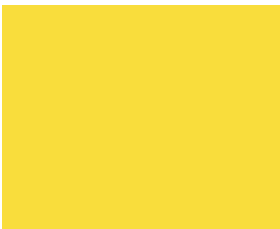


2017 - 2018

CITY OF PEARLAND

COMPREHENSIVE ANNUAL
FINANCIAL REPORT

PURPOSE.



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CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2018**

Prepared by:

**Finance
Department**

CITY OF PEARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section

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City of Pearland

3519 Liberty Drive
Pearland, Texas 77581
Tel: 281.652.1600
pearlandtx.gov

March 25, 2019

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, 2018, 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, 2018. 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, Texas was incorporated in December 1959 and adopted a Home Rule Charter on February 6, 1971, and is a home-rule City operating under a Council-Manager form of government. Policy-making and legislative authority are vested in a governing Council consisting of the mayor and 7 other members. The Mayor and Council members are elected at-large, and each of them hold office for a period of three consecutive years. Council members are limited to two full consecutive terms in office, and there is no term limitation on the office held by the Mayor.

The City Manager is appointed by Council and is responsible for implementation of Council priorities and day-to-day management of all City operations. The City 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 125,198 residents estimated as of January 2018 with an estimated growth of an additional 58,000 residents by 2032.

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 major funds in the Governmental Funds.

ECONOMIC CONDITIONS

Local Economy

Located 20 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.

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, Pearland Economic Development Corporation (PEDC) and the City worked on several major projects in 2017, including Endress+Hauser, Lonza, Tool-Flo and Rex Supply.

The total of all new construction permitted during the 2018 calendar year was approximately \$433 million, a significant decrease in value from 2017's \$580 million, due partially to the lack of any multi-family projects being built. New single-family housing permits totaled 818 with a construction value of \$165 million. There were no multi-family housing permits issued in 2018. Although Pearland's economy continues to grow, during FY 2018, the building permit revenues decreased by \$1.1M or 40% as compared to FY 2017 revenue collections. In addition, revenues from electrical, plumbing & gas, and mechanical permits combined decreased by \$171,358, from \$894,573 in FY 2017 to \$723,215 in FY 2018, a 19.2% decrease. The building plan check fee revenues decreased by \$95,967, from \$1,094,691 to \$998,724, an 8.8% decrease for the fiscal year. The total reported valuation of all commercial projects for 2018 is \$147,418,698. In fiscal year 2018, 817 single-family home permits were issued, and in the previous fiscal year 1,017 were issued. This is a 19.6% decrease, which continues a downward trend since fiscal year 2015. The total valuation being reported for new single-family residential was \$166,543,854 as compared to \$210,001,992 in fiscal year 2017. The average construction value of a new single-family home was \$202,460 in fiscal year 2018 as compared to \$251,801 in fiscal year 2017. This is a decrease of \$49,341 per home. This does not include the price of the land or any builder markup.

Despite the impact of Hurricane Harvey in 2018, the Houston Association of Realtors reported that the Houston real estate market set new record highs in 2018. During the final weeks of 2018, home sales throughout greater Houston continued to outpace the sales of 2017 in conjunction with a strong job market created a healthy real estate climate for the metro-area. On a year-to-date basis, Sales of all property types (single-family, duplexes, townhomes, condos, and residential lots) were up 3.7% over 2017. According to the Houston Association of Realtors, the Houston housing market remains on track for another record year. The Houston Association of Realtors reported 82,177 single family home sales for 2018, up 3.8% from the 79,143 sales in 2017. The average price of a single family home rose 1.1% from \$280,290 in 2015 to \$283,133 in 2016. 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 is still in recovery. Crude oil averaged \$66.34 per barrel for the first 11 months of 2018, which is a 32% increase from \$50.25 for the same time span in 2017. It's projected that crude oil will be \$54 per barrel in 2019. Baker Hughes reports an upward trend in the rig count since 2017 with 1,075 rigs operating during the early part of December 2018. According to the Greater Houston Partnership, Houston has emerged from one of the worst energy downturns of the past 35 years. Oil prices fell by 75 percent, the rig count by 80 percent and exploration budgets by 62 percent. One in every four energy jobs in Houston was lost. In previous downturns, a collapse in energy prices would have devastated the entire economy. This time, Houston held up quite well. Job losses in energy were offset by job gains elsewhere. Maybe the jobs didn't pay as well as the ones lost, but they did offer opportunities for employment. It's believed that crude oil needs to stay at \$50 or more per barrel to sustain a drilling program.

Pearland's unemployment rate was 3.3% in September 2018, down from 3.4% in September 2017. This is compared to the national unemployment rate of 3.7% and the State of Texas unemployment rate of 3.8% as of September 2018. The Metro-Houston job growth for 2018 was 3.5 % over 2017, as reported by the Greater Houston Partnership. Metro-Houston is able to survive downturns with minimal impact because its ties to the domestic and global economies are just as strong as its ties to the oil and gas industry. As such, the Partnership is anticipating another 71,000 jobs will be created in 2019, a 2.2% increase over 2018. This job growth is expected to be in a variety of industries such as manufacturing, construction, administrative support and waste management, wholesale trade, retail trade, finance and insurance, real estate, business, healthcare, and entertainment. Office leasing is down, but retail construction is up. Houston-area sales tax collections increased 8.5% and vehicle sales increased 4.5% over 2017.

Metro Houston, and the State of Texas, is built on businesses, on jobs, and on economic opportunities with Pearland poised to take advantage of those opportunities. Energy, healthcare and life sciences, retail, and manufacturing have been key areas of interest for Pearland for over ten years. Pearland has created livable and sustainable developments through the mix of reinforcing land uses, urban planning, key entertainment and cultural attractions, public spaces, and walkability and connectivity.

Pearland is a regional shopping destination and the economy has turned around since the recession of 2010 and 2011, but has slowed in 2016. The City saw a resurgence of spending in 2012, which continued through 2015, then slowed in 2016. As such, the City projected a 3.8% growth in sales tax for fiscal year 2019. Retail sales nationally is expected to grow in 2019, at a steady pace in line with fiscal year 2018. The City's sales tax for fiscal year 2018 totaled \$33.8 million, an increase of \$3.29 million or 10.8% over fiscal year 2017. Of the \$33.8 million, \$22.6 million went to the City's General Fund for operations and \$11.2 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.

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 2018 through fiscal year 2022 totals \$566 million and continues to implement the \$162 million bond program approved by the voters in May 2007. In an effort to complete projects within a three to five year time frame, the 2018 -2022 CIP includes a bond election in 2019 for \$70,757,000. Projects include drainage (\$12M), streets (\$117M), facilities (\$73M), parks (\$38M), water and wastewater (\$326M). 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.

The Debt Service Fund can meet all current and future obligations based on the City's Multi-Year Forecast and Five-Year CIP. The issuance of debt is factored in based on the Five-Year CIP. All new debt issued is assumed to be issued with a 20-year maturity level principal payment. Although new projects were still being financed, the Debt Service tax rate decreased by \$0.01 from the FY 2017 tax rate of \$0.44 to \$0.43 for FY 2018. In order to reduce the tax rate in FY 2018, the City dedicated fund balance from the Debt Service Fund. The Debt Service tax rate will need to increase by \$0.03 from the FY 2018 tax rate of \$0.43 to the forecasted FY 2020 tax rate of \$0.46 to fund obligations and implement the fiscal year CIP. From FY 2018 to FY 2019, total revenues are anticipated to increase approximately 6.8%

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, the rates for FY 2017 and FY 2018 increased moderately each fiscal year. FY 2018 experienced a 10% revenue increase in order to fund the additional costs for labor, chemicals, system upgrades, expansion, and maintenance. For FY 2019, the rates remain the same as FY 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

Quality of life is always a draw for new residents in Pearland. Among numerous other reasons, families move to Pearland for a feeling of personal safety and the low crime rate. 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 its attention on the strategic priority of Safe Community. Several programs were enhanced to provide continuing public safety efforts. The K9 program has added the capability of patrol apprehension. Public Safety currently utilizes a policing operational model called Data-Driven Approaches to Crime and Traffic Safety (DDACTS). This policing model was developed by the Department of Transportation's National Highway Traffic Safety Administration in conjunction with the Department of Justice, the Bureau of Justice Assistance, and the National Institute of Justice. The premise of DDACTS is to integrate location-based calls for service, crime, traffic crash, and enforcement data to establish the most effective and efficient methods for deploying law enforcement resources. The goal of DDACTS is to reduce crime, crashes, traffic violations, and social harm in local communities. After successes in Zone 1, DDACTS added Zone 2, an area near Pearland Parkway and Broadway. Patrol allocation was adjusted based on call volume and trend data. 90th percentile response times for priority one calls (the most significant calls taken) for 2018 were down to 6:39, a significant decrease from the 2017 average time of 7:24. The Uniform Crime Reporting (UCR) Program administered by the Federal Bureau of Investigation, collects data about Part I offenses in order to measure the level and scope of crime across the country. Part I offenses are divided into two categories: violent and property crimes. The City's 2018 UCR Part 1 crime rate was down 9% city wide and down 19% compared to the five year average.

Community policing efforts have included a continuation of successful programs such as National Night Out, the Citizens Police Academy, Teen Citizen Police Academy, Youth Leadership Academy, Rape Aggression Defense, Police Explorers, and "Coffee with a Cop" programs to name a few. Along with other training efforts, the Police Department successfully trained all police officers in de-escalation, officers are trained in identifying and responding to persons in mental health crisis and all officers are trained to respond to active shooter events, utilizing a national

standard approach. The Police Department has also provided CRASE (Citizen Response to Active Shooter Events) training to both private and public entities. One of the biggest successes was the training of Pearland ISD school campuses.

Fire Station 1, currently located at the corner of Orange Street and Old Alvin Road, will relocate in early 2019 to provide quicker response times. The new station is under construction at the corner of Old Alvin Road at McHard. At approximately 9,500 sq. ft., the station will house one fire engine, and one ambulance.

Fire Station 8, to be located at the northwest corner of Shadow Creek Parkway and Reflection Bay Drive., is nearing design completion with construction anticipated to begin in early 2019. This station will be approximately 18,000 sq. ft. and initially house one fire engine, one ladder truck, and one ambulance. A second engine will be added in the future based on service demand and available funding.

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 17/18 attraction and retention projects.

In April 2018, Lonza celebrated the grand opening of its 300,000 square-foot state-of-the-art manufacturing facility in Pearland's Lower Kirby District. The first-of-its-kind facility has the capacity to produce treatment for thousands of patients suffering from rare genetic disorders or life-threatening diseases. At 300,000 square-feet, it is the largest dedicated cell-and-gene therapy manufacturing facility in the world. Lonza broke ground on the initial phase of this project, a 100,000+ square-foot clinical manufacturing and R&D facility, in March 2016. Later that year, the company announced plans to add approximately an additional 200,000-square-foot expansion to the facility intended to produce commercial quantities of viral gene and cell therapies. The facility is currently home to 200 employees and is on track to reach 300 full-time staff by the end of 2019.

Endress+Hauser, a Swiss-based instrumentation and process automation company, announced in October 2018 that it selected Pearland as the site for its new Gulf Coast Regional Center. PEDC began working with the company, who manufactures instrumentation and devices to provide solutions for more than 100,000 customers worldwide, in early 2018 on the project. The

100,000 square-foot facility, located on a 17-acre site on the southeast corner of Beltway 8 and Kirby Drive, will serve as a regional headquarters for the company and include areas for

calibration and repair, along with office and training space. It will be home to approximately 110 employees when it opens. Construction is expected to begin in early 2019.

Construction on Tool-Flo Manufacturing's headquarters, training and manufacturing facility in Pearland Lower Kirby District was completed in December 2018. The company manufactures precision carbide, metal-working tools and products for the oil/gas, automotive and medical industries. Tool-Flo Manufacturing is owned by IMC Group, a Berkshire Hathaway company and one of the world's largest companies for metalworking products and metal removal technology. The 80,000 square-foot facility, located on a 15-acre site on the southeast corner of Kirby Drive and N. Spectrum Boulevard is home to 150 employees, including management, engineering, sales, operations and administrative personnel.

Rex Supply also completed construction on its warehouse facility in the Lower Kirby District in late 2018. The company is one of the top 100 suppliers of industrial tools in the United States and is owned by IMC Group, a Warren Buffett, Berkshire Hathaway Company. The 46,000 square-foot facility is adjacent to Tool-Flo Manufacturing's new headquarters facility on the 15-acre site on the southeast corner of Kirby Drive and N. Spectrum Boulevard. The facility will employ 43 and will serve as a new headquarters location for Rex Supply and a new distribution center for Production Tool Supply Co., LLC.

PEDC, along with local partners in government, education, healthcare and business, continued 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) Beautification and Gateways, 6) Lower Kirby District, 7) Multi-Use Event Center, 8) Education and Workforce, and 9) Internal Marketing. As it has been five years since the Pearland 20/20 community strategic plan was formally adopted in 2013, PEDC will be developing a new community economic development strategic plan in 2019.

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 continually works with area Municipal Management Districts, developers, and the City on the development of regional detention, infrastructure projects, corridor enhancements, and the installation of underground electricity that will serve developable sites within the District. In July 2017, construction to extend N. Spectrum Boulevard to the TxDOT ditch was completed. In November 2017, PEDC, Lower Kirby Pearland Management District (LKPMMD) and Mitsubishi Heavy Industries Compressor Corporation completed construction of Hooper Road, allowing for additional traffic flow from area developments. Also in 2017, PEDC partnered with (LKPMMD and Pearland Municipal Management District No. 1 (PMMD1) to construct entryway and corridor enhancements on Kirby Drive. PEDC and LKPMMD also worked with

developers to update the Lower Kirby District Master Park Plan, which includes infrastructure improvements. PEDC and the City also began working with the Ivy District Developer, America Modern Green, to develop the space around Lower Kirby's regional detention pond into a public park. Construction to extend South Spectrum West from Promenade to Kirby Drive is expected to start in February 2019 and should last about a year. The \$6.1 million project includes design and construction of: paving, water, sewer, storm drainage, traffic signal, intersection modifications on Kirby Drive, sidewalks, culvert crossing enhancement, landscaping and irrigation, and right-of-way acquisition.

Another key initiative outlined in the Pearland 20/20 Community Strategic Plan is to optimize the development potential of Pearland's principal commercial corridors. The State Highway 35 Redevelopment Strategy was developed in 2016 to build upon the Strategic Plan suggestions and provide the "big picture" strategic actions that are needed to encourage more investment in the corridor. In late 2018, construction began on SH 35 Entryway and Corridor Enhancements project. This project, stemming from the State Highway 35 Redevelopment Strategy, includes new entryway monuments on the north side of Clear Creek near the city limits and various streetscaping improvements along the corridor from Beltway 8 to Broadway. The project, which will be funded and maintained by PEDC, focuses on the entryway at Beltway 8, including two Pearland entryway monument signs near Clear Creek, planting the medians with canopy trees, enhancing pedestrian areas at major intersections, and framing the roadway with smaller street trees along the right-of-way. Additionally, the project will create a more desirable walking environment in the Old Town section by extending the sidewalk to the back of the right-of-way adding shrubbery as space in the road right-of-way allows.

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.

Convention and Visitor's Bureau

The City's Convention and Visitors Bureau (CVB), funded by hotel occupancy taxes, also focuses on economic development through tourism and attracting leisure and business visitors into the City of Pearland. In late 2012, the City Council authorized the creation of a city department for the Convention and Visitors Bureau, service that had been previously contracted out. In fiscal year 2013, an Executive Director and staff were hired. The proximity of Pearland in the Gulf Coast Region of Texas, makes Pearland a perfect destination for visitors. 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 \$4.5 million as of September 30, 2018.

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.

Capital Improvement Projects and Planning

With continued residential and commercial development, 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 2018–2022 totals \$566 million. Projects include drainage (\$12M), streets (\$117M), facilities (\$73M), parks (\$38M), water and wastewater (\$326M).

Major drainage improvements include Southeast Quadrant of Old Townsite Drainage, a sub-regional drainage and detention plan to serve the 71.4 acre area, and PER for Future Bond Referendum.

Major street projects include Old Alvin Road Widening from Plum Street to McHard Road, Hughes Ranch Road (CR 403) from Cullen to Smith Ranch Road, Max Road Expansion from Hughes Ranch to Reid Boulevard, Smith Ranch Road Extension (CR 94) from Hughes Ranch Road to Broadway, PER for Future Bond Referendum, and Intersection Improvements.

Facility projects include the relocation and construction of Fire Station #1, construction for a new office facility at Orange Street Service Center; a new 12,000 square foot administration Building and new parking are to house approximately 50 staff; and the Fiber Backbone project, which will extend and build out the fiber network to reach all city facilities. Also, the design of Fire Stations #7 and #8, PER for Future Bond Referendum and PER for a new Animal Shelter.

Parks projects include the construction of the Shadow Creek Ranch Trail, a 10 foot wide hike and bike trail along the southern bank of Clear Creek beginning on the east side of Kinglsey Drive and extending east approximately 1,300 feet terminating at Kirby Drive. The Green Tee Terrace Trail extends approximately 8,000 LF of 10 foot wide hike and bike trail along the Clear Creek Corridor from Broadway through Province Village to Clear Creek over the creek to Hughes Road in conjunction with Gehan Homes and PER for Future Bond Referendum.

Major projects for water improvements include the installation of FM 521 Waterline from Broadway to Mooring Pointer, McHard Waterline Phase II from Cullen Parkway to Mykawa Road, design of 10 MGD Surface Water Plant Phase, construction of FM 521 Ground Storage Tank Expansion, Water Meter Change-out, Underground Piping Infrastructure at water facilities, Transite Waterline Replacement, construction of FM 1128 16" Water Line from Bailey to CR 100, CR 100 16" Water Line from Veterans Drive to FM 1128, and Veterans Drive 16" Water Line from Bailey Road to CR 128.

Wastewater projects include the construction of McHard Road Trunk Sewer from Garden to Southdown WWTP, expansion of Barry Rose WRF and JHEC WRF, relocation of the Mykawa

Lift Stations, the iv installation of the Green Tee 1 to Riverstone Waste Water Diversion in the Longwood service area, design of the Waste Water Master Plan, installation of the Reflection Bay Lift Station Bar Screen, lift station rehabilitation and sanitary sewer rehabilitation.

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) assisted in the construction of 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 1st Vice-Chair of the Technical Advisory Committee (TAC), a sub-committee of the TPC, a member of the Transportation Improvement Program (TIP) Subcommittee, and a member 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 Carleston Elementary, Cockrell Elementary and Jr High South) These projects will 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. These projects are either in design or in construction as of 2018.

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 began construction in 2017 on the four new toll lanes on Texas 288 north of the Brazoria-Harris County line to the Texas Medical Center. Brazoria County partnered with Texas Department of Transportation (TxDOT) to continue the managed toll lanes from the county line south to County Road 58. The construction of the Brazoria County project for the new four managed toll lanes began construction in 2018. In addition, the County has secured TIP funds to reconstruct the SH288 overpass at FM518, widen FM518 under SH288 and reconstruct associated frontage road approaches to the intersection, which will assist in relieving congestion issues at the City's 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 is in currently under construction 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; however, during 2016, the economy has slowed compared to prior years with mixed indicators. The moderate growing Houston area economy and the City’s increasing population played major roles in the development of the fiscal year 2019 budget. The healthy local economy will most likely result in continued growth in revenues in the current fiscal year, 2019, most noticeably in sales tax and property tax, but perhaps at a slower pace. Through the first quarter, sales tax revenue for fiscal year 2019 is up 8.2% over the prior year. The fiscal year 2019 Adopted Budget includes an increase of 3.8% over fiscal year 2018.

Property Tax revenue is projected to maintain the strong levels that have developed during fiscal year 2018. The Adopted Budget for fiscal year 2019 projects an increase of 5.4% over last year’s budget mainly due to increased valuations and new property added to the roll. The Adopted Budget includes a \$.0241 increase in the property tax rate from \$0.6851 to \$0.7092. Of the total adopted tax rate of \$0.7092 per \$100 of valuation, the operating tax rate increased to \$0.2792 per \$100 of valuation with the debt service tax rate remaining at \$0.4300.

While about half-way into the 2019 fiscal year, the City is already beginning to prepare for the 2020 budget process and up-coming forecast with the same goal of being fiscally responsible to our citizens.

AWARDS AND ACKNOWLEDGEMENTS

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,

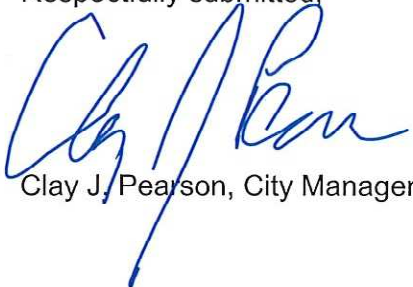
Texas, for its Comprehensive Annual Financial Report for the year ended September 30, 2017. This was the 41st consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized 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.

This is the first year (in 2018) that the Government Treasurers' Organization of Texas (GTOT) awarded the Certificate of Distinction to the City of Pearland for its Investment Policy. The certification is good for a two-year period ending in 2020. The City of Pearland received its Certificate of Investment Policy award for developing an investment policy that meets the requirements of the Public Funds Investment Act and standards for prudent public investing established by the Government Treasurers' Organization of Texas.

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



Cynthia Pearson, Director, Finance



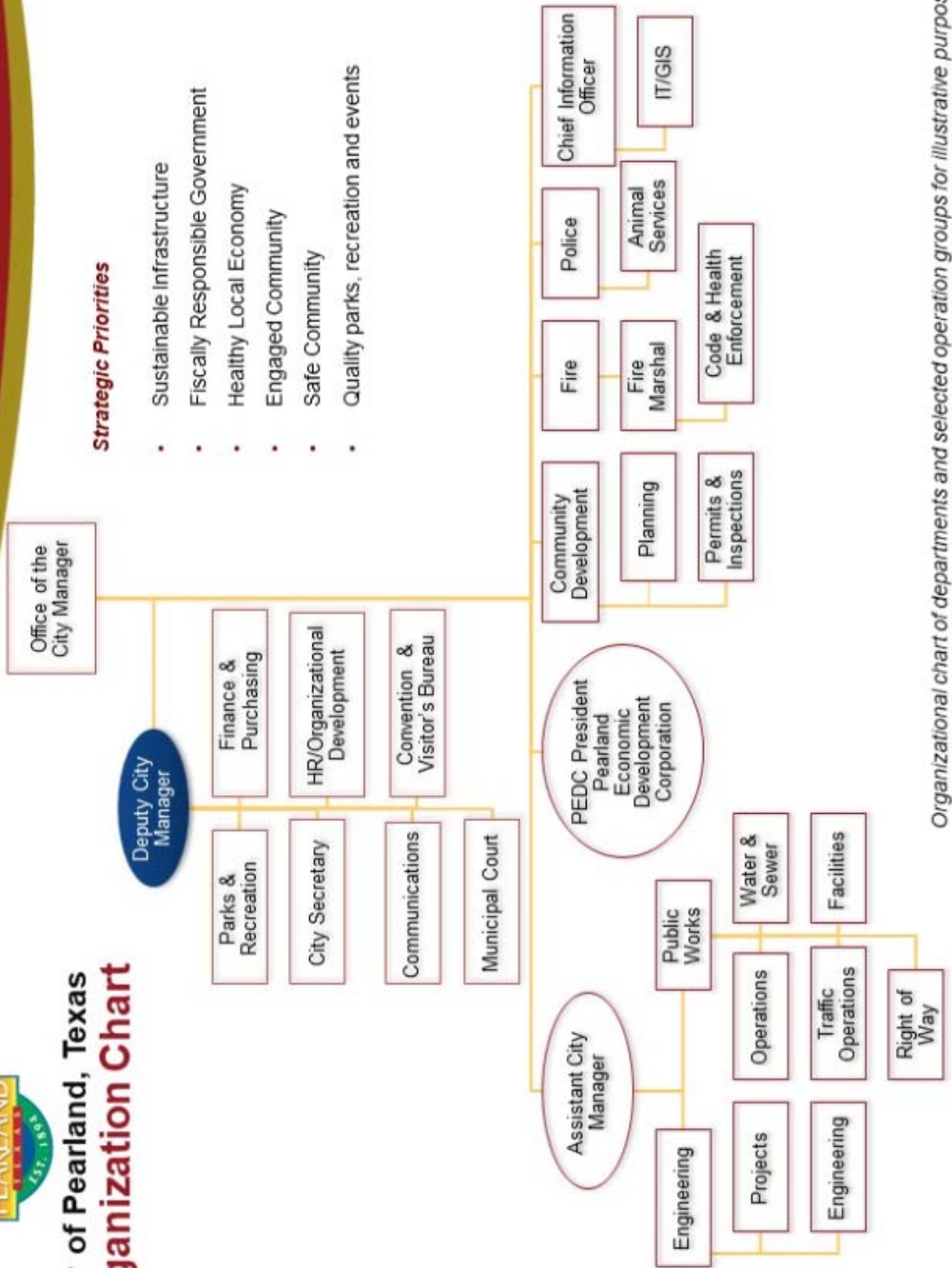
Rhonda Daugherty, Asst. Director, Finance

CITY OF PEARLAND, TEXAS**PRINCIPAL OFFICIALS***As of September 30, 2018*

Elected Officials	Position	Term Expires May
Tom Reid	Mayor	2020
Trent Perez	Mayor Pro Tem	2019
Tony Carbone	Councilmember - Position 1	2019
Derrick Reed	Councilmember - Position 2	2021
Gary Moore	Councilmember - Position 3	2020
Adrian Hernandez	Councilmember - Position 4	2021
J. David Little	Councilmember - Position 5	2019
Woody Owens	Councilmember - Position 7	2020
Appointed Officials	Position	
Clay Pearson	City Manager	
Darrin Coker	City Attorney	
Letitia Farnie	Municipal Court Judge	
City Management	Position	
Jon Branson	Deputy City Manager	
Trent Epperson	Assistant City Manager	
Matt Buchanan	PEDC President	
Cynthia Pearson	Director of Finance	
Young Lorfing	City Secretary	
Clarence Wittwer	Director of Public Works	
Michelle Graham	Director of Human Resources	
Daniel McGhinnis	Chief Information Officer	
Johnny Spires	Police Chief	
Chris Orlea	Director of Parks and Recreation	
Vance Riley	Fire Chief	
John McDonald	Director of Community Development	
Kim Sinistore	Executive Director, CVB	
Joshua Lee	Director of Communications	
Jennifer Huhn	Municipal Court Administrator	
Robert Upton	Director of Engineering and Capital Projects	



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, 2017

Christopher P. Morrill

Executive Director/CEO

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, 2018, 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.

To the Honorable Mayor and Members
of the City Council

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, 2018, 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.

Emphasis of Matter

As discussed in Note 1 and Note 14 to the financial statements, the City adopted the provisions of Government Accounting Standards Board ("GASB") Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, as of September 30, 2018. Our opinion is 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 16, budgetary comparison information on pages 78 through 79, and pension system supplementary information and other post-employment benefit supplementary information on page 80 through 83 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

To the Honorable Mayor and Members
of the City Council

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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2019, 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, flowing style.

Houston, Texas
March 25, 2019

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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, 2018.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the primary government of the City exceeded its liabilities and deferred inflows as of September 30, 2018, by \$763.6 million (net position). Of this amount, \$665.3 million is invested in capital assets, net of related capital debt and \$81.8 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 \$115.7 million, a decrease of \$6.5 million in comparison with the prior year. Approximately \$101.8 million of the \$115.7 million is considered restricted and primarily consists of \$44.6 million for economic development and \$43.9 million attributable to unspent bond proceeds for capital projects.
- As of September 30, 2018, the unassigned fund balance for the General Fund was \$12.3 million or 16% of total General Fund expenditures. The total fund balance for the General Fund is \$14.0 million or 18% of General Fund expenditures.
- The City's long-term liabilities increased by \$9.8 million due to the issuance of new debt.

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, liabilities, and deferred inflows of resources, with the difference between the four 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 19 through 21 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

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

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.

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 22 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, Pearland Economic Development Corporation, 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 29 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 29 through 32 of this report.

