gulf Coast Center operates a transportation program known as Connect Transit. Connect Transit provides “curb cab” service to Pearland. Services are shared ride services with pick-up and delivery from curb to curb by reservation. The City funds approximately \$20,000 for this service annually to its citizens meeting the eligibility requirements; seniors, person with disabilities, or low-income. This is a way to provide those needing transportation to grocery stores, doctor visits, etc.

Fiscal Responsibility and Sustainability

Fiscal sustainability can be defined as “the extent to which patterns of Government spending do not undermine the capability of the Government to continue to spend to achieve its public purposes.” City Council takes a proactive stance in ensuring the fiscal health and sustainability of the City. Council adopted a set of Financial Management Policy Statements and receives quarterly Finance “Snapshot” presentations, which includes economic indicators. The City also prepares a Five-Year Forecast for the City’s major funds to see how the spending decisions made today affect the future as well as to identify any issues/concerns that are forthcoming and to put strategies in place today to address those issues/concerns for the future.

Since fiscal year 2013 we have seen a turnaround in the economy and growth. The improving Houston area economy and the City’s increasing population played major roles in the development of the fiscal year 2016 budget. The strong local economy will most likely result in continued growth in revenues in the current fiscal year, 2016, most noticeably in sales tax and property tax. Through the first quarter, sales tax revenue for fiscal year 2016 is up 8.3% over the prior year. The fiscal year 2016 Adopted Budget includes an increase of 8.8% over fiscal year 2015. Property Tax revenue is also projected to maintain the strong levels that have developed during fiscal year 2015. The Adopted Budget for fiscal year 2016 projects an increase of 7.4% over last year’s budget mainly due to increased valuations and new property added to the roll. The Adopted Budget includes a .007 cent decrease in the property tax rate from \$0.7121 to \$0.7053 per \$100 valuation. Of the total adopted tax rate of 70.53 cents per hundred dollars valuation, the operating tax rate increased to 22.25 cents per hundred dollars and the debt service tax rate decreased from \$0.4900 to \$0.4828.

While about half-way into the 2016 fiscal year, the City is already beginning to prepare for the 2017 budget process and up-coming forecast with the same goal of being fiscally responsible to our citizens.

AWARDS AND ACKNOWLEDGEMENTS

The Texas State Comptroller awarded the City of Pearland a Platinum Leadership Circle Award, which spotlights entities that go above and beyond providing financial transparency online through clear, consistent pictures of spending and sharing information in a user-friendly format that lets viewers easily drill down for more information.

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City of Pearland, Texas, for its Comprehensive Annual Financial Report for the year ended September 30, 2014. This was the 38th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. City staff believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report was accomplished with the dedicated service of the Accounting staff of the Finance Department. We express our sincere appreciation to these individuals who have continually demonstrated the core beliefs of the City and who assisted and contributed to the preparation of this report. We also thank the Mayor and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible manner.

Respectfully submitted,



Clay J. Pearson, City Manager



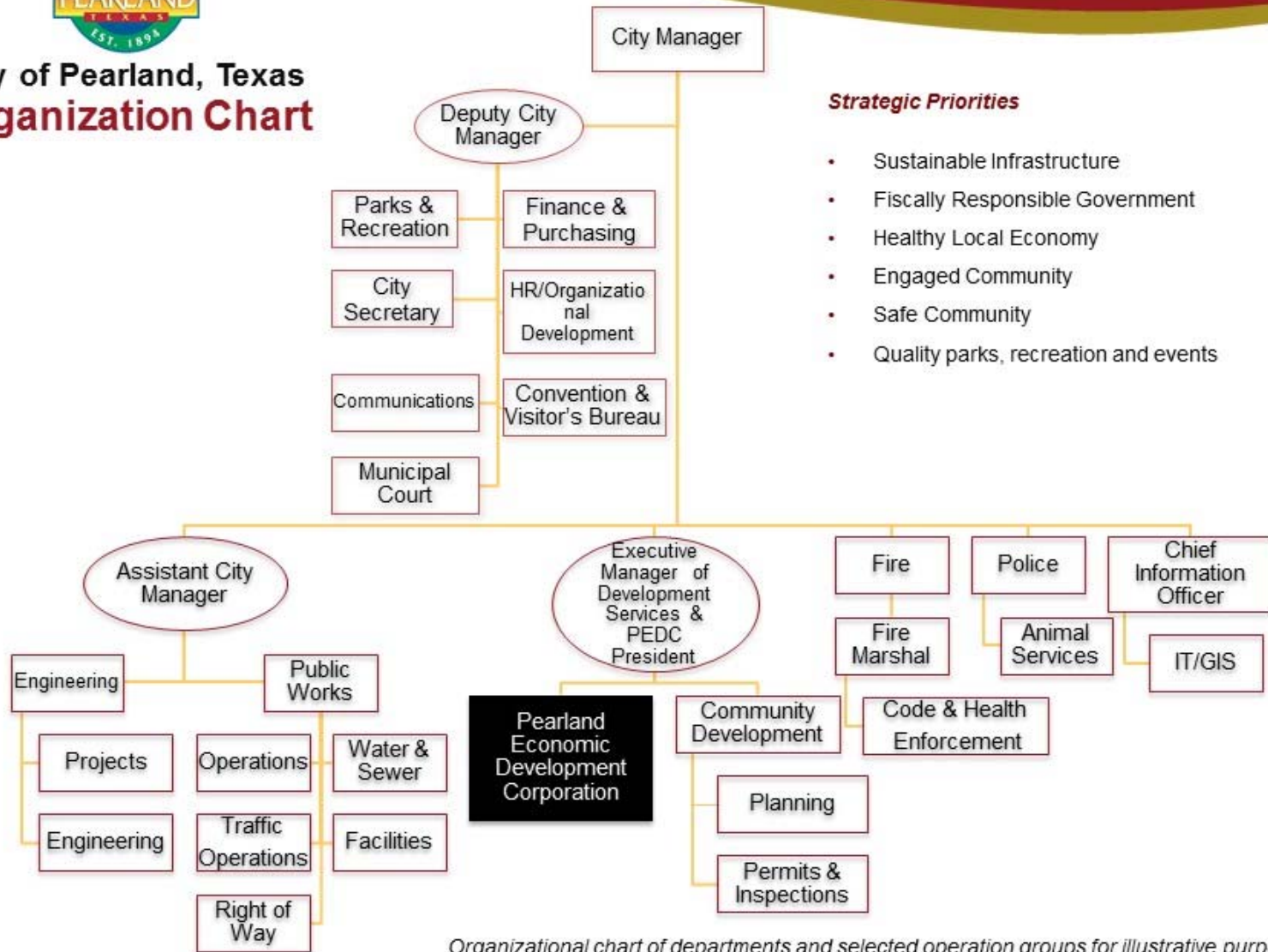
Jon Branson, Deputy City Manager

CITY OF PEARLAND, TEXAS
PRINCIPAL OFFICIALS

Elected Officials	Position	Term Expires May
Tom Reid	Mayor	2017
Tony Carbone	Council Member at Large - Position One, Mayor Pro Tem	2016
Derrick Reed	Council Member at Large - Position Two	2018
Gary Moore	Council Member at Large - Position Three	2017
Keith Ordeneaux	Council Member at Large - Position Four	2018
Greg Hill	Council Member at Large - Position Five	2016
Appointed Officials	Position	
Clay Pearson	City Manager	
Darrin Coker	City Attorney	
Letitia Farnie	Municipal Court Judge	
City Management	Position	
Jon Branson	Deputy City Manager and Interim Director of Finance	
Trent Epperson	Assistant City Manager	
Matt Buchanan	Executive Manager of Development Services and PEDC President	
Young Lorfing	City Secretary	
Eric Wilson	Director of Public Works	
Michelle Graham	Director of Human Resources	
Daniel McGhinnis	Director of Information Officer	
Chris Doyle	Police Chief	
Chris Orlea	Director of Parks and Recreation	
Vance Riley	Fire Chief	
Andrew Fearn	Head Librarian	
Lata Krishnarao	Director of Community Development	
Kim Sinistore	Executive Director, CVB	
Sparkle Anderson	Communications Manager	
Jennifer Huhn	Municipal Court Administrator	
Susan Polka	City Engineer	



City of Pearland, Texas Organization Chart



Strategic Priorities

- Sustainable Infrastructure
- Fiscally Responsible Government
- Healthy Local Economy
- Engaged Community
- Safe Community
- Quality parks, recreation and events

Organizational chart of departments and selected operation groups for illustrative purposes.



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Pearland
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2014

Executive Director/CEO

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Financial Section

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REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and Members of
the City Council
City of Pearland, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pearland, Texas (the “City”) as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City’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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2015, 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.

To the Honorable Mayor and Members of
the City Council

Emphasis of Matter

As discussed in Note 1 and Note 16 to the financial statements, the City adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-An Amendment of GASB Statement No. 68* for the year ending September 30, 2015. Our opinions are not modified with respect to this matter.

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 7 through 17, budgetary comparison information on pages 74 through 75, and pension system supplementary information and other post-employment benefit supplementary information on page 76 through 78 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 City's basic financial statements. The introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

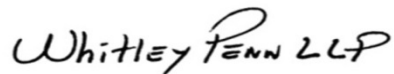
The combining and individual fund statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing 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 fund statements and schedules, other supplementary information, and budgetary comparison schedules 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.

To the Honorable Mayor and Members of
the City Council

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 14, 2016, on our consideration of the City'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 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 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, slightly slanted style.

Houston, Texas
March 14, 2016

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Management's Discussion and Analysis

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CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pearland (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2015.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the primary government of the City exceeded its liabilities as of September 30, 2015, by \$694.6 million (net position). Of this amount, \$648.3 million is invested in capital assets, net of related capital debt and \$61.5 million restricted for capital improvements, debt service, community development projects, public safety, and economic development.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$79.3 million, an increase of \$7.9 million in comparison with the prior year. Increases are seen in the General Fund of \$1.9 million and \$4.9 million in Capital Projects Fund. Approximately \$57.8 million of the \$79.3 million is considered restricted and primarily consists of \$24.1 million for economic development and \$22.5 million attributable to unspent bond proceeds for capital projects.
- As of September 30, 2015, the unassigned fund balance for the General Fund was \$19.7 million or 31% of total General Fund expenditures. The total fund balance for the General Fund is \$21.4 million or 34% of General Fund expenditures.
- The City's long-term liabilities increased by \$26.6 million due to the issuance of new debt and the recognition of a \$16.6 million net pension liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of 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 City's finances, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the City's assets, deferred outflows of resources, and liabilities, with the difference between the three 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 City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community services and parks and recreation. The business-type activities of the City include water, sewer, and solid waste.

The government-wide financial statements can be found on pages 21 through 23 of this report. The government-wide financial statements include not only the City, itself (known as the primary government), but also a legally separate Economic Development Corporation, Tax Increment Reinvestment Zone (TIRZ #2) and the Development Authority of Pearland for which the City is financially accountable. Financial information for these blended component units is reported together with the financial information presented for the primary government, itself.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories - governmental funds and proprietary 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, governmental fund financial statement focus on current sources and uses 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 governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 24 of this report, 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, Debt Service, Capital Projects, Tax Increment Reinvestment Zone #2, and Development Authority of Pearland, which are considered to be major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

Proprietary Funds - The City maintains two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its Water and Sewer Fund and Solid Waste Fund. Additionally, the City maintains an Internal Service Fund to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost reimbursement basis. The Internal Service Fund is included in governmental activities for government-wide reporting purposes.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements, which begin on page 31 of this report, provide separate information for the Water and Sewer and Solid Waste Enterprise Funds since it is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 31 through 34 of this report.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 35 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information as well as combining and individual fund statements and schedules that further support the information in the financial statements. This information is presented immediately following the notes to the financial statements beginning on page 74 of this report.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

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 City, assets and deferred outflows of resources exceeded liabilities by \$694.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (93%) reflects its investment in capital assets (e.g., land, infrastructure, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City'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.

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2015 and 2014

Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Assets						
Current and other assets	\$ 109,894	\$ 99,425	\$ 44,298	\$ 39,996	\$ 154,192	\$ 139,421
Capital assets	<u>784,493</u>	<u>759,236</u>	<u>300,625</u>	<u>288,672</u>	<u>1,085,118</u>	<u>1,047,908</u>
Total Assets	<u>894,387</u>	<u>858,661</u>	<u>344,923</u>	<u>328,668</u>	<u>1,239,311</u>	<u>1,187,329</u>
Total Deferred Outflows of Resources	<u>16,962</u>	<u>11,517</u>	<u>972</u>	<u>509</u>	<u>17,935</u>	<u>12,026</u>
Liabilities						
Other liabilities	14,264	11,846	10,245	7,735	24,509	19,581
Long-term liabilities outstanding	<u>415,696</u>	<u>395,230</u>	<u>122,479</u>	<u>116,392</u>	<u>538,175</u>	<u>511,622</u>
Total Liabilities	<u>429,961</u>	<u>407,076</u>	<u>132,723</u>	<u>124,127</u>	<u>562,685</u>	<u>531,203</u>
Net position						
Net investment in capital assets	461,484	430,286	186,819	174,955	648,303	605,241
Restricted	47,927	45,826	13,538	14,483	61,465	60,309
Unrestricted	<u>(28,022)</u>	<u>(13,010)</u>	<u>12,815</u>	<u>15,612</u>	<u>(15,207)</u>	<u>2,602</u>
Total Net Position	<u>\$ 481,389</u>	<u>\$ 463,102</u>	<u>\$ 213,172</u>	<u>\$ 205,050</u>	<u>\$ 694,561</u>	<u>\$ 668,152</u>

Due to the implementation of GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, Pearland Economic Development Corporation, Pearland TIRZ #2 and the Development Authority of Pearland have been presented as blended component units and therefore are included in the Governmental Activities column. This implementation occurred in fiscal year 2013.

As a result of the GASBS No. 61 implementation, unrestricted net position for governmental activities is negative \$28.0 million for fiscal year 2015. Governmental Accounting Standards require that the Development Authority of Pearland outstanding debt be deducted from the unrestricted component of the government's net position as the Development Authority has acquired no capital assets, therefore the debt is considered non-capital related.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
For the Years Ended September 30, 2015 and 2014
Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program revenues:						
Charges for services	\$ 23,464	\$ 19,848	\$ 36,837	\$ 35,937	\$ 60,301	\$ 55,785
Operating grants and contributions	7,432	9,297	2,512		9,944	9,297
Capital grants and contributions	36,440	29,269	13,177	17,677	49,617	46,946
Property taxes	62,974	57,378			62,974	57,378
Sales and use taxes	29,970	27,295			29,970	27,295
Franchise taxes	6,971	6,484			6,971	6,484
Investment earnings	491	254	325	139	816	393
Other	4,149	2,399	219	275	4,368	2,674
Total Revenues	<u>171,891</u>	<u>152,224</u>	<u>53,070</u>	<u>54,028</u>	<u>224,961</u>	<u>206,252</u>
Expenses						
General Government	17,189	12,240			17,189	12,240
Public Safety	33,179	32,130			33,179	32,130
Public Works	45,894	38,579			45,894	38,579
Community Services	3,641	4,687			3,641	4,687
Parks and Recreation	3,731	6,896			3,731	6,896
Economic Development	26,159	26,498			26,159	26,498
Interest on long-term debt	15,569	16,225			15,569	16,225
Water and Sewer			34,266	32,444	34,266	32,444
Solid Waste			6,417	6,664	6,417	6,664
Total Expenses	<u>145,362</u>	<u>137,255</u>	<u>40,683</u>	<u>39,108</u>	<u>186,045</u>	<u>176,363</u>
Increase (decrease) in net position before special item and transfers	26,529	14,969	12,387	14,920	38,916	29,889
Special item - loss on disposal of asset		(3,039)				(3,039)
Transfers	2,828	2,031	(2,828)	(2,031)		
Increase in net position	29,357	13,961	9,559	12,889	38,916	26,850
Net position - beginning	463,102	449,141	205,050	192,161	668,152	641,302
Prior period adjustment	<u>(11,070)</u>		<u>(1,437)</u>		<u>(12,507)</u>	
Net position - ending	<u>\$ 481,389</u>	<u>\$ 463,102</u>	<u>\$ 213,172</u>	<u>\$ 205,050</u>	<u>\$ 694,561</u>	<u>\$ 668,152</u>

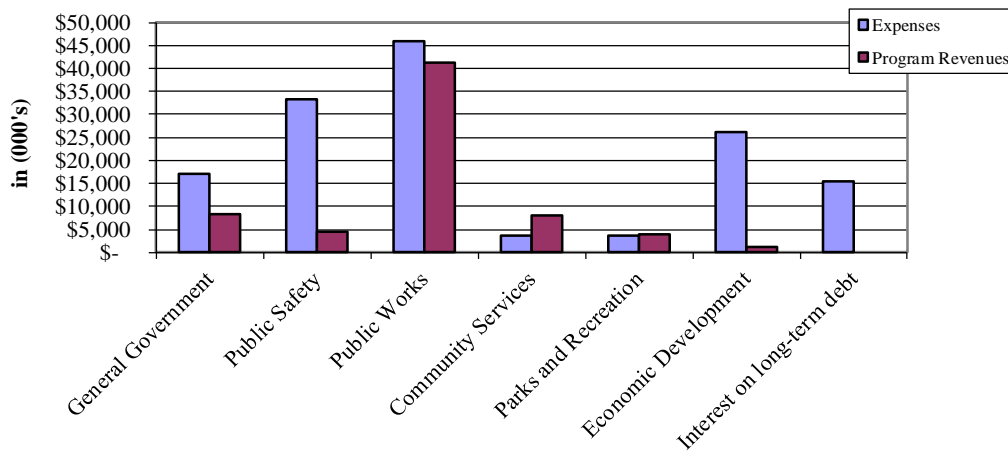
The increase in Total Net Position from the prior year is \$26.4 million (after applying a prior period adjustment of \$12.5 million related to the implementation of new accounting standards), which is primarily attributable to capital contributions from developers.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

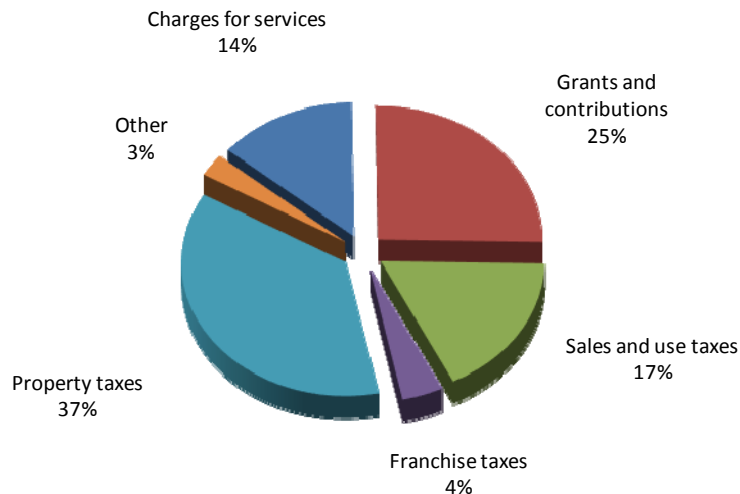
Governmental activities - Governmental activities increased the City's net position by \$29.4 million, thereby accounting for 75% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

- Property taxes, sales and use taxes, and franchise taxes totaled \$63.0 million, \$30.0 million, and \$7.0 million, respectively. These revenues increased by \$8.8 million from prior year primarily as a result of an increase in taxable assessed values and increased consumer spending.
- Capital contributions totaled \$36.4 million as a result of infrastructure contributed by developers.
- The revenues were offset by expenses for general government, public safety, public works, and economic development of \$17.2 million, \$33.2 million, \$45.9 million, and \$26.2 million respectively.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

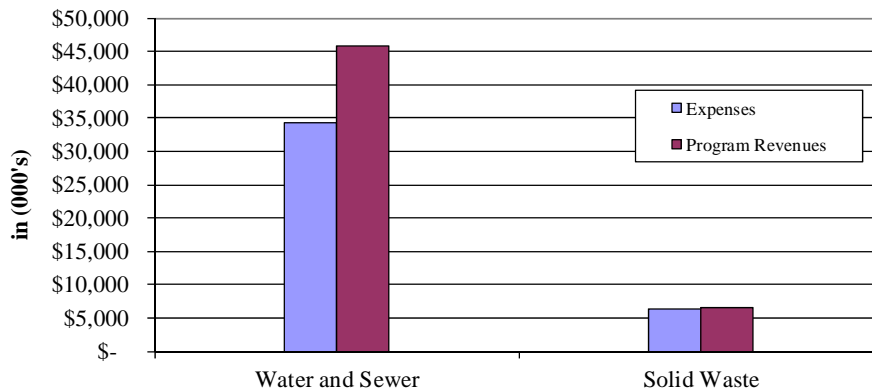


CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

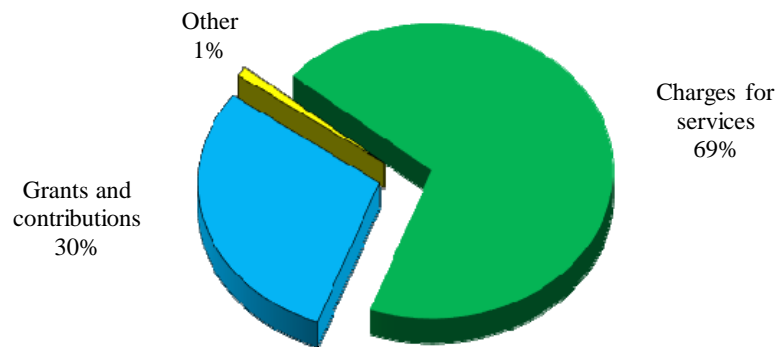
Business-type activities - Business-type activities increased the City's net position by \$9.6 million, thereby accounting for 25% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

- Charges for services of \$36.8 million increased approximately \$0.9 million over the prior year primarily due to rate increases.
- Capital grants and contributions of \$13.2 million decreased \$4.5 million from the prior year mainly due to a decrease in contributions from developers for impact fees.
- The revenues listed above were offset by expenses of \$34.3 million and \$6.4 million, respectively, for Water and Sewer and Solid Waste. Expenses increased from prior year by \$1.6 million.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of \$79.3 million. A portion of the combined fund balance, or \$19.7 million, is unassigned and available for day-to-day operations of the City; \$22.5 million is restricted for capital projects; \$24.1 million for economic development and the remaining balance is restricted for debt service and other programs.

There was an increase in the combined fund balance of \$7.9 million from the prior year. The increase in fund balance includes increases of approximately \$1.9 million in the General Fund and \$4.9 million in the Capital Projects Fund. The General Fund's fund balance totaled \$21.4 million at year end.

The Pearland Economic Development Corporation, TIRZ #2, and Development Authority, the City's component units blended with the primary government, had expenditures totaling \$40.1 million, leaving an ending fund balance of \$18.2 million, \$4.9 million, and \$2.0 million, respectively, all considered restricted.

Proprietary Funds - The City's business-type activities contain two activities (water and sewer, and solid waste). The City's proprietary funds provide the same type of information found in the government-wide financial statements. Total net position in the Internal Service Fund was \$0.8 million at year end, a \$0.2 million decrease from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$2.0 million increase in appropriations between the original and final amended budget. The increase in appropriations is attributable to carryover funding from prior-year encumbrances and projects and to reflect projections during the 2014-2015 budget process.

Budget estimates for revenues and other sources combined increased by approximately \$0.7 million for the year; also to reflect carryovers and revised projections. Actual revenues of \$61.9 million were \$1.7 million over the final budget mainly in licenses and permits and charges for services. Actual expenditures of \$62.7 million were under budget by \$4.9 million, resulting in the year-end fund balance of \$21.4 million over budget by \$5.8 million.

At year-end, equipment purchases and several projects were still in progress and part of the \$5.8 million will be carried over and reappropriated in the 2015-2016 budget year.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2015, the City's governmental activities and business-type activities had invested \$784.5 million and \$300.6 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$25.3 million, or 3.3 percent over the end of last fiscal year for the governmental activities and a net increase of \$12.0 million or 4.1 percent over the end of last fiscal year for business-type activities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Land	\$ 31,150	\$ 31,264	\$ 3,796	\$ 3,796	\$ 34,947	\$ 35,060
Construction in progress	23,548	19,975	8,736	9,509	32,284	29,484
Infrastructure	638,690	617,866	236,699	221,763	875,389	839,629
Buildings and improvements	80,274	79,233	25,693	26,438	105,968	105,671
Machinery and equipment	8,034	8,110	1,206	1,289	9,240	9,399
Furniture and fixtures	2,797	2,789	29	30	2,826	2,819
Contractual water rights			24,466	25,847	24,466	25,847
Total Capital Assets	<u>\$ 784,493</u>	<u>\$ 759,237</u>	<u>\$ 300,625</u>	<u>\$ 288,672</u>	<u>\$1,085,118</u>	<u>\$1,047,909</u>

Construction in progress at year-end represents numerous ongoing projects, the largest of which relate to street, parks, and water/sewer projects. Additional information on the City's capital assets can be found in Note 4 to the financial statements.

Long-Term Debt - At the end of the current fiscal year, the City had total bonds, certificates of obligation, net pension liability, capital leases, and post-employment liabilities outstanding of \$538.2 million. Of this amount, \$257.2 million is composed of general obligation bonds, \$50.0 million is composed of certificates of obligation and \$184.4 million represents revenue bonds secured solely by specified revenue sources.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
General obligation bonds	\$ 245,865	\$ 236,730	\$ 11,305	\$ 12,865	\$ 257,170	\$ 249,595
Certificates of obligation	50,030	56,505			50,030	56,505
Revenue bonds	76,960	80,125	107,440	101,925	184,400	182,050
Unamortized amount for issuance premium/(discount)	16,186	10,123	659	592	16,845	10,715
Net pension liability	14,707		1,909		16,617	-
Capital leases payable	3,629	4,344	82	169	3,711	4,513
Compensated absences	5,804	5,682	627	525	6,431	6,207
Post employment benefit liability	2,516	1,721	456	315	2,972	2,036
	<u>\$ 415,697</u>	<u>\$ 395,230</u>	<u>\$ 122,478</u>	<u>\$ 116,391</u>	<u>\$ 538,175</u>	<u>\$ 511,621</u>

The City's general obligation bonds and certificates of obligation debt for governmental activities increased to \$295.9 million. The increase is due to new debt issued offset by scheduled principal payments. The City's debt for business activities increased to \$118.7 million, a net increase of \$4.0 million from the previous year, which was a result of new debt issued offset by scheduled principal payments.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Current ratings on debt issues are as follows:

	<u>Standard and Poor's</u>	<u>Fitch</u>	<u>Moody's Investor Services</u>
General obligation bonds	AA	AA	Aa2
Revenue bonds	AA-	AA-	Aa3

Both the Pearland Economic Development Corporation (PEDC) and the Development Authority of Pearland (DAP), component units of the City, have issued debt. The PEDC bonds are rated A1 from Moody's. The DAP bonds are rated A- by Standard and Poor's. Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Pearland continues with its forward momentum in FY 2016. The trend lines stoke upwards on sales tax revenue and property valuation. Strategically, we have people in the right places within our City organization. The City, however, is significantly leveraged, which was necessary to give us the opportunity to grow successfully. As of September 30, 2015 the City had \$295.9 million in General Obligation and Certificates of Obligation outstanding being paid back primarily by property taxes. Our financial obligations will continue to be met, and the City will continue to grow, but knowing that the heavy investments both past and future may limit our resources for ongoing operations and innovations. Second is the challenge to maintain strong property values on limited land resources. The property values derived from the City's growth have not been of extremely high value relative to the land that has been developed compared to some other large suburban communities. Despite these valuation concerns, the overall tax base reflects a strong 11.4% increase for FY 2016, compared to 8.5% in FY 2015, 7.1% in FY 2014, and 1.0%, 0.6%, and 2.6% in fiscal years 2011, 2012, and 2013, respectively.

With the strong Houston area economy and the continued growth in population served by the City General Fund revenues and other sources are projected to increase from \$65,341,507 in FY 2015 to \$69,791,421 in FY 2016, an increase of \$4,449,914, or 6.8%, mainly due to an increase in Property Tax, Sales Tax and TIRZ Administration Fees. General Fund current property taxes are expected to increase from a projected \$12,817,498 in FY 2015 to \$13,809,808 in FY 2016, an increase of \$992,310 or 7.7% due to new development, revaluation and an increase in the operating property tax rate of \$0.0004, from \$0.2221 to \$0.2225. Other taxes, primarily composed of sales taxes, are estimated to increase from a projected \$18,929,697 in FY 2015 to \$20,594,329 in FY 2016, an increase of \$1,664,632, or 8.8%. The sales tax increase is the result of the improvement in the local economy, increased consumer confidence, and continued new development. Employment in the Houston MSA grew 2% for the 12 months ending September 2015, adding 48,631 new jobs.

