

The slide features a dark blue to purple gradient background with a faint hexagonal pattern. The BKD logo is prominently displayed in white, with 'CPAs & Advisors' written below it. The main title is centered in white text.

**BKD**  
CPAs & Advisors

**FY2021 Annual Comprehensive Financial Report and Audit Results Presentation to City Council of the City of Pearland, Texas**

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The slide has a white background with a dark blue/purple footer. The title 'Agenda' is in a bold purple font. The agenda items are listed with purple chevrons and bullet points. The footer contains the tagline 'Everyone needs a trusted advisor. Who's yours?' and the BKD logo.

**Agenda**

- › Annual Comprehensive Financial Report
  - Overview
  - Highlights
- › Audit Results

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# Annual Comprehensive Financial Report

- Introductory Section – pages i - xviii**  
*General information on the City structure, services and environment*
- Financial Section – pages 1 - 122**  
*Independent Auditor’s Report, Management’s Discussion and Analysis, Basic Financial Statements and Supplementary Information*
- Statistical Section – pages 123 - 164**  
*Trend data and nonfinancial data*

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## Introductory Section: *Transmittal Letter*

Awards and Acknowledgements

- ❖ GFOA Certificate of Achievement for in Financial Reporting – 45 consecutive years
- ❖ Distinguished Budget Presentation Award – 34 consecutive years
- ❖ Popular Annual Financial Reporting Award – *submitted for 2nd year, pending review by GFOA*
- ❖ GTOT Certificate of Distinction for City’s Investment Policy

*Pages i-xv of the Annual Comprehensive Financial Report*

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**Management's Discussion and Analysis  
Comparative Statement of Net Position  
September 30, 2021 and 2020  
Amounts in (000's)**

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Assets</b>						
Current and other assets	\$ 206,342	\$ 192,268	\$ 257,312	\$ 231,423	\$ 463,654	\$ 423,691
Capital assets	898,673	863,249	463,619	414,669	1,362,292	1,277,918
<b>Total assets</b>	<b>1,105,015</b>	<b>1,055,517</b>	<b>720,931</b>	<b>646,092</b>	<b>1,825,946</b>	<b>1,701,609</b>
<b>Deferred outflows of resources</b>	<b>13,916</b>	<b>15,134</b>	<b>2,059</b>	<b>2,191</b>	<b>15,975</b>	<b>17,325</b>
<b>Liabilities</b>						
Current	29,360	17,203	24,644	18,633	54,004	35,836
Long-term liabilities outstanding	493,796	480,762	425,313	360,155	919,109	840,917
<b>Total liabilities</b>	<b>523,156</b>	<b>497,965</b>	<b>449,957</b>	<b>378,788</b>	<b>973,113</b>	<b>876,753</b>
<b>Deferred inflows of resources</b>	<b>4,147</b>	<b>4,275</b>	<b>626</b>	<b>622</b>	<b>4,773</b>	<b>4,897</b>
<b>Net position</b>						
Net investment in capital assets	493,670	490,304	161,158	213,081	654,828	703,385
Restricted	45,162	44,928	30,064	16,776	75,226	61,704
Unrestricted	52,796	33,179	81,185	39,016	133,981	72,195
<b>Total net position</b>	<b>\$ 591,628</b>	<b>\$ 568,411</b>	<b>\$ 272,407</b>	<b>\$ 268,873</b>	<b>\$ 864,035</b>	<b>\$ 837,284</b>

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**Management's Discussion and Analysis  
Comparative Statement of Activities  
September 30, 2021 and 2020  
Amounts in (000's)**

