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FISCAL YEAR ENDING SEPT. 30, 2020
CITY OF PEARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

Year Ended September 30, 2020

**Prepared by:
Finance Department**

CITY OF PEARLAND, TEXAS

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Introductory Section (Unaudited)





City of Pearland

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May 10, 2021

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

The Comprehensive Annual Financial Report of the City of Pearland, Texas (the “City”) for the fiscal year ended September 30, 2020, is hereby submitted as mandated by both local and state statutes. The applicable 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. As standard practice, 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.

BKD, LLP, Certified Public Accountants, issued an unmodified (or “clean”) opinion on the City of Pearland’s financial statements for the year ended September 30, 2020. 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 seven 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 recommending a budget, implementation of City Council priorities, keeping the City Council and community informed during the year, making recommendations, and day-to-day management of all City operations. The incorporated City is primarily located across the northern end of Brazoria County and shares a common border with Houston, Texas to the north. The City extends into both Fort Bend and Harris counties.

The City of Pearland encompasses 48.82 square miles. The city is long, east to west. Broadway/FM 518 stretches across the community from Almeda Road/FM 521 on the western city limit to the eastern limit border with Friendswood. That stretch of Broadway/FM 518 is 13.94 miles across. The geography of the city challenges City delivery of services. Moreover, the community is fast-growing additional population due to its multi-faceted attractiveness, increasing from 18,000 residents in 1990 to 134,448 residents estimated according to the 2019 American Community Survey 1-year estimates.

A full range of municipal services is provided by the City of Pearland including public safety (full-time professional police and fire); 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. The Pearland community is one of opportunity with economic development supported for investment and jobs. 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 TIRZ #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

Pearland is a premier location for residential and commercial growth. The City is located 20 minutes away from downtown Houston, the nation's second largest seaport, the world-renowned Texas Medical Center, Port of Houston, Port Freeport, major chemical refineries in south Brazoria County, and NASA-Johnson Space Center. The Pearland economy and context are inexorably linked with the Houston metropolitan area. With available 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 2019, including HCA Healthcare's Center for Clinical Advancement in Pearland.

The total of all new, non-residential construction permitted during the fiscal year was approximately \$151 million, an 32% decrease in value from 2019's \$222 million. New single-family housing permits totaled 451, down 31% from the previous FY. While no multi-family permits were issued in FY 2019, there was one multi-family housing project permitted in 2020 valued at \$59 million. Total construction value for FY 2020 was \$210 million, down 5.1% from FY 2019. During FY 2020, the building permit revenues decreased by \$81,929 or 1.9% as compared to FY 2019 revenue collections. Pearland is a regional shopping destination, and the economy has grown since the Great Recession.

Pearland's unemployment rate was 6.6% in September 2020, down from a high of 10.8 % in April 2020 caused by the initial impact of the COVID-19 pandemic. Through the most recently available data, the rate is holding steady at 6.5% as of November 2020. (https://ycharts.com/indicators/pearland_tx_unemployment_rate) Those rates compare to the rates for the same time periods in Brazoria County of 9.3%, 13.5%, and 9.4% respectively (https://ycharts.com/indicators/brazoria_county_tx_unemployment_rate). There are now the seeds of recovery even as the virus continues its community spread. Hurricane Harvey and "traditional" incidents are relatively 'quick' with an immediate impact followed by recovery & rebuilding physical infrastructure. With the ongoing pandemic, we are still in the thick of things, continuing to provide public services in this 'new normal' that will continue for the foreseeable future, but major uncertainties remain for safety and economy. Indicators contrary to each other abound -- sales tax, home values, private investment, jobs.

As a multi-faceted local government, the City of Pearland's impact, as monitored and reported continuously, has not shown dire impact from effects of this pandemic. The combination of early action, conservative budgeting, and continuous monitoring have kept City finances in good standing. Indeed, the elastic revenues of building permits and sales taxes were reported in the City's Third Quarter financial report to be thus far only slightly off the prior year total. The sales tax receipts represent not just our revenue, but also act as a proxy for the impact of the economy. While the Pearland experience for retail sales tax activity has been relatively solid, the uncertainty remains for FY21.

The City of Pearland through FY 2020 did not experience drastic revenue reductions. We acted to increase cash reserves, providing flexibility in the form of additional fund balance. Throughout FY 2020, we maintained a mantra of working to maximize flexibility and reserves to deal with unknown change.

Regional and State of Texas Economy

Houston is the world's energy capital, capital of an oil and gas industry that is in constant flux. At this writing, during the COVID-19 public health emergency and pandemic, that instability is in high gear. A collapse in oil prices rocked the energy industry at the same time COVID shut down the economy. Even prior to COVID-19, the Greater Houston Partnership (GHP) was reporting that the closing spot price for a barrel of West Texas Intermediate (WTI), the U.S. benchmark for light,

sweet crude, opened 2020 at \$ 61.17 per barrel. As of April 2020, the price per barrel averaged \$16.55. A mild winter season and the spreading of coronavirus to several other countries continued exerting downward pressures on global demand for oil and natural gas.

An Economist article (April 30, 2020) described the pandemic-era '90% economy' whereby activity is not only smaller, but differently "weird" and less predictable. From GHP, it is reported that "Metro Houston recovered 202,500 jobs since April, or 57.8% of all jobs lost in March and April. Houston remains 147,700 jobs short of its pre-pandemic employment level." "Five sectors have recouped all jobs shed in March and April and their employment now exceeds pre-pandemic levels. Those sectors are transportation/warehousing; utilities; finance/insurance; professional/scientific/technical services; and retail." GHP forecasts Houston to add 35,000 to 52,000 jobs in 2021, primarily in the second half of the year. The sectors with the most job growth will be administrative support services, health care and social services, manufacturing and professional services. The energy and retail sectors are not projected to grow.

GHP also stated that "As bad as the recession was, it would have been worse if not for the *Coronavirus Aid, Relief, and Economic Security Act (CARES Act)*, which Congress passed in late March. The act injected \$2.2 trillion into the U.S. economy. Through the act's Paycheck Protection Program (PPP), Houston businesses received more than \$9.4 billion in financial assistance. The Partnership estimates this supported more than 700,000 jobs in the region."

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 adopted (July 27, 2020) Five-Year CIP for fiscal year 2021 through 2025 totals \$528.2 million. The large and varying CIP for public investments of drainage, parks, facilities, streets, water, and wastewater positions City infrastructure for serving the high-growth that's here and what will come.

The 2021-2025 CIP document completes the balance of the \$162 million bond program approved by the voters in May 2007 and adds the new voter-approved May 2019 bond issue of \$80 million.

Funding from projects is supported by non-debt sources (\$20.4 million), leveraged outside funds (\$83.4 million), tax-supported debt (\$117.6 million), and water/sewer supported enterprise fund debt repaid by user fees (\$306.9 million). The ratio of outstanding property tax-supported debt to taxable assessed valuation has been decreasing and remains below 5% at about 3%.

For non-enterprise general obligations, the Debt Service Fund can meet current and future obligations based on the City's Multi-Year Forecast and Five-Year CIP where needed. Issuance of debt is factored into funding sources, based on the Five-Year CIP. The City's property tax rate for the FY 2021 budget is \$0.7200, of which \$0.3548 cents is for actual debt service and \$0.0602 cents is for rebates to in-city MUD districts but considered as debt service component. The Debt Service component, inclusive of in-City MUD district rebates, for the FY 2021 was \$0.4150.

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. Rate customers saw no increase in FY 2019 and a slight increase of 1.6% beginning in FY 2020 to bring revenue necessary to maintain the system. The City's utility system continues to be self-supporting and financially sound. As with other aspects of the City's service delivery package, there are substantial capital projects for expansion of plants, distribution and collection lines, and a variety of modernizations to meet needs of the current and future community.

Relevant Financial Policies/Guidelines

Financial policies guide the development and implementation of the budget, are a framework for fiscal decision making, and 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 and a 1.4 bond coverage for Water and Sewer debt service
- 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

Personal safety is a key means of both attracting new residents and retaining existing ones in Pearland; if citizens don't feel safe, they will not come nor will they stay. The Pearland Police Department continues to focus on the strategic priority of Safe Community.

In order to operate more efficiently, the Department employs a data-driven approach to policing. Examples of this are the implementation of the Special Investigation Unit investigation unit within the Criminal Investigations Division to quickly address emerging criminal trends, continued efforts to thwart crime and crashes in the identified Data Driven Approaches to Crime and Traffic Safety (DDACTS) zones, and crime analysis updates which provide mapping and data specific to the different police beats within the City of Pearland.

The Pearland Police Department encourages public involvement through the programs offered by members of the Community Outreach unit. This includes the Department's flagship program, the Citizens' Police Academy. The alumni association for that program provided a generous donation which, along with funds from narcotic seizures and the City of Pearland, facilitated the purchase of a mobile command post. This mobile unit will enable on-site command capacity for the City of Pearland during emergency situations and large-scale public events.

With the support of IT staff, the Pearland Police Department continues to be a leader in innovative policing technology. A prime example is the Unmanned Aircraft System (UAS), aka drone, unit that provides support to police department personnel, other police agencies, and other COP

Departments. In addition to UAS training, the course catalog offered by the Police Department has solidified Pearland as a regional hub for law enforcement training.

Fire Station 1, relocated on the northeast corner of McHard and Old Alvin Road, opened in September 2019 to provide quicker response times. The new station totals approximately 9,500 sq. ft., while housing one fire engine and one ambulance.



Fire Station 8, located in the master-planned community of Shadow Creek Ranch, at the northwest corner of Shadow Creek Parkway and Reflection Bay Drive, was completed early summer 2020. This station is approximately 18,000 sq. ft. and currently houses 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. During FY 2021 an additional 26 full-time fire fighters will be onboarded for staffing. The City of Pearland was successfully awarded a FEMA SAFER grant, which supports funding for 12 new firefighters to be hired.

Fire Station 4 (located on Freedom Drive east of Cullen) will be relocated immediately adjacent to the existing fire station, which was built in 2001 as a volunteer station. Modifications were originally made in 2008 to accommodate some full-time staff. This new fire station, which is currently going through design schematics, will have modern health and safety features, as well as improved technology to assist with fire fighter safety, productivity, efficiency and effective workflow. No additional staffing will be required to fully operate this station. New Fire Station 4 will be built in conjunction with a new Animal Shelter and is expected to complete construction in late calendar 2021.

In May of 2019, Pearland voters approved a general obligation bond of \$1.3 million for Phase I of the Fire Training Field Improvement Plan to construct a two-story live fire training building. This building will be located on the existing Fire Training Field behind the David L. Smith Fire Administration Building on Veterans Drive and is expected to be completed by May 2021.

Our Emergency Management Program continues to grow, finalizing the city's Hazard Mitigation Plan and implementing many lessons and strategies learned from Hurricane Harvey. Significant Community Risk Reduction efforts have resulted in the removal of numerous dilapidated/dangerous structures, public-private cooperation for subdivisions with residential sprinklers, and semi-annual inspections of all establishments providing food service. In addition,



division has aided more than 20,000 Pearland residents by completing community public safety education such as CPR certifications, car seat inspections, and smoke alarm testing.

90th percentile city-wide response times for fire emergencies have been reduced by over two minutes in the last four years. The achievement is due primarily to the addition of Fire Stations and staffing of operations that

will see a total of 131 full-time fire fighters by fall 2020.

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 FY 2020 attraction and retention projects.

HCA Houston Healthcare broke ground on its HCA Healthcare Center for Clinical Advancement in the Pearland Town Center in February 2020. The PEDC and city officials began recruitment efforts for this project with HCA and CBL

& Associates in 2018. The 48,400 square-foot, state-of-the-art training center will house high-fidelity hospital simulation labs, connected classrooms and de-briefing rooms, where the health system's nearly 7,000 nurses will receive ongoing clinical education and training. The center will also serve as a hub for all HCA Houston Healthcare new hire orientations and the division's Leadership and Organizational Development training. The center is scheduled to be open in early 2021.

Interim Healthcare, a privately held company that has been operating in the Houston market for five years, selected Pearland for its new operational headquarters after an exhaustive search in the Houston market. PEDC began recruitment efforts for this project in early 2020. The company,

which provides home health care targeted to seniors, is leasing 4,600 square feet of office space in the Trinity Professional Building on Country Place Parkway. The new offices, which opened this summer, are home to Interim Healthcare’s skilled nurses, therapists, aides and other health care personnel who service the Houston area.



Endress+Hauser, a leader in the field of measurement technology for industrial process engineering, completed construction on its new Gulf Coast Regional Campus in late 2020. The Swiss-based company manufactures instrumentation and devices that provide solutions to more than 100,000 customers worldwide. PEDC assisted with the project and began working with the company on its relocation in early 2018. The 100,000-square-foot facility will be located on a 17-acre site at the southeast corner of Beltway 8 and Kirby Drive. It will include an area for calibration and repair, as well as feature

office and training space. The new facility will be home to approximately 110 employees when it opens.

Lonza opened the world’s largest dedicated gene and cell therapy manufacturing facility in Pearland’s Lower Kirby District in April 2018, and the 300,000-square-foot facility continues to grow. The company had multiple expansions in 2019-20, including the construction of additional parking and laboratory space. The new laboratory encompasses 10,000 square feet and will be used to process new products and will also allow Lonza to employ more technicians. Additional clean rooms were also constructed in 2020 and Lonza has also acquired a 19-acre parcel of land south of the current facility for possible future growth. Lonza currently employs over 500 at its Pearland facility.

In 2019, PEDC, along with local partners in government, education, healthcare and business embarked on a collaborative community and economic development strategic planning process that will make the community a more prosperous, successful, and vibrant place to live, work, and do business. This plan builds upon the Pearland 20/20 strategy, which the community developed through a similar process in 2013 and has helped catalyze numerous community improvements in recent years. The resulting Pearland Prosperity Strategic Plan will guide the collective actions of the PEDC and its partners in the coming years. At the center of the Pearland Prosperity framework are two community goals that broadly identify the desired outcomes of Pearland’s holistic economic development effort. These goals are: (1) Economic growth and diversification and (2) A community of choice in Greater Houston. These goals can be pursued through a number of Strategic Initiatives grouped into seven high-level focus areas: (1) Business Development, (2) Business Formation and Early Stage Growth, (3) Site Development, (4) Corridors, (5) Infrastructure and Mobility, (6) Quality of Life and Quality of Place, and (7) Workforce and Talent.

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. Construction was completed on the extension of South Spectrum Boulevard in

December 2019. The roadway was extended to Kirby Drive from its existing terminus just west of 288. The project is being implemented and funded by LKPM and PMMD1 with partial funds from America Modern Green and PEDC.



America Modern Green is developing the Ivy District at the southwest corner of South Spectrum Boulevard and the SH 288 frontage road in the Lower Kirby District. The planned development is proposed to include offices, a continuing care retirement center, retail, condominiums, townhomes, and apartments. Infrastructure work was completed in 2019, including water and sewer lines, as well as road and storm sewer construction. In January 2020, construction began on the public park and amenities surrounding the East Conveyance Pond at the Ivy District, including a trail along Clear Creek, which will serve active and passive recreation needs of those who live, work, or visit within the District. In addition, the trail has been poured, the sidewalks are complete and the terraced lawn and overlook deck are nearing completion, the playground equipment and covers, along with the pavilion and trellis were erected. The pedestrian bridge is expected to be installed in early 2021. Development of buildings should begin in late 2021. All these improvements continue to transform the 1,200-acre Lower Kirby District into Pearland's most diverse, mixed-use employment, residential and entertainment part of the city.



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 developed to provide detail to the Strategic Plan strategic initiatives provide the "big picture" strategic actions that are needed to encourage more investment in the corridor. Stemming from the State Highway

35 Redevelopment Strategy is the redevelopment of the Rice Drier area, which is identified as Catalyst 2 Business Park North in the strategy. In recent years, PEDC has funded multiple phases of public infrastructure improvement in the area to support almost 58 acres of development. Rice

Drier and Halik streets are old and narrow asphalt roads that are in regular need of maintenance due to truck traffic from commercial and industrial growth in the area. Improvements included storm water conveyance, detention and outfall to Old Town ditch, which were completed in 2019, and the reconstruction of Rice Drier west of Main, which will be completed in 2020. Also included is the reconstruction of Halik west of Main, to be constructed in 2021. The improvements will include a 38-foot wide concrete road with curb and gutter, storm sewers, new waterlines, shared detention facility, and a six-foot sidewalk with brick pavers.

In 2020, PEDC completed the development of the *Broadway Corridor Development Plan*. A strategic initiative in the Pearland Prosperity strategic plan was to continue to improve the economic vibrancy of the City's primary corridors was to optimize the development potential of Pearland's principal commercial corridors. The focus of the plan was to evaluate the impact of Broadway's reconstruction and widening, an \$88 million TxDOT project, scheduled to begin in 2024. Multiple recommendations were made to reduce right-of-way needs for the project, along with a property impact analysis of TxDOT's widening on specific representative parcels. Also included are recommendations on drainage, utilities, bike/pedestrian facilities, regulatory framework, and approaches to improving the appearance of the corridor. The plan included an analysis of alternate congestion relief options that might be possible by diverting traffic to other roadways. The report specifically reviews constructing a north-south connection between Veterans and Mykawa and turning Walnut Street into an eastbound one-way couplet with Broadway being westbound only from McLean to Barry Rose Road, which will require both further study and obtaining additional community input.

With construction of the managed toll lanes along the 288-corridor nearing completion in both Harris and Brazoria Counties, PEDC, the City, and Pearland Municipal Management District No. 2 (PMMD2) continue to implement the 288 Corridor Master Improvements Plan. Additional aesthetic improvements will be added after the entire toll lane construction is complete. These include enhanced landscaping, lighting, artistic sculptures, detention ponds with large fountains, irrigation, and gateway signage.

PEDC and the community celebrated the PEDC's 25th anniversary in 2020 and continues to promote Pearland and is working with a number 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 positive destination for visitors.

Land Use Plan/Annexation

Land use planning allows a community to accommodate its projected growth in a manner that preserves its history and culture, as well enhance the overall quality of life for the current and future residents and businesses. Planning allows a city a greater measure of control of its future rather than simply reacting to change.

The City of Pearland uses its Comprehensive Plan as its primary planning policy document to guide and balance future development, including infill and redevelopment, and community enhancement efforts of the city. Pearland has evolved from a rural community, to a bustling growth

to come by focusing on the identifying forthcoming needs and setting concrete plans in place to continue to manage this growth.

In 2019, the Texas State Legislature curtailed municipalities' abilities to proactively annex; long used as a tool to assist in managing growth. However, with Pearland's water and wastewater capacity, combined with its public safety and other services, Pearland has seen increased interest in voluntary annexation petitions as property owners and developers seek to partner for both party's success.

Capital Improvement Projects and Planning



With continued residential and commercial development, the need to plan and build new infrastructure and maintain existing infrastructure is a priority and will be implemented through an aggressive capital improvement program. The City's adopted (July 27, 2020) Five-Year CIP 2020–2024 totals \$528.2 million. Projects include drainage (\$33.4 million), streets (\$75.0 million), facilities (\$89.5 million), parks (\$23.3 million), water (66.3 million) and wastewater (\$240.6 million).

Major drainage projects include work in West Lea, Willowcrest, Hickory Slough, Mimosa Acres, and Piper Road.

Major street projects include, Mykawa Road Widening (BW 8 to FM 518), Smith Ranch Road Expansion (Hughes Ranch to Broadway), Bailey Road Expansion (Veterans Drive to Main Street), and various intersection improvements and neighborhood street reconstructions.

Facility projects include Sheri D. Coleman Animal Services Center, Fire Station #4, Fire Station #7, Fire Station #11, Shadow Creek Public Library, and Orange Street Service Center Phase 2.

Parks projects include Clear Creek Trail and Independence Park Phase II.

Major projects for water improvements include the Surface Water Plant Phase 1 (10 MGD), Bailey Water Plant Improvements, FM 518 Utility Relocations (SH288 to Cullen), Transite Pipe Waterline Replacement Program, and Ground Storage Tank Rehabilitation.

Wastewater projects include Barry Rose Water Reclamation Facility Expansion, JHEC Water Reclamation Facility Expansion, Longwood Water Reclamation Facility decommissioning, Sanitary sewer rehabilitation, and Southdown Regional Lift Station & Force Main.

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



The prior TIP calls provided major funding for ongoing and upcoming projects in and around Pearland as depicted below.

Project	Project Sponsor	Project Limits	City/County Funds	Federal State Funds	Total Project Estimate	Projected Letting Date
SH 288/FM 518 Overpass	Brazoria County	Overpass Only	\$ 1,904,800	\$ 7,619,200	\$ 9,524,000	2016
FM 518/ SH 288 Intersection	Brazoria County	Intersection Only	\$ 2,800,200	\$ 11,200,800	\$ 14,001,000	2016
CR 101	Brazoria County	FM 1128 to CR 90	\$ 3,412,400	\$ 13,649,600	\$ 17,062,000	2017
Hughes Ranch Road	City of Pearland	Smith Ranch to Cullen	\$ 8,313,156	\$ 14,536,844	\$ 22,850,000	2018
Green Tee Terrace Trail	City of Pearland	Hughes Rd to FM 518	\$ 1,688,568	\$ 3,275,150	\$ 4,963,718	2018
Shadow Creek Ranch Trail	City of Pearland	Nature Park to Kirby Dr	\$ 767,760	\$ 1,548,366	\$ 2,316,126	2018
McHard Road	City of Pearland	Mykawa to Cullen	\$ 15,976,469	\$ 32,580,531	\$ 48,557,000	2020
Mykawa Road	City of Pearland	FM 518 to BW 8	\$ 13,330,623	\$ 2,237,680	\$ 15,568,303	2021
Safe Routes to School	City of Pearland	Various	\$ 1,208,400	\$ 2,553,600	\$ 3,762,000	2021
Smith Ranch Road	City of Pearland	Hughes Ranch Rd to FM 518	\$ 5,820,409	\$ 3,899,591	\$ 9,720,000	2022
Clear Creek Trail	City of Pearland	Hughes Rd to U of H	\$ 4,115,872	\$ 6,684,128	\$ 10,800,000	2022
CR 59	Brazoria County	Kirby to Kingsley	\$ 1,954,000	\$ 7,816,000	\$ 9,770,000	2023
CR 58	Brazoria County	Savannah Pkwy to CR 48	\$ 1,223,200	\$ 4,892,800	\$ 6,116,000	2023
FM 521	Fort Bend County	FM 2234 to SH 6	\$ 15,045,400	\$ 60,181,600	\$ 75,227,000	2024
Total			\$ 77,561,257	\$ 172,675,890	\$ 250,237,147	

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 worked with the Texas Department of Transportation to provide traffic relief on the corridor through managed toll lanes. The toll lanes from CR58 to US59 near downtown Houston were opened in 2020. In conjunction with the toll lane project, TxDOT and Brazoria County reconstructed the SH288 overpass at FM518 providing much needed additional capacity at our busiest intersection.

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.

Again, as of this writing, the COVID-19 pandemic emergency leaves much uncertainty. The relatively slow, but healthy, local economy prior to this date will aid in moderating the most severe parts of the downturn. Local Pearland sales taxes before March 2020 were running about 1% growth over the prior year.

Property tax revenue is projected to maintain the strong levels that have developed. Property taxes provide a timing buffer from the standpoint that the FY 2021 budget relies upon values determined by the three county appraisal districts as of January 1, 2020. Likewise values as of January 1, 2021 will provide the General Fund and Debt Service Fund revenues for FY 2022. All those property values were well before the prevalence of COVID-19 and the likely economic downturn associated. Looking ahead, property values as of January 1, 2022 will not come into play until the City’s FY 2023.

While about half-way into FY 2021, the City is already beginning to prepare for the 2022 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, 2019. This was the 44th consecutive year that the City has received this prestigious award. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. The City’s report satisfies 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.

In 2020, the Government Treasurers’ Organization of Texas (GTOT) awarded the second Certificate of Distinction to the City of Pearland for its Investment Policy. The certification is good for a two-year period ending in 2022. 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 for 33 consecutive years with its Fiscal Year 2019 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 City participated in the Popular Annual Financial Report (PAFR) Fellowship Program, a partnership between the Government Finance Officers Association (GFOA) and the Engaging Local Government Leaders (ELGL). Key City accounting staff in the Finance Department worked with Breanna Higgins, PAFR Fellow and Texas State University Master of Public Administration Student, to compile, create and submit the City of Pearland's first PAFR to the GFOA for consideration of the award. On November 20, 2020, the City was notified of award of the GFOA's Popular Annual Financial Reporting award for our 2019 Popular Annual Financial Report (PAFR). With this award, The City of Pearland Finance Department staff are now proudly GFOA 'Triple Crown' recipients.

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



Trent Epperson
Deputy City Manager



LaRae James
Interim Director of Finance



Kristen Woolley
Deputy Director of Finance

CITY OF PEARLAND, TEXAS
Principal Officials
As of September 30, 2020

<u>Elected Officials</u>	<u>Position</u>	<u>Term Expires May</u>	
Tom Reid	Mayor	2020	*
J. David Little	Mayor Pro Tem	2022	
Luke Orlando	Councilmember - Position 1	2022	
Tony Carbone	Councilmember - Position 2	2021	
Gary Moore	Councilmember - Position 3	2020	*
Adrian Hernandez	Councilmember - Position 4	2021	
Trent Perez	Councilmember - Position 6	2022	
Woody Owens	Councilmember - Position 7	2020	*

<u>Appointed Officials</u>	<u>Position</u>
Clay Pearson	City Manager
Darrin Coker	City Attorney
Letitia Farnie	Municipal Court Judge

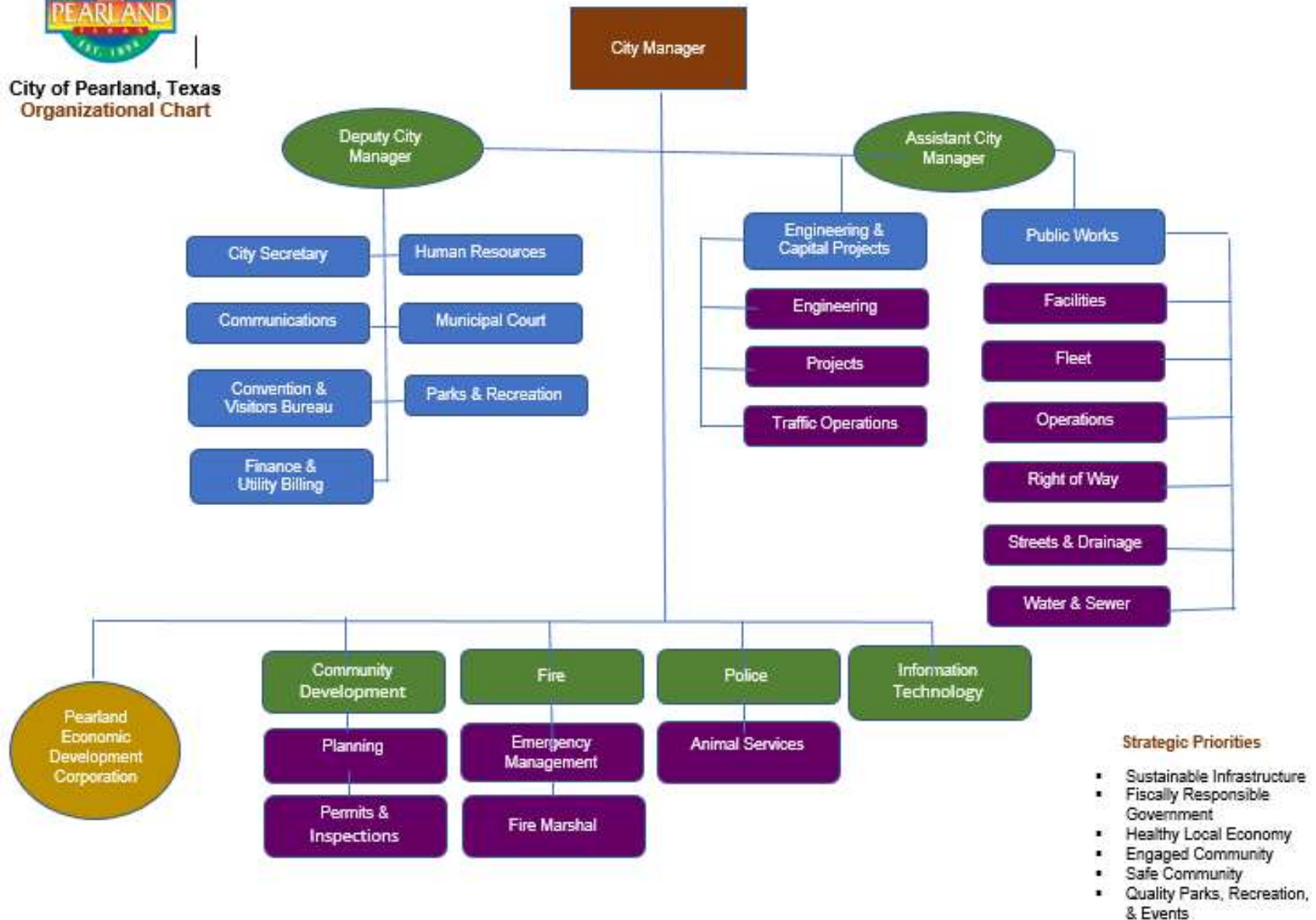
<u>City Management Position</u>	
Jon Branson	Deputy City Manager
Trent Epperson	Assistant City Manager
Matt Buchanan	PEDC President
John McCarter	Interim Director of Finance
Crystal Roan	City Secretary
Clarence Wittwer	Director of Public Works
Michelle Graham	Director of Human Resources
Daniel McGhinnis	Chief Information Officer

Johnny Spires	Police Chief
Vacant	Director of Parks and Recreation
Vance Riley	Fire Chief
John McDonald	Director of Community Development
Tracy Rohrbacher	Executive Director, CVB
Joshua Lee	Director of Communications
Jennifer Huhn	Municipal Court Administrator
Robert Upton	Director of Engineering and Capital Projects

* The City's elections were postponed to November 2020 due to the COVID-19 pandemic.