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

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 33 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 78 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities by \$763.6 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (87%) 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, 2018 and 2017
Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 149,705	\$ 154,379	\$ 129,011	\$ 124,028	\$ 278,715	\$ 278,407
Capital assets	843,762	822,835	358,618	334,308	1,202,379	1,157,143
Total Assets	993,466	977,214	487,628	458,336	1,481,095	1,435,550
Total Deferred Outflows of Resources	16,477	21,861	1,888	2,411	18,366	24,272
Liabilities						
Other liabilities	17,668	16,785	9,788	16,512	27,456	33,297
Long-term liabilities outstanding	470,705	477,710	234,217	217,443	704,922	695,153
Total Liabilities	488,372	494,495	244,005	233,955	732,377	728,450
Total Deferred Inflows of Resources	3,090	175	415	21	3,505	196
Net position						
Net investment in capital assets	454,670	449,141	210,674	205,827	665,344	654,968
Restricted	67,263	60,310	14,525	13,972	81,788	74,282
Unrestricted	(3,452)	(5,045)	19,898	6,972	16,446	1,927
Total Net Position	\$ 518,481	\$ 504,406	\$ 245,097	\$ 226,771	\$ 763,578	\$ 731,177

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

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
For the Years Ended September 30, 2018 and 2017
Amounts in (000's)

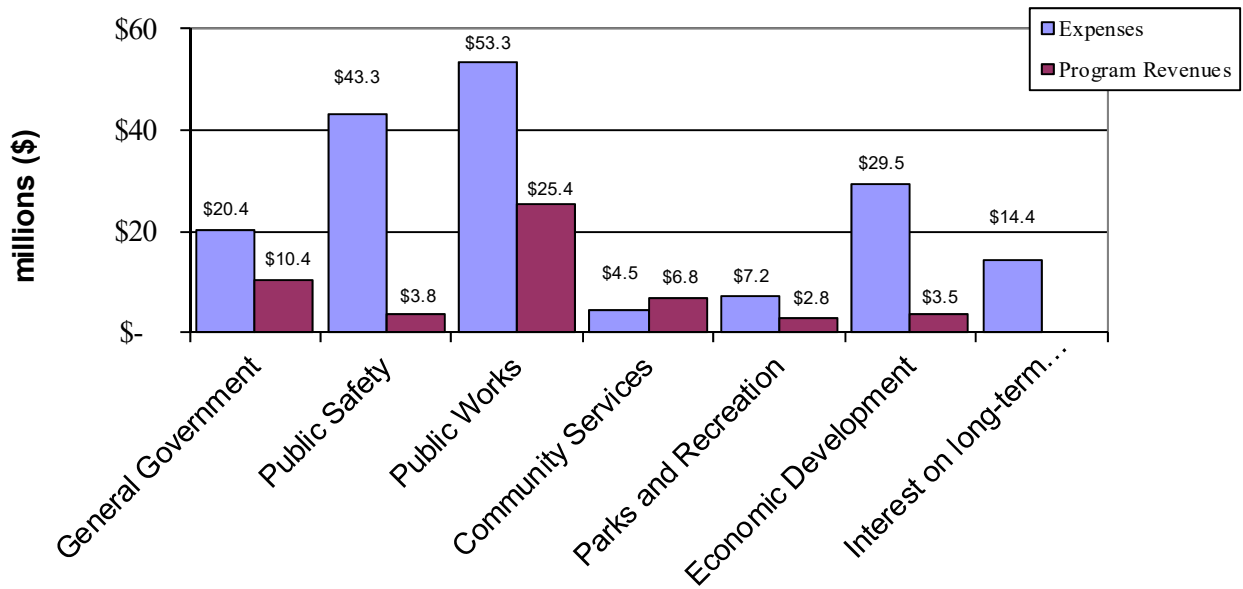
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues						
Program revenues:						
Charges for services	\$ 27,278	\$ 28,774	\$ 63,435	\$ 58,093	\$ 90,713	\$ 86,867
Operating grants and contributions	6,127	13,035			6,127	13,035
Capital grants and contributions	19,241	10,107	4,613	2,027	23,854	12,134
Property taxes	83,803	76,687			83,803	76,687
Sales and use taxes	35,437	31,976			35,437	31,976
Franchise taxes	7,358	7,263			7,358	7,263
Investment earnings	1,651	622	1,360	396	3,011	1,018
Other	4,691	3,108	7	66	4,698	3,174
Total Revenues	<u>185,586</u>	<u>171,572</u>	<u>69,415</u>	<u>60,582</u>	<u>255,001</u>	<u>232,154</u>
Expenses						
General Government	20,360	20,121			20,360	20,121
Public Safety	43,275	44,344			43,275	44,344
Public Works	53,271	49,221			53,271	49,221
Community Services	4,509	5,107			4,509	5,107
Parks and Recreation	7,194	8,823			7,194	8,823
Economic Development	29,521	31,293			29,521	31,293
Interest on long-term debt	14,441	14,422			14,441	14,422
Water and Sewer			41,683	41,475	41,683	41,475
Solid Waste			7,441	7,059	7,441	7,059
Total Expenses	<u>172,572</u>	<u>173,331</u>	<u>49,124</u>	<u>48,534</u>	<u>221,696</u>	<u>221,865</u>
Increase (decrease) in net position before special item and transfers	13,014	(1,759)	20,291	12,048	33,305	10,289
Transfers	3,103	2,417	(3,103)	(2,417)		
Increase in net position	16,117	658	17,188	9,631	33,305	10,289
Net position - beginning	<u>504,406</u>	<u>503,748</u>	<u>226,771</u>	<u>217,140</u>	<u>731,177</u>	<u>720,888</u>
Prior period adjustment	<u>(2,041)</u>		<u>1,137</u>		<u>(904)</u>	
Net position - ending	<u>\$ 518,482</u>	<u>\$ 504,406</u>	<u>\$ 245,096</u>	<u>\$ 226,771</u>	<u>\$ 763,578</u>	<u>\$ 731,177</u>

The increase in Total Net Position from the prior year is \$33.3 million, which is primarily attributable to the increase in capital grants and contributions as a result of infrastructure contributed by developers.

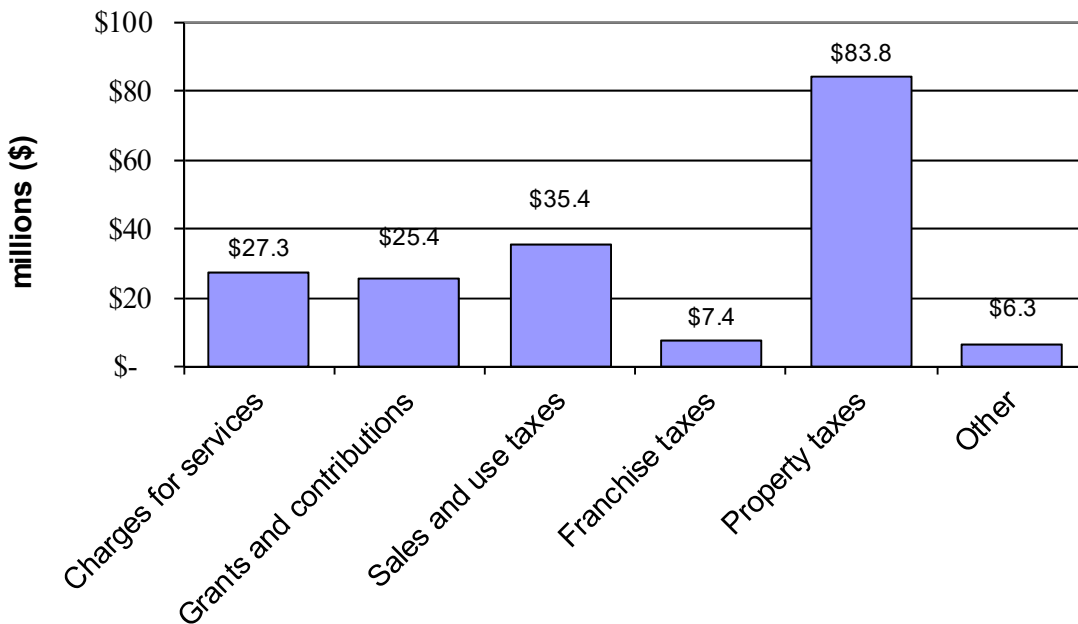
Governmental activities - Governmental activities increased the City's net position by \$16.1 million, thereby accounting for 48% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

- Property taxes, sales and use taxes, and franchise taxes totaled \$83.8 million, \$35.4 million, and \$7.4 million, respectively. These revenues increased by \$10.7 million from prior year primarily as a result of an increase in taxable assessed values.
- Capital grants and contributions totaled \$19.2 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 \$20.4 million, \$43.3 million, \$53.3 million, and \$29.5 million, respectively.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities



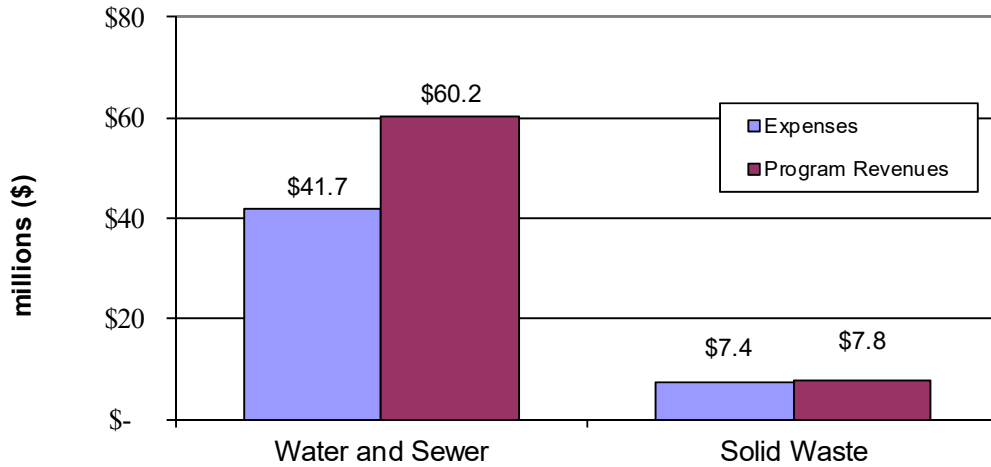
Business-type activities - Business-type activities increased the City's net position by \$17.2 million, thereby accounting for 52% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

- Charges for services of \$63.4 million increased approximately \$5.3 million over the prior year primarily due to rate increases.

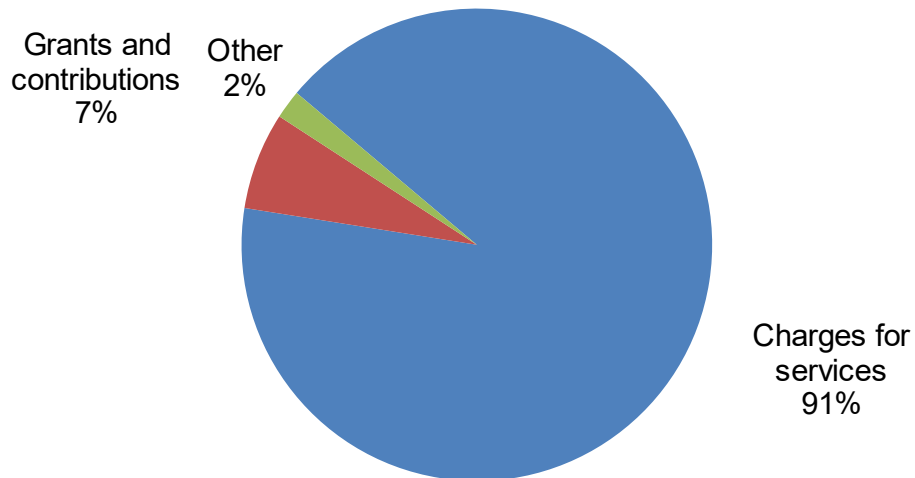
CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

- Capital grants and contributions of \$4.6 million increased \$2.6 million from the prior year mainly due to an increase in contributions from developers for impact fees.
- The revenues listed above were offset by expenses of \$41.7 million and \$7.4 million, respectively, for Water and Sewer and Solid Waste. Expenses increased from prior year by \$0.6 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 \$115.7 million. A portion of the combined fund balance, or \$12.3 million, is unassigned and available for day-to-day operations of the City; \$43.9 million is restricted for capital projects; \$44.6 million for economic development and the remaining balance is restricted for debt service and other programs.

There was a decrease in the combined governmental fund balance of \$6.5 million from the prior year. The decrease in fund balance includes decreases in the General Fund of \$0.4 million, Capital Projects Fund of \$15.5 million, and the Development Authority of Pearland of \$1.6 million. These decreases in fund balance were partially offset by increases in fund balance in the Debt Service Fund of \$0.9 million, Pearland Economic Development Corporation of \$6.6 million, and the Tax Increment Reinvestment Zone #2 of \$2.8 million. The General Fund's fund balance totaled \$14.0 million at year end.

The Pearland Economic Development Corporation, Tax Increment Reinvestment Zone #2, and Development Authority of Pearland, the City's component units blended with the primary government, had expenditures totaling \$40.5 million, leaving an ending fund balance of \$27.1 million, \$9.0 million, and \$8.5 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 business-type activities. Total net position in the Internal Service Fund was \$3.5 million at year end, a \$0.4 million increase from the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$2.5 million increase in appropriations between the adopted and amended budget. The increase in appropriations is attributable to carryover funding from prior-year encumbrances and projects and to reflect projections during the 2018-2019 budget process.

Actual revenues of \$74.2 million were \$0.9 million over the amended budget mainly in charges for services. Actual expenditures of \$77.3 million were under the amended budget by \$2.8 million, resulting in the year-end fund balance of \$14.0 million, in excess of budget by \$2.1 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2018, the City's governmental activities and business-type activities had invested \$843.8 million and \$358.6 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$20.9 million, or 2.5 percent over the end of last fiscal year for the governmental activities and a net increase of \$24.3 million or 7.3 percent over the end of last fiscal year for business-type activities.

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

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
Land	\$ 31,161	\$ 31,161	\$ 3,796	\$ 3,796	\$ 34,958	\$ 34,957
Construction in progress	110,736	77,706	84,111	53,339	194,847	131,045
Infrastructure	619,102	626,675	224,300	228,593	843,402	855,268
Buildings and improvements	71,506	74,812	24,518	25,253	96,024	100,065
Machinery and equipment	8,304	8,973	1,542	1,603	9,845	10,576
Furniture and fixtures	2,953	3,508	15	13	2,968	3,521
Contractual water rights			20,336	21,711	20,336	21,711
Total Capital Assets	<u>\$ 843,762</u>	<u>\$ 822,835</u>	<u>\$ 358,618</u>	<u>\$ 334,308</u>	<u>\$1,202,379</u>	<u>\$1,157,143</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, and capital leases outstanding of \$673.7 million. Of this amount, \$283.0 million is composed of general obligation bonds, \$41.8 million is composed of certificates of obligation and \$312.7 million represents revenue bonds secured solely by specified revenue sources.

<i>Amounts in (000's)</i>	Governmental Activities		Business-Type Activities		Totals	
	2018	2017	2018	2017	2018	2017
General obligation bonds	\$ 278,175	\$ 283,140	\$ 4,845	\$ 7,360	\$ 283,020	\$ 290,500
Certificates of obligation	41,750	37,505			41,750	37,505
Revenue bonds	98,025	97,215	214,705	196,200	312,730	293,415
Unamortized amount for issuance premium/ (discount)	23,844	25,832	10,897	9,395	34,741	35,227
Capital leases payable	1,282	1,838	173	257	1,455	2,095
	<u>\$ 443,076</u>	<u>\$ 445,530</u>	<u>\$ 230,620</u>	<u>\$ 213,212</u>	<u>\$ 673,696</u>	<u>\$ 658,742</u>

The City's general obligation bonds and certificates of obligation debt for governmental activities decreased to \$319.9 million. The decrease is due to scheduled principal payments offset by new debt issued. The City's debt for business-type activities increased to \$219.6 million, a net increase of \$16.0 million from the previous year, which was a result of new debt issued offset by scheduled principal payments.

Current credit ratings on debt issues are as follows:

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

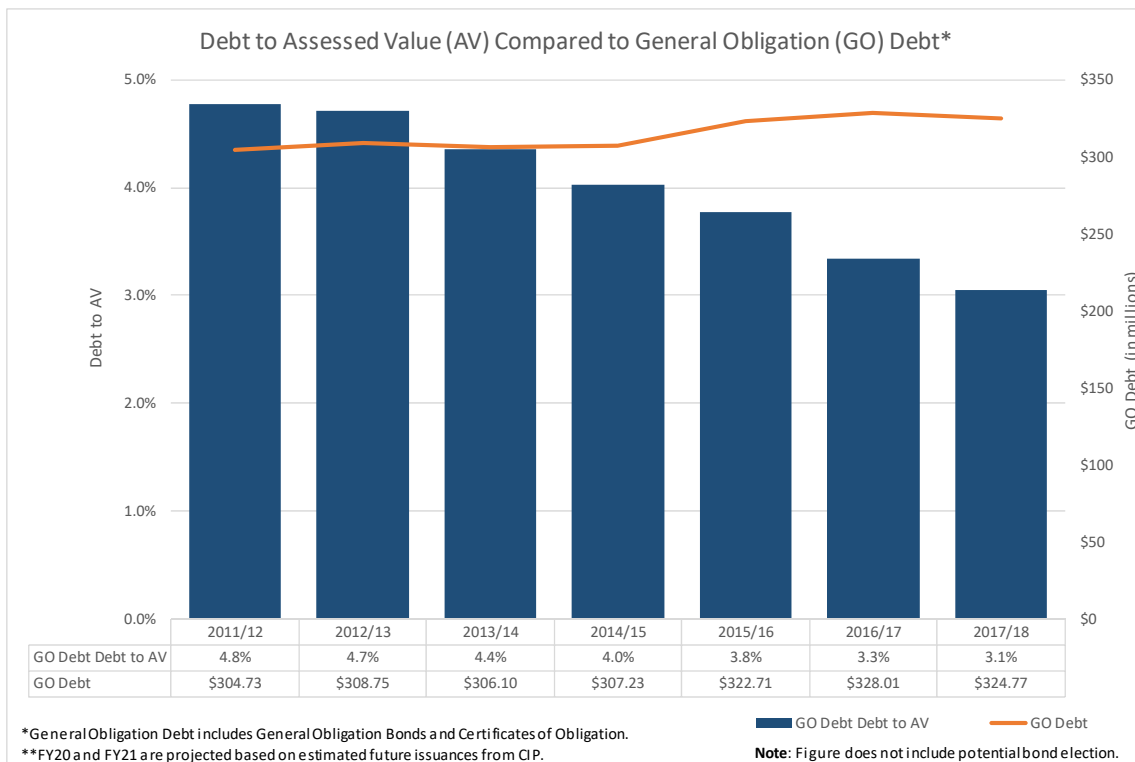
Both the Pearland Economic Development Corporation (PEDC) and the Development Authority of Pearland (DAP), component units of the City, have issued debt. The PEDC bonds are rated A1 from Moody's. The DAP bonds are rated A- by Standard and Poor's. Additional information on the City's long-term debt can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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Pearland continues with its forward momentum in FY 2019, less in terms of population and more in terms of growing value. The City's sales tax revenue is expected to continue strongly, providing \$22.8 million in FY 2019 with 3.8% growth. Sales tax revenue actually provides substantially to General Fund operations in addition to being the funding source for our Pearland Economic Development Corporation for another \$11.1 million in FY 2019. The City also saw \$373 million or 3.5% increase in added taxable value in FY 2019. The combination of rooftops and retailers in Pearland helps the local economy with jobs and investment and obviously provides tremendous value to our local government operations.

The City received positive ratings from Moody's Investor Services and Fitch Ratings, Inc. in August for its 2018 bond issuances. The City's Permanent Improvement Bonds Series 2018 for \$7.3 million and the Certificates of Obligation Series 2018 for \$6.9 million were assigned a rating of 'AA' by Fitch and 'Aa2' by Moody's. Separately, our enterprise fund Water and Sewer System Revenue Bonds-Series 2018B for \$18.9 million were assigned 'AA-' by Fitch and 'Aa3' by Moody's. These ratings demonstrate strong creditworthiness relative to other U.S. municipal or tax-exempt issuers or issues. The City, however, is significantly leveraged, which was necessary to allow the City to grow successfully.



The City's growth, however, allows debt service payments to be spread over a larger tax base, steadying the debt service rate while continuing moderate new debt issuances for capital investment projects. The debt service rate small reduction is atop the reduction we had in FY 2018, to 0.4300 from .4400 in FY 2017. The significantly reduced debt service rate for two years is even as new projects are being financed (general obligation and certificates of obligation). The debt service rate of \$0.43 for FY 2019 remained unchanged from the \$0.43 tax rate for FY 2018. In 2018, the City approved the calculated effective tax rate for the City's property tax rate instead of the calculated rollback tax rate. The rollback tax rate would have created a slight tax increase. Instead the effective tax rate was adopted which generated the same amount of revenue that last year's property tax rate generated in

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

2017. As of September 30, 2018 the City had \$319.5 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.

With a recovering Houston area economy and the continued growth in value and population, the City General Fund revenues and other sources are projected to increase from \$78,845,653 in FY 2018 to \$80,793,874 in FY 2019, an increase of \$1,948,221, or 2.5%, mainly due to an increase in Property Tax, Sales Tax, and Charges for Services. Property Tax revenues increased in 2019 by 4.3% over FY 2018 year-end amended revenue, resulting in steady property tax revenue as a percent of total revenues, from 26% in FY 2018 to 26% in FY 2019, and a slight increase in the overall property tax rate from \$0.6851 to \$0.7092 per \$100 valuation.

FY 2019 total expenditures are \$80,424,112, 1.1% less than the FY 2018 Amended Budget. Salaries and benefits remain the major expenditure for FY 2019, at 73.1% of the total. The FY 2019 Adopted Budget salaries and benefits represented 73.1% of total expenditures. Police and Fire remained the main focus of the supplemental funding. The Police Department will be adding four new Police Officers. The Fire Department will be continuing the process of "continuous onboarding" by bringing on six new firefighters. A 2% increase in salary is included for all personnel, to support recruitment and retention efforts. On April, 2018, the compensation and classification study recommendations were funded at 100% of the market rates. This is in addition to the annual 3% step increases for Certified Police Officers.

The General Fund meets reserve requirements and the fund is structurally in balance for FY 2019 whereby operating revenues are greater than expenditures. The adopted FY 2019 fund balance over policy is \$73,929, with the adopted ending fund balance of \$12,255,769 for FY 2019.

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 Cynthia Pearson, Director of Finance, at 3523 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, 2018

Primary Government

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and equivalents	\$ 34,686,162	\$ 10,372,266	\$ 45,058,428
Investments	85,922,888	11,535,028	97,457,916
Receivables, net of allowance for uncollectibles	27,691,825	8,030,068	35,721,893
Internal balances	1,267,452	(1,267,452)	
Inventories	123,504		123,504
Prepaid items	12,695		12,695
Restricted cash and cash equivalents		45,089,201	45,089,201
Restricted investments		55,251,702	55,251,702
Capital assets:			
Capital assets not subject to depreciation	141,896,869	87,907,650	229,804,519
Capital assets, net of accumulated depreciation	701,864,789	270,709,881	972,574,670
Total Capital Assets	<u>843,761,658</u>	<u>358,617,531</u>	<u>1,202,379,189</u>
Total Assets	<u>993,466,184</u>	<u>487,628,344</u>	<u>1,481,094,528</u>
Deferred Outflows of Resources			
Deferred charge on refunding	10,838,065	1,148,016	11,986,081
Deferred outflows related to OPEB activities	383,278	63,083	446,361
Deferred outflows related to pension activities	5,255,849	677,370	5,933,219
Total Deferred Outflows of Resources	<u>16,477,192</u>	<u>1,888,469</u>	<u>18,365,661</u>
Liabilities			
Accounts payable and accrued liabilities	12,335,451	7,423,142	19,758,593
Accrued interest	1,158,109	514,966	1,673,075
Unearned revenues	1,787,407		1,787,407
Customer deposits	2,386,736	1,849,745	4,236,481
Long-term liabilities:			
Due within one year	28,760,145	11,256,116	40,016,261
Due in more than one year	421,565,086	220,143,691	641,708,777
Total OPEB liability	4,416,579	724,388	5,140,967
Net pension liability	15,962,963	2,092,630	18,055,593
Total Liabilities	<u>488,372,476</u>	<u>244,004,678</u>	<u>732,377,154</u>
Deferred Inflows of Resources			
Deferred inflows related to pension activities	3,090,013	415,373	3,505,386
Total Deferred Inflows of Resources	<u>3,090,013</u>	<u>415,373</u>	<u>3,505,386</u>
Net Position			
Net investment in capital assets	454,669,972	210,674,024	665,343,996
Restricted for:			
Capital improvements	3,100,314	10,199,712	13,300,026
Debt service	13,335,297	4,325,106	17,660,403
Community development programs	5,971,293		5,971,293
Public safety	506,084		506,084
Economic development	44,350,141		44,350,141
Unrestricted	(3,452,214)	19,897,920	16,445,706
Total Net Position	<u>\$ 518,480,887</u>	<u>\$ 245,096,762</u>	<u>\$ 763,577,649</u>

See Notes to Financial Statements.
City of Pearland FY 2018 CAFR

CITY OF PEARLAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 20,360,141	\$ 10,414,273	\$	\$
Public Safety	43,274,991	3,776,857	10,945	
Public Works	53,271,478	252,783	5,883,978	19,241,477
Community Services	4,509,434	6,566,263	232,411	
Parks and Recreation	7,194,480	2,765,631		
Economic Development	29,521,206	3,501,993		
Interest on long-term debt	14,441,112			
Total Governmental Activities	172,572,842	27,277,800	6,127,334	19,241,477
Business-type activities:				
Water and Sewer	41,682,731	55,592,837		4,613,449
Solid Waste	7,441,289	7,841,800		
Total Business-Type Activities	49,124,020	63,434,637		4,613,449
Total Primary Government	\$ 221,696,862	\$ 90,712,437	\$ 6,127,334	\$ 23,854,926

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
\$ (9,945,868)	\$	\$ (9,945,868)
(39,487,189)		(39,487,189)
(27,893,240)		(27,893,240)
2,289,240		2,289,240
(4,428,849)		(4,428,849)
(26,019,213)		(26,019,213)
(14,441,112)		(14,441,112)
<u>(119,926,231)</u>		<u>(119,926,231)</u>
	18,523,555	18,523,555
	400,511	400,511
	<u>18,924,066</u>	<u>18,924,066</u>
<u>(119,926,231)</u>	<u>18,924,066</u>	<u>(101,002,165)</u>
83,802,830		83,802,830
35,436,955		35,436,955
7,357,997		7,357,997
1,651,113	1,360,710	3,011,823
4,690,758	6,806	4,697,564
3,102,692	(3,102,692)	
<u>136,042,345</u>	<u>(1,735,176)</u>	<u>134,307,169</u>
16,116,114	17,188,890	33,305,004
504,405,720	226,770,942	731,176,662
(2,040,947)	1,136,930	(904,017)
<u>\$ 518,480,887</u>	<u>\$ 245,096,762</u>	<u>\$ 763,577,649</u>

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2018

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Pearland Economic Development Corporation</u>
Assets				
Cash and cash equivalents	\$ 907,541	\$ 391,240	\$ 4,507,424	\$ 9,103,321
Investments	12,350,517	6,622,539	43,219,747	16,335,894
Receivables, net of allowance for uncollectibles	6,918,771	8,645,694	2,005,108	6,215,067
Due from other governments				
Due from other funds	1,394,444			
Inventories	123,504			
Prepaid items	12,483			212
Total Assets	<u>\$ 21,707,260</u>	<u>\$ 15,659,473</u>	<u>\$ 49,732,279</u>	<u>\$ 31,654,494</u>
Liabilities				
Accounts payable	\$ 2,734,373	\$ 71,668	\$ 5,848,681	\$ 174,166
Accrued expenditures	1,321,875	132,080	1,585,046	52,682
Deposits	2,348,403			38,333
Due to other funds				
Unearned revenue	649,955	1,137,452		
Total Liabilities	<u>7,054,606</u>	<u>1,341,200</u>	<u>7,433,727</u>	<u>265,181</u>
Deferred Inflows of Resources				
Unavailable revenue	665,012	7,521,159		4,256,492
Total Deferred Inflows of Resources	<u>665,012</u>	<u>7,521,159</u>		<u>4,256,492</u>
Fund Balances				
Non-spendable				
Inventories	123,504			212
Prepaid items	12,483			
Restricted				
Debt service		6,797,114		
Capital improvements			42,298,552	
Community development programs				
Public safety				
Economic development				27,132,609
Assigned				
Encumbrances	1,538,066			
Unassigned	12,313,589			
Total Fund Balances	<u>13,987,642</u>	<u>6,797,114</u>	<u>42,298,552</u>	<u>27,132,821</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 21,707,260</u>	<u>\$ 15,659,473</u>	<u>\$ 49,732,279</u>	<u>\$ 31,654,494</u>

See Notes to Financial Statements.

Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Non-major Governmental Funds	Total Governmental Funds
\$ 6,661,784	\$ 6,640,175	\$ 2,883,509	\$ 31,094,994
2,351,494		5,042,697	85,922,888
		2,005,933	25,790,573
	1,851,060		1,851,060
			1,394,444
			123,504
			12,695
<u>\$ 9,013,278</u>	<u>\$ 8,491,235</u>	<u>\$ 9,932,139</u>	<u>\$ 146,190,158</u>
\$ 2,168	\$ 799	\$ 246,856	\$ 9,078,711
		43,465	3,135,148
			2,386,736
		126,992	126,992
			1,787,407
<u>2,168</u>	<u>799</u>	<u>417,313</u>	<u>16,514,994</u>
		1,486,878	13,929,541
		1,486,878	13,929,541
			123,716
			12,483
			6,797,114
		1,613,436	43,911,988
		5,960,721	5,960,721
		505,732	505,732
9,011,110	8,490,436		44,634,155
			1,538,066
		(51,941)	12,261,648
<u>9,011,110</u>	<u>8,490,436</u>	<u>8,027,948</u>	<u>115,745,623</u>
<u>\$ 9,013,278</u>	<u>\$ 8,491,235</u>	<u>\$ 9,932,139</u>	<u>\$ 146,190,158</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, 2018

Total fund balance, governmental funds \$ 115,745,623

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. 843,761,658

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 10,838,065

Deferred outflows relating to OPEB activities 383,278

Deferred outflows relating to pension activities 5,255,849

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. 13,929,541

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 (443,075,737)

Compensated absences (7,249,485)

Accrued interest governmental activity debt (1,158,109)

Total OPEB liability (4,416,579)

Net pension liability (15,962,963)

Deferred inflows represent a consumption of net position that applies to future periods and therefore will not be recognized as an inflow of resources until then. (3,090,013)

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. 3,519,759

Net Position of Governmental Activities in the Statement of Net Position \$ 518,480,887

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, 2018

	General Fund	Debt Service	Capital Projects	Pearland Economic Development Corporation
Revenues				
Property taxes	\$ 20,383,959	\$ 34,190,351	\$	\$
Sales and use taxes	22,662,007			11,177,690
Franchise fees	7,097,567			
Licenses and permits	4,145,497			
Fines and forfeitures	2,322,399			
Charges for services	16,051,689			459,996
Investment earnings	193,334	217,443	620,468	304,643
Intergovernmental			7,779,656	12,000
Other	1,304,805	813,537	106	3,650,059
Total Revenues	<u>74,161,257</u>	<u>35,221,331</u>	<u>8,400,230</u>	<u>15,604,388</u>
Expenditures				
Current:				
General government	10,298,777			
Public safety	40,950,030			
Public works	13,326,696		3,577,346	
Community services	4,024,727			
Parks and recreation	5,816,980			
Economic development				2,311,058
Debt Service:				
Principal	556,677	15,245,000		905,000
Interest and other charges	34,922	12,619,329	212,265	324,500
Capital outlay	2,334,476		41,193,320	552,659
Intergovernmental		7,168,372		
Total Expenditures	<u>77,343,285</u>	<u>35,032,701</u>	<u>44,982,931</u>	<u>4,093,217</u>
Excess (deficiency) of revenues over expenditures	<u>(3,182,028)</u>	<u>188,630</u>	<u>(36,582,701)</u>	<u>11,511,171</u>
Other Financing Sources (Uses)				
Revenue bonds issued				
Certificates of obligation issued			7,085,000	
Permanent improvement bonds issued			7,440,000	
Premium on debt issued			1,143,159	
Transfers in	3,816,116	697,023	6,432,944	
Transfers out	(1,009,451)		(1,006,954)	(4,918,673)
Total Other Financing Sources (Uses)	<u>2,806,665</u>	<u>697,023</u>	<u>21,094,149</u>	<u>(4,918,673)</u>
Net change in fund balances	(375,363)	885,653	(15,488,552)	6,592,498
Fund balances - beginning	<u>14,363,005</u>	<u>5,911,461</u>	<u>57,787,104</u>	<u>20,540,323</u>
Fund balances - ending	<u>\$ 13,987,642</u>	<u>\$ 6,797,114</u>	<u>\$ 42,298,552</u>	<u>\$ 27,132,821</u>

See Notes to Financial Statements.

Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Non-major Governmental Funds	Total Governmental Funds
\$ 28,910,060	\$	\$	\$ 83,484,370
		1,597,258	35,436,955
		260,430	7,357,997
			4,145,497
		145,488	2,467,887
		290,701	16,802,386
137,373	6,425	120,299	1,599,985
		539,284	8,330,940
		1,395,894	7,164,401
<u>29,047,433</u>	<u>6,425</u>	<u>4,349,354</u>	<u>166,790,418</u>
	15,903	1,048,396	11,363,076
		330,946	41,280,976
		93,548	16,997,590
		288,679	4,313,406
		143,452	5,960,432
12,444,514	14,439,353		29,194,925
	6,840,000		23,546,677
	2,622,491		15,813,507
		240,991	44,321,446
			7,168,372
<u>12,444,514</u>	<u>23,917,747</u>	<u>2,146,012</u>	<u>199,960,407</u>
<u>16,602,919</u>	<u>(23,911,322)</u>	<u>2,203,342</u>	<u>(33,169,989)</u>
	8,555,000		8,555,000
			7,085,000
			7,440,000
			1,143,159
	13,758,032		24,704,115
<u>(13,758,032)</u>		<u>(1,573,312)</u>	<u>(22,266,422)</u>
<u>(13,758,032)</u>	<u>22,313,032</u>	<u>(1,573,312)</u>	<u>26,660,852</u>
2,844,887	(1,598,290)	630,030	(6,509,137)
6,166,223	10,088,726	7,397,918	122,254,760
<u>\$ 9,011,110</u>	<u>\$ 8,490,436</u>	<u>\$ 8,027,948</u>	<u>\$ 115,745,623</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, 2018

Net change in fund balances - total governmental funds: \$ (6,509,137)

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 capital outlays of \$40,851,250 exceeded depreciation of \$39,166,428 in the current period. 1,684,822

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.

Capital assets acquired as a result of in-City development. 19,241,477

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. 469,866

Pension and OPEB contributions made after the pension plan measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position 5,476,493

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. (3,685,270)

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	63,250
Deferred charge on refunding	1,797,635
Bond premiums/discounts	1,987,980
Compensated absences	(700,272)
Capital lease activity	556,677
Other post-employment benefit expense	1,222,092
Pension expense	(5,907,507)

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. 418,007

Change in net position of governmental activities \$ 16,116,114

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 10,372,266	\$	\$ 10,372,266	\$ 3,591,168
Investments	11,535,028		11,535,028	
Accounts receivable, net of allowance for doubtful accounts	6,860,776	1,169,292	8,030,068	50,184
Restricted cash and cash equivalents	45,089,201		45,089,201	
Restricted investments	55,251,702		55,251,702	
Total current assets	129,108,973	1,169,292	130,278,265	3,641,352
Non-current assets:				
Capital assets:				
Land and improvements	3,796,382		3,796,382	
Construction in progress	84,111,268		84,111,268	
Contractual rights to water supply	34,511,428		34,511,428	
Infrastructure	351,804,043		351,804,043	
Buildings	32,268,698		32,268,698	
Machinery and equipment	5,649,502		5,649,502	
Less Accumulated depreciation	(153,523,790)		(153,523,790)	
Total non-current assets	358,617,531		358,617,531	
Total Assets	487,726,504	1,169,292	488,895,796	3,641,352
Deferred Outflows of Resources				
Deferred charge on refunding	1,148,016		1,148,016	
Deferred outflows relating to OPEB activities	63,083		63,083	
Deferred outflows relating to pension activities	677,370		677,370	
Total Deferred Outflows of Resources	1,888,469		1,888,469	
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	6,774,053	649,089	7,423,142	121,593
Accrued interest payable	514,966		514,966	
Due to other funds		1,267,452	1,267,452	
Customer deposits	1,849,745		1,849,745	
Compensated absences - current portion	175,454		175,454	
Bonds and permanent improvement payable - current portion	10,995,000		10,995,000	
Capital lease - current portion	85,662		85,662	
Total current liabilities	20,394,880	1,916,541	22,311,421	121,593
Non-current liabilities:				
Compensated absences	604,702		604,702	
Capital lease obligation	87,166		87,166	
Total OPEB Liability	724,388		724,388	
Net pension liability	2,092,630		2,092,630	
Bonds and permanent improvement payable	219,451,823		219,451,823	
Total non-current liabilities	222,960,709		222,960,709	
Total Liabilities	243,355,589	1,916,541	245,272,130	121,593
Deferred Inflows of Resources				
Deferred inflows relating to pension activities	415,373		415,373	
Total Deferred Inflows of Resources	415,373		415,373	
Net Position				
Net investment in capital assets	210,674,024		210,674,024	
Restricted for debt service	4,325,106		4,325,106	
Restricted for capital projects	10,199,712		10,199,712	
Unrestricted	20,645,168	(747,249)	19,897,919	3,519,759
Total Net Position	\$ 245,844,010	\$ (747,249)	\$ 245,096,761	\$ 3,519,759

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, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Funds
Revenues				
Charges for services	\$ 55,592,837	\$ 7,874,104	\$ 63,466,941	\$ 7,895,258
Total operating revenues	<u>55,592,837</u>	<u>7,874,104</u>	<u>63,466,941</u>	<u>7,895,258</u>
Operating Expenses				
Personnel services	7,340,800		7,340,800	42,763
Supplies and materials	7,354,320		7,354,320	
Contractual services	5,366,373	8,473,436	13,839,809	8,131,861
Repairs and maintenance	4,085,993		4,085,993	
Other expenses	99,078		99,078	18,755
Depreciation and amortization	10,833,814		10,833,814	
Total Operating Expenses	<u>35,080,378</u>	<u>8,473,436</u>	<u>43,553,814</u>	<u>8,193,379</u>
Operating income (loss)	<u>20,512,459</u>	<u>(599,332)</u>	<u>19,913,127</u>	<u>(298,121)</u>
Non-Operating Revenues (Expenses)				
Earnings on investments	1,360,695	15	1,360,710	51,128
Miscellaneous revenue (expense)	6,806		6,806	
Bond Issuance Costs	(447,732)		(447,732)	
Interest expense	(5,154,778)		(5,154,778)	
Total Non-Operating Revenues (Expenses)	<u>(4,235,009)</u>	<u>15</u>	<u>(4,234,994)</u>	<u>51,128</u>
Income (loss) before contributions and transfers	16,277,450	(599,317)	15,678,133	(246,993)
Capital contributions	4,613,449		4,613,449	
Transfers in	487,109		487,109	665,000
Transfers out	(3,589,802)		(3,589,802)	
Change in net position	17,788,206	(599,317)	17,188,889	418,007
Total net position - beginning	227,135,350	(364,408)	226,770,942	3,101,752
Prior period adjustment	920,454	216,476	1,136,930	
Total net position - ending	<u>\$ 245,844,010</u>	<u>\$ (747,249)</u>	<u>\$ 245,096,761</u>	<u>\$ 3,519,759</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 51,922,630	\$ 7,689,189	\$ 59,611,819	\$
Receipts from interfund charges for insurance activities				7,860,760
Disbursed for personnel services	(8,632,518)		(8,632,518)	(42,763)
Disbursed for goods and services	(21,805,030)	(7,689,204)	(29,494,234)	(8,556,373)
Net cash provided (used) by operating activities	<u>21,485,082</u>	<u>(15)</u>	<u>21,485,067</u>	<u>(738,376)</u>
Cash Flows from Noncapital Financing Activities				
Transfers in	487,109		487,109	665,000
Transfers out	(3,589,802)		(3,589,802)	-
Cash received from non-operating revenues	6,806		6,806	
Net cash provided by (used by) noncapital financing activities	<u>(3,095,887)</u>		<u>(3,095,887)</u>	<u>665,000</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from the issuance of debt	29,763,159		29,763,159	
Principal payments on debt	(11,710,000)		(11,710,000)	
Principal payments on leases	(84,216)		(84,216)	
Bond issuance costs	(447,732)		(447,732)	
Interest paid	(5,114,653)		(5,114,653)	
Acquisition and construction of capital assets	(28,233,764)		(28,233,764)	
Net cash provided by capital and related financing activities	<u>(15,827,206)</u>		<u>(15,827,206)</u>	
Cash Flows from Investing Activities				
Purchase of investments	(6,556,401)		(6,556,401)	
Interest received	1,360,695	15	1,360,710	51,127
Net cash provided by (used by) investing activities	<u>(5,195,706)</u>	<u>15</u>	<u>(5,195,691)</u>	<u>51,127</u>
Net increase (decrease) in cash and equivalents	(2,633,717)		(2,633,717)	(22,249)
Cash and equivalents, beginning	<u>58,095,183</u>		<u>58,095,183</u>	<u>3,613,417</u>
Cash and equivalents, end	<u>\$ 55,461,467</u>	<u>\$</u>	<u>\$ 55,461,467</u>	<u>\$ 3,591,168</u>
	1		1	
Unrestricted cash and equivalents	\$ 10,372,266	\$	\$ 10,372,266	\$ 3,591,168
Restricted cash and equivalents	45,089,201		45,089,201	
	<u>\$ 55,461,467</u>	<u>\$</u>	<u>\$ 55,461,467</u>	<u>\$ 3,591,168</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2018

	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)	\$ 20,512,459	\$ (599,332)	\$ 19,913,127	\$ (298,121)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	10,833,814		10,833,814	
(Increase) decrease in accounts receivable	(1,980,691)	(184,915)	(2,165,606)	(34,498)
(Increase) decrease in deferred outflows relating to OPEB activities	(442,974)		(442,974)	
(Increase) decrease in deferred outflows relating to pension activities	519,449		519,449	
Increase (decrease) in accounts payable	(4,899,266)	(175,114)	(5,074,380)	(405,757)
Increase (decrease) in salaries payable	206,816		206,816	
Increase (decrease) in due to other funds		959,346	959,346	
Increase (decrease) in customer deposits	(1,689,516)		(1,689,516)	
Increase (decrease) in total OPEB liability	(1,127,609)		(1,127,609)	
Increase (decrease) in net pension liability	(841,277)		(841,277)	
Increase (decrease) in deferred inflows relating to pension activities	393,877		393,877	
Net cash provided by (used by) operating activities	\$ 21,485,082	\$ (15)	\$ 21,485,067	\$ (738,376)
Summary of non-cash transactions				
Contributed capital assets	\$ 4,613,449	\$	\$ 4,613,449	\$

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 part-time/volunteer department. The City is governed by an elected mayor and seven-member Council.

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 funds that 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.

The financial reporting entity consists of the City and its component units. Component units are legally separate organizations for which the City is financially accountable or other organizations whose nature and significant relationship with the City are such that exclusion would cause the City's financial statements to be misleading. Financial accountability is defined as the appointment of a voting majority of the component unit's board, and (i) either the City's ability to impose its will on the organization or (ii) there is potential for the organization to provide a financial benefit to or impose a financial burden on the City.

The basic financial statements include blended component units. The blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

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

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

For financial reporting purposes, the City's basic financial statements include all financial activities that are controlled by or are dependent upon actions taken by City Council. The component units do not issue separate financial statements.

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 governed by a board appointed by the City Council. Although it is legally separated from the City, the PEDC relies upon the primary government for appointing the board, also City Council must approve the PEDC's budget and any debt issuances. The PEDC provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it may not provide services directly to it.

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. The TIRZ #2 is governed by a board appointed by the City Council. Although it is legally separated from the City, the TIRZ #2 is fiscally dependent upon the primary government because 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. TIRZ #2 provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it may not provide services directly to it.

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. The Development Authority of Pearland is governed by a board appointed by the City Council. Although it is legally separated from the City, the Development Authority of Pearland is fiscally dependent upon the primary government because the City Council must also approve any debt issuances done on behalf of the Development Authority of Pearland. The Development Authority of Pearland provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City even though it may not provide services directly to it.

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

Note 1 - Summary of Significant Accounting Policies (continued)

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.

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.

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)

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, public works, parks and recreation, community services, 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.

The *Pearland Economic Development Corporation* is 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 the funds are governed by State Law.

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 Reinvestment 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 *Internal Service Funds* 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 Funds include property and liability insurance coverage, employee benefits, and health claims. The Internal Service Funds is included in governmental activities for government-wide 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)

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 Funds 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.

D. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

E. Fund Balance Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

F. Fund Balance Working Capital Policies

Governmental Funds are presented in the financial statements 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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

F. Fund Balance Working Capital Policies (continued)

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 than 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 purpose, 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. City Council has established fund balance and working capital policies under which 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.

Property Liability Insurance Fund Unrestricted Net Position

The Property Liability Insurance 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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

F. Fund Balance Working Capital Policies (continued)

The Employee Benefits Fund and Health Claims Fund are 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.

G. 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.

H. Investments

Investments consist of Local Government Investment Pools, 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, except for investment pools. The City's investment pools are valued and reported at amortized cost, which approximates fair value.

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

Note 1 - Summary of Significant Accounting Policies (continued)

H. Investments (continued)

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

I. 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.

J. 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.

K. 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 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. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

L. 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.

M. 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 acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Note 1 - Summary of Significant Accounting Policies (continued)

M. Capital Assets (continued)

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

N. 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 non-exempt and are hired after October 1, 2005 earn vacation at a rate of 10 days per year from 1-4 years of service, 15 days per year for 5-14 years of service and 20 days for 15 and over years of service. Employees, who are exempt and are hired after October 1, 2005 earn vacation at a rate of 15 days per year from 1-14 years of service, and 20 days for 15 and over years of service. Certified police personnel earn 15 days of vacation after 1 year and 20 days of vacation after 15 years. Effective October 1, 2011 certified fire fighter personnel earn 168 hours of vacation from 1-4 years, 241 hours of vacation for 5-14 years and 312 hours after 15 years. Employees are required to use their vacation in the year it is earned. Employees may carry over a maximum of 40 (48 for certified shift Fire employees) hours of vacation a year.

City employees receive 10 paid holidays per year. In addition to providing paid time off for the City-observed holidays, the City permits regular full-time employees to take up to two (2) paid personal days (designated holidays) annually. 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 Compensatory Time 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.

O. 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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

P. 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 the current year's presentation.

Q. 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 three items that qualify 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 - 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 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of pension liabilities. 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 deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five year period. The remaining 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.
- Deferred outflows of resources for other post-employment benefits (OPEB) - Reported in the government wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

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

Note 1 - Summary of Significant Accounting Policies (continued)

Q. Deferred Outflows/Inflows of Resources

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 two items that qualify 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.
- Deferred inflows of resources for pension - Reported in the government wide financial statement of net position, these deferred inflows result primarily from changes in actuarial assumptions. These pension related deferred inflows 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

R. 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*, as superseded by GASB Statement No. 71.

S. Other-Post Employment Benefits (OPEB)

The City provides its retirees the opportunity to maintain health insurance coverage by participating in the City's insurance plan. The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. The actual cost recorded in the governmental fund financial statements is the cost of the health benefits incurred on behalf of the retirees less the premiums collected from the retirees. Information regarding the City's total liability for this plan is obtained through a report prepared by HUB International, the City's third-party actuary, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Additionally, the City participates in a defined-benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

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

Note 1 - Summary of Significant Accounting Policies (continued)

T. New Accounting Standards

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

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations and disposals of government operations. This Statement requires measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements.

GASB Statement No. 85, *Omnibus 2017*. This Statement establishes accounting and financial reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

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.

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

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

Authorization for Deposits and Investments

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.

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.

Deposit and Investment Amounts

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	\$ 90,147,627
Temporary Investments	
Texas CLASS	97,561,971
TexSTAR	5,453,232
FAMC discount note	10,869,214
FFCB discount note	2,955,700
FHLB discount note	5,935,317
FHLMC discount note	7,564,695
FNMA discount note	2,973,503
Certificates of deposit	19,395,988
	<u><u>\$ 242,857,247</u></u>

At September 30, 2018, the City reported cash deposits in the amount of \$85,060,959. The entire amount was covered by federal depository insurance and by pledged collateral held by the City's agent in the City's name.

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

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

Deposit and Investment Amounts (continued)

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	\$ 3,593,165
Unrealized gain (loss) on temporary investments	<u>(581,342)</u>
Investment earnings	<u>\$ 3,011,823</u>

The City's investments' fair value measurements are as follows at September 30, 2018:

Investments	Fair Value	Fair Value Measurement Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
U.S Agency Securities	\$ 30,298,429	\$	\$ 30,298,429	\$
Certificates of deposit	19,395,988	19,395,988		

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		
Texas CLASS	\$ 97,561,971	52
TexSTAR	5,453,232	43
FAMC discount note	10,869,214	544
FFCB discount note	2,955,700	761
FHLB discount note	5,935,317	405
FHLMC discount note	7,564,695	477
FNMA discount note	2,973,503	344
Certificates of deposit	19,395,988	524
	<u>\$ 152,709,620</u>	
Portfolio weighted average maturity		<u>201</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 132 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.

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

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

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.

<u>Investment Type</u>	<u>Total Fair Value</u>	<u>Percentage of Total Investment Portfolio</u>
Texas CLASS	\$ 97,561,971	64%
TexSTAR	5,453,232	4%
FAMC discount note	10,869,214	6%
FFCB discount note	2,955,700	2%
FHLB discount note	5,935,317	4%
FHLMC discount note	7,564,695	5%
FNMA discount note	2,973,503	2%
Certificates of deposit	19,395,988	13%
Total	<u>\$ 152,709,620</u>	<u>100%</u>

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.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

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

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

Restricted Assets

The Enterprise Funds have restricted certain cash and investments for customer deposits, reserve and emergency expenses, capital improvements, cash restricted for others, and revenue bond debt service. Because of certain bond covenants, the Enterprise Funds are 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	\$ 4,840,072
Customer deposits	3,772,991
Capital improvements	91,727,840
Total	<u>\$ 100,340,903</u>

Note 3 - Receivables

Receivables at September 30, 2018, consisted of the following:

Primary Government:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Pearland Economic Development Corporation</u>	<u>Non-major Governmental Funds</u>	<u>Total</u>
Receivables						
Property taxes, including penalties and interest	\$ 670,957	\$ 1,134,095	\$	\$	\$	\$ 1,805,052
Lease receivable		7,537,926				7,537,926
Sales and other taxes	5,296,987			1,912,148	358,476	7,567,611
Interest	28,364	3,589	15,511	38,518	1,384	87,366
Other	940,215		1,989,597	4,264,401	1,646,073	8,840,286
Allowance for uncollectibles	(17,752)	(29,916)				(47,668)
	<u>\$ 6,918,771</u>	<u>\$ 8,645,694</u>	<u>\$ 2,005,108</u>	<u>\$ 6,215,067</u>	<u>\$ 2,005,933</u>	<u>\$ 25,790,573</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	\$ 665,012	\$
Delinquent property taxes receivable - debt service fund	1,120,685	
Lease revenues-principal	6,400,474	
Street assessments	1,486,878	
Other	4,256,492	
Lease interest revenues		1,137,452
Grants and revenues prior to meeting all eligibility requirements		649,955
Total	<u>\$13,929,541</u>	<u>\$ 1,787,407</u>

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

Note 3 - Receivables (continued)

Proprietary Funds:

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Fund
Receivables				
Customer accounts	\$ 6,852,657	\$ 1,187,346	\$ 8,040,003	\$
Interest	69,630		69,630	
Other	37,013		37,013	50,184
Allowance for uncollectibles	(98,524)	(18,054)	(116,578)	
	<u>\$ 6,860,776</u>	<u>\$ 1,169,292</u>	<u>\$ 8,030,068</u>	<u>\$ 50,184</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.

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2018, follows:

	Balance September 30, 2017	Increases	(Decreases) and Reclassifications	Balance September 30, 2018
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 31,161,169	\$	\$	\$ 31,161,169
Construction in progress	77,706,426	33,029,274		110,735,700
Total capital assets not being depreciated	<u>108,867,595</u>	<u>33,029,274</u>		<u>141,896,869</u>
Other capital assets:				
Infrastructure	993,312,200	24,824,639		1,018,136,839
Buildings and improvements	109,220,249	590,708		109,810,957
Machinery and equipment	22,923,664	1,236,585	(734,440)	23,425,809
Furniture and fixtures	7,731,346	411,521	(23,555)	8,119,312
Total other capital assets	<u>1,133,187,459</u>	<u>27,063,453</u>	<u>(757,995)</u>	<u>1,159,492,917</u>
Less accumulated depreciation for:				
Infrastructure	(366,637,472)	(32,397,450)		(399,034,922)
Buildings and improvements	(34,407,985)	(3,896,962)		(38,304,947)
Machinery and equipment	(13,950,713)	(1,905,765)	734,440	(15,122,038)
Furniture and fixtures	(4,223,526)	(966,250)	23,555	(5,166,221)
Total accumulated depreciation	<u>(419,219,696)</u>	<u>(39,166,427)</u>	<u>757,995</u>	<u>(457,628,128)</u>
Other capital assets, net	713,967,763	(12,102,974)		701,864,789
Totals	<u>\$ 822,835,358</u>	<u>\$ 20,926,300</u>	<u>\$</u>	<u>\$ 843,761,658</u>

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

Note 4 - Capital Assets (continued)

	Balance September 30, 2017	Increases	(Decreases) and Reclassifications	Balance September 30, 2018
Business-type Activities				
Capital assets not being depreciated:				
Land	\$ 3,796,382	\$	\$	\$ 3,796,382
Construction in progress	53,339,041	30,772,227		84,111,268
Total capital assets not being depreciated	57,135,423	30,772,227		87,907,650
Other capital assets:				
Water and sewer system	347,830,320	3,973,723		351,804,043
Buildings and improvements	32,268,698			32,268,698
Machinery and equipment	5,272,337	390,350	(140,706)	5,521,981
Furniture and fixtures	120,922	6,599		127,521
Contractual water rights	34,511,428			34,511,428
Total other capital assets	420,003,705	4,370,672	(140,706)	424,233,671
Less accumulated depreciation for:				
Water and sewer system	(119,237,468)	(8,266,409)		(127,503,877)
Buildings and improvements	(7,015,630)	(735,269)		(7,750,899)
Machinery and equipment	(3,669,042)	(451,996)	140,706	(3,980,332)
Furniture and fixtures	(107,687)	(5,070)		(112,757)
Contractual water rights	(12,800,856)	(1,375,069)		(14,175,925)
Total accumulated depreciation	(142,830,683)	(10,833,813)	140,706	(153,523,790)
Other capital assets, net	277,173,022	(6,463,141)		270,709,881
Totals	\$ 334,308,445	\$ 24,309,086	\$	\$ 358,617,531

Depreciation was charged to programs as follows:

General government	\$ 2,229,205
Public safety	2,299,614
Public works	32,906,866
Community services	199,073
Parks and recreation	1,531,669
Total Governmental Activity	\$ 39,166,427
Water and sewer	\$ 10,833,813
Total Business-Type Activity	\$ 10,833,813

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

Note 4 - Capital Assets (continued)

The City had active construction projects as of September 30, 2018. 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	\$ 15,258,616	\$ 10,951,478	\$ 4,307,138
Building Improvements	27,211,998	15,605,691	11,606,307
Street Improvement	116,713,054	63,657,679	53,055,375
Park Improvements	30,668,854	20,520,852	10,148,002
Total Governmental Activities	<u>189,852,522</u>	<u>110,735,700</u>	<u>79,116,822</u>
Water and Sewer Improvements	171,510,976	84,111,268	87,399,708
Total Primary Government	<u><u>\$ 361,363,498</u></u>	<u><u>\$ 194,846,968</u></u>	<u><u>\$ 166,516,530</u></u>

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.

The Tax Increment Contract Revenue Bonds, Series 2017 were issued in December 2017 in the amount of \$8,555,000 for developer reimbursements of TIRZ infrastructure improvements. The bonds bear an all cost true interest rate of 3.13 percent and are due in installments ranging from \$420,000 to \$820,000 through September 1, 2029.

The Certificates of Obligation, Series 2018 were issued in September 2018 in the amount of \$7,085,000 for construction and improvements to certain streets, roads, intersections, parks and trails, fire stations, an animal services shelter, and improvements to drainage facilities. The certificates bear interest from 2.00 percent to 5.00 percent and are due in annual installments ranging from \$350,000 to \$355,000 through March 1, 2038.

The Permanent Improvement Bonds, Series 2018 were issued in September 2018 in the amount of \$7,440,000 for construction and improvements to City streets and the City drainage system. The bonds bear interest from 2.00 percent to 5.00 percent and are due in annual installments ranging from \$370,000 to \$375,000 through March 1, 2038.

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

Note 5 - Long-Term Debt (continued)

A. Governmental Activity Debt (continued)

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2018. 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, 2017	Additions	(Reductions)	Balance September 30, 2018	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 283,140,000	\$ 7,440,000	\$ (12,405,000)	\$ 278,175,000	\$15,370,000
Certificates of obligation	37,505,000	7,085,000	(2,840,000)	41,750,000	3,290,000
Sales tax revenue bonds	13,750,000		(905,000)	12,845,000	930,000
Tax increment revenue bonds	83,465,000	8,555,000	(6,840,000)	85,180,000	7,305,000
Unamortized premium/ (discount)	25,832,190	1,143,159	(3,131,139)	23,844,210	
Total bonds payable	<u>443,692,190</u>	<u>24,223,159</u>	<u>(26,121,139)</u>	<u>441,794,210</u>	<u>26,895,000</u>
Other liabilities:					
Obligations under capital leases	1,838,204		(556,677)	1,281,527	520,496
Compensated absences	6,549,222	3,743,838	(3,043,566)	7,249,494	1,344,649
Total Governmental Activities	<u>\$ 452,079,616</u>	<u>\$ 27,966,997</u>	<u>\$ (29,721,382)</u>	<u>\$ 450,325,231</u>	<u>\$28,760,145</u>

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.