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 28,255	\$ 24,861	\$ 60,713	\$ 62,465	\$ 88,968	\$ 87,326
Operating grants and contributions	20,006	20,774	1	225	20,007	20,999
Capital grants and contributions	1,876	7,148	1,007	1,456	2,883	8,604
General revenues						
Property taxes	100,075	97,106	-	-	100,075	97,106
Sales and use taxes	40,248	34,928	-	-	40,248	34,928
Franchise taxes	6,940	7,270	-	-	6,940	7,270
Investment income	209	1,626	94	1,277	303	2,903
Other	4,793	4,865	16	13	4,809	4,878
<b>Total revenues</b>	<b>202,402</b>	<b>196,579</b>	<b>61,831</b>	<b>65,436</b>	<b>264,233</b>	<b>264,014</b>
<b>Expenses</b>						
General government	27,594	25,504	-	-	27,594	25,504
Public safety	53,503	51,031	-	-	53,503	51,031
Public works	48,115	44,862	-	-	48,115	44,862
Community services	4,465	4,383	-	-	4,465	4,383
Parks and recreation	6,799	8,197	-	-	6,799	8,197
Economic development	30,653	28,683	-	-	30,653	28,683
Interest on long-term debt	13,604	14,042	-	-	13,604	14,042
Water and sewer	-	-	44,655	45,054	44,655	45,054
Solid waste	-	-	8,094	7,930	8,094	7,930
<b>Total expenses</b>	<b>184,733</b>	<b>176,702</b>	<b>52,749</b>	<b>52,984</b>	<b>237,482</b>	<b>229,686</b>
Increase in Net Position Before Transfers	17,669	21,876	9,082	12,452	26,751	34,328
Transfers	5,548	5,460	(5,548)	(5,460)	-	-
<b>Change in Net Position</b>	<b>23,217</b>	<b>27,336</b>	<b>3,534</b>	<b>6,992</b>	<b>26,751</b>	<b>34,328</b>
<b>Net Position, Beginning</b>	<b>568,411</b>	<b>541,075</b>	<b>268,873</b>	<b>261,881</b>	<b>837,284</b>	<b>802,956</b>
<b>Net Position, Ending</b>	<b>\$ 591,628</b>	<b>\$ 568,411</b>	<b>\$ 272,407</b>	<b>\$ 268,873</b>	<b>\$ 864,035</b>	<b>\$ 837,284</b>

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**Notes to Financial Statements**  
**Note 1: Summary of Significant Accounting Policies**

The City's significant accounting policies are described in Note 1.

The City adopted new accounting guidance GASB No. 84, *Fiduciary Activities* and GASB No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, an amendment of GASB Statements No. 14 and 84, and a supersession of GASB Statement No. 32* during 2021. As a result, the State Court Costs Fund is reported as a custodial fund within the fiduciary fund financial statements.

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**Notes to Financial Statements**  
**Note 3: Receivables**

**Proprietary Funds:**

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
<b>Receivables</b>				
Customer accounts				
Billed	\$ 2,900,170	\$ 616,462	\$ 3,516,632	\$ 292,403
Unbilled	9,669,202	666,379	10,335,581	-
Allowance for uncollectibles	(711,019)	(234,302)	(945,321)	-
	<u>\$ 11,858,353</u>	<u>\$ 1,048,539</u>	<u>\$ 12,906,892</u>	<u>\$ 292,403</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.

Unbilled receivables were \$12,148,620 as of September 30, 2020.

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**Notes to Financial Statements  
Note 4: Capital Assets – Governmental activities**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Capital assets, not being depreciated</b>					
Land	\$ 31,212,398	\$ 382,942	\$ -	\$ 2,934,563	\$ 34,529,903
Construction in progress	162,307,604	75,549,191	-	(57,651,002)	180,205,793
<b>Total capital assets, not being depreciated</b>	<b>193,520,002</b>	<b>75,932,133</b>	<b>-</b>	<b>(54,716,439)</b>	<b>214,735,696</b>
<b>Capital assets, being depreciated</b>					
Infrastructure	1,050,165,484	1,915,173	-	36,498,410	1,088,579,067
Buildings and improvements	123,307,311	567,922	(6,901,520)	16,981,218	133,954,931
Machinery and equipment	27,460,586	4,116,109	(1,562,132)	-	30,014,563
Furniture and fixtures	8,754,377	60,254	-	1,236,811	10,051,442
<b>Total capital assets, being depreciated</b>	<b>1,209,687,758</b>	<b>6,659,458</b>	<b>(8,463,652)</b>	<b>54,716,439</b>	<b>1,262,600,003</b>
<b>Less accumulated depreciation</b>					
Infrastructure	(466,610,214)	(34,246,179)	-	-	(500,856,393)
Buildings and improvements	(48,191,961)	(4,671,919)	2,302,642	-	(50,561,238)
Machinery and equipment	(18,299,548)	(2,669,500)	1,199,819	-	(19,669,229)
Furniture and fixtures	(6,856,897)	(719,440)	-	-	(7,576,337)
<b>Total accumulated depreciation</b>	<b>(539,958,620)</b>	<b>(42,207,038)</b>	<b>3,502,461</b>	<b>-</b>	<b>(578,663,197)</b>
<b>Total capital assets being depreciated, net</b>	<b>669,729,138</b>	<b>(35,547,580)</b>	<b>(4,961,191)</b>	<b>54,716,439</b>	<b>683,936,806</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 863,249,140</b>	<b>\$ 40,384,553</b>	<b>\$ (4,961,191)</b>	<b>\$ -</b>	<b>\$ 898,672,502</b>