General Fund expenditures are anticipated to increase from a projected \$69,236,374 in FY 2015 to \$73,272,942 in FY 2016, an increase of \$4,036,568 or 5.8%. The increase is mainly due to an increase in the cost of employee medical coverage, employee compensation, as well as new positions added in fiscal year 2016. New positions added in FY 2016 result in a net increase of 24.52 full-time equivalent positions. Of the new positions, 22 are in Public Safety, 1 Human Resources Generalist for six months, 1 Small Business Coordinator for six months, 1 Plans Examiner for nine months, 1 Municipal Court Bailiff going from part-time to full time (.5 FTE), and 1 Parks Recreation Specialist position was eliminated. The FY 2016 budget includes funding for the opening of Fire Station #2 and two new parks, Hickory Slough Sportsplex and Shadow Creek Ranch Park, as well as funding for improvements at Independence Park. Pursuant to the Pearland 20/20 Strategic Plan, community beautification has been enhanced with increased service levels for landscaping/median maintenance, and the contracting of new medians.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The General Fund meets reserve requirements; however, cannot fund current services and anticipated operating expenditures in 2016 mainly due to completion of CIP and projects and phased funding of increasing street maintenance funds for investment in our assets. The fund is structurally imbalanced, whereby recurring expenditures exceed recurring revenues. By 2017, the General Fund is projected to be in balance. The policy reserve requirement of 2 months recurring operating expenditures increases by 10.6% from \$11.2 million in fiscal year 2016 to \$12.4 million by fiscal year 2018. In order to fund services and meet fund balance policy requirements, the O&M tax rate will increase from \$0.2225 in 2016 to \$0.2425 by 2018, a \$0.0200 increase, though limited by truth-in-taxation laws.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of City's finances. If you have questions about this report or need any additional financial information, contact Claire Bogard, Director of Finance, at 3519 Liberty Drive, Pearland, Texas 77581, or call (281) 652-1600. The report and general information can be found on the City's website at www.pearlandtx.gov.

Basic Financial Statements

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CITY OF PEARLAND, TEXAS

STATEMENT OF NET POSITION

September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 46,839,112	\$ 2,971,968	\$ 49,811,080
Investments	30,668,775	10,347,757	41,016,532
Receivables, net of allowance for uncollectibles	23,143,169	4,403,756	27,546,925
Due from other governmental agencies	7,808,339		7,808,339
Inventories	210,352		210,352
Prepaid items	255,891	445,881	701,772
Restricted cash and cash equivalents	968,397	18,925,047	19,893,444
Restricted investments		7,203,851	7,203,851
Capital assets:			
Capital assets not subject to depreciation	54,698,420	12,532,224	67,230,644
Capital assets, net of accumulated depreciation	729,795,016	288,092,552	1,017,887,568
Total Capital Assets	784,493,436	300,624,776	1,085,118,212
Total Assets	894,387,471	344,923,036	1,239,310,507
Deferred Outflows of Resources			
Deferred charge on refunding	13,015,994	459,826	13,475,820
Deferred outflows related to pension activities	3,946,376	512,322	4,458,698
Total Deferred Outflows of Resources	16,962,370	972,148	17,934,518
Liabilities			
Accounts payable and accrued liabilities	9,491,930	6,473,699	15,965,629
Accrued interest	1,189,501	406,589	1,596,090
Unearned revenues	3,453,694		3,453,694
Customer deposits	129,308	3,364,406	3,493,714
Long-term liabilities:			
Due within one year	18,968,405	5,649,518	24,617,923
Due in more than one year	396,727,795	116,828,663	513,556,458
Total Liabilities	429,960,632	132,722,875	562,683,507
Net Position			
Net investment in capital assets	461,484,097	186,818,695	648,302,792
Restricted for:			
Capital improvements	11,187,594	11,014,792	22,202,386
Debt service	5,644,262	2,523,836	8,168,098
Community development programs	4,938,387		4,938,387
Public safety	393,582		393,582
Economic development	25,762,947		25,762,947
Unrestricted	(28,021,660)	12,814,986	(15,206,674)
Total Net Position	\$ 481,389,209	\$ 213,172,309	\$ 694,561,518

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 17,188,599	\$ 7,623,794	\$ 747,873	\$
Public Safety	33,178,755	4,110,380	293,976	
Public Works	45,894,395	338,303	4,588,807	36,440,186
Community Services	3,641,398	7,770,827	215,550	
Parks and Recreation	3,731,293	2,412,069	1,586,263	
Economic Development	26,158,600	1,208,669		
Interest on long-term debt	15,569,309			
Total Governmental Activities	145,362,349	23,464,042	7,432,469	36,440,186
Business-type activities:				
Water and Sewer	34,266,125	30,200,793	2,511,774	13,176,793
Solid Waste	6,417,159	6,637,144		
Total Business-Type Activities	40,683,284	36,837,937	2,511,774	13,176,793
Total Primary Government	\$ 186,045,633	\$ 60,301,979	\$ 9,944,243	\$ 49,616,979

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net position

Net position - beginning

Prior period adjustment

Net position - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (8,816,932)	\$	\$ (8,816,932)
(28,774,399)		(28,774,399)
(4,527,099)		(4,527,099)
4,344,979		4,344,979
267,039		267,039
(24,949,931)		(24,949,931)
(15,569,309)		(15,569,309)
<u>(78,025,652)</u>		<u>(78,025,652)</u>
	11,623,235	11,623,235
	219,985	219,985
	<u>11,843,220</u>	<u>11,843,220</u>
<u>(78,025,652)</u>	<u>11,843,220</u>	<u>(66,182,432)</u>
62,973,916		62,973,916
29,969,711		29,969,711
6,971,005		6,971,005
491,026	324,797	815,823
4,149,345	219,422	4,368,767
<u>2,828,255</u>	<u>(2,828,255)</u>	
<u>107,383,258</u>	<u>(2,284,036)</u>	<u>105,099,222</u>
29,357,606	9,559,184	38,916,790
463,101,636	205,050,244	668,151,880
(11,070,033)	(1,437,119)	(12,507,152)
<u>\$ 481,389,209</u>	<u>\$ 213,172,309</u>	<u>\$ 694,561,518</u>

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2015

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Tax Increment Reinvestment Zone #2</u>
Assets				
Cash and cash equivalents	\$ 10,530,938	\$ 1,698,576	\$ 17,314,441	\$ 4,952,937
Investments	9,466,449	3,225,894	4,483,470	
Receivables, net of allowance for uncollectibles	6,272,108	8,416,110	2,546,390	
Due from other governments	518,592		7,140,395	
Due from other funds	44,456			
Inventories	210,352			
Prepaid items	83,097	166,894		
Restricted cash and cash equivalents				
Total Assets	<u>\$ 27,125,992</u>	<u>\$ 13,507,474</u>	<u>\$ 31,484,696</u>	<u>\$ 4,952,937</u>
Liabilities				
Accounts payable	\$ 3,135,170	\$ 166,894	\$ 1,349,141	\$ 4,191
Accrued expenditures	1,604,808		2,474,981	
Deposits	90,975			
Due to other funds				
Unearned revenue	460,480	1,562,194	1,431,020	
Total Liabilities	<u>5,291,433</u>	<u>1,729,088</u>	<u>5,255,142</u>	<u>4,191</u>
Deferred Inflows of Resources				
Unavailable revenue	480,322	6,744,771	5,709,375	
Total Deferred Inflows of Resources	<u>480,322</u>	<u>6,744,771</u>	<u>5,709,375</u>	
Fund Balances				
Non-spendable				
Inventories	210,352			
Prepaid items	83,097	166,894		
Restricted				
Debt service		4,866,721		
Capital improvements			20,520,179	
Community development programs				
Public safety				
Economic development				4,948,746
Assigned	1,406,453			
Unassigned	19,654,335			
Total Fund Balances	<u>21,354,237</u>	<u>5,033,615</u>	<u>20,520,179</u>	<u>4,948,746</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 27,125,992</u>	<u>\$ 13,507,474</u>	<u>\$ 31,484,696</u>	<u>\$ 4,952,937</u>

See Notes to Financial Statements.

Development Authority of Pearland	Non-major Governmental Funds	Total Governmental Funds
\$ 988,693	\$ 10,194,946	\$ 45,680,531
	13,492,962	30,668,775
	5,847,896	23,082,504
	149,352	7,808,339
		44,456
		210,352
	5,900	255,891
968,397		968,397
<u>\$ 1,957,090</u>	<u>\$ 29,691,056</u>	<u>\$ 108,719,245</u>
\$ 556	\$ 310,681	\$ 4,966,633
	34,697	4,114,486
	38,333	129,308
	44,456	44,456
		3,453,694
<u>556</u>	<u>428,167</u>	<u>12,708,577</u>
	<u>3,781,478</u>	<u>16,715,946</u>
	<u>3,781,478</u>	<u>16,715,946</u>
		210,352
	5,900	255,891
968,397		5,835,118
	1,963,607	22,483,786
	4,938,387	4,938,387
	393,582	393,582
988,137	18,179,935	24,116,818
		1,406,453
		19,654,335
<u>1,956,534</u>	<u>25,481,411</u>	<u>79,294,722</u>
<u>\$ 1,957,090</u>	<u>\$ 29,691,056</u>	<u>\$ 108,719,245</u>

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CITY OF PEARLAND, TEXAS

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION**

September 30, 2015

Total fund balance, governmental funds \$ 79,294,722

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 784,493,436

Deferred outflows represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then.

Deferred charge on refunding 13,015,994
Deferred outflows relating to pension activities 3,946,376

Other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds. 16,715,946

Long-term liabilities, including bonds payable, are not due and payable in the current period, therefore, are not reported in the funds.

Bonds and capital leases payable (392,668,781)
Compensated absences (5,804,207)
Accrued interest governmental activity debt (1,189,501)
Estimated post employment benefit liability (2,515,987)
Net pension liability (14,707,225)

Internal service funds are used by management to charge the cost of property insurance and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 808,436

Net Position of Governmental Activities in the Statement of Net Position \$ 481,389,209

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES

IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Tax Increment Reinvestment Zone #2</u>
Revenues				
Property taxes	\$ 13,261,422	\$ 28,757,970	\$	\$ 20,902,201
Sales and use taxes	19,073,940			
Franchise fees	6,663,788			
Licenses and permits	4,544,396			
Fines and forfeitures	2,968,636			
Charges for services	14,228,228			
Investment earnings	123,308	47,779	75,913	11,699
Intergovernmental	11,229	653,322	1,097,268	
Other	1,034,745	115,393	4,482,428	
Total Revenues	<u>61,909,692</u>	<u>29,574,464</u>	<u>5,655,609</u>	<u>20,913,900</u>
Expenditures				
Current:				
General government	8,828,201			
Public safety	31,999,650			
Public works	9,024,549		924,517	
Community services	3,114,754			
Parks and recreation	5,678,666			
Economic development				7,644,683
Debt Service:				
Principal	174,935	12,389,612		
Interest and other charges	27,022	12,978,019	357,492	
Capital outlay	3,860,304		20,464,495	
Intergovernmental		4,792,379		
Total Expenditures	<u>62,708,081</u>	<u>30,160,010</u>	<u>21,746,504</u>	<u>7,644,683</u>
Excess (deficiency) of revenues over expenditures	<u>(798,389)</u>	<u>(585,546)</u>	<u>(16,090,895)</u>	<u>13,269,217</u>
Other Financing Sources (Uses)				
Revenue bonds issued				
Certificates of obligation issued			9,485,000	
Permanent improvement bonds issued			8,495,000	
Refunding bonds issued		47,165,000		
Payments to refunded bond escrow agent		(54,303,290)		
Premium on debt issued		7,608,103	445,228	
Capital leases	574,049			
Sale of capital assets			3,157,291	
Transfers in	3,456,210	613,411	298,415	
Transfers out	(1,332,134)		(884,669)	(12,666,896)
Total Other Financing Sources (Uses)	<u>2,698,125</u>	<u>1,083,224</u>	<u>20,996,265</u>	<u>(12,666,896)</u>
Net change in fund balances	1,899,736	497,678	4,905,370	602,321
Fund balances - beginning	<u>19,454,501</u>	<u>4,535,937</u>	<u>15,614,809</u>	<u>4,346,425</u>
Fund balances - ending	<u>\$ 21,354,237</u>	<u>\$ 5,033,615</u>	<u>\$ 20,520,179</u>	<u>\$ 4,948,746</u>

See Notes to Financial Statements.

Development Authority of Pearland	Non-major Governmental Funds	Total Governmental Funds
\$	\$	\$
	10,895,771	62,921,593
	307,217	29,969,711
		6,971,005
		4,544,396
	139,598	3,108,234
	433,165	14,661,393
1,906	172,261	432,866
	1,434,955	3,196,774
	1,443,341	7,075,907
<u>1,906</u>	<u>14,826,308</u>	<u>132,881,879</u>
15,043	1,626,685	10,469,929
	229,037	32,228,687
	349,064	10,298,130
	293,481	3,408,235
	144,260	5,822,926
14,730,000	3,250,595	25,625,278
3,800,000	7,425,000	23,789,547
2,159,421	1,073,288	16,595,242
	145,716	24,470,515
		4,792,379
<u>20,704,464</u>	<u>14,537,126</u>	<u>157,500,868</u>
(20,702,558)	289,182	(24,618,989)
8,060,000		8,060,000
		9,485,000
		8,495,000
		47,165,000
		(54,303,290)
		8,053,331
		574,049
		3,157,291
12,666,896	8,041	17,042,973
	(349,731)	(15,233,430)
<u>20,726,896</u>	<u>(341,690)</u>	<u>32,495,924</u>
24,338	(52,508)	7,876,935
1,932,196	25,533,919	71,417,787
<u>\$ 1,956,534</u>	<u>\$ 25,481,411</u>	<u>\$ 79,294,722</u>

CITY OF PEARLAND, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2015

Net change in fund balances - total governmental funds: \$ 7,876,935

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.	
This is the amount by which depreciation of \$32,600,024 exceeded capital outlays of \$22,293,711 in the current period.	(10,306,313)
Governmental funds report only the proceeds from the disposal of capital assets and not the difference between the carrying value and the accumulated depreciation of the asset. This is the amount by which the carrying value exceeded the accumulated depreciation.	(193,906)
Capital assets net of related debt acquired as a result of in City development.	35,757,272
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	288,549
Pension contributions made after the net pension liability date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position	4,071,813
Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments.	3,503,534
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Accrued interest	51,605
Deferred charge on refunding	(1,499,271)
Bond premiums/discounts	(6,062,710)
Compensated absences	(122,150)
Capital lease activity	715,500
Post employment benefit liability	(794,737)
Pension expense for the pension plan measurement year (governmental activities portion)	(3,762,629)
The internal service funds are used by management to charge the costs of property insurance and employee benefits to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.	
with governmental activities.	(165,886)

Change in net position of governmental activities \$ 29,357,606

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Activities -
	Fund	Fund		Internal
				Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,739,096	\$ 1,232,872	\$ 2,971,968	\$ 1,158,582
Investments	10,100,749	247,008	10,347,757	
Accounts receivable, net of allowance for doubtful accounts	3,851,613	552,143	4,403,756	60,666
Prepaid items	445,881		445,881	
Restricted cash and cash equivalents	18,925,047		18,925,047	
Restricted investments	7,203,851		7,203,851	
Total current assets	42,266,237	2,032,023	44,298,260	1,219,248
Non-current assets:				
Capital assets:				
Land and improvements	3,796,382		3,796,382	
Construction in progress	8,735,842		8,735,842	
Contractual rights to water supply	34,511,428		34,511,428	
Infrastructure	339,663,435		339,663,435	
Buildings	31,239,872		31,239,872	
Machinery and equipment	4,223,730		4,223,730	
Less Accumulated depreciation	(121,545,913)		(121,545,913)	
Total non-current assets	300,624,776		300,624,776	
Total Assets	342,891,013	2,032,023	344,923,036	1,219,248
Deferred Outflows of Resources				
Deferred charge on refunding	459,826		459,826	
Deferred outflows relating to pension activities	512,322		512,322	
Total Deferred Outflows of Resources	972,148		972,148	
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	4,734,794	1,738,905	6,473,699	410,811
Accrued interest payable	406,589		406,589	
Customer deposits	3,364,406		3,364,406	
Compensated absences - current portion	122,857		122,857	
Bonds and permanent improvement payable - current portion	5,480,000		5,480,000	
Capital lease - current portion	46,661		46,661	
Total current liabilities	14,155,307	1,738,905	15,894,212	410,811
Non-current liabilities:				
Compensated absences	504,305		504,305	
Capital lease obligation	35,519		35,519	
Other post-employment benefits	455,515		455,515	
Net pension liability	1,909,302		1,909,302	
Bonds and permanent improvement payable	113,924,022		113,924,022	
Total non-current liabilities	116,828,663		116,828,663	
Total Liabilities	130,983,970	1,738,905	132,722,875	410,811
Net Position				
Net investment in capital assets	186,818,695		186,818,695	
Restricted for debt service	2,523,836		2,523,836	
Restricted for capital projects	11,014,792		11,014,792	
Unrestricted	12,521,868	293,118	12,814,986	808,437
Total Net Position	\$ 212,879,191	\$ 293,118	\$ 213,172,309	\$ 808,437

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

PROPRIETARY FUNDS

For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Revenues				
Charges for services	\$ 30,200,793	\$ 6,637,144	\$ 36,837,937	\$ 6,181,517
Total operating revenues	<u>30,200,793</u>	<u>6,637,144</u>	<u>36,837,937</u>	<u>6,181,517</u>
Operating Expenses				
Personnel services	5,770,596		5,770,596	
Supplies and materials	2,205,759		2,205,759	
Contractual services	8,237,296	6,387,945	14,625,241	7,289,070
Repairs and maintenance	1,926,178		1,926,178	
Other expenses	626,866	29,214	656,080	77,666
Depreciation and amortization	10,077,056		10,077,056	
Total Operating Expenses	<u>28,843,751</u>	<u>6,417,159</u>	<u>35,260,910</u>	<u>7,366,736</u>
Operating income (loss)	<u>1,357,042</u>	<u>219,985</u>	<u>1,577,027</u>	<u>(1,185,219)</u>
Non-Operating Revenues (Expenses)				
Earnings on investments	323,416	1,381	324,797	622
Miscellaneous revenue (expense)	219,422		219,422	
Operating grants and contributions	2,511,774		2,511,774	
Interest expense	(5,422,374)		(5,422,374)	
Total Non-Operating Revenues (Expenses)	<u>(2,367,762)</u>	<u>1,381</u>	<u>(2,366,381)</u>	<u>622</u>
Income (loss) before contributions and transfers	(1,010,720)	221,366	(789,354)	(1,184,597)
Capital contributions	13,176,793		13,176,793	
Transfers in	235,491		235,491	1,018,712
Transfers out	(2,723,746)	(340,000)	(3,063,746)	
Change in net position	9,677,818	(118,634)	9,559,184	(165,885)
Total net position - beginning	<u>204,638,492</u>	<u>411,752</u>	<u>205,050,244</u>	<u>974,322</u>
Prior period adjustment	(1,437,119)		(1,437,119)	
Total net position - ending	<u>\$ 212,879,191</u>	<u>\$ 293,118</u>	<u>\$213,172,309</u>	<u>\$ 808,437</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 29,297,857	\$ 6,694,803	\$ 35,992,660	\$
Receipts from interfund charges for insurance activities				6,260,675
Disbursed for personnel services	(5,775,579)		(5,775,579)	
Disbursed for goods and services	(11,556,019)	(5,994,936)	(17,550,955)	(7,259,781)
Net cash provided (used) by operating activities	<u>11,966,259</u>	<u>699,867</u>	<u>12,666,126</u>	<u>(999,106)</u>
Cash Flows from Noncapital Financing Activities				
Transfers in	235,491		235,491	1,018,712
Transfers out	(2,723,746)	(340,000)	(3,063,746)	
Cash received from non-operating revenues	219,422		219,422	
Net cash provided by (used by) noncapital financing activities	<u>(2,268,833)</u>	<u>(340,000)</u>	<u>(2,608,833)</u>	<u>1,018,712</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from the sale of equipment				
Capital grants and contributions	7,457,829		7,457,829	
Operating grants and contributions	2,511,774		2,511,774	
Proceeds from the issuance of debt	9,315,751		9,315,751	
Principal payments on debt	(5,255,000)		(5,255,000)	
Principal payments on leases	(82,180)		(82,180)	
Interest paid	(5,411,204)		(5,411,204)	
Acquisition and construction of capital assets	(16,097,576)		(16,097,576)	
Net cash used by capital and related financing activities	<u>(7,560,606)</u>	<u></u>	<u>(7,560,606)</u>	<u></u>
Cash Flows from Investing Activities				
Sale of investments	868,835	627	869,462	
Interest received	323,416	1,381	324,797	622
Net cash provided by (used by) investing activities	<u>1,192,251</u>	<u>2,008</u>	<u>1,194,259</u>	<u>622</u>
Net increase (decrease) in cash and equivalents	3,329,071	361,875	3,690,946	20,228
Cash and equivalents, beginning	<u>17,335,072</u>	<u>870,997</u>	<u>18,206,069</u>	<u>1,138,353</u>
Cash and equivalents, end	<u>\$ 20,664,143</u>	<u>\$ 1,232,872</u>	<u>\$ 21,897,015</u>	<u>\$ 1,158,581</u>
Unrestricted cash and equivalents	\$ 1,739,096	\$ 1,232,872	\$ 2,971,968	\$ 1,158,582
Restricted cash and equivalents	18,925,047		18,925,047	
	<u>\$ 20,664,143</u>	<u>\$ 1,232,872</u>	<u>\$ 21,897,015</u>	<u>\$ 1,158,582</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2015

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 1,357,042	\$ 219,985	\$ 1,577,027	\$ (1,185,219)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	10,077,056		10,077,056	
(Increase) decrease in accounts receivable	(1,105,845)	57,659	(1,048,186)	79,158
(Increase) decrease in prepaid expenses	(432,935)		(432,935)	
(Increase) decrease in deferred outflows relating to pension activities	(150,823)		(150,823)	
Increase (decrease) in accounts payable	1,873,015	422,223	2,295,238	106,955
Increase (decrease) in salaries payable	35,156		35,156	
Increase (decrease) in customer deposits	202,909		202,909	
Increase (decrease) in net pension liability	110,684		110,684	
Net cash provided by (used by) operating activities	\$ 11,966,259	\$ 699,867	\$ 12,666,126	\$ (999,106)
Summary of non-cash transactions				
Contributed capital assets	\$ 5,718,964	\$	\$ 5,718,964	\$

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

The City of Pearland, Texas (the "City") was incorporated in December 1959 and adopted a "Home Rule Charter" February 6, 1971. The Charter, as amended, provides for a Council-Manager form of government and provides services authorized by its charter. Presently, these services include police, fire and emergency medical, water and sewer services, drainage, sanitation, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services. Fire protection is provided through a combination full-time/volunteer part-time/volunteer department. The City is governed by an elected mayor and five-member Council. In May 2014, the citizens voted to amend the City Charter to increase the size of City Council from five councilmembers to seven councilmembers over a period of three years.

The Mayor and all members are elected at large. The Mayor is allowed to vote only in case of a tie vote. The Mayor and each Council member hold office for a period of three years and until his/her successor is elected and qualified. Council members shall be limited to two full consecutive terms of office and there is no limitation on the office of the Mayor. The City Manager is appointed by Council and is responsible for implementation of Council policy, execution of the laws, and all day-to-day operations of the City.

A. Financial Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by accounting principles generally accepted in the United States of America, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units are component units that are considered so closely related to the legal entity that the blended component unit funds appear as if the funds are integral parts of the primary government. The City's financial statements include the following blended component units: the Pearland Economic Development Corporation (PEDC); the Tax Increment Reinvestment Zone (TIRZ #2); and the Development Authority of Pearland (DAP). No other entities have been included in the City's reporting entity. Additionally, as the City 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 City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City'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 component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The component units do not issue separate financial statements.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended Component Units:

Pearland Economic Development Corporation (PEDC)

In 1995, the citizens of Pearland established the Pearland Economic Development Corporation (PEDC) to help the citizens and public officials of Pearland attract new businesses and to help existing businesses to expand. The mechanism to fund the operations of the corporation is through a sales tax levy at a rate of one-half of one percent (1/2%). The PEDC is fiscally dependent upon the primary government because, besides appointing the Board, the City Council also must approve the PEDC's budget and any debt issuances.

Tax Increment Reinvestment Zone (TIRZ #2)

In 1998, the Tax Increment Reinvestment Zone (TIRZ #2) was established for a period of 30 years or until dissolved by the City. The TIRZ #2 provides tax-assisted property development and/or redevelopment in specific geographic areas in accordance with applicable state laws. Besides appointing Board members, the City Council must also approve any debt issuances done on behalf of the TIRZ. A major land owner within the City sits on the Board of Directors for the TIRZ #2.

Development Authority of Pearland

In 2004, the City created the Development Authority of Pearland to provide financing for the development of the TIRZ #2. Proceeds from bond sales are to be used to reimburse developers and fund a debt service reserve. Besides appointing Board members, the City Council must also approve any debt issuances done on behalf of the Development Authority.

B. 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 information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which 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 or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. 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 or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statements of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total assets. Furniture and equipment capitalized in the Proprietary Fund Types are valued at cost.

The governmental fund financial statements are presented on a *current financial resources measurement focus* and *modified accrual basis of accounting*. This is the manner in which these funds are normally budgeted. Revenues are recognized as soon as they are both measurable and available. Measurable means that the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, sales and use taxes, franchise fees, charges for services and interest on temporary investments. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental column of the government-wide presentation.

In the fund financial statements, the accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Following is a description of the various funds:

Governmental funds are those funds through which most governmental functions are typically financed. The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administrative services, public works, parks and recreation, community development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other governmental long-term debt of the City. The primary source of revenue for debt service is local property taxes. The Debt Service Fund is considered a major fund for reporting purposes.

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated on a pay-as you go basis and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The Tax Increment Reinvestment Zone #2 fund is used to account for the incremental property tax revenues in the specific geographical area and use thereof from the participating taxing entities in the Zone. The Tax Increment Re-investment Zone #2 is considered a major fund for reporting purposes.

The Development Authority of Pearland fund is used to account for the financing of the development of the TIRZ #2. The Development Authority of Pearland is considered a major fund for reporting purposes.

The City's Business type activities consist of the following funds:

The *Enterprise Funds* are used to account for the operations that provide water and sewer utility services as well as solid waste collection services to the public. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges.

Additionally, the city maintains an *Internal Service Fund* used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. Services provided by the Internal Service Fund include property and liability insurance coverage and employee health benefits. The Internal Service Fund is included in governmental activities for government-wide reporting purposes.

All assets, deferred outflows of resources, liabilities, equities, revenues, expenses and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position and cash flows.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Amounts reported as *program revenues* include: (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenue. Likewise, general revenue includes all taxes.

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. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Balance Working Capital Policies

As of these financial statements, the City has adopted GASB Statement No. 54, which redefined how fund balances of the governmental funds are presented in the financial statements. Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of the City Charter, City Code, State or Federal laws, or externally imposed conditions by grantors or creditors.

Committed – Amounts that can be used only for specific purposes determined by ordinances passed by City Council, the City’s highest level of decision making authority. Commitments may be modified or rescinded only through ordinances approved by City Council.

Assigned – Amounts that are intended to be used for a specific purposes, but do not meet the definition of restricted or committed fund balance. Under the City’s policy, amounts can be assigned by the City’s Director of Finance.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

City Council has authorized the Director of Finance as the official authorized to assign fund balance to a specific purpose. The City shall maintain the fund balance and working capital of the various operating funds at the following levels:

General Fund Unassigned Fund Balance

The City shall maintain the General Fund unassigned fund balance equivalent to 2 months of recurring operating expenditures, based on current year expenditures. If the fund balance exceeds this amount, funding non-recurring expenditures in the following fiscal year may be used to draw down the balance.

Water/Sewer Unreserved Working Capital

The City shall maintain a working capital sufficient to provide for reserves for emergencies and revenue shortfalls. A cash equivalent operating reserve will be established and maintained at 25% of the current year’s budget appropriation for recurring operating expenses.

The cash operating reserve is derived by dividing the total cash equivalents balance by recurring operating expenses.

Use of Fund Balance/Working Capital

Fund balance/Working Capital shall only be used for emergencies, non-recurring expenditures/expenses or major capital purchases that cannot be accommodated through current year savings. Should such use reduce balances below the level established as the objective for that fund, restoration recommendations will accompany the request/decision to utilize said balances.

Debt Service Fund Total Fund Balance

The City shall maintain the debt service fund balance at 10% of annual debt service requirements OR a fund balance reserve as required by bond ordinances, whichever is greater.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Balance Working Capital Policies (continued)

Internal Service Fund Unrestricted Net Position

The Internal Service Fund accounts for uninsured and deductible claims for the City's property and liability insurance. Claims cannot be reasonably predicted and budgeted for; therefore the fund will maintain a balance that approximates the prior average annual expense for the last three years, excluding extra-ordinary expenses in the fund.

The Internal Service Fund is funded through City and employee contributions. Estimated costs shall be determined during each budget year and the contributions adjusted accordingly. There is no minimum balance for this fund as it relates to employee benefits.

Economic Development Corporation

As sales tax revenue fluctuates due to changes in economic conditions, the PEDC shall maintain a fund balance of no less than 10% of budgeted sales tax revenues.

Water/Sewer Revenue Debt Coverage Reserves

Revenues shall be maintained at 1.15 times coverage in a fiscal year where the water/sewer fund is not issuing additional debt and 1.4 times coverage in a year where debt is anticipated to be issued.

Bond Issuance Reserves

Debt service reserves should be maintained for each bond issue as required by bond covenants.

Contingency Fund

Pursuant to the City Charter, a provision shall be made within the annual budget for a contingency fund in an amount not more than seven percent of the total budget (General Fund) to be used in case of unforeseen items of expenditure.

E. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the Proprietary Fund Types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in various interest-bearing accounts and securities and disclosed as part of the City's investments.