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 general obligation bonds and certificates of obligation, as of September 30, 2017, follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
General Obligation Bonds				
Permanent Improvement, Series 2008	22,835,000	2019	4.50-5.50	\$ 405,000
Permanent Improvement and Refunding Bonds, Series 2009	16,735,000	2020	2.00-5.00	1,205,000
Permanent Improvement, Series 2010A	12,415,000	2035	3.00-4.00	9,455,000
Permanent Improvement, Series 2011	5,400,000	2036	2.125-4.125	4,415,000
Permanent Improvement and Refunding Bonds, Series 2012	43,575,000	2029	3.00-5.00	35,620,000
Permanent Improvement Bonds, Series 2013	9,315,000	2038	3.00-5.00	7,840,000
Permanent Improvement and Refunding Bonds, Series 2014	40,410,000	2034	2.00-5.00	36,035,000
Permanent Improvement Refunding Bonds, Series 2015	47,165,000	2032	2.00-5.00	46,070,000
Permanent Improvement Bonds, Series 2015	8,495,000	2035	2.00-4.00	7,220,000
Permanent Improvement Refunding Bonds, Series 2015-A	10,210,000	2029	2.00-3.00	8,555,000
Permanent Improvement Refunding Bonds, Series 2016-A	33,275,000	2036	2.00-5.00	31,630,000
Permanent Improvement Refunding Bonds, Series 2016-B	29,840,000	2031	2.00-5.00	27,185,000
Permanent Improvement and Refunding Bonds, Series 2017	56,900,000	2037	2.00-5.00	54,840,000
Annexed Municipal Utility District Bonds				
BC MUD 4 Series 2011	2,640,000	2020	2.50-5.00	260,000
Permanent Improvement Bonds, Series 2018	7,440,000	2038	2.50-5.00	7,440,000
Total General Obligation Bonds				<u>\$ 278,175,000</u>
Certificates of Obligation				
Certificates of Obligation, Series 2007	23,250,000	2030	3.25-5.25	\$ 3,285,000
Certificates of Obligation, Series 2008	9,000,000	2019	3.75-5.00	185,000
Certificates of Obligation, Series 2009	8,520,000	2020	2.25-5.00	645,000
Certificates of Obligation, Series 2009A	12,145,000	2020	2.00-4.50	1,275,000
Certificates of Obligation, Series 2011	2,095,000	2021	2.09	630,000
Certificates of Obligation, Series 2013	2,745,000	2038	3.00-4.625	2,330,000
Certificates of Obligation, Series 2014	4,625,000	2034	2.00-4.00	3,700,000
Certificates of Obligation, Series 2015	4,860,000	2035	2.00-4.00	4,125,000
Certificates of Obligation, Series 2016	13,995,000	2036	2.00-4.00	12,595,000
Certificates of Obligation, Series 2017	6,205,000	2037	2.00-4.00	5,895,000
Certificates of Obligation, Series 2018	7,085,000	2038	2.00-5.00	7,085,000
Total Certificates of Obligation				<u>\$ 41,750,000</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, 2018, is as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Pearland Economic Development Corporation				
Sales Tax Revenue Refunding Bonds, Series 2016	\$ 14,640,000	2030	2.36	\$ 12,845,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2013	9,150,000	2029	3.77	7,185,000
Tax Increment Revenue Bonds, Series 2014	8,060,000	2029	3.00	5,950,000
Tax Increment Revenue Bonds, Series 2015	66,030,000	2029	3.00	52,930,000
Tax Increment Revenue Bonds, Series 2016	12,320,000	2029	2.22	10,980,000
Tax Increment Revenue Bonds, Series 2017	8,555,000	2029	3.13	<u>8,135,000</u>
Total Component Unit Long-Term Debt				<u>\$ 98,025,000</u>

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, 2018, approximately \$23.8 million of previously refunded bonds outstanding were considered defeased.

<u>General Obligation</u>	
CO Series 2009	\$ 5,985,000
PIB Series 2009	12,065,000
CO Series 2009A	<u>5,750,000</u>
Total:	<u>\$ 23,800,000</u>

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 and entirely classified as machinery and equipment.

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

<u>Fiscal Year</u>	<u>Obligations</u>
2019	\$ 542,850
2020	379,616
2021	212,807
2022	125,336
2023	<u>64,434</u>
Total	1,325,043
Less: Interest	<u>(43,516)</u>
Obligations under capital leases	<u><u>\$ 1,281,527</u></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, 2018, were as follows:

<u>Fiscal Year</u>	Governmental Activities			
	General Obligation		Certificates of Obligation	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 15,370,000	\$ 11,230,392	\$ 3,290,000	\$ 1,298,816
2020	16,025,000	10,671,939	3,105,000	1,222,871
2021	17,335,000	10,018,570	2,145,000	1,148,863
2022	18,110,000	9,282,426	1,935,000	1,094,169
2023	18,755,000	8,479,276	1,930,000	1,040,006
2024	19,370,000	7,605,470	1,940,000	981,319
2025	20,165,000	6,709,495	1,950,000	915,919
2026	20,780,000	5,805,289	1,950,000	847,819
2027	21,565,000	4,852,395	1,955,000	774,344
2028	22,350,000	3,906,459	1,950,000	703,294
2029	21,370,000	3,018,418	3,705,000	608,194
2030	13,750,000	2,317,983	3,495,000	485,800
2031	15,745,000	1,770,530	1,955,000	393,219
2032	15,005,000	1,190,434	1,960,000	326,841
2033	6,125,000	771,925	1,960,000	261,544
2034	6,230,000	538,297	1,970,000	195,453
2035	4,235,000	335,225	1,740,000	132,716
2036	3,080,000	181,422	1,505,000	77,531
2037	1,945,000	78,063	805,000	36,494
2038	865,000	18,831	505,000	10,569
	<u>\$ 278,175,000</u>	<u>\$ 88,782,839</u>	<u>\$ 41,750,000</u>	<u>\$ 12,555,781</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, 2018, were as follows:

<u>Fiscal Year</u>	<u>Governmental Activities</u>			
	<u>Sales Tax Revenue Bonds</u>		<u>Tax Increment Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 930,000	\$ 303,142	\$ 7,305,000	\$ 2,313,858
2020	955,000	281,194	6,885,000	2,117,991
2021	975,000	258,656	7,070,000	1,932,481
2022	1,000,000	235,646	7,260,000	1,741,870
2023	1,025,000	212,046	7,460,000	1,543,444
2024	1,055,000	187,856	7,660,000	1,341,510
2025	1,080,000	162,958	7,870,000	1,133,732
2026	1,105,000	137,470	8,080,000	919,828
2027	1,130,000	111,392	8,300,000	699,776
2028	1,165,000	84,724	8,530,000	473,278
2029	1,195,000	57,230	8,760,000	240,025
2030	1,230,000	29,028		
	<u>\$ 12,845,000</u>	<u>\$ 2,061,342</u>	<u>\$ 85,180,000</u>	<u>\$ 14,457,793</u>

B. Business-type Activity Debt

The Water and Sewer System Revenue Bonds, Series 2018A were issued in May 2018 in the amount of \$8,650,000. The bonds bear interest from 0.47 percent to 2.07 percent and are due in annual installments ranging from \$285,000 to \$290,000 through September 1, 2048.

The Water and Sewer System Revenue Bonds, Series 2018B were issued in September 2018 in the amount of \$19,050,000. The bonds bear interest from 2.00 percent to 5.00 percent and are due in annual installments ranging from \$950,000 to \$955,000 through September 1, 2038. Proceeds of the bonds will be used for waterworks and sanitary sewer system improvements.

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

Note 5 - Long-Term Debt (continued)

B. Business-type Activity Debt (continued)

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2018.

	<u>Balance September 30, 2017</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2018</u>	<u>Amounts Due Within One Year</u>
Business-type Activities					
Bonds payable:					
Permanent Improvement Bonds	\$ 7,360,000	\$	\$ (2,515,000)	\$ 4,845,000	\$ 365,000
Water and sewer revenue bonds	196,200,000	27,700,000	(9,195,000)	214,705,000	10,630,000
Unamortized premium/ (discount)	9,394,807	2,063,159	(561,143)	10,896,823	
Total bonds payable	<u>212,954,807</u>	<u>29,763,159</u>	<u>(12,271,143)</u>	<u>230,446,823</u>	<u>10,995,000</u>
Other liabilities:					
Obligations under capital leases	257,044		(84,216)	172,828	85,662
Compensated absences	699,184	426,983	(346,011)	780,156	175,454
Total Business-type Activities	<u>\$ 213,911,035</u>	<u>\$ 30,190,142</u>	<u>\$ (12,701,370)</u>	<u>\$ 231,399,807</u>	<u>\$11,256,116</u>

The business-type activity long-term debt will be repaid, plus accrued interest, from operating revenues of the Water and Sewer Fund. The City is required by the applicable revenue bond indentures to pledge the net revenues of the Water and Sewer Fund for the retirement of its outstanding revenue bonds, including interest thereon. Revenue bonds and refunding bonds are payable solely from and, equally secured by, a first lien on and pledge of the net revenue of the City's Water and Sewer Fund.

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

Note 5 - Long-Term Debt (continued)

B. Business-type Activity Debt (continued)

A summary of the terms of revenue bonds and permanent improvement bonds recorded in the Enterprise Funds as of September 30, 2018, is as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Water and Wastewater Fund				
Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999	\$ 8,000,000	2020	4.41-4.60	\$ 1,195,000
Water and Sewer System Revenue and Refunding Bonds, Series 2007	40,135,000	2031	3.50-5.50	11,390,000
Water and Sewer System Revenue Bonds, Series 2010A	14,040,000	2035	1.75-4.50	10,825,000
Water and Sewer System Refunding Bonds, Series 2010B	8,970,000	2023	1.75-4.00	6,360,000
Permanent Improvement and Refunding Bonds, Series 2012	6,230,000	2025	3.00-5.00	4,845,000
Water and Sewer System Revenue Bonds, Series 2012	8,670,000	2037	2.00-3.625	5,840,000
Water and Sewer System Revenue Bonds, Series 2014	9,210,000	2039	2.00-4.00	8,435,000
Water and Sewer System Revenue Bonds, Series 2016A	8,880,000	2036	2.00-4.00	7,990,000
Water and Sewer System Revenue Bonds, Series 2016B	11,100,000	2025	2.00-4.00	8,635,000
Water and Sewer System Revenue Bonds, Series 2016C	50,100,000	2045	2.00-4.00	46,380,000
Water and Sewer System Revenue Bonds, Series 2017A	10,225,000	2027	0.00-1.29	9,220,000
Water and Sewer System Revenue Bonds, Series 2017B	12,025,000	2047	0.00-2.10	11,685,000
Water and Sewer System Revenue Bonds, Series 2017C	60,970,000	2037	2.00-5.00	59,050,000
Water and Sewer System Revenue Bonds, Series 2018A	8,650,000	2048	0.47-2.07	8,650,000
Water and Sewer System Revenue Bonds, Series 2018B	19,050,000	2038	2.00-5.00	19,050,000
Total Utility System Fund				<u>\$ 219,550,000</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, 2018, were as follows:

Fiscal Year	Business-Type Activities			
	Revenue Bonds		Permanent Improvement Bonds	
	Principal	Interest	Principal	Interest
2019	\$ 10,630,000	\$ 3,628,355	\$ 365,000	\$ 171,700
2020	10,790,000	3,176,582	370,000	157,000
2021	11,010,000	2,728,131	370,000	142,200
2022	11,090,000	2,344,111	385,000	127,100
2023	11,920,000	1,979,646	395,000	111,500
2024	11,105,000	1,647,437	1,480,000	74,000
2025	11,390,000	1,376,342	1,480,000	22,200
2026	11,895,000	1,097,183		
2027	12,225,000	838,358		
2028	11,500,000	659,264		
2029	11,855,000	515,807		
2030	12,140,000	383,249		
2031	10,930,000	291,894		
2032	8,420,000	236,928		
2033	8,590,000	204,774		
2034	8,770,000	172,086		
2035	6,250,000	139,036		
2036	5,450,000	105,447		
2037	5,065,000	71,404		
2038	3,980,000	36,850		
2039	3,065,000	21,194		
2040	2,430,000	5,249		
2041	2,445,000			
2042	2,450,000			
2043	2,465,000			
2044	2,475,000			
2045	2,490,000			
2046	790,000			
2047	800,000			
2048	290,000			
	<u>\$ 214,705,000</u>	<u>\$ 21,659,327</u>	<u>\$ 4,845,000</u>	<u>\$ 805,700</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, 2018, is as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,816,116	\$ 1,009,451
Debt Service Fund	697,023	
Capital Projects Fund	6,432,944	1,006,954
Pearland Economic Development Corporation		4,918,673
Tax Increment Reinvestment Zone #2 Development Authority of Pearland	13,758,032	13,758,032
Non-major Governmental Funds		1,573,312
Water and Sewer Fund	487,109	3,589,802
Internal Service Fund	665,000	
	<u>\$ 25,856,224</u>	<u>\$ 25,856,224</u>

A summary of interfund receivables and payables at September 30, 2018, follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Grant Fund	\$ 126,992	Short term loan
General Fund	Solid Waste Fund	1,267,452	Short term loan
		<u>\$ 1,394,444</u>	

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, primarily for capital improvements and street maintenance, included in governmental fund balances are as follows:

General Fund - assigned	\$ 1,538,066
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CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS (continued)

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 883 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.

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.

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

Note 9 - Employee Retirement System (continued)

Benefits Provided (continued)

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:	100% repeating
Annuity increase to retirees:	70% of CPI repeating
Supplemental death benefit – employees and retirees:	Yes

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits:	200
Inactive employees entitled to but not yet receiving benefits:	289
Active employees:	<u>666</u>
Total:	<u>1,155</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 2018, the City's contribution rate was 13.61% for the months in 2017 and 13.55% for the months in 2018.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5% per year
Overall payroll growth:	3.0% per year
Investment Rate of Return:	6.75%, net of pension plan investment expense, including inflation

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

Note 9 - Employee Retirement System (continued)

Actuarial Assumptions (continued)

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.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Assumptions are reviewed annually. No additional changes were made for the 2017 valuation.

The long-term expected rate of return on pension plan investments is 6.75%. 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.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
U.S. equities	17.5%	4.55%
International equities	17.5%	6.10%
Core fixed income	10.0%	1.00%
Non-core fixed income	20.0%	3.65%
Real estate	10.0%	4.03%
Real return	10.0%	5.00%
Absolute return	10.0%	4.00%
Private equity	5.0%	8.00%
Total	100.0%	

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

Note 9 - Employee Retirement System (continued)

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2016	\$ 132,258,772	\$ 107,020,843	\$ 25,237,929
Changes for the year:			
Service cost	7,548,267		7,548,267
Interest	9,064,733		9,064,733
Difference between expected and actual experience	33,887		33,887
Changes in assumptions			
Contributions - employer		5,991,467	(5,991,467)
Contributions - employee		3,081,580	(3,081,580)
Net investment income		14,836,941	(14,836,941)
Benefit payments, including refunds, of employee contributions	(3,481,143)	(3,481,143)	
Administrative expense		(76,869)	76,869
Other charges		(3,896)	3,896
Net changes	<u>13,165,744</u>	<u>20,348,080</u>	<u>(7,182,336)</u>
Balance at 12/31/2017	<u>\$ 145,424,516</u>	<u>\$ 127,368,923</u>	<u>\$ 18,055,593</u>

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, 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 (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease to 5.75%	Current Single Rate Assumption 6.75%	1% Increase to 7.75%
City's net pension liability	\$ 43,010,750	\$ 18,055,593	\$ (1,962,178)

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

Note 9 - Employee Retirement System (continued)

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, 2018, the City recognized pension expense of \$6,690,268.

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Differences between actuarial assumptions and actual experience	\$ 1,239,596	\$
Changes in actuarial assumptions used		142,107
Differences between projected and actual investment earnings		3,363,280
Contributions subsequent to the measurement date	<u>4,693,623</u>	
Total	<u>\$ 5,933,219</u>	<u>\$ 3,505,387</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$4,693,623 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2018 (i.e. recognized in the city's financial statements September 30, 2019). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
<u> </u>	<u> </u>
2019	\$ 301,991
2020	83,291
2021	(1,249,425)
2022	(1,405,439)
2023	<u>3,791</u>
Total	<u>\$ (2,265,791)</u>

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

Note 10 - Other Post-Employment Benefits

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

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 post-employment benefit (OPEB). As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Membership in the plan as of the measurement date of December 31, 2017 was as follows:

Inactive employees currently receiving benefits	144
Inactive employees entitled to but not yet receiving benefits	93
Active employees	<u>666</u>
Total	<u>903</u>

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.12% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.31% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2017. At transition, GASB Statement No.75 also requires that the total OPEB liability as of the prior fiscal year end be estimated based on the 20 Year Bond GO Index as of the prior fiscal year end. The actuary has estimated the total OPEB liability, as of December 31, 2016, using a discount rate of 3.78%.

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

Note 10 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2017 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date: December 31, 2017

Methods and Assumptions:

Inflation: 2.50%
Salary Increases: 3.50% to 10.50%, including inflation
Discount rate: 3.31%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2017.
Retirees' share of benefit related costs: \$0
Administrative expenses: All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates – service retirees: 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.
Mortality rates – disabled retirees: RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

Other Information

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study for the period December 31, 2010 to December 31, 2014.

Changes in the Total OPEB Liability

Service cost	\$ 66,020
Interest	39,025
Changes of assumptions	111,349
Benefit payments	(4,401)
Net change in total OPEB liability	211,993
Total OPEB liability - beginning	1,001,605
Total OPEB liability - ending	<u>\$ 1,213,598</u>

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

Note 10 - Other Post-Employment Benefits (continued)

TMRS Supplemental Death Benefits Fund (continued)

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 3.31%, as well as what the City’s total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.31%) or 1 percentage point higher (4.31%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

1% Decrease to 2.31%	Current Discount Rate Assumption 3.31%	1% Increase to 4.31%
\$ 1,505,048	\$ 1,213,598	\$ 992,842

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Activity

For the year ended September 30, 2018, the City recognized OPEB expense of \$120,532. As of September 30, 2018, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes assumptions	\$ 95,862	\$
Contributions subsequent to the measurement date	3,464	
Total	\$ 99,326	\$

The \$3,464 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2019. Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2019	\$ 15,487
2020	15,487
2021	15,487
2022	15,487
2023	15,487
Thereafter	18,427
Total	\$ 95,862

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

Note 10 - Other Post-Employment Benefits (continued)

Retiree Health Care Plan (RHCP)

Plan Description

The City's defined benefit OPEB plan, City of Pearland Retiree Health Care Plan (RHCP), provides OPEB through an implicit healthcare premium for retirees for all permanent full-time employees of the City. RHCP is a single-employer defined benefit OPEB plan administered by the City. At this time, no assets are accumulated in a trust to fund the future requirements of the RHCP.

Benefits provided

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.

Employees covered by benefit terms. At September 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments:	8
Inactive employees entitled to but not yet receiving benefit payments:	0
Active employees:	<u>643</u>
Total	<u>651</u>

Total OPEB Liability

The City's total OPEB liability of \$3,927,369 was measured as of September 30, 2018, and was determined by an actuarial valuation as of October 1, 2017.

Actuarial assumptions and methods

The total OPEB liability in the October 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date: October 1, 2017

Methods and Assumptions:

Discount Rate:	3.75% per annum, which includes inflation
Inflation:	2.50% per annum
Salary Increases:	2.75% average which includes inflation
Healthcare cost trend rates:	5.70% initial medical trend rate for pre-65 retirees decreasing to an ultimate rate of 3.81% in the year 2073

Mortality rates were updated and are based upon the RP-2014h sex distinct mortality improvement table with generational mortality improvement scale MP-2018

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

Note 10 - Other Post-Employment Benefits (continued)

Retiree Health Care Plan (RHCP) (continued)

Discount Rate

The discount rate of 3.75% is based upon the yield of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The other financial assumptions for long-term inflation, payroll growth, and salary scale were taken from the TMRS actuary study. The per capita claims costs and how these costs are expected to escalate in the future were set by HUB International who develops the funding rates.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in the Total OPEB Liability

The retiree medical plan sponsored by the City is offered to all former employees who satisfy the retirement eligibility provisions of the plan, however only a grandfathered group of employees and retirees are eligible for a subsidy which is based upon accrued service with the City as of October 1, 2006 and or the number of years of City service at retirement. The following table shows the changes in total OPEB liability:

Service cost	\$ 456,161
Interest	240,852
Changes of benefit terms	(2,314,150)
Difference between expected and actual experience	361,831
Changes of assumptions	43,043
Benefit payments	<u>(127,339)</u>
Net change in total OPEB liability	(1,339,602)
Total OPEB liability at 9/30/2017	<u>5,266,971</u>
Total OPEB liability at 9/30/2018	<u><u>\$ 3,927,369</u></u>

Assumption Changes. Since the prior valuation, the mortality improvement scale was updated from MP-2016 to the MP-2018 table. Also, the per capita claims costs and trend were updated to reflect recent experience.

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the plan's total OPEB liability, calculated using a discount rate of 3.75%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

1% Decrease to 2.75%	Current Discount Rate Assumption 3.75%	1% Increase to 4.75%
<u>\$ 4,444,870</u>	<u>\$ 3,927,369</u>	<u>\$ 3,471,405</u>

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

Note 10 - Other Post-Employment Benefits (continued)

Retiree Health Care Plan (RHCP) (continued)

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates

The following presents the plan’s total OPEB liability, calculated using the assumed trend rates as well as what the plan’s total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

1% Decrease to 7.00%	Current Healthcare Cost Trend Rate Assumption 8.00%	1% Increase to 9.00%
\$ 3,350,310	\$ 3,927,369	\$ 4,628,804

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the City recognized a negative OPEB expense of \$1,559,298. At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 310,141	\$
Changes assumptions	36,894	
Total	\$ 347,035	\$

Amounts currently reported as deferred outflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2019	\$ 57,839
2020	57,839
2021	57,839
2022	57,839
2023	57,839
Thereafter	57,840
Total	\$ 347,035

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, 2018. 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/Business Assistance

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>Original Amount</u>	<u>Other</u>	<u>Amounts Paid</u>		<u>Outstanding Balance</u>
			<u>Prior Years</u>	<u>Current Year</u>	
KS Management	\$2,663,000	\$ -	\$ 884,670	\$ 298,890	\$ 1,479,440
KS Management-Sales Tax	600,000	-	48,157	18,039	533,804
Keystone	189,000	-	-	-	189,000
Shale-Inland (FloWorks Intl)	490,000	(140,000)	-	210,000	140,000
M&S Logistics	60,000	-	30,000	8,000	22,000
Brask Neela	70,000	-	70,000	-	-
Lonza Phase 1	600,000	-	-	-	600,000
Tool Flo	1,152,000	-	152,000	-	1,000,000
Lonza Phase 2	450,000	300,000	-	-	750,000
Base-Pair 2017	60,000	-	15,000	15,000	30,000
Zap	60,000	-	60,000	-	-
Adient	40,000	-	-	10,000	30,000
Diamond Bolt	27,500	-	-	27,500	-
Endress+Hauser	525,000	-	-	-	525,000
	<u>\$6,986,500</u>	<u>\$160,000</u>	<u>\$1,259,827</u>	<u>\$ 587,429</u>	<u>\$ 5,299,244</u>

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).

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

Note 11 - Commitments and Contingencies (continued)

The following LFA's have been approved by and between the City and the LKMD and the PMMD#1. The City had receivable balances at September 30, 2018 of \$4,213,576 relating to these LFA's.

	Cost		Lower Kirby Pearland Management District		Pearland Municipal Management District #1
3/10/2014					
Detention Pond	\$ 1,947,753	0.0%	\$ -	27.7%	\$ 539,528
Master Drainage Plan	127,410	0.0%	-	30.8%	39,268
Regional Drainage Plan	183,031	0.0%	-	23.9%	43,717
		Subtotal	-		622,513
8/24/2015					
South Spectrum PER	\$ 214,137	57.4%	122,992	40.2%	86,124
9/12/2015					
North Spectrum Traffic Signal	\$ 318,525	100.0%	318,525	0.0%	-
4/26/2016					
TxDOT Ditch Acquisition	\$ 400,000	73.0%	292,000	27.0%	108,000
2/28/2017					
South Spectrum West	\$5,755,789	0.0%	-	21.3%	1,228,378
5/8/2017					
West Conveyance Pond	\$ 277,000	0.0%	-	88.8%	246,044
7/10/2017					
288 Waterline & LK Park Improve	\$ 1,189,000	100.0%	1,189,000	0.0%	-
		Total	<u>\$ 1,922,517</u>		<u>\$ 2,291,059</u>

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

The City had two sales tax incentive agreements in effect during the current fiscal year with Kelsey-Seybold and Costco Wholesale Corporation. The City's legal obligations and limitations relating to the sales tax incentive agreements are outlined by the Texas Local Government Code, Title 12, Subtitle A, Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*.

Kelsey-Seybold (Kelsey) 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 began operations at the site in October 2013.

The City of Pearland and the Pearland Economic Development Corporation (PEDC) each have a 10-year sales tax incentive agreement with Kelsey that allows Kelsey to receive an incentive of 60% of the sales tax remitted by Kelsey and its vendors. The agreements with the City and the PEDC requires Kelsey to maintain a minimum of 600 jobs to be in place as an eligibility factor. To date the City and the PEDC have paid \$700,426 in sales tax incentives.

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

Note 11 - Commitments and Contingencies (continued)

Chapter 380 Economic Development Agreements (continued)

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 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 was estimated at \$33.7M and the project created approximately 75 full-time and 75 part-time jobs.

The agreement with Costco and the City of Pearland is to refund Costco a portion 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 made in fiscal year 2016. To date, the City has paid \$303,147 in sales tax incentives.

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, 2018, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

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.

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

Note 13 - Capital Lease (continued)

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, 2018, the future minimum debt service lease payments to be received under the lease are as follows:

Fiscal year ending September 30,	Payment
2018	\$ 815,232
2019	794,889
2020	771,557
2021	757,131
2022	737,182
2023-2027	3,360,426
2028-2029	1,181,543
Total	<u>\$ 8,417,960</u>

Note 14 - Prior Period Adjustments

In the current fiscal year, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. As a result, the beginning net position of the City’s governmental activities, business-type activities, and water and sewer fund have been restated on the statement of activities (governmental and business-type activities) and statement of revenues, expenses and changes in net position (water and sewer fund) to reflect the total OPEB liability and deferred outflow of resources related to OPEB contributions made after the prior measurement date.

In the current fiscal year, it came to management’s attention that the prior year utility billing accrual was understated. As a result, the beginning net position of the City’s business-type activities, water and sewer fund, and solid waste fund have been restated on the statement of activities (business-type activities) and statement of revenues, expenses and changes in net position (water and sewer fund and solid waste fund) to reflect the increase to the receivable balance.

	Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position	
	Governmental Activities	Business-type Activities	Water and Sewer Fund	Solid Waste Fund
Net position at September 30, 2017, as previously reported	\$ 504,405,720	\$ 226,770,942	\$ 227,135,350	\$ (364,408)
Net OPEB obligation (GASB 45)	3,326,485	598,544	598,544	
Total OPEB liability (GASB 75)	(5,370,422)	(898,154)	(898,154)	
OPEB contributions made after the measurement date	2,990	397	397	
Utility billing accrual		1,436,143	1,219,667	216,476
Total prior period adjustment	(2,040,947)	1,136,930	920,454	216,476
Net position at October 1, 2017, as restated	<u>\$ 502,364,773</u>	<u>\$ 227,907,872</u>	<u>\$ 228,055,804</u>	<u>\$ (147,932)</u>

Required Supplementary Information

CITY OF PEARLAND, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
For the year ended September 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Adopted	Amended		
Revenues				
Property taxes	\$ 20,705,007	\$ 20,453,523	\$ 20,383,959	\$ (69,564)
Sales and use taxes	21,368,690	21,957,016	22,662,007	704,991
Franchise fees	7,120,000	7,154,583	7,097,567	(57,016)
Licenses and permits	5,590,150	3,783,035	4,145,497	362,462
Fees and forfeitures	2,550,450	2,313,750	2,322,399	8,649
Charges for services	16,753,256	16,203,603	16,051,689	(151,914)
Investment earnings	220,000	250,000	193,334	(56,666)
Intergovernmental		1,607,719		(1,607,719)
Other	938,475	1,306,308	1,304,805	(1,503)
Total Revenues	75,246,028	75,029,537	74,161,257	(868,280)
Expenditures				
Current:				
General government	10,571,620	9,962,960	10,298,777	(335,817)
Public safety	41,058,365	42,366,919	40,950,030	1,416,889
Public works	12,800,337	14,261,679	13,326,696	934,983
Community services	4,254,661	4,240,687	4,024,727	215,960
Parks and recreation	6,077,860	5,982,694	5,816,980	165,714
Debt Service:				
Principal	564,303	556,677	556,677	
Interest and other charges	34,922	34,922	34,922	
Capital outlay	2,316,639	2,772,515	2,334,476	438,039
Total Expenditures	77,678,707	80,179,053	77,343,285	2,835,768
Excess (deficiency) of revenues over expenditures	(2,432,679)	(5,149,516)	(3,182,028)	1,967,488
Other Financing Sources (Uses)				
Transfers in	3,824,407	3,816,116	3,816,116	
Transfers out	(1,036,811)	(1,141,000)	(1,009,451)	131,549
Total Other Financing Sources (Uses)	2,787,596	2,675,116	2,806,665	131,549
Net change in fund balances	354,917	(2,474,400)	(375,363)	2,099,037
Fund balances, beginning	14,363,005	14,363,005	14,363,005	
Fund balances, ending	\$ 14,717,922	\$ 11,888,605	\$ 13,987,642	\$ 2,099,037

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, 2018.