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**Notes to Financial Statements  
Note 4: Capital Assets – Business-type activities**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Capital assets, not being depreciated</b>					
Land	\$ 3,796,382	\$ 80,649	\$ -	\$ -	\$ 3,877,031
Construction in progress	148,245,611	61,607,434	-	(24,196,528)	185,656,517
<b>Total capital assets, not being depreciated</b>	<b>152,041,993</b>	<b>61,688,083</b>	<b>-</b>	<b>(24,196,528)</b>	<b>189,533,548</b>
<b>Capital assets, being depreciated</b>					
Water and sewer system	366,628,617	-	414,666	24,196,528	391,239,811
Buildings and improvements	32,042,833	-	-	-	32,042,833
Machinery and equipment	5,783,065	129,553	(421,310)	-	5,491,308
Furniture and fixtures	153,050	-	-	-	153,050
Contractual water rights	34,511,428	-	-	-	34,511,428
<b>Total capital assets, being depreciated</b>	<b>439,118,993</b>	<b>129,553</b>	<b>(6,644)</b>	<b>24,196,528</b>	<b>463,438,430</b>
<b>Less accumulated depreciation</b>					
Water and sewer system	(145,818,635)	(10,675,848)	964	-	(156,493,519)
Buildings and improvements	(9,210,175)	(734,928)	-	-	(9,945,103)
Machinery and equipment	(4,416,630)	(476,698)	412,300	-	(4,481,028)
Furniture and fixtures	(120,883)	(10,982)	-	-	(131,865)
Contractual water rights	(16,926,062)	(1,375,068)	-	-	(18,301,130)
<b>Total accumulated depreciation</b>	<b>(176,492,385)</b>	<b>(13,273,524)</b>	<b>413,264</b>	<b>-</b>	<b>(189,352,645)</b>
<b>Total capital assets being depreciated, net</b>	<b>262,626,608</b>	<b>(13,143,971)</b>	<b>406,620</b>	<b>24,196,528</b>	<b>274,085,785</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 414,668,601</b>	<b>\$ 48,544,112</b>	<b>\$ 406,620</b>	<b>\$ -</b>	<b>\$ 463,619,333</b>

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## Notes to Financial Statements Note 9: Employee Retirement System (TMRS)

	TPL (a)	Plan Fiduciary Net Position (b)	NPL (a) - (b)
Balances at October 1, 2020	\$ 173,230,668	\$ 152,220,264	\$ 21,010,404
Changes for the year			
Service cost	9,324,466	-	9,324,466
Interest	11,845,518	-	11,845,518
Difference between expected and actual experience	847,255	-	847,255
Contributions – employer	-	7,258,507	(7,258,507)
Contributions – employee	-	3,866,781	(3,866,781)
Net investment income	-	11,569,310	(11,569,310)
Benefit payments, including refunds of employee contributions	(4,807,485)	(4,807,485)	-
Administrative expenses	-	(74,766)	74,766
Other changes	-	(2,917)	2,917
Net changes	17,209,754	17,809,430	(599,676)
Balances at September 30, 2021	\$ 190,440,422	\$ 170,029,694	\$ 20,410,728

See significant actuarial assumptions described in this note.

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## Notes to Financial Statements Note 10: Other Postemployment Benefits (OPEB)

<i>TMRS Supplemental Death Benefits Fund</i>		Total OPEB Liability
Balance as of October 1, 2020		\$ 1,550,183
Changes for the year		
Service cost		110,479
Interest on total OPEB liability		44,073
Differences between expected and actual experience		(27,031)
Change of assumptions		291,685
Benefit payments		(5,524)
Balance as of September 30, 2021		\$ 1,963,865
<i>Retiree Health Care Plan (RHCP)</i>		Total OPEB Liability
Balance as of October 1, 2020		\$ 6,074,955
Changes for the year		
Service cost		515,331
Interest on total OPEB liability		140,612
Differences between expected and actual experience		-
Change of assumptions		(203,273)
Benefit payments		(39,277)
Balance as of September 30, 2021		\$ 6,488,348

See significant actuarial assumptions described in this note.