**City of Pearland, Texas
Organizational Chart**



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, 2019

Christopher P. Morill

Executive Director/CEO



Financial Section



Independent Auditor's Report

The Mayor and City Council
City of Pearland, Texas
Pearland, Texas

Report on the Financial Statements

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 the City of Pearland, Texas (the City), as of and for the year ended September 30, 2020, 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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 of Pearland, Texas, as of September 30, 2020, 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

The 2019 financial statements of the governmental activities, business-type activities, the water and sewer fund, the solid waste fund and the aggregate remaining fund information, before they were restated for the matter discussed in Note 15, were audited by other auditors, and their report thereon, dated March 23, 2020, expressed an unmodified opinion. Our opinion is not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension and other postemployment benefit information, and the schedule of revenues, expenditures and changes in fund balance budget and actual – general fund and economic development fund as listed in the table of contents 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 and statistical section as listed in the table of contents 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 schedules are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

The Mayor and City Council
City of Pearland, Texas

the combining and individual fund statements and 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated May 10, 2021, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BKD, LLP

Houston, Texas
May 10, 2021

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Management's Discussion and Analysis



CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis
Year Ended September 30, 2020

As Management of the City of Pearland, Texas (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, 2020. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the additional information presented in the accompanying transmittal letter (Pages i-xiv of this report), and the statistical section (Pages 126-167 of this report), as well as the annual budget found on the City's website at <https://www.pearlandtx.gov/>.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the primary government of the City exceeded its liabilities and deferred inflows of resources as of September 30, 2020, by \$837.3 million (net position). Of this amount, \$703.4 million is invested in capital assets, net of related capital debt and \$61.7 million is restricted for capital improvements, debt service, community development programs, public safety and economic development.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$162.0 million, an increase of \$41 million in comparison to the prior year, before restatement for correction of errors resulting in a net increase in fund balance of \$3.1 million. Approximately \$133 million of the \$162 million is considered restricted fund balance and primarily consists of \$44.1 million for economic development and \$73.2 million for capital projects.
- As of September 30, 2020, the unassigned fund balance for the General Fund was \$28.4 million or 36% of total General Fund expenditures. The total fund balance for the General Fund is \$29.1 million or 36% of General Fund expenditures.
- The City's long-term liabilities increased by \$109.2 million primarily due to the issuance of new debt and an increase in the net pension liability.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information which includes this management's discussion and analysis, information related to the City's pension plan and retiree health plans and budgetary comparison information. This report also contains other supplementary information as listed in the table of contents 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.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community services and parks and recreation. The business-type activities of the City include water, sewer, and solid waste. The government-wide financial statements can be found on pages 21 through 23 of this report. The government-wide financial statements include not only the City, itself (known as the primary government), but also a legally separate Economic Development Corporation 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 statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Beginning on page 24 of this report, information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, Capital Projects, 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.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

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

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

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements, which begin on page 31 of this report, provide separate information for the Water and Sewer and Solid Waste Enterprise Funds since it fund of the City. The basic proprietary fund financial statements can be found on pages 31 through 35 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 37 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 86 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 \$837.3 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (85%) 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.

As discussed in Note 15, the City has restated net position of the governmental activities and business-type activities as of September 30, 2019, the comparative statement of net position as shown below has not been restated to reflect the error corrections.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

Comparative Statement of Net Position
September 30, 2020 and 2019
Amounts in (000's)

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets						
Current and other assets	\$ 192,268	\$ 153,973	\$ 231,423	\$ 153,186	\$ 423,691	\$ 307,159
Capital assets	863,249	860,947	414,669	374,349	1,277,918	1,235,296
Total assets	<u>1,055,517</u>	<u>1,014,920</u>	<u>646,091</u>	<u>527,535</u>	<u>1,701,608</u>	<u>1,542,455</u>
Deferred outflows of resources	<u>15,134</u>	<u>20,856</u>	<u>2,191</u>	<u>2,837</u>	<u>17,325</u>	<u>23,693</u>
Liabilities						
Current	17,203	19,155	18,633	11,598	35,836	30,753
Long-term liabilities outstanding	480,762	472,634	360,155	259,005	840,917	731,639
Total liabilities	<u>497,965</u>	<u>491,789</u>	<u>378,788</u>	<u>270,603</u>	<u>876,753</u>	<u>762,392</u>
Deferred inflows of resources	<u>4,275</u>	<u>153</u>	<u>622</u>	<u>21</u>	<u>4,897</u>	<u>174</u>
Net position:						
Net investment in capital assets	490,304	488,077	213,081	214,672	703,385	702,749
Restricted	44,928	56,491	16,776	15,270	61,704	71,761
Unrestricted	33,179	(734)	39,015	29,806	72,194	29,072
Total net position	<u>\$ 568,411</u>	<u>\$ 543,834</u>	<u>\$ 268,873</u>	<u>\$ 259,748</u>	<u>\$ 837,284</u>	<u>\$ 803,582</u>

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

Comparative Statement of Activities
September 30, 2020 and 2019
Amounts in (000's)

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 24,861	\$ 27,784	\$ 62,465	\$ 64,317	\$ 87,326	\$ 92,101
Operating grants and contributions	20,774	9,005	225	1,497	20,999	10,502
Capital grants and contributions	7,148	16,678	1,456	4,113	8,604	20,791
General revenues:						
Property taxes	97,106	89,930	-	-	97,106	89,930
Sales and use taxes	34,928	34,872	-	-	34,928	34,872
Franchise taxes	7,270	7,480	-	-	7,270	7,480
Investment income	1,626	3,293	1,277	2,947	2,903	6,240
Other	4,865	560	13	2,361	4,878	2,921
Total revenues	198,578	189,602	65,436	75,235	264,014	264,837
Expenses						
General government	25,504	21,249	-	-	25,504	21,249
Public safety	51,031	47,948	-	-	51,031	47,948
Public works	44,862	46,631	-	-	44,862	46,631
Community services	4,383	4,616	-	-	4,383	4,616
Parks and recreation	8,197	7,683	-	-	8,197	7,683
Economic development	28,683	33,470	-	-	28,683	33,470
Interest on long-term debt	14,042	14,017	-	-	14,042	14,017
Water and sewer	-	-	45,055	39,413	45,055	39,413
Solid waste	-	-	7,930	7,752	7,930	7,752
Total expenses	176,702	175,614	52,984	47,165	229,686	222,779
Increase in Net Position	21,876	13,988	12,451	28,070	34,327	42,058
Before Transfers	5,460	11,364	(5,460)	(11,364)	-	-
Change in Net Position	27,336	25,352	6,991	16,706	34,327	42,058
Net Position, Beginning, as Previously Reported	543,834	518,482	259,748	243,042	803,582	761,524
Restatement: correction of errors	(2,759)	-	2,133	-	(626)	-
Net Position, Beginning, as Restated	541,075	518,482	261,881	243,042	802,956	761,524
Net Position, Ending	\$ 568,411	\$ 543,834	\$ 268,873	\$ 259,748	\$ 837,284	\$ 803,582

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

The increase in total net position from the prior year is \$34.3 million, before a restatement for correction of errors resulting in a decrease in net position of \$0.6 thousand, is primarily attributable to the increase in capital assets funded by debt issued in the current and prior fiscal year.

Governmental activities – Governmental activities increased the City's net position by \$27.3 million, before a restatement for corrections of errors resulting in a decrease in net position of \$2.8 million, thereby accounting for 80% 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 \$97.1 million, \$34.9 million, and \$7.3 million, respectively. These revenues increased by \$7.0 million from prior year primarily as a result of an increase in taxable assessed values.
- Capital grants and contributions totaled \$7.1 million as a result of infrastructure contributed by developers.
- The revenues were offset by expenses for general government, public safety, public works, economic development of \$25.5 million, \$51.0 million, \$44.9 million, and \$28.7 million, respectively.

Business-type activities – Business-type activities increased the City's net position by \$7.0 million, before a restatement for corrections of errors resulting in an increase in net position of \$2.1 million, thereby accounting for 20% of the total increase in the net position of the City. Key elements of this increase are as follows:

- Program revenues of \$64.1 million decreased approximately \$5.8 million from the prior year primarily due to decreases in grants.
- Operating grants and contributions of \$225 thousand decreased by \$1.3 million from the prior year due to decreases in grant funding from federal and state agencies.
- Capital grants and contributions of \$1.5 million decreased \$2.7 million from the prior year primarily due to a decrease in contributions from developers for impact fees.
- The revenues listed above were offset by expenses of \$45.1 million and \$7.9 million, respectively, for Water and Sewer and Solid Waste, respectively. Expenses increased from the prior year by \$5.8 million.

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.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

The City's governmental funds reflect a combined fund balance of \$162.0 million. A portion of the combined fund balance, or \$28.4 million, is unassigned and available for day-to-day operations of the City; \$73.2 million is restricted for capital projects; \$44.1 million for economic development and the remaining balance is restricted for debt service and other programs.

There was an increase in the combined governmental fund balance of \$41.0 million from the prior year, before restatement for corrections of errors resulting in an increase in fund balance of \$3.1 million. The increase in fund balance includes increases in the General Fund of \$11.9 million, Debt Service Fund of \$736 thousand, Capital Projects Fund of \$18.7 million, before restatement for corrections of errors resulting in an increase in fund balance of \$3.1 million, Pearland Economic Development Corporation of \$5.7 million, and the Development Authority of Pearland of \$6.4 million. These increases in fund balance were partially offset by decreases in fund balance in the Tax Increment Reinvestment Zone #2 of \$2.7 million. The General Fund's fund balance totaled \$29.1 million at year-end.

Tax Increment Reinvestment Zone #2 had expenditures totaling \$12.5 million, leaving an ending restricted fund balance of \$6.9 million.

The Pearland Economic Development Corporation and Development Authority of Pearland, the City's blended component units, had expenditures totaling \$27.2 million, leaving an ending fund balance of \$22.5 million, and \$14.7 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 statement business-type activities. Total net position in the Internal Service Fund was \$9.3 million at year-end, a \$3 million increase from the prior year, before restatements for corrections of errors resulting in a decrease of \$0.6 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$3.6 million decrease in appropriations between the adopted and amended budget. The decrease in appropriations is attributable to a reduction in planned expenditures due to the COVID-19 pandemic.

Actual revenues of \$88.6 million were \$7.4 million over the amended budget mainly in intergovernmental revenue due to an increase in grant funding due to COVID-19. Actual expenditures of \$80.0 million were under the amended budget, resulting in a year-end fund balance of \$29.1 million, in excess of budget by \$9.9 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets – At the end of fiscal year 2020, the City's governmental activities and business-type activities had invested \$863.2 million and \$414.7 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$2.3 million, or 0.3% over the end of last fiscal year for the governmental activities of \$40.3 million or 10.8% over the end of last fiscal year for business-type activities.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

	Capital Assets					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 31,212	\$ 31,166	\$ 3,796	\$ 3,796	\$ 35,009	\$ 34,962
Construction in progress	162,308	145,667	148,246	98,530	310,553	244,197
Infrastructure	583,555	604,171	220,810	228,152	804,365	832,323
Buildings and improvements	75,115	68,500	22,833	23,783	97,948	92,283
Machinery and equipment	9,161	9,338	1,366	1,118	10,527	10,456
Furniture and fixtures	1,897	2,105	32	10	1,930	2,115
Contractual water rights	-	-	17,585	18,960	17,585	18,960
Total capital assets	<u>\$ 863,249</u>	<u>\$ 860,947</u>	<u>\$ 414,669</u>	<u>\$ 374,349</u>	<u>\$ 1,277,918</u>	<u>\$ 1,235,296</u>

Construction in progress at year-end represents numerous ongoing projects, the largest of which relate to street, parks, and water/sewer projects. 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 \$802.7 million. Of this amount, \$272.8 million is composed of general obligation bonds, \$66.4 million is composed of certificates, \$416.9 million represents revenue bonds secured solely by specified revenue sources.

	Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	\$ 268,680	\$ 269,520	\$ 4,110	\$ 4,480	\$ 272,790	\$ 274,000
Certificates of obligation	66,405	51,620	-	-	66,405	51,620
Revenue bonds	81,445	85,065	335,435	232,415	416,880	317,480
Unamortized issuance premium (discount)	29,963	26,639	16,168	16,808	46,130	43,447
Capital leases payable	541	761	-	86	541	847
Total outstanding debt	<u>\$ 447,034</u>	<u>\$ 433,605</u>	<u>\$ 355,713</u>	<u>\$ 253,789</u>	<u>\$ 802,746</u>	<u>\$ 687,394</u>

The City's general obligation bonds and certificates of obligation debt for governmental activities increased to \$335.1 million. The increase is due to new debt issued offset by scheduled principal payments. The City's debt for business-type activities increased to \$339.5 million, a net increase of \$102.7 million from the previous year, which was a result of new debt issued offset by scheduled principal payments.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

Current credit ratings on debt issues are as follows:

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

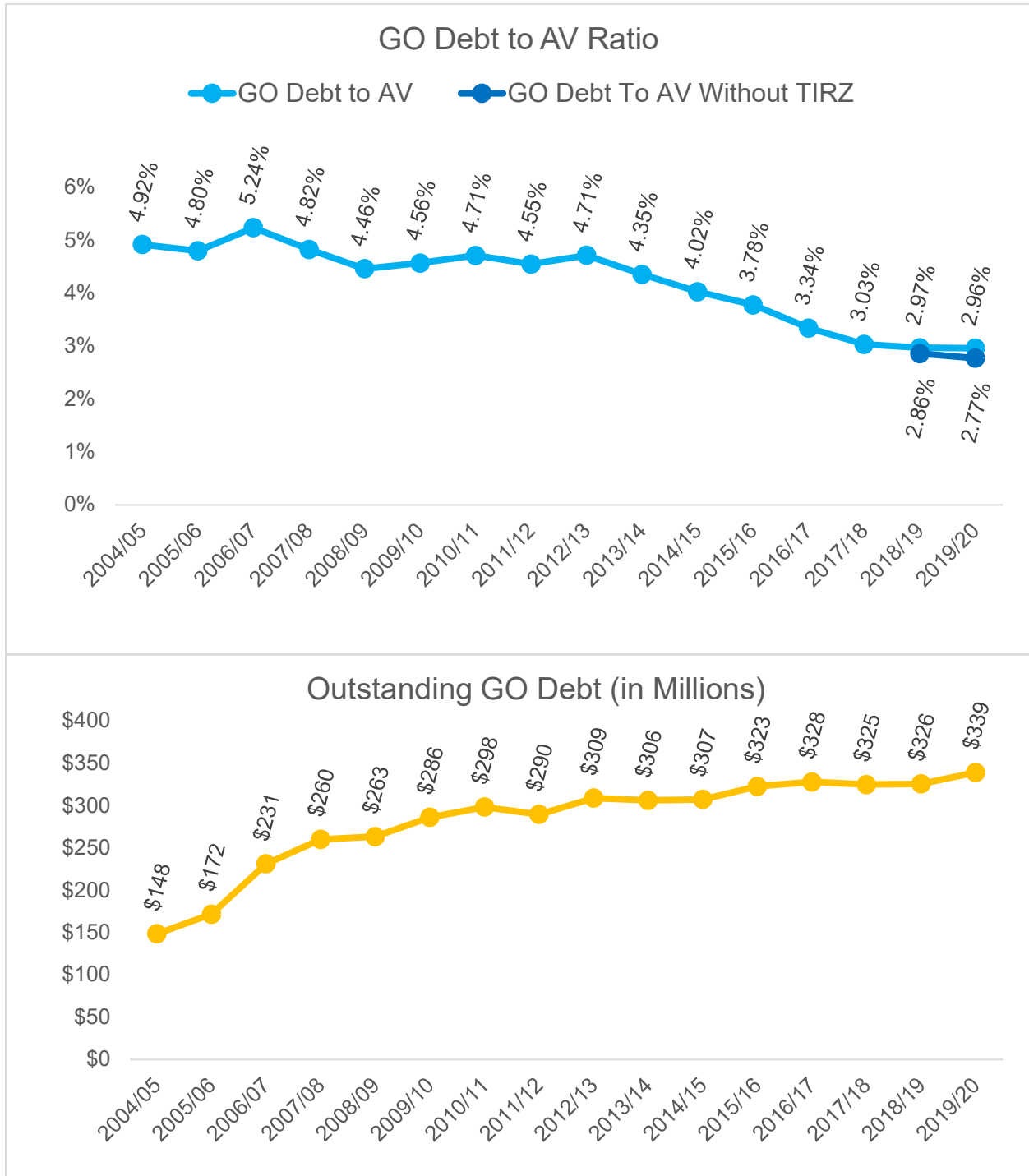
Both the Pearland Economic Development Corporation (PEDC) and the Development Authority of Pearland (DAP), component units of the City, have issued debt. The PEDC bonds are rated A1 from Moody's. The DAP bonds are rated A- by Standard and Poor's. Additional information on the City's long-term debt can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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City of Pearland continues with its forward momentum in FY 2021, less in terms of population and more in terms of growing value. The City's sales tax revenue is expected to continue strongly, providing \$22.1 million in FY 2021. Sales tax revenue actually provides substantially to General Fund operations as well as being the funding source for our Pearland Economic Development Corporation for another \$11.0 million in FY 2021. The City also saw an estimated \$999.7 million or 11.8% increase in added taxable value in FY 2021. 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. for its 2020 bond issuances. The City's Permanent Improvement Bonds Series 2020 for \$15.31 million, the City's Certificates of Obligation Series 2020A and 2020B for \$8.540 million and \$9.575 million, respectively were assigned a rating of 'AA' by Fitch and 'Aa2' by Moody's. Separately, our enterprise fund Water and Sewer System Revenue Bonds-Series 2020B for \$7.19 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.

CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020



CITY OF PEARLAND, TEXAS
Management's Discussion and Analysis (Continued)
Year Ended September 30, 2020

The City's growth 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 decreased almost two cents from \$0.4344 in 2020 to \$0.4150 in 2021. Anticipated future increases to the Debt to AV ratio are precipitated by the voter-approved 2019 bond package, which included \$79 million in general obligation projects. As of September 30, 2020, the City had \$339.2 million in General Obligation and Certificates of Obligation outstanding principal 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 growing Houston area economy and the continued growth in value and population, the City General Fund revenues and other sources are projected to increase from \$86,213,352 in FY 2020 to \$90,278,860 in FY 2021, an increase of \$4,065,328, or 4.7%, mainly due to an increase in Property Tax, Sales Tax, and Charges for Services. Property Tax revenues increased in 2021 by 6% over FY 2020 year-end amended revenue, resulting in steady property tax revenue as a percent of total revenues, remaining flat at 31% of the FY 2020 and FY 2021 budgets, and just over a two cent decrease in the overall property tax rate from \$0.7412 to \$0.7200 per \$100 valuation.

FY 2021 total expenditures are budgeted to be \$89,589,896, 6.3% more than the FY 2020 Amended Budget. Salaries and benefits remain the major expenditure for FY 2021, at 71.9% of the total. Police and Fire remained the main focus of the supplemental funding. The Police Department will be adding two new Sworn Officers. The Fire Department will be continuing the process of "continuous onboarding" by bringing on 12 new firefighters. A 2% increase in salary is included for all personnel, to support recruitment and retention efforts.

The General Fund meets reserve requirements and the fund is structurally in balance for FY 2021 whereby operating revenues are budgeted to be greater than expenditures. The adopted FY 2021 fund balance over policy is \$4,918,521, with the adopted ending fund balance of \$19,850,170.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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 Kristen Woolley, Deputy Director of Finance, at 3523 Liberty Drive, Pearland, Texas 77581, or 652-1698. The report and general information can be found on the City's website at www.pearlandtx.gov.



Basic Financial Statements



CITY OF PEARLAND, TEXAS
Statement of Net Position
September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 64,565,185	\$ 14,216,877	\$ 78,782,062
Investments	96,483,410	19,333,650	115,817,060
Receivables (net of allowance for uncollectibles, where applicable)	33,764,858	15,976,724	49,741,582
Internal balances	(2,661,858)	2,661,858	-
Inventories	84,246	-	84,246
Prepays	32,473	-	32,473
Restricted cash and cash equivalents	-	171,219,087	171,219,087
Restricted investments	-	8,014,700	8,014,700
Capital assets:			
Nondepreciable	193,520,002	152,041,993	345,561,995
Depreciable, net	669,729,138	262,626,608	932,355,746
Total capital assets	<u>863,249,140</u>	<u>414,668,601</u>	<u>1,277,917,741</u>
Total Assets	<u>1,055,517,454</u>	<u>646,091,497</u>	<u>1,701,608,951</u>
Deferred Outflows of Resources			
Deferred charge on refunding	7,804,901	1,053,817	8,858,718
OPEB	1,519,348	296,507	1,815,855
Pension	5,810,134	840,854	6,650,988
Total Deferred Outflows of Resources	<u>15,134,383</u>	<u>2,191,178</u>	<u>17,325,561</u>
Liabilities			
Accounts payable and other accrued liabilities	11,755,285	13,815,273	25,570,558
Accrued interest payable	1,402,676	589,864	1,992,540
Unearned revenues	2,363,933	-	2,363,933
Customer deposits	1,681,052	4,227,745	5,908,797
Noncurrent liabilities:			
Due within one year	32,006,286	16,570,164	48,576,450
Due in more than one year	423,638,611	340,066,509	763,705,120
Total OPEB liability	6,484,755	1,140,383	7,625,138
Net pension liability	18,632,729	2,377,674	21,010,403
Total Liabilities	<u>497,965,327</u>	<u>378,787,612</u>	<u>876,752,939</u>
Deferred Inflows of Resources			
OPEB	285,636	45,034	330,670
Pension	3,989,143	577,317	4,566,460
Total Deferred Inflows of Resources	<u>4,274,779</u>	<u>622,351</u>	<u>4,897,130</u>
Net Position			
Net investment in capital assets	490,304,418	213,081,451	703,385,869
Restricted for:			
Debt service	-	9,063,796	9,063,796
Capital projects	-	7,712,303	7,712,303
Community development programs	7,286,538	-	7,286,538
Public safety	452,825	-	452,825
Economic development	37,188,502	-	37,188,502
Unrestricted	33,179,448	39,015,162	72,194,610
Total Net Position	<u>\$ 568,411,731</u>	<u>\$ 268,872,712</u>	<u>\$ 837,284,443</u>

CITY OF PEARLAND, TEXAS
Statement of Activities
Year Ended September 30, 2020

Functions/Programs:	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General government	\$ 25,503,753	\$ 12,424,106	\$ 6,609,051	\$ -
Public safety	51,030,944	4,771,969	-	-
Public works	44,861,968	113,165	14,164,490	7,148,295
Community services	4,383,387	6,099,785	114	-
Parks and recreation	8,196,832	991,583	-	-
Economic development	28,683,193	459,996	-	-
Interest on long-term debt	14,041,578	-	-	-
Total Governmental Activities	<u>176,701,655</u>	<u>24,860,604</u>	<u>20,773,655</u>	<u>7,148,295</u>
Business-type Activities:				
Water and sewer	45,054,896	54,710,109	225,376	1,455,767
Solid waste	7,929,534	7,754,993	31	-
Total Business-type Activities	<u>52,984,430</u>	<u>62,465,102</u>	<u>225,407</u>	<u>1,455,767</u>
Total Primary Government	<u>\$ 229,686,085</u>	<u>\$ 87,325,706</u>	<u>\$ 20,999,062</u>	<u>\$ 8,604,062</u>

General Revenues:

Property taxes
Sales and use taxes
Franchise fees
Unrestricted investment earnings
Miscellaneous

Transfers

Total General Revenues And Transfers

Change In Net Position

Net Position, Beginning, As Previously Reported

Restatement: Error corrections

Net Position, Beginning, As Restated

Net Position, Ending

CITY OF PEARLAND, TEXAS
Statement of Activities (Continued)
Year Ended September 30, 2020

Net (Expense) Revenue and Changes in Net Position

Primary Government

Governmental Activities	Business-type Activities	Total
\$ (6,470,596)	\$ -	\$ (6,470,596)
(46,258,975)	-	(46,258,975)
(23,436,018)	-	(23,436,018)
1,716,512	-	1,716,512
(7,205,249)	-	(7,205,249)
(28,223,197)	-	(28,223,197)
(14,041,578)	-	(14,041,578)
<u>(123,919,101)</u>	<u>-</u>	<u>(123,919,101)</u>
-	11,336,356	11,336,356
-	(174,510)	(174,510)
<u>-</u>	<u>11,161,846</u>	<u>11,161,846</u>
<u>(123,919,101)</u>	<u>11,161,846</u>	<u>(112,757,255)</u>
97,106,308	-	97,106,308
34,927,709	-	34,927,709
7,270,488	-	7,270,488
1,625,879	1,276,685	2,902,564
4,865,169	12,890	4,878,059
5,460,009	(5,460,009)	-
<u>151,255,562</u>	<u>(4,170,434)</u>	<u>147,085,128</u>
<u>27,336,461</u>	<u>6,991,412</u>	<u>34,327,873</u>
543,834,323	259,748,028	803,582,351
(2,759,053)	2,133,272	(625,781)
<u>541,075,270</u>	<u>261,881,300</u>	<u>802,956,570</u>
<u>\$ 568,411,731</u>	<u>\$ 268,872,712</u>	<u>\$ 837,284,443</u>

CITY OF PEARLAND, TEXAS
Balance Sheet – Governmental Funds
September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Pearland Economic Development Corporation
Assets				
Cash and cash equivalents	\$ 7,212,409	\$ 1,166,338	\$ 20,167,526	\$ 3,908,732
Investments	17,118,841	5,144,009	52,055,947	16,835,439
Receivables (net of allowance for uncollectibles, where applicable)	10,988,337	6,736,982	8,817,531	4,883,712
Prepays	28,271	-	-	-
Total Assets	<u>\$ 35,347,858</u>	<u>\$ 13,047,329</u>	<u>\$ 81,041,004</u>	<u>\$ 25,627,883</u>
Liabilities				
Accounts payable	\$ 2,853,015	\$ 19,967	\$ 2,642,899	\$ 182,458
Accrued expenditures	1,980,458	132,080	2,576,690	67,055
Customer deposits	642,719	-	1,000,000	38,333
Unearned revenue	317,608	423,812	1,622,513	-
Total Liabilities	<u>5,793,800</u>	<u>575,859</u>	<u>7,842,102</u>	<u>287,846</u>
Deferred Inflows of Resources				
Unavailable revenue	477,761	6,308,881	-	2,865,643
Total Deferred Inflows of Resources	<u>477,761</u>	<u>6,308,881</u>	<u>-</u>	<u>2,865,643</u>
Fund Balances				
Nonspendable	28,271	-	-	-
Restricted	-	6,162,589	73,198,902	22,474,394
Assigned	648,426	-	-	-
Unassigned	28,399,600	-	-	-
Total Fund Balances	<u>29,076,297</u>	<u>6,162,589</u>	<u>73,198,902</u>	<u>22,474,394</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 35,347,858</u>	<u>\$ 13,047,329</u>	<u>\$ 81,041,004</u>	<u>\$ 25,627,883</u>

CITY OF PEARLAND, TEXAS
Balance Sheet – Governmental Funds (Continued)
September 30, 2020

Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Other Governmental Funds	Total Governmental Funds
\$ 6,868,799	\$ 14,715,308	\$ 3,718,825	\$ 57,757,937
-	-	5,329,174	96,483,410
89,401	-	2,240,826	33,756,789
-	-	-	28,271
<u>\$ 6,958,200</u>	<u>\$ 14,715,308</u>	<u>\$ 11,288,825</u>	<u>\$ 188,026,407</u>
\$ 78,334	\$ 1,200	\$ 248,984	\$ 6,026,857
-	-	31,886	4,788,169
-	-	-	1,681,052
-	-	-	2,363,933
<u>78,334</u>	<u>1,200</u>	<u>280,870</u>	<u>14,860,011</u>
-	-	1,486,878	11,139,163
-	-	1,486,878	11,139,163
-	-	-	28,271
6,879,866	14,714,108	9,548,376	132,978,235
-	-	-	648,426
-	-	(27,299)	28,372,301
<u>6,879,866</u>	<u>14,714,108</u>	<u>9,521,077</u>	<u>162,027,233</u>
<u>\$ 6,958,200</u>	<u>\$ 14,715,308</u>	<u>\$ 11,288,825</u>	<u>\$ 188,026,407</u>

CITY OF PEARLAND, TEXAS
Reconciliation of the Balance Sheet – Governmental Funds to the
Government-wide Statement of Net Position
Year Ended September 30, 2020