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
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Four Measurement Years

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Service cost	\$ 7,548,267	\$ 6,756,543	\$ 6,035,636	\$ 5,118,873
Interest	9,064,733	8,166,924	7,679,417	7,010,813
Changes of benefit terms				
Difference between expected and actual experience	33,887	1,159,738	846,833	241,450
Change in assumptions			(304,820)	
Benefit payments, including refunds of employee contributions	<u>(3,481,143)</u>	<u>(2,875,256)</u>	<u>(3,808,062)</u>	<u>(2,729,973)</u>
Net change in total pension liability	13,165,744	13,207,949	10,449,004	9,641,163
Total pension liability - beginning	<u>132,258,772</u>	<u>119,050,823</u>	<u>108,601,188</u>	<u>98,960,025</u>
Total pension liability - ending (a)	<u>\$ 145,424,516</u>	<u>\$ 132,258,772</u>	<u>\$ 119,050,192</u>	<u>\$ 108,601,188</u>
Plan fiduciary net position:				
Contributions - employer	\$ 5,991,467	\$ 5,253,253	\$ 4,786,602	\$ 4,339,785
Contributions - employee	3,081,580	2,749,756	2,498,961	2,355,095
Net investment income	14,836,941	6,458,752	135,758	4,766,828
Benefit payments, including refunds of employee contributions	(3,481,143)	(2,875,256)	(3,808,062)	(2,729,973)
Administrative expense	(76,869)	(72,899)	(82,673)	(49,756)
Other	<u>(3,896)</u>	<u>(3,927)</u>	<u>(4,082)</u>	<u>(4,091)</u>
Net change in plan fiduciary net position	20,348,080	11,509,679	3,526,504	8,677,888
Plan fiduciary net position - beginning	<u>107,020,843</u>	<u>95,511,165</u>	<u>91,984,661</u>	<u>83,306,773</u>
Plan fiduciary net position - ending (b)	<u>127,368,923</u>	<u>107,020,844</u>	<u>95,511,165</u>	<u>91,984,661</u>
Net pension liability - ending (a) - (b)	<u>\$ 18,055,593</u>	<u>\$ 25,237,928</u>	<u>\$ 23,539,027</u>	<u>\$ 16,616,527</u>
Plan fiduciary net position as a percentage of total pension liability	87.58%	80.92%	80.23%	84.70%
Covered employee payroll	\$ 44,013,221	\$ 39,282,225	\$ 35,545,557	\$ 33,615,923
Net pension liability as a percentage of covered payroll	41.02%	64.25%	66.22%	49.43%

Notes to the Required Supplementary Information

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
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 6,072,762	\$ 5,924,405	\$ 5,295,359	\$ 4,600,419	\$ 4,311,811
Contribution in relation of the actuarially determined contribution	\$ 6,072,762	\$ 5,924,405	\$ 5,295,359	\$ 4,600,419	\$ 4,311,811
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 44,772,623	\$ 43,703,166	\$ 39,566,838	\$ 34,650,598	\$ 30,580,987
Contributions as a percentage of covered payroll	13.6%	13.6%	13.4%	13.3%	14.1%

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contribution	\$ 3,780,847	\$ 3,518,289	\$ 3,302,952	\$ 2,995,119	\$ 2,550,976
Contribution in relation of the actuarially determined contribution	\$ 3,780,847	\$ 3,518,289	\$ 3,302,952	\$ 2,995,119	\$ 2,550,976
Contribution deficiency (excess)	-	-	-	-	-
Covered payroll	\$ 28,876,260	\$ 27,756,555	\$ 26,871,670	\$ 25,519,548	\$ 25,135,418
Contributions as a percentage of covered payroll	13.1%	12.7%	12.3%	11.7%	10.1%

NOTES TO REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION

Valuation Date:

Notes: Actuarial determined contribution rates are calculated as of December 31 and become effective in January 13 months 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: 28 years
Asset Valuation Method: 10 Year smoothed market; 15% soft corridor
Inflation: 2.5%
Salary Increases: 3.50% to 10.50% including inflation
Investment Rate of Return: 6.75%
Retirement Age: Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014.
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:

Notes: There were no benefit changes during the year.

CITY OF PEARLAND, TEXAS

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM SUPPLEMENTAL DEATH BENEFITS FUND
Last Measurement Year**

	2017
Service cost	\$ 66,020
Interest	39,025
Changes of assumptions	111,349
Benefit payments	<u>(4,401)</u>
Net change in total OPEB liability	211,993
Total OPEB liability - beginning	<u>1,001,605</u>
Total OPEB liability - ending	<u><u>\$ 1,213,598</u></u>
Covered payroll	\$ 44,013,221
Total OPEB liability as a percentage of covered payroll	2.76%

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

CITY OF PEARLAND, TEXAS

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS

CITY OF PEARLAND RETIREE HEALTH CARE PLAN

Last Measurement Year

	2018
Service cost	\$ 456,161
Interest	240,852
Changes of benefit terms	(2,314,150)
Difference between expected and actual experience	361,831
Changes of assumptions	43,043
Benefit payments	(127,339)
Net change in total OPEB liability	(1,339,602)
Total OPEB liability - beginning	5,266,971
Total OPEB liability - ending	<u>\$ 3,927,369</u>
Covered payroll	\$ 44,772,623
Total OPEB liability as a percentage of covered payroll	8.77%

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which is the same as the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable prior to 2017.

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Assumption Changes

Since the prior valuation, the mortality improvement scale was updated from MP-2016 to the MP-2018 table. Also, the per capita claims costs and trend were updated to reflect recent experience.

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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.

Regional Detention Fund - A fund created to account for regional detention development.

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, 2018

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donation</u>
Assets			
Cash and cash equivalents	\$ 383,152	\$ 27,034	\$ 95,250
Investments	4,046,813		
Receivables (net of allowance for uncollectibles)	332,301		3,351
Total Assets	<u>\$ 4,762,266</u>	<u>\$ 27,034</u>	<u>\$ 98,601</u>
Liabilities			
Accounts payable	\$ 85,192	\$ 1,368	\$
Accrued expenditures	15,796		
Due to other funds			
Total Liabilities	<u>100,988</u>	<u>1,368</u>	
Deferred Inflows of Resources			
Unavailable revenue			
Total Deferred Inflows of Resources			
Fund Balance			
Non-spendable			
Restricted for:			
Community development programs	4,661,278	25,666	
Public safety			98,601
Capital improvements			
Unassigned			
Total Fund Balances	<u>4,661,278</u>	<u>25,666</u>	<u>98,601</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,762,266</u>	<u>\$ 27,034</u>	<u>\$ 98,601</u>

<u>Court Technology</u>	<u>Street Assessments</u>	<u>Park Donation</u>	<u>Police Seizure</u>	<u>Park and Recreation Development</u>
\$ 5,059	\$	\$ 517,741	\$ 375,959	\$ 871,640 237,257
	1,486,878			
<u>\$ 5,059</u>	<u>\$ 1,486,878</u>	<u>\$ 517,741</u>	<u>\$ 375,959</u>	<u>\$ 1,108,897</u>
\$ 144	\$	\$ 1,014	\$ 1,350	\$ 103,280
<u>144</u>		<u>1,014</u>	<u>1,350</u>	<u>103,280</u>
	1,486,878			
	1,486,878			
4,915		516,727	374,609	1,005,617
<u>4,915</u>		<u>516,727</u>	<u>374,609</u>	<u>1,005,617</u>
<u>\$ 5,059</u>	<u>\$ 1,486,878</u>	<u>\$ 517,741</u>	<u>\$ 375,959</u>	<u>\$ 1,108,897</u>

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2018

	<u>Sidewalk</u>	<u>Grant</u>	<u>Traffic Impact Improvement</u>
Assets			
Cash and cash equivalents	\$ 6,466	\$	\$ 351,569
Investments			246,599
Receivables (net of allowance for uncollectibles)		155,844	21
Total Assets	<u>\$ 6,466</u>	<u>\$ 155,844</u>	<u>\$ 598,189</u>
Liabilities			
Accounts payable	\$	\$ 53,124	\$
Accrued expenditures			
Due to other funds		126,992	
Total Liabilities		<u>180,116</u>	
Deferred Inflows of Resources			
Unavailable revenue			
Total Deferred Inflows of Resources			
Fund Balance			
Non-spendable			
Restricted for:			
Community development programs			
Public safety			
Capital improvements	6,466		598,189
Unassigned		(24,272)	
Total Fund Balances	<u>6,466</u>	<u>(24,272)</u>	<u>598,189</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 6,466</u>	<u>\$ 155,844</u>	<u>\$ 598,189</u>

Juvenile Management	Regional Detention	Educational TV	U of H	Total Non-major Governmental Funds
\$ 28,991	\$ 3,164	\$ 217,484 512,028	\$	\$ 2,883,509 5,042,697
		27,538		2,005,933
<u>\$ 28,991</u>	<u>\$ 3,164</u>	<u>\$ 757,050</u>	<u>\$</u>	<u>\$ 9,932,139</u>
\$ 1,384	\$	\$	\$ 27,669	\$ 246,856 43,465 126,992
<u>1,384</u>			<u>27,669</u>	<u>417,313</u>
				<u>1,486,878</u>
				<u>1,486,878</u>
27,607	3,164	757,050	(27,669)	5,960,721 505,732 1,613,436 (51,941)
<u>27,607</u>	<u>3,164</u>	<u>757,050</u>	<u>(27,669)</u>	<u>8,027,948</u>
<u>\$ 28,991</u>	<u>\$ 3,164</u>	<u>\$ 757,050</u>	<u>\$</u>	<u>\$ 9,932,139</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, 2018

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donation</u>
Revenues			
Sales and use taxes	\$ 1,597,258	\$	\$
Franchise fees			
Fines and forfeitures		41,035	
Charges for services			
Investment earnings	70,762	416	1,336
Intergovernmental			
Other	36,611		31,681
Total Revenues	<u>1,704,631</u>	<u>41,451</u>	<u>33,017</u>
Expenditures			
Current:			
General government	1,029,011		
Public safety			9,128
Public works			
Community services		50,258	
Parks and recreation			
Capital outlay			
Total Expenditures	<u>1,029,011</u>	<u>50,258</u>	<u>9,128</u>
Excess (deficiency) of revenues over expenditures	<u>675,620</u>	<u>(8,807)</u>	<u>23,889</u>
Other Financing Sources (Uses)			
Transfers out	<u>(617,890)</u>		
Total Other Financing Sources (Uses)	<u>(617,890)</u>		
Net change in fund balances	57,730	(8,807)	23,889
Fund balances - beginning	<u>4,603,548</u>	<u>34,473</u>	<u>74,712</u>
Fund balances - ending	<u>\$ 4,661,278</u>	<u>\$ 25,666</u>	<u>\$ 98,601</u>

<u>Court Technology</u>	<u>Street Assessments</u>	<u>Park Donation</u>	<u>Police Seizure</u>	<u>Park and Recreation Development</u>
\$	\$	\$	\$	\$
44,138		290,615		
9		7,809	4,941	10,867
		99,376	115,876	964,060
<u>44,147</u>		<u>397,800</u>	<u>120,817</u>	<u>974,927</u>
			17,800	
40,203		143,452		134,494
<u>40,203</u>		<u>143,452</u>	<u>17,800</u>	<u>134,494</u>
<u>3,944</u>		<u>254,348</u>	<u>103,017</u>	<u>840,433</u>
				(555,000)
				(555,000)
3,944		254,348	103,017	285,433
971		262,379	271,592	720,184
<u>\$ 4,915</u>	<u>\$</u>	<u>\$ 516,727</u>	<u>\$ 374,609</u>	<u>\$ 1,005,617</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, 2018

	<u>Sidewalk</u>	<u>Grant</u>	<u>Traffic Impact Improvement</u>
Revenues			
Sales and use taxes	\$	\$	\$
Franchise fees			
Fines and forfeitures			
Charges for services	86		
Investment earnings	97	2,393	8,460
Intergovernmental		539,284	
Other			
Total Revenues	<u>183</u>	<u>541,677</u>	<u>8,460</u>
Expenditures			
Current:			
General government		19,385	
Public safety		304,018	
Public works			93,548
Community services		79,830	
Parks and recreation			
Capital outlay		106,497	
Total Expenditures		<u>509,730</u>	<u>93,548</u>
Excess (deficiency) of revenues over expenditures	<u>183</u>	<u>31,947</u>	<u>(85,088)</u>
Other Financing Sources (Uses)			
Transfers out		(200,000)	
Total Other Financing Sources (Uses)		<u>(200,000)</u>	
Net change in fund balances	183	(168,053)	(85,088)
Fund balances - beginning	<u>6,283</u>	<u>143,781</u>	<u>683,277</u>
Fund balances - ending	<u>\$ 6,466</u>	<u>\$ (24,272)</u>	<u>\$ 598,189</u>

<u>Juvenile Management</u>	<u>Regional Detention</u>	<u>Educational TV</u>	<u>U of H</u>	<u>Total Non-major Governmental Funds</u>
\$	\$	\$	\$	\$ 1,597,258
		260,430		260,430
60,315				145,488
				290,701
409	607	12,193		120,299
				539,284
	148,290			1,395,894
<u>60,724</u>	<u>148,897</u>	<u>272,623</u>		<u>4,349,354</u>
				1,048,396
				330,946
				93,548
53,628		64,760		288,679
				143,452
				240,991
<u>53,628</u>		<u>64,760</u>		<u>2,146,012</u>
<u>7,096</u>	<u>148,897</u>	<u>207,863</u>		<u>2,203,342</u>
	(148,891)	(51,531)		(1,573,312)
	(148,891)	(51,531)		(1,573,312)
7,096	6	156,332		630,030
20,511	3,158	600,718	(27,669)	7,397,918
<u>\$ 27,607</u>	<u>\$ 3,164</u>	<u>\$ 757,050</u>	<u>\$ (27,669)</u>	<u>\$ 8,027,948</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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Property taxes	\$ 34,297,205	\$ 34,190,351	\$ (106,854)	\$ 32,476,674
Investment earnings	170,000	217,443	47,443	77,637
Miscellaneous	815,275	813,537	(1,738)	837,046
Total Revenues	<u>35,282,480</u>	<u>35,221,331</u>	<u>(61,149)</u>	<u>33,391,357</u>
Expenditures				
Debt Service:				
Principal	15,245,000	15,245,000		17,318,542
Interest and other charges	12,652,041	12,619,329	32,712	11,872,754
Intergovernmental	7,157,603	7,168,372	(10,769)	6,936,997
Total Expenditures	<u>35,054,644</u>	<u>35,032,701</u>	<u>21,943</u>	<u>36,128,293</u>
Excess (deficiency) of revenues over expenditures	<u>227,836</u>	<u>188,630</u>	<u>(39,206)</u>	<u>(2,736,936)</u>
Other Financing Sources (Uses)				
Refunding bonds issued				64,850,000
Premium on debt issued				7,557,342
Payments to refunded bond escrow agent				(72,608,326)
Transfers in	693,204	697,023	3,819	572,961
Total Other Financing Sources (Uses)	<u>693,204</u>	<u>697,023</u>	<u>3,819</u>	<u>371,977</u>
Net change in fund balance	921,040	885,653	(35,387)	(2,364,959)
Fund Balance - Beginning	<u>5,911,461</u>	<u>5,911,461</u>		<u>8,276,420</u>
Fund Balance - Ending	<u>\$ 6,832,501</u>	<u>\$ 6,797,114</u>	<u>\$ (35,387)</u>	<u>\$ 5,911,461</u>

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, 2018
with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Sales and use taxes	\$ 1,590,000	\$ 1,597,258	\$ 7,258	\$ 1,421,958
Investment earnings	62,700	70,762	8,062	12,053
Other	19,436	36,611	17,175	25,284
Total Revenues	<u>1,672,136</u>	<u>1,704,631</u>	<u>32,495</u>	<u>1,459,295</u>
Expenditures				
Current:				
General government	1,070,010	1,029,011	40,999	1,049,230
Total Expenditures	<u>1,070,010</u>	<u>1,029,011</u>	<u>40,999</u>	<u>1,049,230</u>
Excess (deficiency) of revenues over expenditures	<u>602,126</u>	<u>675,620</u>	<u>73,494</u>	<u>410,065</u>
Other Financing Sources (Uses)				
Transfers out	<u>(617,890)</u>	<u>(617,890)</u>		<u>(772)</u>
Net change in fund balance	(15,764)	57,730	73,494	409,293
Fund Balance - Beginning	<u>4,603,548</u>	<u>4,603,548</u>		<u>4,194,255</u>
Fund Balance - Ending	<u><u>\$4,587,784</u></u>	<u><u>\$4,661,278</u></u>	<u><u>\$ 73,494</u></u>	<u><u>\$4,603,548</u></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, 2018

with comparative actual totals for the year ended September 30, 2017

	<u>2018</u>		Variance Positive / (Negative)	<u>2017</u>
	<u>Amended Budget</u>	<u>Actual</u>		
Revenues				
Fines and forfeitures	\$ 41,700	\$41,035	\$ (665)	\$44,095
Investment earnings	200	416	216	30
Total Revenues	<u>41,900</u>	<u>41,451</u>	<u>(449)</u>	<u>44,125</u>
Expenditures				
Current:				
Community services	<u>62,041</u>	<u>50,258</u>	<u>11,783</u>	<u>38,893</u>
Total Expenditures	<u>62,041</u>	<u>50,258</u>	<u>11,783</u>	<u>38,893</u>
Net change in fund balance	(20,141)	(8,807)	11,334	5,232
Fund Balance - Beginning	<u>34,473</u>	<u>34,473</u>		<u>29,241</u>
Fund Balance - Ending	<u>\$ 14,332</u>	<u>\$25,666</u>	<u>\$ 11,334</u>	<u>\$34,473</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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 1,000	\$ 1,336	\$ 336	\$ 75
Other income	11,661	31,681	20,020	29,354
Total Revenues	<u>12,661</u>	<u>33,017</u>	<u>20,356</u>	<u>29,429</u>
Expenditures				
Current:				
Public safety	16,638	9,128	7,510	23,096
Capital outlay	44,052		44,052	
Total Expenditures	<u>60,690</u>	<u>9,128</u>	<u>51,562</u>	<u>23,096</u>
Excess (deficiency) of revenues over expenditures	<u>(48,029)</u>	<u>23,889</u>	<u>71,918</u>	<u>6,333</u>
Net change in fund balance	(48,029)	23,889	71,918	6,333
Fund Balance - Beginning	<u>74,712</u>	<u>74,712</u>		<u>68,379</u>
Fund Balance - Ending	<u>\$ 26,683</u>	<u>\$98,601</u>	<u>\$ 71,918</u>	<u>\$74,712</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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018			2017
	Amended Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 48,000	\$ 44,138	\$ (3,862)	\$47,861
Investment earnings	2	9	7	6
Total Revenues	<u>48,002</u>	<u>44,147</u>	<u>(3,855)</u>	<u>47,867</u>
Expenditures				
Current:				
Community services	49,557	40,203	9,354	66,805
Total Expenditures	<u>49,557</u>	<u>40,203</u>	<u>9,354</u>	<u>66,805</u>
Net change in fund balance	(1,555)	3,944	5,499	(18,938)
Fund Balance - Beginning	<u>971</u>	<u>971</u>		<u>19,909</u>
Fund Balance - Ending	<u>\$ (584)</u>	<u>\$ 4,915</u>	<u>\$ 5,499</u>	<u>\$ 971</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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018 *		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$	\$	\$	\$57,308
Other				
Total Revenues				<u>57,308</u>
Expenditures				
Current:				
General government				<u>57,308</u>
Total Expenditures				<u>57,308</u>
Net change in fund balance				
Fund Balances - Beginning				
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

* No transactions in 2018.

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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Charges for services	\$275,615	\$290,615	\$ 15,000	\$137,300
Investment earnings	7,100	7,809	709	210
Other	106,000	99,376	(6,624)	101,304
Total Revenues	<u>388,715</u>	<u>397,800</u>	<u>9,085</u>	<u>238,814</u>
Expenditures				
Current:				
Parks and recreation	173,100	143,452	29,648	107,235
Capital outlay	6,400		6,400	
Total Expenditures	<u>179,500</u>	<u>143,452</u>	<u>36,048</u>	<u>107,235</u>
Net change in fund balance	209,215	254,348	45,133	131,579
Fund Balance - Beginning	<u>262,379</u>	<u>262,379</u>		<u>130,800</u>
Fund Balance - Ending	<u>\$471,594</u>	<u>\$516,727</u>	<u>\$ 45,133</u>	<u>\$262,379</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, 2018
with comparative actual totals for the year ended September 30, 2017

	2018			2017
	Amended Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 4,000	\$ 4,941	\$ 941	\$ 285
Other	70,363	115,876	45,513	82,423
Total Revenues	<u>74,363</u>	<u>120,817</u>	<u>46,454</u>	<u>82,708</u>
Expenditures				
Current:				
Public safety	37,200	17,800	19,400	35,622
Capital outlay				10,673
Total Expenditures	<u>37,200</u>	<u>17,800</u>	<u>19,400</u>	<u>46,295</u>
Net change in fund balance	37,163	103,017	65,854	36,413
Fund Balance - Beginning	<u>271,592</u>	<u>271,592</u>		<u>235,179</u>
Fund Balance - Ending	<u><u>\$ 308,755</u></u>	<u><u>\$ 374,609</u></u>	<u><u>\$ 65,854</u></u>	<u><u>\$ 271,592</u></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, 2018
with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 15,500	\$ 10,867	\$ (4,633)	\$ (3,079)
Other	848,059	964,060	116,001	38,492
Total Revenues	<u>863,559</u>	<u>974,927</u>	<u>111,368</u>	<u>35,413</u>
Expenditures				
Capital outlay	134,495	134,494	1	
Total Expenditures	<u>134,495</u>	<u>134,494</u>	<u>1</u>	
Excess (deficiency) of revenues over expenditures	<u>729,064</u>	<u>840,433</u>	<u>111,369</u>	<u>35,413</u>
Other Financing Sources (Uses)				
Transfers out	(555,000)	(555,000)		(510,000)
Total Other Financing Sources (Uses)	<u>(555,000)</u>	<u>(555,000)</u>		<u>(510,000)</u>
Net change in fund balance	174,064	285,433	111,369	(474,587)
Fund Balance - Beginning	<u>720,184</u>	<u>720,184</u>		<u>1,194,771</u>
Fund Balance - Ending	<u>\$ 894,248</u>	<u>\$ 1,005,617</u>	<u>\$ 111,369</u>	<u>\$ 720,184</u>

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, 2018
with comparative actual totals for the year ended September 30, 2017

	<u>2018</u>		Variance Positive / (Negative)	<u>2017</u>
	Amended Budget	Actual		
Revenues				
Charges for services	\$ 55	\$ 86	\$ 31	\$ 286
Investment earnings	50	97	47	10
Total Revenues	<u>105</u>	<u>183</u>	<u>78</u>	<u>296</u>
Expenditures				
Current:				
Public works				11,520
Total Expenditures				<u>11,520</u>
Net change in fund balance	105	183	78	(11,224)
Fund Balance - Beginning	<u>6,283</u>	<u>6,283</u>		<u>17,507</u>
Fund Balance - Ending	<u>\$ 6,388</u>	<u>\$6,466</u>	<u>\$ 78</u>	<u>\$ 6,283</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, 2018
with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 1,000	\$ 2,393	\$ 1,393	\$ 72
Intergovernmental	1,426,751	539,284	(887,467)	912,864
Total Revenues	<u>1,427,751</u>	<u>541,677</u>	<u>(886,074)</u>	<u>912,936</u>
Expenditures				
Current:				
General government	52,170	19,385	32,785	18,393
Public safety	466,896	304,018	162,878	138,397
Community service	287,451	79,830	207,621	536,622
Parks and recreation				21,645
Capital outlay	421,234	106,497	314,737	111,820
Total Expenditures	<u>1,227,751</u>	<u>509,730</u>	<u>718,021</u>	<u>826,877</u>
Excess (deficiency) of revenues over expenditures	<u>200,000</u>	<u>31,947</u>	<u>(168,053)</u>	<u>86,059</u>
Other Financing Sources (Uses)				
Transfers out	<u>(200,000)</u>	<u>(200,000)</u>		
Total other financing sources (uses)	<u>(200,000)</u>	<u>(200,000)</u>		
Net change in fund balance		(168,053)	(168,053)	86,059
Fund Balance - Beginning	<u>143,781</u>	<u>143,781</u>		<u>57,722</u>
Fund Balance - Ending	<u>\$ 143,781</u>	<u>\$(24,272)</u>	<u>\$(168,053)</u>	<u>\$ 143,781</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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 8,200	\$ 8,460	\$ 260	\$ 1,054
Other				37,351
Total Revenues	<u>8,200</u>	<u>8,460</u>	<u>260</u>	<u>38,405</u>
Expenditures				
Current:				
Public works	93,548	93,548		(93,548)
Total Expenditures	<u>93,548</u>	<u>93,548</u>		<u>(93,548)</u>
Excess (deficiency) of revenues over expenditures	<u>(85,348)</u>	<u>(85,088)</u>	<u>260</u>	<u>131,953</u>
Other Financing Sources/(Uses)				
Transfers out				(44,800)
Net change in fund balance	(85,348)	(85,088)	260	87,153
Fund Balance - Beginning	<u>683,277</u>	<u>683,277</u>		<u>596,124</u>
Fund Balance - Ending	<u><u>\$597,929</u></u>	<u><u>\$598,189</u></u>	<u><u>\$ 260</u></u>	<u><u>\$683,277</u></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, 2018

with comparative actual totals for the year ended September 30, 2017

	<u>2018</u>		<u>Variance Positive / (Negative)</u>	<u>2017</u>
	<u>Amended Budget</u>	<u>Actual</u>		
Revenues				
Fines and Forfeitures	\$ 59,000	\$60,315	\$ 1,315	\$50,537
Investment earnings	200	409	209	26
Total Revenues	<u>59,200</u>	<u>60,724</u>	<u>1,524</u>	<u>50,563</u>
Expenditures				
Current:				
Community services	<u>58,610</u>	<u>53,628</u>	<u>4,982</u>	<u>51,781</u>
Total Expenditures	<u>58,610</u>	<u>53,628</u>	<u>4,982</u>	<u>51,781</u>
Net change in fund balance	590	7,096	6,506	(1,218)
Fund Balance - Beginning	<u>20,511</u>	<u>20,511</u>		<u>21,729</u>
Fund Balance - Ending	<u>\$ 21,101</u>	<u>\$27,607</u>	<u>\$ 6,506</u>	<u>\$20,511</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - REGIONAL DETENTION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2018
with comparative actual totals for the year ended September 30, 2017

	<u>2018</u>		Variance Positive / (Negative)	<u>2017</u>
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 580	\$ 607	\$ 27	\$
Other	<u>141,552</u>	<u>148,290</u>	<u>6,738</u>	<u>22,113</u>
Total Revenues	<u>142,132</u>	<u>148,897</u>	<u>6,765</u>	<u>22,113</u>
Other Financing Sources (Uses)				
Transfers out	<u>(145,290)</u>	<u>(148,891)</u>	<u>(3,601)</u>	<u>(18,955)</u>
Total Other Financing Sources (Uses)	<u>(145,290)</u>	<u>(148,891)</u>	<u>(3,601)</u>	<u>(18,955)</u>
Net change in fund balance	(3,158)	6	3,164	3,158
Fund Balance - Beginning	<u>3,158</u>	<u>3,158</u>		
Fund Balance - Ending	<u>\$</u>	<u>\$ 3,164</u>	<u>\$ 3,164</u>	<u>\$ 3,158</u>

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, 2018
with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 9,000	\$ 12,193	\$ 3,193	\$ 3,234
Franchise taxes	270,000	260,430	(9,570)	287,603
Total Revenues	<u>279,000</u>	<u>272,623</u>	<u>(6,377)</u>	<u>290,837</u>
Expenditures				
Current:				
Community services	159,000	64,760	94,240	58,004
Capital outlay				53,459
Total Expenditures	<u>159,000</u>	<u>64,760</u>	<u>94,240</u>	<u>111,463</u>
Revenues over (under) expenditures	<u>120,000</u>	<u>207,863</u>	<u>87,863</u>	<u>179,374</u>
Other Financing Sources (Uses)				
Transfers out	(51,531)	(51,531)		(466,258)
Total Other Financing Sources	<u>(51,531)</u>	<u>(51,531)</u>		<u>(466,258)</u>
Net change in fund balance	68,469	156,332	87,863	(286,884)
Fund Balances - Beginning	<u>600,718</u>	<u>600,718</u>		<u>887,602</u>
Fund Balances - Ending	<u>\$669,187</u>	<u>\$757,050</u>	<u>\$ 87,863</u>	<u>\$600,718</u>

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, 2018
with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$	\$	\$	\$ 133
Intergovernmental				298
Other				882
Total Revenues				<u>1,313</u>
Expenditures				
Current:				
Public works				314,783
Total Expenditures				<u>314,783</u>
Net change in fund balance				(313,470)
Fund Balances - Beginning	<u>(27,669)</u>	<u>(27,669)</u>		<u>285,801</u>
Fund Balances - Ending	<u><u>\$ (27,669)</u></u>	<u><u>\$ (27,669)</u></u>	<u><u>\$</u></u>	<u><u>\$ (27,669)</u></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, 2018

with comparative actual totals for the year ended September 30, 2017

	2018		Variance Positive / (Negative)	2017
	Amended Budget	Actual		
Revenues				
Investment earnings	\$ 635,000	\$ 620,468	\$ (14,532)	\$ 207,112
Intergovernmental	46,589,446	7,779,656	(38,809,790)	15,084,953
Other income		106	106	1,083,040
Total Revenues	<u>47,224,446</u>	<u>8,400,230</u>	<u>(38,824,216)</u>	<u>16,375,105</u>
Expenditures				
Current:				
Public works	4,302,565	3,577,346	725,219	4,983,526
Debt Service				
Interest and other charges		212,265	(212,265)	375,452
Capital outlay	43,531,430	41,193,320	2,338,110	38,183,894
Total Expenditures	<u>47,833,995</u>	<u>44,982,931</u>	<u>2,851,064</u>	<u>43,542,872</u>
Excess (deficiency) of revenues over expenditures	<u>(609,549)</u>	<u>(36,582,701)</u>	<u>(35,973,152)</u>	<u>(27,167,767)</u>
Other Financing Sources (Uses)				
Issuance of debt	15,446,888	14,525,000	(921,888)	28,095,000
Premium on debt issued		1,143,159	1,143,159	2,896,020
Transfers in	14,240,619	6,432,944	(7,807,675)	10,192,660
Transfers out	(975,006)	(1,006,954)	(31,948)	(1,780,957)
Total Other Financing Sources (Uses)	<u>28,712,501</u>	<u>21,094,149</u>	<u>(7,618,352)</u>	<u>39,402,723</u>
Net change in fund balance	28,102,952	(15,488,552)	(43,591,504)	12,234,956
Fund Balance - Beginning	<u>57,787,104</u>	<u>57,787,104</u>		<u>45,552,148</u>
Fund Balance - Ending	<u>\$ 85,890,056</u>	<u>\$ 42,298,552</u>	<u>\$ (43,591,504)</u>	<u>\$ 57,787,104</u>

CITY OF PEARLAND, TEXAS

NON-MAJOR GOVERNMENTAL FUNDS

Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the government and to other government units, on a cost reimbursement basis.