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**Required Supplementary Information  
General Fund – Budget to Actual  
Year Ended September 30, 2021**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes	\$ 28,420,428	\$ 28,457,983	\$ 28,319,667	\$ (138,316)
Sales and use taxes	22,452,153	24,268,440	26,138,991	1,870,551
Franchise and other	6,922,658	6,709,754	6,719,883	9,729
License and permits	4,150,000	4,305,336	4,257,527	(47,809)
Fines and forfeitures	2,302,796	1,866,192	1,754,717	(111,475)
Charges for services	19,502,964	18,961,315	19,426,409	463,094
Investment earnings	456,568	48,000	22,321	(26,679)
Intergovernmental	-	-	500,140	500,140
Other	-	-	70,906	(627,027)
<b>Total Revenues</b>	<b>85,061,910</b>	<b>85,314,953</b>	<b>87,262,181</b>	<b>1,947,206</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	11,781,597	12,926,665	13,378,781	(452,068)
Public safety	50,870,948	52,510,149	51,097,863	1,412,286
Public works	12,555,837	12,209,422	11,369,557	839,865
Community services	4,254,227	4,552,628	4,098,950	453,678
Parks and recreation	6,681,968	6,367,480	6,075,729	291,751
<b>Debt Service</b>				
Principal	206,760	206,760	268,266	(61,506)
Interest and other charges	6,047	6,047	6,047	-
<b>Capital Outlay</b>	<b>223,590</b>	<b>285,001</b>	<b>275,566</b>	<b>9,435</b>
<b>Total Expenditures</b>	<b>86,586,914</b>	<b>89,054,152</b>	<b>86,570,739</b>	<b>2,493,413</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(1,525,004)</b>	<b>(3,740,199)</b>	<b>691,422</b>	<b>4,440,621</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from issuance of debt	-	-	177,136	177,136
Transfers in	5,226,770	6,226,770	6,261,713	34,943
Transfers out	(2,887,081)	(4,793,788)	(3,682,165)	1,081,602
<b>Total Other Financing Sources (Uses)</b>	<b>2,339,689</b>	<b>1,463,002</b>	<b>2,756,684</b>	<b>1,293,680</b>
<b>Net Change in Fund Balances</b>	<b>\$ 804,625</b>	<b>\$ (2,286,197)</b>	<b>3,448,104</b>	<b>\$ 5,734,301</b>
<b>Fund Balances, Beginning of Year</b>			<b>29,076,297</b>	
<b>Fund Balances, End of Year</b>			<b>\$ 32,524,401</b>	

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**Audit Deliverables**

City of Pearland  
Annual  
Comprehensive  
Financial Report

Single Audit  
under Uniform  
Guidance

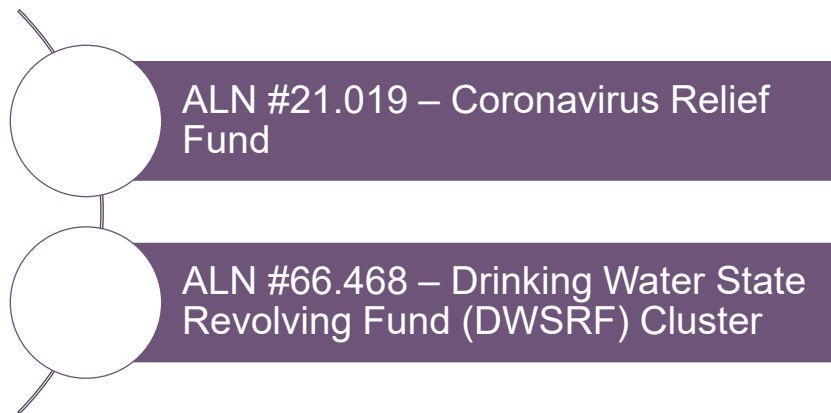
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## Results of the Audit

- Unmodified "clean" opinions
- No scope limitations
- No unresolved audit issues
- Open and effective communication with management

## Major Programs Tested for the Single Audit





## Results of Single Audit

- › Report on internal control over financial reporting
  - Findings
    - › 2021-001 Grant revenues
    - › 2021-002 Capital assets
- › Unmodified opinion on compliance