Total Fund Balances - Governmental Funds	\$ 162,027,233
Amounts reported for the 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.	859,702,867
Deferred outflows represent a consumption of net position that applies to future reporting periods and therefore will not be recognized as an outflow of resources until then.	
Deferred charge on refunding	7,804,901
Deferred outflows relating to OPEB activities	1,504,099
Deferred outflows relating to pension activities	5,765,437
Other long-term assets are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds.	11,236,286
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Bonds and capital leases payable	(447,033,524)
Compensated absences	(8,611,373)
Accrued interest governmental activity debt	(1,402,676)
Total OPEB liability	(6,464,674)
Net pension liability	(18,491,521)
Deferred inflows represent an acquisition of net position that applies to future reporting periods and therefore will not be recognized as an inflow of resources until then.	
Deferred inflows relating to OPEB activities	(283,275)
Deferred inflows relating to pension activities	(3,958,455)
Internal service funds are used by management to charge the cost of certain activities to individual funds. A portion of the assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.	<u>6,616,406</u>
Net Position of Governmental Activities	<u>\$ 568,411,731</u>



CITY OF PEARLAND, TEXAS
Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds
Year Ended September 30, 2020

	General Fund	Debt Service Fund	Capital Projects Fund	Pearland Economic Development Corporation
Revenues				
Property taxes	\$ 26,919,731	\$ 37,924,975	\$ -	\$ -
Sales and use taxes	22,716,028	-	-	11,217,696
Franchise fees	7,014,025	-	-	-
Licenses and permits	4,423,760	-	-	-
Fines and forfeitures	1,617,153	-	-	-
Charges for services	18,220,404	-	-	459,996
Investment earnings	420,200	156,977	574,906	259,866
Intergovernmental	6,425,093	-	11,518,373	707,623
Other	876,453	770,355	9,370	59,132
Total Revenues	88,632,847	38,852,307	12,102,649	12,704,313
Expenditures				
Current:				
General government	11,606,819	-	-	-
Public safety	46,609,473	-	-	-
Public works	11,502,132	-	190,550	-
Community services	3,798,947	-	-	-
Parks and recreation	5,397,074	-	-	-
Economic development	-	-	-	3,095,628
Debt service:				
Principal	441,444	19,480,000	-	250,000
Interest and other charges	11,925	12,934,251	409,229	41,300
Capital outlay	610,735	-	33,681,769	3,405,448
Intergovernmental	-	7,768,815	-	-
Total Expenditures	79,978,549	40,183,066	34,281,548	6,792,376
Excess (Deficiency) of Revenues Over Expenditures	8,654,298	(1,330,759)	(22,178,899)	5,911,937
Other Financing Sources (Uses)				
Proceeds from issuance of debt	221,261	-	33,425,000	-
Premium on debt issued	-	-	6,897,046	-
Transfers in	4,949,456	2,066,739	2,000,663	-
Transfers out	(1,950,568)	-	(1,402,310)	(172,979)
Total Other Financing Sources (Uses)	3,220,149	2,066,739	40,920,399	(172,979)
Net Change in Fund Balances	11,874,447	735,980	18,741,500	5,738,958
Fund Balances, Beginning of Year, as Previously Reported	17,201,850	5,426,609	51,351,705	16,735,436
Restatement: Error corrections	-	-	3,105,697	-
Fund Balances, Beginning of Year, as Restated	17,201,850	5,426,609	54,457,402	16,735,436
Fund Balances, End of Year	\$ 29,076,297	\$ 6,162,589	\$ 73,198,902	\$ 22,474,394

CITY OF PEARLAND, TEXAS
Statement of Revenues, Expenditures and Changes
in Fund Balances – Governmental Funds (Continued)
Year Ended September 30, 2020

Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Other Governmental Funds	Total Governmental Funds
\$ 32,261,602	\$ -	\$ -	\$ 97,106,308
-	-	993,985	34,927,709
-	-	256,463	7,270,488
-	-	-	4,423,760
-	-	105,842	1,722,995
-	-	33,450	18,713,850
55,316	13,262	102,382	1,582,909
-	-	828,974	19,480,063
-	-	838,110	2,553,420
<u>32,316,918</u>	<u>13,262</u>	<u>3,159,206</u>	<u>187,781,502</u>
-	-	906,422	12,513,241
-	-	608,707	47,218,180
-	-	-	11,692,682
-	-	653,281	4,452,228
-	-	85,790	5,482,864
12,491,525	10,256,277	-	25,843,430
-	7,625,000	-	27,796,444
-	2,542,015	-	15,938,720
-	-	660,594	38,358,546
-	-	-	7,768,815
<u>12,491,525</u>	<u>20,423,292</u>	<u>2,914,794</u>	<u>197,065,150</u>
<u>19,825,393</u>	<u>(20,410,030)</u>	<u>244,412</u>	<u>(9,283,648)</u>
-	4,255,000	-	37,901,261
-	-	-	6,897,046
-	22,544,542	-	31,561,400
<u>(22,544,542)</u>	<u>-</u>	<u>(30,992)</u>	<u>(26,101,391)</u>
<u>(22,544,542)</u>	<u>26,799,542</u>	<u>(30,992)</u>	<u>50,258,316</u>
(2,719,149)	6,389,512	213,420	40,974,668
9,599,015	8,324,596	9,307,657	117,946,868
-	-	-	3,105,697
<u>9,599,015</u>	<u>8,324,596</u>	<u>9,307,657</u>	<u>121,052,565</u>
<u>\$ 6,879,866</u>	<u>\$ 14,714,108</u>	<u>\$ 9,521,077</u>	<u>\$ 162,027,233</u>

CITY OF PEARLAND, TEXAS
Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances – Governmental Funds to the
Government-wide Statement of Activities
Year Ended September 30, 2020

Net Change In Fund Balances – Total Governmental Funds \$ 40,974,668

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$37,927,249 exceeded depreciation expense of \$41,912,466 in the current period. (3,553,919)

Capital assets acquired through city development recognized as capital contributions in the statement of activities 7,148,295

The repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, does not have any effect on net position. Also, governmental funds report the effect of bond premiums, discounts and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities. The effect of these differences in the treatment of long-term debt and related items was:

Debt issued	(37,901,261)
Repayment of long-term debt	27,796,444
Premiums on bonds payable	(3,323,933)
Deferred loss on refunding	(1,578,624)

Current year changes in other long-term liabilities do not require the use of current financial resources; therefore, are not reported as expenditures in governmental funds. The effect of these differences in the treatment of other long-term liabilities was:

Compensated absences	(1,308,978)
----------------------	-------------

Current year changes in accrued interest payable do not require the use of current financial resources; therefore, are not reported as an expenditure in the governmental funds. (97,348)

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. (1,577,047)

The net change in the OPEB-related deferred outflows and inflows of resources and total OPEB liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds. (697,773)

The net change in the pension-related deferred outflows and inflows of resources and net pension liability do not require the use of current financial resources; therefore, are not reported as expenditures in the governmental funds. (802,024)

An internal service fund is used by management to charge the cost of certain activities, such as insurance and fleet management, to individual funds. A portion of the change in net position of the internal service funds is included in governmental activities in the statement of activities. 2,257,961

Change In Net Position of Governmental Activities \$ 27,336,461

CITY OF PEARLAND, TEXAS
Statement of Net Position – Proprietary Funds
Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Assets				
Current Assets:				
Cash and cash equivalents	\$ 14,009,018	\$ 207,859	\$ 14,216,877	\$ 6,807,248
Investments	19,333,650	-	19,333,650	-
Receivables (net of allowance for uncollectibles, where applicable)	14,849,935	1,126,789	15,976,724	8,069
Inventories	-	-	-	84,246
Prepays	-	-	-	4,202
Restricted cash and cash equivalents	171,219,087	-	171,219,087	-
Restricted investments	8,014,700	-	8,014,700	-
Total Current Assets	227,426,390	1,334,648	228,761,038	6,903,765
Noncurrent Assets				
Capital assets:				
Land and improvements	3,796,382	-	3,796,382	-
Construction in progress	148,245,611	-	148,245,611	-
Contractual rights to water supply	34,511,428	-	34,511,428	-
Infrastructure	366,628,617	-	366,628,617	-
Buildings	32,042,833	-	32,042,833	-
Machinery and equipment	5,936,115	-	5,936,115	3,717,953
Less accumulated depreciation	(176,492,385)	-	(176,492,385)	(171,680)
Total Non-current Assets	414,668,601	-	414,668,601	3,546,273
Total Assets	642,094,991	1,334,648	643,429,639	10,450,038
Deferred Outflows of Resources				
Deferred charge on refunding	1,053,817	-	1,053,817	-
OPEB	296,507	-	296,507	15,249
Pension	840,854	-	840,854	44,697
Total Deferred Outflows of Resources	2,191,178	-	2,191,178	59,946
Current Liabilities				
Accounts payable and accrued expenses	13,174,436	640,837	13,815,273	538,154
Claims payable	-	-	-	499,228
Accrued interest payable	589,864	-	589,864	-
Customer deposits	4,227,745	-	4,227,745	-
Current portion of long-term liabilities:				
Compensated absences	265,164	-	265,164	-
Bonds and permanent improvement bonds payable	16,305,000	-	16,305,000	-
Total Current Liabilities	34,562,209	640,837	35,203,046	1,037,382

CITY OF PEARLAND, TEXAS
Statement of Net Position – Proprietary Funds (Continued)
Year Ended September 30, 2020

	Business -type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities Internal Service Fund
Noncurrent Liabilities				
Compensated absences	\$ 658,780	\$ -	\$ 658,780	\$ -
Total OPEB liability	1,140,383	-	1,140,383	20,081
Net pension liability	2,377,674	-	2,377,674	141,208
Bonds and permanent improvement bonds payable	339,407,729	-	339,407,729	-
Total Noncurrent Liabilities	343,584,566	-	343,584,566	161,289
Total Liabilities	378,146,775	640,837	378,787,612	1,198,671
Deferred Inflows of Resources				
OPEB	45,034	-	45,034	2,361
Pension	577,317	-	577,317	30,688
Total Deferred Inflows of Resources	622,351	-	622,351	33,049
Net Position				
Net investment in capital assets	213,081,451	-	213,081,451	3,546,273
Restricted for debt service	9,063,796	-	9,063,796	-
Restricted for capital projects	7,712,303	-	7,712,303	-
Unrestricted	35,659,493	693,811	36,353,304	5,731,991
Total Net Position	\$ 265,517,043	\$ 693,811	266,210,854	\$ 9,278,264
Adjustment to reflect the consolidation of internal services fund activities related to enterprise funds			2,661,858	
Net Position of Business-type Activities			\$ 268,872,712	

CITY OF PEARLAND, TEXAS
Statement of Revenues, Expenses and Changes
in Net Position – Proprietary Funds
Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities Internal Service Fund
Operating Revenues				
Charges for sales and services	\$ 54,710,109	\$ 7,754,993	\$ 62,465,102	\$ 14,167,108
Total Operating Revenues	<u>54,710,109</u>	<u>7,754,993</u>	<u>62,465,102</u>	<u>14,167,108</u>
Operating Expenses				
Personnel services	9,791,275	-	9,791,275	520,660
Supplies and materials	8,315,676	-	8,315,676	43,947
Contractual services	6,052,455	7,929,534	13,981,989	9,592,404
Repairs and maintenance	1,874,321	-	1,874,321	1,022,078
Other expenses	94,478	-	94,478	31,454
Depreciation and amortization	12,156,284	-	12,156,284	171,680
Total Operating Expenses	<u>38,284,489</u>	<u>7,929,534</u>	<u>46,214,023</u>	<u>11,382,223</u>
Operating Income (Loss)	<u>16,425,620</u>	<u>(174,541)</u>	<u>16,251,079</u>	<u>2,784,885</u>
Nonoperating Revenues (Expenses)				
Intergovernmental	225,376	-	225,376	27,746
Earnings on investments	1,272,277	4,408	1,276,685	42,970
Gain on sale of capital assets	-	-	-	155,709
Miscellaneous revenue (expense)	12,890	31	12,921	-
Debt issuance costs	(2,399,869)	-	(2,399,869)	-
Interest expenses	(5,123,887)	-	(5,123,887)	-
Net Nonoperating Revenues	<u>(6,013,213)</u>	<u>4,439</u>	<u>(6,008,774)</u>	<u>226,425</u>
Income Before Transfers and Capital Contributions	<u>10,412,407</u>	<u>(170,102)</u>	<u>10,242,305</u>	<u>3,011,310</u>
Capital contributions	1,455,767	-	1,455,767	-
Transfers in	250,000	-	250,000	-
Transfers out	(5,710,009)	-	(5,710,009)	-
Change in Net Position	<u>6,408,165</u>	<u>(170,102)</u>	<u>6,238,063</u>	<u>3,011,310</u>
Net Position, Beginning, as Previously Reported	<u>258,125,811</u>	<u>1,622,217</u>	<u>259,748,028</u>	<u>6,910,836</u>
Restatement: Error corrections	<u>983,067</u>	<u>(758,304)</u>	<u>224,763</u>	<u>(643,882)</u>
Net Position, Beginning, as Restated	<u>259,108,878</u>	<u>863,913</u>	<u>259,972,791</u>	<u>6,266,954</u>
Net Position, Ending	<u>\$ 265,517,043</u>	<u>\$ 693,811</u>	<u>\$ 266,210,854</u>	<u>\$ 9,278,264</u>
Reconciliation to government-wide statement of activities:				
Change in Net Position of enterprise funds			\$ 6,238,063	
Adjustment for the net effect of the current year activity between the internal service funds and the enterprise funds			<u>753,349</u>	
Change in Net Position of Business-type Activities			<u>\$ 6,991,412</u>	

CITY OF PEARLAND, TEXAS
Statement of Cash Flows – Proprietary Funds
Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 52,787,819	\$ 7,846,627	\$ 60,634,446	\$ -
Receipts from interfund charges for services	-	-	-	14,261,260
Payments to employees for salaries and benefits	(9,566,584)	-	(9,566,584)	(543,133)
Payments to suppliers and service providers	(9,284,616)	(7,961,884)	(17,246,500)	(10,274,732)
Net Cash Provided By (Used In) Operating Activities	33,936,619	(115,257)	33,821,362	3,443,395
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	250,000	-	250,000	-
Transfers to other funds	(5,710,009)	-	(5,710,009)	-
Receipt of amount due from other fund	2,750,000	-	2,750,000	-
Cash received from nonoperating revenues	238,266	31	238,297	27,746
Net Cash Provided By (Used In) Noncapital Financing Activities	(2,471,743)	31	(2,471,712)	27,746
Cash Flows from Capital and Related Financing Activities				
Acquisition and construction of capital assets	(50,036,678)	-	(50,036,678)	(2,637,853)
Proceeds from sale of assets	-	-	-	155,709
Proceeds from issuance of debt	116,104,085	-	116,104,085	-
Debt issuance costs	(2,399,869)	-	(2,399,869)	-
Principal paid on capital debt	(14,180,027)	-	(14,180,027)	-
Interest paid on capital debt	(4,861,350)	-	(4,861,350)	-
Net Cash Provided By (Used In) Capital and Related Financing Activities	44,626,161	-	44,626,161	(2,482,144)
Cash Flows from Investing Activities				
Interest on investments	1,272,277	4,408	1,276,685	42,970
Investment maturities	30,277,410	-	30,277,410	-
Net Cash Provided By Investing Activities	31,549,687	4,408	31,554,095	42,970
Increase (Decrease) in Cash and Cash Equivalents	107,640,724	(110,818)	107,529,906	1,031,967
Cash and Cash Equivalents, Beginning of Year	77,587,381	318,677	77,906,058	5,775,281
Cash and Cash Equivalents, End of Year	\$ 185,228,105	\$ 207,859	\$ 185,435,964	\$ 6,807,248
Reconciliation to the Statement of Net Position - Proprietary Funds				
Unrestricted cash and cash equivalents	\$ 14,009,018	\$ 207,859	\$ 14,216,877	\$ 6,807,248
Restricted cash and cash equivalents	171,219,087	-	171,219,087	-
	\$ 185,228,105	\$ 207,859	\$ 185,435,964	\$ 6,807,248

CITY OF PEARLAND, TEXAS
Statement of Cash Flows – Proprietary Funds (Continued)
Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Reconciliation of Operating Income to Net Cash Provided By (Used In) Operating Activities				
Operating income (loss)	\$ 16,425,620	\$ (174,541)	\$ 16,251,079	\$ 2,784,885
Items not requiring cash:				
Depreciation and amortization	12,156,284	-	12,156,284	171,680
Changes in:				
Receivables, net	(1,922,290)	91,634	(1,830,656)	94,152
Prepays	-	-	-	37,196
Inventories	-	-	-	144,737
Accounts payable and accrued liabilities	6,962,874	(32,350)	6,930,524	233,218
Deposits payable	89,440	-	89,440	-
Compensated absences	83,393	-	83,393	-
Total OPEB liability	321,989	-	321,989	(15,826)
Net pension liability	(1,180,162)	-	(1,180,162)	20,250
Deferred outflows - OPEB	(216,083)	-	(216,083)	(15,249)
Deferred inflows - OPEB	34,785	-	34,785	2,361
Deferred outflows - Pension	613,935	-	613,935	(44,697)
Deferred inflows - Pension	566,834	-	566,834	30,688
Net Cash Provided By (Used In) Operating Activities	\$ 33,936,619	\$ (115,257)	\$ 33,821,362	\$ 3,443,395
Summary of Non-cash Transactions				
Contributed capital assets	\$ 1,455,767	\$ -	\$ 1,455,767	\$ -
Capital asset acquisitions in accounts payable	10,701,039	-	10,701,039	-



CITY OF PEARLAND, TEXAS
Notes to Financial Statements
As of and For the Year Ended September 30, 2020

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) 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.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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.

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: Each of these units are presented as governmental fund types.

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.

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.

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

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 statement 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. Grant revenues are recognized when reimbursable expenditures are made, all other eligibility requirements imposed by the provider have been met, and the City receives reimbursement within one year of the current fiscal period. Other receipts become measurable and available when cash is received by the government and are recognized as revenue at that time.

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

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

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

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

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 *Pearland Economic Development Corporation*, a blended component unit, is a special revenue fund used to account for the revenues and expenditures associated with the half-cent sales tax for economic development approved by the voters in 1995. Use of the funds are governed by State Law.

The *Tax Increment Reinvestment Zone #2* fund is a special revenue fund 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. 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.

The *Development Authority of Pearland* fund, a blended component unit, is a special revenue fund used to account for the financing of the development of the TIRZ #2.

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, health claims, and motor pool. The Internal Service Funds is included in governmental activities for government-wide reporting purposes.

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

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

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

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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.

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 OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 two 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.

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.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 7% 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 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.

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.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 Prepays

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

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

Infrastructure	10-50
Water and sewer system	30-50
Buildings and improvements	10-45
Machinery and equipment	3-15
Furniture and fixtures	3-10
Intangible Assets - Contractual 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 1-15 years of service, 20 days per year for service of 16-19 years, and 25 days per year for service

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 one 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.

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 includes a separate section for deferred outflows of resources. 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 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.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

- 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) changes in actuarial assumptions; 2) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The 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 postemployment 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.

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 three 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 from 1) differences between projected and actual earnings on pension plan investments and 2) 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.
- Deferred inflows of resources for OPEB – Reported in the government-wide financial statement of net position, these deferred inflows result from 1) differences between expected and actual experience and 2) changes in actuarial assumptions. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with OPEB through the OPEB plans.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 Postemployment Benefits (OPEB) – Retiree Health Care

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*.

T. Other Postemployment Benefits (OPEB) – TMRS Supplemental Death Benefits

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.

U. New Accounting Standards

The following standards have been issued, but have not been implemented as not yet effective.

GASB Statement No. 84, *Fiduciary Activities*. This statement establishes standards of accounting and financial reporting for fiduciary activities.

GASB Statement No. 87, *Leases*. This statement establishes standards of accounting and financial reporting for leases by lessees and lessors.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement establishes accounting requirements for interest cost incurred before the end of a construction period.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
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GASB Statement No. 90, *Majority Equity Interests*. This statement is an amendment of GASB Statements No. 14 and No. 6, will improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

GASB Statement No. 91, *Conduit Debt Obligations*. This statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures.

GASB Statement No. 92, *Omnibus 2020*. This statement will enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

GASB Statement No. 93, *Replacement of Interbank Offered Rates*. This statement will address those and other accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The objectives of this statement are to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The City has not fully determined the effects that implementation of these statements will have on the City's financial statements.

Note 2 – Deposits (Cash) and Investments

Authorization for Deposits and Investments

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

In accordance with applicable statutes, the City has a depository contract with an area bank (depository) providing for interest rates to be earned on deposited funds and for banking charges the City incurs for banking services received. The City may place funds with the depository in interest and non-interest-bearing accounts. State law provides that collateral pledged as security

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

for bank deposits must have a market value of not less than the amount of the deposits and must consist of: (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies; (3) other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas; and/or (4) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent. City policy requires the collateralization level to be at least 102% of market value of principal and accrued interest.

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

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:

	Total Cash and Investments
Cash	\$ 250,001,149
Temporary Investments	
Texas CLASS	92,111,109
TexSTAR	12,776,917
FAMC discount note	3,056,159
FHLMC discount note	1,008,468
FNMA discount note	1,004,049
Certificates of deposit	13,875,058
	<u>\$ 373,832,909</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

At September 30, 2020, the City's cash deposits were covered by federal depository insurance and by pledged collateral held by the City's agent in the City's name.

Agency securities are valued based on quoted market prices. Certificates of deposit are stated at amortized cost. 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:

Interest income	\$ 2,777,722
Net unrealized gain on temporary investments	124,842
	<u>\$ 2,902,564</u>

The City's investments' fair value measurements are as follows at September 30, 2020:

	Fair Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level:				
U.S. agencies	\$ 5,068,676	\$ -	\$ 5,068,676	\$ -

The City's investments in government pools include deposits in TexSTAR and Texas CLASS. These pools operate similarly to money market funds and each share is equal in value to \$1.00. The value of the pool is equal to the value of the pool shares.

TexSTAR was created in April 2003 pursuant to the Interlocal Cooperation Act of the State of Texas, chapter 791 of the Texas Government Code and the Public Funds Investment Act, chapter 2256 of the Texas Government Code. TexSTAR policies require that local government deposits be used to purchase investments authorized by the Texas Public Funds Investment Act. The State Comptroller of Public Accounts exercises responsibility over TexSTAR. TexSTAR is administered by Hilltop Securities, Inc. and J.P. Morgan Investment Management. J.P. Morgan Investment Management, Inc. provides investment advisory services.

The Texas Cooperative Liquid Assets Securities System Trust (Texas CLASS) was created as a local government investment pool (LGIP) pursuant to Section 2256.016 of the Public Funds Investment Act, Texas Government Code (PFIA). Per state code, entities may pool any of their funds, or funds under their control, to preserve principal, maintain the liquidity of the funds, and maximize yield. The Texas CLASS Trust Agreement is an agreement of indefinite term regarding the investment, reinvestment, and withdrawal of local government funds. The parties to the Trust Agreement are Texas local government entities that choose to participate in the Trust (the Participants), Public Trust Advisors, LLC (Public Trust) as Program Administrator, and Wells Fargo Bank Texas, N.A. as Custodian. The investment pools do not have any limitations or restrictions on withdrawals, such as notice periods or maximum transaction amounts, and do not impose any liquidity or redemption gates.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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>Investments</u>	<u>Weighted Average Maturity (days)</u>
Temporary Investments		
Texas CLASS	\$ 92,111,109	55
TexSTAR	12,776,917	45
FAMC discount note	3,056,159	354
FHLMC discount note	1,008,468	316
FNMA discount note	1,004,049	89
Certificates of deposit	13,875,058	288
	<u>\$ 123,831,760</u>	
Portfolio weighted average maturity		<u>90</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 90 days.

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

Concentration of Credit Risk

With the exception of U.S. Treasury Securities and interest-bearing checking accounts that are fully collateralized, no more than 75% of the City's total investment portfolio will be invested in a single security type.

	<u>Investments</u>	<u>Percentage of Total Investment Portfolio</u>
Temporary Investments		
Texas CLASS	\$ 92,111,109	74%
TexSTAR	12,776,917	10%
FAMC discount note	3,056,159	2%
FHLMC discount note	1,008,468	1%
FNMA discount note	1,004,049	1%
Certificates of deposit	13,875,058	11%
	<u>\$ 123,831,760</u>	<u>100%</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
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Credit Risk

Federal Agricultural Mortgage Corporation, Federal Home Loan Mortgage Corporation, and the Federal National Mortgage Association discount notes were rated AA+ by Standard & Poor's 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. TexSTAR and Texas CLASS are both rated AAAM by S&P Global Ratings.

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.

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	\$ 9,580,364
Customer deposits	3,978,479
Capital improvements	165,674,944
Total	<u>\$ 179,233,787</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Note 3 – Receivables

Receivables at September 30, 2020, consisted of the following:

Primary Government:

Governmental Funds:

	General Fund	Debt Service Fund	Capital Projects Fund	Pearland Economic Development Fund	Tax Increment Reinvestment Zone #2	Non-Major Governmental Funds	Total
Receivables							
Property taxes, including penalties and interest	\$ 494,045	\$ 782,560	\$ -	\$ -	\$ -	\$ -	\$ 1,276,605
Lease receivable	-	5,974,626	-	-	-	-	5,974,626
Sales and other taxes	5,233,217	-	-	1,959,041	-	235,117	7,427,375
Interest	4,486	-	27,360	12,906	-	-	44,752
Grants	4,086,381	-	6,167,658	-	-	498,870	10,752,909
Other	1,183,783	-	2,622,513	2,911,765	89,401	1,506,839	8,314,301
Gross receivable	11,001,912	6,757,186	8,817,531	4,883,712	89,401	2,240,826	33,790,568
Less allowance for uncollectibles	(13,575)	(20,204)	-	-	-	-	(33,779)
Net receivable	<u>\$ 10,988,337</u>	<u>\$ 6,736,982</u>	<u>\$ 8,817,531</u>	<u>\$ 4,883,712</u>	<u>\$ 89,401</u>	<u>\$ 2,240,826</u>	<u>\$ 33,756,789</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:

	Unavailable	Unearned
Delinquent property taxes receivable - general fund	\$ 477,761	\$ -
Delinquent property taxes receivable - debt service fund	758,067	-
Lease revenues - principal	5,550,814	-
Street assessments	1,486,878	-
Other	2,865,643	1,622,513
Lease interest revenues	-	423,812
Grants and revenue prior to meeting all eligibility requirements	-	317,608
	<u>\$ 11,139,163</u>	<u>\$ 2,363,933</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Proprietary Funds:

	<u>Business-type Activities - Enterprise Funds</u>			<u>Governmental</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>	<u>Activities Internal Service Fund</u>
Receivables:				
Customer accounts				
Billed	\$ 3,874,899	\$ 732,312	\$ 3,278,852	\$ 8,069
Unbilled	11,552,573	596,047	12,148,620	-
Interest	27,215	-	27,215	-
Allowance for uncollectibles	(604,752)	(201,570)	(806,322)	-
	<u>\$ 14,849,935</u>	<u>\$ 1,126,789</u>	<u>\$ 14,648,365</u>	<u>\$ 8,069</u>

City utility customers are billed on the basis of monthly cycle billings. At fiscal year-end, the City accrues estimated unbilled revenues for water and sewer services and solid waste services provided before the period ended September 30, to be billed after year-end.