Property Liability Insurance Fund - To account for the activities of the City's property and casualty insurance. Coverage includes general liability, law enforcement, public official and employees' liability, auto liability, physical damage and multi-peril, mobile equipment, real and personal property, and windstorm coverage.

Employee Benefits Fund - To account for other forms of insurance such as dental, vision, life, and disability provided by the City to employees except for health insurance.

Health Claims Fund - To account for the activities of the City's employee health insurance. The fund accounts for retiree and COBRA contributions, claims and coverage.

CITY OF PEARLAND, TEXAS
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
September 30, 2018

	Property Liability Insurance Fund	Employee Benefits Fund	Health Claims Fund	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 405,910	\$ 147,756	\$ 3,037,502	\$ 3,591,168
Accounts Receivables, net	46,499	226	3,459	50,184
Total Assets	<u>452,409</u>	<u>147,982</u>	<u>3,040,961</u>	<u>3,641,352</u>
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	1,074	112,928	7,591	121,593
Total Liabilities	<u>1,074</u>	<u>112,928</u>	<u>7,591</u>	<u>121,593</u>
Net Position				
Unrestricted	451,335	35,054	3,033,370	3,519,759
Total Net Position	<u>\$ 451,335</u>	<u>\$ 35,054</u>	<u>\$ 3,033,370</u>	<u>\$ 3,519,759</u>

CITY OF PEARLAND, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

INTERNAL SERVICE FUNDS

For the Year Ended September 30, 2018

	Property Liability Insurance Fund	Employee Benefits Fund	Health Claims Fund	Total
Revenues				
Charges for services	\$ 548,611	\$	\$ 7,346,647	\$ 7,895,258
Total operating revenues	<u>548,611</u>	<u></u>	<u>7,346,647</u>	<u>7,895,258</u>
Operating Expenses				
Personnel services	42,763			42,763
Contractual services	1,323,911		6,807,950	8,131,861
Other expenses	264		18,491	18,755
Total Operating Expenses	<u>1,366,938</u>	<u></u>	<u>6,826,441</u>	<u>8,193,379</u>
Operating income (loss)	<u>(818,327)</u>	<u></u>	<u>520,206</u>	<u>(298,121)</u>
Non-Operating Revenues (Expenses)				
Earnings on investments	7,689	2,316	41,123	51,128
Total Non-Operating Revenues (Expenses)	<u>7,689</u>	<u>2,316</u>	<u>41,123</u>	<u>51,128</u>
Income (loss) before contributions and transfers	(810,638)	2,316	561,329	(246,993)
Transfers in	665,000			665,000
Transfers out				
Change in net position	(145,638)	2,316	561,329	418,007
Total net position - beginning	<u>596,973</u>	<u>32,738</u>	<u>2,472,041</u>	<u>3,101,752</u>
Total net position - ending	<u>\$ 451,335</u>	<u>\$ 35,054</u>	<u>\$ 3,033,370</u>	<u>\$ 3,519,759</u>

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended September 30, 2018

	Property Liability Insurance Fund	Employee Benefits Fund	Health Claims Fund	Total
Cash Flows from Operating Activities				
Receipts from interfund charges for insurance activities	\$ 516,408	\$ (227)	\$ 7,344,579	\$ 7,860,760
Disbursed for personnel services	(42,763)			(42,763)
Disbursed for goods and services	(1,376,436)	24,378	(7,204,315)	(8,556,373)
Net cash provided (used) by operating activities	<u>(902,791)</u>	<u>24,151</u>	<u>140,264</u>	<u>(738,376)</u>
Cash Flows from Noncapital Financing Activities				
Transfers in	665,000			665,000
Net cash provided by (used by) noncapital financing activities	<u>665,000</u>			<u>665,000</u>
Cash Flows from Investing Activities				
Interest received	7,689	2,316	41,122	51,127
Net cash provided by (used by) investing activities	<u>7,689</u>	<u>2,316</u>	<u>41,122</u>	<u>51,127</u>
Net increase (decrease) in cash and equivalents	(230,102)	26,467	181,386	(22,249)
Cash and equivalents, beginning	636,012	121,289	2,856,116	3,613,417
Cash and equivalents, end	<u>\$ 405,910</u>	<u>\$ 147,756</u>	<u>\$ 3,037,502</u>	<u>\$ 3,591,168</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ (818,327)	\$	\$ 520,206	\$ (298,121)
Adjustments to reconcile operating income to net cash				
(Increase) decrease in accounts receivable	(32,203)	(227)	(2,068)	(34,498)
Increase (decrease) in accounts payable	(52,261)	24,378	(377,874)	(405,757)
Net cash provided by (used by) operating activities	<u>\$ (902,791)</u>	<u>\$ 24,151</u>	<u>\$ 140,264</u>	<u>\$ (738,376)</u>

Long-Term Debt Amortization Schedules

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
BY MATURITY DATE
September 30, 2018

Certificates of Obligation, Series 2007

Certificates of Obligation, Series 2008

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$	\$ 106,763	\$ 106,763	\$ 185,000	\$ 3,700	\$ 188,700
2020		106,763	106,763			
2021		106,763	106,763			
2022		106,763	106,763			
2023		106,763	106,763			
2024		106,763	106,763			
2025		106,763	106,763			
2026		106,763	106,763			
2027		106,763	106,763			
2028		106,763	106,763			
2029	1,745,000	78,406	1,823,406			
2030	1,540,000	25,025	1,565,025			
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 3,285,000</u>	<u>\$ 1,171,061</u>	<u>\$ 4,456,061</u>	<u>\$ 185,000</u>	<u>\$ 3,700</u>	<u>\$ 188,700</u>

Permanent Improvement Bonds, Series 2008

Certificates of Obligation, Series 2009

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 405,000	\$ 10,125	\$ 415,125	\$ 320,000	\$ 25,800	\$ 345,800
2020				325,000	13,000	338,000
2021						
2022						
2023						
2024						
2025						
2026						
2027						
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2036						
2037						
2038						
	<u>\$ 405,000</u>	<u>\$ 10,125</u>	<u>\$ 415,125</u>	<u>\$ 645,000</u>	<u>\$ 38,800</u>	<u>\$ 683,800</u>

Certificates of Obligation, Series 2009A

Permanent Improvement and Refunding Bonds,
Series 2009 (Gov't Portion)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 640,000	\$ 31,518	\$ 671,518	\$ 590,000	\$ 30,018	\$ 620,018
2020	635,000	10,319	645,319	615,000	9,994	624,994
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
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2036						
2037						
2038						
	<u>\$ 1,275,000</u>	<u>\$ 41,837</u>	<u>\$ 1,316,837</u>	<u>\$ 1,205,000</u>	<u>\$ 40,012</u>	<u>\$ 1,245,012</u>

Permanent Improvement Bonds, Series 2010A

Permanent Improvement Bonds, Series 2011

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 415,000	\$ 354,628	\$ 769,628	\$ 175,000	\$ 164,031	\$ 339,031
2020	425,000	342,028	767,028	185,000	156,831	341,831
2021	440,000	329,053	769,053	190,000	149,331	339,331
2022	455,000	315,059	770,059	200,000	141,531	341,531
2023	465,000	300,109	765,109	205,000	134,456	339,456
2024	485,000	284,065	769,065	210,000	128,231	338,231
2025	500,000	265,578	765,578	220,000	121,506	341,506
2026	520,000	246,153	766,153	225,000	114,275	339,275
2027	540,000	226,603	766,603	235,000	106,506	341,506
2028	560,000	205,558	765,558	245,000	98,106	343,106
2029	585,000	182,938	767,938	250,000	88,819	338,819
2030	610,000	159,038	769,038	260,000	78,619	338,619
2031	635,000	133,344	768,344	275,000	67,919	342,919
2032	660,000	105,825	765,825	285,000	56,719	341,719
2033	690,000	77,138	767,138	295,000	45,119	340,119
2034	720,000	47,175	767,175	305,000	33,119	338,119
2035	750,000	15,938	765,938	320,000	20,419	340,419
2036				335,000	6,909	341,909
2037						
2038						
	<u>\$ 9,455,000</u>	<u>\$ 3,590,230</u>	<u>\$ 13,045,230</u>	<u>\$ 4,415,000</u>	<u>\$ 1,712,446</u>	<u>\$ 6,127,446</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
BY MATURITY DATE
September 30, 2018

Certificates of Obligation, Series 2011

**Permanent Improvement and Refunding Bonds,
 Series 2012 (Gov't Portion)**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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>\$ 630,000</u>	<u>\$ 19,752</u>	<u>\$ 649,752</u>	<u>\$ 35,620,000</u>	<u>\$ 6,804,700</u>	<u>\$ 42,424,700</u>

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

Permanent Improvement Bonds, Series 2013

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 130,000	\$ 6,825	\$ 136,825	\$ 320,000	\$ 326,868	\$ 646,868
2020	130,000	2,275	132,275	320,000	314,068	634,068
2021				330,000	301,068	631,068
2022				330,000	287,868	617,868
2023				340,000	274,468	614,468
2024				350,000	260,668	610,668
2025				360,000	246,468	606,468
2026				370,000	231,868	601,868
2027				370,000	217,068	587,068
2028				380,000	202,068	582,068
2029				390,000	186,424	576,424
2030				400,000	169,880	569,880
2031				410,000	152,411	562,411
2032				420,000	134,203	554,203
2033				430,000	115,288	545,288
2034				440,000	95,713	535,713
2035				450,000	75,688	525,688
2036				460,000	55,213	515,213
2037				480,000	33,763	513,763
2038				490,000	11,331	501,331
	<u>\$ 260,000</u>	<u>\$ 9,100</u>	<u>\$ 269,100</u>	<u>\$ 7,840,000</u>	<u>\$ 3,692,394</u>	<u>\$ 11,532,394</u>

Certificates of Obligation, Series 2013

Permanent Improvement and Refunding Bonds,
Series 2014

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 90,000	\$ 102,338	\$ 192,338	\$ 1,240,000	\$ 1,573,031	\$ 2,813,031
2020	100,000	98,988	198,988	2,310,000	1,508,281	3,818,281
2021	100,000	94,488	194,488	2,415,000	1,401,706	3,816,706
2022	100,000	89,488	189,488	2,510,000	1,284,831	3,794,831
2023	100,000	84,488	184,488	3,165,000	1,149,206	4,314,206
2024	100,000	79,488	179,488	2,710,000	1,002,331	3,712,331
2025	110,000	74,238	184,238	2,830,000	863,831	3,693,831
2026	110,000	69,288	179,288	3,055,000	716,706	3,771,706
2027	110,000	64,888	174,888	4,120,000	537,331	4,657,331
2028	110,000	60,488	170,488	3,145,000	385,191	3,530,191
2029	120,000	55,738	175,738	5,860,000	218,850	6,078,850
2030	120,000	50,563	170,563	535,000	90,950	625,950
2031	120,000	45,313	165,313	535,000	69,550	604,550
2032	120,000	40,063	160,063	535,000	48,150	583,150
2033	130,000	34,513	164,513	535,000	28,088	563,088
2034	130,000	28,663	158,663	535,000	9,363	544,363
2035	130,000	22,813	152,813			
2036	140,000	16,650	156,650			
2037	140,000	10,175	150,175			
2038	150,000	3,469	153,469			
	<u>\$ 2,330,000</u>	<u>\$ 1,126,140</u>	<u>\$ 3,456,140</u>	<u>\$ 36,035,000</u>	<u>\$ 10,887,396</u>	<u>\$ 46,922,396</u>

Certificates of Obligation, Series 2014

Permanent Improvement and Refunding Bonds,
Series 2015

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 230,000	\$ 109,919	\$ 339,919	\$ 2,130,000	\$ 2,035,319	\$ 4,165,319
2020	230,000	105,319	335,319	3,755,000	1,926,819	5,681,819
2021	230,000	100,719	330,719	3,890,000	1,768,019	5,658,019
2022	230,000	96,119	326,119	4,020,000	1,619,069	5,639,069
2023	230,000	90,369	320,369	4,010,000	1,462,119	5,472,119
2024	230,000	82,319	312,319	4,975,000	1,247,494	6,222,494
2025	235,000	73,019	308,019	4,540,000	1,009,619	5,549,619
2026	230,000	63,719	293,719	4,745,000	777,494	5,522,494
2027	235,000	55,594	290,594	4,155,000	554,994	4,709,994
2028	235,000	48,544	283,544	4,100,000	348,619	4,448,619
2029	230,000	41,425	271,425	3,450,000	159,869	3,609,869
2030	230,000	34,238	264,238	905,000	59,478	964,478
2031	230,000	26,906	256,906	720,000	33,638	753,638
2032	230,000	19,431	249,431	675,000	10,969	685,969
2033	230,000	11,813	241,813			
2034	235,000	3,966	238,966			
2035						
2036						
2037						
2038						
	<u>\$ 3,700,000</u>	<u>\$ 963,419</u>	<u>\$ 4,663,419</u>	<u>\$ 46,070,000</u>	<u>\$ 13,013,519</u>	<u>\$ 59,083,519</u>

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2018

Permanent Improvement Bonds, Series 2015

Certificates of Obligation, Series 2015

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 425,000	\$ 211,075	\$ 636,075	\$ 245,000	\$ 121,650	\$ 366,650
2020	425,000	202,575	627,575	240,000	116,800	356,800
2021	425,000	194,075	619,075	240,000	112,000	352,000
2022	425,000	185,575	610,575	240,000	106,600	346,600
2023	425,000	176,013	601,013	245,000	100,538	345,538
2024	425,000	165,388	590,388	245,000	93,800	338,800
2025	425,000	151,575	576,575	240,000	85,325	325,325
2026	425,000	134,575	559,575	245,000	75,625	320,625
2027	425,000	117,575	542,575	245,000	65,825	310,825
2028	425,000	100,575	525,575	245,000	57,250	302,250
2029	425,000	85,700	510,700	245,000	49,900	294,900
2030	420,000	73,025	493,025	240,000	42,625	282,625
2031	425,000	60,350	485,350	240,000	35,275	275,275
2032	425,000	47,600	472,600	245,000	27,697	272,697
2033	425,000	34,425	459,425	240,000	19,969	259,969
2034	425,000	20,719	445,719	240,000	12,169	252,169
2035	425,000	6,906	431,906	245,000	4,134	249,134
2036						
2037						
2038						
	<u>\$ 7,220,000</u>	<u>\$ 1,967,726</u>	<u>\$ 9,187,726</u>	<u>\$ 4,125,000</u>	<u>\$ 1,127,182</u>	<u>\$ 5,252,182</u>

Permanent Improvement and Refunding Bonds, Series 2015A

Permanent Improvement and Refunding Bonds, Series 2016A

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,990,000	\$ 224,125	\$ 2,214,125	820,000.0	1,248,750.0	\$ 2,068,750
2020	395,000	188,350	583,350	985,000	1,230,700	2,215,700
2021	410,000	176,275	586,275	1,120,000	1,209,650	2,329,650
2022	430,000	163,675	593,675	1,125,000	1,170,325	2,295,325
2023	535,000	150,538	685,538	1,135,000	1,113,825	2,248,825
2024	520,000	136,050	656,050	1,150,000	1,056,700	2,206,700
2025	540,000	120,150	660,150	1,160,000	998,950	2,158,950
2026	555,000	103,725	658,725	1,200,000	939,950	2,139,950
2027	580,000	86,700	666,700	1,215,000	879,575	2,094,575
2028	855,000	65,175	920,175	1,230,000	824,600	2,054,600
2029	1,745,000	26,175	1,771,175	1,960,000	770,600	2,730,600
2030				6,725,000	606,700	7,331,700
2031				4,100,000	390,200	4,490,200
2032				4,425,000	219,700	4,644,700
2033				820,000	114,800	934,800
2034				820,000	82,000	902,000
2035				820,000	49,200	869,200
2036				820,000	16,400	836,400
2037						
2038						
	<u>\$ 8,555,000</u>	<u>\$ 1,440,938</u>	<u>\$ 9,995,938</u>	<u>\$ 31,630,000</u>	<u>\$ 12,922,625</u>	<u>\$ 44,552,625</u>

Certificates of Obligation, Series 2016

Permanent Improvement Refunding Bonds,
Series 2016B

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 700,000	\$ 314,850	\$ 1,014,850	\$ 2,050,000	\$ 1,240,550	\$ 3,290,550
2020	700,000	300,850	1,000,850	2,810,000	1,143,350	3,953,350
2021	700,000	286,850	986,850	2,910,000	1,028,950	3,938,950
2022	700,000	272,850	972,850	3,025,000	895,125	3,920,125
2023	700,000	258,850	958,850	2,675,000	752,625	3,427,625
2024	700,000	244,850	944,850	2,810,000	615,500	3,425,500
2025	700,000	230,850	930,850	2,005,000	495,125	2,500,125
2026	700,000	216,850	916,850	2,015,000	394,625	2,409,625
2027	700,000	195,850	895,850	2,105,000	291,625	2,396,625
2028	700,000	174,850	874,850	1,105,000	211,375	1,316,375
2029	700,000	157,350	857,350	1,140,000	155,250	1,295,250
2030	700,000	136,350	836,350	1,265,000	95,125	1,360,125
2031	695,000	115,425	810,425	1,270,000	31,750	1,301,750
2032	700,000	94,500	794,500			
2033	700,000	73,500	773,500			
2034	700,000	52,500	752,500			
2035	700,000	31,500	731,500			
2036	700,000	10,500	710,500			
2037						
2038						
	<u>\$ 12,595,000</u>	<u>\$ 3,169,125</u>	<u>\$ 15,764,125</u>	<u>\$ 27,185,000</u>	<u>\$ 7,350,975</u>	<u>\$ 34,535,975</u>

Permanent Improvement Refunding Bonds,
Series 2017

Certificates of Obligation, Series 2017

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,095,000	\$ 2,349,894	\$ 3,444,894	\$ 315,000	\$ 194,250	\$ 509,250
2020	1,095,000	2,300,619	3,395,619	310,000	188,000	498,000
2021	2,495,000	2,216,344	4,711,344	310,000	180,250	490,250
2022	2,540,000	2,090,469	4,630,469	310,000	170,950	480,950
2023	2,590,000	1,962,219	4,552,219	300,000	161,800	461,800
2024	2,645,000	1,831,344	4,476,344	310,000	151,100	461,100
2025	2,695,000	1,697,844	4,392,844	310,000	138,700	448,700
2026	2,760,000	1,561,469	4,321,469	310,000	126,300	436,300
2027	4,410,000	1,382,219	5,792,219	310,000	113,900	423,900
2028	4,580,000	1,157,469	5,737,469	310,000	101,500	411,500
2029	3,010,000	967,719	3,977,719	310,000	89,100	399,100
2030	2,260,000	858,569	3,118,569	310,000	76,700	386,700
2031	7,000,000	719,669	7,719,669	315,000	64,200	379,200
2032	7,205,000	470,569	7,675,569	310,000	53,250	363,250
2033	2,560,000	275,269	2,835,269	310,000	43,950	353,950
2034	2,615,000	183,209	2,798,209	310,000	34,456	344,456
2035	1,095,000	114,975	1,209,975	310,000	24,769	334,769
2036	1,095,000	65,700	1,160,700	310,000	15,081	325,081
2037	1,095,000	21,900	1,116,900	315,000	5,119	320,119
2038						
	<u>\$ 54,840,000</u>	<u>\$ 22,227,469</u>	<u>\$ 77,067,469</u>	<u>\$ 5,895,000</u>	<u>\$ 1,933,375</u>	<u>\$ 7,828,375</u>

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2018

Permanent Improvement Bonds, Series 2018

Certificates of Obligation, Series 2018

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 375,000	\$ 290,854	\$ 665,854	\$ 355,000	\$ 277,057	\$ 632,057
2020	375,000	289,950	664,950	355,000	276,250	631,250
2021	370,000	278,800	648,800	355,000	265,600	620,600
2022	370,000	264,000	634,000	355,000	251,400	606,400
2023	370,000	249,200	619,200	355,000	237,200	592,200
2024	370,000	234,400	604,400	355,000	223,000	578,000
2025	370,000	217,750	587,750	355,000	207,025	562,025
2026	370,000	199,250	569,250	355,000	189,275	544,275
2027	375,000	180,625	555,625	355,000	171,525	526,525
2028	370,000	162,000	532,000	350,000	153,900	503,900
2029	375,000	143,375	518,375	355,000	136,275	491,275
2030	370,000	126,600	496,600	355,000	120,300	475,300
2031	375,000	111,700	486,700	355,000	106,100	461,100
2032	375,000	96,700	471,700	355,000	91,900	446,900
2033	370,000	81,800	451,800	350,000	77,800	427,800
2034	370,000	67,000	437,000	355,000	63,700	418,700
2035	375,000	52,100	427,100	355,000	49,500	404,500
2036	370,000	37,200	407,200	355,000	35,300	390,300
2037	370,000	22,400	392,400	350,000	21,200	371,200
2038	375,000	7,500	382,500	355,000	7,100	362,100
	<u>\$ 7,440,000</u>	<u>\$ 3,113,204</u>	<u>\$ 10,553,204</u>	<u>\$ 7,085,000</u>	<u>\$ 2,961,407</u>	<u>\$ 10,046,407</u>

**Pearland Economic Development Corporation
Sales Tax Revenue Refunding Bonds, Series
2016**

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

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 930,000	\$ 303,142	\$ 1,233,142	\$ 420,000	\$ 270,875	\$ 690,875
2020	955,000	281,194	1,236,194	445,000	255,041	700,041
2021	975,000	258,656	1,233,656	465,000	238,264	703,264
2022	1,000,000	235,646	1,235,646	735,000	220,734	955,734
2023	1,025,000	212,046	1,237,046	560,000	193,024	753,024
2024	1,055,000	187,856	1,242,856	615,000	171,912	786,912
2025	1,080,000	162,958	1,242,958	670,000	148,727	818,727
2026	1,105,000	137,470	1,242,470	725,000	123,468	848,468
2027	1,130,000	111,392	1,241,392	785,000	96,135	881,135
2028	1,165,000	84,724	1,249,724	850,000	66,541	916,541
2029	1,195,000	57,230	1,252,230	915,000	34,496	949,496
2030	1,230,000	29,028	1,259,028			
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	<u>\$ 12,845,000</u>	<u>\$ 2,061,342</u>	<u>\$ 14,906,342</u>	<u>\$ 7,185,000</u>	<u>\$ 1,819,217</u>	<u>\$ 9,004,217</u>

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

**Development Authority of Pearland
Tax Increment Contract Revenue & Refunding
Bonds, Series 2015**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 550,000	\$ 161,840	\$ 711,840	\$ 4,590,000	\$ 1,450,282	\$ 6,040,282
2020	475,000	146,880	621,880	4,395,000	1,324,516	5,719,516
2021	490,000	133,960	623,960	4,510,000	1,204,093	5,714,093
2022	505,000	120,632	625,632	4,380,000	1,080,519	5,460,519
2023	520,000	106,896	626,896	4,705,000	960,507	5,665,507
2024	530,000	92,752	622,752	4,800,000	831,590	5,631,590
2025	545,000	78,336	623,336	4,900,000	700,070	5,600,070
2026	560,000	63,512	623,512	5,005,000	565,810	5,570,810
2027	575,000	48,280	623,280	5,110,000	428,673	5,538,673
2028	590,000	32,640	622,640	5,215,000	288,659	5,503,659
2029	610,000	16,592	626,592	5,320,000	145,768	5,465,768
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2038						
	<u>\$ 5,950,000</u>	<u>\$ 1,002,320</u>	<u>\$ 6,952,320</u>	<u>\$ 52,930,000</u>	<u>\$ 8,980,487</u>	<u>\$ 61,910,487</u>

**Development Authority of Pearland
Tax Increment Contract Revenue Bonds, Series
2016**

**Development Authority of Pearland
Tax Increment Contract Revenue Bonds, Series
2017**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 1,035,000	\$ 243,756	\$ 1,278,756	\$ 710,000	\$ 187,105	\$ 897,105
2020	900,000	220,779	1,120,779	670,000	170,775	840,775
2021	920,000	200,799	1,120,799	685,000	155,365	840,365
2022	940,000	180,375	1,120,375	700,000	139,610	839,610
2023	955,000	159,507	1,114,507	720,000	123,510	843,510
2024	985,000	138,306	1,123,306	730,000	106,950	836,950
2025	1,005,000	116,439	1,121,439	750,000	90,160	840,160
2026	1,025,000	94,128	1,119,128	765,000	72,910	837,910
2027	1,050,000	71,373	1,121,373	780,000	55,315	835,315
2028	1,070,000	48,063	1,118,063	805,000	37,375	842,375
2029	1,095,000	24,309	1,119,309	820,000	18,860	838,860
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2038						
	<u>\$ 10,980,000</u>	<u>\$ 1,497,834</u>	<u>\$ 12,477,834</u>	<u>\$ 8,135,000</u>	<u>\$ 1,157,935</u>	<u>\$ 9,292,935</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
BY MATURITY DATE
September 30, 2018

**Water & Sewer Revenue Bonds,
Series 1999**

Fiscal Year	Principal	Interest	Total
2019	\$ 585,000	\$ 54,970	\$ 639,970
2020	610,000	28,060	638,060
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	<u>\$ 1,195,000</u>	<u>\$ 83,030</u>	<u>\$ 1,278,030</u>

**Water & Sewer Revenue Bonds,
Series 2007**

Fiscal Year	Principal	Interest	Total
2019	\$	\$ 398,650	\$ 398,650
2020		398,650	398,650
2021		398,650	398,650
2022		398,650	398,650
2023		398,650	398,650
2024		398,650	398,650
2025		398,650	398,650
2026		398,650	398,650
2027		398,650	398,650
2028		398,650	398,650
2029	3,615,000	398,650	4,013,650
2030	3,795,000	272,125	4,067,125
2031	3,980,000	139,300	4,119,300
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	<u>\$ 11,390,000</u>	<u>\$ 4,796,575</u>	<u>\$ 16,186,575</u>

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

Fiscal Year	Principal	Interest	Total
2019	\$ 455,000	\$ 453,731	\$ 908,731
2020	475,000	438,944	913,944
2021	495,000	422,319	917,319
2022	515,000	402,519	917,519
2023	535,000	381,919	916,919
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
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	<u>\$ 10,825,000</u>	<u>\$ 4,662,222</u>	<u>\$ 15,487,222</u>

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

Fiscal Year	Principal	Interest	Total
2019	\$ 425,000	\$ 248,988	\$ 673,988
2020	445,000	235,175	680,175
2021	1,750,000	219,600	1,969,600
2022	1,830,000	149,600	1,979,600
2023	1,910,000	76,400	1,986,400
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	<u>\$ 6,360,000</u>	<u>\$ 929,763</u>	<u>\$ 7,289,763</u>

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

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

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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
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	<u>\$ 4,845,000</u>	<u>\$ 805,700</u>	<u>\$ 5,650,700</u>	<u>\$ 5,840,000</u>	<u>\$ 1,790,652</u>	<u>\$ 7,630,652</u>