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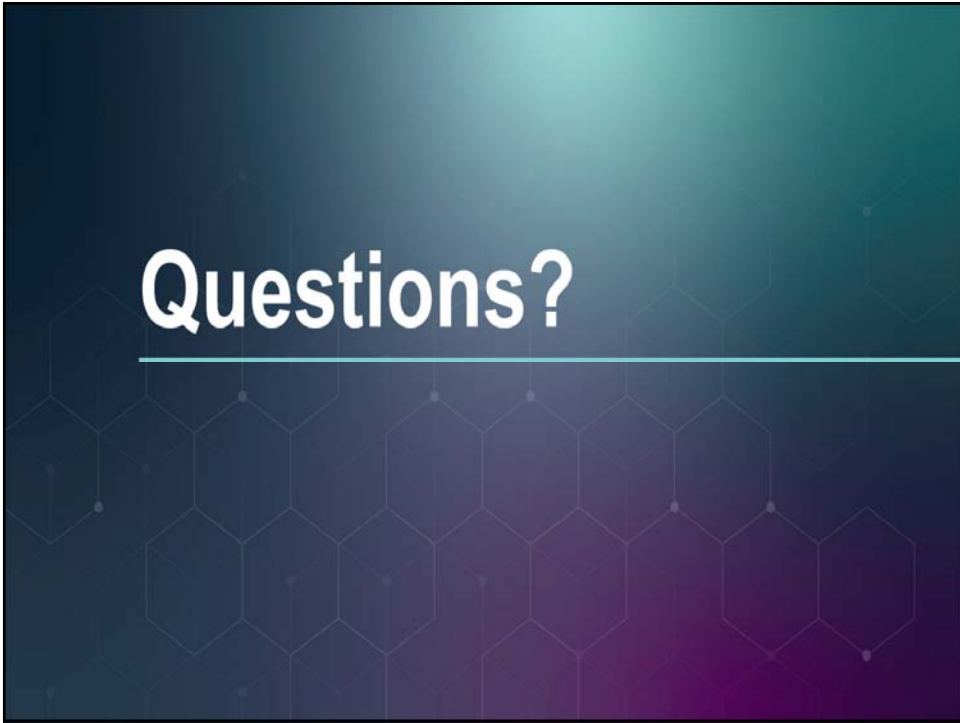
## Single Audit - Status of Prior Year Findings

Reference Number	Prior Year Finding	Current Year Status
2020-001	Accrued Revenue and Liabilities	Resolved
2020-002	Preparation of Schedule of Expenditures of Federal and State Awards	Resolved
2020-003	Capital Assets	Partially Resolved
2020-004	Preparation of Financial Statements – Internal Service Fund Activities	Resolved

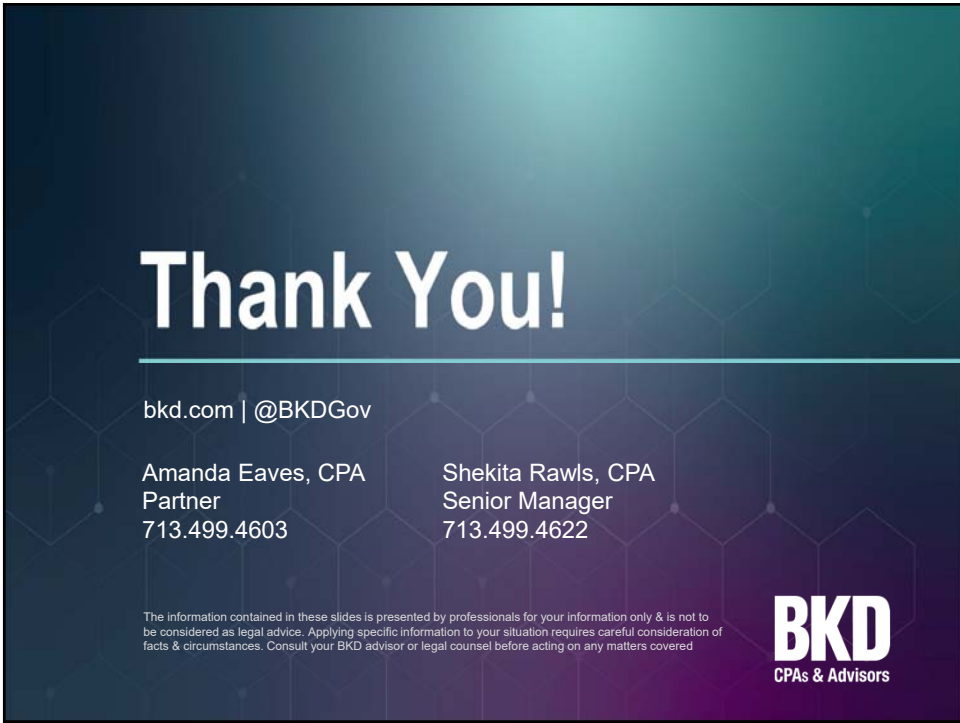
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