Property Taxes

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

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Note 4 – Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2020, follows:

	Beginning Balance, as Restated	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 31,165,735	\$ -	\$ 46,663	\$ -	\$ 31,212,398
Construction in progress	145,667,477	36,370,904	-	(19,730,777)	162,307,604
Total capital assets, not being depreciated	176,833,212	36,370,904	46,663	(19,730,777)	193,520,002
Capital assets, being depreciated:					
Infrastructure	1,035,600,379	7,148,296	538,892	6,877,917	1,050,165,484
Buildings and improvements	110,466,005	149,773	(161,327)	12,852,860	123,307,311
Machinery and equipment	24,313,221	3,277,442	(130,077)	-	27,460,586
Furniture and fixtures	8,254,672	454,043	45,662	-	8,754,377
Total capital assets, being depreciated	1,178,634,277	11,029,554	293,150	19,730,777	1,209,687,758
Less accumulated depreciation:					
Infrastructure	(431,430,551)	(35,179,663)	-	-	(466,610,214)
Buildings and improvements	(45,319,707)	(4,259,215)	1,386,961	-	(48,191,961)
Machinery and equipment	(16,361,881)	(1,937,667)	-	-	(18,299,548)
Furniture and fixtures	(6,149,297)	(707,600)	-	-	(6,856,897)
Total accumulated depreciation	(499,261,436)	(42,084,145)	1,386,961	-	(539,958,620)
Total capital assets being depreciated, net	679,372,841	(31,054,591)	1,680,111	19,730,777	669,729,138
Governmental activities capital assets, net	\$ 856,206,053	\$ 5,316,313	\$ 1,726,774	\$ -	\$ 863,249,140

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

	Beginning Balance, as Restated	Increases	Decreases	Transfers	Ending Balance
Capital assets, not being depreciated:					
Land	\$ 3,796,382	\$ -	\$ -	\$ -	\$ 3,796,382
Construction in progress	99,067,878	49,394,409	-	(216,676)	148,245,611
Total capital assets, not being depreciated	<u>102,864,260</u>	<u>49,394,409</u>	<u>-</u>	<u>(216,676)</u>	<u>152,041,993</u>
Capital assets, being depreciated:					
Water and sewer system	364,431,770	1,455,766	524,405	216,676	366,628,617
Buildings and improvements	32,268,698	-	(225,865)	-	32,042,833
Machinery and equipment	5,678,502	399,406	(294,843)	-	5,783,065
Furniture and fixtures	127,521	25,529	-	-	153,050
Contractual water rights	34,511,428	-	-	-	34,511,428
Total capital assets, being depreciated	<u>437,017,919</u>	<u>1,880,701</u>	<u>3,697</u>	<u>216,676</u>	<u>439,118,993</u>
Less accumulated depreciation:					
Water and sewer system	(136,280,342)	(9,577,880)	39,587	-	(145,818,635)
Buildings and improvements	(8,486,168)	(735,070)	11,063	-	(9,210,175)
Machinery and equipment	(4,230,445)	(464,511)	278,326	-	(4,416,630)
Furniture and fixtures	(117,129)	(3,754)	-	-	(120,883)
Contractual water rights	(15,550,993)	(1,375,069)	-	-	(16,926,062)
Total accumulated depreciation	<u>(164,665,077)</u>	<u>(12,156,284)</u>	<u>328,976</u>	<u>-</u>	<u>(176,492,385)</u>
Total capital assets being depreciated, net	<u>272,352,842</u>	<u>(10,275,583)</u>	<u>332,673</u>	<u>216,676</u>	<u>262,626,608</u>
Business-type activities capital assets, net	<u>\$ 375,217,102</u>	<u>\$ 39,118,826</u>	<u>\$ 332,673</u>	<u>\$ -</u>	<u>\$ 414,668,601</u>

Depreciation was charged to programs as follows:

Governmental activities:	
General government	\$ 2,160,220
Public safety	1,927,366
Public works	34,576,207
Community services	176,494
Parks and recreation	3,243,858
	<u>42,084,145</u>
Business-type activities:	
Water and sewer	<u>12,156,284</u>
Total depreciation expense, primary government	<u>\$ 54,240,429</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

The City had active construction projects as of September 30, 2020. The projects included various improvements to streets, drainage and facilities 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
Governmental activities:			
Drainage Improvement	\$ 90,715,526	\$ 11,108,304	\$ 79,607,222
Building Improvements	214,170,861	36,640,202	177,530,659
Street Improvement	387,933,332	99,113,132	288,820,200
Park Improvements	81,402,016	15,445,967	65,956,049
Total governmental activities	774,221,735	162,307,604	611,914,131
Business-type activities:			
Water and Sewer Improvements	620,109,555	148,245,611	471,863,944
Total business-type activities	620,109,555	148,245,611	471,863,944
Total Primary Government	\$ 1,394,331,290	\$ 310,553,215	\$ 1,083,778,075

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 Permanent Improvement Bonds, Series 2020 were issued in August 2020 in the amount of \$15,310,000 for construction and improvements to City streets, construction and improvements to City parks, construction and improvements to City facilities, and construction of a fire training facility. The bonds bear interest from 3.00% to 5.00% and are due in annual installments ranging from \$765,000 to \$770,000 through March 1, 2040.

The Certificates of Obligation, Series 2020A were issued in August 2020 in the amount of \$8,540,000 for construction and improvements to certain streets, roads and intersection within the City, certain improvements to Fire Station #4 within the City, construction and improvements to facilities for the Orange Street Service Center, certain improvements to the City Hall Annex within the City, and certain improvements to the generator system for the Public Safety Building within the City. The bonds bear interest from 3.00% to 5.00% and are due in annual installments ranging from \$425,000 to \$430,000 through March 1, 2040.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

The Certificates of Obligation, Series 2020B were issued in August 2020 in the amount of \$9,575,000 for construction and improvements to certain streets, roads and intersection within the City, certain improvements to Fire Station #4 within the City, construction and improvements to facilities for the Orange Street Service Center, certain improvements to the City Hall Annex within the City, and certain improvements to the generator system for the Public Safety Building within the City. The bonds bear interest from 3.00% to 5.00% and are due in annual installments ranging from \$425,000 to \$430,000 through March 1, 2040.

The Tax Increment Contract Revenue Bonds, Series 2019 were issued in November 2019 in the amount of \$4,255,000 for developer reimbursements of TIRZ infrastructure improvements. The bonds bear interest from 3.00% to 5.00% and are due in annual installments ranging from \$275,000 to \$480,000 through September 1, 2029.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2020. 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.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due in One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 269,520,000	\$ 15,310,000	\$ (16,150,000)	\$ 268,680,000	\$ 18,230,000
Certificates of obligation	51,620,000	18,115,000	(3,330,000)	66,405,000	2,800,000
Sales tax revenue bonds	1,750,000	-	(250,000)	1,500,000	250,000
Tax increment revenue bonds	83,315,000	4,255,000	(7,625,000)	79,945,000	7,960,000
Unamortized discount/premium	26,638,743	6,897,046	(3,573,113)	29,962,676	-
Total bonds payable	432,843,743	44,577,046	(30,928,113)	446,492,676	29,240,000
Other liabilities:					
Obligations under capital lease	761,031	221,261	(441,444)	540,848	286,560
Compensated absences	7,278,527	8,587,055	(7,254,209)	8,611,373	2,479,726
Total governmental activities long-term liabilities	\$ 440,883,301	\$ 53,385,362	\$ (38,623,766)	\$ 455,644,897	\$ 32,006,286

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)
As of and For the Year Ended September 30, 2020

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2020, follows:

	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Permanent Improvement Bonds, Series 2011	\$ 5,400,000	2036	2.125-4.125	\$ 4,055,000
Permanent Improvement Refunding Bonds, Series 2012	43,575,000	2029	3.00-5.00	30,210,000
Permanent Improvement Bonds, Series 2013	9,315,000	2038	3.00-4.625	7,200,000
Permanent Improvement & Refunding Bonds, Series 2014	40,410,000	2034	2.00-5.00	32,485,000
Permanent Improvement Refunding Bonds, Series 2015	47,165,000	2032	2.00-5.00	40,185,000
Permanent Improvement Bonds, Series 2015	8,495,000	2035	2.00-4.00	6,370,000
Permanent Improvement Refunding Bonds, Series 2015A	10,210,000	2029	2.00-3.00	6,170,000
Permanent Improvement & Refunding Bonds, Series 2016A	33,275,000	2036	2.00-5.00	29,825,000
Permanent Improvement Refunding Bonds, Series 2016B	29,840,000	2031	2.00-5.00	22,325,000
Permanent Improvement & Refunding Bonds, Series 2017	59,600,000	2037	2.00-5.00	52,650,000
Permanent Improvement Bonds, Series 2018	7,440,000	2038	2.00-5.00	6,690,000
Permanent Improvement & Refunding Bonds, Series 2019	15,755,000	2039	4.00-5.00	15,205,000
Permanent Improvement Bonds, Series 2020	15,310,000	2040	3.00-5.00	15,310,000
				<u>\$ 268,680,000</u>
Certificates Of Obligation				
Certificates of Obligation, Series 2011	\$ 2,095,000	2021	2.09	\$ 210,000
Certificates of Obligation, Series 2013	2,745,000	2038	3.00-4.625	2,140,000
Certificates of Obligation, Series 2014	4,625,000	2034	2.00-4.00	3,240,000
Certificates of Obligation, Series 2015	4,860,000	2035	2.00-4.00	3,640,000
Certificates of Obligation, Series 2016	13,995,000	2036	2.00-4.00	11,195,000
Certificates of Obligation, Series 2017	6,205,000	2037	2.00-4.00	5,270,000
Certificates of Obligation, Series 2018	7,085,000	2038	2.00-5.00	6,375,000
Certificates of Obligation, Series 2019A	4,465,000	2039	3.00-4.00	4,240,000
Certificates of Obligation, Series 2019B	11,980,000	2030	5.00	11,980,000
Certificates of Obligation, Series 2020A	8,540,000	2040	3.00-5.00	8,540,000
Certificates of Obligation, Series 2020B	9,575,000	2030	5.00	9,575,000
				<u>\$ 66,405,000</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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, 2020, is as follows:

	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Pearland Economic Development Corporation				
Sales Tax Revenue Refunding Bonds, Series 2016	\$ 14,640,000	2026	2.36	<u>\$ 1,500,000</u>
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2013	\$ 9,150,000	2029	3.77	6,320,000
Tax Increment Revenue Bonds, Series 2014	8,060,000	2029	2.72	4,925,000
Tax Increment Revenue Bonds, Series 2015	66,030,000	2029	3.00	43,945,000
Tax Increment Revenue Bonds, Series 2016	12,320,000	2029	2.22	9,045,000
Tax Increment Revenue Bonds, Series 2017	8,555,000	2029	2.30	6,755,000
Tax Increment Revenue Bonds, Series 2018	5,835,000	2029	3.41	4,975,000
Tax Increment Revenue Bonds, Series 2019	4,255,000	2029	1.91	3,980,000
				<u>\$ 79,945,000</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, 2020, the City did not have any previously refunded bonds outstanding or outstanding refunding escrows.

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:

Fiscal Year	Obligations
2021	\$ 286,561
2022	199,090
2023	<u>72,362</u>
Total	558,013
Less: Interest	<u>(17,165)</u>
Obligations under capital leases	<u>\$ 540,848</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2020, were as follows:

Fiscal Year	Governmental Activities			
	General Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2021	\$ 18,230,000	\$ 11,072,990	\$ 2,800,000	\$ 2,673,635
2022	19,000,000	10,262,993	2,590,000	2,552,532
2023	19,650,000	9,418,644	2,580,000	2,476,670
2024	20,265,000	8,500,031	2,585,000	2,394,307
2025	21,055,000	7,557,118	2,600,000	2,303,107
2026-2030	107,605,000	23,184,135	34,570,000	9,497,085
2031-2035	52,050,000	6,003,747	12,840,000	2,209,800
2036-2040	10,825,000	669,866	5,840,000	364,644
	<u>\$ 268,680,000</u>	<u>\$ 76,669,524</u>	<u>\$ 66,405,000</u>	<u>\$ 24,471,780</u>

The annual requirements to amortize blended component unit revenue bonds outstanding at September 30, 2020, were as follows:

Fiscal Year	Governmental Activities			
	Sales Tax Revenue Bonds		Tax Increment Revenue Bonds	
	Principal	Interest	Principal	Interest
2021	\$ 250,000	\$ 35,400	\$ 7,960,000	\$ 2,178,147
2022	250,000	29,500	8,175,000	1,963,337
2023	250,000	23,600	8,400,000	1,739,935
2024	250,000	17,700	8,625,000	1,512,321
2025	250,000	11,800	8,860,000	1,278,087
2026-2030	250,000	5,900	37,925,000	2,630,177
	<u>\$ 1,500,000</u>	<u>\$ 123,900</u>	<u>\$ 79,945,000</u>	<u>\$ 11,302,004</u>

B. Business-type Activity Debt

The Water and Sewer System Revenue Bonds, Series 2020A were issued in August 2020 in the amount of \$107,600,000. The bonds bear interest from 0.00% to 0.63%, due to the Texas Water Development Board subsidy and are due in annual installments ranging from \$3,585,000 to \$3,590,000 through September 1, 2050.

The Water and Sewer System Revenue & Refunding Bonds, Series 2019B were issued in August 2020 in the amount of \$7,190,000. The bonds bear interest from 2.00% to 5.00% and are due in annual installments ranging from \$355,000 to \$360,000 through September 1, 2040. Proceeds of the bonds will be used for waterworks and sanitary sewer system improvements.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2020.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due in One Year
Business-type Activities					
Bonds payable:					
Permanent Improvement Bonds	\$ 4,480,000	\$ -	\$ (370,000)	\$ 4,110,000	\$ 370,000
Water and sewer revenue bonds	232,415,000	114,790,000	(11,770,000)	335,435,000	15,935,000
Unamortized discount/premium	16,807,539	1,314,085	(1,953,895)	16,167,729	-
Total bonds payable	253,702,539	116,104,085	(14,093,895)	355,712,729	16,305,000
Other liabilities:					
Obligations under capital lease	86,166	-	(86,166)	-	-
Compensated absences	840,551	921,170	(837,743)	923,978	265,164
Total business-type activities long-term liabilities	\$ 254,629,256	\$ 117,025,255	\$ (15,017,804)	\$ 356,636,707	\$ 16,570,164

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.

A summary of the terms of revenue bonds and permanent improvement bonds recorded in the Enterprise Funds as of September 30, 2020, is as follows:

	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Water and Wastewater Fund				
Permanent Improvement Refunding Bonds, Series 2012	\$ 6,230,000	2029	3.00-5.00	<u>\$ 4,110,000</u>
Water & Sewer System Revenue & Refunding Bonds, Series 2012	8,670,000	2037	2.00-3.625	4,260,000
Water & Sewer System Revenue Bonds, Series 2014	9,210,000	2039	2.00-4.00	7,965,000
Water & Sewer System Revenue Bonds, Series 2016A	8,880,000	2036	2.00-4.00	7,100,000
Water & Sewer System Revenue Bonds, Series 2016B	11,100,000	2025	0.00-0.32	6,170,000
Water & Sewer System Revenue Bonds, Series 2016C	50,100,000	2045	0.00-1.12	42,660,000
Water & Sewer System Revenue Bonds, Series 2017A	10,225,000	2027	0.00-1.29	7,200,000
Water & Sewer System Revenue Bonds, Series 2017B	12,025,000	2047	0.00-2.10	11,005,000
Water & Sewer System Revenue & Refunding Bonds, Series 2017C	60,970,000	2037	2.00-5.00	54,940,000
Water & Sewer System Revenue Bonds, Series 2018A	8,650,000	2048	0.47-2.07	8,070,000
Water & Sewer System Revenue Bonds, Series 2018B	19,050,000	2038	2.00-5.00	17,140,000
Water & Sewer System Revenue Bonds, Series 2019A	21,000,000	2049	0.00-1.14	20,300,000
Water & Sewer System Revenue & Refunding Bonds, Series 2019B	34,590,000	2039	4.00-5.00	33,835,000
Water & Sewer System Revenue Bonds, Series 2020A	107,600,000	2050	0.00-0.63	107,600,000
Water & Sewer System Revenue Bonds, Series 2020B	7,190,000	2040	2.00-5.00	7,190,000
				<u>\$ 335,435,000</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

The annual requirements to amortize Enterprise Fund revenue bonds and permanent improvement bonds outstanding at September 30, 2020, were as follows:

Fiscal Year	Revenue Bonds		Business-Type Activities Permanent Improvement bonds	
	Principal	Interest	Principal	Interest
2021	\$ 15,935,000	\$ 6,866,821	\$ 370,000	\$ 142,200
2022	16,025,000	6,538,918	385,000	127,100
2023	16,860,000	6,210,361	395,000	111,500
2024	16,060,000	5,838,354	1,480,000	74,000
2025	16,330,000	5,500,311	1,480,000	22,200
2026-2030	84,220,000	20,917,723	-	-
2031-2035	68,080,000	10,190,108	-	-
2036-2040	45,555,000	4,151,403	-	-
2041-2045	33,760,000	1,804,649	-	-
2046-2050	22,610,000	474,165	-	-
	<u>\$ 335,435,000</u>	<u>\$ 68,492,813</u>	<u>\$ 4,110,000</u>	<u>\$ 477,000</u>

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, 2020, is as follows:

	Transfers in	Transfers out
General Fund	\$ 4,949,456	\$ 1,950,568
Debt Service Fund	2,066,739	-
Capital Projects Fund	2,000,663	1,402,310
Pearland Economic Development Corporation	-	172,979
Tax Increment Reinvestment Zone #2	-	22,544,542
Development Authority of Pearland	22,544,542	-
Other Governmental Funds	-	30,992
Water and Sewer Fund	250,000	5,710,009
	<u>\$ 31,811,400</u>	<u>\$ 31,811,400</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 \$648,426

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 and trustee. 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 888 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 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.

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Notes to Financial Statements (Continued)
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A summary of plan provisions for the City are as follows:

	Plan Year 2019	Plan Year 2018
Employee deposit rate	7.00%	7.00%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	255
Inactive employees entitled to but not yet receiving benefits	315
Active employees	<u>713</u>
Total	<u><u>1,283</u></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 2019, the City's contribution rate was 13.30% for the months in 2019 and 13.14% for the months in 2020. The City's contributions to TMRS for the year ended September 30, 2020 were \$6,818,604 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the 4-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The postretirement mortality assumption for Annuity Purchase Rates (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the plan's actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive).

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

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Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global equity	30.00%	5.30%
Core fixed income	10.00%	1.25%
Non-core fixed income	20.00%	4.14%
Real return	10.00%	3.85%
Real estate	10.00%	4.00%
Absolute return	10.00%	3.48%
Private equity	10.00%	7.75%
Total	100.00%	

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 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 active and inactive employees. 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

	TPL (a)	Plan Fiduciary Net Position (b)	NPL (a) - (b)
Balances at October 1, 2019	\$ 158,296,499	\$ 127,961,360	\$ 30,335,139
Changes for the year:			
Service cost	8,361,735	-	8,361,735
Interest	10,784,493	-	10,784,493
Difference between expected and actual experience	249,817	-	249,817
Changes of assumptions	952,323	-	952,323
Contributions – employer	-	6,543,589	(6,543,589)
Contributions – employee	-	3,439,022	(3,439,022)
Net investment income	-	19,805,631	(19,805,631)
Benefit payments, including refunds of employee contributions	(5,414,199)	(5,414,199)	-
Administrative expenses	-	(111,780)	111,780
Other changes	-	(3,358)	3,358
Net changes	14,934,169	24,258,905	(9,324,736)
Balances at September 30, 2020	\$ 173,230,668	\$ 152,220,265	\$ 21,010,403

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:

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

	1% Decrease (5.75%)	Current Single Rate Assumption (6.75%)	1% Increase (7.75%)
Net Pension Liability (Asset)	\$ 51,107,984	\$ 21,010,403	\$ (3,120,452)

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.tmrs.com.

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

For the year ended September 30, 2020, the City recognized pension expense of \$7,747,278.

At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 660,429	\$ -
Changes in actuarial assumptions	776,293	33,630
Difference between projected and actual pension plan investment earnings	-	4,532,830
Contributions subsequent to the measurement date	<u>5,214,266</u>	<u>-</u>
Total	<u>\$ 6,650,988</u>	<u>\$ 4,566,460</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$5,214,266 will be recognized as a reduction of the net pension liability for the measurement year ended December 31, 2020 (*i.e.* recognized in the City's financial statements September 30, 2021). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending September 30,

2021	\$ (770,391)
2022	(926,405)
2023	482,824
2024	(2,006,871)
2025	91,105
Total	<u>\$ (3,129,738)</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Note 10 – Other Postemployment Benefits

The City offers two other postemployment benefit (OPEB) plans; the Retiree Health Care Plan and the TMRS-Supplemental Death Benefits Fund as discussed below. OPEB items for the two plans are as follows.

	TMRS - Supplemental Death Benefits Fund	Retiree Health Care Plan	Total
Total OPEB Liability	\$ 1,550,183	\$ 6,074,955	\$ 7,625,138
Deferred outflows of resources	409,591	1,406,264	1,815,855
Deferred inflows of resources	264,466	66,204	330,670
OPEB expense	155,063	734,119	889,182

TMRS Supplemental Death Benefits Fund

Benefit Plan Description

The City also participates in the single-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 another postemployment 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, 2019 was as follows:

Inactive employees currently receiving benefits	188
Inactive employees entitled to but not yet receiving benefits	100
Active employees	713
	<u>1,001</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

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 2.75% based on the 20-Year Municipal GO AA Index rate published by bondbuyer.com is used as of the measurement date of December 31, 2019.

Actuarial Assumptions

The City's total OPEB liability was measured at December 31, 2019 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

Valuation Date:	December 31, 2019
Methods and Assumptions:	
Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate:	2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.
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:	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees:	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance as of October 1, 2019	<u>\$ 1,376,976</u>
Changes for the year:	
Service cost	73,693
Interest on total OPEB liability	52,362
Differences between expected and actual experience	(224,466)
Change of assumptions	276,531
Benefit payments	(4,913)
Balance as of September 30, 2020	<u><u>\$ 1,550,183</u></u>

Sensitivity Analysis

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.75%, 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 (1.75%) or 1-percentage-point higher (3.75%) 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 in Discount Rate (1.75%)	Current Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	\$ 1,923,361	\$ 1,550,183	\$ 1,265,055

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$155,063. As of September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 103,652	\$ 192,445
Changes of assumptions	301,971	72,021
Benefit payments subsequent to the measurement date	3,968	-
Total	<u><u>\$ 409,591</u></u>	<u><u>\$ 264,466</u></u>

The \$3,968 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, 2021. Amounts currently reported as deferred

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
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outflows and deferred inflows of resources related to OPEB, excluding contributions subsequent to the measurement date, will be recognized in OPEB expense as follows:

Year Ending September 30

2021	\$	29,008
2022		29,008
2023		29,008
2024		29,008
2025		16,461
Thereafter		8,664
	<u>\$</u>	<u>141,157</u>

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 October 1, 2019, the actuarial valuation date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	-
Active employees	687
Total	<u>693</u>

Total OPEB Liability

The City's total OPEB liability of \$6,074,955 was measured as of September 30, 2020, and was determined by an actuarial valuation as of October 1, 2019.

Actuarial assumptions and methods

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

Valuation Date: October 1, 2019

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Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Measurement Date:	September 30, 2020
Methods and Assumptions:	
Discount Rate:	2.14% per annum, which includes inflation
Inflation:	2.25% per annum
Salary Increases:	3.00% average which includes inflation
Healthcare cost trend rates:	11.87% initial medical trend rate for retirees decreasing to an ultimate rate of 4.60% in the year 2041

Mortality rates were updated and are based upon the sex distinct PUB-210 headcount weighted mortality improvement scale MP-2019.

Discount Rate

The discount rate of 2.14% 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:

	Total OPEB Liability
Balance as of October 1, 2019	<u>\$ 4,415,018</u>
Changes for the year:	
Service cost	364,519
Interest on total OPEB liability	167,755
Differences between expected and actual experience	(74,479)
Change of assumptions	1,240,492
Benefit payments	(38,350)
Balance as of September 30, 2020	<u><u>\$ 6,074,955</u></u>

Assumption Changes. For the fiscal year ended September 30, 2020, the discount rate was decreased from 3.58% to 2.14%, the mortality table has been updated to use the new PUB-2010 tables recently published by the Society of Actuaries, and update the per capita costs and how these costs escalate in the future using recent experience.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 2.14%, as well as what the plan's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.14%) or 1-percentage-point higher (3.14%) than the current rate:

	1% Decrease in Discount Rate (1.14%)	Current Discount Rate (2.14%)	1% Increase in Discount Rate (3.14%)
Total OPEB liability	\$ 6,488,377	\$ 6,074,955	\$ 5,244,272

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 1-percentage-point lower (10.87%) or 1-percentage-point higher (12.87%) than the current rate:

	1% Decrease (10.87%)	Current Healthcare Cost Trend Rates Assumption (11.87%)	1% Increase (12.87%)
Total OPEB liability	\$ 4,898,971	\$ 6,074,955	\$ 6,990,479

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$734,119. At September 30, 2020, 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
Difference between expected and actual experience	\$ 206,761	\$ 66,204
Changes of assumptions	1,199,503	-
	<u>\$ 1,406,264</u>	<u>\$ 66,204</u>

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

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
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Year Ending September 30

2021	\$	201,845
2022		201,845
2023		201,845
2024		201,846
2025		144,008
Thereafter		388,671
Total	<u>\$</u>	<u>1,340,060</u>

Note 11 – Fund Balance Classifications

In accordance with the guidance in GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City has classified ending fund balance based on the availability of funds for expenditure on programs and services. As of September 30, 2020, the following balances were reported in the governmental fund balances:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	<u>Unassigned</u>
Prepays	\$ 28,271	\$ -	\$ -	\$ -
General obligation bonds	-	6,162,589	-	-
Capital projects	-	73,198,902	-	-
Economic development	-	37,188,502	-	-
TIRZ development	-	6,879,866	-	-
Tourism	-	5,569,343	-	-
Court security	-	38,362	-	-
Public safety	-	142,762	-	-
Court technology	-	6,356	-	-
Parks and recreation	-	536,959	-	-
Law enforcement (seized funds)	-	278,591	-	-
Park development	-	1,144,452	-	-
Sidewalks	-	46,630	-	-
Federal, state and local grants	-	153,874	-	-
Traffic improvements	-	617,931	-	-
Juvenile case management	-	25,116	-	-
Public-access television broadcasting	-	988,000	-	-
Subsequent year's budget	-	-	648,426	-
Unassigned	-	-	-	28,372,301
	<u>\$ 28,271</u>	<u>\$ 132,978,235</u>	<u>\$ 648,426</u>	<u>\$ 28,372,301</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Note 12 – Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2020. 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.

Current Incentives	Original Amount	Amounts Paid		Outstanding Balance
		Prior Years	Current Year	
Adient Medical	\$ 40,000	\$ 10,000	\$ 10,000	\$ 20,000
Base Pair 2017	60,000	45,000	-	15,000
Endress+Hauser	525,000	-	-	525,000
Graham Ventures - Code Ninja	638,000	-	-	638,000
H-Town HealthCare	70,000	-	17,500	52,500
Keystone	189,000	-	-	189,000
KS Management-Grant	2,663,000	1,479,450	295,890	887,660
KS Management-Sales Tax	600,000	104,275	22,750	472,975
Lonza Phase 1	600,000	300,000	300,000	-
Lonza Phase 2	750,000	-	-	750,000
MHI	250,000	-	250,000	-
Multalloy (FloWorks Intl/Shale-Inland)	350,000	210,000	-	140,000
Ref-Chem	880,000	-	-	880,000
Tool Flo	1,152,000	748,000	-	404,000
Wilmar	116,000	-	-	116,000
	<u>\$ 8,883,000</u>	<u>\$ 2,896,725</u>	<u>\$ 896,140</u>	<u>\$ 5,090,135</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 (LKMD) and Pearland Municipal Management District #1 (PMMD#1) (collectively the "Districts") 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 developed and the Districts' taxable values support bond issuances. Each project is taken on a case by case basis and is approved via a Letter of Financing Agreement (LFA).

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, 2020 of \$3,465,781 relating to these LFA's recorded in the Capital Projects Fund and the Pearland Economic Development Fund.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

	Cost		Lower Kirby Pearland Management District		Pearland Municipal Management District #1
3/10/2014					
Detention Pond	\$ 1,947,753	0.00%	\$ -	27.70%	\$ 539,528
Master Drainage Plan	\$ 127,410	0.00%	-	30.80%	39,268
Regional Drainage Plan	\$ 183,031	0.00%	-	23.90%	43,717
			Subtotal	-	622,513
8/24/2015					
South Spectrum PER	\$ 214,137	57.40%	-	40.20%	86,124
4/26/2016					
TxDOT Ditch Acquisition	\$ 400,000	73.00%	-	27.00%	128,508
2/28/2017					
South Spectrum West	\$ 5,755,789	0.00%	-	21.30%	1,228,378
5/8/2017					
West Conveyance Pond	\$ 277,000	0.00%	-	88.80%	246,044
7/10/2017					
288 Waterline & LK Park Improvements	\$ 1,189,000	100.00%	1,000,000	0.00%	-
5/8/2019					
LK Regional Detention Property Acquisition	\$ 32,097	0.00%	-	100.00%	154,214
			\$ 1,000,000		\$ 2,465,781

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 \$381,076 in sales tax incentives.

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.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

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 \$654,997 in sales tax incentives.

Note 13 – 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, 2020, the City believed the amounts paid on Workers’ Compensation would not change significantly from the amounts recorded.

The City uses the Property Liability Insurance Internal Service 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. The fund accounts for the annual premiums and accounts for insurance recovery funds on eligible claims.

The City uses the Health Claims Fund, a medical self-insurance fund, to account for and finance the City’s employee health insurance medical claims. The fund accounts for employee, City, retiree and COBRA contributions, claims and administrative fees.

Changes in the balance of claims liabilities as reported in the Health Claims Fund (an Internal Service Fund) during the past two years are as follows:

	Employee Health Insurance
Liability - September 30, 2018	\$ -
Claims incurred	6,515,067
Claims payments	(6,528,050)
Changes to prior estimates	500,000
Liability - September 30, 2019	<u>487,017</u>
Claims incurred	6,883,700
Claims payments	(6,871,489)
Liability - September 30, 2020	<u>\$ 499,228</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Note 14 – 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 the Debt Service Fund (a governmental fund), the revenue is deferred and the distinction between a sales and direct financing lease is not relevant at the fund level.

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

The lease payments related to debt service to be received coincide with debt service payments the City is required to make on a bond that matures on March 1, 2029. At September 30, 2020, the future minimum debt service lease payments to be received under the lease are as follows:

Fiscal year ending September 30,	Payment
2021	\$ 757,155
2022	737,205
2023	716,401
2024	695,169
2025	669,142
2026-2029	2,462,837
	\$ 6,037,909

Note 15 – Restatements

In the current fiscal year, it came to management’s attention that the City’s capital asset and accumulated depreciation balances as recorded in the financial statements did not agree to underlying records. 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 (government and business-type activities) and statement of revenues, expenses, and changes in net position (water and sewer fund) to reflect the correction of the capital asset and accumulated depreciation beginning balances.

In the current fiscal year, it came to management’s attention that the City had overstated receivables in the City’s Solid Waste Fund due to an error in the year-end estimate of unbilled accounts receivables. As a result, the beginning net position of the City’s business-type activities, 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 (solid waste fund) to reflect the correction of the accounts receivable beginning balances.