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

**Water and Sewer Revenue Bonds,
Series 2016A**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 230,000	\$ 299,619	\$ 529,619	\$ 445,000	\$ 223,013	668,013
2020	240,000	290,419	530,419	445,000	209,663	654,663
2021	255,000	280,819	535,819	445,000	196,313	641,313
2022	270,000	270,619	540,619	445,000	187,413	632,413
2023	280,000	259,819	539,819	440,000	178,513	618,513
2024	295,000	248,619	543,619	445,000	169,713	614,713
2025	310,000	236,819	546,819	445,000	160,813	605,813
2026	330,000	224,419	554,419	440,000	151,913	591,913
2027	345,000	211,219	556,219	445,000	134,313	579,313
2028	365,000	200,869	565,869	445,000	116,513	561,513
2029	385,000	189,919	574,919	445,000	106,500	551,500
2030	405,000	177,888	582,888	445,000	93,150	538,150
2031	425,000	164,725	589,725	440,000	79,800	519,800
2032	445,000	150,913	595,913	445,000	66,600	511,600
2033	470,000	135,894	605,894	445,000	53,250	498,250
2034	495,000	120,031	615,031	445,000	39,900	484,900
2035	520,000	102,706	622,706	440,000	26,550	466,550
2036	550,000	84,506	634,506	445,000	13,350	458,350
2037	575,000	65,256	640,256			
2038	605,000	45,131	650,131			
2039	640,000	23,200	663,200			
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2048						
	<u>\$ 8,435,000</u>	<u>\$ 3,783,409</u>	<u>\$ 12,218,409</u>	<u>\$ 7,990,000</u>	<u>\$ 2,207,280</u>	<u>\$ 10,197,280</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
BY MATURITY DATE
September 30, 2018

**Water & Sewer Revenue Bonds,
Series 2016B**

Fiscal Year	Principal	Interest	Total
2019	\$ 1,230,000	\$ 7,524	\$ 1,237,524
2020	1,235,000	7,524	1,242,524
2021	1,235,000	7,524	1,242,524
2022	1,235,000	7,524	1,242,524
2023	1,235,000	7,524	1,242,524
2024	1,230,000	6,412	1,236,412
2025	1,235,000	3,952	1,238,952
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	<u>\$ 8,635,000</u>	<u>\$ 47,984</u>	<u>\$ 8,682,984</u>

**Water & Sewer Revenue Bonds,
Series 2016C**

Principal	Interest	Total	
\$ 1,860,000	\$ 315,066	\$ 2,175,066	
1,860,000	315,066	2,175,066	
1,855,000	315,066	2,170,066	
1,700,000	315,066	2,015,066	
1,700,000	315,066	2,015,066	
1,700,000	313,536	2,013,536	
1,700,000	310,136	2,010,136	
1,700,000	304,696	2,004,696	
1,700,000	297,386	1,997,386	
1,700,000	288,206	1,988,206	
1,700,000	278,176	1,978,176	
1,700,000	267,296	1,967,296	
1,700,000	255,396	1,955,396	
1,700,000	242,476	1,942,476	
1,700,000	228,536	1,928,536	
1,700,000	213,746	1,913,746	
1,700,000	198,106	1,898,106	
1,700,000	181,786	1,881,786	
1,700,000	164,786	1,864,786	
1,700,000	147,446	1,847,446	
1,700,000	129,766	1,829,766	
1,700,000	111,746	1,811,746	
1,700,000	93,556	1,793,556	
1,700,000	75,196	1,775,196	
1,700,000	56,666	1,756,666	
1,700,000	37,966	1,737,966	
1,705,000	19,096	1,724,096	
	<u>\$ 46,380,000</u>	<u>\$ 5,791,032</u>	<u>\$ 52,171,032</u>

**Water & Sewer Revenue Bonds,
Series 2017A**

Fiscal Year	Principal	Interest	Total
2019	\$ 1,010,000	\$ 59,079	\$ 1,069,079
2020	1,010,000	59,079	1,069,079
2021	1,010,000	58,473	1,068,473
2022	1,015,000	55,948	1,070,948
2023	1,020,000	51,380	1,071,380
2024	1,025,000	44,954	1,069,954
2025	1,030,000	36,447	1,066,447
2026	1,045,000	25,941	1,070,941
2027	1,055,000	13,610	1,068,610
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	<u>\$ 9,220,000</u>	<u>\$ 404,911</u>	<u>\$ 9,624,911</u>

**Water & Sewer Revenue Bonds,
Series 2017B**

Principal	Interest	Total	
\$ 340,000	\$ 184,925	\$ 524,925	
340,000	184,925	524,925	
340,000	184,721	524,721	
340,000	183,871	523,871	
345,000	182,341	527,341	
345,000	180,168	525,168	
350,000	177,304	527,304	
350,000	173,734	523,734	
355,000	169,604	524,604	
360,000	165,025	525,025	
365,000	160,021	525,021	
370,000	154,582	524,582	
375,000	148,699	523,699	
385,000	142,362	527,362	
390,000	135,586	525,586	
395,000	128,488	523,488	
405,000	121,062	526,062	
410,000	113,245	523,245	
420,000	105,168	525,168	
430,000	96,768	526,768	
435,000	88,125	523,125	
445,000	79,338	524,338	
455,000	70,305	525,305	
465,000	61,023	526,023	
475,000	51,490	526,490	
485,000	41,705	526,705	
495,000	31,666	526,666	
505,000	21,370	526,370	
515,000	10,815	525,815	
	<u>\$ 11,685,000</u>	<u>\$ 3,548,436</u>	<u>\$ 15,233,436</u>

**Water and Sewer Revenue Refunding Bonds,
Series 2017C**

Fiscal Year	Principal	Interest	Total
2019	\$ 2,025,000	\$ 2,668,531	\$ 4,693,531
2020	2,085,000	2,567,281	4,652,281
2021	2,150,000	2,463,031	4,613,031
2022	2,270,000	2,355,531	4,625,531
2023	2,980,000	2,242,031	5,222,031
2024	4,045,000	2,093,031	6,138,031
2025	4,275,000	1,890,781	6,165,781
2026	6,020,000	1,677,031	7,697,031
2027	6,275,000	1,376,031	7,651,031
2028	6,555,000	1,062,281	7,617,281
2029	3,230,000	734,531	3,964,531
2030	3,275,000	605,331	3,880,331
2031	1,825,000	507,081	2,332,081
2032	3,150,000	452,331	3,602,331
2033	3,245,000	326,331	3,571,331
2034	3,345,000	196,531	3,541,531
2035	765,000	92,000	857,000
2036	765,000	61,400	826,400
2037	770,000	30,800	800,800
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2047			
2048			
	<u>\$ 59,050,000</u>	<u>\$ 23,401,896</u>	<u>\$ 82,451,896</u>

**Water and Sewer Revenue Refunding Bonds,
Series 2018A**

Fiscal Year	Principal	Interest	Total
2019	\$ 290,000	\$ 118,604	\$ 408,604
2020	290,000	117,705	407,705
2021	290,000	116,458	406,458
2022	290,000	114,805	404,805
2023	285,000	112,746	397,746
2024	285,000	110,380	395,380
2025	290,000	107,758	397,758
2026	285,000	104,829	389,829
2027	290,000	101,694	391,694
2028	290,000	98,301	388,301
2029	290,000	94,734	384,734
2030	290,000	90,964	380,964
2031	290,000	87,020	377,020
2032	285,000	82,931	367,931
2033	290,000	78,770	368,770
2034	290,000	74,362	364,362
2035	285,000	69,809	354,809
2036	285,000	65,221	350,221
2037	290,000	60,547	350,547
2038	290,000	55,704	345,704
2039	290,000	50,803	340,803
2040	285,000	45,844	330,844
2041	290,000	40,913	330,913
2042	285,000	35,867	320,867
2043	290,000	30,880	320,880
2044	290,000	25,776	315,776
2045	290,000	20,643	310,643
2046	285,000	15,481	300,481
2047	285,000	10,379	295,379
2048	290,000	5,249	295,249
	<u>\$ 8,650,000</u>	<u>\$ 2,145,177</u>	<u>\$ 10,795,177</u>

**Water & Sewer Revenue Bonds,
Series 2018B**

Fiscal Year	Principal	Interest	Total
2019	\$ 955,000	\$ 805,583	\$ 1,760,583
2020	955,000	799,950	1,754,950
2021	955,000	780,850	1,735,850
2022	950,000	742,650	1,692,650
2023	950,000	704,650	1,654,650
2024	950,000	666,650	1,616,650
2025	950,000	628,650	1,578,650
2026	950,000	581,150	1,531,150
2027	955,000	533,650	1,488,650
2028	950,000	485,900	1,435,900
2029	955,000	438,400	1,393,400
2030	955,000	390,650	1,345,650
2031	955,000	342,900	1,297,900
2032	955,000	295,150	1,250,150
2033	950,000	247,400	1,197,400
2034	950,000	199,900	1,149,900
2035	955,000	152,400	1,107,400
2036	950,000	114,200	1,064,200
2037	950,000	76,200	1,026,200
2038	955,000	38,200	993,200
2039			
2040			
2041			
2042			
2043			
2044			
2045			
2046			
2047			
2048			
	<u>\$ 19,050,000</u>	<u>\$ 9,025,083</u>	<u>\$ 28,075,083</u>

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**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	136
<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	148
<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	158
<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	165
<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	168
<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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 ¹</u>
Governmental Activities				
Net investment in capital assets	\$ 429,054	\$ 422,643	\$ 413,439	\$ 353,160
Restricted	10,615	18,020	16,462	38,933
Unrestricted	<u>13,330</u>	<u>13,692</u>	<u>14,543</u>	<u>10,117</u>
Total governmental activities net position	<u>\$ 452,999</u>	<u>\$ 454,355</u>	<u>\$ 444,444</u>	<u>\$ 402,210</u>
Business-type activities				
Net investment in capital assets	\$ 146,150	\$ 144,244	\$ 156,629	\$ 156,888
Restricted	11,965	17,587	5,603	9,821
Unrestricted	<u>9,256</u>	<u>11,942</u>	<u>13,910</u>	<u>12,439</u>
Total business-type activities net position	<u>\$ 167,371</u>	<u>\$ 173,773</u>	<u>\$ 176,142</u>	<u>\$ 179,148</u>
Primary government				
Investment in capital assets	\$ 575,204	\$ 566,887	\$ 570,068	\$ 510,048
Restricted	22,580	35,607	22,065	48,754
Unrestricted	<u>22,586</u>	<u>25,634</u>	<u>28,453</u>	<u>22,556</u>
Total primary government net position	<u>\$ 620,370</u>	<u>\$ 628,128</u>	<u>\$ 620,586</u>	<u>\$ 581,358</u>

¹ Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

² 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.

<u>2013</u> ^{1,2}	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 391,032	\$ 397,346	\$ 423,706	\$ 439,923	\$ 449,141	\$ 454,670
43,413	52,209	53,883	60,640	60,310	67,263
14,696	2,477	3,800	3,185	(5,045)	(2,500)
<u>\$ 449,141</u>	<u>\$ 452,032</u>	<u>\$ 481,389</u>	<u>\$ 503,748</u>	<u>\$ 504,406</u>	<u>\$ 519,433</u>
\$ 165,915	\$ 174,955	\$ 186,819	\$ 187,937	\$ 205,827	\$ 210,674
9,542	14,484	13,539	15,852	13,972	14,525
16,704	15,612	12,815	13,351	6,972	20,663
<u>\$ 192,161</u>	<u>\$ 205,051</u>	<u>\$ 213,173</u>	<u>\$ 217,140</u>	<u>\$ 226,771</u>	<u>\$ 245,862</u>
\$ 556,947	\$ 572,301	\$ 610,525	\$ 627,860	\$ 654,968	\$ 665,344
52,955	66,693	67,422	76,492	74,282	81,788
31,400	18,089	16,615	16,536	1,927	18,163
<u>\$ 641,302</u>	<u>\$ 657,083</u>	<u>\$ 694,562</u>	<u>\$ 720,888</u>	<u>\$ 731,177</u>	<u>\$ 765,295</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012¹</u>
Expenses				
Governmental activities:				
General Government	\$ 12,355	\$ 13,439	\$ 15,945	\$ 13,334
Public Safety	22,438	24,268	23,042	27,403
Public Works	26,893	35,679	31,130	28,510
Community Services	3,290	3,323	3,254	4,267
Parks and Recreation	7,240	7,699	8,062	9,264
Economic Development				26,311
Interest on long-term debt	11,647	13,738	13,142	11,572
Total governmental activities expenses	<u>83,863</u>	<u>98,146</u>	<u>94,575</u>	<u>120,661</u>
Business-type activities:				
Water and Sewer	25,439	27,157	29,192	29,392
Solid Waste	7,106	7,089	7,285	7,528
Total business-type activities	<u>32,545</u>	<u>34,246</u>	<u>36,477</u>	<u>36,920</u>
Total primary government expenses	<u>\$ 116,408</u>	<u>\$ 132,392</u>	<u>\$ 131,052</u>	<u>\$ 157,581</u>
Program Revenue				
Governmental activities:				
Charges for services:				
General Government	\$ 6,637	\$ 6,637	\$	\$ 7,624
Public Safety	3,524	3,296	3,679	4,206
Public Works	35	10	18	43
Community Services	4,755	4,312	4,632	5,855
Parks and Recreation	672	906	2,027	2,080
Economic Development				413
Operating grants and contributions:				
General Government	4,913	5,215	5,488	6,045
Public Safety	420	641	407	711
Public Works	375	207	675	53
Community Services	202	159	366	311
Parks and Recreation	450	424	462	542
Economic Development				
Capital grants and contributions:				
General Government				
Public Safety	279	98		
Public Works	26,092	29,800	10,330	18,743
Parks and Recreation	4,653			100
Total governmental activities program revenue	<u>53,007</u>	<u>51,705</u>	<u>28,084</u>	<u>46,726</u>
Business-type activities:				
Charges for services:				
Water and Sewer	26,617	24,961	28,664	27,535
Solid Waste	6,766	7,313	7,258	7,654
Operating grants and contributions:				
Water and Sewer	2,464	70	61	205
Capital grants and contributions:				
Water and Sewer	6,125	8,611	4,215	8,118
Total business-type activities program revenue	<u>41,972</u>	<u>40,955</u>	<u>40,198</u>	<u>43,512</u>
Total primary government program revenues	<u>\$ 94,979</u>	<u>\$ 92,660</u>	<u>\$ 68,282</u>	<u>\$ 90,238</u>

¹ Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

² 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.

<u>2013</u> ^{1,2}	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 13,358	\$ 12,241	\$ 17,189	\$ 18,016	\$ 20,121	\$ 20,360
28,944	32,130	33,179	38,933	44,343	43,275
31,690	38,579	45,894	46,449	49,221	53,271
3,807	4,687	3,641	3,711	5,107	4,509
9,524	6,896	3,731	4,820	8,823	7,194
17,411	26,498	26,159	31,330	31,293	29,521
10,534	16,225	15,569	15,946	14,422	14,441
<u>115,268</u>	<u>137,256</u>	<u>145,362</u>	<u>159,205</u>	<u>173,331</u>	<u>172,573</u>
31,289	32,444	34,266	37,941	41,475	41,683
8,324	6,664	6,417	6,833	7,059	7,441
<u>39,613</u>	<u>39,108</u>	<u>40,683</u>	<u>44,774</u>	<u>48,534</u>	<u>49,124</u>
<u>\$154,881</u>	<u>\$ 176,364</u>	<u>\$186,045</u>	<u>\$203,979</u>	<u>\$ 221,865</u>	<u>\$ 221,697</u>
\$ 6,326	\$ 6,637	\$ 7,624	\$ 8,547	\$ 9,518	\$ 10,414
7,410	2,793	4,110	4,276	3,949	3,777
3,096	322	338	320	1,395	253
3,264	7,375	7,771	8,520	8,026	6,566
2,209	2,290	2,412	2,218	2,001	2,766
414	430	1,209	13	3,886	3,503
44	440	747	2,595		
603	434	294			11
1,388	7,612	4,589	11,123	12,459	5,884
108	337	216		575	232
182	474	1,586			
180					
52,921	29,269	36,440	24,636	10,107	19,241
<u>78,145</u>	<u>58,413</u>	<u>67,336</u>	<u>62,248</u>	<u>51,916</u>	<u>52,647</u>
29,008	28,929	30,201	43,677	51,544	55,593
8,175	7,008	6,637	6,945	6,549	7,842
		2,512	30		
16,273	17,677	13,177	4,094	2,027	4,613
<u>53,456</u>	<u>53,614</u>	<u>52,527</u>	<u>54,746</u>	<u>60,120</u>	<u>68,048</u>
<u>\$131,601</u>	<u>\$ 112,027</u>	<u>\$119,863</u>	<u>\$ 116,994</u>	<u>\$ 112,036</u>	<u>\$ 120,695</u>

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

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Net (Expense)/Revenue				
Governmental activities	\$ (30,856)	\$ (46,441)	\$ (66,491)	\$ (73,935)
Business-type activities	9,427	6,709	3,721	6,592
Total primary government net expense	<u>\$ (21,429)</u>	<u>\$ (39,732)</u>	<u>\$ (62,770)</u>	<u>\$ (67,343)</u>

General Revenues and Other Changes in Net Position

Governmental activities:

Taxes:

Property taxes	\$ 29,492	\$ 31,140	\$ 32,963	\$ 33,451
Sales and use taxes	12,581	14,218	13,578	13,983
Franchise taxes	4,427	5,075	5,426	5,605
Investment earnings	4,572	1,376	253	157
Miscellaneous	2,911	6,294	1,028	1,854
Special item				
Transfers	1,330	621	1,186	1,475
Total governmental activities	<u>\$ 55,313</u>	<u>\$ 58,724</u>	<u>\$ 54,434</u>	<u>\$ 56,525</u>

Business-type activities:

Investment earnings	\$ 1,669	\$ 363	\$ 100	\$ 116
Miscellaneous	12	23	779	9
Transfers	(1,330)	(621)	(1,186)	(1,475)
Total business-type activities	<u>351</u>	<u>(235)</u>	<u>(307)</u>	<u>(1,350)</u>
Total primary government	<u>\$ 55,664</u>	<u>\$ 58,489</u>	<u>\$ 54,127</u>	<u>\$ 55,175</u>

Change in Net Position :

Governmental activities	\$ 24,457	\$ 12,283	\$ (12,057)	\$ (17,410)
Business-type activities	9,778	6,474	3,414	5,242
Total primary government	<u>\$ 34,235</u>	<u>\$ 18,757</u>	<u>\$ (8,643)</u>	<u>\$ (12,168)</u>

¹ Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

² 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.

<u>2012</u> ¹	<u>2013</u> ^{1,2}	<u>2014</u>	<u>2015</u>	<u>2017</u>	<u>2017</u>
\$ (37,123)	\$ (78,843)	\$ (78,026)	\$ (96,957)	\$ (121,414)	\$ (119,926)
13,843	14,506	11,844	9,972	11,586	18,924
<u>\$ (23,280)</u>	<u>\$ (64,337)</u>	<u>\$ (66,182)</u>	<u>\$ (86,985)</u>	<u>\$ (109,828)</u>	<u>\$ (101,002)</u>
\$ 52,230	\$ 54,433	\$ 57,378	\$ 62,974	\$ 76,686	\$ 83,803
22,969	24,942	27,295	29,970	31,976	35,437
5,670	5,999	6,484	6,971	7,263	7,358
134	155	254	491	622	1,651
1,554	1,701	2,398	4,149	3,108	4,691
		(3,039)			
2,269	1,607	2,031	2,828	2,417	3,103
<u>\$ 84,826</u>	<u>\$ 88,837</u>	<u>\$ 92,801</u>	<u>\$ 107,383</u>	<u>\$ 122,072</u>	<u>\$ 136,043</u>
\$ 68	\$ 95	\$ 139	\$ 325	\$ 396	\$ 1,361
444	682	274	219	66	7
(2,269)	(1,607)	(2,030)	(2,828)	(2,417)	(3,103)
<u>(1,757)</u>	<u>(830)</u>	<u>(1,617)</u>	<u>(2,284)</u>	<u>(1,955)</u>	<u>(1,735)</u>
<u>\$ 83,069</u>	<u>\$ 88,007</u>	<u>\$ 91,184</u>	<u>\$ 105,099</u>	<u>\$ 120,117</u>	<u>\$ 134,308</u>
\$ 47,703	\$ 9,994	\$ 14,775	\$ 10,426	\$ 658	\$ 16,117
12,086	13,676	10,227	7,688	9,631	17,189
<u>\$ 59,789</u>	<u>\$ 23,670</u>	<u>\$ 25,002</u>	<u>\$ 18,114</u>	<u>\$ 10,289</u>	<u>\$ 33,306</u>

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General fund				
Non-spendable	\$ 119	\$ 146	\$ 130	\$ 182
Restricted			126	
Assigned	699	117	160	167
Unassigned	11,401	12,599	14,108	17,222
Total General Fund	<u>\$ 12,219</u>	<u>\$ 12,862</u>	<u>\$ 14,524</u>	<u>\$ 17,571</u>
All other governmental funds				
Non-spendable	\$	\$	\$	\$
Restricted				
Debt service	7,246	6,705	5,160	4,992
Capital improvements	62,467	30,893	23,461	13,776
Public safety	699	612	541	702
Economic Development				
Community development programs				
Tourism	1,344	1,394	1,452	1,821
Parks and recreation	1,094	1,214	1,143	968
Capital projects - other	1,146	962	810	797
Other	85	79	87	215
Unassigned				
Total other Governmental Funds	<u>\$ 74,081</u>	<u>\$ 41,859</u>	<u>\$ 32,654</u>	<u>\$ 23,271</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.

2013 ¹	2014	2015	2016	2017	2018
\$ 158	\$ 202	\$ 293	\$ 151	\$ 101	\$ 136
1,554	1,394	1,406	3,994	3,000	1,538
16,911	17,859	19,655	16,775	11,262	12,407
<u>\$ 18,623</u>	<u>\$ 19,455</u>	<u>\$ 21,354</u>	<u>\$ 20,919</u>	<u>\$ 14,363</u>	<u>\$ 14,081</u>
\$ 183	\$ 209	\$ 173	\$	\$ 4	\$
5,192	5,951	5,835	8,276	5,912	6,797
14,536	17,519	22,484	47,361	59,200	44,760
715	390	394	342	364	506
20,777	23,814	24,117	32,844	36,795	44,634
2,267	2,994	3,685	4,194	4,604	4,672
985	168	105	131	262	517
866					
638	918	1,149	1,264	779	782
				(28)	(52)
<u>\$ 46,159</u>	<u>\$ 51,963</u>	<u>\$ 57,940</u>	<u>\$ 94,411</u>	<u>\$ 107,892</u>	<u>\$ 102,616</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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Revenues				
Property taxes	\$ 31,349	\$ 32,856	\$ 33,454	\$ 34,362
Sales and use taxes	14,218	13,578	13,983	15,632
Franchise fees	5,075	5,426	5,605	5,817
Licenses and permits	2,079	1,807	1,721	2,320
Fines and forfeitures	2,325	2,475	2,895	3,374
Charges for services	8,885	9,328	11,687	11,891
Investment earnings	1,375	591	156	92
Intergovernmental	7,589	3,689	2,199	3,089
Other	8,980	982	1,560	2,541
Total Revenues	<u>81,875</u>	<u>70,732</u>	<u>73,260</u>	<u>79,118</u>
Expenditures				
General government	8,412	8,527	10,866	7,784
Public safety	22,310	23,784	23,926	25,372
Public works	12,051	7,108	6,505	5,533
Community services	3,386	3,839	3,376	4,246
Parks and recreation	5,789	6,305	7,539	7,499
Economic development				
Debt service:				
Principal	5,482	6,200	8,217	9,373
Interest and other charges	12,080	13,635	13,543	12,401
Capital outlay	68,615	61,317	25,703	9,201
Intergovernmental	3,250	3,794	3,954	3,992
Total Expenditures	<u>141,375</u>	<u>134,509</u>	<u>103,629</u>	<u>85,401</u>
Excess of revenues over (under) expenditures	(59,500)	(63,777)	(30,369)	(6,283)
Other Financing Sources (Uses)				
Transfers in	3,246	3,498	3,525	5,909
Transfers out	(2,625)	(2,312)	(2,050)	(5,096)
Debt issued	8,520	28,962	21,637	49,805
Payment to Escrow Agent			(1,630)	(54,478)
Capital leases	649	2,050	1,289	
Other	(54)		56	3,809
Total other Financing Sources (uses)	<u>9,736</u>	<u>32,198</u>	<u>22,826</u>	<u>(51)</u>
Net change in fund balances	<u>\$ (49,764)</u>	<u>\$ (31,579)</u>	<u>\$ (7,543)</u>	<u>\$ (6,334)</u>
Debt service as a percentage of noncapital expenditures	24.1%	27.1%	27.9%	28.3%

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>2013¹</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$ 54,475	\$ 57,378	\$ 62,922	\$ 67,569	\$ 76,562	\$ 83,484
24,942	27,295	29,970	31,293	31,976	35,437
5,999	6,484	6,971	7,228	7,263	7,358
2,989	4,149	4,544	5,677	5,435	4,146
3,534	3,121	3,108	2,931	2,654	2,468
12,982	13,078	14,661	15,313	16,015	16,769
154	254	433	728	619	1,600
4,595	2,541	3,197	15,959	16,010	8,579
7,973	4,157	7,076	5,065	5,736	7,200
<u>117,643</u>	<u>118,457</u>	<u>132,882</u>	<u>151,765</u>	<u>162,270</u>	<u>167,041</u>
7,958	8,027	10,470	11,609	11,223	11,300
26,204	29,171	32,229	36,818	40,858	41,273
7,812	8,121	10,298	13,292	17,365	16,968
3,523	3,960	3,408	4,294	4,837	4,313
7,244	7,816	5,823	6,458	6,419	5,959
17,414	25,248	25,625	31,051	29,001	29,195
15,637	15,815	23,790	19,736	24,341	23,547
15,859	16,373	16,595	15,841	15,221	15,814
22,101	15,536	24,471	31,982	43,860	43,474
4,058	4,307	4,792	4,847	6,937	7,168
<u>127,810</u>	<u>134,374</u>	<u>157,501</u>	<u>175,928</u>	<u>200,062</u>	<u>199,011</u>
(10,167)	(15,917)	(24,619)	(24,163)	(37,792)	(31,970)
15,515	16,507	17,043	26,062	28,466	24,456
(14,583)	(16,967)	(15,233)	(20,844)	(26,860)	(22,266)
12,060	49,560	81,258	142,701	115,718	24,223
	(33,182)	(54,303)	(89,638)	(72,608)	
1,179	1,853	574	1,918		
331	4,784	3,157			
<u>14,502</u>	<u>22,555</u>	<u>32,496</u>	<u>60,199</u>	<u>44,716</u>	<u>26,413</u>
<u>\$ 4,335</u>	<u>\$ 6,638</u>	<u>\$ 7,877</u>	<u>\$ 36,036</u>	<u>\$ 6,924</u>	<u>\$ (5,557)</u>
29.8%	27.0%	29.9%	24.8%	25.3%	24.9%

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	2009	2010	2011	2012
General Gov't	\$ 8,423	\$ 19,561	\$ 10,877	\$ 7,797
Public Safety	22,310	23,784	23,926	25,372
Public Works	12,051	7,108	6,505	5,533
Community Services	3,386	3,839	3,376	4,246
Parks & recreation	5,789	6,305	7,539	7,499
Economic Development	18,730	15,426	17,391	20,397
Debt Service - principal	7,517	8,525	10,847	12,893
Debt service - interest	15,704	17,096	17,154	15,534
Capital outlay	75,490	64,563	25,768	9,201
Intergovernmental	7,630	4,234	4,127	4,158
Total	\$ 177,030	\$ 170,441	\$ 127,510	\$ 112,630

Distribution of Spending

General Gov't	4.8%	11.5%	8.5%	6.9%
Public Safety	12.6%	14.0%	18.8%	22.5%
Public Works	6.8%	4.2%	5.1%	4.9%
Community Services	1.9%	2.3%	2.6%	3.8%
Parks & recreation	3.3%	3.7%	5.9%	6.7%
Economic Development	10.6%	9.1%	13.6%	18.1%
Debt Service - principal	4.2%	5.0%	8.5%	11.4%
Debt service - interest	8.9%	10.0%	13.5%	13.8%
Capital outlay	42.6%	37.9%	20.2%	8.2%
Intergovernmental	4.3%	2.5%	3.2%	3.7%
Total	100.0%	100.0%	100.0%	100.0%

Per Capita Expenditures Adjusted for CPI

POPULATION	92,600	94,100	97,200	99,800
PER CAPITA	\$ 1,912	\$ 1,811	\$ 1,312	\$ 1,129
CPI INDEX (NATIONAL)	214.54	218.06	224.94	229.59
PER CAPITA ADJ TO 2018	\$ 2,250	\$ 2,097	\$ 1,472	\$ 1,241
PER CAPITA ADJ TO 2009	\$ 1,912	\$ 1,782	\$ 1,251	\$ 1,055

2013	2014	2015	2016	2017	2018	Ten Year % CHG	Average Compounded Growth Rate
\$ 7,958	\$ 8,027	\$ 10,470	\$ 11,609	\$ 11,223	\$ 11,300	34.2%	3.32%
26,204	29,171	32,229	36,818	40,858	41,273	85.0%	7.07%
7,812	8,121	10,298	13,292	17,365	16,968	40.8%	3.88%
3,523	3,960	3,408	4,294	4,837	4,313	27.4%	2.73%
7,244	7,816	5,823	6,458	6,419	5,959	2.9%	0.32%
17,414	25,248	25,625	31,051	29,001	29,195	55.9%	5.06%
15,637	15,815	23,790	19,736	24,341	23,547	213.2%	13.53%
15,859	16,373	16,595	15,841	15,221	15,814	0.7%	0.08%
22,101	15,536	24,471	31,982	43,860	43,474	-42.4%	-5.95%
4,058	4,307	4,792	4,847	6,937	7,168	-6.1%	-0.69%
\$ 127,810	\$ 134,374	\$ 157,501	\$ 175,928	\$ 200,062	\$ 199,011	12.4%	1.31%