The City pools excess cash of the various individual funds to purchase these investments. These pooled investments are reported in the combined balance sheet as Investments in each fund based on each fund's share of the pooled investments. Interest income is allocated to each respective individual fund, monthly, based on their respective share of investments in the pooled investments.

F. Investments

Investments consist of United States (U.S.) Government Agency securities and Certificates of Deposit with original maturities greater than three months from the date of acquisition. The City reports all investments at fair value based on quoted market prices at year-end date.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

G. Receivables

All receivables are reported at their gross value, and where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

H. Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which the transactions are executed. These receivables and payables are classified as "due from other funds" or "due to other funds". Interfund receivables and payables which are not expected to be paid within 12 months are classified as loans from/loans to other funds.

I. Inventories and Prepaid Items

Inventory, which consists of fuel and auto parts for use in the City's vehicles, is stated at cost (first-in, first-out method). Expenditures are recognized as the fuel and auto parts are consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

J. Restricted Assets

Certain proceeds of the Water and Sewer Enterprise Fund revenue bonds and certain resources set aside for their repayment are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Certain resources are also set aside for repayment of Pearland Economic Development Corporation Bonds and are reported as restricted assets.

K. Capital Assets

Capital assets which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market 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.

Property, plant, and equipment are depreciated using the straight-line method over the following useful lives:

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-45
Machinery and equipment	3-15
Infrastructure	10-50
Intangible Assets - Water Rights	25

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

L. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick and holiday pay benefits.

Employees hired prior to October 1, 2005, earn vacation leave at the rate of 15 days per year from 1 to 15 years of service, 20 days per year for service of 16 to 19 years, and 25 days per year for service of 20 years or more. Employees, who are not classified and are hired after October 1, 2005, earn vacation at a rate of 10 days per year from 1-6 years of service, 15 days per year for 7-15 years of service and 20 days for 16 and over years of service. Effective October 1, 2005, employees are no longer able to carry over unused vacation from one year to the next with the exception of police department personnel in classified positions. Certified police and firefighter personnel earn 15 days of vacation after 1 year and 20 days of vacation after 16 years. Employees are required to use their vacation in the year it is earned. Employees who are unable to use their vacation due to departmental scheduling or staffing problems may, with the City Manager's approval, receive compensation for half of the remaining balance up to a maximum of forty (40) hours.

City employees receive 12 paid holidays per year. Employees required to work on a City-observed holiday may be paid or may elect to receive compensatory time off for the holiday. Overtime is earned at one and one-half times the regular rate of pay for non-exempt employees. Employees may be paid or receive compensatory time. The maximum accrual for overtime is 120 hours, including employees involved in public safety.

All sick leave benefits are accumulated and paid to employees upon separation from the City not to exceed 720 hours for employees hired prior to July 24, 2006, and 360 hours for employees hired after. Vacation, sick and holiday pay benefits are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

M. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

N. Comparative Data and Reclassifications

Comparative data for the prior year have been presented in certain sections of the accompanying financial statements in order to provide an understanding of changes in the City's financial position and operations. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with current year's presentation.

Note 1 - Summary of Significant Accounting Policies (continued)

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only two items that qualifies for reporting in this category.

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item that qualifies for reporting in this category.

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

P. Pensions

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

R. New Accounting Standards

In the current fiscal year, the City implemented the following new standards:

- GASB Statement 68, Accounting and Financial Reporting for Pensions (“GASB 68”) establishes accounting and financial reporting standards for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts or similar arrangements that meet certain criteria. The Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. Implementation is reflected in the financial statements, notes to the financial statements and required supplementary information.
- GASB Statement 71, Pension Transition for Contributions Made Subsequent to the Measurement Date (“GASB 71”) amends the transition provisions of GASB 68. GASB 71 requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability. Implementation is reflected in the financial statements and the notes to the financial statements.

Note 2 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City.

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest bearing accounts. State law provides that collateral pledged as security for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City’s investment policy. The City’s investment policy is more restrictive than the PFIA requires. It is the City’s policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, obligations of states, counties, and cities, fully collateralized certificates of deposit, bankers’ acceptances, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is five years from date of purchase. The City’s investment policy does not allow investments in collateralized mortgage obligations.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Deposit and Investment Amounts

The City's cash and investments are classified as: cash and cash equivalents, investments, and restricted cash and investments. The cash and cash equivalents include cash on hand, deposits with financial institutions, and short-term investments, which have maturities at purchase of less than three months, consisting mainly of certificates of deposit. The restricted cash and investments are assets restricted for specific use. The restricted cash and investments include cash on deposit with financial institutions. For better management of cash, the City pools the cash, based on the City's needs, into either bank/sweep accounts, or in longer-term investments in U.S. Government Securities. However, each fund's balance of cash and investments is maintained in the books of the City.

The deposit and investment policies for the Pearland Economic Development Corporation, TIRZ No. 2 and Development Authority of Pearland are substantially the same as the City.

The following schedule shows the City's recorded cash and investments at year-end:

	<u>Total Fair Value</u>
Cash deposits	\$ 69,704,524
Temporary Investments	
FAMC discount note	2,026,364
FFCB discount note	3,826,563
FHLB discount note	5,044,342
FHLMC discount note	4,012,984
FNMA discount note	5,024,197
Certificates of deposit	<u>28,285,933</u>
	<u><u>\$ 117,924,907</u></u>

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At September 30, 2015, the City reported cash deposits in the amount of \$69,704,524 and the bank balance was \$71,057,309. Of the bank balance, the entire amount was covered by \$250,000 in federal depository insurance and by \$80,378,989 in pledged collateral held by the City's agent in the City's name as of September 30, 2015.

Quoted market prices are the basis of the fair value for U.S. Treasury and Agency securities. The amount of increase or decrease in the fair value of investments during the current year is included in the City's investment income as follows:

	<u>Total Fair Value</u>
Interest income	\$ 644,681
Unrealized gain (loss) on temporary investments	<u>171,148</u>
Investment earnings	<u><u>\$ 815,829</u></u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Interest Rate Risk

At year-end, the City had the following investments subject to interest rate risk disclosure, under U.S. generally accepted accounting principles:

	<u>Total Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Temporary Investments		
FAMC discount note	\$ 2,026,364	878
FFCB discount note	3,826,563	924
FHLB discount note	5,044,342	983
FHLMC discount note	4,012,984	826
FNMA discount note	5,024,197	1,100
Certificates of deposit	28,285,933	701
	<u>\$ 48,220,383</u>	
Portfolio weighted average maturity		<u>808</u>

The City's investment policy specifies a maximum weighted average maturity for the portfolio of 900 days or 30 months based on the stated maturity date of the investments. When including cash investments the weighted average maturity for the City is 331 days.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than five years or 1,825 days from date of purchase. The settlement date is considered the date of purchase.

Concentration of Credit Risk

With the exception of U.S. Treasury Securities and interest-bearing checking accounts that are fully collateralized, no more than 75 percent of the City's total investment portfolio will be invested in a single security type. As of September 30, 2015, the City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end.

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage of Total Investment Portfolio</u>
FAMC discount note	\$ 2,026,364	4%
FFCB discount note	3,826,563	8%
FHLB discount note	5,044,342	11%
FHLMC discount note	4,012,984	8%
FNMA discount note	5,024,197	10%
Certificates of deposit	28,285,933	59%
Total	<u>\$ 48,220,383</u>	<u>100%</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 2 - Deposits (Cash) and Investments (continued)

Credit Risk

Federal National Mortgage Association, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, Federal Farm Credit Bank and the Federal National Mortgage Association Discount Notes were rated AA+ by Standard & Poor’s, AAA by Fitch Ratings, and Aaa by Moody’s Investors Service.

All credit ratings meet acceptable levels required by guidelines prescribed by both the PFIA and the City’s investment policy. A public fund investment pool must be continuously rated no lower than AAA or AAAM or no lower than investment grade by at least one nationally-recognized rating service and have a weighted average maturity no greater than 90 days. Investments with minimum required ratings do not qualify as authorized investments during the period the investment does not have the minimum rating.

Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenditures, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Fund is required to maintain prescribed amounts of resources that can be used only to service outstanding debt. Some of the proceeds from debt or from funds received from acquisition of Municipal Utility Districts are restricted for use on capital projects.

Revenue bond debt service	\$	2,930,425
Customer deposits		3,364,406
Capital improvements		19,834,067
Total	\$	26,128,898

Note 3 - Receivables

Receivables at September 30, 2015, consisted of the following:

Primary Government:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables					
Property taxes, including penalties and interest	\$ 520,508	\$ 875,960	\$	\$	\$ 1,396,468
Lease receivable		7,551,037			7,551,037
Sales and other taxes	4,773,220			2,025,435	6,798,655
Interest	29,050	5,533	7,146	28,391	70,120
Other	958,968		2,539,244	3,794,070	7,292,282
Allowance for uncollectibles	(9,638)	(16,420)			(26,058)
	<u>\$ 6,272,108</u>	<u>\$ 8,416,110</u>	<u>\$ 2,546,390</u>	<u>\$ 5,847,896</u>	<u>\$ 23,082,504</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 3 - Receivables (continued)

Proprietary Funds:

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
Receivables				
Customer accounts	\$ 2,983,187	\$ 602,256	\$	\$ 3,585,443
Interest	49,263	8		49,271
Other	870,950		60,666	931,616
Allowance for uncollectibles	(51,787)	(50,121)		(101,908)
	<u>\$ 3,851,613</u>	<u>\$ 552,143</u>	<u>\$ 60,666</u>	<u>\$ 4,464,422</u>

Governmental funds report receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 480,322	\$
Delinquent property taxes receivable - debt service fund	788,339	
Lease revenues-principal	5,956,432	
Street assessments	1,859,583	
Other	7,631,270	1,431,020
Lease interest revenues		1,562,194
Grants and revenues prior to meeting all eligibility requirements		460,480
Total	<u>\$ 16,715,946</u>	<u>\$ 3,453,694</u>

Property Taxes

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The Central Appraisal District ("CAD") of Brazoria County, Harris County, and Fort Bend County, Texas, establishes appraised values. Taxes are levied by the City Council based on the appraised values and operating needs of the City. The City contracts billing and collection of tax levies with the Brazoria County Tax Assessor-Collector.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2015, follows:

	Balance September 30, 2014	Increases	(Decreases) and Reclassifications	Balance September 30, 2015
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 31,264,285	\$ 2,614,141	\$ (2,728,127)	\$ 31,150,299
Construction in progress	19,974,598	17,917,329	(14,343,806)	23,548,121
Total capital assets not being depreciated	51,238,883	20,531,470	(17,071,933)	54,698,420
Other capital assets:				
Infrastructure	898,338,073	47,777,869		946,115,942
Buildings and improvements	102,673,275	4,595,849		107,269,124
Machinery and equipment	17,411,800	1,617,659	(415,689)	18,613,770
Furniture and fixtures	5,512,859	486,074	(235,185)	5,763,748
Total other capital assets	1,023,936,007	54,477,451	(650,874)	1,077,762,584
Less accumulated depreciation for:				
Infrastructure	(280,472,199)	(26,953,673)		(307,425,872)
Buildings and improvements	(23,420,526)	(3,554,946)		(26,975,472)
Machinery and equipment	(9,321,594)	(1,613,624)	335,960	(10,599,258)
Furniture and fixtures	(2,724,178)	(477,781)	234,993	(2,966,966)
Total accumulated depreciation	(315,938,497)	(32,600,024)	570,953	(347,967,568)
Other capital assets, net	707,997,510	21,877,427	(79,921)	729,795,016
Totals	\$ 759,236,393	\$ 42,408,897	\$ (17,151,854)	\$ 784,493,436
	Balance September 30, 2014	Increases	(Decreases) and Reclassifications	Balance September 30, 2015
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 3,796,382	\$	\$	\$ 3,796,382
Construction in progress	9,508,864	15,782,496	(16,555,518)	8,735,842
Total capital assets not being depreciated	13,305,246	15,782,496	(16,555,518)	12,532,224
Other capital assets:				
Water and sewer system	317,072,555	22,574,280	16,600	339,663,435
Buildings and improvements	31,256,472		(16,600)	31,239,872
Machinery and equipment	3,796,059	306,749		4,102,808
Furniture and fixtures	113,401	7,521		120,922
Contractual water rights	34,511,428			34,511,428
Total other capital assets	386,749,915	22,888,550		409,638,465
Less accumulated depreciation for:				
Water and sewer system	(95,310,012)	(7,655,791)		(102,965,803)
Buildings and improvements	(4,818,037)	(728,460)		(5,546,497)
Machinery and equipment	(2,507,254)	(389,417)		(2,896,671)
Furniture and fixtures	(83,053)	(8,558)		(91,611)
Contractual water rights	(8,664,874)	(1,380,457)		(10,045,331)
Total accumulated depreciation	(111,383,230)	(10,162,683)		(121,545,913)
Other capital assets, net	275,366,685	12,725,867		288,092,552
Totals	\$ 288,671,931	\$ 28,508,363	\$ (16,555,518)	\$ 300,624,776

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$	842,111
Public safety		2,440,616
Public works		26,750,969
Community services		156,138
Parks and recreation		2,410,190
Total Governmental Activity	\$	32,600,024
Water and sewer	\$	10,162,683
Total Business-Type Activity	\$	10,162,683

The City had active construction projects as of September 30, 2015. The projects included various improvements to streets, drainage and facilities as well as and water and sewer improvements. At year-end, the City's contractual commitments on projects were as follows:

Project Description	Contract	Total In Progress	Remaining Commitment
Drainage Improvement	\$ 13,429,996	\$ 1,954,959	\$ 11,475,037
Building Improvements	24,341,380	3,301,536	21,039,844
Street Improvement	124,542,810	11,149,186	113,393,624
Park Improvements	13,386,593	7,142,440	6,244,153
Total Governmental Activities	<u>175,700,779</u>	<u>23,548,121</u>	<u>152,152,658</u>
Water and Sewer Improvements	29,690,916	8,735,842	20,955,074
Total Primary Government	\$ 205,391,695	\$ 32,283,963	\$ 173,107,732

Note 5 - Long-Term Debt

A. Governmental Activity Debt

The City issues general obligation bonds and certificates of obligation, and upon annexation and dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved and annexed areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The City's component units, which are considered blended components units, have revenue bonds used to acquire and construct or to reimburse developers for major capital improvements. Revenue bonds are paid through the Pearland Economic Development Corporation from sales tax and through the Development Authority of Pearland from property tax increment.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The City issued \$4,860,000 of Certificates of Obligation, Series 2015 dated September 1, 2015. Proceeds from the sale of the certificates will be used for certain street improvements within the City including improvements to Industrial Drive, certain improvements to existing City facilities including Fire Station 2, and to pay the costs of issuance of the certificates.

The City issued \$8,495,000 of Permanent Improvement Bonds, Series 2015 dated September 1, 2015. Proceeds from the sale of the bonds will be used for construction and improvement to City facilities and to pay for the cost of issuance of the bonds.

The City issued \$47,165,000 of Permanent Improvement Refunding Bonds, Series 2015 dated April 1, 2015. Proceeds from the sale of the bonds will be used for the refunding of certain outstanding obligations of the City and to pay for the cost of issuance of the bonds.

The City issued \$8,060,000 of Tax Increment Contract Revenue Bonds Proceeds, Series 2014 dated December 9, 2014. Proceeds from the sale of the bonds were used to reimburse the developer \$7,890,000 for infrastructure within the TIRZ boundaries.

The City issued \$4,625,000 of Certificates of Obligation, Series 2014 dated October 1, 2014. Proceeds from the sale of the certificates will be used for improvements, renovations and additions to the existing public works service center located at East Orange Street and Old Alvin Road, acquisition of land for and the design and construction of two new fire stations located at Yost Road and FM 518 and at Harkey Road and Fite Road, project management for parks, street and facility capital projects within the City, renovations to the existing City Hall Complex, and to pay the costs of issuance of the Certificates.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2015. In general, the City uses the General and Debt Service funds as well as the Economic Development Corporation and Development Authority to liquidate governmental long-term liabilities.

	Balance September 30, 2014	Additions	(Reductions)	Balance September 30, 2015	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 236,730,000	\$ 55,660,000	\$ (46,525,000)	\$ 245,865,000	\$ 9,775,000
Certificates of obligation	56,505,000	9,485,000	(15,960,000)	50,030,000	2,600,000
Sales tax revenue bonds	22,690,000		(7,425,000)	15,265,000	720,000
Tax increment revenue bonds	57,435,000	8,060,000	(3,800,000)	61,695,000	3,855,000
Unamortized premium/(discount)	10,122,356	8,053,331	(1,990,621)	16,185,066	
Total bonds payable	383,482,356	81,258,331	(75,700,621)	389,040,066	16,950,000
Other liabilities:					
Net pension liability	10,013,507	4,693,718		14,707,225	
Obligations under capital leases	4,344,215	574,049	(1,289,549)	3,628,715	1,050,017
Compensated absences	5,682,057	2,856,633	(2,734,483)	5,804,207	968,388
Other post-employment benefits	1,721,250		794,737	2,515,987	
Total Governmental Activities	\$ 405,243,385	\$ 89,382,731	\$ (78,929,916)	\$ 415,696,200	\$ 18,968,405

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

The full amount estimated to be required for debt service on general obligation debt is provided by (1) the debt service portion of the tax levy; (2) interest earned in the Debt Service Fund; and (3) transfers from the Water and Sewer Enterprise Fund. Transfers from the Enterprise Funds are approved at the discretion of City Council and are not intended to service a specific bond series.

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2015, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Permanent Improvement and Refunding Bonds, Series 2005	37,015,000	2029	3.25-5.00	\$ 940,000
Permanent Improvement and Refunding Bonds, Series 2006	32,165,000	2029	4.00-5.00	8,525,000
Permanent Improvement and Refunding Bonds, Series 2007	69,640,000	2032	4.00-5.00	40,135,000
Permanent Improvement, Series 2008	22,835,000	2032	4.50-5.50	16,180,000
Permanent Improvement and Refunding Bonds, Series 2009	16,735,000	2034	2.00-5.00	14,580,000
Permanent Improvement, Series 2010A	12,415,000	2035	3.00-4.00	10,625,000
Permanent Improvement Refunding, Series 2010B	1,630,000	2018	2.00-4.00	555,000
Permanent Improvement, Series 2011	5,400,000	2036	2.125-4.125	4,905,000
Permanent Improvement and Refunding Bonds, Series 2012	43,575,000	2029	3.00-5.00	42,890,000
Permanent Improvement Bonds, Series 2013	9,315,000	2038	3.00-5.00	8,745,000
Permanent Improvement and Refunding Bonds, Series 2014	40,410,000	2034	2.00-5.00	39,875,000
Permanent Improvement Refunding Bonds, Series 2015	47,165,000	2032	2.00-5.00	47,165,000
Permanent Improvement Bonds, Series 2015	8,495,000	2035	2.00-4.00	8,495,000
Annexed Municipal Utility District Bonds				
BC MUD 4 Series 2011	2,640,000	2032	2.50-5.00	2,250,000
Total General Obligation Bonds				<u>\$ 245,865,000</u>
Certificates of Obligation				
Certificates of Obligation, Series 2006	9,700,000	2029	3.65-4.68	\$ 800,000
Certificates of Obligation, Series 2007	23,250,000	2032	3.25-5.25	11,640,000
Certificates of Obligation, Series 2008	9,000,000	2032	3.75-5.00	8,180,000
Certificates of Obligation, Series 2009	8,520,000	2034	2.25-5.00	7,370,000
Certificates of Obligation, Series 2009A	12,145,000	2029	2.00-4.50	8,945,000
Certificates of Obligation, Series 2011	2,095,000	2021	2.09	1,255,000
Certificates of Obligation, Series 2013	2,745,000	2038	3.00-4.625	2,585,000
Certificates of Obligation, Series 2014	4,625,000	2034	2.00-4.00	4,395,000
Certificates of Obligation, Series 2015	4,860,000	2035	2.00-4.00	4,860,000
Total Certificates of Obligation				<u>\$ 50,030,000</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Pearland Economic Development Corporation and Development Authority of Pearland as of September 30, 2015, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Pearland Economic Development Corporation				
Sales Tax Revenue Bonds, Series 2005	\$ 10,590,000	2026	2.30-4.42	\$ 6,635,000
Sales Tax Revenue Bonds, Series 2006	10,235,000	2030	3.66-4.75	8,630,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2012	56,915,000	2029	3.07*	45,830,000
Tax Increment Revenue Bonds, Series 2013	9,150,000	2029	3.77	8,355,000
Tax Increment Revenue Bonds, Series 2014	8,060,000	2029	3.00	7,510,000
Total Component Unit Long-Term Debt				<u>\$ 76,960,000</u>

*Fixed for 10 years, then rate changes to be 65% of LIBOR, not to exceed 6.0%

Current Year Refunding

The Permanent Improvement Refunding Bonds, Series 2015 were issued on April 1, 2015 in the amount of \$47,165,000 to refund certain outstanding obligations of the City in the aggregate principal amount of \$51,210,000. The new bonds bear interest from 2.00% - 5.00% and are due in annual installments ranging from \$320,000 to \$4,975,000 through March 1, 2032. The refunding will save \$7.227 million over 17 years, or annual savings of about \$425,000 with a present value savings percent of 11.17%.

Prior Year Refunding

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of the new bonds in an irrevocable trust to provide for all future debt service payments on the refunded bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2015, approximately \$79 million of previously refunded bonds outstanding were considered defeased.

General Obligation

PIB Series 2006	\$ 21,495,000
CO Series 2006	7,300,000
CO Series 2007	10,160,000
PIB Series 2007	21,295,000
PIB Series 2008	4,870,000
	<u>\$ 65,120,000</u>

Development Authority of Pearland

Series 2006	\$ 6,970,000
Series 2009	6,880,000
	<u>\$ 13,850,000</u>

Total: \$ 78,970,000

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

Capital Lease Obligations

The City has entered into certain capital lease agreements in order to purchase public safety and management information systems, equipment and other construction-related equipment. The capital lease obligations are paid out of the General, Debt Service and Water and Sewer Funds. The historical purchase price of the capital assets under lease is approximately \$7.4 million.

Following is a summary of future lease payments due on this equipment:

<u>Fiscal Year</u>	<u>Obligations</u>
2016	\$ 1,131,597
2017	964,703
2018	701,836
2019	567,386
2020	370,915
2021	<u>87,471</u>
Total	3,823,908
Less: Interest	<u>(195,193)</u>
Obligations under capital leases	<u>\$ 3,628,715</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2015, were as follows:

Fiscal Year	Governmental Activities			
	General Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2016	\$ 9,775,000	\$ 10,112,043	\$ 2,600,000	\$ 1,897,756
2017	9,315,000	9,743,262	2,665,000	1,810,606
2018	9,585,000	9,374,662	2,835,000	1,706,235
2019	13,205,000	8,928,808	1,920,000	1,623,935
2020	13,740,000	8,391,409	1,935,000	1,565,147
2021	14,315,000	7,810,545	1,965,000	1,504,531
2022	15,075,000	7,209,229	1,775,000	1,442,540
2023	15,695,000	6,569,365	1,805,000	1,378,611
2024	16,275,000	5,858,635	1,840,000	1,309,384
2025	17,045,000	5,129,624	1,870,000	1,234,445
2026	17,595,000	4,394,684	1,935,000	1,155,446
2027	16,755,000	3,649,276	3,555,000	1,048,271
2028	17,410,000	2,941,161	3,670,000	913,254
2029	18,075,000	2,223,386	3,800,000	772,621
2030	10,125,000	1,620,753	3,880,000	621,375
2031	10,295,000	1,170,939	4,275,000	446,419
2032	10,540,000	707,874	4,660,000	246,216
2033	3,610,000	395,931	1,105,000	118,044
2034	3,725,000	238,588	1,135,000	71,297
2035	1,945,000	118,950	375,000	26,947
2036	795,000	62,122	140,000	16,650
2037	480,000	33,763	140,000	10,175
2038	490,000	11,331	150,000	3,469
	<u>\$ 245,865,000</u>	<u>\$ 96,696,341</u>	<u>\$ 50,030,000</u>	<u>\$ 20,923,374</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The annual requirements to amortize blended component unit revenue bonds outstanding at September 30, 2015, were as follows:

Fiscal Year	Governmental Activities			
	Pearland Economic Development Corporation		Development Authority of Pearland	
	Principal	Interest	Principal	Interest
2016	\$ 720,000	\$ 698,956	\$ 3,855,000	\$ 1,926,237
2017	760,000	664,756	3,975,000	1,806,996
2018	795,000	628,669	4,100,000	1,684,088
2019	835,000	590,575	4,225,000	1,557,256
2020	875,000	556,125	4,040,000	1,426,533
2021	910,000	519,625	4,170,000	1,301,053
2022	950,000	481,075	4,270,000	1,171,494
2023	995,000	439,200	4,210,000	1,037,027
2024	1,040,000	395,138	4,370,000	905,680
2025	1,090,000	348,538	4,535,000	769,071
2026	1,140,000	299,325	4,710,000	627,064
2027	1,190,000	247,838	4,890,000	479,352
2028	1,255,000	188,338	5,075,000	325,747
2029	1,320,000	128,725	5,270,000	166,059
2030	1,390,000	66,025		
	<u>\$ 15,265,000</u>	<u>\$ 6,252,906</u>	<u>\$ 61,695,000</u>	<u>\$ 15,183,654</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

B. Business-type Activity Debt

The City issued \$9,210,000 of Water and Sewer System Revenue Bonds, Series 2014 dated October 1, 2014. Proceeds from the sale of the bonds will be used for waterworks and sanitary sewer system improvements, and to pay the costs of issuance of the bonds. The new bonds bear interest from 2.00% - 4.00% and are due in annual installments ranging from \$150,000 to \$1,245,000 through September 1, 2039.

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2015.

	Balance September 30, 2014	Additions	(Reductions)	Balance September 30, 2015	Amounts Due Within One Year
Business-type Activities					
Bonds payable:					
Permanent Improvement Bonds	\$ 12,865,000	\$	\$ (1,530,000)	\$ 11,335,000	\$ 1,560,000
Water and sewer revenue bonds	101,925,000	9,210,000	(3,725,000)	107,410,000	3,920,000
Unamortized premium/(discount)	592,064	202,173	(135,215)	659,022	
Total bonds payable	<u>115,382,064</u>	<u>9,412,173</u>	<u>(5,390,215)</u>	<u>119,404,022</u>	<u>5,480,000</u>
Other liabilities:					
Net pension liability	1,299,960	609,342		1,909,302	
Obligations under capital leases	169,140		(86,960)	82,180	46,661
Compensated absences	524,909	381,892	(279,639)	627,162	122,857
Other post-employment benefits	315,267		140,248	455,515	
Total Business-type Activities	<u>\$ 117,691,340</u>	<u>\$ 10,403,407</u>	<u>\$ (5,616,566)</u>	<u>\$ 122,478,181</u>	<u>\$ 5,649,518</u>

A summary of the terms of revenue bonds and permanent improvement bonds recorded in the Enterprise Funds as of September 30, 2015, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Water and Wastewater Fund				
Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999	\$ 8,000,000	2020	4.41-4.60	\$ 2,445,000
Water and Sewer System Revenue and Refunding Bonds, Series 2006	13,845,000	2031	3.74-4.82	9,460,000
Water and Sewer System Revenue and Refunding Bonds, Series 2007	40,135,000	2031	3.50-5.50	34,740,000
Water and Sewer System Revenue Bonds, Series 2008	14,950,000	2034	4.125-5.00	13,415,000
Water and Sewer System Revenue Bonds, Series 2009	13,130,000	2034	3.00-5.50	10,955,000
Permanent Improvement and Refunding Bonds, Series 2009	11,660,000	2018	2.00-5.00	5,440,000
Water and Sewer System Revenue Bonds, Series 2010A	14,040,000	2035	1.75-4.50	12,100,000
Water and Sewer System Refunding Bonds, Series 2010B	8,970,000	2023	1.75-4.00	7,520,000
Permanent Improvement and Refunding Bonds, Series 2012	6,230,000	2025	3.00-5.00	5,895,000
Water and Sewer System Revenue Bonds, Series 2012	8,670,000	2037	2.00-3.625	7,715,000
Water and Sewer System Revenue Bonds, Series 2014	9,210,000	2039	2.00-4.00	9,060,000
Total Utility System Fund				<u>\$ 118,745,000</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Debt (continued)

B. Business-type Activity Debt (continued)

The annual requirements to amortize Enterprise Fund revenue bonds and permanent improvement bonds outstanding at September 30, 2015, were as follows:

Fiscal Year	Business-Type Activities			
	Revenue Bonds		Permanent Improvement Bonds	
	Principal	Interest	Principal	Interest
2016	\$ 3,920,000	\$ 4,622,182	\$ 1,560,000	\$ 427,900
2017	4,090,000	4,466,263	2,415,000	344,000
2018	4,250,000	4,310,086	2,515,000	232,188
2019	4,425,000	4,145,038	365,000	171,700
2020	4,610,000	3,972,427	370,000	157,000
2021	4,870,000	3,784,576	370,000	142,200
2022	5,080,000	3,576,639	385,000	127,100
2023	5,305,000	3,360,039	395,000	111,500
2024	4,485,000	3,132,788	1,480,000	74,000
2025	4,750,000	2,926,093	1,480,000	22,200
2026	6,485,000	2,702,368		
2027	6,795,000	2,392,905		
2028	7,130,000	2,068,194		
2029	7,465,000	1,742,731		
2030	7,780,000	1,435,194		
2031	8,105,000	1,112,813		
2032	4,155,000	776,163		
2033	4,365,000	580,469		
2034	4,570,000	384,331		
2035	1,700,000	178,431		
2036	895,000	110,063		
2037	935,000	78,306		
2038	605,000	45,131		
2039	640,000	23,200		
	<u>\$ 107,410,000</u>	<u>\$ 51,926,428</u>	<u>\$ 11,335,000</u>	<u>\$ 1,809,788</u>

C. Legal Compliance

Long-term debt assumed by the City upon dissolution of annexed municipal utility district in fiscal years 2006, 2007, and 2013 has been recorded as part of the City's long-term debt. A portion of the assumed debt is related to assets recorded in the Water and Sewer Fund. Even though the debt is related to assets recorded in the Water and Sewer Fund, the debt is considered general obligation debt based on Texas law.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 6 - Interfund Transactions

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2015, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Water Sewer Fund	\$ 1,599,592	Overhead allocation for city manager, legal, human resources, finance, etc.
General Fund	Water Sewer Fund	481,949	Project management
General Fund	Capital Projects Fund	50,372	Project management
General Fund	Capital Projects Fund	834,297	Project management
General Fund	Sidewalk Fund	150,000	Gap sidewalk program
General Fund	Solid Waste Fund	<u>340,000</u>	Overhead allocation for city manager, legal, human resources, finance, etc.
Total General Fund		3,456,210	
Debt Service Fund	General Fund	156,844	City's share of UofH facility debt
Debt Service Fund	Water Sewer Fund	<u>456,567</u>	W/S debt in debt service fund
Total Debt Service Fund		613,411	
Development Authority of Pearland	Tax Increment Reinvestment Zone #2	12,666,896	TIRZ tax increment to DAP for debt service & developer reimbursement
U of H Fund	General Fund	8,041	City's share of UofH capital renewal fund
Capital Projects Fund	General Fund	100,000	Fire Station #3 for FFE
Capital Projects Fund	Parks and Recreation		
Capital Projects Fund	Development Fund	100,000	Centennial Park development
Capital Projects Fund	Park Donation Fund	31,100	Trees at Shadow Creek Ranch Park
Capital Projects Fund	Traffic Improvement Fund	91	County Road 94
Capital Projects Fund	Sidewalk Fund	<u>67,224</u>	Bailey Road Extension from Veterans to FM1128
Total Capital Projects Fund		298,415	
Internal Service Fund	Hotel/Motel Tax Fund	1,316	CVB insurance on property
Internal Service Fund	General Fund	831,758	Share of insurance premiums
Internal Service Fund	Water Sewer Fund	<u>185,638</u>	Share of insurance premiums
Total Internal Service Fund		1,018,712	
Water Sewer Fund	General Fund	<u>235,491</u>	Operating costs
Total		<u>\$ 18,297,176</u>	

A summary of interfund receivables and payables at September 30, 2015, follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Grant Fund	\$ 44,456	Short term loan

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 7 - Fund Balance / Net Position

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. Certain amounts which were classified as restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances</u>
General Fund - assigned	\$ 1,406,453
Capital Projects Fund - restricted	16,502,886
Non-major Funds - restricted	<u>672,561</u>
	<u>\$ 18,581,900</u>

Note 8 - Deferred Compensation Plan

The City maintains, for its employees, a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance, and ICMA Retirement Corporation is the plan administrator. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency. The plan's trust arrangements are established to protect deferred compensation amounts of employees under the plan from any other use other than intended under the plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under plan provisions are disbursed bi-weekly by the City to a third-party administrator. The third-party administrator handles all funds in the plan and makes investment decisions and disburses funds to employees in accordance with plan provisions.