In the current fiscal year, it came to management’s attention that the City had understated receivables in the City’s Capital Projects Fund due to errors in the year-end grants receivable balances. As a result, the beginning fund balance of the Capital Projects Fund has been restated on the statement of revenues, expenditures and changes in fund balances and the beginning net

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

position of the City's governmental activities has been restated on the statement of activities to reflect the correction of the grants related accounts receivable beginning balances.

In the current fiscal year, it came to management's attention that the City had not allocated a portion of the net pension liability and total other postemployment benefit liability and related deferred outflows of resources and deferred inflows of resources to the City's internal service funds in prior years. As a result, the beginning net position of the City's governmental activities, business-type activities, water and sewer fund and internal service funds 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 and internal service fund) to reflect the allocation of the liabilities and related deferred outflows of resources and deferred inflows of resources.

In the current fiscal year, it came to management's attention that in prior years the City had not accrued the estimated liability at year-end for incurred but not reported health care claims for the City's self-insured employee health plan. As a result, the beginning net position of the City's governmental activities, and internal service funds have been restated on the statement of activities (governmental activities) and statement of revenues, expenses, and changes in net position (internal service fund) to reflect the estimated claim liability beginning balance.

In the current fiscal year, it came to management's attention that the City historically had not allocated internal service fund activities to business-type activities. As a result, the beginning net position of the City's governmental activities, and business-type activities have been restated on the statement of activities to reflect the allocation of the internal service funds activity between governmental and business-type activities.

For the year ended September 30, 2019, these restatements result in a net increase in the change in net position of governmental activities of approximately \$735.3 thousand, a net decrease in the change in net position of business-type activities of approximately \$220.2 thousand, a net increase in the change in fund balance of the capital projects fund of approximately \$3.1 million, a net increase in the change in net position of the water and sewer fund of approximately \$538 thousand, and a net decrease in the change in net position of the solid waste fund of \$758 thousand. The impact of the restatement due to allocation of internal service fund activities on the change in net position for the year ended September 30, 2019 is not available.

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

	Governmental Activities	Governmental Funds Capital Projects Fund
September 30, 2019 net position, as previously reported	\$ 543,834,323	\$ 51,351,705
Restatement to correct beginning balances for:		
Capital assets, net of depreciation	(3,353,886)	-
Capital assets, non depreciable	-	-
Receivables, net	3,105,697	3,105,697
Total other postemployment benefit and net pension liability and related deferred outflows and inflows of resources	(115,338)	-
Accrued claims liabilities	(487,017)	-
Internal balances - Internal service fund activities allocation	(1,908,509)	-
	<u>(2,759,053)</u>	<u>3,105,697</u>
September 30, 2019 net position, as restated	<u>\$ 541,075,270</u>	<u>\$ 54,457,402</u>

	<u>Business-Type Activities</u>			Governmental Activities
	<u>Proprietary Fund</u>		<u>Total Business- type Activities</u>	<u>Proprietary Fund Internal Service Fund</u>
	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>		
September 30, 2019 net position, as previously reported	\$ 258,125,811	\$ 1,622,217	\$ 259,748,028	\$ 6,910,836
Restatement to correct beginning balances for:				
Capital assets, net of depreciation	329,612	-	329,612	-
Capital assets, non depreciable	538,117	-	538,117	-
Receivables, net	-	(758,304)	(758,304)	-
Total other postemployment benefit and net pension liability and related deferred outflows and inflows of resources	115,338	-	115,338	(120,958)
Accrued claims liabilities	-	-	-	(487,017)
Internal balances - Internal service fund activities allocation	-	-	1,908,509	-
	<u>983,067</u>	<u>(758,304)</u>	<u>2,133,272</u>	<u>(607,975)</u>
September 30, 2019 net position, as restated	<u>\$ 259,108,878</u>	<u>\$ 863,913</u>	<u>\$ 261,881,300</u>	<u>\$ 6,302,861</u>

CITY OF PEARLAND, TEXAS
Notes to Financial Statements (Continued)
As of and For the Year Ended September 30, 2020

Note 16 – Subsequent Events

Subsequent events have been evaluated through the date of the auditor's report, May 10, 2021, which is the date the financial statements were available to be issued.

On December 3, 2020, the City of Pearland issued Permanent Improvement Refunding Bonds, Series 2020, with a coupon rate of 1.272%. These bonds refunded the Series 2011 Permanent Improvement Bonds in the amount of \$3,865,000 and the Series 2012 Permanent Improvement Refunding Bonds in the amount of \$31,610,000. This refunding resulted in a net present value savings of \$3,375,928 and a total economic gain of \$3,674,828.

**Required Supplementary Information
(Unaudited)**



CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
General Fund
For the Year Ended September 30, 2020

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenues				
Property taxes	\$ 25,704,801	\$ 26,801,576	\$ 26,919,731	\$ 118,155
Sales and use taxes	22,669,370	21,505,963	22,716,028	1,210,065
Franchise and other	7,242,757	7,139,532	7,014,025	(125,507)
License and permits	3,887,350	3,661,452	4,423,760	762,308
Fines and forfeitures	2,445,750	1,603,446	1,617,153	13,707
Charges for services	18,291,338	16,906,119	18,220,404	1,314,285
Investment earnings	622,000	453,898	420,200	(33,698)
Intergovernmental	-	1,600,538	6,425,093	4,824,555
Other	1,121,854	1,590,410	876,453	(713,957)
Total Revenues	<u>81,985,220</u>	<u>81,262,934</u>	<u>88,632,847</u>	<u>7,369,913</u>
Expenditures				
Current:				
General government	11,007,895	10,581,627	11,606,819	(1,025,192)
Public safety	48,137,734	47,510,480	46,609,473	901,007
Public works	13,695,332	12,572,668	11,502,132	1,070,536
Community services	4,303,693	3,983,589	3,798,947	184,642
Parks and recreation	6,559,762	5,852,937	5,397,074	455,863
Debt Service:				
Principal	367,691	367,691	441,444	(73,753)
Interest and other charges	11,925	11,925	11,925	-
Capital outlay	<u>794,306</u>	<u>433,936</u>	<u>610,735</u>	<u>(176,799)</u>
Total Expenditures	<u>84,878,338</u>	<u>81,314,853</u>	<u>79,978,549</u>	<u>1,336,304</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,893,118)	(51,919)	8,654,298	8,706,217
Other Financing Sources (Uses)				
Proceeds from issuance of debt	-	-	221,261	221,261
Transfers in	4,949,456	4,949,456	4,949,456	-
Transfers out	(1,333,173)	(2,938,961)	(1,950,568)	988,393
Total Other Financing Sources (Uses)	<u>3,616,283</u>	<u>2,010,495</u>	<u>3,220,149</u>	<u>1,209,654</u>
Net Change in Fund Balances	<u>\$ 723,165</u>	<u>\$ 1,958,576</u>	<u>11,874,447</u>	<u>\$ 9,915,871</u>
Fund Balances, Beginning of Year			<u>17,201,850</u>	
Fund Balances, End of Year			<u>\$ 29,076,297</u>	

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in
Fund Balances – Budget and Actual
Pearland Economic Development Corporation
For the Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Sales and use taxes	\$ 11,354,116	\$ 10,667,741	\$ 11,217,696	\$ 549,955	\$ 11,048,959
Charges for services	537,000	460,000	459,996	(4)	488,271
Investment earnings	250,000	290,000	259,866	(30,134)	629,714
Intergovernmental	571,000	698,000	707,623	9,623	12,000
Other	31,000	21,942	59,132	37,190	441,664
Total revenues	12,743,116	12,137,683	12,704,313	566,630	12,620,608
Expenditures					
Current:					
Economic development	5,126,507	3,430,646	3,095,628	335,018	11,257,984
Debt service:					
Principal	250,000	250,000	250,000	-	11,118,461
Interest and other charges	41,300	41,300	41,300	-	188,671
Capital outlay	14,371,000	5,361,405	3,405,448	1,955,957	472,321
Total expenditures	19,788,807	9,083,351	6,792,376	2,290,975	23,037,437
Excess (Deficiency) of Revenues Over Expenditures	(7,045,691)	3,054,332	5,911,937	2,857,605	(10,416,829)
Other Financing Sources (Uses)					
Transfers in	-	-	-	-	184,186
Transfers out	(172,979)	(172,979)	(172,979)	-	(164,742)
Total other financing sources (uses)	(172,979)	(172,979)	(172,979)	-	19,444
Net Change in Fund Balance	(7,218,670)	2,881,353	5,738,958	2,857,605	(10,397,385)
Fund Balance, Beginning of Year	16,735,436	16,735,436	16,735,436	-	27,132,821
Fund Balance, End of Year	\$ 9,516,766	\$ 19,616,789	\$ 22,474,394	\$ 2,857,605	\$ 16,735,436

CITY OF PEARLAND, TEXAS
Notes to Required Supplementary Budget Information
For the Year Ended September 30, 2020

Budgetary Compliance

The City has complied with all material budget requirements for the year ended September 30, 2020.

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. The City does not legally adopt an annual appropriated budget for the Development Authority of Pearland or TIRZ #2.

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 Six Measurement Years

	Measurement Year					
	2014	2015	2016	2017	2018	2019
Total Pension Liability						
Service cost	\$ 5,118,873	\$ 6,035,636	\$ 6,756,543	\$ 7,548,267	\$ 7,869,363	\$ 8,361,735
Interest	7,010,813	7,680,048	8,166,924	9,064,733	9,914,570	10,784,493
Difference between expected and actual experience	241,450	846,833	1,159,738	33,887	41,404	249,817
Change of assumptions	-	(304,820)	-	-	-	952,323
Benefit payments, including refunds of employee contributions	(2,729,973)	(3,808,062)	(2,875,256)	(3,481,143)	(4,953,354)	(5,414,199)
Net Change in Total Pension Liability	9,641,163	10,449,635	13,207,949	13,165,744	12,871,983	14,934,169
Total pension liability - beginning	98,960,025	108,601,188	119,050,823	132,258,772	145,424,516	158,296,499
Total pension liability - ending (a)	\$ 108,601,188	\$ 119,050,823	\$ 132,258,772	\$ 145,424,516	\$ 158,296,499	\$ 173,230,668
Plan Fiduciary Net Position						
Contributions - employer	\$ 4,339,785	\$ 4,786,602	\$ 5,253,253	\$ 5,991,467	\$ 6,225,163	\$ 6,543,589
Contributions - employee	2,355,095	2,498,961	2,749,756	3,081,580	3,216,353	3,439,022
Net investment income	4,766,828	135,758	6,458,752	14,836,941	(3,818,135)	19,805,631
Benefit payments, including refunds of employee contributions	(2,729,973)	(3,808,062)	(2,875,256)	(3,481,143)	(4,953,354)	(5,414,199)
Administrative expense	(49,756)	(82,673)	(72,899)	(76,869)	(73,737)	(111,780)
Other	(4,091)	(4,083)	(3,927)	(3,896)	(3,853)	(3,358)
Net Change in Plan Fiduciary Net Position	8,677,888	3,526,503	11,509,679	20,348,080	592,437	24,258,905
Plan Fiduciary Net Position, Beginning	83,306,773	91,984,661	95,511,164	107,020,843	127,368,923	127,961,360
Plan Fiduciary Net Position, Ending (b)	\$ 91,984,661	\$ 95,511,164	\$ 107,020,843	\$ 127,368,923	\$ 127,961,360	\$ 152,220,265
Net Pension Liability, Ending (a) - (b)	\$ 16,616,527	\$ 23,539,659	\$ 25,237,929	\$ 18,055,593	\$ 30,335,139	\$ 21,010,403
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	84.70%	80.23%	80.92%	87.58%	80.84%	87.87%
Covered Payroll	\$ 33,615,923	\$ 35,545,557	\$ 39,282,225	\$ 44,013,221	\$ 45,939,075	\$ 49,128,879
Net Pension Liability as a Percentage of Covered Payroll	49.43%	66.22%	64.25%	41.02%	66.03%	42.77%

Notes to the Required Supplementary Information

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Actuarially determined contribution	\$ 5,295,359	\$ 5,924,405	\$ 6,072,762	\$ 6,461,150	\$ 6,818,604
Contributions in relation to the actuarially determined contribution	5,295,359	5,924,405	6,072,762	6,461,150	6,818,604
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 39,566,838	\$ 43,703,166	\$ 44,772,623	\$ 48,297,918	\$ 51,414,583
Contributions as a percentage of covered payroll	13.38%	13.56%	13.56%	13.38%	13.26%

	Fiscal Year				
	2011	2012	2013	2014	2015
Actuarially determined contribution	\$ 3,302,952	\$ 3,518,289	\$ 3,780,847	\$ 4,311,811	\$ 4,600,419
Contributions in relation to the actuarially determined contribution	3,302,952	3,518,289	3,780,847	4,311,811	4,600,419
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 26,871,670	\$ 27,756,555	\$ 28,876,260	\$ 30,580,987	\$ 34,650,598
Contributions as a percentage of covered payroll	12.29%	12.68%	13.09%	14.10%	13.28%

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: 26 years
Asset Valuation Method: 10 Year smoothed market; 12% soft corridor
Inflation: 2.50%
Salary Increases: 3.50% to 11.50% 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 2019 valuation pursuant to an experience study of the period 2014-2018.
Mortality: Postretirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Preretirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

CITY OF PEARLAND, TEXAS
Schedule of Contributions (Continued)
Texas Municipal Retirement System
Last Ten Fiscal Years

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 Three Measurement Years

	Measurement Year		
	2017	2018	2019
Total OPEB Liability			
Service cost	\$ 66,020	\$ 82,690	\$ 73,693
Interest	39,025	41,463	52,362
Difference between expected and actual experience	-	143,594	(224,466)
Change of assumptions	111,349	(99,775)	276,531
Benefit payments, including refunds of employee contributions	(4,401)	(4,594)	(4,913)
Net Change in Total OPEB Liability	<u>211,993</u>	<u>163,378</u>	<u>173,207</u>
Total OPEB Liability - Beginning	<u>1,001,605</u>	<u>1,213,598</u>	<u>1,376,976</u>
Total OPEB Liability - Ending	<u>\$ 1,213,598</u>	<u>\$ 1,376,976</u>	<u>\$ 1,550,183</u>
Covered-Employee Payroll	\$ 44,013,221	\$ 45,939,075	\$ 49,128,879
Total OPEB Liability as a Percentage of Covered-Employee Payroll	2.76%	3.00%	3.16%

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.

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 Retirement Health Care Plan
Last Three Measurement Years

	Measurement Year		
	2018	2019	2020
Total OPEB Liability			
Service cost	\$ 456,161	\$ 295,552	\$ 364,519
Interest	240,852	157,119	167,755
Changes of benefit terms	(2,314,150)	-	-
Difference between expected and actual experience	361,831	-	(74,479)
Change of assumptions	43,043	101,145	1,240,492
Benefit payments, including refunds of employee contributions	(127,339)	(66,167)	(38,350)
Net Change in Total OPEB Liability	(1,339,602)	487,649	1,659,937
Total OPEB Liability - Beginning	5,266,971	3,927,369	4,415,018
Total OPEB Liability - Ending	\$ 3,927,369	\$ 4,415,018	\$ 6,074,955
Covered-Employee Payroll	\$ 44,772,623	\$ 48,297,918	\$ 51,067,300
Total OPEB Liability as a Percentage of Covered-Employee Payroll	8.77%	9.14%	11.90%

Notes to the Required Supplementary Information

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

Ten years of data should be presented in this schedule, but data was unavailable prior to 2018.

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. For the fiscal year ended September 30, 2020, the discount rate was decreased from 3.58% to 2.14%, the mortality table has been updated to use the new PUB-2010 tables recently published by the Society of Actuaries, and update the per capita costs and how these costs escalate in the future using recent experience. The cumulative effect of the assumption changes for 2020 was an actuarial loss of \$1.24 million. The increase was driven primarily by the change in discount rate from 3.58% as of September 30, 2019 to 2.14% as of September 30, 2020, which increased the liability by \$0.9 million. The discount rate used under GASB 75 for unfunded plans must be based upon the yield as of the measurement date of a set of 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Other Supplementary Information



Combining and Individual Fund Statements and Schedules



CITY OF PEARLAND, TEXAS
Nonmajor Governmental Funds
September 30, 2020

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 – 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 – Nonmajor Governmental Funds
September 30, 2020

	Hotel/Motel Tax	Court Security	City-Wide Donation	Court Technology	Street Assessments	Park Donation	Police Seizure
Assets							
Cash and cash equivalents	\$ 994,107	\$ 39,067	\$ 142,762	\$ 8,372	\$ -	\$ 537,893	\$ 260,430
Investments	4,392,899	-	-	-	-	-	-
Receivables (net of allowance for uncollectibles, where applicable)	235,117	-	-	-	1,486,878	-	19,961
Total Assets	\$ 5,622,123	\$ 39,067	\$ 142,762	\$ 8,372	\$ 1,486,878	\$ 537,893	\$ 280,391
Liabilities							
Accounts payable	\$ 48,978	\$ -	\$ -	\$ 2,016	\$ -	\$ 934	\$ 1,800
Accrued liabilities	3,802	705	-	-	-	-	-
Total Liabilities	52,780	705	-	2,016	-	934	1,800
Deferred Inflows of Resources							
Unavailable revenue	-	-	-	-	1,486,878	-	-
Total Deferred Inflows of Resources	-	-	-	-	1,486,878	-	-
Fund Balances							
Restricted for:							
Capital improvements	-	-	-	-	-	-	-
Community development programs	5,569,343	38,362	-	-	-	536,959	-
Public safety	-	-	142,762	6,356	-	-	278,591
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	5,569,343	38,362	142,762	6,356	-	536,959	278,591
Total Liabilities and Fund Balances	\$ 5,622,123	\$ 39,067	\$ 142,762	\$ 8,372	\$ 1,486,878	\$ 537,893	\$ 280,391

CITY OF PEARLAND, TEXAS
Combining Balance Sheet – Nonmajor Governmental Funds (Continued)
September 30, 2020

Park and Recreation Development	Sidewalk	Grant	Traffic Impact Improvement	Juvenile Management	Regional Detention	Educational TV	U of H	Total Nonmajor Governmental Funds
\$ 997,276	\$ 46,630	\$ (264,898)	\$ 617,931	\$ 26,321	\$ -	\$ 312,934	\$ -	\$ 3,718,825
250,456	-	-	-	-	-	685,819	-	5,329,174
-	-	498,870	-	-	-	-	-	2,240,826
<u>\$ 1,247,732</u>	<u>\$ 46,630</u>	<u>\$ 233,972</u>	<u>\$ 617,931</u>	<u>\$ 26,321</u>	<u>\$ -</u>	<u>\$ 998,753</u>	<u>\$ -</u>	<u>\$ 11,288,825</u>
\$ 103,280	\$ -	\$ 52,719	\$ -	\$ 1,205	\$ -	\$ 10,753	\$ 27,299	\$ 248,984
-	-	27,379	-	-	-	-	-	31,886
<u>103,280</u>	<u>-</u>	<u>80,098</u>	<u>-</u>	<u>1,205</u>	<u>-</u>	<u>10,753</u>	<u>27,299</u>	<u>280,870</u>
-	-	-	-	-	-	-	-	1,486,878
-	-	-	-	-	-	-	-	1,486,878
1,144,452	46,630	-	617,931	-	-	-	-	1,809,013
-	-	153,874	-	-	-	988,000	-	7,286,538
-	-	-	-	25,116	-	-	-	452,825
-	-	-	-	-	-	-	(27,299)	(27,299)
<u>1,144,452</u>	<u>46,630</u>	<u>153,874</u>	<u>617,931</u>	<u>25,116</u>	<u>-</u>	<u>988,000</u>	<u>(27,299)</u>	<u>9,521,077</u>
<u>\$ 1,247,732</u>	<u>\$ 46,630</u>	<u>\$ 233,972</u>	<u>\$ 617,931</u>	<u>\$ 26,321</u>	<u>\$ -</u>	<u>\$ 998,753</u>	<u>\$ -</u>	<u>\$ 11,288,825</u>

CITY OF PEARLAND, TEXAS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds
Year Ended September 30, 2020

	Hotel/Motel Tax	Court Security	City-Wide Donation	Court Technology	Street Assessments	Park Donation	Police Seizure
Revenues							
Sales and use taxes	\$ 993,985	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise fees	-	-	-	-	-	-	-
Fines and forfeitures	-	31,919	-	31,154	-	-	-
Charges for services	-	-	-	-	-	33,450	-
Investment earnings	64,954	324	1,088	114	-	4,326	1,631
Intergovernmental	3,325	114	-	-	-	-	-
Other	25,199	-	53,016	-	-	53,828	218,947
Total Revenues	1,087,463	32,357	54,104	31,268	-	91,604	220,578
Expenditures							
Current:							
General government	906,422	-	-	-	-	-	-
Public safety	-	-	23,827	-	-	-	31,665
Community services	-	30,302	-	51,703	-	-	-
Parks and recreation	-	-	-	-	-	84,695	-
Capital outlay	-	-	50,000	-	-	-	182,869
Total Expenditures	906,422	30,302	73,827	51,703	-	84,695	214,534
Excess (Deficiency) of Revenues Over Expenditures							
	181,041	2,055	(19,723)	(20,435)	-	6,909	6,044
Other Financing Uses							
Transfers out	-	-	-	-	-	-	-
Total Other Financing Uses	-	-	-	-	-	-	-
Net Change in Fund Balances	181,041	2,055	(19,723)	(20,435)	-	6,909	6,044
Fund Balances, Beginning of Year	5,388,302	36,307	162,485	26,791	-	530,050	272,547
Fund Balances, End of Year	\$ 5,569,343	\$ 38,362	\$ 142,762	\$ 6,356	\$ -	\$ 536,959	\$ 278,591

CITY OF PEARLAND, TEXAS
Combining Statement of Revenues, Expenditures and
Changes in Fund Balance – Nonmajor Governmental Funds (Continued)
Year Ended September 30, 2020

