

CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2009**

Officials Issuing Report

**Bill Eisen
City Manager**

**Jon Branson
Assistant City
Manager**

**Mickiel Hodge
Assistant City
Manager**

**Claire Bogard
Director of Finance**

**Rick Overgaard
Assistant Director
of Finance**

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
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Introductory Section



January 25, 2010

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

The Comprehensive Annual Financial Report (CAFR) of the City of Pearland, Texas (the “City”) for the fiscal year ended September 30, 2009, is hereby submitted as mandated by both local and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report.

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

Null-Lairson, PC, Certified Public Accountants, have issued an unqualified (or “clean”) opinion on the City of Pearland’s financial statements for the year ended September 30, 2009. The independent auditor’s report is located at the front of the financial section of this report.

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

PROFILE OF THE GOVERNMENT

The City of Pearland, incorporated in 1959, is located across the northern end of Brazoria County and shares a common border with Houston, Texas to the north. The City also extends into Fort Bend and Harris Counties. The City of Pearland, encompassing approximately 48 square miles, is the fastest growing city in Brazoria County, increasing from approximately 18,000 residents in 1990 to 92,600 residents estimated as of June 2009.

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

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

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

A full range of municipal services is provided by the City of Pearland including public safety (police, fire, and emergency medical services); solid waste; water and wastewater utilities; public improvements; repair and maintenance of infrastructure; recreational and community activities; and general administrative services. In addition, the City provides planning for future land use, traffic control, building, code, and health inspections, and plans for new infrastructure and rehabilitation of infrastructure to meet the needs of the citizens today, as well as tomorrow.

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 for the purpose of promoting, assisting, and enhancing 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 the Zone.

ECONOMIC CONDITIONS

Local Economy

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

The total construction value of all building permits issued during calendar year 2009 totaled over \$347.9 million, a 7% reduction in value from 2008. New single-family housing permits totaled 776 with a construction value of \$148 million. The number of permits declined by 464, as anticipated, from 2008; however Pearland continues to grow at a respectable pace, faring better than the rest of the nation. Residential permitting activity is anticipated to remain at 2009 levels for fiscal year 2010. Houston is forecast to see average home prices appreciate a slight 2% for the year. For calendar year 2009, the City had 78 commercial permits with a value of \$95 million, compared to 52 permits with a value of \$100 million in 2008. Permits in 2008 included large retail developments: Shadow Creek Ranch Town Center and Pearland Town Center. Broad downward pressure remains on all segments of the commercial real estate market.

To the Honorable Mayor, Members
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Houston at year-end showed clear signs of sustained economic improvement, however there will not be a reliable recovery in Houston until the United States recovery itself becomes more assured. An important key to the local economic recovery will be stability in the job market, a slowdown in residential foreclosures and a moderation in commercial real estate market difficulties. For fiscal year 2009, Pearland had 588 foreclosure filings, down from the 793 in fiscal year 2008. While there are foreclosures in Pearland, they exist at a lesser magnitude than in other U.S. real estate markets. Pearland's unemployment rate was 6.5% in December 2009, up from 4.1% in December 2008. This is compared to the national unemployment rate of 10% as of December 2009. Businesses are still slow to hire and it will take time for the private sector to begin hiring again. However, the Texas economy continues to surpass that of the nation. More Americans have moved to Texas since the recession began in 2008 than any other state, according to a new estimate released by the U. S. Census Bureau. The State's population grew by 478,000 in a 12-month period. "Let's be clear: Texas is having a recession like the rest of the country, but it's not as bad. Texas is going to pop up on a lot of radar screens as a place to relocate or expand for business," said Southern Methodist University economist Bernard Weinstein. Texas's unemployment rate has remained at least 1 percent below the national average and Texas also created more jobs than any other state in October and November, keeping its reputation as the best place to escape economic hard times. The Houston area is built on businesses, on jobs, and on economic opportunities.

Pearland will be ready for these opportunities. Pearland has two prime areas for commercial, mixed use, livable developments along the Highway 288 corridor. A strategic and target market study completed in 2009 shows that life sciences, port-related activities, production/industrial, campus based back-office, and the education/public sectors are prime areas of interest for the Pearland area. Combined with a mix of reinforcing land uses, urban planning, key entertainment and cultural attractions, public spaces, and walkability and connectivity, all will provide for livable sustainable developments.

Summer 2009 saw the completion of an 80,000 square foot class "A" office building in Shadow Creek Ranch. The land and development cost for the building was approximately \$15 million. There is sufficient space on the property to construct a second office building of 80,000 to 100,000 square feet. The building is expected to have approximately 350 workers when fully leased.

The Pearland Economic Development Corporation also attracted Cardiovascular Systems Inc. (CSI) to expand its manufacturing facilities into Pearland. A Minnesota based firm, CSI is a medical device company developing and commercializing innovative interventional treatment systems for vascular disease. The company will lease a 46,000 square foot facility and could hire approximately 250 employees over the course of five-years to work at the Pearland facility, expanding the area's already thriving medical technology sector.