Note 9 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the city are required to participate in TMRS.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

A summary of plan provisions for the City are as follows:

Employee deposit rate:	7%
Matching ratio (city to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated service credit:	75% repeating
Annuity increase to retirees:	50% of CPI repeating
Supplemental death benefit – employees and retirees:	Yes

The City does not participate in Social Security.

At the December 31, 2014 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits:	146
Inactive employees entitled to but not yet receiving benefits:	226
Active employees:	<u>561</u>
Total:	<u>933</u>

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2015, the City made contributions of 13.08% for the months in 2014 and 13.51% for the months in 2015.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	3.0% per year
Overall payroll growth:	3.0% per year
Investment Rate of Return:	7.0%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2014, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2006 through December 31, 2009, first used in the December 31, 2010 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

The long-term expected rate of return on pension plan investments is 7.0%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.80%
International Equity	17.5%	6.05%
Core Fixed Income	30.0%	1.50%
Non-core Fixed Income	10.0%	3.50%
Real Return	5.0%	1.75%
Real Estate	10.0%	5.25%
Absolute Return	5.0%	4.25%
Private Equity	5.0%	8.50%
Total	<u>100.0%</u>	

Discount Rate

The discount rate used to measure the Total Pension Liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability

	Increase (Decrease)		
	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
	(a)	(b)	(a) - (b)
Balance at 12/31/2013	\$ 98,960,025	\$ 83,306,773	\$ 15,653,252
Changes for the year:			
Service cost	5,118,873		5,118,873
Interest	7,010,813		7,010,813
Change in benefit terms Difference between expected and actual experience	241,450		241,450
Changes in assumptions			
Contributions - employer		4,339,785	(4,339,785)
Contributions - employee		2,355,095	(2,355,095)
Net investment income		4,766,828	(4,766,828)
Benefit payments, including refunds, of employee contributions	(2,729,973)	(2,729,973)	
Administrative expense		(49,756)	49,756
Other charges		(4,091)	4,091
Net changes	<u>9,641,163</u>	<u>8,677,888</u>	<u>963,275</u>
Balance at 12/31/2014	<u>\$ 108,601,188</u>	<u>\$ 91,984,661</u>	<u>\$ 16,616,527</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Changes in the Net Pension Liability (continued)

The following presents the net pension liability of the City, calculated using the discount rate of 7.0%, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0%) or 1-percentage-point higher (8.0%) than the current rate:

	1% Decrease to 6.00%	Current Single Rate Assumption 7.00%	1% Increase to 8.00%
City's net pension liability	\$ 35,448,844	\$ 16,616,527	\$ 1,514,331

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

Pension Expense and Deferred Outflows of Resources Related to Pensions

For the year ended September 30, 2015, the City recognized pension expense of \$4,251,096.

At September 30, 2015, the City reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources
Differences between actuarial assumptions and actual experience	\$ 200,247
Differences between projected and actual investment earnings	851,717
Contributions subsequent to the measurement date	3,406,734
Total	<u>\$ 4,458,698</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$3,406,734 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2015 (i.e. recognized in the city’s financial statements September 30, 2016). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	Net deferred outflows (inflows) of resources	
2015	\$	254,132
2016		254,132
2017		254,132
2018		254,132
2019		35,436
Thereafter		
Total	\$	1,051,964

Subsequent Event

Pursuant to TMRS policy of conducting experience studies every four years, the TMRS Board at their July 31, 2015 meeting determined that they would be changing certain actuarial assumptions including reducing the long term expected rate of return from the current 7% to 6.75% and changing the inflation assumption from 3% to 2.5%. Reduction of expected investment return and related discount rate will increase projected pension liabilities. Reducing the inflation assumption reduces liabilities as future annuity levels and future cost of living adjustments are not projected to be a large as originally projected. While the actual impact on the City’s valuation for December 31, 2015 is not known the City does expect some downward pressure on its funded status and upward pressure on its 2017 actuarially determined contribution (ADC) due to this change.

Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The city may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an “other postemployment benefit,” or OPEB.

	<u>Plan Year 2014</u>	<u>Plan Year 2015</u>
The City offers supplemental death to:		
Active employees	Yes	Yes
Retirees	Yes	Yes

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 9 - Employee Retirement System (continued)

The city’s contributions to the TMRS SDBF for the fiscal years ended 2015, 2014, and 2013 were \$41,740, \$41,299, and \$34,793, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates

(Retiree-only portion of the rate, for OPEB)

Plan/Calendar Year	Annual Required Contribution (Rate)	Actual Contribution Made (Rate)	Percentage of ARC Contributed
2013	0.01%	0.01%	100%
2014	0.01%	0.01%	100%
2015	0.01%	0.01%	100%

Note 10 - Other Post-Employment Benefits

In addition to pension benefits, the City provides access to medical and dental coverage through its selected insurance carrier, to retirees and/or retiree dependents. The City’s other post-employment benefit plan is a single-employer plan. To qualify for retiree’s medical or dental insurance, the retiree must have a minimum of ten years of continuous service with the City and be at least sixty years of age, or with 20 years of continuous service at any age. The City provides the coverage on a pay-as-you-go basis similar to current employees, but the City does not pay any portion of the retiree premium. Therefore, there is an implicit subsidy due to the blended rate paid by the retirees, but there is no direct liability due from the City as it does not pay any portion of the retiree’s costs.

The costs of providing these benefits and number of retired employees are as follows:

Total Cost	City's Cost	Emp/Dep Coverage Cost	Number of Retired Employees
\$ 47,999	\$	\$ 47,999	12

Retirees who are entitled to receive retirement benefits under the City’s retirement plan may purchase continued health benefits coverage for the retiree and the retiree’s dependents, but shall pay 100% of the premium for coverage. The retiree, however, is able to receive a lower rate by participating in the City’s plan as opposed to individually purchasing health insurance. The City’s coverage is secondary to Medicare when the person becomes eligible for these benefits.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 10 - Other Post-Employment Benefits (continued)

The Governmental Accounting Standards Board published a guideline regarding accounting and financial reporting by employers for post-employment benefits other than pensions. This document gives guidance regarding the methods and timing for reporting. The effect of the Guideline is to cause the cost of retiree benefits to be accrued for during the working lifetime of the employees. This requires pre-funding or accruing of a liability. The City has elected to accrue the liability, and the unfunded liability will be funded over a period of 30 years. The results of the City's most recent actuarial valuation are as follows:

Actuarial Valuation Date October 1,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2014	\$	\$ 10,328,201	0%	\$ 10,328,201	\$ 33,615,923	31%

Net OPEB obligations at year-end for the last three fiscal years are as follows:

	2013	2014	2015
Normal cost	\$ 243,253	\$ 234,852	\$ 387,019
Amortization of UAAL	177,878	177,878	622,015
Annual required contribution (ARC)	421,131	412,730	1,009,034
Interest on prior-year net OPEB obligation	72,715	81,115	96,677
Amortization of prior-year net OPEB obligation (ARC adjustment)	(109,364)	(142,285)	(152,421)
Annual OPEB cost (expense)	384,482	351,560	953,290
Employer contributions	(174,458)	(342,919)	(18,305)
Increase in net OPEB obligation	210,024	8,641	934,985
Net OPEB obligation - beginning of year	1,817,852	2,027,876	2,036,517
Net OPEB obligation - end of year	\$ 2,027,876	\$ 2,036,517	\$ 2,971,502

The annual cost recorded to the general ledger for fiscal year 2015 is \$1,105,711, which includes the estimated normal cost of \$387,019 to provide for the benefits earned by active employees. The total liability, which is not recorded to the general ledger, is \$10,328,281, and represents the actuarial present value of benefits.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The methods and assumptions used as of the measurement date of October 1, 2014 include using the unit credit actuarial method, allocation of the total liability into accrued and future liabilities was based upon a straight years of service ratio, the accrued liability was assumed to be amortized on a closed basis using a level dollar approach with an amortization period of 24 years, an inflation rate assumption of 2.5%, a discount rate of 4%, and medical inflation is taken at 9% for pre-Medicare grading down to 5% in the ultimate. Rates of disability were derived from a Society of Actuaries study. The RP-2014 table (sex distinct) was used for mortality.

Separate, audited GAAP-basis postemployment benefit plan reports are not applicable for the other post-retirement benefit plan for the City as there are no separately issued plan financial statements.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2015. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

Reimbursements due to Developers

Pursuant to the Local Government Code, the Economic Development Corporation offers incentives to attract and retain businesses to Pearland. The following are the current incentives.

<u>Current Incentives</u>	<u>Amount</u>	<u>Prior Years</u>	<u>FY 2015</u>	<u>Balance</u>
Amerlux	\$ 185,000	\$	\$	\$ 185,000
Base Pair Bio-Technologies	38,500	9,625	9,625	19,250
Brask Neela	70,000			70,000
Buc-ee's	72,000			72,000
Costco	246,827			246,827
Keystone Engineering	189,000			189,000
KS Management	2,663,000		295,890	2,367,110
M&S Logistics	60,000			60,000
Merit Medical Systems	888,000	758,000		130,000
Shale-Inland	490,000			490,000
Zapp Precision Wire	60,000			60,000
	<u>\$ 4,962,327</u>	<u>\$ 767,625</u>	<u>\$ 305,515</u>	<u>\$ 3,889,187</u>

Shadow Creek Town Center

In 2004, the City, along with the Reinvestment Zone Number Two (the Zone) and the Development Authority of Pearland (the Authority), component units of the City, entered into an agreement with a developer to reimburse the developer all or a portion of the project costs to implement the Shadow Creek Ranch Development TIRZ (TIRZ Plan). As projects implementing the TIRZ Plan are completed, the Zone Board may recommend to the City that the Authority reimburse developers on behalf of the Zone and the City. The Zone Board will forward to the City and the Authority all of the necessary and required documentation supporting the requested reimbursement and a determination of the exact amount requested for reimbursement, including a calculation of the amount of interest to be reimbursed on funds advanced for the projects. In addition all monies available in the Tax Increment Fund shall be transferred to the escrow agent no less than once per year.

On November 13, 2006, the City of Pearland, Pearland Economic Development Corporation (PEDC) and Shadow Creek Retail, LP entered into an agreement whereby the developer would build and construct a mixed use commercial development located at the northwest corner of State Highway 288 and Broadway, also known as FM 518.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Commitments and Contingencies (continued)

Shadow Creek Town Center (continued)

The Developer provided for the construction of segments of Broadway Street, Business Center Drive, Memorial Hermann Drive, as well as landscaping, underground utilities, pipeline relocation and other associated costs. The source of funds for reimbursement of the public infrastructure is both the TIRZ #2 and City and PEDC sales tax revenue generated from the project. The total funded from TIRZ #2 is \$11,749,618 and the amount of TIRZ improvements to be funded from sales tax is \$2,001,931. Once completion and tenant occupancy of at least 318,000 square feet is achieved for a period of three consecutive months, the City and PEDC, shall remit, monthly, thirty-three percent of sales tax received by the City and PEDC to the Developer until paid in full plus interest at eight percent per annum for the first two years following completion of the widening of Broadway and interest at five percent per annum for the subsequent two years. The developer reimbursements funded from sales tax was complete in fiscal year 2016.

Lower Kirby Urban Center Master Plan

On June 10, 2013 Pearland adopted a 20/20 Strategic Plan to create a vision for the community’s future growth. One of the strategies was to implement plans to develop the Lower Kirby Urban Center as Pearland’s most intensive mixed-use employment, residential, and entertainment district. The Lower Kirby Master Plan identified \$48 million in priority construction projects that include drainage, water, sewer, streets, traffic, sidewalks, and streetscape necessary to facilitate development of the area. On March 10, 2014, the City entered into a Master Financing Agreement with Lower Kirby Pearland Management District and Pearland Municipal Management District which outlines the process for the City to advance funds to the District(s) in order to facilitate the development. The City will be reimbursed from the District(s) from bond sales as the area is development and value on the ground. Each project is taken on a case by case basis and is approved via a Letter of Financing Agreement (LFA).

As of September 30, 2015 the following LFA’s have been approved by and between the City and the LKMD and the PMMD#1:

	Cost		Lower Kirby Pearland Management District		Pearland Municipal Management District #1
3/10/2014					
Dentention Pond	\$ 1,900,000	72.3%	\$ 1,373,700	27.7%	\$ 526,300
Master Drainage Plan	127,410	72.3%	92,117	27.7%	35,293
Regional Drainage Plan	183,031	72.3%	132,331	27.7%	50,700
		Subtotal	1,598,148		612,293
9/29/2014					
Hooper Road Reconstruction	\$ 1,500,000	100.0%	1,500,000	0.0%	
8/10/2015					
Kirby Ditch Improvements	\$ 1,784,796	100.0%	1,784,796	0.0%	
8/24/2015					
South Spectrum	\$ 214,137	55.8%	119,462	44.2%	94,676
		Total	<u>\$ 5,002,406</u>		<u>\$ 706,969</u>

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 11 - Commitments and Contingencies (continued)

Lower Kirby Urban Center Master Plan (continued)

City funding for these LFA's is via Reimbursement Agreements with the Pearland Economic Development Corporation, whereby the City gets reimbursed for the cost of these projects by the Corporation; so that the City is not actually out any dollars.

Chapter 380 Economic Development Agreements

Costco Wholesale Corporation is a membership warehouse club that provides a wide selection of merchandise. As of 2014, it is the second largest retailer in the United States and the third largest in the world and the largest membership warehouse club chain in the United States. The City of Pearland has agreed to provide Costco incentives to build a 150,000 square-foot retail warehouse with an attached tire center and free-standing fuel facility. Total investment is estimated at \$33.7M and the project will create approximately 75 full-time and 75 part-time jobs.

The agreement with Costco and the City of Pearland, through a Chapter 380 agreement, is to refund Costco 50% of the 1.0% of sales tax collected by the City at the business location for a period not to exceed 10 years and an amount not to exceed \$750,000. Costco opened in November 2015, with the first payment expected in fiscal year 2016.

Kelsey-Seybold is a large multi-specialty clinic system located in the Greater Houston area and is Houston's largest and most renowned private multi-specialty physician group. The Kelsey System is a major provider of healthcare for NASA and a center for healthcare research. The City of Pearland and Pearland Economic Development Corporation made certain agreements with Kelsey to relocate its administrative headquarters to Shadow Creek Ranch in Pearland. The headquarters is located in a four story, 170,000-square-foot building at the intersection of Shadow Creek Parkway and Kirby Drive. The headquarters had a cost of \$36 million, including the costs for equipment, construction, and fees. Construction began in May 2012 and Kelsey begin operations at the site in October 2013.

The City of Pearland and the Pearland Economic Development Corporation has a 10-year Chapter 380 agreement with Kelsey that allows Kelsey to receive a rebate of 60% of the sales tax remitted by Kelsey and its vendors. The agreement with the City requires a minimum of 600 jobs to be in place as an eligibility factor. To date the City and Corporation have paid \$144,470 in sales tax rebates.

Note 12 - Risk Management

The City 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. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML Workers' Compensation Fund. At fiscal year-end September 30, 2015, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 13 - Capital Lease

The City has a 20-year agreement to lease a facility to the University of Houston Clear Lake (UHCL), which commenced in July 2010. Rent or lease payments are broken into two parts, debt service and operating. For accounting purposes the City has classified the lease as a direct financing lease. Because this lease is recorded in a governmental fund, the receivable is deferred and the distinction between a sales and direct financing lease is not relevant at the fund level.

UHCL has an option to purchase the facility upon the commencement date of July 2010 until the 61st day preceding the 20th anniversary of the commencement date.

The lease payments related to debt service to be received coincide with debt service payments the City is required to make on a bond that matures on March 1, 2029. At September 30, 2015, the future minimum debt service lease payments to be received under the lease are as follows:

Fiscal year ending September 30,	Payment
2016	\$ 643,059
2017	627,598
2018	610,030
2019	594,808
2020	577,349
2021-2025	2,675,108
2026-2029	1,842,859
Total	<u>\$ 7,570,811</u>

Note 14 - Operating Lease

The City has a five-year agreement to lease a portion of the UHCL facility to the Pearland Economic Development Corporation which commenced in July 2010. For accounting purposes the City has classified the lease as an operating lease. The agreement calls for up to three additional five-year terms for a total of 20 years. The rent/lease payments are broken into two parts, debt service and operating.

The debt service lease payments to be received coincide with debt service payments the City is required to make on a bond that matures on March 1, 2029. At September 30, 2015, the future minimum debt service lease payments to be received under the lease are as follows:

Fiscal year ending September 30,	Payment
2016	\$ 108,268
2017	105,665
2018	102,707
2019	100,144
2020	97,205
2021-2025	450,391
2026-2029	310,271
Total	<u>\$ 1,274,651</u>

Note 15 - Subsequent Events

Lease Purchase of Fire Truck and Enterprise Resource Planning (ERP) Software

On September 21, 2015, City Council approved a lease purchase agreement with U.S. Bancorp Government Leasing and Finance Inc. for a fire truck and ERP Software in the amount of \$1,223,293 at a 1.703 percent interest rate with a five-year maturity schedule. The first semi-annual payment is due January 2016 in the amount of \$123,068.46. The annual payment for fiscal year 2016 is \$241,196. The financing was closed in October 2016.

Development Authority Increment Contract Revenue and Refunding Bonds, Series 2015 \$66,030,000

On October 12, 2015, the Development Authority of Pearland and the City approved the issuance of \$66,030,000 in Increment Contract Revenue and Refunding Bonds, Series 2015. A portion of the proceeds, \$45,830,000, was used to refunding the remaining outstanding bonds of Series 2012. The refunding provided a gross savings of \$1.8 million and a net present value savings of \$1.5 million to the Authority. New monies in the amount of \$19,575,000 was used to reimburse the developer for infrastructure in the City's Tax Increment Reinvestment Zone #2, better known as Shadow Creek Ranch with remaining funds used for issuance costs.

Permanent Improvement Refunding Bonds, Series 2015-A, \$10,210,000

On October 12, 2015, City Council approved a bond parameter order to refund a maximum principal amount not to exceed \$15,000,000. Pricing occurred on November 18, 2015 and the City refunded \$10,095,000 in existing debt comprised of three bond issues. The refunding generated a gross savings of \$1.4 million and a net present value savings of \$1.2 million. Annual savings of approximately \$110,267 is seen over thirteen years.

Texas Water Development Board (TWDB) Financing

On October 12, 2015, City Council approved an amended application for Texas Water Development Board funding for the constructions costs related to the Reflection Bay Water Reclamation Facility Expansion and the design and build costs for the temporary wastewater treatment package plant in the amount of \$61.2 million. The Texas Water Development Board approved the financing in January 2016 and it is anticipated that City Council will approve the bond order March 2016 with proceeds received April 2016. The actual amount of the loan will be finalized after the construction bids are received in March 2016, but not to exceed the \$61.2 million. The bonds will be structured with a 30-year maturity level principal for the expansion of the plant and a 10-year maturity level principal for the temporary package plant. TWDB interest that was quoted in January 2015 was 1.44%, 1.2% below the bond market. The interest rate will be finalized a week prior to City Council authorizing the bond.

Water/Sewer Rate Increase

On September 21, 2015, City Council approved increases in the City's water/sewer rates, pursuant to the City's water/sewer rate model and fiscal year 2016 adopted budget. The rate increases were necessary to support the operations of the water/sewer fund, a self-supporting fund, in order to cover all costs of the system including debt, capital, bond coverage and cash reserves. The rate increases are anticipated to generate a 16% increase in revenues of \$4.7 million. The rate increases were effective with October 2015 consumption.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

Note 15 - Subsequent Events (continued)

Recycling Center Operation

On October 12, 2015, the City Council approved an agreement with Keep Pearland Beautiful (KPB) for the operations of the Stella Roberts Recycling Center. KPB will be responsible for minor maintenance and upkeep of the facility and will be responsible for staffing and operating the facility. The agreement will pay \$200,000 to KPB to accommodate for offices and storage requirements and remodeling of the recycling center as well as two operational payments of \$25,000 each. After the second full year of operations the City is anticipated to realize an operational net savings of approximately \$190,000 a year.

Letter of Financing Agreements – Lower Kirby Management District

On November 11, 2015, City Council approved two Letter of Financing Agreements with the Lower Kirby Management District. Resolution 2015-203, amends a previous agreement approved by City Council on August 10, 2015, increasing the amount of the agreement from \$1.785 million to \$1.919 million for Kirby Ditch Improvements. Resolution 2015-204 approves a letter of financing agreement for the design and construction of the North Spectrum Traffic signal in the amount of \$250,000. Simultaneously, reimbursement agreements were entered into by and between the City and the Pearland Economic Development Corporation to fund these Letter of Financing Agreements.

Note 16 - Prior Period Adjustment

The implementation of GASB Statements No. 68 and No. 71 resulted in the restatement of beginning net position for the elimination of the previously reported net pension asset, the recording of the beginning net pension liability and the beginning deferred outflow for contributions made after the measurement date. Prospectively applying this change results in the adjustment below:

	Government-wide Statement of Activities		Fund Level Statement of Revenues, Expenses and Changes in Net Position
	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net position at September 30, 2014, as previously reported	\$ 463,101,636	\$ 205,050,244	\$ 204,638,492
Recording of net pension liability as of September 30, 2014	(13,854,634)	(1,798,618)	(1,798,618)
Deferral for pension contributions made after the measurement date	2,784,601	361,499	361,499
Net position at Septemeber 30, 2014, as restated	<u>\$ 452,031,603</u>	<u>\$ 203,613,125</u>	<u>\$ 203,201,373</u>

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Required Supplementary Information

CITY OF PEARLAND, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 13,197,208	\$ 13,195,853	\$ 13,261,422	\$ 65,569
Sales and use taxes	18,063,535	18,929,697	19,073,940	144,243
Franchise fees	6,646,438	6,635,878	6,663,788	27,910
Licenses and permits	3,922,331	3,928,395	4,544,396	616,001
Fees and forfeitures	3,105,239	2,917,038	2,968,636	51,598
Charges for services	13,984,727	13,674,891	14,228,228	553,337
Investment earnings	84,000	103,000	123,308	20,308
Intergovernmental		11,229	11,229	
Other	527,309	859,362	1,034,745	175,383
Total Revenues	59,530,787	60,255,343	61,909,692	1,654,349
Expenditures				
Current:				
General government	8,605,010	10,005,794	8,828,201	1,177,593
Public safety	34,003,555	33,388,215	31,999,650	1,388,565
Public works	9,971,411	10,127,928	9,024,549	1,103,379
Community services	2,834,699	3,110,499	3,114,754	(4,255)
Parks and recreation	6,728,273	6,360,569	5,678,666	681,903
Debt Service:				
Principal	175,806	175,919	174,935	984
Interest and other charges	40,681	26,038	27,022	(984)
Capital outlay	3,315,287	4,435,374	3,860,304	575,070
Total Expenditures	65,674,722	67,630,336	62,708,081	4,922,255
Excess (deficiency) of revenues over expenditures	(6,143,935)	(7,374,993)	(798,389)	6,576,604
Other Financing Sources (Uses)				
Proceeds from capital leases	1,187,000	1,356,049	574,049	(782,000)
Transfers in	2,676,200	3,456,210	3,456,210	
Transfers out	(1,546,744)	(1,332,134)	(1,332,134)	
Total Other Financing Sources (Uses)	2,316,456	3,480,125	2,698,125	(782,000)
Net change in fund balances	(3,827,479)	(3,894,868)	1,899,736	5,794,604
Fund balances, beginning	19,454,501	19,454,501	19,454,501	
Fund balances, ending	\$ 15,627,022	\$ 15,559,633	\$ 21,354,237	\$ 5,794,604

CITY OF PEARLAND, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Budgetary Compliance

The City has complied with all material budget requirements for the year ended September 30, 2015.

Annual appropriated budgets are adopted for the General, Special Revenue and Debt Service Funds, using the same basis of accounting as for financial reporting. All annual appropriations lapse at fiscal year end. Project length budgets are adopted for the Capital Project Funds. The City, for management control, approves a financial plan for the Enterprise Fund. City Council approves the annual budget for the Pearland Economic Development Corporation, which is included in the City's financial reporting entity.

Expenditures may not legally exceed budgeted appropriations at the fund level (i.e. General Fund, Debt Service Fund, etc.). Expenditure requests, which would require an increase in total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time in the fiscal year, the Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to another activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

Because City Council adopts the budget at the fund level, management has the authority to transfer available funds allocated by the budget from one function/department or activity to another function or activity within the same department. In cooperation with the directors and department heads of the City, the Budget Officer, the Director of Finance and the City Manager prepare an annual budget for the General Fund, Special Revenue Funds and Debt Service Fund for the ensuing fiscal year, in a form and style as deemed desirable by the City Manager. The City Manager shall submit to the Council, for its review, consideration, and revision, both a letter describing the proposed new budget, as well as a balanced budget for the forthcoming fiscal year, between 60 (sixty) and 90 (ninety) days prior to the beginning of the fiscal year. The budget, as adopted, must set forth the appropriations for services, functions, and activities of the various City departments and agencies, and shall meet all fund requirements provided by law and required by bond covenants. Capital projects are budgeted on a project-length basis.

Amounts reported in the accompanying financial statements represent the budgeted amount with all supplemental appropriations.