Park and Recreation Development	Sidewalk	Grant	Traffic Impact Improvement	Juvenile Management	Regional Detention	Educational TV	U of H	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 993,985
-	-	-	-	-	-	256,463	-	256,463
-	-	-	-	42,769	-	-	-	105,842
-	-	-	-	-	-	-	-	33,450
14,200	379	-	5,028	358	41	9,939	-	102,382
-	-	825,535	-	-	-	-	-	828,974
456,169	-	-	-	-	30,951	-	-	838,110
<u>470,369</u>	<u>379</u>	<u>825,535</u>	<u>5,028</u>	<u>43,127</u>	<u>30,992</u>	<u>266,402</u>	<u>-</u>	<u>3,159,206</u>
-	-	-	-	-	-	-	-	906,422
-	-	553,215	-	-	-	-	-	608,707
-	-	461,512	-	60,108	-	49,656	-	653,281
1,095	-	-	-	-	-	-	-	85,790
265,820	-	24,112	-	-	-	137,793	-	660,594
<u>266,915</u>	<u>-</u>	<u>1,038,839</u>	<u>-</u>	<u>60,108</u>	<u>-</u>	<u>187,449</u>	<u>-</u>	<u>2,914,794</u>
203,454	379	(213,304)	5,028	(16,981)	30,992	78,953	-	244,412
-	-	-	-	-	(30,992)	-	-	(30,992)
-	-	-	-	-	(30,992)	-	-	(30,992)
203,454	379	(213,304)	5,028	(16,981)	-	78,953	-	213,420
940,998	46,251	367,178	612,903	42,097	-	909,047	(27,299)	9,307,657
<u>\$ 1,144,452</u>	<u>\$ 46,630</u>	<u>\$ 153,874</u>	<u>\$ 617,931</u>	<u>\$ 25,116</u>	<u>\$ -</u>	<u>\$ 988,000</u>	<u>\$ (27,299)</u>	<u>\$ 9,521,077</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Major Governmental Fund – Debt Service Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Property taxes	\$ 36,301,300	\$ 37,705,870	\$ 37,924,975	\$ 219,105	\$ 35,397,759
Investment earnings	350,000	150,000	156,977	6,977	370,115
Other	771,581	771,581	770,355	(1,226)	792,945
Total revenues	<u>37,422,881</u>	<u>38,627,451</u>	<u>38,852,307</u>	<u>224,856</u>	<u>36,560,819</u>
Expenditures					
Debt service:					
Principal	19,475,000	19,480,000	19,480,000	-	18,660,000
Interest and other charges	13,099,336	12,959,124	12,934,251	24,873	12,407,558
Intergovernmental	7,435,253	7,615,133	7,768,815	(153,682)	7,325,484
Total expenditures	<u>40,009,589</u>	<u>40,054,257</u>	<u>40,183,066</u>	<u>(128,809)</u>	<u>38,393,042</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,586,708)	(1,426,806)	(1,330,759)	96,047	(1,832,223)
Other Financing Sources (Uses)					
Refunding bonds issued	-	-	-	-	10,240,000
Premium on debt issued	-	-	-	-	2,200,938
Payments to refunded bond escrow agent	-	-	-	-	(12,551,318)
Transfers in	2,035,747	2,066,698	2,066,739	41	572,098
Total other financing sources	<u>2,035,747</u>	<u>2,066,698</u>	<u>2,066,739</u>	<u>41</u>	<u>461,718</u>
Net Change in Fund Balance	(550,961)	639,892	735,980	96,088	(1,370,505)
Fund Balance, Beginning of Year	<u>5,426,609</u>	<u>5,426,609</u>	<u>5,426,609</u>	<u>-</u>	<u>6,797,114</u>
Fund Balance, End of Year	<u>\$ 4,875,648</u>	<u>\$ 6,066,501</u>	<u>\$ 6,162,589</u>	<u>\$ 96,088</u>	<u>\$ 5,426,609</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Hotel/Motel Tax Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Sales and use taxes	\$ -	\$ -	\$ 993,985	\$ 993,985	\$ 1,395,334
Investment earnings	10,800	50,719	64,954	14,235	126,357
Intergovernmental	-	-	3,325	3,325	-
Other	-	24,458	25,199	741	71,021
Total Revenues	<u>10,800</u>	<u>75,177</u>	<u>1,087,463</u>	<u>1,012,286</u>	<u>1,592,712</u>
Expenditures					
Current:					
General government	<u>1,100,681</u>	<u>1,207,287</u>	<u>906,422</u>	<u>300,865</u>	<u>865,023</u>
Total Expenditures	<u>1,100,681</u>	<u>1,207,287</u>	<u>906,422</u>	<u>300,865</u>	<u>865,023</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,089,881)	(1,132,110)	181,041	1,313,151	727,689
Other Financing Uses					
Transfers out	<u>(665)</u>	<u>(665)</u>	<u>-</u>	<u>665</u>	<u>(665)</u>
Total Other Financing Uses	<u>(665)</u>	<u>(665)</u>	<u>-</u>	<u>665</u>	<u>(665)</u>
Net Change in Fund Balance	<u>(1,090,546)</u>	<u>(1,132,775)</u>	<u>181,041</u>	<u>1,313,816</u>	<u>727,024</u>
Fund Balance, Beginning	<u>5,388,302</u>	<u>5,388,302</u>	<u>5,388,302</u>	<u>-</u>	<u>4,661,278</u>
Fund Balance, Ending	<u>\$ 4,297,756</u>	<u>\$ 4,255,527</u>	<u>\$ 5,569,343</u>	<u>\$ 1,313,816</u>	<u>\$ 5,388,302</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Court Security Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Fines and forfeitures	\$ 48,000	\$ 25,300	\$ 31,919	\$ 6,619	\$ 48,304
Investment earnings	700	350	324	(26)	593
Intergovernmental	-	-	114	114	-
Total Revenues	<u>48,700</u>	<u>25,650</u>	<u>32,357</u>	<u>6,707</u>	<u>48,897</u>
Expenditures					
Current:					
Community services	<u>35,827</u>	<u>37,838</u>	<u>30,302</u>	<u>7,536</u>	<u>38,256</u>
Total Expenditures	<u>35,827</u>	<u>37,838</u>	<u>30,302</u>	<u>7,536</u>	<u>38,256</u>
Net Change in Fund Balance	12,873	(12,188)	2,055	14,243	10,641
Fund Balance, Beginning	<u>36,307</u>	<u>36,307</u>	<u>36,307</u>	<u>-</u>	<u>25,666</u>
Fund Balance, Ending	<u>\$ 49,180</u>	<u>\$ 24,119</u>	<u>\$ 38,362</u>	<u>\$ 14,243</u>	<u>\$ 36,307</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – City-Wide Donation Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ 1,000	\$ 1,055	\$ 1,088	\$ 33	\$ 3,619
Other	29,967	56,108	53,016	(3,092)	108,444
Total Revenues	<u>30,967</u>	<u>57,163</u>	<u>54,104</u>	<u>(3,059)</u>	<u>112,063</u>
Expenditures					
Current:					
Public safety	33,500	51,500	23,827	27,673	3,723
Capital outlay	-	50,000	50,000	-	44,456
Total Expenditures	<u>33,500</u>	<u>101,500</u>	<u>73,827</u>	<u>27,673</u>	<u>48,179</u>
Net Change in Fund Balance	(2,533)	(44,337)	(19,723)	24,614	63,884
Fund Balance, Beginning	<u>162,485</u>	<u>162,485</u>	<u>162,485</u>	<u>-</u>	<u>98,601</u>
Fund Balance, Ending	<u>\$ 159,952</u>	<u>\$ 118,148</u>	<u>\$ 142,762</u>	<u>\$ 24,614</u>	<u>\$ 162,485</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Court Technology Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Fines and forfeitures	\$ 55,000	\$ 25,000	\$ 31,154	\$ 6,154	\$ 55,081
Investment earnings	300	125	114	(11)	168
Total Revenues	<u>55,300</u>	<u>25,125</u>	<u>31,268</u>	<u>6,143</u>	<u>55,249</u>
Expenditures					
Current:					
Community services	61,591	58,223	51,703	6,520	33,373
Total Expenditures	<u>61,591</u>	<u>58,223</u>	<u>51,703</u>	<u>6,520</u>	<u>33,373</u>
Net Change in Fund Balance	(6,291)	(33,098)	(20,435)	12,663	21,876
Fund Balance, Beginning	<u>26,791</u>	<u>26,791</u>	<u>26,791</u>	-	<u>4,915</u>
Fund Balance, Ending	<u>\$ 20,500</u>	<u>\$ (6,307)</u>	<u>\$ 6,356</u>	<u>\$ 12,663</u>	<u>\$ 26,791</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Street Assessments Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ -	\$ -	\$ -	\$ -	\$ -
Other	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures					
Parks and recreation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-	-
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Park Donation Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Charges for services	\$ -	\$ 5,000	\$ 33,450	\$ 28,450	\$ 44,850
Investment earnings	9,800	4,700	4,326	(374)	14,409
Other	126,000	70,157	53,828	(16,329)	96,648
Total Revenues	<u>135,800</u>	<u>79,857</u>	<u>91,604</u>	<u>11,747</u>	<u>155,907</u>
Expenditures					
Current:					
Parks and recreation	373,250	330,439	84,695	245,744	142,584
Total Expenditures	<u>373,250</u>	<u>330,439</u>	<u>84,695</u>	<u>245,744</u>	<u>142,584</u>
Net Change in Fund Balance	(237,450)	(250,582)	6,909	257,491	13,323
Fund Balance, Beginning	<u>530,050</u>	<u>530,050</u>	<u>530,050</u>	<u>-</u>	<u>516,727</u>
Fund Balance, Ending	<u>\$ 292,600</u>	<u>\$ 279,468</u>	<u>\$ 536,959</u>	<u>\$ 257,491</u>	<u>\$ 530,050</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Police Seizure Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ 5,200	\$ 1,700	\$ 1,631	\$ (69)	\$ 8,019
Other	-	186,518	218,947	32,429	54,300
Total Revenues	<u>5,200</u>	<u>188,218</u>	<u>220,578</u>	<u>32,360</u>	<u>62,319</u>
Expenditures					
Current:					
Public safety	37,200	56,953	31,665	25,288	17,724
Capital outlay	-	182,868	182,869	(1)	146,657
Total Expenditures	<u>37,200</u>	<u>239,821</u>	<u>214,534</u>	<u>25,287</u>	<u>164,381</u>
Net Change in Fund Balance	(32,000)	(51,603)	6,044	57,647	(102,062)
Fund Balance, Beginning	<u>272,547</u>	<u>272,547</u>	<u>272,547</u>	-	<u>374,609</u>
Fund Balance, Ending	<u>\$ 240,547</u>	<u>\$ 220,944</u>	<u>\$ 278,591</u>	<u>\$ 57,647</u>	<u>\$ 272,547</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Parks and Recreation Development Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ 18,000	\$ 9,000	\$ 14,200	\$ 5,200	\$ 40,969
Other	120,000	128,000	456,169	328,169	581,017
Total Revenues	<u>138,000</u>	<u>137,000</u>	<u>470,369</u>	<u>333,369</u>	<u>621,986</u>
Expenditures					
Current:					
Parks and recreation	-	1,094	1,095	(1)	29,873
Capital outlay	250,000	532,546	265,820	266,726	494,732
Total Expenditures	<u>250,000</u>	<u>533,640</u>	<u>266,915</u>	<u>266,725</u>	<u>524,605</u>
Excess (Deficiency) of Revenues Over Expenditures	(112,000)	(396,640)	203,454	600,094	97,381
Other Financing Uses					
Transfers out	-	-	-	-	(162,000)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(162,000)</u>
Net Change in Fund Balance	(112,000)	(396,640)	203,454	600,094	(64,619)
Fund Balance, Beginning	<u>940,998</u>	<u>940,998</u>	<u>940,998</u>	<u>-</u>	<u>1,005,617</u>
Fund Balance, Ending	<u>\$ 828,998</u>	<u>\$ 544,358</u>	<u>\$ 1,144,452</u>	<u>\$ 600,094</u>	<u>\$ 940,998</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Sidewalk Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Charges for services	\$ 5,000	\$ 5,000	\$ -	\$ (5,000)	\$ 43,814
Investment earnings	200	400	379	(21)	191
Total Revenues	<u>5,200</u>	<u>5,400</u>	<u>379</u>	<u>(5,021)</u>	<u>44,005</u>
Other Financing Uses					
Transfers out	-	-	-	-	(4,220)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,220)</u>
Net Change in Fund Balance	5,200	5,400	379	(5,021)	39,785
Fund Balance, Beginning	<u>46,251</u>	<u>46,251</u>	<u>46,251</u>	<u>-</u>	<u>6,466</u>
Fund Balance, Ending	<u>\$ 51,451</u>	<u>\$ 51,651</u>	<u>\$ 46,630</u>	<u>\$ (5,021)</u>	<u>\$ 46,251</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Grant Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ 75	\$ 75	\$ -	\$ (75)	\$ 2,245
Intergovernmental	4,948,962	15,484,795	825,535	(14,659,260)	690,267
Other	-	-	-	-	6,311
Total Revenues	<u>4,949,037</u>	<u>15,484,870</u>	<u>825,535</u>	<u>(14,659,335)</u>	<u>698,823</u>
Expenditures					
Current:					
General government	-	-	-	-	9,548
Public safety	374,857	800,543	553,215	247,328	184,844
Community service	406,257	11,564,256	461,512	11,102,744	112,981
Capital outlay	-	-	24,112	(24,112)	-
Total Expenditures	<u>781,114</u>	<u>12,364,799</u>	<u>1,038,839</u>	<u>11,325,960</u>	<u>307,373</u>
Net Change in Fund Balance	4,167,923	3,120,071	(213,304)	(3,333,375)	391,450
Fund Balance, Beginning	<u>367,178</u>	<u>367,178</u>	<u>367,178</u>	<u>-</u>	<u>(24,272)</u>
Fund Balance, Ending	<u>\$ 4,535,101</u>	<u>\$ 3,487,249</u>	<u>\$ 153,874</u>	<u>\$ (3,333,375)</u>	<u>\$ 367,178</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Traffic Impact Improvement Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ 11,000	\$ 5,400	\$ 5,028	\$ (372)	\$ 15,855
Total Revenues	<u>11,000</u>	<u>5,400</u>	<u>5,028</u>	<u>(372)</u>	<u>15,855</u>
Other Financing Uses					
Transfers out	-	-	-	-	(1,141)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,141)</u>
Net Change in Fund Balance	11,000	5,400	5,028	(372)	14,714
Fund Balance, Beginning	<u>612,903</u>	<u>612,903</u>	<u>612,903</u>	<u>-</u>	<u>598,189</u>
Fund Balance, Ending	<u>\$ 623,903</u>	<u>\$ 618,303</u>	<u>\$ 617,931</u>	<u>\$ (372)</u>	<u>\$ 612,903</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Juvenile Management Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Fines and forfeitures	\$ 72,500	\$ 32,890	\$ 42,769	\$ 9,879	\$ 79,509
Investment earnings	1,000	400	358	(42)	990
Total Revenues	<u>73,500</u>	<u>33,290</u>	<u>43,127</u>	<u>9,837</u>	<u>80,499</u>
Expenditures					
Current:					
Community services	67,285	61,484	60,108	1,376	66,009
Total Expenditures	<u>67,285</u>	<u>61,484</u>	<u>60,108</u>	<u>1,376</u>	<u>66,009</u>
Net Change in Fund Balance	6,215	(28,194)	(16,981)	11,213	14,490
Fund Balance, Beginning	<u>42,097</u>	<u>42,097</u>	<u>42,097</u>	-	<u>27,607</u>
Fund Balance, Ending	<u>\$ 48,312</u>	<u>\$ 13,903</u>	<u>\$ 25,116</u>	<u>\$ 11,213</u>	<u>\$ 42,097</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Regional Detention Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ -	\$ -	\$ 41	\$ 41	\$ 179
Other	-	30,951	30,951	-	26,502
Total Revenues	-	30,951	30,992	41	26,681
Other Financing Uses					
Transfers out	-	(30,951)	(30,992)	(41)	(29,845)
Total Other Financing Uses	-	(30,951)	(30,992)	(41)	(29,845)
Net Change in Fund Balance	-	-	-	-	(3,164)
Fund Balance, Beginning	-	-	-	-	3,164
Fund Balance, Ending	\$ -	\$ -	\$ -	\$ -	\$ -

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Educational TV Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Franchise fees	\$ 265,000	\$ 230,000	\$ 256,463	\$ 26,463	\$ 235,300
Investment earnings	20,000	12,000	9,939	(2,061)	21,161
Total Revenues	<u>285,000</u>	<u>242,000</u>	<u>266,402</u>	<u>24,402</u>	<u>256,461</u>
Expenditures					
Current:					
Community services	104,100	116,990	49,656	67,334	77,668
Capital outlay	200,000	150,000	137,793	12,207	26,796
Total Expenditures	<u>304,100</u>	<u>266,990</u>	<u>187,449</u>	<u>79,541</u>	<u>104,464</u>
Net Change in Fund Balance	(19,100)	(24,990)	78,953	103,943	151,997
Fund Balance, Beginning	<u>909,047</u>	<u>909,047</u>	<u>909,047</u>	<u>-</u>	<u>757,050</u>
Fund Balance, Ending	<u>\$ 889,947</u>	<u>\$ 884,057</u>	<u>\$ 988,000</u>	<u>\$ 103,943</u>	<u>\$ 909,047</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – U of H Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Other Financing Sources					
Transfers in	\$ -	\$ -	\$ -	\$ -	\$ 370
Total Other Financing Sources	-	-	-	-	370
Net Change in Fund Balance	-	-	-	-	370
Fund Balance, Beginning	(27,299)	(27,299)	(27,299)	-	(27,669)
Fund Balance, Ending	<u>\$ (27,299)</u>	<u>\$ (27,299)</u>	<u>\$ (27,299)</u>	<u>\$ -</u>	<u>\$ (27,299)</u>

CITY OF PEARLAND, TEXAS
Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual
Special Revenue Fund – Capital Projects Fund
Year Ended September 30, 2020

	Original Budget	Amended Budget	Actual	Variance Positive / (Negative)	2019
Revenues					
Investment earnings	\$ 948,000	\$ 948,000	\$ 574,906	\$ (373,094)	\$ 994,119
Intergovernmental	35,558,428	35,558,428	11,518,373	(24,040,055)	9,627,261
Other	-	-	9,370	9,370	600,000
Total revenues	<u>36,506,428</u>	<u>36,506,428</u>	<u>12,102,649</u>	<u>(24,403,779)</u>	<u>11,221,380</u>
Expenditures					
Current:					
Public works	-	1,004,522	190,550	813,972	441,518
Debt service:					
Interest and other charges	-	-	409,229	(409,229)	400,398
Capital outlay	116,031,618	-	33,681,769	(33,681,769)	31,656,489
Total expenditures	<u>116,031,618</u>	<u>1,004,522</u>	<u>34,281,548</u>	<u>(33,277,026)</u>	<u>32,498,405</u>
Excess (Deficiency) of Revenues Over Expenditures	(79,525,190)	35,501,906	(22,178,899)	(57,680,805)	(21,277,025)
Other Financing Sources (Uses)					
Bond proceeds	59,644,381	59,644,381	33,425,000	(26,219,381)	21,960,000
Premium on debt issued	-	-	6,897,046	6,897,046	4,055,805
Transfers in	394,875	2,000,663	2,000,663	-	5,676,460
Transfers out	(1,410,919)	(1,402,310)	(1,402,310)	-	(1,362,087)
Total other financing sources (uses)	<u>58,628,337</u>	<u>60,242,734</u>	<u>40,920,399</u>	<u>(19,322,335)</u>	<u>30,330,178</u>
Net Change in Fund Balance	(20,896,853)	95,744,640	18,741,500	(77,003,140)	9,053,153
Fund Balance, Beginning of Year	<u>54,457,402</u>	<u>54,457,402</u>	<u>54,457,402</u>	<u>-</u>	<u>42,298,552</u>
Fund Balance, End of Year	<u>\$ 33,560,549</u>	<u>\$ 150,202,042</u>	<u>\$ 73,198,902</u>	<u>\$ (77,003,140)</u>	<u>\$ 51,351,705</u>

CITY OF PEARLAND, TEXAS
Internal Service Funds
September 30, 2020

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 – 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.

Motor Pool Fund – To account for the operations and maintenance of the City’s fleet. Its customers are city departments, and its primary revenue source is payments from those departments for vehicle and equipment maintenance and replacement.

CITY OF PEARLAND, TEXAS
Combining Statement of Net Position – Internal Service Funds
September 30, 2020

	Property Liability Insurance Fund	Employee Benefits Fund	Health Claims Fund	Motor Pool Fund	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 612,560	\$ (118,207)	\$ 3,765,781	\$ 2,547,114	\$ 6,807,248
Accounts receivable, net	957	369	6,743	-	8,069
Inventories	-	-	-	84,246	84,246
Prepays	-	4,202	-	-	4,202
Total current assets	<u>613,517</u>	<u>(113,636)</u>	<u>3,772,524</u>	<u>2,631,360</u>	<u>6,903,765</u>
Noncurrent Assets					
Capital assets:					
Machinery and equipment	-	-	-	3,717,953	3,717,953
Less accumulated depreciation	-	-	-	(171,680)	(171,680)
Total non-current assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,546,273</u>	<u>3,546,273</u>
Total assets	<u>\$ 613,517</u>	<u>\$ (113,636)</u>	<u>\$ 3,772,524</u>	<u>\$ 6,177,633</u>	<u>\$ 10,450,038</u>
Deferred Outflows of Resources					
OPEB	\$ 1,449	\$ -	\$ -	\$ 13,800	\$ 15,249
Pensions	5,552	-	-	39,145	44,697
Total deferred outflows of resources	<u>7,001</u>	<u>-</u>	<u>-</u>	<u>52,945</u>	<u>59,946</u>
Liabilities					
Current Liabilities					
Accounts payable	3,600	(150,241)	136,728	548,067	538,154
Claims payable	-	-	499,228	-	499,228
	<u>3,600</u>	<u>(150,241)</u>	<u>635,956</u>	<u>548,067</u>	<u>1,037,382</u>
Noncurrent Liabilities					
Total OPEB liability	1,859	-	-	18,222	20,081
Net pension liability	17,541	-	-	123,667	141,208
Total noncurrent liabilities	<u>19,400</u>	<u>-</u>	<u>-</u>	<u>141,889</u>	<u>161,289</u>
Total liabilities	<u>23,000</u>	<u>(150,241)</u>	<u>635,956</u>	<u>689,956</u>	<u>1,198,671</u>
Deferred Inflows of Resources					
OPEB	265	-	-	2,096	2,361
Pensions	3,812	-	-	26,876	30,688
Total deferred inflows of resources	<u>4,077</u>	<u>-</u>	<u>-</u>	<u>28,972</u>	<u>33,049</u>
Net Position					
Net investment in capital assets	-	-	-	3,546,273	3,546,273
Unrestricted	593,441	36,605	3,136,568	1,965,377	5,731,991
Total net position	<u>593,441</u>	<u>36,605</u>	<u>3,136,568</u>	<u>5,511,650</u>	<u>9,278,264</u>
Total liabilities and net position	<u>\$ 620,518</u>	<u>\$ (113,636)</u>	<u>\$ 3,772,524</u>	<u>\$ 6,230,578</u>	<u>\$ 10,509,984</u>

CITY OF PEARLAND, TEXAS
Combining Statement of Revenues, Expenses and
Changes In Net Position – Internal Service Funds
Year Ended September 30, 2020

	Property Liability Insurance Fund	Employee Benefits Fund	Health Claims Fund	Motor Pool Fund	Total
Operating Revenues					
Charges for services	\$ 1,658,538	\$ -	\$ 8,311,896	\$ 4,196,674	\$ 14,167,108
Total operating revenues	<u>1,658,538</u>	<u>-</u>	<u>8,311,896</u>	<u>4,196,674</u>	<u>14,167,108</u>
Operating Expenses					
Personnel services	56,641	-	-	464,019	520,660
Supplies and materials	-	-	-	43,947	43,947
Contractual services	1,399,945	-	8,163,610	28,849	9,592,404
Repairs and maintenance	2,954	-	-	1,019,124	1,022,078
Other expenses	37	-	31,417	-	31,454
Depreciation and amortization	-	-	-	171,680	171,680
Total operating expenses	<u>1,459,577</u>	<u>-</u>	<u>8,195,027</u>	<u>1,727,619</u>	<u>11,382,223</u>
Operating Income	<u>198,961</u>	<u>-</u>	<u>116,869</u>	<u>2,469,055</u>	<u>2,784,885</u>
Nonoperating Revenues					
Intergovernmental revenue	27,746	-	-	-	27,746
Investment earnings	4,173	5	22,429	16,363	42,970
Gain on disposal of property	-	-	-	155,709	155,709
Total nonoperating revenues	<u>31,919</u>	<u>5</u>	<u>22,429</u>	<u>172,072</u>	<u>226,425</u>
Income Before Transfers	230,880	5	139,298	2,641,127	3,011,310
Transfers in	-	-	-	-	-
Transfers out	-	-	-	-	-
Change in Net Position	230,880	5	139,298	2,641,127	3,011,310
Net Position, Beginning, as Previously Reported	380,806	36,600	3,484,287	3,009,143	6,910,836
Prior period adjustment	(18,245)	-	(487,017)	(138,620)	(643,882)
Net Position, Beginning, as Restated	<u>362,561</u>	<u>36,600</u>	<u>2,997,270</u>	<u>2,870,523</u>	<u>6,266,954</u>
Net Position, Ending	<u>\$ 593,441</u>	<u>\$ 36,605</u>	<u>\$ 3,136,568</u>	<u>\$ 5,511,650</u>	<u>\$ 9,278,264</u>

CITY OF PEARLAND, TEXAS
Combining Statement of Cash Flows – Internal Service Funds
Year Ended September 30, 2020

	Fleet Replacement Fund	Health Benefits Fund	Health Benefits Fund	Health Benefits Fund	Total Internal Service Funds
Cash Flows from Operating Activities					
Receipts from interfund charges for fleet management	\$ 1,674,756	\$ 7,092	\$ 8,382,738	\$ 4,196,674	\$ 14,261,260
Payments to employees for salaries and benefits	(58,410)	-	-	(484,723)	(543,133)
Payments to suppliers and service providers	(1,400,491)	(154,443)	(8,046,088)	(673,710)	(10,274,732)
Net Cash Provided By (Used In) Operating Activities	<u>215,855</u>	<u>(147,351)</u>	<u>336,650</u>	<u>3,038,241</u>	<u>3,443,395</u>
Cash Flows from Noncapital Financing Activity					
Cash received from non operating revenues	27,746	-	-	-	27,746
Net Cash Used In Noncapital Financing Activity	<u>27,746</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>27,746</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition and construction of capital assets	-	-	-	(2,637,853)	(2,637,853)
Proceeds from sale of assets	-	-	-	155,709	155,709
Net Cash Used In Capital And Related financing activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,482,144)</u>	<u>(2,482,144)</u>
Cash Flows from Investing Activities					
Interest on investments	4,173	5	22,429	16,363	42,970
Net Cash Provided By (Used In) Investing Activities	<u>4,173</u>	<u>5</u>	<u>22,429</u>	<u>16,363</u>	<u>42,970</u>
Increase (Decrease) in Cash and Cash Equivalents	247,774	(147,346)	359,079	572,460	1,031,967
Cash and Cash Equivalents, Beginning of Year	<u>364,786</u>	<u>29,139</u>	<u>3,406,702</u>	<u>1,974,654</u>	<u>5,775,281</u>
Cash and Cash Equivalents, End of Year	<u>\$ 612,560</u>	<u>\$ (118,207)</u>	<u>\$ 3,765,781</u>	<u>\$ 2,547,114</u>	<u>\$ 6,807,248</u>
Reconciliation of Operating Income to Net Cash Provided By Operating Activities					
Operating income	\$ 198,961	\$ -	\$ 116,869	\$ 2,469,055	\$ 2,784,885
Items not requiring cash:					
Depreciation	-	-	-	171,680	171,680
Changes in:					
Accounts receivable, net	16,218	7,092	70,842	-	94,152
Inventories	-	-	-	37,196	37,196
Prepays	-	(4,202)	148,939	-	144,737
Accounts payable and accrued liabilities	2,445	(150,241)	-	381,014	233,218
Total OPEB liability	(1,360)	-	-	(14,466)	(15,826)
Net pension liability	2,515	-	-	17,735	20,250
Deferred outflows - OPEB	(1,449)	-	-	(13,800)	(15,249)
Deferred inflows - OPEB	265	-	-	2,096	2,361
Deferred outflows - Pension	(5,552)	-	-	(39,145)	(44,697)
Deferred inflows - Pension	3,812	-	-	26,876	30,688
Net Cash Provided By (Used In) Operating Activities	<u>\$ 215,855</u>	<u>\$ (147,351)</u>	<u>\$ 336,650</u>	<u>\$ 3,038,241</u>	<u>\$ 3,443,395</u>

CITY OF PEARLAND, TEXAS
Statistical Section (Unaudited)
September 30, 2020

This part of the City of Pearland’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 City’s overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the readers understand how the City’s financial performance and well-being have changed over time.	124
Revenue Capacity These schedules contain information to help the reader assess the City’s most significant local revenue sources, sales and property tax.	134
Debt Capacity These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	148
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within which the City’s financial activities take place.	154
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the city provides and the activities it performs.	156

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>2011</u>	<u>2012</u> ¹	<u>2013</u> ^{1,2}	<u>2014</u>	<u>2015</u>
Governmental Activities					
Net investment in capital assets	\$ 413,439	\$ 353,160	\$ 391,032	\$ 397,346	\$ 423,706
Restricted	16,462	38,933	43,413	52,209	53,883
Unrestricted	14,543	10,117	14,696	2,477	3,800
Total governmental activities net position	<u>\$ 444,444</u>	<u>\$ 402,210</u>	<u>\$ 449,141</u>	<u>\$ 452,032</u>	<u>\$ 481,389</u>
Business-type activities					
Net investment in capital assets	\$ 156,629	\$ 156,888	\$ 165,915	\$ 174,955	\$ 186,819
Restricted	5,603	9,821	9,542	14,484	13,539
Unrestricted	13,910	12,439	16,704	15,612	12,815
Total business-type activities net position	<u>\$ 176,142</u>	<u>\$ 179,148</u>	<u>\$ 192,161</u>	<u>\$ 205,051</u>	<u>\$ 213,173</u>
Primary government					
Investment in capital assets	\$ 570,068	\$ 510,048	\$ 556,947	\$ 572,301	\$ 610,525
Restricted	22,065	48,754	52,955	66,693	67,422
Unrestricted	28,453	22,556	31,400	18,089	16,615
Total primary government net position	<u>\$ 620,586</u>	<u>\$ 581,358</u>	<u>\$ 641,302</u>	<u>\$ 657,083</u>	<u>\$ 694,562</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.

CITY OF PEARLAND, TEXAS
Net Position by Component (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Governmental Activities					
Net investment in capital assets	\$ 439,923	\$ 449,141	\$ 454,670	\$ 488,077	\$ 490,304
Restricted	60,640	60,310	67,263	56,491	44,928
Unrestricted	<u>3,185</u>	<u>(5,045)</u>	<u>(2,500)</u>	<u>(734)</u>	<u>33,179</u>
Total governmental activities net position	<u>\$ 503,748</u>	<u>\$ 504,406</u>	<u>\$ 519,433</u>	<u>\$ 543,834</u>	<u>\$ 568,412</u>
Business-type activities					
Net investment in capital assets	\$ 187,937	\$ 205,827	\$ 210,674	\$ 214,672	\$ 213,081
Restricted	15,852	13,972	14,525	15,270	16,776
Unrestricted	<u>13,351</u>	<u>6,972</u>	<u>20,663</u>	<u>29,806</u>	<u>39,015</u>
Total business-type activities net position	<u>\$ 217,140</u>	<u>\$ 226,771</u>	<u>\$ 245,862</u>	<u>\$ 259,748</u>	<u>\$ 268,873</u>
Primary government					
Investment in capital assets	\$ 627,860	\$ 654,968	\$ 665,344	\$ 702,749	\$ 703,386
Restricted	76,492	74,282	81,788	71,761	61,704
Unrestricted	<u>16,536</u>	<u>1,927</u>	<u>18,163</u>	<u>29,072</u>	<u>72,195</u>
Total primary government net position	<u>\$ 720,888</u>	<u>\$ 731,177</u>	<u>\$ 765,295</u>	<u>\$ 803,582</u>	<u>\$ 837,284</u>

CITY OF PEARLAND, TEXAS
Changes in Net Position
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)

	<u>2011</u>	<u>2012¹</u>	<u>2013^{1,2}</u>	<u>2014</u>	<u>2015</u>
Expenses					
Governmental activities:					
General Government	\$ 15,945	\$ 13,334	\$ 13,358	\$ 12,241	\$ 17,189
Public Safety	23,042	27,403	28,944	32,130	33,179
Public Works	31,130	28,510	31,690	38,579	45,894
Community Services	3,254	4,267	3,807	4,687	3,641
Parks and Recreation	8,062	9,264	9,524	6,896	3,731
Economic Development	-	26,311	17,411	26,498	26,159
Interest on long-term debt	13,142	11,572	10,534	16,225	15,569
Total government activities expenses	<u>94,575</u>	<u>120,661</u>	<u>115,268</u>	<u>137,256</u>	<u>145,362</u>
Business-type activities:					
Water and Sewer	29,192	29,392	31,289	32,444	34,266
Solid Waste	7,285	7,528	8,324	6,664	6,417
Total business-type activities	<u>36,477</u>	<u>36,920</u>	<u>39,613</u>	<u>39,108</u>	<u>40,683</u>
Total primary government expenses	<u>\$ 131,052</u>	<u>\$ 157,581</u>	<u>\$ 154,881</u>	<u>\$ 176,364</u>	<u>\$ 186,045</u>
Program Revenue					
Governmental activities:					
Charges for services:					
General Government	\$ -	\$ 7,624	\$ 6,326	\$ 6,637	\$ 7,624
Public Safety	3,679	4,206	7,410	2,793	4,110
Public Works	18	43	3,096	322	338
Community Services	4,632	5,855	3,264	7,375	7,771
Parks and Recreation	2,027	2,080	2,209	2,290	2,412
Economic Development	-	413	414	430	1,209
Operating grants and contributions:					
General Government	5,488	6,045	44	440	747
Public Safety	407	711	603	434	294
Public Works	675	53	1,388	7,612	4,589
Community Services	366	311	108	337	216
Parks and Recreation	462	542	182	474	1,586
Economic Development	-	-	-	-	-
Capital grants and contributions:					
General Government	-	-	180	-	-
Public Safety	-	-	-	-	-
Public Works	10,330	18,743	52,921	29,269	36,440
Parks and Recreation	-	100	-	-	-
Total governmental activities program revenues	<u>28,084</u>	<u>46,726</u>	<u>78,145</u>	<u>58,413</u>	<u>67,336</u>
Business-type activities:					
Charges for services:					
Water and Sewer	28,664	27,535	29,008	28,929	30,201
Solid Waste	7,258	7,654	8,175	7,008	6,637
Operating grants and contributions:					
Water and Sewer	61	205	-	-	2,512
Capital grants and contributions:					
Water and Sewer	4,215	8,118	16,273	17,677	13,177
Total business-type activities program revenues	<u>40,198</u>	<u>43,512</u>	<u>53,456</u>	<u>53,614</u>	<u>52,527</u>
Total primary government program revenues	<u>\$ 68,282</u>	<u>\$ 90,238</u>	<u>\$ 131,601</u>	<u>\$ 112,027</u>	<u>\$ 119,863</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.