Sales tax for fiscal year 2009 totaled \$20.4 million, an increase of \$2.2 million or 12.3% over fiscal year 2008. This is mainly due to full year operations of two large retail developments: Pearland and Shadow Creek Town Centers. For the first two quarters of 2009, 68% of taxable sales are retail trade according to the State of Texas Comptroller information. Pearland is a regional shopping destination, however with lower consumer confidence, potential for job loss, debt, credit tightening, etc., homeowners are tightening their budgets and spending. As such, the City predicts much lower growth in sales tax for fiscal year 2010.

To the Honorable Mayor, Members
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Long-Term Financial Planning

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

The City's Five-Year CIP for fiscal year 2010 through fiscal year 2014 totals \$298 million and continues to implement the \$162 million bond program approved by the voters in May 2007. Projects include Drainage (\$28M), Streets (\$88M), Facilities (\$32M), Parks (\$33M), Water (\$62M), and Wastewater (\$55M). All projects in the CIP have identified funding sources or potential funding sources. Funding for these projects comes from the issuance of debt through Certificates of Obligation, General Obligation Bonds, and Revenue Bonds, as well as impact fees, cash, and contributions from the State, County, and other sources.

The Debt Service Fund forecast shows a need to increase the Debt Service component of the tax rate to \$.5050 by tax year 2013 to implement the Five-Year CIP. This is consistent with the financial modeling that the City undertook when analyzing the Debt Service tax implications of implementing the \$162 million bond referendum.

In 2008, the City completed a Water/Sewer Cost of Service Rate Study for years 2009 – 2013. The study is built around the Five-Year CIP, operating budget, and future needs. The model was updated in 2009 and increases are anticipated to support operations, annual debt service, and funding for a \$117 million five-year CIP. No rate increase was necessary for fiscal year 2010 however the model anticipates rate increases for 2011 and 2014. With the implementation of past rate increases the City's utility system continues to be self-supporting and financially sound.

Relevant Financial Policies/Guidelines

Financial Policies guide the development and implementation of the budget and are a framework for fiscal decision making. In addition, they ensure financial resources are available to meet the current and future needs of the City. City Council adopted a set of Financial Management Policy Statements in August 2009. 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 revenues fund non-recurring expenditures/expenses.
- General Fund Operating Reserves should be a minimum of two months of operations expense.
- Water and Wastewater Operating Cash Reserves shall strive to be maintained at 25% of operations expense.
- Revenues are budgeted on a conservative basis.
- Existing services are funded at current service levels.
- Enterprise Funds must be self-supporting.
- City dollars are leveraged by seeking outside funding sources.
- Stable property tax rates are to be maintained.

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

Major Initiatives

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

Public Safety

Among numerous other reasons, families move to Pearland for a high degree of personal safety and a low crime rate. The City Council continues to emphasize public safety, adding new police officers each year to keep pace with growth. The City added six officers in 2009 and has budgeted for an additional five in 2010. Community policing remains a focus, with crime prevention, victim assistance, and youth intervention programs further reinforcing the City's small-town feel.

The City is nearing completion of a 79,800 square foot public safety facility totaling approximately \$22.8 million. The facility includes a police station including a jail, a state of the art Emergency Operations Center, court facilities, and an annex for utility bill paying and a county annex. The facility will open spring of 2010. The voter approved bond referendum also included \$2.9 million for the construction of a two-bay 9,500 square foot Fire Station located off Kirby Drive. The facility will have living quarters to accommodate a 24/7 fire and EMS operation. Design of the station is underway and a pumper for the Station was purchased in 2009.

The fire department is currently a combination paid-volunteer department with 18 paid firefighters and approximately 45 volunteers. In order to ensure a safe community, the City budgeted and is in the process of completing a fire staffing, scheduling, and deployment study. The study will be complete in spring 2010, and its recommendations will be considered, budgeted and implemented as appropriate.

Economic Development

Economic development provides long-term benefits to a community. It increases property values and sales taxes, lowers property tax rates, creates jobs and wealth and leads to higher living standards. The City is dedicated to helping foster the City's economic base to improve the quality of life for its citizens and business community through business attraction, expansion, and retention programs.

In 2009, the Pearland Economic Development Corporation completed a market analysis of business sectors/clusters that the City could target and attract to the area. Clusters are concentrations of interconnected business and suppliers in a particular field and are considered to increase the productivity of the companies in the cluster, drive innovation, and stimulate new business. The clusters identified were life sciences, port-related activities, production/industrial, campus-based back offices, and education/public sector.

The Pearland Economic Development Corporation also began an initiative in the Spectrum, along Hwy 288 and Beltway 8, to build upon previous investments, identify development issues, and to create an identity for the area to seek a sustainable development. This initiative and study will be complete in spring 2010.

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

Educational Enrichment

The City and The University of Houston negotiated a joint partnership to bring upper level higher education to Pearland. The first building of a satellite campus is targeted to open for junior, senior, and graduate level classes in the fall of 2010. Neighboring junior colleges will feed into the education system. The 30,000 square foot facility will be located at McHard Road and Pearland Parkway on approximately 40 acres of land. It is anticipated that approximately 10,000 square feet of the facility will be for the use and benefit of the City and the Pearland Economic Development Corporation as office space and a conference center. As the University's need for space increase, these 10,000 square feet will be turned over to the University. A construction contract was awarded in January 2009 totaling \$11.1 million, in conjunction with approval of an operating-lease agreement.