CITY OF PEARLAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2015

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Changes in Net Pension Liability and Related Ratios

	<u>Measurement Year 2014</u>
Total pension liability	
Service cost	\$ 5,118,873
Interest	7,010,813
Changes of benefit terms	
Difference between expected and actual experience	241,450
Change in assumptions	
Benefit payments, including refunds of employee contributions	<u>(2,729,973)</u>
Net change in total pension liability	9,641,163
Total pension liability - beginning	98,960,025
Total pension liability - ending (a)	<u>\$108,601,188</u>
Plan fiduciary net position:	
Contributions - employer	\$ 4,339,785
Contributions - employee	2,355,095
Net investment income	4,766,828
Benefit payments, including refunds of employee contributions	(2,729,973)
Administrative expense	(49,756)
Other	<u>(4,091)</u>
Net change in plan fiduciary net position	8,677,888
Plan fiduciary net position - beginning	<u>83,306,773</u>
Plan fiduciary net position - ending (b)	<u>91,984,661</u>
Net pension liability - ending (a) - (b)	<u>\$ 16,616,527</u>
Plan fiduciary net position as a percentage of total pension liability	84.70%
Covered employee payroll	\$ 33,615,923
Net pension liability as a percentage of covered employee payroll	49.43%

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.
Net pension liability is calculated using a new methodology and will be presented prospectively in accordance
with GASB 68.

Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

CITY OF PEARLAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2015

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Contributions
Last Ten Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 4,600,419	\$ 4,311,811	\$ 3,780,847	\$ 3,518,289	\$ 3,302,952
Contribution in relation of the actuarially determined contribution	\$ 4,600,419	\$ 4,311,811	\$ 3,780,847	\$ 3,518,289	\$ 3,302,952
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 33,615,923	\$ 30,580,987	\$ 28,876,260	\$ 27,756,555	\$ 26,871,670
Contributions as a percentage of covered employee payroll	13.7%	14.1%	13.1%	12.7%	12.3%
	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 2,995,119	\$ 2,550,976	\$ 2,331,353	\$ 1,907,419	\$ 1,730,700
Contribution in relation of the actuarially determined contribution	\$ 2,995,119	\$ 2,550,976	\$ 2,331,353	\$ 1,907,419	\$ 1,730,700
Contribution deficiency (excess)	-	-	-	-	-
Covered employee payroll	\$ 25,519,548	\$ 25,135,418	\$ 19,967,051	\$ 16,985,950	\$ 15,233,614
Contributions as a percentage of covered employee payroll	11.7%	10.1%	11.7%	11.2%	11.4%

NOTES TO REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

Valuation Date:

Actuarial determined contribution rates are calculated as of December 31st each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	15 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	3.0%
Salary Increases:	3.50% to 12.00% including inflation
Investment Rate of Return:	7.00%
Retirement Age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2010 valuation pursuant to an experience study of the period 2005 – 2009.
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information:

There were no benefit changes during the year.

CITY OF PEARLAND, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2015

CITY OF PEARLAND OTHER POST-EMPLOYMENT BENEFIT OBLIGATION

Schedule of Funding Progress

Actuarial Valuation Date October 1,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2014	\$	\$ 10,328,201	0%	\$ 10,328,201	\$ 33,615,923	31%
2012		8,339,937	0%	8,339,937	28,876,260	29%
2010		6,994,465	0%	6,994,465	26,871,670	26%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION:

While retirees get the benefit of an overall employee blended rate for the Other Post-Employment Benefit Obligation, benefits are funded on a pay-as-you go basis via premiums paid by the retirees and to be paid by future retirees. Therefore, the City does not pay for retiree health insurance directly and there is an implicit subsidy due to the blended rate paid by the retirees. Thus, there is no direct liability due from the City as it does not pay any portion of the retiree's costs. Actuarial valuations are conducted every two years.

Trend information is designed to provide information about the progress made in accumulating sufficient assets to pay benefits when due.

Other Supplementary Information

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**Combining and Individual Fund
Statements and Schedules**

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CITY OF PEARLAND, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS

To account for the proceeds of specific revenue sources that, are legally restricted to expenditures for specific purposes.

Hotel/Motel Tax Fund - A fund created to account for hotel/motel occupancy tax revenue.

Court Security Fund - A fund created to account for the receipt and expenditure of revenues from court fines for court security.

City-Wide Donation Fund - A fund created to account for miscellaneous donations for all city departments except parks.

Court Technology Fund - This fund is used to account for the receipt and expenditure of revenues from court fines for court technology.

Street Assessments Fund – A fund created to account for the revenue and expenditure of street assessments as approved by City Council for a designated street(s).

Park Donation Fund - A fund used to account for park donations for park special events and development of parks. This fund also includes funds from tree trust donations.

Police Seizure Fund - A fund created to account for state and federal seizure funds which are used solely for law enforcement purposes.

Park and Recreation Development Fund - A fund created to account for the receipt and expenditure of payment in lieu of parkland for the development of parks.

Sidewalk Fund - A fund created to account for resources designated for sidewalks.

Grant Fund - A fund created to account for revenues and expenditures associated with federal, state, and local grants.

Traffic Impact Improvement Fund - A fund created to account for resources and expenditures from traffic impact analysis.

Juvenile Management Fund - A fund created to account for receipt and expenditure of revenues from court fines for juvenile case manager.

Pearland Economic Development Corporation Fund - A fund used to account for the revenues and expenditures associated with the half-cent sales tax for economic development approved by the voters in 1995. Use of funds are governed by State Law.

Educational TV Fund – A fund created to account for the revenues and expenditures associated with the purchase of equipment for public-access television broadcasting under rules set forth by the Federal Communications Commission (FCC).

University of Houston (U of H) Fund - A fund created to account for lease revenues and the operating expenditures related to the University of Houston Clear Lake-Pearland Campus built by the City and leased to the University of Houston Clear Lake and the Pearland Economic Development Corporation.

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donation</u>	<u>Court Technology</u>
Assets				
Cash and cash equivalents	\$ 1,409,752	\$ 71,976	\$ 60,124	\$ 31,894
Investments	1,990,456			
Receivables (net of allowance for uncollectibles)	367,621	34		
Due from other governments				
Prepaid items	5,900			
Total Assets	<u>\$ 3,773,729</u>	<u>\$ 72,010</u>	<u>\$ 60,124</u>	<u>\$ 31,894</u>
Liabilities				
Accounts payable	\$ 72,719	\$ 3,061	\$	\$ 38
Accrued expenditures	10,132			
Deposits				
Due to other funds				
Total Liabilities	<u>82,851</u>	<u>3,061</u>	<u></u>	<u>38</u>
Deferred Inflows of Resources				
Unavailable revenue				
Total Deferred Inflows of Resources	<u></u>	<u></u>	<u></u>	<u></u>
Fund Balance				
Non-spendable	5,900			
Restricted for:				
Community development programs	3,684,978	68,949	3,518	
Public safety			56,606	31,856
Capital improvements				
Economic development				
Total Fund Balances	<u>3,690,878</u>	<u>68,949</u>	<u>60,124</u>	<u>31,856</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,773,729</u>	<u>\$ 72,010</u>	<u>\$ 60,124</u>	<u>\$ 31,894</u>

<u>Street Assessments</u>	<u>Park Donation</u>	<u>Police Seizure</u>	<u>Park and Recreation Development</u>
\$	\$ 104,884	\$ 266,148	\$ 739,417 496,161
1,859,583			62
<u>\$ 1,859,583</u>	<u>\$ 104,884</u>	<u>\$ 266,148</u>	<u>\$ 1,235,640</u>
\$	\$	\$ 675	\$
		675	
1,859,583			
1,859,583			
	104,884	265,473	1,235,640
	<u>104,884</u>	<u>265,473</u>	<u>1,235,640</u>
<u>\$ 1,859,583</u>	<u>\$ 104,884</u>	<u>\$ 266,148</u>	<u>\$ 1,235,640</u>

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2015

	<u>Sidewalk</u>	<u>Grant</u>	<u>Traffic Impact Improvement</u>	<u>Juvenile Management</u>
Assets				
Cash and cash equivalents	\$ 17,491	\$	\$ 461,448	\$ 41,399
Investments			248,907	
Receivables (net of allowance for uncollectibles)			121	5
Due from other governments		128,159		
Prepaid items				
Total Assets	<u>\$ 17,491</u>	<u>\$ 128,159</u>	<u>\$ 710,476</u>	<u>\$ 41,404</u>
Liabilities				
Accounts payable	\$	\$ 14,449	\$	\$ 1,757
Accrued expenditures				
Deposits				
Due to other funds		44,456		
Total Liabilities		<u>58,905</u>		<u>1,757</u>
Deferred Inflows of Resources				
Unavailable revenue				
Total Deferred Inflows of Resources				
Fund Balance				
Non-spendable				
Restricted for:				
Community development programs		69,254		
Public safety				39,647
Capital improvements	17,491		710,476	
Economic development				
Total Fund Balances	<u>17,491</u>	<u>69,254</u>	<u>710,476</u>	<u>39,647</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 17,491</u>	<u>\$ 128,159</u>	<u>\$ 710,476</u>	<u>\$ 41,404</u>

Pearland Economic Development Corporation	Educational TV	U of H	Total Non-major Governmental Funds
\$ 5,984,437	\$ 711,773	\$ 294,203	\$ 10,194,946
10,757,438			13,492,962
3,572,242	48,228		5,847,896
		21,193	149,352
			5,900
<u>\$ 20,314,117</u>	<u>\$ 760,001</u>	<u>\$ 315,396</u>	<u>\$ 29,691,056</u>
\$ 151,124	\$ 1,646	\$ 65,212	\$ 310,681
22,830		1,735	34,697
38,333			38,333
			44,456
<u>212,287</u>	<u>1,646</u>	<u>66,947</u>	<u>428,167</u>
<u>1,921,895</u>			<u>3,781,478</u>
<u>1,921,895</u>			<u>3,781,478</u>
			5,900
	758,355	248,449	4,938,387
			393,582
			1,963,607
<u>18,179,935</u>			<u>18,179,935</u>
<u>18,179,935</u>	<u>758,355</u>	<u>248,449</u>	<u>25,481,411</u>
<u>\$ 20,314,117</u>	<u>\$ 760,001</u>	<u>\$ 315,396</u>	<u>\$ 29,691,056</u>

CITY OF PEARLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donation</u>	<u>Court Technology</u>
Revenues				
Sales and use taxes	\$ 1,492,169	\$	\$	\$
Franchise fees				
Fines and forfeitures		53,104		56,174
Charges for services				
Investment earnings	11,348	110	58	26
Intergovernmental				
Other	7,506		30,796	
Total Revenues	<u>1,511,023</u>	<u>53,214</u>	<u>30,854</u>	<u>56,200</u>
Expenditures				
Current:				
General government	817,297			49,656
Public safety			19,897	
Public works				
Community services		101,724		23,121
Parks and recreation				
Economic development				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay			500	
Total Expenditures	<u>817,297</u>	<u>101,724</u>	<u>20,397</u>	<u>72,777</u>
Excess (deficiency) of revenues over expenditures	<u>693,726</u>	<u>(48,510)</u>	<u>10,457</u>	<u>(16,577)</u>
Other Financing				
Sources (Uses)				
Issuance of debt				
Bond premium				
Transfers in				
Transfers out	(1,316)			
Total Other Financing	<u>(1,316)</u>			
Sources (Uses)	<u>(1,316)</u>			
Net change in fund balances	692,410	(48,510)	10,457	(16,577)
Fund balances - beginning	<u>2,998,468</u>	<u>117,459</u>	<u>49,667</u>	<u>48,433</u>
Fund balances - ending	<u>\$ 3,690,878</u>	<u>\$ 68,949</u>	<u>\$ 60,124</u>	<u>\$ 31,856</u>

<u>Street Assessments</u>	<u>Park Donation</u>	<u>Police Seizure</u>	<u>Park and Recreation Development</u>
\$	\$	\$	\$
	170	287	3,216
<u>759,732</u>	<u>131,755</u>	<u>39,868</u>	<u>344,274</u>
<u>759,732</u>	<u>131,925</u>	<u>40,155</u>	<u>347,490</u>
759,732		16,424	
	133,188		
<u>759,732</u>	<u>31,092</u>	<u>16,424</u>	<u>347,490</u>
	<u>164,280</u>		
	<u>(32,355)</u>	<u>23,731</u>	<u>347,490</u>
	<u>(31,100)</u>		<u>(100,000)</u>
	<u>(31,100)</u>		<u>(100,000)</u>
	<u>(63,455)</u>	<u>23,731</u>	<u>247,490</u>
	<u>168,339</u>	<u>241,742</u>	<u>988,150</u>
<u>\$</u>	<u>\$ 104,884</u>	<u>\$ 265,473</u>	<u>\$ 1,235,640</u>

CITY OF PEARLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2015

	<u>Sidewalk</u>	<u>Grant</u>	<u>Traffic Impact Improvement</u>	<u>Juvenile Management</u>
Revenues				
Sales and use taxes	\$	\$	\$	\$
Franchise fees				
Fines and forfeitures				30,320
Charges for services				
Investment earnings	236	37	3,770	55
Intergovernmental		405,083		
Other			34,188	
Total Revenues	<u>236</u>	<u>405,120</u>	<u>37,958</u>	<u>30,375</u>
Expenditures				
Current:				
General government				
Public safety		192,716		
Public works	8,520			
Community services		94,302		44,240
Parks and recreation		11,072		
Economic development				
Debt Service:				
Principal				
Interest and other charges				
Capital outlay		107,278		
Total Expenditures	<u>8,520</u>	<u>405,368</u>		<u>44,240</u>
Excess (deficiency) of revenues over expenditures	<u>(8,284)</u>	<u>(248)</u>	<u>37,958</u>	<u>(13,865)</u>
Other Financing				
Sources (Uses)				
Issuance of debt				
Bond premium				
Transfers in				
Transfers out	(217,224)		(91)	
Total Other Financing				
Sources (Uses)	<u>(217,224)</u>		<u>(91)</u>	
Net change in fund balances	(225,508)	(248)	37,867	(13,865)
Fund balances - beginning	<u>242,999</u>	<u>69,502</u>	<u>672,609</u>	<u>53,512</u>
Fund balances - ending	<u>\$ 17,491</u>	<u>\$ 69,254</u>	<u>\$ 710,476</u>	<u>\$ 39,647</u>

Pearland Economic Development Corporation	Educational TV	U of H	Total Non-major Governmental Funds
\$ 9,403,602	\$ 307,217	\$	\$ 10,895,771
			307,217
			139,598
433,165			433,165
151,991	654	303	172,261
775,504		254,368	1,434,955
9,069		86,153	1,443,341
<u>10,773,331</u>	<u>307,871</u>	<u>340,824</u>	<u>14,826,308</u>
			1,626,685
			229,037
		340,544	349,064
	30,094		293,481
			144,260
3,250,595			3,250,595
7,425,000			7,425,000
1,073,288			1,073,288
	6,846		145,716
<u>11,748,883</u>	<u>36,940</u>	<u>340,544</u>	<u>14,537,126</u>
<u>(975,552)</u>	<u>270,931</u>	<u>280</u>	<u>289,182</u>
		8,041	8,041
			(349,731)
		8,041	(341,690)
(975,552)	270,931	8,321	(52,508)
19,155,487	487,424	240,128	25,533,919
<u>\$ 18,179,935</u>	<u>\$ 758,355</u>	<u>\$ 248,449</u>	<u>\$ 25,481,411</u>

CITY OF PEARLAND, TEXAS

MAJOR GOVERNMENTAL FUND - DEBT SERVICE FUND

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Property taxes	\$ 28,597,935	\$ 28,757,970	\$ 160,035	\$ 27,131,534
Investment earnings	36,561	47,779	11,218	37,272
Intergovernmental	653,322	653,322		663,540
Miscellaneous	110,153	115,393	5,240	111,856
Total Revenues	29,397,971	29,574,464	176,493	27,944,202
Expenditures				
Debt Service:				
Principal	12,389,634	12,389,612	22	11,575,162
Interest and other charges	12,846,130	12,978,019	(131,889)	13,102,430
Intergovernmental	4,792,373	4,792,379	(6)	4,307,496
Total Expenditures	30,028,137	30,160,010	(131,873)	28,985,088
Excess (deficiency) of revenues over expenditures	(630,166)	(585,546)	44,620	(1,040,886)
Other Financing Sources (Uses)				
Proceeds from long-term debt	47,165,000	47,165,000		29,720,000
Premium on general obligation debt	7,608,103	7,608,103		3,778,000
Payments to refunding escrow agent	(54,303,290)	(54,303,290)		(33,182,437)
Transfers in	613,411	613,411		618,439
Total Other Financing Sources (Use)	1,083,224	1,083,224		934,002
Net change in fund balance	453,058	497,678	44,620	(106,884)
Fund Balances - Beginning	4,535,937	4,535,937		4,642,821
Fund Balances - Ending	\$ 4,988,995	\$ 5,033,615	\$ 44,620	\$ 4,535,937

CITY OF PEARLAND, TEXAS**SPECIAL REVENUE FUND - HOTEL/MOTEL TAX****SCHEDULE OF REVENUES, EXPENDITURES, AND****CHANGES IN FUND BALANCE - BUDGET AND ACTUAL***For the Year Ended September 30, 2015**with comparative actual totals for the year ended September 30, 2014*

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Sales and use taxes	\$ 1,507,942	\$ 1,492,169	\$ (15,773)	\$ 1,404,306
Investment earnings	10,092	11,348	1,256	4,079
Other	3,066	7,506	4,440	80,990
Total Revenues	<u>1,521,100</u>	<u>1,511,023</u>	<u>(10,077)</u>	<u>1,489,375</u>
Expenditures				
Current:				
General government	916,631	817,297	99,334	708,755
Capital outlay				53,304
Total Expenditures	<u>916,631</u>	<u>817,297</u>	<u>99,334</u>	<u>762,059</u>
Excess (deficiency) of revenues over expenditures	<u>604,469</u>	<u>693,726</u>	<u>89,257</u>	<u>727,316</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,316)</u>	<u>(1,316)</u>		
Net change in fund balance	603,153	692,410	89,257	727,316
Fund Balances - Beginning	<u>2,998,468</u>	<u>2,998,468</u>		<u>2,271,152</u>
Fund Balances - Ending	<u>\$ 3,601,621</u>	<u>\$ 3,690,878</u>	<u>\$ 89,257</u>	<u>\$ 2,998,468</u>

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - COURT SECURITY

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance	
	Final Budget	Actual	Positive / (Negative)	2014
Revenues				
Fines and forfeitures	\$ 52,802	\$ 53,104	\$ 302	\$ 53,213
Investment earnings	130	110	(20)	180
Total Revenues	<u>52,932</u>	<u>53,214</u>	<u>282</u>	<u>53,393</u>
Expenditures				
Current:				
Community services	<u>104,337</u>	<u>101,724</u>	<u>2,613</u>	<u>65,542</u>
Total Expenditures	<u>104,337</u>	<u>101,724</u>	<u>2,613</u>	<u>65,542</u>
Net change in fund balance	(51,405)	(48,510)	2,895	(12,149)
Fund Balances - Beginning	<u>117,459</u>	<u>117,459</u>		<u>129,608</u>
Fund Balances - Ending	<u>\$ 66,054</u>	<u>\$ 68,949</u>	<u>\$ 2,895</u>	<u>\$ 117,459</u>

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - CITY-WIDE DONATION

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	<u>2015</u>		Variance Positive / (Negative)	<u>2014</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
Investment earnings	\$ 53	\$ 58	\$ 5	\$ 104
Other income	<u>27,856</u>	<u>30,796</u>	<u>2,940</u>	<u>40,775</u>
Total Revenues	<u>27,909</u>	<u>30,854</u>	<u>2,945</u>	<u>40,879</u>
Expenditures				
Current:				
Public safety	19,895	19,897	(2)	17,433
Capital outlay	<u>500</u>	<u>500</u>		<u>44,116</u>
Total Expenditures	<u>20,395</u>	<u>20,397</u>	<u>(2)</u>	<u>61,549</u>
Excess (deficiency) of revenues over expenditures	<u>7,514</u>	<u>10,457</u>	<u>2,943</u>	<u>(20,670)</u>
Other Financing Sources (Uses)				
Transfers out				<u>(21,000)</u>
Net change in fund balance	7,514	10,457	2,943	(41,670)
Fund Balances - Beginning	<u>49,667</u>	<u>49,667</u>		<u>91,337</u>
Fund Balances - Ending	<u>\$ 57,181</u>	<u>\$ 60,124</u>	<u>\$ 2,943</u>	<u>\$ 49,667</u>

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - COURT TECHNOLOGY

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Fines and forfeitures	\$ 60,000	\$ 56,174	\$ (3,826)	\$ 60,846
Investment earnings	25	26	1	202
Total Revenues	<u>60,025</u>	<u>56,200</u>	<u>(3,825)</u>	<u>61,048</u>
Expenditures				
Current:				
General government	46,691	49,656	(2,965)	
Community services	23,215	23,121	94	37,945
Capital Outlay	15,951		15,951	258,105
Total Expenditures	<u>85,857</u>	<u>72,777</u>	<u>13,080</u>	<u>296,050</u>
Net change in fund balance	(25,832)	(16,577)	9,255	(235,002)
Fund Balances - Beginning	<u>48,433</u>	<u>48,433</u>		<u>283,435</u>
Fund Balances - Ending	<u>\$ 22,601</u>	<u>\$ 31,856</u>	<u>\$ 9,255</u>	<u>\$ 48,433</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - STREET ASSESSMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$	\$	\$	\$
Other	756,643	759,732	3,089	62,588
Total Revenues	<u>756,643</u>	<u>759,732</u>	<u>3,089</u>	<u>62,588</u>
Expenditures				
Current:				
General government	756,643	759,732	(3,089)	62,588
Total Expenditures	<u>756,643</u>	<u>759,732</u>	<u>(3,089)</u>	<u>62,588</u>
Net change in fund balance				
Fund Balances - Beginning	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - PARK DONATION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 165	\$ 170	\$ 5	\$ 258
Other	101,000	131,755	30,755	111,529
Total Revenues	<u>101,165</u>	<u>131,925</u>	<u>30,760</u>	<u>111,787</u>
Expenditures				
Current:				
Parks and recreation	186,431	133,188	53,243	133,052
Capital outlay	31,616	31,092	524	
Total Expenditures	<u>218,047</u>	<u>164,280</u>	<u>53,767</u>	<u>133,052</u>
Excess (deficiency) of revenues over expenditures	<u>(116,882)</u>	<u>(32,355)</u>	<u>84,527</u>	<u>(21,265)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(31,100)</u>	<u>(31,100)</u>		
Net change in fund balance	(147,982)	(63,455)	84,527	(21,265)
Fund Balances - Beginning	<u>168,339</u>	<u>168,339</u>		<u>189,604</u>
Fund Balances - Ending	<u>\$ 20,357</u>	<u>\$ 104,884</u>	<u>\$ 84,527</u>	<u>\$ 168,339</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - POLICE SEIZURE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 260	\$ 287	\$ 27	\$ 352
Other	32,528	39,868	7,340	118,233
Total Revenues	<u>32,788</u>	<u>40,155</u>	<u>7,367</u>	<u>118,585</u>
Expenditures				
Current:				
Public safety	18,150	16,424	1,726	72,342
Capital outlay				46,000
Total Expenditures	<u>18,150</u>	<u>16,424</u>	<u>1,726</u>	<u>118,342</u>
Net change in fund balance	14,638	23,731	9,093	243
Fund Balances - Beginning	<u>241,742</u>	<u>241,742</u>		<u>241,499</u>
Fund Balances - Ending	<u>\$ 256,380</u>	<u>\$ 265,473</u>	<u>\$ 9,093</u>	<u>\$ 241,742</u>

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - PARK AND RECREATION DEVELOPMENT

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 2,150	\$ 3,216	\$ 1,066	\$ 1,942
Other	292,308	344,274	51,966	292,379
Total Revenues	294,458	347,490	53,032	294,321
Expenditures				
Current:				
Parks and recreation	38,250		38,250	
Capital outlay	93,967		93,967	35,590
Total Expenditures	132,217		132,217	35,590
Excess (deficiency) of revenues over expenditures	162,241	347,490	185,249	258,731
Other Financing Sources (Uses)				
Transfers out	(105,000)	(100,000)	5,000	(66,500)
Total Other Financing Sources (Uses)	(105,000)	(100,000)	5,000	(66,500)
Net change in fund balance	57,241	247,490	190,249	192,231
Fund Balances - Beginning	988,150	988,150		795,919
Fund Balances - Ending	\$ 1,045,391	\$ 1,235,640	\$ 190,249	\$ 988,150

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - SIDEWALK

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 240	\$ 236	\$ (4)	\$ 351
Other				33,390
Total Revenues	<u>240</u>	<u>236</u>	<u>(4)</u>	<u>33,741</u>
Expenditures				
Current:				
Public works	8,520	8,520		1,890
Total Expenditures	<u>8,520</u>	<u>8,520</u>		<u>1,890</u>
Excess (deficiency) of revenues over expenditures	<u>(8,280)</u>	<u>(8,284)</u>	<u>(4)</u>	<u>31,851</u>
Other Financing Sources (Uses)				
Transfers out	(217,224)	(217,224)		(14,652)
Total Other Financing Sources (Uses)	<u>(217,224)</u>	<u>(217,224)</u>		<u>(14,652)</u>
Net change in fund balance	(225,504)	(225,508)	(4)	17,199
Fund Balances - Beginning	<u>242,999</u>	<u>242,999</u>		<u>225,800</u>
Fund Balances - Ending	<u>\$ 17,495</u>	<u>\$ 17,491</u>	<u>\$ (4)</u>	<u>\$ 242,999</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - GRANT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015			2014
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 14	\$ 37	\$ 23	\$
Intergovernmental	1,507,228	405,083	(1,102,145)	848,339
Total Revenues	<u>1,507,242</u>	<u>405,120</u>	<u>(1,102,122)</u>	<u>848,339</u>
Expenditures				
Current:				
General government	3,100		3,100	11,993
Public safety	224,377	192,716	31,661	284,075
Community service	328,875	94,302	234,573	417,012
Parks and recreation		11,072	(11,072)	
Capital outlay	292,889	107,278	185,611	112,061
Total Expenditures	<u>849,241</u>	<u>405,368</u>	<u>443,873</u>	<u>825,141</u>
Excess (deficiency) of revenues over expenditures	<u>658,001</u>	<u>(248)</u>	<u>(658,249)</u>	<u>23,198</u>
Other Financing Sources (Uses)				
Transfers in				
Transfers out	(663,350)		663,350	
Total other financing sources (uses)	<u>(663,350)</u>		<u>663,350</u>	
Net change in fund balance	(5,349)	(248)	5,101	23,198
Fund Balances - Beginning	<u>69,502</u>	<u>69,502</u>		<u>46,304</u>
Fund Balances - Ending	<u>\$ 64,153</u>	<u>\$ 69,254</u>	<u>\$ 5,101</u>	<u>\$ 69,502</u>

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - TRAFFIC IMPACT IMPROVEMENT

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 2,911	\$ 3,770	\$ 859	\$ 2,488
Other	8,781	34,188	25,407	40,850
Total Revenues	<u>11,692</u>	<u>37,958</u>	<u>26,266</u>	<u>43,338</u>
Expenditures				
Current:				
Public works	93,548		93,548	
Total Expenditures	<u>93,548</u>		<u>93,548</u>	
Excess (deficiency) of revenues over expenditures	<u>(81,856)</u>	<u>37,958</u>	<u>119,814</u>	<u>43,338</u>
Other Financing Sources/(Uses)				
Transfers out	(91)	(91)		(10,625)
Net change in fund balance	(81,947)	37,867	119,814	32,713
Fund Balances - Beginning	<u>672,609</u>	<u>672,609</u>		<u>639,896</u>
Fund Balances - Ending	<u>\$ 590,662</u>	<u>\$ 710,476</u>	<u>\$ 119,814</u>	<u>\$ 672,609</u>

CITY OF PEARLAND, TEXAS

SPECIAL REVENUE FUND - JUVENILE MANAGEMENT

SCHEDULE OF REVENUES, EXPENDITURES, AND

CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

For the Year Ended September 30, 2015

with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Fines and Forfeitures	\$ 37,000	\$ 30,320	\$ (6,680)	\$ 36,066
Investment earnings	65	55	(10)	86
Total Revenues	<u>37,065</u>	<u>30,375</u>	<u>(6,690)</u>	<u>36,152</u>
Expenditures				
Current:				
Community services	44,572	44,240	332	43,139
Total Expenditures	<u>44,572</u>	<u>44,240</u>	<u>332</u>	<u>43,139</u>
Net change in fund balance	(7,507)	(13,865)	(6,358)	(6,987)
Fund Balances - Beginning	<u>53,512</u>	<u>53,512</u>		<u>60,499</u>
Fund Balances - Ending	<u>\$ 46,005</u>	<u>\$ 39,647</u>	<u>\$ (6,358)</u>	<u>\$ 53,512</u>

CITY OF PEARLAND, TEXAS
MAJOR GOVERNMENTAL FUND - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 47,067	\$ 75,913	\$ 28,846	\$ 24,804
Intergovernmental	16,591,670	1,097,268	(15,494,402)	712,409
Other income	5,751,527	4,482,428	(1,269,099)	990,299
Total Revenues	22,390,264	5,655,609	(16,734,655)	1,727,512
Expenditures				
Current:				
Public works	835,995	924,517	(88,522)	172,618
Debt Service				
Interest and other charges	333,983	357,492	(23,509)	111,564
Capital outlay	26,905,151	20,464,495	6,440,656	10,747,763
Total Expenditures	28,075,129	21,746,504	6,328,625	11,031,945
Excess (deficiency) of revenues over expenditures	(5,684,865)	(16,090,895)	(10,406,030)	(9,304,433)
Other Financing Sources (Uses)				
Issuance of debt	18,361,089	17,980,000	(381,089)	10,690,000
Premium on debt issued		445,228	445,228	1,005,606
Sale of capital assets	518,321	3,157,291	2,638,970	
Transfers in	990,751	298,415	(692,336)	630,874
Transfers out	(884,669)	(884,669)		(1,942,825)
Total Other Financing Sources (Uses)	18,985,492	20,996,265	2,010,773	10,383,655
Net change in fund balance	13,300,627	4,905,370	(8,395,257)	1,079,222
Fund Balances - Beginning	15,614,809	15,614,809		14,535,587
Fund Balances - Ending	\$ 28,915,436	\$ 20,520,179	\$ (8,395,257)	\$ 15,614,809