CITY OF PEARLAND, TEXAS
Changes in Net Position (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Expenses					
Governmental activities:					
General Government	\$ 18,015	\$ 20,121	\$ 20,360	\$ 21,249	\$ 25,504
Public Safety	38,933	44,343	43,275	47,948	51,031
Public Works	46,449	49,221	53,271	46,631	44,862
Community Services	3,711	5,107	4,509	4,616	4,383
Parks and Recreation	4,820	8,823	7,194	7,683	8,197
Economic Development	31,330	31,293	29,521	33,470	28,683
Interest on long-term debt	15,946	14,422	14,441	14,017	14,042
Total government activities expenses	<u>159,204</u>	<u>173,331</u>	<u>172,571</u>	<u>175,614</u>	<u>176,702</u>
Business-type activities:					
Water and Sewer	37,941	41,475	41,683	39,413	45,055
Solid Waste	6,833	7,059	7,441	7,752	7,930
Total business-type activities	<u>44,774</u>	<u>48,534</u>	<u>49,124</u>	<u>47,165</u>	<u>52,984</u>
Total primary government expenses	<u>\$ 203,978</u>	<u>\$ 221,865</u>	<u>\$ 221,695</u>	<u>\$ 222,779</u>	<u>\$ 229,686</u>
Program Revenue					
Governmental activities:					
Charges for services:					
General Government	\$ 8,547	\$ 9,518	\$ 10,414	\$ 10,826	\$ 12,424
Public Safety	4,276	3,949	3,777	4,413	4,772
Public Works	320	1,395	253	1,379	113
Community Services	8,520	8,026	6,566	6,888	6,100
Parks and Recreation	2,218	2,001	2,766	2,328	992
Economic Development	13	3,886	3,503	1,951	460
Operating grants and contributions:					
General Government	2,595	-	-	-	6,609
Public Safety	-	-	11	-	-
Public Works	11,123	12,459	5,884	8,765	14,164
Community Services	-	575	232	239	-
Parks and Recreation	-	-	-	-	-
Economic Development	-	-	-	-	-
Capital grants and contributions:					
General Government	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	24,636	10,107	19,241	16,678	7,148
Parks and Recreation	-	-	-	-	-
Total governmental activities program revenues	<u>62,248</u>	<u>51,916</u>	<u>52,647</u>	<u>53,467</u>	<u>52,782</u>
Business-type activities:					
Charges for services:					
Water and Sewer	43,677	51,544	55,593	55,696	54,710
Solid Waste	6,945	6,549	7,842	8,621	7,755
Operating grants and contributions:					
Water and Sewer	30	-	-	1,497	225
Capital grants and contributions:					
Water and Sewer	4,094	2,027	4,613	4,113	1,456
Total business-type activities program revenues	<u>54,746</u>	<u>60,120</u>	<u>68,048</u>	<u>69,927</u>	<u>64,146</u>
Total primary government program revenues	<u>\$ 116,994</u>	<u>\$ 112,036</u>	<u>\$ 120,695</u>	<u>\$ 123,394</u>	<u>\$ 116,929</u>

CITY OF PEARLAND, TEXAS
Changes in Net Position (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)

	<u>2011</u>	<u>2012¹</u>	<u>2013^{1,2}</u>	<u>2014</u>	<u>2015</u>
Net (Expense)/Revenue					
Governmental activities	\$ (66,491)	\$ (73,935)	\$ (37,123)	\$ (78,843)	\$ (78,026)
Business-type activities	3,721	6,592	13,843	14,506	11,844
Total primary government net expense	<u>\$ (62,770)</u>	<u>\$ (67,343)</u>	<u>\$ (23,280)</u>	<u>\$ (64,337)</u>	<u>\$ (66,182)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 32,963	\$ 33,451	\$ 52,230	\$ 57,378	\$ 62,974
Sales and use taxes	13,578	13,983	22,969	27,295	29,970
Franchise taxes	5,426	5,605	5,670	6,484	6,971
Unrestricted grants and contributions					
Investment earnings	253	157	134	254	491
Miscellaneous	1,028	1,854	1,554	2,399	4,149
Special item	-	-	-	-	-
Transfers	1,186	1,475	2,269	1,607	2,828
Total governmental activities	<u>54,434</u>	<u>56,525</u>	<u>84,826</u>	<u>95,417</u>	<u>107,383</u>
Business-type activities:					
Investment earnings	100	116	68	95	325
Miscellaneous	779	9	444	682	219
Transfers	(1,186)	(1,475)	(2,269)	(1,607)	(2,828)
Total business-type activities	<u>(307)</u>	<u>(1,350)</u>	<u>(1,757)</u>	<u>(830)</u>	<u>(2,284)</u>
Total primary government	<u>\$ 54,127</u>	<u>\$ 55,175</u>	<u>\$ 83,069</u>	<u>\$ 94,587</u>	<u>\$ 105,099</u>
Change in Net Position:					
Governmental activities	\$ (12,057)	\$ (17,410)	\$ 47,703	\$ 16,574	\$ 29,357
Business-type activities	3,414	5,242	12,086	13,676	9,560
Total primary government	<u>\$ (8,643)</u>	<u>\$ (12,168)</u>	<u>\$ 59,789</u>	<u>\$ 30,250</u>	<u>\$ 38,917</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.

CITY OF PEARLAND, TEXAS
Changes in Net Position (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net (Expense)/Revenue					
Governmental activities	\$ (96,956)	\$ (121,414)	\$ (119,924)	\$ (122,147)	\$ (123,919)
Business-type activities	9,972	11,586	18,924	22,762	11,162
Total primary government net expense	<u>\$ (86,984)</u>	<u>\$ (109,828)</u>	<u>\$ (101,000)</u>	<u>\$ (99,385)</u>	<u>\$ (112,757)</u>
General Revenues and Other Changes in Net Position					
Governmental activities:					
Taxes:					
Property taxes	\$ 67,644	\$ 76,686	\$ 83,803	\$ 89,930	\$ 97,106
Sales and use taxes	31,293	31,976	35,437	34,872	34,928
Franchise taxes	7,228	7,263	7,358	7,480	7,270
Unrestricted grants and contributions					
Investment earnings	729	622	1,651	3,293	1,626
Miscellaneous	5,957	3,108	4,691	562	4,865
Special item	-	-	-	-	-
Transfers	6,464	2,417	3,103	11,364	5,460
Total governmental activities	<u>119,315</u>	<u>122,072</u>	<u>136,043</u>	<u>147,501</u>	<u>151,256</u>
Business-type activities:					
Investment earnings	294	396	1,361	2,947	1,277
Miscellaneous	166	66	7	2,361	13
Transfers	(6,464)	(2,417)	(3,103)	(11,364)	(5,460)
Total business-type activities	<u>(6,004)</u>	<u>(1,955)</u>	<u>(1,735)</u>	<u>(6,056)</u>	<u>(4,170)</u>
Total primary government	<u>\$ 113,311</u>	<u>\$ 120,117</u>	<u>\$ 134,308</u>	<u>\$ 141,445</u>	<u>\$ 147,085</u>
Change in Net Position:					
Governmental activities	\$ 22,359	\$ 658	\$ 16,117	\$ 25,354	\$ 27,336
Business-type activities	3,968	9,631	17,189	16,706	6,991
Total primary government	<u>\$ 26,327</u>	<u>\$ 10,289</u>	<u>\$ 33,306</u>	<u>\$ 42,060</u>	<u>\$ 34,328</u>

CITY OF PEARLAND, TEXAS
Fund Balances of Governmental Funds
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<u>2011</u>	<u>2012</u>	<u>2013</u> ¹	<u>2014</u>	<u>2015</u>
General fund					
Non-spendable	\$ 130	\$ 182	\$ 158	\$ 202	\$ 293
Restricted	126	-	-	-	-
Assigned	160	167	1,554	1,394	1,406
Unassigned	14,108	17,222	16,911	17,859	19,655
Total General Fund	<u>\$ 14,524</u>	<u>\$ 17,571</u>	<u>\$ 18,623</u>	<u>\$ 19,455</u>	<u>\$ 21,354</u>
All other governmental funds					
Non-spendable	\$ -	\$ -	\$ 183	\$ 209	\$ 173
Restricted					
Debt service	5,160	4,992	5,192	5,951	5,835
Capital improvements	23,461	13,776	14,536	17,519	22,484
Public safety	541	702	715	390	394
Economic Development	-	-	20,777	23,814	24,117
Community development programs					
Tourism	1,452	1,821	2,267	2,994	3,685
Parks and recreation	1,143	968	985	168	105
Capital projects - other	810	797	866	-	-
Other	87	215	638	918	1,149
Unassigned	-	-	-	-	-
Total other Governmental Funds	<u>\$ 32,654</u>	<u>\$ 23,271</u>	<u>\$ 46,159</u>	<u>\$ 51,963</u>	<u>\$ 57,940</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.

CITY OF PEARLAND, TEXAS
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General fund					
Non-spendable	\$ 151	\$ 101	\$ 136	\$ 15	\$ 28
Restricted	-	-	-	-	-
Assigned	3,994	3,000	1,538	1,521	648
Unassigned	16,775	11,262	12,314	15,666	28,400
Total General Fund	<u>\$ 20,919</u>	<u>\$ 14,363</u>	<u>\$ 13,988</u>	<u>\$ 17,202</u>	<u>\$ 29,076</u>
All other governmental funds					
Non-spendable	\$ -	\$ 4	\$ -	\$ -	\$ -
Restricted					
Debt service	8,276	5,912	6,797	5,427	6,163
Capital improvements	47,361	59,200	43,912	52,952	73,316
Public safety	342	364	506	504	453
Economic Development	32,844	36,795	44,634	34,659	44,068
Community development programs					
Tourism	4,194	4,604	4,661	5,388	5,569
Parks and recreation	131	262	517	530	537
Capital projects - other	-	-	-	-	-
Other	1,264	779	783	1,313	1,180
Unassigned	-	(28)	(52)	(28)	(27)
Total other Governmental Funds	<u>\$ 94,411</u>	<u>\$ 107,892</u>	<u>\$ 101,758</u>	<u>\$ 100,745</u>	<u>\$ 131,259</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.

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>2011</u>	<u>2012</u>	<u>2013¹</u>	<u>2014</u>	<u>2015</u>
Revenues					
Property taxes	\$ 33,454	\$ 34,362	\$ 54,475	\$ 57,378	\$ 62,922
Sales and use taxes	13,983	15,632	24,942	27,295	29,970
Franchise fees	5,605	5,817	5,999	6,484	6,971
Licenses and permits	1,721	2,320	2,989	4,149	4,544
Fines and forfeitures	2,895	3,374	3,534	3,121	3,108
Charges for services	11,687	11,891	12,982	13,078	14,661
Investment earnings	156	92	154	254	433
Intergovernmental	2,199	3,089	4,595	2,541	3,197
Other	1,560	2,541	7,973	4,157	7,076
Total Revenues	<u>73,260</u>	<u>79,118</u>	<u>117,643</u>	<u>118,457</u>	<u>132,882</u>
Expenditures					
General government	10,866	7,784	7,958	8,027	10,470
Public safety	23,926	25,372	26,204	29,171	32,229
Public works	6,505	5,533	7,812	8,121	10,298
Community services	3,376	4,246	3,523	3,960	3,408
Parks and recreation	7,539	7,499	7,244	7,816	5,823
Economic development			17,414	25,248	25,625
Debt service:					
Principal	8,217	9,373	15,637	15,815	23,790
Interest and other charges	13,543	12,401	15,859	16,373	16,595
Capital outlay	25,703	9,201	22,101	15,536	24,471
Intergovernmental	3,954	3,992	4,058	4,307	4,792
Total Expenditures	<u>103,629</u>	<u>85,401</u>	<u>127,810</u>	<u>134,374</u>	<u>157,501</u>
Excess of revenues over (under) expenditures	(30,369)	(6,283)	(10,167)	(15,917)	(24,619)
Other Financing Sources (Uses)					
Transfers in	3,525	5,909	15,515	16,507	17,043
Transfers out	(2,050)	(5,096)	(14,583)	(16,967)	(15,233)
Debt issued	21,637	49,805	12,060	49,560	81,258
Payment to Escrow Agent	(1,630)	(54,478)	-	(33,182)	(54,303)
Capital leases	1,289	-	1,179	1,853	574
Other	56	3,809	331	4,784	3,157
Total other Financing Sources (uses)	<u>22,826</u>	<u>(51)</u>	<u>14,502</u>	<u>22,555</u>	<u>32,496</u>
Net change in fund balances	<u>\$ (7,543)</u>	<u>\$ (6,334)</u>	<u>\$ 4,335</u>	<u>\$ 6,638</u>	<u>\$ 7,877</u>
Debt service as a percentage of noncapital expenditures	27.9%	28.3%	29.8%	27.0%	29.9%

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.

CITY OF PEARLAND, TEXAS
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Revenues					
Property taxes	\$ 67,569	\$ 76,562	\$ 83,484	\$ 90,252	\$ 97,106
Sales and use taxes	31,293	31,976	35,437	34,872	34,928
Franchise fees	7,228	7,263	7,358	7,480	7,270
Licenses and permits	5,677	5,435	4,146	4,198	4,424
Fines and forfeitures	2,931	2,654	2,468	2,712	1,723
Charges for services	15,313	16,015	16,769	17,726	18,714
Investment earnings	728	619	1,600	3,186	1,583
Intergovernmental	15,959	16,010	8,579	10,329	19,480
Other	5,065	5,736	7,200	3,947	2,553
Total Revenues	<u>151,765</u>	<u>162,270</u>	<u>167,041</u>	<u>174,702</u>	<u>187,782</u>
Expenditures					
General government	11,609	11,223	11,300	11,173	12,513
Public safety	36,818	40,858	41,273	42,716	47,218
Public works	13,292	17,365	16,968	12,596	11,693
Community services	4,294	4,837	4,313	4,219	4,452
Parks and recreation	6,458	6,419	5,959	6,065	5,483
Economic development	31,051	29,001	29,195	38,288	25,843
Debt service:					
Principal	19,736	24,341	23,547	38,007	27,796
Interest and other charges	15,841	15,221	15,814	15,646	15,939
Capital outlay	31,982	43,860	43,474	39,541	38,359
Intergovernmental	4,847	6,937	7,168	7,325	7,769
Total Expenditures	<u>175,928</u>	<u>200,062</u>	<u>199,011</u>	<u>215,576</u>	<u>197,065</u>
Excess of revenues over (under) expenditures	(24,163)	(37,792)	(31,970)	(40,874)	(9,284)
Other Financing Sources (Uses)					
Transfers in	26,062	28,466	24,456	34,200	31,561
Transfers out	(20,844)	(26,860)	(22,266)	(22,866)	(26,101)
Debt issued	142,701	115,718	24,223	44,292	44,798
Payment to Escrow Agent	(89,638)	(72,608)	-	(12,551)	-
Capital leases	1,918	-	-	-	-
Other	-	-	-	-	-
Total other Financing Sources (uses)	<u>60,199</u>	<u>44,716</u>	<u>26,413</u>	<u>43,075</u>	<u>50,258</u>
Net change in fund balances	<u>\$ 36,036</u>	<u>\$ 6,924</u>	<u>\$ (5,557)</u>	<u>\$ 2,201</u>	<u>\$ 40,975</u>
Debt service as a percentage of noncapital expenditures	24.8%	25.3%	24.9%	30.3%	27.6%

CITY OF PEARLAND, TEXAS
Spending and Growth Analysis
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

Expenditures	2011	2012	2013	2014	2015	2016
General Gov't	\$ 10,866	\$ 7,797	\$ 7,958	\$ 8,027	\$ 10,470	\$ 11,609
Public Safety	23,926	25,372	26,204	29,171	32,229	36,818
Public Works	6,505	5,533	7,812	8,121	10,298	13,292
Community Services	3,376	4,246	3,523	3,960	3,408	4,294
Parks & recreation	7,539	7,499	7,244	7,816	5,823	6,458
Economic Development	17,391	20,397	17,414	25,248	25,625	31,051
Debt Service - principal	10,847	12,893	15,637	15,815	23,790	19,736
Debt service - interest	17,154	15,534	15,859	16,373	16,595	15,841
Capital outlay	25,768	9,201	22,101	15,536	24,471	31,982
Intergovernmental	4,127	4,158	4,058	4,307	4,792	4,847
Total	\$ 127,499	\$ 112,630	\$ 127,810	\$ 134,374	\$ 157,501	\$ 175,928

Distribution of Spending

General Gov't	8.5%	6.9%	6.2%	6.0%	6.6%	6.6%
Public Safety	18.8%	22.5%	20.5%	21.7%	20.5%	20.9%
Public Works	5.1%	4.9%	6.1%	6.0%	6.5%	7.6%
Community Services	2.6%	3.8%	2.8%	2.9%	2.2%	2.4%
Parks & recreation	5.9%	6.7%	5.7%	5.8%	3.7%	3.7%
Economic Development	13.6%	18.1%	13.6%	18.8%	16.3%	17.6%
Debt Service - principal	8.5%	11.4%	12.2%	11.8%	15.1%	11.2%
Debt service - interest	13.5%	13.8%	12.4%	12.2%	10.5%	9.0%
Capital outlay	20.2%	8.2%	17.3%	11.6%	15.5%	18.2%
Intergovernmental	3.2%	3.7%	3.2%	3.2%	3.0%	2.8%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Adjusted for CPI

POPULATION	97,200	99,800	104,100	106,900	112,300	117,100
PER CAPITA	\$ 1,312	\$ 1,129	\$ 1,228	\$ 1,257	\$ 1,403	\$ 1,502
CPI INDEX (NATIONAL)	224.94	229.59	232.96	234.75	236.70	241.40
PER CAPITA ADJ TO 2020	\$ 1,518	\$ 1,279	\$ 1,372	\$ 1,394	\$ 1,542	\$ 1,620
PER CAPITA ADJ TO 2011	\$ 1,312	\$ 1,106	\$ 1,186	\$ 1,204	\$ 1,333	\$ 1,400

CITY OF PEARLAND, TEXAS
Spending and Growth Analysis (Continued)
Last Ten Fiscal Years
Amounts in (000's)
(Modified Accrual Basis of Accounting)

Expenditures	2017	2018	2019	2020	Ten Year % CHG	Average Compounded Growth Rate
General Gov't	\$ 11,223	\$ 11,300	\$ 11,173	\$ 12,513	15.2%	1.58%
Public Safety	40,858	41,273	42,716	47,218	97.4%	7.85%
Public Works	17,365	16,968	12,596	11,693	79.7%	6.73%
Community Services	4,837	4,313	4,219	4,452	31.9%	3.12%
Parks & recreation	6,419	5,959	6,065	5,483	-27.3%	-3.48%
Economic Development	29,001	29,195	38,288	25,843	48.6%	4.50%
Debt Service - principal	24,341	23,547	38,007	27,796	156.3%	11.02%
Debt service - interest	15,221	15,814	15,646	15,939	-7.1%	-0.81%
Capital outlay	43,860	43,474	39,541	38,359	48.9%	4.52%
Intergovernmental	6,937	7,168	7,325	7,769	88.2%	7.28%
Total	\$ 200,062	\$ 199,011	\$ 215,576	\$ 197,065	54.6%	4.96%

Distribution of Spending

General Gov't	5.6%	5.7%	5.2%	6.3%
Public Safety	20.4%	20.7%	19.8%	24.0%
Public Works	8.7%	8.5%	5.8%	5.9%
Community Services	2.4%	2.2%	2.0%	2.3%
Parks & recreation	3.2%	3.0%	2.8%	2.8%
Economic Development	14.5%	14.7%	17.8%	13.1%
Debt Service - principal	12.2%	11.8%	17.6%	14.1%
Debt service - interest	7.6%	7.9%	7.3%	8.1%
Capital outlay	21.9%	21.8%	18.3%	19.5%
Intergovernmental	3.2%	3.6%	3.4%	3.9%
Total	99.8%	92.3%	100.0%	100.0%

Adjusted for CPI

					Average Compounded Growth Rate
POPULATION	121,500	125,198	127,500	131,448	3.41%
PER CAPITA	\$ 1,647	\$ 1,590	\$ 1,691	\$ 1,499	1.50%
CPI INDEX (NATIONAL)	246.37	252.44	256.76	260.28	1.63%
PER CAPITA ADJ TO 2019	\$ 1,740	\$ 1,639	\$ 1,691	\$ 1,499	-0.14%
PER CAPITA ADJ TO 2010	\$ 1,503	\$ 1,416	\$ 1,481	\$ 1,296	-0.14%

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>
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
2019	2018	8,388,984,355	3,467,102,770	880,377,068	882,979,174
2020	2019	8,795,872,742	3,632,391,578	1,018,446,748	903,424,894

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.

CITY OF PEARLAND, TEXAS
Assessed Value and Estimated Actual Value
of Taxable Property (Continued)
Last Ten Fiscal Years

Fiscal Year	Tax Year	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
2011	2010	\$ 355,054,613	\$ 6,331,723,029	0.6651	\$ 6,331,723,029	100%
2012	2011	352,494,382	6,369,626,981	0.6851	6,369,626,981	100%
2013 (1)	2012	454,866,920	6,537,976,038	0.7051	6,537,976,038	100%
2014	2013	487,709,374	6,996,973,518	0.7051	6,996,973,518	100%
2015	2014	452,738,140	7,580,556,989	0.7121	7,580,556,989	100%
2016	2015	423,238,764	8,464,775,289	0.7053	8,464,775,289	100%
2017	2016	571,315,443	9,722,252,580	0.6812	9,722,252,580	100%
2018	2017	681,810,199	10,563,655,075	0.6851	10,563,655,075	100%
2019	2018	904,072,816	10,949,412,203	0.7092	10,949,412,203	100%
2020	2019	1,004,810,809	11,538,475,365	0.7412	11,538,475,365	100%

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.

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
2010	0.220	0.433	0.653	1.419	1.350	1.304	0.200	0.426	0.500
2011	0.215	0.450	0.665	1.419	1.350	1.304	0.200	0.463	0.500
2012	0.215	0.470	0.685	1.419	1.350	1.344	0.199	0.473	0.500
2013	0.215	0.490	0.705	1.419	1.350	1.329	0.200	0.486	0.500
2014	0.215	0.490	0.705	1.416	1.350	1.329	0.194	0.492	0.500
2015	0.222	0.490	0.712	1.416	1.350	1.417	0.204	0.499	0.495
2016	0.223	0.483	0.705	1.416	1.350	1.417	0.204	0.486	0.486
2017	0.241	0.440	0.681	1.416	1.350	1.450	0.192	0.457	0.474
2018	0.255	0.430	0.685	1.416	1.480	1.450	0.181	0.440	0.458
2019	0.279	0.430	0.709	1.416	1.416	1.450	0.188	0.368	0.445
2020	0.307	0.434	0.741	1.396	1.378	1.398	0.186	0.365	0.445

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.

CITY OF PEARLAND, TEXAS
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	Overlapping Rates (a)								
	Harris County	Port of Houston Authority	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
2010	0.392	0.016	0.029	0.192	0.060	0.850	0.600	0.560	0.630
2011	0.388	0.021	0.029	0.192	0.007	0.850	0.547	0.550	0.620
2012	0.391	0.019	0.028	0.192	0.007	0.850	0.547	0.545	0.600
2013	0.400	0.020	0.028	0.182	0.007	0.850	0.547	0.530	0.580
2014	0.415	0.017	0.028	0.170	0.006	0.850	0.544	0.510	0.550
2015	0.417	0.015	0.027	0.170	0.006	0.850	0.520	0.470	0.510
2016	0.419	0.013	0.027	0.170	0.005	0.848	0.460	0.390	0.450
2017	0.417	0.013	0.028	0.172	0.005	0.848	0.410	0.350	0.400
2018	0.418	0.013	0.028	0.171	0.005	0.848	0.380	0.310	0.380
2019	0.419	0.012	0.029	0.171	0.005	0.848	0.380	0.310	0.360
2020	0.407	0.011	0.028	0.166	0.005	0.848	0.360	0.290	0.350

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.

CITY OF PEARLAND, TEXAS
Direct and Overlapping Property Tax Rates (Continued)
Last Ten Fiscal Years
(rate per \$100 of assessed value)

<u>Overlapping Rates (a)</u>					
<u>Fiscal Year</u>	<u>MUD No. 23</u>	<u>MUD No. 26</u>	<u>MUD No. 28</u>	<u>MUD No. 34</u>	<u>MUD No. 35</u>
2010	0.800	0.710	0.820	0.850	1.020
2011	0.770	0.710	0.820	0.850	1.020
2012	0.630	0.690	0.820	0.850	1.020
2013	0.610	0.690	0.820	0.850	1.020
2014	0.600	0.690	0.820	0.850	1.020
2015	0.580	0.690	0.820	0.850	1.020
2016	0.540	0.690	0.820	0.820	1.020
2017	0.480	0.690	0.820	0.800	1.020
2018	0.470	0.690	0.820	0.800	1.000
2019	0.460	0.690	0.820	0.780	1.000
2020	0.460	0.690	0.820	0.750	1.000

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.

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
2011	\$ 41,967,823	\$ 41,594,389	99.11%	\$ 339,455	\$ 41,933,844	99.9%
2012	43,441,562	43,110,373	99.24%	320,658	43,431,031	100.0%
2013	45,850,388	45,509,522	99.26%	302,589	45,812,111	99.9%
2014	49,096,238	48,802,720	99.40%	246,723	49,049,443	99.9%
2015	53,468,069	53,175,174	99.45%	186,651	53,361,825	99.8%
2016	58,834,077	58,545,664	99.51%	136,250	58,681,914	99.7%
2017	64,982,191	64,579,894	99.38%	220,965	64,800,859	99.7%
2018	70,630,574	70,216,601	99.41%	226,461	70,443,062	99.7%
2019	75,672,998	75,276,247	99.48%	222,017	75,498,264	99.8%
2020	83,055,340	82,617,167	99.47%	-	82,617,167	99.5%

Source: Brazoria County Tax Office

Note: Taxes levied based on adjusted tax roll.

CITY OF PEARLAND, TEXAS
Principal Property Taxpayers
Current Year and Nine Years Ago

<u>Taxpayer</u>	<u>2020</u>			<u>2011</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	\$ 77,670,650	1	0.67%	\$ 67,661,190	1	1.07%
HCA Healthcare Corp	72,967,490	2	0.63%	20,030,180	9	0.32%
Amreit SPF Shadow Creek LP	71,260,080	3	0.62%	50,744,245	2	0.80%
Mar Shadow Creek LP	58,900,000	4	0.51%			
FloWorks International LLC	48,578,680	5	0.42%			
DD Shadow Creek V LLC	47,577,030	6	0.41%			
MHI Compressor Manufacturer LLC	46,562,236	7	0.40%			
Goodgarden Owner GP	39,849,870	8	0.35%			
CenterPoint Energy, Inc.	37,635,130	9	0.33%	25,946,710	5	0.41%
W-F&B 11900 Shadow Creek VIII	36,246,640	10	0.31%			
Weatherford U.S., Inc.				45,210,463	3	0.71%
Pearland Investments Inc.				35,554,380	4	0.56%
Pearland Lifestyle Center, LP				24,153,065	6	0.38%
Walmart Real Estate Bus TR				23,412,910	7	0.37%
Shadow Kirby LTD Partnership				23,114,059	8	0.37%
Inland American Waterford LTD				17,125,100	10	0.27%
Total	\$ 537,247,806		4.66%	\$ 332,952,302		5.26%

Source: Brazoria County Appraisal District

* Tax Year 2019

Table does not include multiple taxpayers from the same address.

CITY OF PEARLAND, TEXAS
Principal Property Taxpayers (Table 8A)
2019 Total Taxes

Taxpayer		Pearland Town Center LP	HCA Healthcare Corp	Amreit SPF Shadow Creek LP
Property Use		Retail mixed use center	Health Care/Hospital	Multi-Family Housing
Taxable Value		\$77,670,650	\$72,967,490	\$71,260,080
Taxing Unit	Tax Rate			
Alvin ISD	1.397700	\$ 1,085,603	\$ 975,865	\$ 996,002
Pearland ISD	1.395600	-	43,935	-
Houston ISD	1.136700	-	-	-
City of Pearland	0.741212	575,704	540,844	528,188
Harris County	0.407130	-	-	-
Brazoria County	0.365233	283,679	266,501	260,265
Brazoria County Special Road & Bridge	0.050000	38,835	36,484	35,630
Alvin Community College	0.185862	144,360	17,610	132,445
Harris County Hospital District	0.165910	-	-	-
Brazoria Drainage District 4	0.146000	113,399	106,533	104,040
Brazoria County C&R District	0.150000	-	-	-
Houston Community College System	0.100263	-	-	-
Pearland Municipal Management District #2	0.097500	75,729	-	69,479
Harris County Flood Control District	0.027920	-	-	-
Port of Houston Authority	0.010740	-	-	-
Harris County Dept. of Education	0.005000	-	-	-
Total Tax		\$ 2,317,309	\$ 1,987,772	\$ 2,126,049
% Paid to City of Pearland		24.8%	27.2%	24.8%

Source: Brazoria County Tax Office & Harris County Tax Office
Table does not include multiple taxpayers from the same address.

CITY OF PEARLAND, TEXAS
Principal Property Taxpayers (Table 8A) (Continued)
2019 Total Taxes

Taxpayer		Mar Shadow Creek LP	FlowWorks International LLC	DD SCR V LLC
Property Use		Multi-Family Housing	Industrial / Manufacturing	Multi-Family Housing
Taxable Value		\$58,900,000	\$48,578,680	\$47,577,030
Taxing Unit	Tax Rate			
Alvin ISD	1.397700	\$ 823,245	\$ -	\$ 664,705
Pearland ISD	1.395600	-	631,143	-
Houston ISD	1.136700	-	-	-
City of Pearland	0.741212	436,574	340,186	352,498
Harris County	0.407130	-	-	-
Brazoria County	0.365233	215,122	177,425	173,694
Brazoria County Special Road & Bridge	0.050000	29,450	24,289	23,779
Alvin Community College	0.185862	109,473	-	88,390
Harris County Hospital District	0.165910	-	-	-
Brazoria Drainage District 4	0.146000	85,994	67,008	69,433
Brazoria County C&R District	0.150000	-	-	-
Houston Community College System	0.100263	-	-	-
Pearland Municipal Management District #2	0.097500	-	-	-
Harris County Flood Control District	0.027920	-	-	-
Port of Houston Authority	0.010740	-	-	-
Harris County Dept. of Education	0.005000	-	-	-
Total Tax		\$ 1,699,858	\$ 1,240,051	\$ 1,372,499
% Paid to City of Pearland		25.7%	27.4%	25.7%

Source: Brazoria County Tax Office & Harris County Tax Office
Table does not include multiple taxpayers from the same address.