6.2%	6.0%	6.6%	6.6%	5.6%	5.7%
20.5%	21.7%	20.5%	20.9%	20.4%	20.7%
6.1%	6.0%	6.5%	7.6%	8.7%	8.5%
2.8%	2.9%	2.2%	2.4%	2.4%	2.2%
5.7%	5.8%	3.7%	3.7%	3.2%	3.0%
13.6%	18.8%	16.3%	17.6%	14.5%	14.7%
12.2%	11.8%	15.1%	11.2%	12.2%	11.8%
12.4%	12.2%	10.5%	9.0%	7.6%	7.9%
17.3%	11.6%	15.5%	18.2%	21.9%	21.8%
3.2%	3.2%	3.0%	2.8%	3.5%	3.6%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

						Average Compounded Growth Rate
104,100	106,900	112,300	117,100	121,500	125,198	3.41%
\$ 1,228	\$ 1,257	\$ 1,403	\$ 1,502	\$ 1,647	\$ 1,590	-2.03%
232.96	234.75	236.70	241.40	246.37	252.44	1.82%
\$ 1,330	\$ 1,352	\$ 1,496	\$ 1,571	\$ 1,687	\$ 1,590	-3.78%
\$ 1,131	\$ 1,149	\$ 1,271	\$ 1,335	\$ 1,434	\$ 1,351	-3.78%

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

Real Property

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Residential</u>	<u>Commercial</u>	<u>Personal Property</u>	<u>Less Tax Exempt Real Property</u>
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 (1)	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
2016	2015	6,687,172,478	2,200,841,575	677,182,023	677,182,023
2017	2016	7,800,700,555	2,552,439,217	776,125,452	835,697,201
2018	2017	8,160,296,748	3,201,012,344	801,094,174	916,937,992

Notes:

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

Assessed values presented here are for the City and Tax Increment Reinvestment Zone

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
\$ 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%
423,238,764	8,464,775,289	0.7053	8,464,775,289	100%
571,315,443	9,722,252,580	0.6812	9,722,252,580	100%
681,810,199	10,563,655,075	0.6851	10,563,655,075	100%

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
2009	0.220	0.433	0.653	1.419	1.350	1.328	0.200	0.390	0.500	0.391	0.018
2010	0.220	0.433	0.653	1.419	1.350	1.304	0.200	0.426	0.500	0.392	0.016
2011	0.215	0.450	0.665	1.419	1.350	1.304	0.200	0.463	0.500	0.388	0.021
2012	0.215	0.470	0.685	1.419	1.350	1.344	0.199	0.473	0.500	0.391	0.019
2013	0.215	0.490	0.705	1.419	1.350	1.329	0.200	0.486	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
2016	0.223	0.483	0.705	1.416	1.350	1.417	0.204	0.486	0.486	0.419	0.013
2017	0.241	0.440	0.681	1.416	1.350	1.450	0.192	0.457	0.474	0.417	0.013
2018	0.255	0.430	0.685	1.416	1.480	1.450	0.181	0.440	0.458	0.418	0.013

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
0.031	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
0.027	0.170	0.005	0.848	0.460	0.390	0.450	0.540	0.690	0.820	0.820	1.020
0.028	0.172	0.005	0.848	0.410	0.350	0.400	0.480	0.690	0.820	0.800	1.020
0.028	0.171	0.005	0.848	0.380	0.310	0.380	0.470	0.690	0.820	0.800	1.000

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
2009	\$ 38,368,354	\$ 37,820,603	98.57%	\$ 527,538	\$ 38,348,141	99.9%
2010	41,081,407	40,590,543	98.81%	442,411	41,032,954	99.9%
2011	41,968,046	41,594,389	99.11%	331,641	41,926,030	99.9%
2012	43,441,792	43,110,373	99.24%	309,734	43,420,106	100.0%
2013	45,850,625	45,509,522	99.26%	291,383	45,800,905	99.9%
2014	49,096,473	48,802,720	99.40%	221,946	49,024,666	99.9%
2015	53,463,919	53,175,174	99.46%	149,582	53,324,756	99.7%
2016	58,829,331	58,545,664	99.52%	104,436	58,650,100	99.7%
2017	64,977,413	64,579,894	99.39%	139,613	64,719,507	99.6%
2018	70,633,922	70,216,601	99.41%		70,216,601	99.4%

Source: Brazoria County Tax Office

Note: 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>2018</u>			<u>2009</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>
Pearland Town Center LP	\$ 88,220,349	1	0.84%	\$ 19,085,030	8	
HCA Healthcare Corp	76,694,850	2	0.73%	18,283,700	10	0.31%
Amreit SPF Shadow Creek LP	67,412,570	3	0.64%	70,313,800	1	
Mar Shadow Creek LP	57,481,391	4	0.54%			
MHI Compressor Manufacturing LLC	42,033,612	5	0.40%			
Weatherford U.S., Inc.	39,314,580	6	0.37%	52,609,383	2	0.89%
DD Shadow Creek V LLC	37,000,000	7	0.35%			
Goodgarden	36,750,000	8	0.35%			
Brazoria SCR Associates LLC	36,452,500	9	0.35%			
UVN-TIC LLC Et.al.	35,450,000	10	0.34%			
Pearland Investments LTD				35,486,130	3	0.60%
CenterPoint Energy, Inc.				24,467,250	4	0.41%
Walmart Real Estate				24,177,330	5	0.41%
Waterford SCR LP				24,135,860	6	
Carrington SCR LP				22,156,750	7	
USA Tranquility Lake				18,300,410	9	0.31%
Total	\$ 516,809,852		4.91%	\$ 309,015,643		2.93%

Source: Brazoria County Appraisal District

* Tax Year 2017

CITY OF PEARLAND, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
2017 TOTAL TAXES

Taxpayer		Pearland Town Center LP	HCA Healthcare Corp	Amreit SPF Shadow Creek LP	Mar Shadow Creek LP
Property Use		Retail mixed use center	Health Care/Hospital	Retail	Multi-Family Housing
Taxable Value		\$88,220,349	\$76,694,850	\$67,412,570	\$57,481,391
Taxing Unit	Tax Rate				
Alvin ISD	1.450000	1,279,195	1,065,882	977,482	833,480
Pearland ISD	1.415600	-	45,097	-	-
Houston ISD	1.206700	-	-	-	-
City of Pearland	0.685059	604,361	525,405	461,816	393,781
Harris County	0.418010	-	-	-	-
Brazoria County	0.380234	335,444	291,620	256,326	218,564
Alvin Community College	0.180750	159,458	15,775	121,848	103,898
Harris County Hospital District	0.171100	-	-	-	-
Brazoria Drainage Dist 4	0.146000	128,802	111,974	98,422	83,923
Houston Community College System	0.100263	-	-	-	-
Pearland Municipal Manag	0.100000	88,220	-	67,413	-
Brazoria County Special Road & Bridge	0.060000	52,932	46,017	40,448	34,489
Harris County Flood Control Dist	0.028310	-	-	-	-
Port of Houston Authority	0.012560	-	-	-	-
Harris County Dept. of Education	0.005195	-	-	-	-
Total Tax		\$ 2,648,413	\$ 2,101,771	\$ 2,023,754	\$ 1,668,135
% Paid to City of Pearland		22.8%	25.0%	22.8%	23.6%

Source: Brazoria County Tax Office & Harris County Tax Office

MHI Compressor Manufacturer LLC	Weatherford US LP	DD SCR V LLC	Goodgarden Owner GP	Brazoria-SCR Associates LLC & Shadow Cre	UVN-TIC LLC Etal
Industrial / Manufacturing	Oil & Gas Service	Multi-Family Housing	Multi-Family Housing	Multi-Famil Housing	Multi-Family Housing
\$42,033,612	\$39,314,580	\$37,000,000	\$36,750,000	\$36,452,500	\$35,450,000

-	-	536,500	532,875	528,561	514,025
-	556,537	-	-	-	-
507,220	-	-	-	-	-
287,955	269,328	253,472	251,759	249,721	242,853
175,705	-	-	-	-	-
-	149,487	140,687	139,736	138,605	134,793
-	-	66,878	66,426	65,888	64,076
71,920	-	-	-	-	-
-	57,399	54,020	53,655	53,221	51,757
42,144	-	-	-	-	-
-	-	-	-	-	-
-	23,589	22,200	22,050	21,872	21,270
11,900	-	-	-	-	-
5,279	-	-	-	-	-
2,184	-	-	-	-	-
\$ 1,104,306	\$ 1,056,341	\$ 1,073,756	\$ 1,066,501	\$ 1,057,867	\$ 1,028,774
26.1%	25.5%	23.6%	23.6%	23.6%	23.6%

CITY OF PEARLAND, TEXAS
TAXABLE SALES BY CATEGORY
Last Ten Calendar Years
(in thousands of dollars)

	Calendar Year			
	2009	2010	2011	2012
Retail Trade	\$ 699,338	\$ 673,714	\$ 697,419	\$ 764,460
Accommodations & Food Services	146,598	155,345	172,126	198,439
Real Estate/Rental/Leasing	38,924	46,811	48,059	61,690
Manufacturing	31,243	39,582	49,474	48,213
Wholesale Trade	25,954	30,730	33,163	33,566
Other Services (Except Public Admin)	23,670	25,114	29,557	30,669
Information	14,413	15,672	16,896	19,194
Construction	14,372	15,537	17,558	23,181
Arts, Entertainment & Recreation	9,909	11,315	11,511	12,710
Mining, Quarrying, Oil and Gas	3,355	3,246	3,316	3,726
Admin/Support/Waste Mgmt/Remediation	11,670	10,650	11,004	12,696
Professional/Scientific/Technical	5,923	6,277	7,072	9,037
Health Care/Social Assistance	52	184	252	351
Finance, Insurance	1,811	1,404	1,261	1,347
Agriculture, Forestry, Fishing	566	180	306	468
Transportation/Warehousing	161	282	418	425
Educational Services	144	207	314	429
Utilities	6	3	187	3
Total	\$ 1,028,109	\$ 1,036,253	\$ 1,099,893	\$ 1,220,604
City direct sales tax rate ^b	1.00%	1.00%	1.00%	1.00%

Source: State Comptroller's Office.

^a 2018 taxable sales thru 2nd quarter of 2018.

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

Calendar Year

2013	2014	2015	2016	2017	2018 ^a
\$ 829,666	\$ 871,813	\$ 961,563	\$ 997,137	\$ 1,041,979	\$ 513,983
216,155	240,961	272,540	298,860	316,070	170,262
56,079	61,392	48,024	34,670	44,540	22,097
34,598	51,274	41,175	40,390	40,525	21,283
34,358	42,915	41,491	48,104	49,702	28,133
34,175	38,539	40,373	40,162	41,705	21,839
24,387	29,602	33,614	33,449	35,824	18,970
24,370	26,350	32,170	24,460	21,362	13,071
13,570	14,692	15,555	16,020	16,344	8,721
12,893	14,520	7,285	8,141	11,682	5,388
13,778	12,963	12,808	12,725	14,489	7,926
11,317	10,531	11,307	12,167	6,689	4,120
1,057	3,205	5,007	2,307	3,751	1,460
1,246	1,483	2,226	2,182	2,108	932
772	728	1,609	2,112	3,471	2,105
318	406	284	350	560	358
374	350	393	406	439	172
7	7				
<u>\$ 1,309,120</u>	<u>\$ 1,421,731</u>	<u>\$ 1,527,424</u>	<u>\$ 1,573,642</u>	<u>\$ 1,651,240</u>	<u>\$ 840,820</u>
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

CITY OF PEARLAND, TEXAS

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	Unamortized Premiums/ (Discounts)	Capital Lease Obligations	Revenue Bonds	Permanent Improvements Bonds
2009	180,765	82,505		2,400	1,479	104,435	12,160
2010	193,785	92,380		3,277	3,237	116,440	10,540
2011	207,105	91,150		3,173	4,032	113,270	9,730
2012	224,170	65,425	3,629	6,479	3,407	109,305	15,130
2013*	236,199	64,690	75,125	6,159	3,681	105,690	14,020
2014	246,791	56,505	80,186	10,122	4,344	102,517	12,865
2015	261,998	50,030	77,012	16,185	3,629	108,099	11,305
2016	262,865	50,070	91,370	18,793	4,229	173,570	9,775
2017	283,140	37,505	97,215	25,832	1,838	196,200	7,360
2018	278,175	41,750	98,025	23,844	1,282	214,705	4,845

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.

Business-Type Activities

<u>Unamortized Premiums/ (Discounts)</u>	<u>Capital Lease Obligations</u>	<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Total Per Capita</u>	<u>Excluding Component Units Per Capita</u>
186	235	384,165	13.0%	4,121	
783	345	420,787	13.5%	4,429	
656	421	429,537	14.3%	4,380	
882	342	428,769	13.1%	4,223	
730	253	506,547	14.1%	4,800	4,019
592	169	514,091	13.2%	4,709	3,859
659	82	528,999	12.6%	4,561	3,875
850	375	611,897	13.2%	5,225	4,445
9,395	257	658,742	15.3%	5,422	4,622
10,897	173	673,696	13.1%	5,381	4,598

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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)

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>General Obligation Bonds</u>	<u>Less Debt Service Funds</u>	<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Percentage of Personal Income ^a</u>	<u>Per Capita ^a</u>
2009	2008	\$ 277,830	\$ 7,247	\$ 270,583	4.6%	9.2%	\$ 2,922
2010	2009	299,982	6,706	293,276	4.7%	9.5%	3,117
2011	2010	311,158	5,160	305,998	4.8%	10.3%	3,148
2012	2011	311,204	4,992	306,212	4.8%	9.5%	3,068
2013	2012	321,068	4,643	316,425	4.8%	8.9%	3,040
2014	2013	326,283	4,536	321,747	4.6%	8.4%	3,010
2015	2014	339,518	5,034	334,484	4.4%	8.2%	2,978
2016	2015	341,503	8,276	333,227	3.9%	7.2%	2,846
2017	2016	353,837	5,911	347,926	3.6%	8.1%	2,864
2018	2017	348,614	6,797	341,817	3.2%	6.7%	2,730

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

^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, 2017 and 2018

Taxing Jurisdiction	Debt as of September 30, 2017	Overlapping	
		Percent	Amount
Alvin Community College District	\$ 11,125,000	32.44%	\$ 3,608,950
Alvin ISD	684,700,000	35.53%	243,273,910
Brazoria County	75,150,000	25.43%	19,110,645
Brazoria County MUD No. 6	15,385,000	0.35%	53,848
Brazoria County MUD No. 17	23,130,000	100.00%	23,130,000
Brazoria County MUD No. 18	23,595,000	100.00%	23,595,000
Brazoria County MUD No. 19	29,300,000	100.00%	29,300,000
Brazoria County MUD No. 23	14,740,000	100.00%	14,740,000
Brazoria County MUD No. 26	29,090,000	100.00%	29,090,000
Brazoria County MUD No. 28	61,055,000	100.00%	61,055,000
Brazoria County MUD No. 34	35,725,000	100.00%	35,725,000
Brazoria County MUD No. 35	9,025,000	100.00%	9,025,000
Brazoria-Fort Bend County MUD No.	83,215,000	98.99%	82,374,529
Fort Bend County	565,727,978	0.58%	3,281,222
Harris County (a)	2,167,734,361	0.16%	3,468,375
Harris County Dept. of Education	6,780,000	0.16%	10,848
Harris County Flood Control District	83,075,000	0.16%	132,920
Harris County Hospital District	61,595,000	0.16%	98,552
Harris-Brazoria Counties	8,500,000	100.00%	8,500,000
Lower Kirby Pearland Man	13,280,000	100.00%	13,280,000
Pasadena ISD	689,705,000	1.08%	7,448,814
Pearland ISD	380,077,774	78.67%	299,007,185
Port of Houston Authority	638,829,397	0.16%	1,022,127
Total estimated Overlapping			<u>910,331,924</u>
The City	\$ 328,005,000	100.00%	<u>328,005,000</u>
Total Direct and Estimated			<u>\$ 1,238,336,924</u>
Population			121,500
Per Capita Debt - Direct and Overlapping Debt			<u>\$ 10,192</u>

Source: Individual jurisdictions and/or Texas Municipal Reports.

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

Debt as of September 30, 2018	Overlapping	
	Percent	Amount
\$32,520,000	31.56%	\$ 10,263,312
668,510,000	34.79%	232,574,629
76,230,000	22.97%	17,510,031
17,615,000	0.36%	63,414
21,835,000	100.00%	21,835,000
22,230,000	100.00%	22,230,000
26,715,000	100.00%	26,715,000
14,265,000	100.00%	14,265,000
24,490,000	100.00%	24,490,000
57,645,000	100.00%	57,645,000
39,175,000	100.00%	39,175,000
8,920,000	100.00%	8,920,000
80,865,000	100.00%	80,865,000
593,424,527	0.79%	4,688,054
2,050,758,022	0.22%	4,511,668
6,555,000	0.22%	14,421
83,075,000	0.22%	182,765
59,490,000	0.22%	130,878
21,635,000	100.00%	21,635,000
15,630,000	100.00%	15,630,000
771,080,000	1.52%	11,720,416
367,580,000	76.05%	279,544,590
593,754,397	0.18%	1,068,758
		<u>895,677,935</u>
\$ 324,770,000	100.00%	<u>324,770,000</u>
		<u>\$ 1,220,447,935</u>
		125,198
		<u>\$ 9,748</u>

CITY OF PEARLAND, TEXAS

PLEGGED 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	
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	12,184	3,765	4,584	8,349	1.46
2015	30,744	18,767	11,977	3,920	4,622	8,542	1.40
2016	44,163	21,167	22,995	7,630	4,918	12,548	1.83
2017	52,005	24,178	27,828	9,195	4,297	13,492	2.06
2018	56,960	24,247	32,714	10,630	5,129	15,759	2.08

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)
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%
2016	117,100	4,637,394	39,602	33.9	14.2	24,096	3.8%
2017	121,500	4,305,839	35,439	36.1	14.2	24,400	4.0%
2018	125,198	5,134,370	41,010	34.7	14.2	30,739	3.5%

(A) Estimated

(B) Pearland Economic Development Corporation

(C) Texas Education Agency - Beginning in FY 2018, school enrollment was obtained by surveying each school located in the City limits and ETJ.

(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>2018</u>			<u>2009</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	2,660	1	4.34%	2,400	1	5.62%
Kelsey Seybold	801	2	1.31%			
City of Pearland	787	3	1.29%	471	3	1.10%
Alvin ISD	753	4	1.23%			
Memorial Hermann	450	5	0.73%			
Merit Medical	310	6	0.51%			
Pearland Medical Center	300	7	0.49%			
Kemlon	300	8	0.49%	325	4	0.76%
Lonza	272	9	0.44%			
Dover Energy	212	10	0.35%			
Third Coast Terminals	185	11	0.30%			
Ethos Energy (TurboCare)	180	12	0.29%	181	10	0.42%
Aggreko	154	13	0.25%			
ShawCor Pipe Protection	150	14	0.24%	275	6	0.64%
Packaging Service Company	120	15	0.20%			
Davis Lynch (Forum Energy)	120	16	0.20%	250	7	0.59%
Weatherford	112	17	0.18%	325	8	0.76%
Mitsubishi Heavy Industries Com	109	18	0.18%			
Wal-Mart				800	2	1.87%
Bass Pro Shop				300	5	0.70%
Home Depot				225	9	0.53%
Total	7,975		13.02%	5,552		12.99%

Sources:

Pearland Economic Development Corp.

Retail establishments data not available in 2017.

Labor force participation in 2017 is 61,242 and in 2008 is 42,732.

*The above list does not include retail employers, such as Wal Mart, Super Target, Lowe's, Home Depot, HEB or Kroger.

CITY OF PEARLAND, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT
EMPLOYEES BY FUNCTION/PROGRAM
Last Ten Fiscal Years

<u>Function/Program</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities:				
General Government	55	57	57	56
Public Safety	253	264	276	286
Public Works	47	47	45	31
Community Services	52	47	45	56
Parks and Recreation	72	99	105	109
Business Type Activities:				
Water & Sewer	82	82	87	90
Component Unit:				
Economic Development	<u>5</u>	<u>6</u>	<u>5</u>	<u>5</u>
Total	564	601	619	633

Source: City Budget

<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
44	45	52	62	52	54
295	313	339	370	370	379
57	60	67	54	65	73
51	53	40	42	50	46
101	99	88	89	84	89
99	101	105	106	109	114
<u>5</u>	<u>9</u>	<u>5</u>	<u>5</u>	<u>5</u>	<u>6</u>
652	680	696	728	735	761

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function/Program			
GENERAL GOVERNMENT			
Finance			
Number of purchase orders	3,264	2,913	2,679
Number of budget transfers	406	470	427
Number of invoices paid	23,259	21,632	21,000
Average number of employees paid per month	1,230	1,220	1,438
Human Resources			
Number of hires	90	91	131
Number of applications received	3,137	3,880	3,299
Legal			
Number of resolutions and ordinances prepared	266	229	205
Information Technology			
Average monthly service requests	649	734	815
Number of PC's supported	394	429	439
PUBLIC SAFETY			
Police			
Number of police calls resulting in dispatch	37,440	35,676	39,815
Total police arrests made	5,188	5,986	6,218
Dispatched calls per patrol officer	576	513	606
Commercial vehicles equipment violations	711	672	852
Cases Assigned to the Criminal Investigations Division ⁽¹⁾	629	2,003	3,304
Fire			
Total number of arson incidents	8	5	2
Fires investigated	33	22	25
Total annual inspections	2,374	1,752	1,380
Total calls for service	8,843	8,888	9,676
Patients treated	5,804	5,619	6,121

Sources: Various city departments.

Information not presented was not available at time of publication.

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
2,415	2,671	2,640	2,377	2,159	589	1,811
429	465	548	489	362	750	552
20,768	23,512	21,486	22,212	26,675	24,548	21,547
1,481	1,527	1,548	1,523	1,536	1,704	1,641
112	94	98	131	194	170	163
4,936	7,642	8,507	9,132	10,420	13,010	15,452
220	254	243	271	279	276	290
832	843	838	854	871	894	325
448	454	575	649	680	706	715
42,318	47,200	45,500	49,750	55,648	54,931	54,631
6,525	7,642	7,081	6,115	5,522	5,450	5,608
625	659	550	679	780	785	748
900	810	598	614	391	381	248
1,836	2,094	1,900	2,417	2,980	2,460	2,415
2	6	7	1	7	4	2
18	16	25	20	27	19	15
1,537	1,958	1,644	1,640	1,244	2,607	3,123
10,494	10,789	15,048	17,407	9,904	9,965	10,666
6,537	6,537	6,936	7,180	6,117	4,610	6,273

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function/Program (continued)			
PUBLIC WORKS			
Fleet Maintenance			
Fleet maintenance jobs completed	3,063	2,394	3,410
Preventative maintenance performed	1,998	1,741	747
Other Public Works			
Fuel issued (gallons)	313,596	354,422	361,464
Street sweeping (miles)	2,561	2,239	1,299
Street signs maintained/replaced	2,864	2,049	1,588
Total work orders completed	20,213	18,632	16,834
PARKS AND RECREATION			
All Parks and recreation			
ROW maintained - acres	228	245	255
Trees maintained	5,004	5,800	6,327
Acres of city property mowed	851	1,301	1,331
Total number of park work orders received	275	252	249
Parkland - acres ⁽²⁾	138	139	139
Total number of special events held	25	24	21
Total number of tournaments held	6	9	11
Number of recreation classes offered ⁽³⁾	855	307	459
Average monthly attendance (all locations) ⁽⁴⁾	3,623	11,823	16,116

Sources: Various city departments.

Information not presented was not available at time of publication.

⁽²⁾ Prior to 2009, Parkland acres included medians and Wastewater Treatment Plants. After 2009,

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

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

<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
3,581	3,817	3,860	3,887	1,452	1,797	1,382
682	611	610	437	750	742	663
377,754	350,186	353,890	332,745	265,669	331,005	315,941
1,079	1,155	871	648	1,160	1,112	1,815
1,090	884	993	1,477	1,370	1,179	1,471
17,803	18,346	21,212	25,873	31,163	25,688	24,529
251	251	251	550	459	327	345
6,157	6,312	6,313	6,430	7,922	8,355	8,523
1,380	1,035	1,035	1,116	632	664	443
230	140	180	147	190	114	147
138	138	138	138	337	388	392
22	22	20	19	16	19	17
2	1	3	-	26	-	5
486	281	272	306	384	265	868
18,378	18,980	21,366	14,371	19,636	16,814	24,035

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Function/Program (continued)			
COMMUNITY SERVICES			
Animal Control			
Number of animals at shelter	2,868	2,532	2,685
Total number of calls for service	3,529	4,206	4,346
Inspection Services			
Total building inspections	24,834	21,753	19,244
Total code violation cases	4,274	3,433	2,860
Total permits issued	9,249	7,874	7,869
Number of plans reviewed	925	969	917
Municipal Court			
Number of trials	1,391	402	688
Number of charges	24,400	24,657	26,369
Warrants cleared	7,374	8,692	8,204
WATER & SEWER			
Distribution and Collection			
Fire hydrant maintenance and inspections ⁽⁵⁾	451	402	395
Backed up sewer repairs	270	325	310
Water mains repaired	168	82	410
Water Production			
Water produced - wells (in millions of gallons)	2,574	3,065	3,869
Surface Water Purchased (in millions of gallons)	1,146	634	968
Billing & Collections			
Annual meter reads	340,281	344,618	364,424
Number of bills	325,201	336,668	350,871
Wastewater Treatment			
Wastewater treated (in millions of gallons)	2,106	2,361	1,943

Sources: Various city departments.

Information not presented was not available at time of publication.

⁽⁵⁾ In Water & Sewer, Distribution and Collection fire hydrant maintenance and inspections is contracted out.

2012	2013	2014	2015	2016	2017	2018
2,220	2,375	2,176	2,126	2,100	2,178	1,987
4,326	5,236	6,114	5,509	5,312	6,022	4,426
22,416	26,274	28,434	36,497	37,206	34,880	36,774
1,952	2,244	2,140	4,596	2,560	2,302	2,034
8,696	10,630	13,972	18,186	14,612	13,075	8,894
1,050	939	1,185	1,584	1,349	1,278	1,971
1,116	885	839	856	443	656	567
30,187	27,439	23,182	19,223	17,611	16,334	15,463
10,080	10,328	9,050	7,476	7,525	8,463	5,801
887	1,399	837	612	854	186	114
275	286	334	305	497	545	308
283	380	111	189	120	102	126
2,916	2,859	2,470	1,933	2,190	2,417	3,024
1,321	1,816	2,133	2,276	2,517	2,584	2,545
370,755	403,220	414,499	428,265	445,154	461,502	467,910
359,716	387,997	388,338	400,662	417,312	471,549	445,446
2,364	2,530	2,493	3,067	3,367	3,455	3,308

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

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
PUBLIC SAFETY										
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	130	138	142	155	157	161	143	186	194	209
Fire										
Fire stations	4	4	5	6	6	6	6	6	7	6
Fire vehicles	17	17	22	23	26	26	26	42	56	60
Ambulances ⁽¹⁾	-	-	-	-	-	9	7	9	9	10
EMS										
Ambulances ⁽¹⁾	8	8	8	8	9	-	-	-	-	-
PUBLIC WORKS										
Other public works										
Streets (miles) ⁽²⁾	807	807	806	806	839	844	842	936	928	940
Vehicle inventory ⁽³⁾	333	355	363	385	374	375	372	451	385	338
Traffic signals	71	80	62	74	81	81	73	87	91	98
PARKS AND RECREATION										
Parks and recreation										
Developed acreage ⁽⁴⁾	138	139	139	138	138	138	168	334	388	392
Pools	1	3	3	3	3	3	3	3	3	3
Outdoor basketball courts	10	10	10	6	6	6	6	6	6	6
Soccer fields	12	12	12	12	12	12	12	18	12	14
Activity buildings	3	4	4	3	3	3	3	3	3	3
Baseball/softball fields	4	4	4	4	4	4	4	6	14	16
WATER AND SEWER										
Water Production										
Water wells	11	11	11	11	10	10	10	10	10	10
Pumping stations	2	2	2	3	3	3	3	3	3	3
Ground storage tanks	15	15	15	15	15	15	15	15	15	15
Elevated towers	5	6	6	6	6	6	6	6	6	6
Wastewater										
Treatment plants	5	5	5	5	5	5	5	5	5	5
Lift stations	78	78	80	80	75	76	73	74	72	78
Distribution and Collection										
Water mains (miles)	420	433	443	448	469	488	509	537	546	551
Sanitary sewers (miles)	370	378	380	382	400	415	433	440	448	456

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.

⁽¹⁾ Beginning in FY 2014, the EMS department was rolled into the Fire Department.

⁽²⁾ 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.

⁽³⁾ Decrease in inventory reflects surplus of vehicles auctioned off. Increases reflect new purchases, which may offset with those sold.

Vehicle inventory includes public safety revenues.

⁽⁴⁾ Prior to 2009, Parkland acres included medians and Wastewater Treatment Plants.

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2017 - 2018
CITY OF PEARLAND
COMPREHENSIVE ANNUAL
FINANCIAL REPORT



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