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - EDUCATIONAL TV
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 660	\$ 654	\$ (6)	\$ 473
Franchise taxes	300,000	307,217	7,217	269,915
Total Revenues	300,660	307,871	7,211	270,388
Expenditures				
Current:				
Community services	35,063	30,094	4,969	37,877
Capital outlay	6,846	6,846		5,601
Total Expenditures	41,909	36,940	4,969	43,478
Net change in fund balance	258,751	270,931	12,180	226,910
Fund Balances - Beginning	487,424	487,424		260,514
Fund Balances - Ending	\$ 746,175	\$ 758,355	\$ 12,180	\$ 487,424

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - U OF H
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2015
with comparative actual totals for the year ended September 30, 2014

	2015		Variance Positive / (Negative)	2014
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 300	\$ 303	\$ 3	\$ 370
Intergovernmental	254,427	254,368	(59)	237,528
Other	85,489	86,153	664	81,786
Total Revenues	340,216	340,824	608	319,684
Expenditures				
Current:				
Public works	339,916	340,544	(628)	325,052
Total Expenditures	339,916	340,544	(628)	325,052
Excess (deficiency) of revenues over expenditures	300	280	(20)	(5,368)
Other Financing Sources (Uses)				
Transfers in	8,041	8,041		5,717
Transfers out				
Total Other Financing Sources (Uses)	8,041	8,041		5,717
Net change in fund balance	8,341	8,321	(20)	349
Fund Balances - Beginning	240,128	240,128		239,779
Fund Balances - Ending	\$ 248,469	\$ 248,449	\$ (20)	\$ 240,128

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Long-Term Debt Amortization Schedules

CITY OF PEARLAND, TEXAS
 COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
 BY MATURITY DATE
 September 30, 2015

Fiscal Year	Permanent Improvement & Refunding Bonds, Series 2005			Permanent Improvement & Refunding Bonds, Series 2006		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 940,000	\$ 23,500	\$ 963,500	\$ 445,000	\$ 395,978	\$ 840,978
2017				460,000	377,025	837,025
2018				480,000	357,050	837,050
2019				335,000	339,313	674,313
2020				370,000	322,525	692,525
2021				395,000	303,400	698,400
2022				420,000	283,025	703,025
2023				535,000	259,150	794,150
2024				535,000	232,400	767,400
2025				565,000	204,900	769,900
2026				595,000	175,900	770,900
2027				630,000	146,063	776,063
2028				920,000	109,250	1,029,250
2029				1,840,000	43,700	1,883,700
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 940,000</u>	<u>\$ 23,500</u>	<u>\$ 963,500</u>	<u>\$ 8,525,000</u>	<u>\$ 3,549,678</u>	<u>\$ 12,074,678</u>

Fiscal Year	Certificates of Obligation, Series 2006			Permanent Improvement & Refunding Bonds, Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 395,000	\$ 27,075	\$ 422,075	\$ 2,345,000	\$ 1,819,981	\$ 4,164,981
2017	405,000	8,353	413,353	2,460,000	1,699,856	4,159,856
2018				2,220,000	1,582,856	3,802,856
2019				3,830,000	1,431,606	5,261,606
2020				3,005,000	1,268,244	4,273,244
2021				3,125,000	1,130,319	4,255,319
2022				3,250,000	986,881	4,236,881
2023				2,900,000	848,506	3,748,506
2024				3,030,000	715,081	3,745,081
2025				2,220,000	598,344	2,818,344
2026				2,225,000	501,109	2,726,109
2027				2,320,000	397,338	2,717,338
2028				1,325,000	310,769	1,635,769
2029				1,370,000	246,763	1,616,763
2030				1,500,000	178,600	
2031				1,515,000	106,994	
2032				1,495,000	35,506	
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 800,000</u>	<u>\$ 35,428</u>	<u>\$ 835,428</u>	<u>\$ 40,135,000</u>	<u>\$ 13,858,753</u>	<u>\$ 49,162,653</u>

Certificates of Obligation, Series 2007

Permanent Improvement Bonds, Series 2008

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 400,000	\$ 437,500	\$ 837,500	\$ 325,000	\$ 744,650	\$ 1,069,650
2017	450,000	415,188	865,188	340,000	725,025	1,065,025
2018	1,005,000	376,994	1,381,994	360,000	710,525	1,070,525
2019		350,613	350,613	405,000	691,400	1,096,400
2020		350,613	350,613		681,275	681,275
2021		350,613	350,613		681,275	681,275
2022		350,613	350,613		681,275	681,275
2023		350,613	350,613		681,275	681,275
2024		350,613	350,613		681,275	681,275
2025		350,613	350,613		681,275	681,275
2026		350,613	350,613		681,275	681,275
2027	1,580,000	324,938	1,904,938		681,275	681,275
2028	1,660,000	272,288	1,932,288		681,275	681,275
2029	1,745,000	216,956	1,961,956	730,000	664,850	1,394,850
2030	1,540,000	163,575	1,703,575	4,530,000	543,669	5,073,669
2031	1,600,000	104,550	1,704,550	4,705,000	330,109	5,035,109
2032	1,660,000	35,275	1,695,275	4,785,000	110,653	4,895,653
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 11,640,000</u>	<u>\$ 5,152,163</u>	<u>\$ 16,792,163</u>	<u>\$ 16,180,000</u>	<u>\$ 10,652,356</u>	<u>\$ 26,832,356</u>

Certificates of Obligation, Series 2008

Permanent Improvement and Refunding Bonds,
Series 2009

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 150,000	\$ 388,019	\$ 538,019	\$ 420,000	\$ 615,918	\$ 1,035,918
2017	160,000	381,819	541,819	435,000	599,267	1,034,267
2018	165,000	375,319	540,319	455,000	578,154	1,033,154
2019	185,000	368,319	553,319	590,000	557,888	1,147,888
2020	195,000	360,719	555,719	615,000	537,864	1,152,864
2021	205,000	352,591	557,591	635,000	517,075	1,152,075
2022	215,000	343,794	558,794	655,000	494,490	1,149,490
2023	225,000	334,388	559,388	680,000	470,120	1,150,120
2024	240,000	324,300	564,300	705,000	444,321	1,149,321
2025	250,000	313,550	563,550	735,000	416,954	1,151,954
2026	290,000	301,525	591,525	765,000	387,505	1,152,505
2027	305,000	287,375	592,375	795,000	356,305	1,151,305
2028	320,000	271,750	591,750	825,000	323,492	1,148,492
2029	335,000	255,375	590,375	865,000	288,415	1,153,415
2030	1,335,000	213,625	1,548,625	835,000	249,375	1,084,375
2031	1,675,000	138,375	1,813,375	945,000	204,875	1,149,875
2032	1,930,000	48,250	1,978,250	1,090,000	154,000	1,244,000
2033				1,235,000	95,875	1,330,875
2034				1,300,000	32,500	1,332,500
2035						
2036						
2037						
2038						
	<u>\$ 8,180,000</u>	<u>\$ 5,059,091</u>	<u>\$ 13,239,091</u>	<u>\$ 14,580,000</u>	<u>\$ 7,324,393</u>	<u>\$ 21,904,393</u>

CITY OF PEARLAND, TEXAS
 COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
 BY MATURITY DATE
 September 30, 2015

Certificates of Obligation, Series 2009

Certificates of Obligation, Series 2009A

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 240,000	\$ 332,903	\$ 572,903	\$ 640,000	\$ 324,965	\$ 964,965
2017	245,000	325,703	570,703	640,000	301,765	941,765
2018	255,000	317,128	572,128	640,000	275,403	915,403
2019	320,000	307,565	627,565	640,000	252,560	892,560
2020	325,000	294,765	619,765	635,000	231,361	866,361
2021	340,000	281,765	621,765	640,000	210,163	850,163
2022	350,000	268,165	618,165	640,000	187,763	827,763
2023	365,000	253,815	618,815	640,000	164,403	804,403
2024	385,000	238,303	623,303	640,000	140,563	780,563
2025	400,000	221,363	621,363	635,000	116,339	751,339
2026	420,000	203,363	623,363	640,000	91,315	731,315
2027	440,000	183,938	623,938	640,000	65,715	705,715
2028	465,000	163,038	628,038	635,000	39,898	674,898
2029	485,000	139,788	624,788	640,000	13,440	653,440
2030	415,000	116,750	531,750			
2031	410,000	96,000	506,000			
2032	475,000	75,500	550,500			
2033	505,000	51,750	556,750			
2034	530,000	26,500	556,500			
2035						
2036						
2037						
2038						
	<u>\$ 7,370,000</u>	<u>\$ 3,898,098</u>	<u>\$ 11,268,098</u>	<u>\$ 8,945,000</u>	<u>\$ 2,415,650</u>	<u>\$ 11,360,650</u>

Permanent Improvement Bonds, Series 2010A

Permanent Improvement Bonds, Series 2010B

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 380,000	\$ 388,353	\$ 768,353	\$ 225,000	\$ 14,400	\$ 239,400
2017	390,000	378,703	768,703	240,000	6,300	246,300
2018	400,000	366,853	766,853	90,000	1,350	91,350
2019	415,000	354,628	769,628			
2020	425,000	342,028	767,028			
2021	440,000	329,053	769,053			
2022	455,000	315,059	770,059			
2023	465,000	300,109	765,109			
2024	485,000	284,065	769,065			
2025	500,000	265,578	765,578			
2026	520,000	246,153	766,153			
2027	540,000	226,603	766,603			
2028	560,000	205,558	765,558			
2029	585,000	182,938	767,938			
2030	610,000	159,038	769,038			
2031	635,000	133,344	768,344			
2032	660,000	105,825	765,825			
2033	690,000	77,138	767,138			
2034	720,000	47,175	767,175			
2035	750,000	15,938	765,938			
2036						
2037						
2038						
	<u>\$ 10,625,000</u>	<u>\$ 4,724,131</u>	<u>\$ 15,349,131</u>	<u>\$ 555,000</u>	<u>\$ 22,050</u>	<u>\$ 577,050</u>

**BC MUD #4
Unlimited Tax Bonds, Series 2011**

Permanent Improvement Bonds, Series 2011

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 130,000	\$ 90,888	\$ 220,888	\$ 155,000	\$ 184,031	\$ 339,031
2017	130,000	87,313	217,313	165,000	177,631	342,631
2018	130,000	83,575	213,575	170,000	170,931	340,931
2019	130,000	79,350	209,350	175,000	164,031	339,031
2020	130,000	74,800	204,800	185,000	156,831	341,831
2021	130,000	69,925	199,925	190,000	149,331	339,331
2022	130,000	64,725	194,725	200,000	141,531	341,531
2023	130,000	59,444	189,444	205,000	134,456	339,456
2024	130,000	54,081	184,081	210,000	128,231	338,231
2025	130,000	48,475	178,475	220,000	121,506	341,506
2026	130,000	42,625	172,625	225,000	114,275	339,275
2027	130,000	36,645	166,645	235,000	106,506	341,506
2028	130,000	30,535	160,535	245,000	98,106	343,106
2029	130,000	24,360	154,360	250,000	88,819	338,819
2030	130,000	18,120	148,120	260,000	78,619	338,619
2031	130,000	11,750	141,750	275,000	67,919	342,919
2032	170,000	4,250	174,250	285,000	56,719	341,719
2033				295,000	45,119	340,119
2034				305,000	33,119	338,119
2035				320,000	20,419	340,419
2036				335,000	6,909	341,909
2037						
2038						
	<u>\$ 2,250,000</u>	<u>\$ 880,860</u>	<u>\$ 3,130,860</u>	<u>\$ 4,905,000</u>	<u>\$ 2,245,041</u>	<u>\$ 7,150,041</u>

Certificates of Obligation, Series 2011

**Permanent Improvement Refunding Bonds,
Series 2012**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 210,000	\$ 24,035	\$ 234,035	\$ 1,955,000	\$ 1,489,975	\$ 3,444,975
2017	205,000	19,698	224,698	2,625,000	1,388,600	4,013,600
2018	210,000	15,362	225,362	2,690,000	1,282,300	3,972,300
2019	210,000	10,973	220,973	3,210,000	1,164,300	4,374,300
2020	210,000	6,584	216,584	2,200,000	1,056,100	3,256,100
2021	210,000	2,195	212,195	2,340,000	965,300	3,305,300
2022				2,680,000	864,900	3,544,900
2023				2,840,000	754,500	3,594,500
2024				2,720,000	643,300	3,363,300
2025				4,520,000	521,100	5,041,100
2026				4,540,000	385,200	4,925,200
2027				3,035,000	271,575	3,306,575
2028				5,355,000	145,725	5,500,725
2029				2,180,000	32,700	2,212,700
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 1,255,000</u>	<u>\$ 78,845</u>	<u>\$ 1,333,845</u>	<u>\$ 42,890,000</u>	<u>\$ 10,965,575</u>	<u>\$ 53,855,575</u>

CITY OF PEARLAND, TEXAS
 COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
 BY MATURITY DATE
 September 30, 2015

Permanent Improvement Bonds , Series 2013

Certificates of Obligation, Series 2013

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 295,000	\$ 362,093	\$ 657,093	\$ 85,000	\$ 110,063	\$ 195,063
2017	305,000	351,568	656,568	85,000	107,513	192,513
2018	305,000	339,368	644,368	85,000	104,963	189,963
2019	320,000	326,868	646,868	90,000	102,338	192,338
2020	320,000	314,068	634,068	100,000	98,988	198,988
2021	330,000	301,068	631,068	100,000	94,488	194,488
2022	330,000	287,868	617,868	100,000	89,488	189,488
2023	340,000	274,468	614,468	100,000	84,488	184,488
2024	350,000	260,668	610,668	100,000	79,488	179,488
2025	360,000	246,468	606,468	110,000	74,238	184,238
2026	370,000	231,868	601,868	110,000	69,288	179,288
2027	370,000	217,068	587,068	110,000	64,888	174,888
2028	380,000	202,068	582,068	110,000	60,488	170,488
2029	390,000	186,424	576,424	120,000	55,738	175,738
2030	400,000	169,880	569,880	120,000	50,563	170,563
2031	410,000	152,411	562,411	120,000	45,313	165,313
2032	420,000	134,203	554,203	120,000	40,063	160,063
2033	430,000	115,288	545,288	130,000	34,513	164,513
2034	440,000	95,713	535,713	130,000	28,663	158,663
2035	450,000	75,688	525,688	130,000	22,813	152,813
2036	460,000	55,213	515,213	140,000	16,650	156,650
2037	480,000	33,763	513,763	140,000	10,175	150,175
2038	490,000	11,331	501,331	150,000	3,469	153,469
	<u>\$ 8,745,000</u>	<u>\$ 4,745,414</u>	<u>\$ 13,490,414</u>	<u>\$ 2,585,000</u>	<u>\$ 1,448,669</u>	<u>\$ 4,033,669</u>

Permanent Improvement & Refunding Bonds,
 Series 2014

Certificates of Obligation, Series 2014

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,735,000	\$ 1,662,831	\$ 3,397,831	\$ 235,000	\$ 124,944	\$ 359,944
2017	1,020,000	1,630,181	2,650,181	230,000	119,119	349,119
2018	1,085,000	1,603,231	2,688,231	230,000	114,519	344,519
2019	1,240,000	1,573,031	2,813,031	230,000	109,919	339,919
2020	2,310,000	1,508,281	3,818,281	230,000	105,319	335,319
2021	2,415,000	1,401,706	3,816,706	230,000	100,719	330,719
2022	2,510,000	1,284,831	3,794,831	230,000	96,119	326,119
2023	3,165,000	1,149,206	4,314,206	230,000	90,369	320,369
2024	2,710,000	1,002,331	3,712,331	230,000	82,319	312,319
2025	2,830,000	863,831	3,693,831	235,000	73,019	308,019
2026	3,055,000	716,706	3,771,706	230,000	63,719	293,719
2027	4,120,000	537,331	4,657,331	235,000	55,594	290,594
2028	3,145,000	385,191	3,530,191	235,000	48,544	283,544
2029	5,860,000	218,850	6,078,850	230,000	41,425	271,425
2030	535,000	90,950	625,950	230,000	34,238	264,238
2031	535,000	69,550	604,550	230,000	26,906	256,906
2032	535,000	48,150	583,150	230,000	19,431	249,431
2033	535,000	28,088	563,088	230,000	11,813	241,813
2034	535,000	9,363	544,363	235,000	3,966	238,966
2035						
2036						
2037						
2038						
	<u>\$ 39,875,000</u>	<u>\$ 15,783,641</u>	<u>\$ 55,658,641</u>	<u>\$ 4,395,000</u>	<u>\$ 1,321,997</u>	<u>\$ 5,716,997</u>

**Permanent Improvement Refunding Bonds, Series
2015**

Permanent Improvement Bonds, Series 2015

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$	\$ 2,096,919	\$ 2,096,919	\$ 425,000	\$ 222,527	\$ 647,527
2017	320,000	2,093,719	2,413,719	425,000	228,075	653,075
2018	775,000	2,078,894	2,853,894	425,000	219,575	644,575
2019	2,130,000	2,035,319	4,165,319	425,000	211,075	636,075
2020	3,755,000	1,926,819	5,681,819	425,000	202,575	627,575
2021	3,890,000	1,768,019	5,658,019	425,000	194,075	619,075
2022	4,020,000	1,619,069	5,639,069	425,000	185,575	610,575
2023	4,010,000	1,462,119	5,472,119	425,000	176,013	601,013
2024	4,975,000	1,247,494	6,222,494	425,000	165,388	590,388
2025	4,540,000	1,009,619	5,549,619	425,000	151,575	576,575
2026	4,745,000	777,494	5,522,494	425,000	134,575	559,575
2027	4,155,000	554,994	4,709,994	425,000	117,575	542,575
2028	4,100,000	348,619	4,448,619	425,000	100,575	525,575
2029	3,450,000	159,869	3,609,869	425,000	85,700	510,700
2030	905,000	59,478	964,478	420,000	73,025	493,025
2031	720,000	33,638	753,638	425,000	60,350	485,350
2032	675,000	10,969	685,969	425,000	47,600	472,600
2033				425,000	34,425	459,425
2034				425,000	20,719	445,719
2035				425,000	6,906	431,906
2036						
2037						
2038						
	<u>\$ 47,165,000</u>	<u>\$ 19,283,047</u>	<u>\$ 66,448,047</u>	<u>\$ 8,495,000</u>	<u>\$ 2,637,902</u>	<u>\$ 11,132,902</u>

Certificates of Obligation, Series 2015

Sales Tax Revenue Bonds, Series 2005

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 245,000	\$ 128,253	\$ 373,253	\$ 480,000	\$ 287,538	\$ 767,538
2017	245,000	131,450	376,450	505,000	263,538	768,538
2018	245,000	126,550	371,550	530,000	238,288	768,288
2019	245,000	121,650	366,650	555,000	211,788	766,788
2020	240,000	116,800	356,800	575,000	189,588	764,588
2021	240,000	112,000	352,000	600,000	166,588	766,588
2022	240,000	106,600	346,600	625,000	141,988	766,988
2023	245,000	100,538	345,538	650,000	116,363	766,363
2024	245,000	93,800	338,800	675,000	89,550	764,550
2025	240,000	85,325	325,325	705,000	61,200	766,200
2026	245,000	75,625	320,625	735,000	31,238	766,238
2027	245,000	65,825	310,825			
2028	245,000	57,250	302,250			
2029	245,000	49,900	294,900			
2030	240,000	42,625	282,625			
2031	240,000	35,275	275,275			
2032	245,000	27,697	272,697			
2033	240,000	19,969	259,969			
2034	240,000	12,169	252,169			
2035	245,000	4,134	249,134			
2036						
2037						
2038						
	<u>\$ 4,860,000</u>	<u>\$ 1,513,435</u>	<u>\$ 6,373,435</u>	<u>\$ 6,635,000</u>	<u>\$ 1,797,663</u>	<u>\$ 8,432,663</u>

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Sales Tax Revenue Bonds, Series 2006

Development Authority of Pearland
 Tax Increment Contract Revenue
 and Refunding Bonds, Series 2012

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 240,000	\$ 411,419	\$ 651,419	\$ 2,970,000	\$ 1,406,981	\$ 4,376,981
2017	255,000	401,219	656,219	3,070,000	1,315,802	4,385,802
2018	265,000	390,381	655,381	3,160,000	1,221,553	4,381,553
2019	280,000	378,788	658,788	3,255,000	1,124,541	4,379,541
2020	300,000	366,538	666,538	3,120,000	1,024,613	4,144,613
2021	310,000	353,038	663,038	3,215,000	928,829	4,143,829
2022	325,000	339,088	664,088	3,030,000	830,128	3,860,128
2023	345,000	322,838	667,838	3,130,000	737,107	3,867,107
2024	365,000	305,588	670,588	3,225,000	641,016	3,866,016
2025	385,000	287,338	672,338	3,320,000	542,009	3,862,009
2026	405,000	268,088	673,088	3,425,000	440,085	3,865,085
2027	1,190,000	247,838	1,437,838	3,530,000	334,937	3,864,937
2028	1,255,000	188,338	1,443,338	3,635,000	226,566	3,861,566
2029	1,320,000	128,725	1,448,725	3,745,000	114,972	3,859,972
2030	1,390,000	66,025	1,456,025			
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 8,630,000</u>	<u>\$ 4,455,244</u>	<u>\$ 13,085,244</u>	<u>\$ 45,830,000</u>	<u>\$ 10,889,137</u>	<u>\$ 56,719,137</u>

Development Authority of Pearland
 Tax Increment Contract Revenue
 Bonds, Series 2013

Development Authority of Pearland
 Tax Increment Contract Revenue
 Bonds, Series 2014

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 380,000	\$ 314,984	\$ 694,984	\$ 505,000	\$ 204,272	\$ 709,272
2017	385,000	300,658	685,658	520,000	190,536	710,536
2018	405,000	286,143	691,143	535,000	176,392	711,392
2019	420,000	270,875	690,875	550,000	161,840	711,840
2020	445,000	255,041	700,041	475,000	146,880	621,880
2021	465,000	238,264	703,264	490,000	133,960	623,960
2022	735,000	220,734	955,734	505,000	120,632	625,632
2023	560,000	193,024	753,024	520,000	106,896	626,896
2024	615,000	171,912	786,912	530,000	92,752	622,752
2025	670,000	148,727	818,727	545,000	78,336	623,336
2026	725,000	123,468	848,468	560,000	63,512	623,512
2027	785,000	96,135	881,135	575,000	48,280	623,280
2028	850,000	66,541	916,541	590,000	32,640	622,640
2029	915,000	34,496	949,496	610,000	16,592	626,592
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 8,355,000</u>	<u>\$ 2,720,998</u>	<u>\$ 11,075,998</u>	<u>\$ 7,510,000</u>	<u>\$ 1,573,520</u>	<u>\$ 9,083,520</u>

CITY OF PEARLAND, TEXAS
 COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
 BY MATURITY DATE
 September 30, 2015

Water & Sewer Revenue Bonds,
 Series 1999

Water & Sewer Revenue Bonds,
 Series 2006

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 145,000	\$ 107,825	\$ 252,825	\$ 745,000	\$ 467,569	\$ 1,212,569
2017	540,000	101,430	641,430	100,000	434,044	534,044
2018	565,000	77,616	642,616	100,000	429,744	529,744
2019	585,000	52,700	637,700	100,000	425,369	525,369
2020	610,000	26,901	636,901	100,000	420,869	520,869
2021				100,000	416,244	516,244
2022				100,000	411,619	511,619
2023				100,000	406,994	506,994
2024				100,000	402,369	502,369
2025				100,000	397,744	497,744
2026				1,150,000	393,119	1,543,119
2027				1,205,000	338,494	1,543,494
2028				1,265,000	278,244	1,543,244
2029				1,330,000	214,994	1,544,994
2030				1,395,000	146,831	1,541,831
2031				1,470,000	75,338	1,545,338
2032						
2033						
2034						
2035						
2036						
2037						
2038						
2039						
	<u>\$ 2,445,000</u>	<u>\$ 366,471</u>	<u>\$ 2,811,471</u>	<u>\$ 9,460,000</u>	<u>\$ 5,659,581</u>	<u>\$ 15,119,581</u>

Water & Sewer Revenue Bonds,
 Series 2007

Water & Sewer Revenue Bonds,
 Series 2008

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 1,010,000	\$ 1,566,338	\$ 2,576,338	\$ 290,000	\$ 628,840	\$ 918,840
2017	950,000	1,510,788	2,460,788	315,000	615,790	930,790
2018	995,000	1,458,538	2,453,538	340,000	601,615	941,615
2019	1,045,000	1,403,813	2,448,813	370,000	586,315	956,315
2020	1,095,000	1,348,950	2,443,950	395,000	569,665	964,665
2021	1,155,000	1,294,200	2,449,200	420,000	551,890	971,890
2022	1,210,000	1,236,450	2,446,450	440,000	532,990	972,990
2023	1,275,000	1,175,950	2,450,950	460,000	514,840	974,840
2024	2,295,000	1,112,200	3,407,200	490,000	495,520	985,520
2025	2,480,000	997,450	3,477,450	510,000	474,450	984,450
2026	3,120,000	873,450	3,993,450	540,000	448,950	988,950
2027	3,280,000	717,450	3,997,450	560,000	421,950	981,950
2028	3,440,000	553,450	3,993,450	595,000	393,950	988,950
2029	3,615,000	398,650	4,013,650	600,000	364,200	964,200
2030	3,795,000	272,125	4,067,125	580,000	334,200	914,200
2031	3,980,000	139,300	4,119,300	560,000	305,200	865,200
2032				1,890,000	277,200	2,167,200
2033				1,980,000	182,700	2,162,700
2034				2,080,000	93,600	2,173,600
2035						
2036						
2037						
2038						
2039						
	<u>\$ 34,740,000</u>	<u>\$ 16,059,100</u>	<u>\$ 50,799,100</u>	<u>\$ 13,415,000</u>	<u>\$ 8,393,865</u>	<u>\$ 21,808,865</u>

**Water & Sewer Revenue Bonds,
Series 2009**

**Permanent Improvement and Refunding Bonds,
Series 2009 (water/sewer portion)**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 400,000	\$ 535,813	\$ 935,813	\$ 1,220,000	\$ 212,000	\$ 1,432,000
2017	410,000	522,813	932,813	2,065,000	143,600	2,208,600
2018	420,000	508,975	928,975	2,155,000	45,988	2,200,988
2019	435,000	493,750	928,750			
2020	450,000	476,350	926,350			
2021	465,000	458,350	923,350			
2022	485,000	438,588	923,588			
2023	505,000	416,763	921,763			
2024	520,000	393,406	913,406			
2025	545,000	368,056	913,056			
2026	570,000	340,806	910,806			
2027	600,000	311,594	911,594			
2028	630,000	280,844	910,844			
2029	665,000	247,769	912,769			
2030	700,000	212,025	912,025			
2031	730,000	173,525	903,525			
2032	765,000	133,375	898,375			
2033	815,000	91,300	906,300			
2034	845,000	46,475	891,475			
2035						
2036						
2037						
2038						
2039						
	<u>\$ 10,955,000</u>	<u>\$ 6,450,575</u>	<u>\$ 17,405,575</u>	<u>\$ 5,440,000</u>	<u>\$ 401,588</u>	<u>\$ 5,841,588</u>

**Water & Sewer Revenue Bonds,
Series 2010A**

**Water & Sewer Revenue Bonds,
Series 2010B**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 410,000	\$ 490,481	\$ 900,481	\$ 370,000	\$ 282,444	\$ 652,444
2017	425,000	480,231	905,231	385,000	273,194	658,194
2018	440,000	467,481	907,481	405,000	261,644	666,644
2019	455,000	453,731	908,731	425,000	248,988	673,988
2020	475,000	438,944	913,944	445,000	235,175	680,175
2021	495,000	422,319	917,319	1,750,000	219,600	1,969,600
2022	515,000	402,519	917,519	1,830,000	149,600	1,979,600
2023	535,000	381,919	916,919	1,910,000	76,400	1,986,400
2024	555,000	360,519	915,519			
2025	580,000	338,319	918,319			
2026	600,000	315,119	915,119			
2027	625,000	291,119	916,119			
2028	650,000	265,338	915,338			
2029	680,000	237,713	917,713			
2030	710,000	208,813	918,813			
2031	740,000	177,750	917,750			
2032	755,000	144,450	899,450			
2033	785,000	110,475	895,475			
2034	825,000	75,150	900,150			
2035	845,000	38,025	883,025			
2036						
2037						
2038						
2039						
	<u>\$ 12,100,000</u>	<u>\$ 6,100,413</u>	<u>\$ 18,200,413</u>	<u>\$ 7,520,000</u>	<u>\$ 1,747,044</u>	<u>\$ 9,267,044</u>

**Permanent Improvement and Refunding Bonds,
 Series 2012 (water/sewer portion)**

**Water & Sewer Revenue Bonds,
 Series 2012**

	Principal	Interest	Total	Principal	Interest	Total
2016	\$ 340,000	\$ 215,900	\$ 555,900	\$ 355,000	\$ 218,255	\$ 573,255
2017	350,000	200,400	550,400	755,000	211,155	966,155
2018	360,000	186,200	546,200	765,000	196,055	961,055
2019	365,000	171,700	536,700	780,000	180,755	960,755
2020	370,000	157,000	527,000	800,000	165,155	965,155
2021	370,000	142,200	512,200	230,000	141,155	371,155
2022	385,000	127,100	512,100	230,000	134,255	364,255
2023	395,000	111,500	506,500	240,000	127,355	367,355
2024	1,480,000	74,000	1,554,000	230,000	120,155	350,155
2025	1,480,000	22,200	1,502,200	225,000	113,255	338,255
2026				175,000	106,505	281,505
2027				180,000	101,080	281,080
2028				185,000	95,500	280,500
2029				190,000	89,488	279,488
2030				195,000	83,313	278,313
2031				200,000	76,975	276,975
2032				300,000	70,225	370,225
2033				315,000	60,100	375,100
2034				325,000	49,075	374,075
2035				335,000	37,700	372,700
2036				345,000	25,556	370,556
2037				360,000	13,050	373,050
2038						
2039						
	<u>\$ 5,895,000</u>	<u>\$ 1,408,200</u>	<u>\$ 7,303,200</u>	<u>\$ 7,715,000</u>	<u>\$ 2,416,116</u>	<u>\$ 10,131,116</u>

**Water & Sewer Revenue Bonds,
 Series 2014**

Fiscal Year	Principal	Interest	Total
2016	\$ 195,000	\$ 324,619	\$ 519,619
2017	210,000	316,819	526,819
2018	220,000	308,419	528,419
2019	230,000	299,619	529,619
2020	240,000	290,419	530,419
2021	255,000	280,819	535,819
2022	270,000	270,619	540,619
2023	280,000	259,819	539,819
2024	295,000	248,619	543,619
2025	310,000	236,819	546,819
2026	330,000	224,419	554,419
2027	345,000	211,219	556,219
2028	365,000	200,869	565,869
2029	385,000	189,919	574,919
2030	405,000	177,888	582,888
2031	425,000	164,725	589,725
2032	445,000	150,913	595,913
2033	470,000	135,894	605,894
2034	495,000	120,031	615,031
2035	520,000	102,706	622,706
2036	550,000	84,506	634,506
2037	575,000	65,256	640,256
2038	605,000	45,131	650,131
2039	640,000	23,200	663,200
	<u>\$ 9,060,000</u>	<u>\$ 4,733,263</u>	<u>\$ 13,793,263</u>

**Statistical Section
(Unaudited)**

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Unaudited Statistical Section

This part of the City's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends	124
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	136
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and sales tax.</i>	
Debt Capacity	146
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	151
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	154
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

CITY OF PEARLAND, TEXAS**NET POSITION BY COMPONENT***Last Ten Fiscal Years**Amounts in (000's)**(Accrual Basis of Accounting)*

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Activities					
Net investment in capital assets	\$402,103	\$400,522	\$410,002	\$429,054	\$422,643
Restricted	8,085	10,130	10,864	10,615	18,020
Unrestricted	<u>8,917</u>	<u>11,809</u>	<u>10,903</u>	<u>13,330</u>	<u>13,692</u>
Total governmental activities net position	<u>\$419,105</u>	<u>\$422,461</u>	<u>\$431,769</u>	<u>\$452,999</u>	<u>\$454,355</u>
Business-type activities					
Net investment in capital assets	\$130,648	\$126,779	\$138,679	\$146,150	\$144,244
Restricted	10,129	24,258	16,094	11,965	17,587
Unrestricted	<u>700</u>	<u>1,638</u>	<u>3,406</u>	<u>9,256</u>	<u>11,942</u>
Total business-type activities net position	<u>\$141,477</u>	<u>\$152,675</u>	<u>\$158,179</u>	<u>\$167,371</u>	<u>\$173,773</u>
Primary government					
Investment in capital assets	\$532,751	\$527,301	\$548,681	\$575,204	\$566,887
Restricted	18,214	34,388	26,958	22,580	35,607
Unrestricted	<u>9,617</u>	<u>13,447</u>	<u>14,309</u>	<u>22,586</u>	<u>25,634</u>
Total primary government net position	<u>\$560,582</u>	<u>\$575,136</u>	<u>\$589,948</u>	<u>\$620,370</u>	<u>\$628,128</u>

(1) Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013. Fiscal year 2012 has been restated for comparison purposes.