CITY OF PEARLAND, TEXAS
Principal Property Taxpayers (Table 8A) (Continued)
2019 Total Taxes

Taxpayer		MHI Compressor Manufacturer LLC	Goodgarden Owner GP	Centerpoint Energy Inc	W-F&B 11900 Shadow Creek VIII
Property Use		Industrial / Manufacturing	Multi-Family Housing	Utility	Multi-Family Housing
Taxable Value		\$46,562,236	\$ 39,849,870	\$ 37,635,130	\$36,246,640
Taxing Unit	Tax Rate				
Alvin ISD	1.397700	\$ -	\$ 556,982	\$ 48,249	\$ 506,619
Pearland ISD	1.395600	-	-	46,861	-
Houston ISD	1.136700	529,273	-	-	-
City of Pearland	0.741212	345,125	295,372	278,956	268,664
Harris County	0.407130	189,569	-	-	-
Brazoria County	0.365233	-	145,545	24,872	132,385
Brazoria County Special Road & Bridge	0.050000	-	19,925	3,405	18,123
Alvin Community College	0.185862	-	74,066	6,416	67,369
Harris County Hospital District	0.165910	77,251	-	-	-
Brazoria Drainage District 4	0.146000	-	58,181	9,907	52,920
Brazoria County C&R District	0.150000	-	-	36	-
Houston Community College System	0.100263	46,685	-	-	-
Pearland Municipal Management District #2	0.097500	-	-	3,309	-
Harris County Flood Control District	0.027920	13,000	-	-	-
Port of Houston Authority	0.010740	5,001	-	-	-
Harris County Dept. of Education	0.005000	2,328	-	-	-
Total Tax		\$ 1,208,232	\$ 1,150,071	\$ 422,011	\$ 1,046,080
% Paid to City of Pearland		28.6%	25.7%	66.1%	25.7%

Source: Brazoria County Tax Office & Harris County Tax Office
Table does not include multiple taxpayers from the same address.

CITY OF PEARLAND, TEXAS
Taxable Sales by Category
Last Ten Calendar Years
(in thousands of dollars)

	Calendar Year				
	2011	2012	2013	2014	2015
Retail Trade	\$ 697,419	\$ 764,460	\$ 828,225	\$ 871,813	\$ 961,565
Accommodations & Food Services	172,126	198,439	215,705	240,961	272,540
Real Estate/Rental/Leasing	48,059	61,690	55,811	61,392	48,024
Manufacturing	49,474	48,213	34,562	51,274	41,175
Wholesale Trade	33,163	33,566	34,356	42,915	41,491
Other Services (Except Public Admin)	29,557	30,669	34,119	38,539	40,373
Information	16,896	19,194	24,369	29,602	33,614
Construction	17,558	23,181	24,367	26,350	32,168
Arts, Entertainment & Recreation	11,511	12,710	13,569	14,692	15,555
Mining, Quarrying, Oil and Gas	3,316	3,726	12,865	14,520	7,285
Admin/Support/Waste Mgmt/Remediation	11,004	12,696	13,344	12,963	12,808
Professional/Scientific/Technical	7,072	9,037	11,210	10,531	11,307
Health Care/Social Assistance	252	351	1,065	3,205	5,007
Finance, Insurance	1,261	1,347	1,246	1,483	2,226
Agriculture, Forestry, Fishing	306	468	772	728	1,609
Transportation/Warehousing	418	425	318	406	285
Educational Services	314	429	372	350	393
Utilities	187	3	7	7	-
Total	\$ 1,099,893	\$ 1,220,604	\$ 1,306,282	\$ 1,421,731	\$ 1,527,425
City direct sales tax rate ^b	1.00%	1.00%	1.00%	1.00%	1.00%

Source: State Comptroller's Office.

^a 2020 taxable sales thru 2nd quarter of 2020.

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

CITY OF PEARLAND, TEXAS
Taxable Sales by Category (Continued)
Last Ten Calendar Years
(in thousands of dollars)

	Calendar Year				
	2016	2017	2018	2019	2020 ^a
Retail Trade	\$ 999,033	\$ 1,042,624	\$ 1,056,690	\$ 1,030,791	\$ 481,690
Accommodations & Food Services	298,860	316,070	341,462	375,329	169,012
Real Estate/Rental/Leasing	32,786	44,540	44,467	-	-
Manufacturing	40,192	39,860	39,133	32,215	11,016
Wholesale Trade	48,114	49,702	56,347	58,202	21,912
Other Services (Except Public Admin)	40,181	41,711	43,812	42,928	19,816
Information	33,449	35,824	39,187	34,340	10,081
Construction	24,655	21,363	27,310	33,948	15,372
Arts, Entertainment & Recreation	16,020	16,344	17,127	-	-
Mining, Quarrying, Oil and Gas	8,141	11,682	11,125	3,794	2,557
Admin/Support/Waste Mgmt/Remediation	12,725	14,489	16,918	-	-
Professional/Scientific/Technical	12,177	6,689	8,371	30,721	12,983
Health Care/Social Assistance	2,307	3,751	3,355	-	-
Finance, Insurance	2,182	2,108	1,906	43,987	22,410
Agriculture, Forestry, Fishing	2,112	3,471	2,496	-	-
Transportation/Warehousing	372	560	678	763	258
Educational Services	406	439	512	5,103	2,032
Utilities	-	-	-	-	-
Total	\$ 1,573,712	\$ 1,651,227	\$ 1,710,896	\$ 1,692,121	\$ 769,139
City direct sales tax rate ^b	1.00%	1.00%	1.00%	1.00%	1.00%

Source: State Comptroller's Office.

^a 2020 taxable sales thru 2nd quarter of 2020.

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

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	Revenue Bonds	Unamortized Premiums/ (Discounts)	Capital Lease Obligations	Revenue Bonds	Permanent Improvement Bonds
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
2019	269,520	51,620	85,065	26,639	761	232,415	4,480
2020	268,680	66,405	81,445	29,963	541	335,435	4,110

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.

CITY OF PEARLAND, TEXAS
Outstanding Debt by Type (Continued)
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	<u>Business-Type Activities</u>		Total Primary Government	Percentage of Personal Income	Total Per Capita	Excluding Component Units Per Capita
	Unamortized Premiums/ (Discounts)	Capital Lease Obligations				
2011	\$ 656	\$ 421	\$ 429,537	14.3%	\$ 4,380	\$ -
2012	882	342	428,769	13.1%	4,223	-
2013*	730	253	506,547	14.1%	4,800	4,019
2014	592	169	514,091	13.2%	4,709	3,859
2015	659	82	528,999	12.6%	4,561	3,875
2016	850	375	611,897	13.2%	5,225	4,445
2017	9,395	257	658,742	15.3%	5,422	4,622
2018	10,897	173	673,696	13.1%	5,381	4,598
2019	16,808	86	687,394	13.4%	5,490	4,811
2020	16,168	-	802,746	13.3%	6,107	5,487

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.

CITY OF PEARLAND, TEXAS
Ratio of Net General Bonded Debt to Assessed
Value and Net Bonded Debt Per Capita
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Fiscal Year	Tax Year	General Bonded Debt ^a	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Percentage of Personal Income ^b	Per Capita ^b
2011	2010	\$ 311,158	\$ 6,706	\$ 304,452	4.8%	10.2%	\$ 3,132
2012	2011	311,204	5,160	306,044	4.8%	9.5%	3,067
2013	2012	321,068	4,992	316,076	4.8%	8.9%	3,036
2014	2013	326,283	4,643	321,640	4.6%	8.4%	3,009
2015	2014	339,518	4,536	334,982	4.4%	8.2%	2,983
2016	2015	341,503	5,034	336,469	4.0%	7.3%	2,873
2017	2016	353,837	8,276	345,561	3.6%	8.0%	2,844
2018	2017	348,614	5,911	342,703	3.2%	6.7%	2,737
2019	2018	433,605	6,797	426,808	4.0%	8.3%	3,348
2020	2019	335,085	5,427	329,658	3.0%	5.5%	2,508

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

^a Includes general obligation bonds, certificates of obligation, sales, increment, and permanent improvement bonds net of related premiums/discounts.

^b 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, 2020 and 2019

Taxing Jurisdiction	Debt as of September 30, 2019	Overlapping	
		Percent	Amount
Alvin Community College District	\$ 28,625,000	29.55%	\$ 8,458,688
Alvin ISD	796,295,000	33.38%	265,803,271
Brazoria County	143,758,313	22.08%	31,741,836
Brazoria County MUD No. 6	15,030,000	0.30%	45,090
Brazoria County MUD No. 17	20,535,000	100.00%	20,535,000
Brazoria County MUD No. 18	20,890,000	100.00%	20,890,000
Brazoria County MUD No. 19	25,045,000	100.00%	25,045,000
Brazoria County MUD No. 23	13,330,000	100.00%	13,330,000
Brazoria County MUD No. 26	14,900,000	100.00%	14,900,000
Brazoria County MUD No. 28	55,995,000	100.00%	55,995,000
Brazoria County MUD No. 34	37,910,000	100.00%	37,910,000
Brazoria County MUD No. 35	8,550,000	100.00%	8,550,000
Brazoria-Fort Bend County MUD No. 1	70,630,000	100.00%	70,630,000
Fort Bend County	594,872,527	0.70%	4,164,108
Harris County (a)	1,885,182,125	0.24%	4,524,437
Harris County Dept. of Education	6,320,000	0.24%	15,168
Harris County Flood Control District	83,075,000	0.24%	199,380
Harris County Hospital District	55,005,000	0.24%	132,012
Harris-Brazoria Counties	33,470,000	100.00%	33,470,000
Lower Kirby Pearland Man	21,980,000	100.00%	21,980,000
Pasadena ISD	726,235,000	1.68%	12,200,748
Pearland ISD	433,230,000	76.05%	329,471,415
Port of Houston Authority	572,569,397	0.20%	1,145,139
Total estimated Overlapping			<u>981,136,291</u>
The City	\$ 433,604,774	100.00%	<u>433,604,774</u>
Total Direct and Estimated			<u>\$ 1,414,741,065</u>
Population			127,500
Per Capita Debt - Direct and Overlapping Debt			<u>\$ 11,096</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.

CITY OF PEARLAND, TEXAS
Direct and Overlapping Governmental Activities Debt (Continued)
September 30, 2020 and 2019

Taxing Jurisdiction	Debt as of September 30, 2020	Overlapping	
		Percent	Amount
Alvin Community College District	\$ 28,625,000	27.55%	\$ 7,886,188
Alvin ISD	906,860,000	31.83%	288,653,538
Brazoria County	139,678,313	20.40%	28,494,376
Brazoria County MUD No. 6	12,620,000	0.31%	39,122
Brazoria County MUD No. 17	19,105,000	100.00%	19,105,000
Brazoria County MUD No. 18	19,515,000	100.00%	19,515,000
Brazoria County MUD No. 19	23,280,000	100.00%	23,280,000
Brazoria County MUD No. 23	12,630,000	100.00%	12,630,000
Brazoria County MUD No. 26	6,790,000	100.00%	6,790,000
Brazoria County MUD No. 28	54,290,000	100.00%	54,290,000
Brazoria County MUD No. 34	36,445,000	100.00%	36,445,000
Brazoria County MUD No. 35	8,170,000	100.00%	8,170,000
Brazoria-Fort Bend County MUD No. 1	63,680,000	100.00%	63,680,000
Fort Bend County	630,766,310	0.78%	4,919,977
Harris County (a)	1,743,427,125	0.24%	4,184,225
Harris County Dept. of Education	6,320,000	0.24%	15,168
Harris County Flood Control District	334,270,000	0.24%	802,248
Harris County Hospital District	86,050,000	0.24%	206,520
Harris-Brazoria Counties	41,975,000	100.00%	41,975,000
Lower Kirby Pearland Man	24,565,000	100.00%	24,565,000
Pasadena ISD	724,005,000	1.79%	12,959,690
Pearland ISD	433,230,000	79.21%	343,161,483
Port of Houston Authority	492,439,397	0.24%	1,181,855
Total estimated Overlapping			<u>1,002,949,389</u>
The City	\$ 335,085,000	100.00%	<u>335,085,000</u>
Total Direct and Estimated			<u>\$ 1,338,034,389</u>
Population			131,448
Per Capita Debt - Direct and Overlapping Debt			<u>\$ 10,179</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.

CITY OF PEARLAND, TEXAS
Pledged Revenue Coverage
Last Ten Fiscal Years
Amounts in (000's)

Water & Sewer Revenue Bonds

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2011	\$ 28,664	\$ 15,529	\$ 13,135	\$ 3,170	\$ 5,155	\$ 8,325	1.58
2012	27,969	15,946	12,023	3,305	5,016	8,321	1.44
2013	29,607	17,423	12,184	3,615	4,724	8,339	1.46
2014	29,341	17,707	11,634	3,765	4,584	8,349	1.39
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	32,713	10,630	5,129	15,759	2.08
2019	61,001	22,340	38,661	11,770	6,586	18,356	2.11
2020	56,221	26,128	30,093	15,935	6,867	22,802	1.32

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)
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%
2019	127,500	5,313,435	41,674	35.3	14.2	37,400	2.7%
2020	131,448	6,015,060	45,760	36.1	14.2	28,568	6.7%*

- (A) Pearland Economic Development Corporation, 2019 American Community Survey 5-year estimates (Nov 2020)
(B) Pearland Economic Development Corporation, 2018 American Community Survey 5-year estimates (Dec 2019)
(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, *Preliminary data as of September 2020

CITY OF PEARLAND, TEXAS
Principal Employers
Current Year and Nine Years Ago

<u>Employer</u>	<u>2020</u>			<u>2011</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	2,766	1	4.42%	2,212	1	4.85%
Kelsey Seybold	863	2	1.38%			
City of Pearland	853	3	1.36%	619	3	1.36%
Alvin ISD	785	4	1.25%			
Memorial Hermann	450	5	0.72%			
Lonza	444	6	0.71%			
Merit Medical	360	7	0.58%			
HCA (Pearland Medical Center)	300	8	0.48%			
Dover Energy	220	9	0.35%			
Third Coast	209	10	0.33%			
Kemlon	205	11	0.33%	370	4	0.81%
Tool-Flo	162	12	0.26%			
Buc-ee's	150	13	0.24%			
Packaging Service Company	120	14	0.19%	200	9	0.44%
Brask	100	15	0.16%			
Wal-Mart			0.00%	1,185	2	2.60%
HEB			0.00%	350	5	0.77%
Home Depot			0.00%	230	6	0.50%
Bredero Shaw			0.00%	225	7	0.49%
Bass Pro Shop			0.00%	200	8	0.44%
Texas Honing			0.00%	178	10	0.39%
Total	7,987		12.76%	5,769		12.65%

Sources:

Pearland Economic Development Corp.

Retail establishments data not available in 2019.

Labor force participation in 2019 is 61,312 and in 2010 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>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Activities:					
General Government	57	56	44	45	52
Public Safety	275	286	295	313	339
Public Works	45	31	57	60	67
Community Services	45	56	51	53	40
Parks and Recreation	105	109	101	99	88
Business-type Activities:					
Water & Sewer	87	90	99	101	105
Component Unit:					
Economic Development	<u>5</u>	<u>5</u>	<u>5</u>	<u>9</u>	<u>5</u>
Total	<u>619</u>	<u>633</u>	<u>652</u>	<u>680</u>	<u>696</u>

Source: City Budget

CITY OF PEARLAND, TEXAS
Full-time Equivalent City Government
Employees by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program	2016	2017	2018	2019	2020
Governmental Activities:					
General Government	62	52	54	55	66
Public Safety	370	370	379	390	408
Public Works	54	65	73	85	80
Community Services	42	50	46	46	48
Parks and Recreation	89	84	89	90	94
Business-type Activities:					
Water & Sewer	106	109	114	108	117
Component Unit:					
Economic Development	5	5	6	6	6
Total	<u>728</u>	<u>735</u>	<u>761</u>	<u>780</u>	<u>819</u>

Source: City Budget

CITY OF PEARLAND, TEXAS
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	2011	2012	2013	2014	2015
GENERAL GOVERNMENT					
Finance					
Number of purchase orders	2,679	2,415	2,671	2,640	2,377
Number of budget transfers	427	429	465	548	489
Number of invoices paid	21,000	20,768	23,512	21,486	22,212
Average number of employees paid per month	1,438	1,481	1,527	1,548	1,523
Human Resources					
Number of hires	131	112	94	98	131
Number of applications received	3,299	4,936	7,642	8,507	9,132
Legal					
Number of resolutions and ordinances prepared	205	220	254	243	271
Information Technology					
Average monthly service requests	815	832	843	838	854
Number of PC's supported	439	448	454	575	649
PUBLIC SAFETY					
Police					
Part 1 Crimes	1,946	1,819	2,115	2,098	2,411
Traffic Crashes	1,323	1,465	1,529	1,590	1,761
Arrests	5,602	5,685	6,946	6,705	5,781
Citizen Calls for Service	27,414	27,379	29,242	29,744	31,474
Traffic Stops	40,817	49,531	52,945	43,783	33,472
Priority 1 Average Response Time	5:24	3:50	4:15	3:50	4:16
Fire					
Total number of arson incidents	2	2	6	7	1
Fires investigated	25	18	16	25	20
Total annual inspections	1,380	1,537	1,958	1,644	1,640
Total calls for service	9,676	10,494	10,789	15,048	17,407
Patients treated	6,121	6,537	6,537	6,936	7,180

Sources: Various city departments.

Information not presented was not available at time of publication.

CITY OF PEARLAND, TEXAS
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program (continued)	2016	2017	2018	2019	2020
GENERAL GOVERNMENT					
Finance					
Number of purchase orders	2,159	589	1,811	1,673	1,724
Number of budget transfers	362	750	552	509	472
Number of invoices paid	26,675	24,548	21,547	17,641	16,482
Average number of employees paid per month	1,536	1,704	1,641	1,665	1,713
Human Resources					
Number of hires	194	170	163	183	161
Number of applications received	10,420	13,010	15,452	17,382	16,610
Legal					
Number of resolutions and ordinances prepared	279	276	290	340	307
Information Technology					
Average monthly service requests	871	894	325	400	347
Number of PC's supported	680	706	715	732	782
PUBLIC SAFETY					
Police					
Part 1 Crimes	2,202	2,193	1,962	2,175	1,934
Traffic Crashes	1,728	1,813	2,150	2,150	1,719
Arrests	5,044	4,865	4,844	4,604	2,613
Citizen Calls for Service	31,744	31,945	31,579	32,548	30,341
Traffic Stops	35,764	37,025	33,101	33,559	21,764
Priority 1 Average Response Time	4:11	3:40	4:03	3:53	3:59
Fire					
Total number of arson incidents	7	4	2	2	4
Fires investigated	27	19	15	23	60
Total annual inspections	1,244	2,607	3,123	1,263	1,155
Total calls for service	9,904	9,965	10,666	10,720	10,587
Patients treated	6,117	4,610	6,273	7,181	7,618

Sources: Various city departments.
Information not presented was not available at time of publication.

CITY OF PEARLAND, TEXAS
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program (continued)	2011	2012	2013	2014	2015
PUBLIC WORKS					
Fleet Maintenance					
Fleet maintenance jobs completed	3,410	3,581	3,817	3,860	3,887
Preventative maintenance performed	747	682	611	610	437
Other Public Works					
Fuel issued (gallons)	361,464	377,754	350,186	353,890	332,745
Street sweeping (miles)	1,299	1,079	1,155	871	648
Street signs maintained/replaced	1,588	1,090	884	993	1,477
Total work orders completed	16,834	17,803	18,346	21,212	25,873
PARKS AND RECREATION					
All Parks and recreation					
ROW maintained - acres	255	251	251	251	550
Trees maintained	6,327	6,157	6,312	6,313	6,430
Acres of city property mowed	1,331	1,380	1,035	1,035	1,116
Total number of park work orders received	249	230	140	180	147
Parkland - acres	139	138	138	138	138
Total number of special events held	21	22	22	20	19
Total number of tournaments held	11	2	1	3	-
Number of recreation classes offered ⁽¹⁾	459	486	281	272	306
Average monthly attendance (all locations) ⁽²⁾	16,116	18,378	18,980	21,366	14,371

Sources: Various city departments.

Information not presented was not available at time of publication.

⁽¹⁾ In FY 2020, recreation classes were cancelled due to COVID-19.

⁽²⁾ In FY 2020, attendance was down due to COVID-19.

CITY OF PEARLAND, TEXAS
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program (continued)	2016	2017	2018	2019	2020
PUBLIC WORKS					
Fleet Maintenance					
Fleet maintenance jobs completed	1,452	1,797	1,382	1,998	1,632
Preventative maintenance performed	750	742	663	856	645
Other Public Works					
Fuel issued (gallons)	265,669	331,005	315,941	323,734	351,123
Street sweeping (miles)	1,160	1,112	1,815	497	564
Street signs maintained/replaced	1,370	1,179	1,471	1,511	4,638
Total work orders completed	31,163	25,688	24,529	20,791	17,696
PARKS AND RECREATION					
All Parks and recreation					
ROW maintained - acres	459	327	345	404	381
Trees maintained	7,922	8,355	8,523	8,873	9,223
Acres of city property mowed	632	664	443	523	523
Total number of park work orders received	190	114	147	55	19
Parkland - acres	337	388	392	547	547
Total number of special events held	16	19	17	23	13
Total number of tournaments held	26	-	5	12	18
Number of recreation classes offered ⁽¹⁾	384	265	868	908	289
Average monthly attendance (all locations) ⁽²⁾	19,636	16,814	24,035	19,518	9,661

Sources: Various city departments.

Information not presented was not available at time of publication.

⁽¹⁾ In FY 2020, recreation classes were cancelled due to COVID-19.

⁽²⁾ In FY 2020, attendance was down due to COVID-19.

CITY OF PEARLAND, TEXAS
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program (continued)	2011	2012	2013	2014	2015
COMMUNITY SERVICES					
Animal Control					
Animal Services Calls for Service	4,742	4,618	5,167	5,822	5,230
Animal Shelter Live Release %	45%	42%	42%	48%	53%
Inspection Services					
Total building inspections	19,244	22,416	26,274	28,434	36,497
Total code violation cases	2,860	1,952	2,244	2,140	4,596
Total permits issued	7,869	8,696	10,630	13,972	18,186
Number of plans reviewed	917	1,050	939	1,185	1,584
Municipal Court					
Number of trials ⁽³⁾	688	1,116	885	839	856
Number of charges ⁽³⁾	26,369	30,187	27,439	23,182	19,223
Warrants cleared ⁽³⁾	8,204	10,080	10,328	9,050	7,476
WATER & SEWER					
Distribution and Collection					
Fire hydrant maintenance and inspections ⁽³⁾	395	887	1,399	837	612
Backed up sewer repairs	310	275	286	334	305
Water mains repaired	410	283	380	111	189
Water Production					
Water produced - wells (in millions of gallons)	3,869	2,916	2,859	2,470	1,933
Surface Water Purchased (in millions of gallons)	968	1,321	1,816	2,133	2,276
Billing & Collections					
Annual meter reads	364,424	370,755	403,220	414,499	428,265
Number of bills	350,871	359,716	387,997	388,338	400,662
Wastewater Treatment					
Wastewater treated (in millions of gallons)	1,943	2,364	2,530	2,493	3,067

Sources: Various city departments.

Information not presented was not available at time of publication.

⁽³⁾ In FY2020, COVID-19 impacted Municipal Court operations.

⁽⁴⁾ Prior to FY2020, fire hydrant maintenance and inspections was contracted out.

CITY OF PEARLAND, TEXAS
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program (continued)	2016	2017	2018	2019	2020
COMMUNITY SERVICES					
Animal Control					
Animal Services Calls for Service	5,484	5,153	4,699	4,582	4,596
Animal Shelter Live Release %	54%	56%	56%	55%	80%
Inspection Services					
Total building inspections	37,206	34,880	36,774	36,481	30,781
Total code violation cases	2,560	2,302	2,034	2,387	1,577
Total permits issued	14,612	13,075	8,894	7,270	5,545
Number of plans reviewed	1,349	1,278	1,971	2,419	2,196
Municipal Court					
Number of trials ⁽³⁾	443	656	567	664	390
Number of charges ⁽³⁾	17,611	16,334	15,463	19,020	9,577
Warrants cleared ⁽³⁾	7,525	8,463	5,801	6,095	3,757
WATER & SEWER					
Distribution and Collection					
Fire hydrant maintenance and inspections ⁽³⁾	854	186	114	87	2,358
Backed up sewer repairs	497	545	308	196	233
Water mains repaired	120	102	126	125	114
Water Production					
Water produced - wells (in millions of gallons)	2,190	2,417	3,024	2,333	3,816
Surface Water Purchased (in millions of gallons)	2,517	2,584	2,545	2,754	2,975
Billing & Collections					
Annual meter reads	445,154	461,502	467,910	469,499	469,908
Number of bills	417,312	471,549	445,446	449,933	452,465
Wastewater Treatment					
Wastewater treated (in millions of gallons)	3,367	3,455	3,308	3,775	3,577

Sources: Various city departments.

Information not presented was not available at time of publication.

⁽³⁾ In FY2020, COVID-19 impacted Municipal Court operations.

⁽⁴⁾ Prior to FY2020, fire hydrant maintenance and inspections was contracted out.

CITY OF PEARLAND, TEXAS
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2011	2012	2013	2014	2015
PUBLIC SAFETY					
Police					
Police stations	1	1	1	1	1
Police vehicles	142	155	157	161	143
Police K9s	-	-	-	-	2
FARO Laser Scanning System ⁽¹⁾	-	-	-	-	-
Animal Services					
Animal Services Building (shelter)	1	1	1	1	1
Animal Services Vehicles ⁽²⁾	-	-	-	-	10
Fire					
Fire stations	5	6	6	6	6
Fire vehicles	22	23	26	26	26
Ambulances ⁽³⁾	-	-	-	9	7
EMS					
Ambulances ⁽³⁾	8	8	9	-	-
PUBLIC WORKS					
Other public works					
Streets (miles)	806	806	839	844	842
Vehicle inventory	363	385	374	375	372
Traffic signals	62	74	81	81	73
PARKS AND RECREATION					
Parks and recreation					
Developed acreage	139	138	138	138	168
Pools	3	3	3	3	3
Outdoor basketball courts	10	6	6	6	6
Soccer fields	12	12	12	12	12
Activity buildings	4	3	3	3	3
Baseball/softball fields	4	4	4	4	4
WATER AND SEWER					
Water Production					
Water wells	11	11	10	10	10
Pumping stations	2	3	3	3	3
Ground storage tanks	15	15	15	15	15
Elevated towers	6	6	6	6	6
Wastewater					
Treatment plants	5	5	5	5	5
Lift stations	80	80	75	76	73
Distribution and Collection					
Water mains (miles)	443	448	469	488	509
Sanitary sewers (miles)	380	382	400	415	433

Sources: Various city departments.

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

⁽¹⁾ Purchased in FY16. System used to scan accident/crime scenes for full 3D image of scene.

⁽²⁾ Beginning in FY15, Animal Services moved to Police Department.

⁽³⁾ Beginning in FY14, EMS was rolled into the Fire Department.

CITY OF PEARLAND, TEXAS
Capital Asset Statistics by Function/Program (Continued)
Last Ten Fiscal Years

Function/Program	Fiscal Year				
	2016	2017	2018	2019	2020
PUBLIC SAFETY					
Police					
Police stations	1	1	1	1	1
Police vehicles	186	194	209	211	210
Police K9s	4	5	5	5	5
FARO Laser Scanning System ⁽¹⁾	1	1	1	1	1
Animal Services					
Animal Services Building (shelter)	1	1	1	1	1
Animal Services Vehicles ⁽²⁾	10	10	11	11	11
Fire					
Fire stations	6	7	6	5	6
Fire vehicles	42	56	60	61	56
Ambulances ⁽³⁾	9	9	10	10	9
EMS					
Ambulances ⁽³⁾	-	-	-	-	-
PUBLIC WORKS					
Other public works					
Streets (miles)	936	928	940	978	978
Vehicle inventory	451	385	338	434	502
Traffic signals	87	91	96	97	100
PARKS AND RECREATION					
Parks and recreation					
Developed acreage	334	388	392	443	458
Pools	3	3	3	2	2
Outdoor basketball courts	6	6	6	8	8
Soccer fields	18	12	14	12	12
Activity buildings	3	3	3	4	4
Baseball/softball fields	6	14	16	16	16
WATER AND SEWER					
Water Production					
Water wells	10	10	10	10	10
Pumping stations	3	3	3	3	3
Ground storage tanks	15	15	15	15	15
Elevated towers	6	6	6	6	6
Wastewater					
Treatment plants	5	5	5	6	5
Lift stations	74	72	78	69	69
Distribution and Collection					
Water mains (miles)	537	546	551	553	553
Sanitary sewers (miles)	440	448	456	459	459

Sources: Various city departments.

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⁽²⁾ Beginning in FY15, Animal Services moved to Police Department.

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Prepare for the Future



FISCAL YEAR ENDING SEPT. 30, 2020

CITY OF PEARLAND, TEXAS

COMPREHENSIVE ANNUAL
FINANCIAL REPORT



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