(2) Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

<u>2011</u>	<u>2012 (2)</u>	<u>2013 (1)(2)</u>	<u>2014</u>	<u>2015</u>
\$413,439	\$367,747	\$420,009	\$430,286	\$461,484
16,462	36,548	34,666	45,826	47,927
<u>14,543</u>	<u>(6,868)</u>	<u>(5,534)</u>	<u>(13,010)</u>	<u>(28,022)</u>
<u>\$444,444</u>	<u>\$397,427</u>	<u>\$449,141</u>	<u>\$463,102</u>	<u>\$481,389</u>
\$156,629	\$156,888	\$165,915	\$174,955	\$186,819
5,603	9,821	9,542	14,484	13,539
<u>13,910</u>	<u>12,439</u>	<u>16,704</u>	<u>15,612</u>	<u>12,815</u>
<u>\$176,142</u>	<u>\$179,148</u>	<u>\$192,161</u>	<u>\$205,051</u>	<u>\$213,172</u>
\$570,068	\$524,635	\$585,924	\$605,241	\$648,303
22,065	46,369	44,208	60,310	61,465
<u>28,453</u>	<u>5,571</u>	<u>11,170</u>	<u>2,602</u>	<u>(15,207)</u>
<u>\$620,586</u>	<u>\$576,575</u>	<u>\$641,302</u>	<u>\$668,153</u>	<u>\$694,562</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Expenses				
Governmental activities				
General Government	\$ 8,574	\$ 8,660	\$ 11,161	\$ 12,355
Public Safety	12,564	14,655	17,684	22,438
Public Works	26,914	24,041	24,532	26,893
Community Services	2,903	3,113	3,336	3,290
Parks and Recreation	4,131	4,882	7,157	7,240
Economic Development				
Interest on long-term debt	6,559	9,070	12,266	11,647
Total governmental activities expenses	<u>61,645</u>	<u>64,421</u>	<u>76,136</u>	<u>83,863</u>
Business-type activities:				
Water and Sewer	20,531	21,076	22,570	25,439
Solid Waste		5,218	6,024	7,106
Total business-type activities:	<u>20,531</u>	<u>26,294</u>	<u>28,594</u>	<u>32,545</u>
Total primary government expenses	<u>\$ 82,176</u>	<u>\$ 90,715</u>	<u>\$ 104,730</u>	<u>\$ 116,408</u>
Program Revenue				
Governmental activities				
Charges for services:				
General Government	\$	\$	\$	\$ 6,637
Public Safety	2,627	2,788	2,959	3,524
Public Works	4,331	195	103	35
Community Services	6,312	5,822	5,130	4,755
Parks and Recreation	825	818	936	672
Economic Development				
Operating grants and contributions				
General Government	1,239	1,659	3,951	4,913
Public Safety	111	154	230	420
Public Works		456	551	375
Community Services	55	34	129	202
Parks and Recreation	21	11	115	450
Capital grants and contributions				
General Government				
Public Safety			503	279
Public Works	15,743	8,690	15,263	26,092
Parks and Recreation	6		261	4,653
Total governmental activities program revenues	<u>31,270</u>	<u>20,627</u>	<u>30,131</u>	<u>53,007</u>
Business-type activities:				
Charges for services				
Water and Sewer	13,849	17,754	21,524	26,617
Solid Waste		5,218	6,038	6,766
Operating grants and contributions				
Water and Sewer	474	385	315	2,464
Capital grants and contributions				
Water and Sewer	13,434	12,621	5,869	6,125
Total business-type activities program revenues	<u>27,757</u>	<u>35,978</u>	<u>33,746</u>	<u>41,972</u>
Total primary government program revenues	<u>\$ 59,027</u>	<u>\$ 56,605</u>	<u>\$ 63,877</u>	<u>\$ 94,979</u>

(1) Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013. Fiscal year 2012 has been restated for comparison purposes.

(2) Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

<u>2010</u>	<u>2011</u>	<u>2012 (2)</u>	<u>2013 (1)(2)</u>	<u>2014</u>	<u>2015</u>
\$ 13,439	\$ 15,945	\$ 13,334	\$ 13,358	\$ 12,241	\$ 17,189
24,268	23,042	27,403	28,944	32,130	33,179
35,679	31,130	28,510	31,690	38,579	45,894
3,323	3,254	4,267	3,807	4,687	3,641
7,699	8,062	9,264	9,524	6,896	3,731
		26,311	17,411	26,498	26,159
13,738	13,142	11,572	10,534	16,225	15,569
<u>98,146</u>	<u>94,575</u>	<u>120,661</u>	<u>115,268</u>	<u>137,256</u>	<u>145,362</u>
27,157	29,192	29,392	31,289	32,444	34,266
7,089	7,285	7,528	8,324	6,664	6,417
<u>34,246</u>	<u>36,477</u>	<u>36,920</u>	<u>39,613</u>	<u>39,108</u>	<u>40,683</u>
<u>\$132,392</u>	<u>\$131,052</u>	<u>\$157,581</u>	<u>\$154,881</u>	<u>\$176,364</u>	<u>\$186,045</u>
\$ 6,637	\$	\$ 7,624	\$ 6,326	\$ 6,637	\$ 7,624
3,296	3,679	4,206	7,410	2,793	4,110
10	18	43	3,096	322	338
4,312	4,632	5,855	3,264	7,375	7,771
906	2,027	2,080	2,209	2,290	2,412
		413	414	430	1,209
5,215	5,488	6,045	44	440	747
641	407	711	603	434	294
207	675	53	1,388	7,612	4,589
159	366	311	108	337	216
424	462	542	182	474	1,586
			180		
98					
29,800	10,330	18,743	52,921	29,269	36,440
		100			
<u>51,705</u>	<u>28,084</u>	<u>46,726</u>	<u>78,145</u>	<u>58,413</u>	<u>67,336</u>
24,961	28,664	27,535	29,008	28,929	30,201
7,313	7,258	7,654	8,175	7,008	6,637
70	61	205			2,512
8,611	4,215	8,118	16,273	17,677	13,177
<u>40,955</u>	<u>40,198</u>	<u>43,512</u>	<u>53,456</u>	<u>53,614</u>	<u>52,527</u>
<u>\$ 92,660</u>	<u>\$ 68,282</u>	<u>\$ 90,238</u>	<u>\$131,601</u>	<u>\$112,027</u>	<u>\$119,863</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET POSITION

*Last Nine Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Net (Expense)/Revenue				
Governmental activities	\$ (30,375)	\$ (43,794)	\$ (46,005)	\$ (30,856)
Business-type activities	<u>7,226</u>	<u>9,684</u>	<u>5,152</u>	<u>9,427</u>
Total primary government net expense	<u>\$ (23,149)</u>	<u>\$ (34,110)</u>	<u>\$ (40,853)</u>	<u>\$ (21,429)</u>

General Revenues and Other Changes in Net Assets

Governmental activities:

Taxes:

Property taxes	\$ 19,805	\$ 21,845	\$ 24,823	\$ 29,492
Sales and use taxes	8,026	9,980	11,025	12,581
Franchise taxes	3,097	3,426	3,760	4,427
Investment earnings	1,863	2,991	4,943	4,572
Miscellaneous	828	740	1,539	2,911
Special item				
Transfers	<u>359</u>	<u>1,230</u>	<u>1,060</u>	<u>1,330</u>
Total governmental activities	<u>\$ 33,978</u>	<u>\$ 40,212</u>	<u>\$ 47,150</u>	<u>\$ 55,313</u>

Business-type activities:

Investment earnings	\$ 399	\$ 758	\$ 2,574	\$ 1,669
Miscellaneous				12
Transfers	<u>(359)</u>	<u>(1,230)</u>	<u>(1,060)</u>	<u>(1,330)</u>
Total business-type activities	<u>40</u>	<u>(472)</u>	<u>1,514</u>	<u>351</u>
Total primary government	<u>\$ 34,018</u>	<u>\$ 39,740</u>	<u>\$ 48,664</u>	<u>\$ 55,664</u>

Change in Net Position

Governmental activities	\$ 3,603	\$ (3,582)	\$ 1,145	\$ 24,457
Business-type activities	<u>7,266</u>	<u>9,212</u>	<u>6,666</u>	<u>9,778</u>
Total primary government	<u>\$ 10,869</u>	<u>\$ 5,630</u>	<u>\$ 7,811</u>	<u>\$ 34,235</u>

(1) Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013. Fiscal year 2012 has been restated for comparison purposes.

(2) Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

<u>2010</u>	<u>2011</u>	<u>2012 (2)</u>	<u>2013 (1)(2)</u>	<u>2014</u>	<u>2015</u>
\$ (46,441)	\$ (66,491)	\$ (73,935)	\$ (37,123)	\$ (78,843)	\$ (78,027)
<u>6,709</u>	<u>3,721</u>	<u>6,592</u>	<u>13,843</u>	<u>14,506</u>	<u>11,844</u>
<u>\$ (39,732)</u>	<u>\$ (62,770)</u>	<u>\$ (67,343)</u>	<u>\$ (23,280)</u>	<u>\$ (64,337)</u>	<u>\$ (66,183)</u>

\$ 31,140	\$ 32,963	\$ 33,451	\$ 52,230	\$ 54,433	\$ 62,974
14,218	13,578	13,983	22,969	24,942	29,970
5,075	5,426	5,605	5,670	5,999	6,971
1,376	253	157	134	155	491
6,294	1,028	1,854	1,554	1,701	4,149
<u>621</u>	<u>1,186</u>	<u>1,475</u>	<u>2,269</u>	<u>1,607</u>	<u>2,828</u>
<u>\$ 58,724</u>	<u>\$ 54,434</u>	<u>\$ 56,525</u>	<u>\$ 84,826</u>	<u>\$ 88,837</u>	<u>\$107,383</u>

\$ 363	\$ 100	\$ 116	\$ 68	\$ 95	\$ 325
23	779	9	444	682	219
<u>(621)</u>	<u>(1,186)</u>	<u>(1,475)</u>	<u>(2,269)</u>	<u>(1,607)</u>	<u>(2,828)</u>
<u>(235)</u>	<u>(307)</u>	<u>(1,350)</u>	<u>(1,757)</u>	<u>(830)</u>	<u>(2,284)</u>
<u>\$ 58,489</u>	<u>\$ 54,127</u>	<u>\$ 55,175</u>	<u>\$ 83,069</u>	<u>\$ 88,007</u>	<u>\$105,099</u>

\$ 12,283	\$ (12,057)	\$ (17,410)	\$ 47,703	\$ 9,994	\$ 29,356
<u>6,474</u>	<u>3,414</u>	<u>5,242</u>	<u>12,086</u>	<u>13,676</u>	<u>9,560</u>
<u>\$ 18,757</u>	<u>\$ (8,643)</u>	<u>\$ (12,168)</u>	<u>\$ 59,789</u>	<u>\$ 23,670</u>	<u>\$ 38,916</u>

CITY OF PEARLAND, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
General fund				
Non-spendable	\$ 84	\$ 123	\$ 181	\$ 119
Restricted				
Assigned	552	581	4,698	699
Unassigned	9,961	12,932	8,647	11,401
Total General Fund	<u>\$ 10,597</u>	<u>\$ 13,636</u>	<u>\$ 13,526</u>	<u>\$ 12,219</u>
All other governmental funds				
Non-spendable	\$	\$	\$	\$
Restricted				
Debt service	4,658	6,552	6,835	7,246
Capital improvements	52,957	96,542	110,715	62,467
Public safety	453	591	583	699
Economic Development				
Community development programs				
Tourism	864	1,051	1,247	1,344
Parks and recreation	1,393	1,652	1,183	1,094
Capital projects - other	1,064	1,138	1,346	1,146
Other	247	114	629	85
Total other Governmental Funds	<u>\$ 61,636</u>	<u>\$ 107,640</u>	<u>\$ 122,538</u>	<u>\$ 74,081</u>

(1) Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013.

<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013 (1)</u>	<u>2014</u>	<u>2015</u>
\$ 146	\$ 130	\$ 182	\$ 158	\$ 202	\$ 293
	126				
117	160	167	1,554	1,394	1,406
12,599	14,108	17,222	16,911	17,859	19,655
<u>\$ 12,862</u>	<u>\$ 14,524</u>	<u>\$ 17,571</u>	<u>\$ 18,623</u>	<u>\$ 19,455</u>	<u>\$ 21,354</u>
\$	\$	\$	\$ 183	\$ 209	\$ 173
6,705	5,160	4,992	5,192	5,951	5,835
30,893	23,461	13,776	14,536	17,519	22,484
612	541	702	715	390	394
			20,777	23,814	24,117
1,394	1,452	1,821	2,267	2,994	3,685
1,214	1,143	968	985	168	105
962	810	797	866		
79	87	215	638	918	1,149
<u>\$ 41,859</u>	<u>\$ 32,654</u>	<u>\$ 23,271</u>	<u>\$ 46,159</u>	<u>\$ 51,963</u>	<u>\$ 57,940</u>

CITY OF PEARLAND, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Revenues				
Property taxes	\$ 22,150	\$ 24,525	\$ 29,200	\$ 31,349
Sales and use taxes	9,980	11,025	12,581	14,218
Franchise fees	3,426	3,760	4,427	5,075
Licenses and permits	4,067	4,030	2,992	2,079
Fines and forfeitures	2,038	2,048	2,086	2,325
Charges for services	8,734	5,250	7,512	8,885
Investment earnings	2,991	4,938	4,568	1,375
Intergovernmental	7,852	14,463	3,731	7,589
Other	1,744	1,815	5,638	8,980
Total Revenues	<u>62,982</u>	<u>71,854</u>	<u>72,735</u>	<u>81,875</u>
Expenditures				
General government	6,381	6,293	7,388	8,412
Public safety	12,870	14,598	19,604	22,310
Public works	9,728	6,278	7,536	12,051
Community services	3,787	3,102	3,426	3,386
Parks and recreation	3,358	4,908	6,605	5,789
Economic development				
Debt service:				
Principal	3,429	3,228	3,160	5,482
Interest and other charges	6,771	10,197	12,382	12,080
Capital outlay	36,706	28,530	27,777	68,615
Intergovernmental	1,684	2,169	3,434	3,250
Total Expenditures	<u>84,714</u>	<u>79,303</u>	<u>91,312</u>	<u>141,375</u>
Excess of revenues over (under) expenditures	(21,732)	(7,449)	(18,577)	(59,500)
Other Financing Sources (Uses)				
Transfers in	5,852	4,596	4,912	3,246
Transfers out	(4,698)	(3,536)	(3,582)	(2,625)
Debt issued	41,959	94,559	31,835	8,520
Payment to Escrow Agent				
Capital leases		1,568		649
Other	(8,005)	(40,695)	200	(54)
Total other Financing Sources (uses)	<u>35,108</u>	<u>56,492</u>	<u>33,365</u>	<u>9,736</u>
Net change in fund balances	<u>\$ 13,376</u>	<u>\$ 49,043</u>	<u>\$ 14,788</u>	<u>\$ (49,764)</u>
Debt service as a percentage of noncapital expenditures	21.2%	26.4%	24.5%	24.1%

^a Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013.

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013^a</u>	<u>2014</u>	<u>2015</u>
\$	32,856	\$ 33,454	\$ 34,362	\$ 54,475	\$ 57,378	\$ 62,922
	13,578	13,983	15,632	24,942	27,295	29,970
	5,426	5,605	5,817	5,999	6,484	6,971
	1,807	1,721	2,320	2,989	4,149	4,544
	2,475	2,895	3,374	3,534	3,121	3,108
	9,328	11,687	11,891	12,982	13,078	14,661
	591	156	92	154	254	433
	3,689	2,199	3,089	4,595	2,541	3,197
	982	1,560	2,541	7,973	4,157	7,076
	<u>70,732</u>	<u>73,260</u>	<u>79,118</u>	<u>117,643</u>	<u>118,457</u>	<u>132,882</u>
	8,527	10,866	7,784	7,958	8,027	10,470
	23,784	23,926	25,372	26,204	29,171	32,229
	7,108	6,505	5,533	7,812	8,121	10,298
	3,839	3,376	4,246	3,523	3,960	3,408
	6,305	7,539	7,499	7,244	7,816	5,823
				17,414	25,248	25,625
	6,200	8,217	9,373	15,637	15,815	23,790
	13,635	13,543	12,401	15,859	16,373	16,595
	61,317	25,703	9,201	22,101	15,536	24,471
	3,794	3,954	3,992	4,058	4,307	4,792
	<u>134,509</u>	<u>103,629</u>	<u>85,401</u>	<u>127,810</u>	<u>134,374</u>	<u>157,501</u>
	(63,777)	(30,369)	(6,283)	(10,167)	(15,917)	(24,619)
	3,498	3,525	5,909	15,515	16,507	8,053
	(2,312)	(2,050)	(5,096)	(14,583)	(16,967)	574
	28,962	21,637	49,805	12,060	49,560	81,258
		(1,630)	(54,478)		(33,182)	47,165
	2,050	1,289		1,179	1,853	(54,303)
		56	3,809	331	4,784	3,157
	<u>32,198</u>	<u>22,826</u>	<u>(51)</u>	<u>14,502</u>	<u>22,555</u>	<u>85,905</u>
\$	<u>(31,579)</u>	<u>(7,543)</u>	<u>(6,334)</u>	<u>4,335</u>	<u>6,638</u>	<u>61,286</u>
	27.1%	27.9%	28.3%	29.8%	27.0%	29.9%

CITY OF PEARLAND, TEXAS
SPENDING AND GROWTH ANALYSIS
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

Amounts in (000's)

Expenditures	2006	2007	2008	2009
General Gov't	\$ 6,430	\$ 6,363	\$ 7,406	\$ 8,423
Public Safety	12,870	14,598	19,604	22,310
Public Works	9,728	6,278	7,536	12,051
Community Services	3,787	3,102	3,426	3,386
Parks & recreation	3,358	4,908	6,605	5,789
Economic Development	10,670	14,391	16,899	18,730
Debt Service - principal	5,309	5,183	4,265	7,517
Debt service - interest	9,141	13,483	15,688	15,704
Capital outlay	36,706	28,530	27,777	75,490
Intergovernmental	8,896	14,699	3,434	7,630
Total	\$ 106,895	\$ 111,535	\$ 112,640	\$ 177,030

Distribution of Spending

General Gov't	6.0%	5.7%	6.6%	4.8%
Public Safety	12.0%	13.1%	17.4%	12.6%
Public Works	9.1%	5.6%	6.7%	6.8%
Community Services	3.5%	2.8%	3.0%	1.9%
Parks & recreation	3.1%	4.4%	5.9%	3.3%
Economic Development	10.0%	12.9%	15.0%	10.6%
Debt Service - principal	5.0%	4.6%	3.8%	4.2%
Debt service - interest	8.6%	12.1%	13.9%	8.9%
Capital outlay	34.3%	25.6%	24.7%	42.6%
Intergovernmental	8.3%	13.2%	3.0%	4.3%
Total	100.0%	100.0%	100.0%	100.0%

Per Capita Expenditures Adjusted for CPI

POPULATION	79,322	84,500	89,000	92,600
PER CAPITA	\$ 1,348	\$ 1,320	\$ 1,266	\$ 1,912
CPI INDEX (NATIONAL)	201.59	207.34	215.30	214.54
PER CAPITA ADJ TO 2015	\$ 1,582	\$ 1,507	\$ 1,391	\$ 2,109
PER CAPITA ADJ TO 2006	\$ 1,348	\$ 1,283	\$ 1,185	\$ 1,796

2010	2011	2012	2013	2014	2015	% CHG	Average Compounded Growth Rate
\$ 19,561	\$ 10,877	\$ 7,797	\$ 7,958	\$ 8,027	\$ 10,470	62.8%	5.57%
23,784	23,926	25,372	26,204	29,171	32,229	150.4%	10.74%
7,108	6,505	5,533	7,812	8,121	10,298	5.9%	0.63%
3,839	3,376	4,246	3,523	3,960	3,408	-10.0%	-1.16%
6,305	7,539	7,499	7,244	7,816	5,823	73.4%	6.31%
15,426	17,391	20,397	17,414	25,248	25,625	140.2%	10.22%
8,525	10,847	12,893	15,637	15,815	23,790	348.1%	18.13%
17,096	17,154	15,534	15,859	16,373	16,595	81.5%	6.85%
64,563	25,768	9,201	22,101	15,536	24,471	-33.3%	-4.41%
4,234	4,127	4,158	4,058	4,307	4,792	-46.1%	-6.64%
\$ 170,441	\$ 127,510	\$ 112,630	\$ 127,810	\$ 134,374	\$ 157,501	47.3%	4.40%

11.5%	8.5%	6.9%	6.2%	6.0%	6.6%
14.0%	18.8%	22.5%	20.5%	21.7%	20.5%
4.2%	5.1%	4.9%	6.1%	6.0%	6.5%
2.3%	2.6%	3.8%	2.8%	2.9%	2.2%
3.7%	5.9%	6.7%	5.7%	5.8%	3.7%
9.1%	13.6%	18.1%	13.6%	18.8%	16.3%
5.0%	8.5%	11.4%	12.2%	11.8%	15.1%
10.0%	13.5%	13.8%	12.4%	12.2%	10.5%
37.9%	20.2%	8.2%	17.3%	11.6%	15.5%
2.5%	3.2%	3.7%	3.2%	3.2%	3.0%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

						Average Compounded Growth Rate
94,100	97,200	99,800	104,100	106,900	112,300	3.94%
\$ 1,811	\$ 1,312	\$ 1,129	\$ 1,228	\$ 1,257	\$ 1,403	0.44%
218.06	224.94	229.59	232.96	234.75	236.70	1.80%
\$ 1,966	\$ 1,380	\$ 1,163	\$ 1,247	\$ 1,267	\$ 1,403	-1.33%
\$ 1,675	\$ 1,176	\$ 991	\$ 1,062	\$ 1,079	\$ 1,194	-1.33%

CITY OF PEARLAND, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Ten Fiscal Years

Real Property

Fiscal Year	Tax Year	Residential	Commercial	Personal Property	Less Tax Exempt Real Property
2006	2005	\$ 2,689,041,440	\$ 1,072,417,312	\$ 309,552,190	\$ 270,175,010
2007 (1)	2006	3,398,952,580	1,234,444,431	378,160,330	307,538,080
2008	2007	4,136,844,130	1,463,969,653	449,453,570	384,651,183
2009	2008	4,535,133,971	1,795,132,850	521,854,047	461,051,494
2010	2009	4,673,324,896	1,762,831,286	632,160,830	484,145,515
2011	2010	4,916,409,359	1,833,483,370	527,132,210	590,247,297
2012	2011	4,929,336,548	1,897,683,176	488,098,315	592,996,676
2013 (2)	2012	5,042,965,503	1,954,587,058	612,564,952	617,274,555
2014	2013	5,530,854,515	1,966,675,342	614,461,500	627,308,465
2015	2014	6,000,588,340	2,035,398,664	670,832,220	673,524,095

Notes:

Assessed valuation for fiscal year 2007 does not include Brazoria County Mud #1 valuation of
(1) \$241,248,630 that was annexed into the City on December 31, 2006.

Assessed valuation for fiscal year 2013 does not include Brazoria County Mud #4 valuation of
(2) \$241,712,166 that was annexed into the City on December 31, 2012.

Assessed value based on adjusted tax roll at year end.

Less Other Exemptions and Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percent of Actual Taxable Value
\$ 224,396,803	\$ 3,576,439,129	\$ 0.6744	\$ 3,576,439,129	100%
291,197,312	4,412,821,949	0.6527	4,412,821,949	100%
275,826,005	5,389,790,165	0.6526	5,389,790,165	100%
486,242,814	5,904,826,560	0.6526	5,904,826,560	100%
315,123,559	6,269,047,937	0.6526	6,269,047,937	100%
355,054,613	6,331,723,029	0.6651	6,331,723,029	100%
352,494,382	6,369,626,981	0.6851	6,369,626,981	100%
454,866,920	6,537,976,038	0.7051	6,537,976,038	100%
487,709,374	6,996,973,518	0.7051	6,996,973,518	100%
452,738,140	7,580,556,989	0.7121	7,580,556,989	100%

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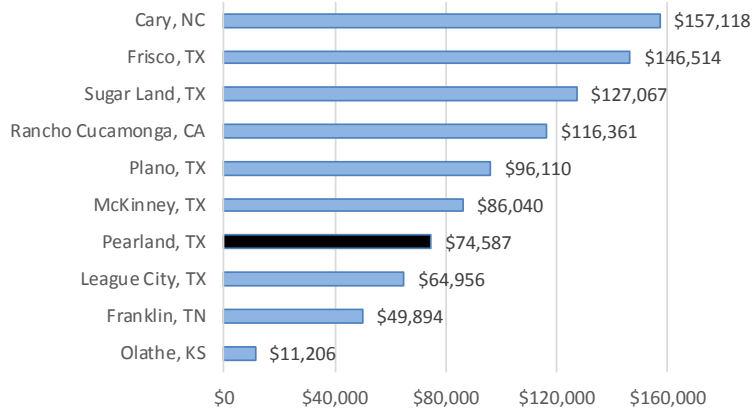
CITY OF PEARLAND, TEXAS

PER CAPITA, HOUSEHOLD, SQUARE MILE

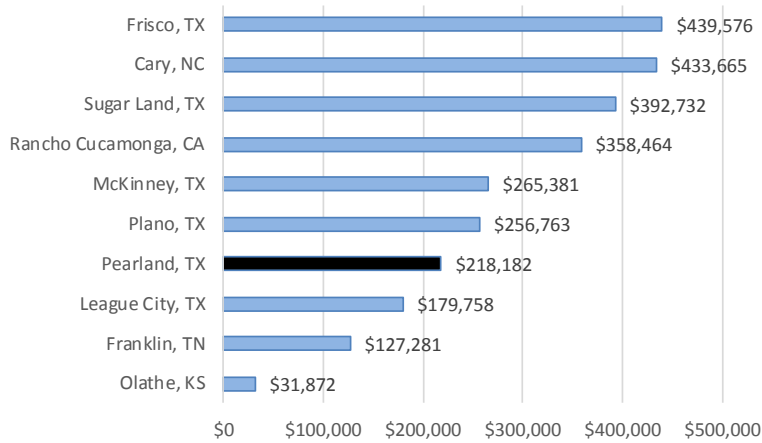
FOR BENCHMARK CITIES OF TAXABLE PROPERTY

*Fiscal Year 2014**

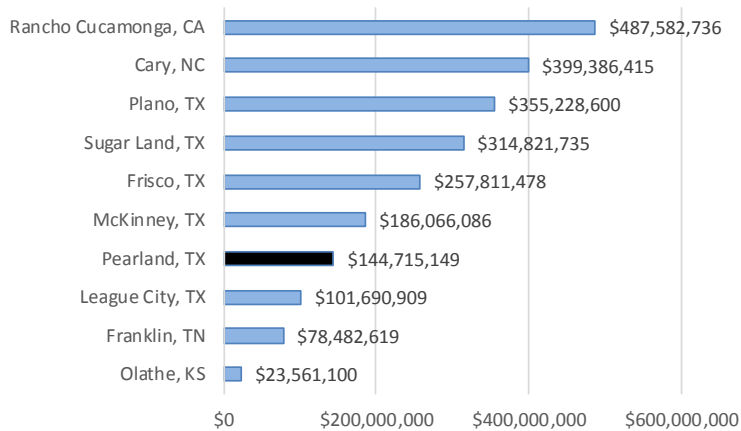
Total Taxable Value per Capita



Total Taxable Value per Household



Taxable Value per Square Mile



Notes: Data from Community Development Strategies Survey

* Information for FY 2015 was unavailable

CITY OF PEARLAND, TEXAS

DIRECT AND OVERLAPPING PROPERTY TAX RATES

Last Ten Fiscal Years

(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates			Overlapping Rates ^a							
	M & O Rate	I & S Rate	Total Direct	Pearland Independent School District	Pasadena Independent School District	Alvin Independent School District	Alvin Comm College	Brazoria County	Fort Bend County	Harris County	Port of Houston Authority
2006	\$ 0.345	\$ 0.329	\$ 0.674	\$ 1.792			\$ 0.238	\$ 0.408	\$ 0.517	\$ 0.400	\$ 0.015
2007	0.299	0.354	0.653	1.662	\$ 1.350	\$ 1.546	0.220	0.382	0.517	0.402	0.013
2008	0.250	0.402	0.653	1.427	1.350	1.328	0.210	0.311	0.517	0.392	0.014
2009	0.220	0.433	0.653	1.419	1.350	1.328	0.200	0.330	0.500	0.391	0.018
2010	0.220	0.433	0.653	1.419	1.350	1.304	0.200	0.366	0.500	0.392	0.016
2011	0.215	0.450	0.665	1.419	1.350	1.304	0.200	0.403	0.500	0.388	0.021
2012	0.215	0.470	0.685	1.419	1.350	1.344	0.199	0.413	0.500	0.391	0.019
2013	0.215	0.490	0.705	1.419	1.350	1.329	0.200	0.426	0.500	0.400	0.020
2014	0.215	0.490	0.705	1.416	1.350	1.329	0.194	0.492	0.500	0.415	0.017
2015	0.222	0.490	0.712	1.416	1.350	1.417	0.204	0.499	0.495	0.417	0.015

Source: Brazoria County, Harris County, and Fort Bend County Appraisal Districts.

^a Overlapping rates are those of local and county governments that apply to property owners within the City of Pearland. Not all overlapping rates apply to all Pearland property owners; for example, although the county property tax rates apply to all.

Harris County Flood Control	Harris County Hospital District	Harris County Dept of Education	Brazoria/ Ft Bend MUD No. 1	MUD No. 17	MUD No. 18	MUD No. 19	MUD No. 23	MUD No. 26	MUD No. 28	MUD No. 34	MUD No. 35
\$ 0.033	\$0.192	\$ 0.006	\$ 0.850	\$0.750	\$0.640	\$ 0.800	\$ 0.850	\$ 0.850	\$ 0.820	\$ 0.850	
0.032	0.192	0.006	0.850	0.750	0.610	0.780	0.850	0.770	0.820	0.850	
0.031	0.192	0.006	0.850	0.730	0.590	0.680	0.850	0.710	0.820	0.850	\$ 0.850
0.031	0.192	0.006	0.850	0.630	0.570	0.660	0.820	0.710	0.820	0.850	0.890
0.029	0.192	0.060	0.850	0.600	0.560	0.630	0.800	0.710	0.820	0.850	1.020
0.029	0.192	0.007	0.850	0.547	0.550	0.620	0.770	0.710	0.820	0.850	1.020
0.028	0.192	0.007	0.850	0.547	0.545	0.600	0.630	0.690	0.820	0.850	1.020
0.028	0.182	0.007	0.850	0.547	0.530	0.580	0.610	0.690	0.820	0.850	1.020
0.028	0.170	0.006	0.850	0.544	0.510	0.550	0.600	0.690	0.820	0.850	1.020
0.027	0.170	0.006	0.850	0.520	0.470	0.510	0.580	0.690	0.820	0.850	1.020

CITY OF PEARLAND, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
Last Ten Fiscal Years

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2006	\$ 24,284,597	\$ 23,690,031	97.55%	\$ 565,457	\$ 24,255,488	99.9%
2007	28,819,229	28,235,276	97.97%	557,650	28,792,926	99.9%
2008	35,035,569	34,461,652	98.36%	565,917	35,027,569	100.0%
2009	38,368,354	37,820,603	98.57%	521,009	38,341,612	99.9%
2010	41,081,407	40,590,543	98.81%	435,582	41,026,124	99.9%
2011	41,968,046	41,594,389	99.11%	300,512	41,894,902	99.8%
2012	43,441,792	43,110,373	99.24%	279,535	43,389,908	99.9%
2013	45,850,625	45,509,522	99.26%	253,771	45,763,293	99.8%
2014	49,096,473	48,802,720	99.40%	148,090	48,950,810	99.7%
2015	53,463,919	53,175,174	99.46%		53,175,174	99.5%

Source: Brazoria County Tax Office

Taxes levied based on adjusted tax roll.

CITY OF PEARLAND, TEXAS
PRINCIPAL PROPERTY TAX PAYERS

Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2015</u>			<u>2006</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Weatherford U.S., Inc.	\$ 72,301,820	1	0.95%	\$ 33,721,540	2	0.94%
Pearland Town Center LP	69,086,460	2	0.91%			
Amreit SPF Shadow Creek, LP	48,187,760	3	0.64%			
Centerpoint Energy, Inc.	32,581,900	4	0.43%	21,748,680	3	0.61%
Shadow Creek Parkway	27,100,030	5	0.36%			
Discovery Shadow Creek	26,780,230	6	0.35%			
Forum US, Inc.	26,062,030	7	0.34%			
Shadow Kirby LTD Partnership	25,000,000	8	0.33%			
Pearland Lifestyle Center LP	24,753,841	9	0.33%			
Pearland Multi Family Dist	24,205,950	10	0.32%			
Club Sun				83,037,360	1	2.32%
Walmart Stores, Inc.				18,652,320	4	0.52%
Pearland Investments LTD				18,529,310	5	0.52%
MHI Partnership				12,008,030	6	0.34%
Perry Homes				17,768,220	7	0.50%
Shadow Creek Ranch Dev Co				17,743,250	8	0.50%
Shadow Creek Ranch Development				12,754,930	9	0.36%
Lowe's Home Centers, Inc.				12,683,070	10	0.35%
Total	\$ 376,060,021		4.96%	\$ 248,646,710		6.95%

Source: Brazoria County Appraisal District

CITY OF PEARLAND, TEXAS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

	Calendar Year			
	2006	2007	2008	2009
Retail Trade	\$ 464,850	\$ 536,352	\$ 667,470	\$ 699,338
Accommodations & Food Services	95,154	107,850	127,994	146,598
Real Estate/Rental/Leasing	33,329	44,560	52,276	38,924
Manufacturing	46,241	50,134	47,447	31,243
Wholesale Trade	30,592	28,782	32,999	25,954
Other Services (Except Public Admin)	20,390	20,794	23,764	23,670
Information	8,553	10,086	12,567	14,413
Construction	18,348	16,232	17,496	14,372
Arts, Entertainment & Recreation	5,208	8,789	9,751	9,909
Mining, Quarrying, Oil and Gas	11,186	9,280	10,520	3,355
Admin/Support/Waste Mgmt/Remediation	8,060	9,209	12,656	11,670
Professional/Scientific/Technical	3,893	4,103	5,218	5,923
Health Care/Social Assistance	56	63	37	52
Finance, Insurance	1,722	1,038	1,469	1,811
Agriculture, Forestry, Fishing	453	473	675	566
Transportation/Warehousing	155	169	138	161
Educational Services	110	110	212	144
Utilities	7	3	6	6
Management of Companies/Enterprises		1,161	2,594	
Other	2			
Total	\$ 748,310	\$ 849,188	\$ 1,025,289	\$ 1,028,107
City direct sales tax rate ^b	1.00%	1.00%	1.00%	1.00%

Source: State Comptroller's Office.

^a 2015 taxable sales thru 2nd quarter of 2015.

^b The City direct sales tax rate includes the City only and not the Pearland Economic Development Corp. (4B).

^c Categories changed in 2007. Re-categorized data.

Calendar Year					
2010	2011	2012	2013	2014	2015^a
\$ 673,714	\$ 697,419	\$ 764,460	\$ 829,666	\$ 871,959	\$ 444,847
155,345	172,126	198,439	216,155	240,693	134,773
46,811	48,059	61,690	56,079	61,392	25,936
39,582	49,474	48,213	34,598	51,194	20,679
30,730	33,163	33,566	34,358	42,762	20,732
25,114	29,557	30,669	34,175	38,541	20,230
15,672	16,896	19,194	24,387	29,602	17,399
15,537	17,558	23,181	24,370	26,465	16,164
11,315	11,511	12,710	13,570	14,692	7,915
3,246	3,316	3,726	12,893	14,520	3,578
10,650	11,004	12,696	13,778	12,989	6,376
6,277	7,072	9,037	11,317	10,519	4,629
184	252	351	1,057	3,133	3,944
1,404	1,261	1,347	1,246	1,483	1,020
180	306	468	772	728	651
282	418	425	318	406	137
207	314	429	374	350	144
3	187	3	7	7	-
\$ 1,036,253	\$ 1,099,893	\$ 1,220,603	\$ 1,309,121	\$ 1,421,435	\$ 729,154
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

CITY OF PEARLAND, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Governmental Activities				Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation Bonds	Revenue Bonds	Capital Lease Obligations	Revenue Bonds	Permanent Improvement Bonds	Capital Lease Obligations
2006	\$ 90,305	\$ 81,275	\$	\$ 309	\$ 40,170	\$ 15,000	\$
2007	164,810	66,220		1,538	79,180	13,915	
2008	184,985	74,980		1,187	92,900	13,140	
2009	180,765	82,505		1,479	104,435	12,160	235
2010	193,785	92,380		3,237	116,440	10,540	345
2011	207,105	91,150		4,032	113,270	9,730	421
2012	224,170	65,425	3,629	3,407	109,305	15,130	342
2013	236,199	64,690	75,125	3,681	105,690	14,020	253
2014	246,791	56,505	80,186	4,344	102,517	12,865	169
2015	261,998	50,030	77,012	3,629	108,099	11,305	82

Note: Details regarding the city's outstanding debt can be found in the notes to the financial statements.

* Due to implementation of GASB 61 in fiscal year 2013, the City's component units are now considered blended component units versus discretely as in years prior to fiscal year 2013. As such, the outstanding debt for the components units have been added; however, the City, or primary government is not legally responsible for the payment of its debt.

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Total Per Capita</u>	<u>Excluding Component Units Per Capita</u>
\$ 227,059	11.1%	\$ 2,862	
325,663	12.4%	3,854	
367,192	12.4%	4,126	
381,579	13.0%	4,121	
416,727	13.5%	4,429	
425,708	14.3%	4,380	
421,408	13.1%	4,223	
499,658	14.1%	4,800	4,019
503,377	13.2%	4,709	3,859
512,155	12.6%	4,561	3,875

CITY OF PEARLAND, TEXAS
RATIO OF NET GENERAL BONDED DEBT TO ASSESSED
VALUE AND NET BONDED DEBT PER CAPITA
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Tax Year	General Obligation Bonds	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Percentage of Personal Income ^a	Per Capita ^a
2006	2005	\$ 186,580	\$ 4,658	\$ 181,922	7.8%	8.9%	\$ 2,293
2007	2006	244,945	6,552	238,393	6.7%	9.1%	2,821
2008	2007	273,105	6,552	266,553	6.0%	9.0%	2,995
2009	2008	275,430	7,247	268,183	5.0%	9.1%	2,896
2010	2009	296,705	6,706	289,999	4.9%	9.4%	3,082
2011	2010	307,985	5,160	302,825	4.8%	10.2%	3,115
2012	2011	304,725	4,992	299,733	4.7%	9.3%	3,003
2013	2012	314,909	4,643	310,266	4.9%	8.7%	2,980
2014	2013	316,161	4,536	311,625	4.8%	8.2%	2,915
2015	2014	323,333	5,034	318,299	4.2%	7.8%	2,834

Note: Details regarding the city's outstanding debt can be found in the notes to the financial

^a Population and personal income data can be found in demographic and economic statistics table.

CITY OF PEARLAND, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2015

Taxing Jurisdiction	Debt as of September 30, 2015	Overlapping	
		Percent	Amount
Alvin Community College District	\$13,350,000	27.15%	\$3,624,525
Alvin ISD	484,365,000	30.34%	146,956,341
Brazoria County	84,880,000	25.15%	21,347,320
Brazoria County MUD No. 6	20,195,000	0.27%	54,527
Brazoria County MUD No. 17	25,855,000	100.00%	25,855,000
Brazoria County MUD No. 18	26,390,000	100.00%	26,390,000
Brazoria County MUD No. 19	32,455,000	100.00%	32,455,000
Brazoria County MUD No. 23	15,245,000	100.00%	15,245,000
Brazoria County MUD No. 26	37,955,000	100.00%	37,955,000
Brazoria County MUD No. 28	22,405,000	100.00%	22,405,000
Brazoria County MUD No. 34	32,055,000	100.00%	32,055,000
Brazoria County MUD No. 35	9,715,000	100.00%	9,715,000
Brazoria-Fort Bend County MUD No. 1	61,665,000	60.32%	37,196,328
Fort Bend County	457,525,000	0.52%	2,379,130
Harris County (a)	2,678,076,350	0.15%	4,017,115
Harris County Dept. of Education	7,210,000	0.15%	10,815
Harris County Flood Control District	87,400,000	0.15%	131,100
Pasadena ISD	729,730,000	0.15%	1,094,595
Pearland ISD	309,349,059	75.74%	234,300,977
Port of Houston Authority	690,219,397	0.15%	1,035,329
Total estimated Overlapping			654,223,101
The City	\$392,668,781	100.00%	392,668,781
Total Direct and Estimated Overlapping Debt			<u>\$ 1,046,891,882</u>
Population			112,300
Per Capita Debt - Direct and Overlapping Debt			<u>\$ 9,322</u>

Source: Individual jurisdictions and/or Texas Municipal Reports.

* Debt amounts are as of September 30, 2015.

(a) Harris County Toll Road Certificates are considered self-supporting and are not included in the amount shown for Harris County.

CITY OF PEARLAND, TEXAS**PLEDGED REVENUE COVERAGE***Amounts in (000's)**Last Ten Fiscal Years***Water & Sewer Revenue Bonds**

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2006	\$ 15,004	\$ 11,228	\$ 3,776	\$ 1,125	\$ 1,829	\$ 2,954	1.28
2007	20,713	12,151	8,562	1,125	2,915	4,040	2.12
2008	23,507	14,827	8,680	1,230	4,011	5,241	1.66
2009	26,980	12,877	14,103	1,595	4,648	6,243	2.26
2010	25,061	13,585	11,476	2,575	4,848	7,423	1.55
2011	28,664	15,529	13,135	3,170	5,155	8,325	1.58
2012	27,969	15,946	12,023	3,305	5,016	8,321	1.44
2013	29,607	17,423	12,184	3,615	4,724	8,339	1.46
2014	29,341	17,707	11,633	3,765	4,584	8,349	1.39
2015	30,744	18,767	11,977	3,920	4,622	8,542	1.40

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Debt service excludes Permanent Improvement Bonds paid with system revenues, as those bonds do not require bond coverage.

CITY OF PEARLAND, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Year	Population (A)	Personal Income (in \$000's)	Per Capita Personal Income (B)	Median Age (B)	Education level in Years of Schooling	School Enrollment (C)	Unemployment Rate (D)
2006	79,322	\$ 2,050,394	\$ 25,849	33.4	14.3	16,629	3.6%
2007	84,500	2,631,837	31,146	34.9	14.3	17,733	3.6%
2008	89,000	2,963,255	33,295	35.8	14.3	18,439	3.8%
2009	92,600	2,941,717	31,768	34.5	14.2	20,056	6.5%
2010	94,100	3,076,788	32,697	33.4	14.2	21,269	6.9%
2011	97,200	2,974,785	30,605	33.3	14.2	20,931	6.9%
2012	99,800	3,213,184	32,196	34.8	14.2	21,721	5.6%
2013	104,100	3,555,431	34,154	34.4	14.2	23,771	5.0%
2014	106,900	3,822,958	35,762	34.6	14.2	23,075	4.3%
2015	112,300	4,063,014	36,180	34.6	14.2	23,241	3.3%

(A) Estimated

(B) Pearland Economic Development Corporation

(C) Texas Education Agency

(D) Bureau of Labor Statistics

* Information not presented is not available.

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CITY OF PEARLAND, TEXAS**PRINCIPAL EMPLOYERS***Current Year and Nine Years Ago*

<u>Employer</u>	<u>2015</u>			<u>2006</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pearland ISD	2,472	1	4.39%	1,978	1	7.89%
Kelsey Seybold	868	2	1.54%			
City of Pearland	696	3	1.24%	456	3	1.82%
Alvin ISD	352	4	0.63%			
Kemlon	345	5	0.61%	225	4	0.90%
Merit Meical	303	6	0.54%			
Davis-Lynch (Forum Energy Tech.)	300	7	0.53%	125	9	0.50%
Pearland Medical Center	220	8	0.39%			
Dover Energy	205	9	0.36%			
TurboCare	175	10	0.31%	168	6	0.67%
Wal-Mart				800	2	3.19%
Weatherford				191	5	0.76%
Super Target				150	7	0.60%
Lowe's				132	8	0.53%
Packaging Service Co.				115	10	0.46%
Total	<u>5,936</u>		<u>10.54%</u>	<u>4,340</u>		<u>17.31%</u>

Sources:

Pearland Economic Development Corp.

CITY OF PEARLAND, TEXAS

FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM

Last Ten Fiscal Years

Function/Program	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:							
General Government	49	51	55	55	57	57	56
Public Safety	184	205	242	253	264	276	286
Public Works	44	47	45	47	47	45	31
Community Services	47	50	51	52	47	45	56
Parks and Recreation	52	59	68	72	99	105	109
Business Type Activities:							
Water & Sewer	76	78	77	82	82	87	90
Component Unit:							
Economic Development	4	4	5	5	6	5	5
Total	456	494	543	564	601	619	633

Source: City Budget

<u>2013</u>	<u>2014</u>	<u>2015</u>
44	45	52
295	313	339
57	60	67
51	53	40
101	99	88
99	101	105
<u>5</u>	<u>9</u>	<u>5</u>
652	680	696

CITY OF PEARLAND, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year					
	2006	2007	2008	2009	2010	2011
GENERAL GOVERNMENT						
Finance						
Number of purchase orders	3,085	3,475	3,552	3,264	2,913	2,679
Number of budget transfers	226	194	398	406	470	427
Number of invoices paid	22,438	22,279	23,434	23,259	21,632	21,000
Average number of employees paid per month	984	1,026	1,185	1,230	1,220	1,438
Human Resources						
Number of hires	95	97	109	90	91	131
Number of applications received	2,808	3,074	2,495	3,137	3,880	3,299
Legal						
Number of resolutions and ordinances prepared	295	269	293	266	229	205
Information Technology						
Average monthly service requests	370	486	616	649	734	815
Number of PC's supported	220	354	386	394	429	439
PUBLIC SAFETY						
Police						
Number of police calls resulting in dispatch	30,496	32,747	34,865	37,440	35,676	39,815
Total police arrests made	4,809	5,053	4,424	5,188	5,986	6,218
Dispatched calls per patrol officer	555	544	592	576	513	606
Commercial vehicles equipment violations	1,069	980	860	711	672	852
UCR Part I cases assigned ⁽¹⁾	366	371	349	629	2,003	3,304
Fire						
Total number of arson incidents	11	21	9	8	5	2
Fires investigated	120	96	28	33	22	25
Total annual inspections	1,307	2,333	2,677	2,374	1,752	1,380
Total calls for service	5,478	6,574	8,244	8,843	8,888	9,676
Patients treated	4,048	4,983	5,529	5,804	5,619	6,121
PUBLIC WORKS						
Fleet Maintenance						
Fleet maintenance jobs completed	4,778	4,686	4,153	3,063	2,394	3,410
Preventative maintenance performed	1,815	1,889	1,756	1,998	1,741	747
Other Public Works						
Fuel issued (gallons)	303,930	318,587	343,865	313,596	354,422	361,464
Street sweeping (miles)	790	583	2,324	2,561	2,239	1,299
Street signs maintained/replaced	1,725	1,404	1,288	2,864	2,049	1,588
Total work orders completed	21,181	19,961	18,723	20,213	18,632	16,834

Fiscal Year			
2012	2013	2014	2015
2,415	2,671	2,640	2,377
429	465	548	489
20,768	23,512	21,486	22,212
1,481	1,527	1,548	1,523
112	94	98	131
4,936	7,642	8,507	9,132
220	254	243	271
832	843	838	854
448	454	575	649
42,318	47,200	45,500	49,750
6,525	7,642	7,081	6,115
625	659	550	679
900	810	598	614
1,836	2,094	1,900	2,417
2	6	7	1
18	16	25	20
1,537	1,958	1,644	1,640
10,494	10,789	15,048	17,407
6,537	6,537	6,936	7,180
3,581	3,817	3,860	3,887
682	611	610	437
377,754	350,186	353,890	332,745
1,079	1,155	871	648
1,090	884	993	1,477
17,803	18,346	21,212	25,873

CITY OF PEARLAND, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Nine Fiscal Years

Function/Program (continued)	Fiscal Year					
	2006	2007	2008	2009	2010	2011
PARKS AND RECREATION						
All Parks and recreation						
ROW maintained - acres	478	385	210	228	245	255
Trees maintained	3,450	4,280	5,000	5,004	5,800	6,327
Acres of city property mowed	167	439	470	851	1,301	1,331
Total number of parkwork orders received	227	361	316	275	252	249
Parkland - acres ⁽²⁾	175	175	180	138	139	139
Total number of special events held	20	25	25	25	24	21
Total number of tournaments held	19	25	9	6	9	11
Number of recreation classes offered ⁽³⁾	1,189	1,222	1,083	855	307	459
Average monthly attendance (all locations) ⁽⁴⁾	6,723	7,988	7,607	3,623	11,823	16,116
COMMUNITY SERVICES						
Animal Control						
Number of animals at shelter	2,898	3,068	2,947	2,868	2,532	2,685
Total number of calls for service	4,600	6,099	4,296	3,529	4,206	4,346
Inspection Services						
Total building inspections	36,724	31,004	34,773	24,834	21,753	19,244
Total code violation cases	2,739	3,962	3,629	4,274	3,433	2,860
Total permits issued	14,889	13,769	9,878	9,249	7,874	7,869
Number of plans reviewed	2,682	3,055	1,309	925	969	917
Municipal Court						
Number of trials	1,952	2,305	1,616	1,391	402	688
Number of charges	22,185	20,481	19,666	24,400	24,657	26,369
Warrants cleared	N/A	3,596	6,402	7,374	8,692	8,204
WATER & SEWER						
Distribution and Collection						
Fire hydrant maintenance and inspections ⁽⁵⁾	99*	537	740	451	402	395
Backed up sewer repairs	251	330	393	270	325	310
Water mains repaired	129	108	160	168	82	410
Water Production						
Water produced - wells (in millions of gallons)	2,044	1,597	2,128	2,574	3,065	3,869
Surface Water Purchased (in millions of gallons)	967	1,121	1,147	1,146	634	968
Billing & Collections						
Annual meter reads	234,875	285,930	325,471	340,281	344,618	364,424
Number of bills	248,848	293,833	318,160	325,201	336,668	350,871
Wastewater Treatment						
Wastewater treated (in millions of gallons)	1,668	2,305	2,096	2,106	2,361	1,943

Sources: Various city departments.

Information not presented was not available at time of publication.

¹UCR method of reporting was terminated after 2009. Effective 2010, Incident Based Reporting (IBR) is used.

²Prior to 2009, Parkland acres included medians and Wastewater Treatment Plants. After 2009, reported under total acres of city property maintained.

³Prior to 2010, individual music classes were included in the total recreation classes held. Program was cancelled.

⁴In FY 2010, a new facility, Recreation Center/Natatorium, opened.

⁵In Water & Sewer, Distribution and Collection fire hydrant maintenance and inspections is contracted out. During FY06, the contractor's services were disrupted by a storm.

Fiscal Year			
2012	2013	2014	2015
251	251	251	550
6,157	6,312	6,313	6,430
1,380	1,035	1,035	1,116
230	140	180	147
138	138	138	138
22	22	20	19
2	1	3	-
486	281	272	306
18,378	18,980	21,366	14,371
2,220	2,375	2,176	2,126
4,326	5,236	6,114	5,509
22,416	26,274	28,434	36,497
1,952	2,244	2,140	4,596
8,696	10,630	13,972	18,186
1,050	939	1,185	1,584
1,116	885	839	856
30,187	27,439	23,182	19,223
10,080	10,328	9,050	7,476
887	1,399	837	612
275	286	334	305
283	380	111	189
2,916	2,859	2,470	1,933
1,321	1,816	2,133	2,276
370,755	403,220	414,499	428,265
359,716	387,997	388,338	400,662
2,364	2,530	2,493	3,067

CITY OF PEARLAND, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
PUBLIC SAFETY										
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	112	117	126	130	138	142	155	157	161	143
Fire										
Fire stations	4	4	4	4	4	5	6	6	6	6
Fire vehicles	16	16	17	17	17	22	23	26	26	26
EMS										
EMS Ambulances	5	5	6	8	8	8	8	9	9	7
PUBLIC WORKS										
Other public works										
Streets (miles)*	578	758	773	807	807	806	806	839	844	842
Vehicle Inventory**	342	405	360	333	355	363	385	374	375	372
Traffic signals	48	57	67	71	80	62	74	81	81	73
PARKS AND RECREATION										
Parks and recreation										
Developed acreage***	175	175	180	138	139	139	138	138	138	168
Pools	1	1	1	1	3	3	3	3	3	3
Outdoor basketball courts	10	10	10	10	10	10	6	6	6	6
Soccer fields	12	12	12	12	12	12	12	12	12	12
Activity buildings	3	3	3	3	4	4	3	3	3	3
Baseball/Softball Fields	4	4	4	4	4	4	4	4	4	4
WATER AND SEWER										
Water Production										
Water wells	9	10	11	11	11	11	11	10	10	10
Pumping stations	2	2	2	2	2	2	3	3	3	3
Ground storage tanks	15	15	15	15	15	15	15	15	15	15
Elevated towers	5	5	5	5	6	6	6	6	6	6
Wastewater										
Treatment Plants	4	5	5	5	5	5	5	5	5	5
Lift Stations	74	78	76	78	78	80	80	75	76	73
Distribution and Collection										
Water mains (miles)	361	395	410	420	433	443	448	469	488	509
Sanitary sewers (miles)	321	353	360	370	378	380	382	400	415	433

Sources: Various city departments.

Note: No capital asset indicators are available for the general government and community services functions. Information not presented was not available at time of publication.

*Inside city limits. Prior to FY07, street miles were measured visually. Beginning FY07, a GIS system was used to measure street miles.

Although new streets were added in FY 2011, an audit of the database resulted in the elimination of some street miles previously reported.

**Decrease in inventory reflects surplus of vehicles auctioned off. Increases reflect new purchases, which may offset with those sold. those sold. Vehicle inventory includes public safety revenues.

***Prior to 2009, Parkland acres included medians and Wastewater Treatment Plants.