Capital Improvement Projects and Planning

With continued residential and commercial growth, and to plan for the future, the need to build new infrastructure and maintain existing infrastructure is a priority and will be implemented through an aggressive capital improvement program. The City's Five-Year CIP 2010 – 2014 totals \$298 million. Projects include Drainage (\$28M), Streets (\$88M), Facilities (\$32M), Parks (\$33M), Water (\$62M), and Wastewater (\$55M).

Major thoroughfare projects include the widening of Bailey Road between FM1128 and Veterans to a four lane divided facility, widening of Mykawa Road to a four lane divided facility, reconstruction of one mile of Old Alvin Road from Plum Street to McHard Road, and the extension of Pearland Parkway to Dixie Farm Road. Major drainage projects include expansion of the D.L. Smith detention pond by approximately 150 acre-feet, an additional 200 acre-feet of stormwater storage in the Hickory Slough watershed, and improvements to Town Ditch that will provide adequate conveyance for the 100-year storm flows. Major park projects include a recreation and natatorium facility in partnership with the school district and Pearland Economic Development Corporation. The facility will include two swimming pools, including a 50-meter indoor pool for competitive swimming and an indoor recreation center. Also included are a soccer complex, improvements to Independence and Centennial Parks, Phase I development of the Shadow Creek Ranch Park, and a 7,000 square foot Nature Center. Facility projects include funding of a Public Works annex on the west-side of town, and an 11,500 square feet expansion and renovation to the Tom Reid Library. Also included is the reconstruction of Fire Stations 2 and 3, and Service Center modifications to the existing facility on Old Alvin. Water projects include a 30 inch water transmission line to provide 10 million gallons per day of treated surface water to the City, and the design and construction of a 20 million gallon per day surface water plant along with various waterline extensions. Wastewater projects include the replacement of Southdown wastewater treatment plant, rehabilitation of the Barry Rose Lift Station, expansion of the John Hargrove Environmental Center wastewater treatment plant and major rehabilitation projects.

In order to design and construct these projects the City implemented a Project Delivery Model for consistency, efficiency, and effectiveness in completing projects. Fiscal year 2009 also included planning and implementing an enhanced communication plan to all stakeholders on the status of capital projects, timing, and impacts.

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

In 2009, City Council also approved a Green Building Policy. The policy requires that the design, construction, operation, maintenance, renovation, and deconstruction of buildings owned or leased by the City of Pearland, comply with certain energy-efficient building standards. Green building promotes better environmental standards for the construction, rehabilitation, and maintenance of buildings in the city; improves energy efficiency and increases generation of energy through renewable and clean energy; provides for environmentally preferable building materials, finishes, and furnishings; improves the environment by decreasing the discharge of pollutants from buildings; creates industry and public awareness of new technologies that can improve the quality of life for building occupants; and improves the health and productivity of building occupants by meeting advanced criteria for indoor environmental quality.

Transportation Improvements and Strategic Planning

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

The City is also involved in regional efforts for long-range transportation planning. The Mayor is a member of H-GAC's Transportation Policy Council (TPC) and an Assistant City Manager is a member of the Technical Advisory Committee (TAC), a sub-committee of the TPC. H-GAC has developed the 2008-2011 Transportation Improvement Program (TIP), which is the implementation plan for the Regional Transportation Plan. This effort involves allocating about \$150 million plus dollars for the region. The City is also working with TxDOT to develop a viable corridor for a toll road that would run adjacent to SH35 from Alvin to I-45, just south of downtown Houston. TxDOT has finalized the Major Investment Study and is working to bring a consultant on board to start the environmental documents. The project will take about 11 to 12 years to complete.

Being that rail service is an integral part of a comprehensive transportation system and enhances accessibility and mobility, the City of Pearland adopted a resolution supporting the Kirby rail route as the preferred passenger rail route in Pearland as organizations develop their transit plans for the region. Rail will also generate economic development, jobs, and tourism along with establishing and strengthening social, historical, commercial, and cultural bonds between communities.

The City of Pearland and various agencies and organizations have been working to provide a commuter type service to Houston via either a Park and Ride type facility or commuter van pooling. As a result of the collaborative efforts between the City of Pearland, Brazoria County, Metro, and H-GAC, a Job Access Reverse Commute (JARC) grant application was submitted by Connect Transit in June for federal funding. On July 24, 2009, the Transportation Policy Committee approved funding for the project. In September 2009, Houston Metro approved the project in their 2010 operating budget. Currently Metro is negotiating a purchase contract for a parcel of property along the Hwy. 288 corridor. It is anticipated that Park and Ride Service will begin by summer 2010. Program costs for the first five years are \$2.9 million, with \$1.0 million from local funding.

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

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, 2008. This was the 32nd consecutive year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We 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 addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report was accomplished with the dedicated service of the entire 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,



Bill Eisen, City Manager



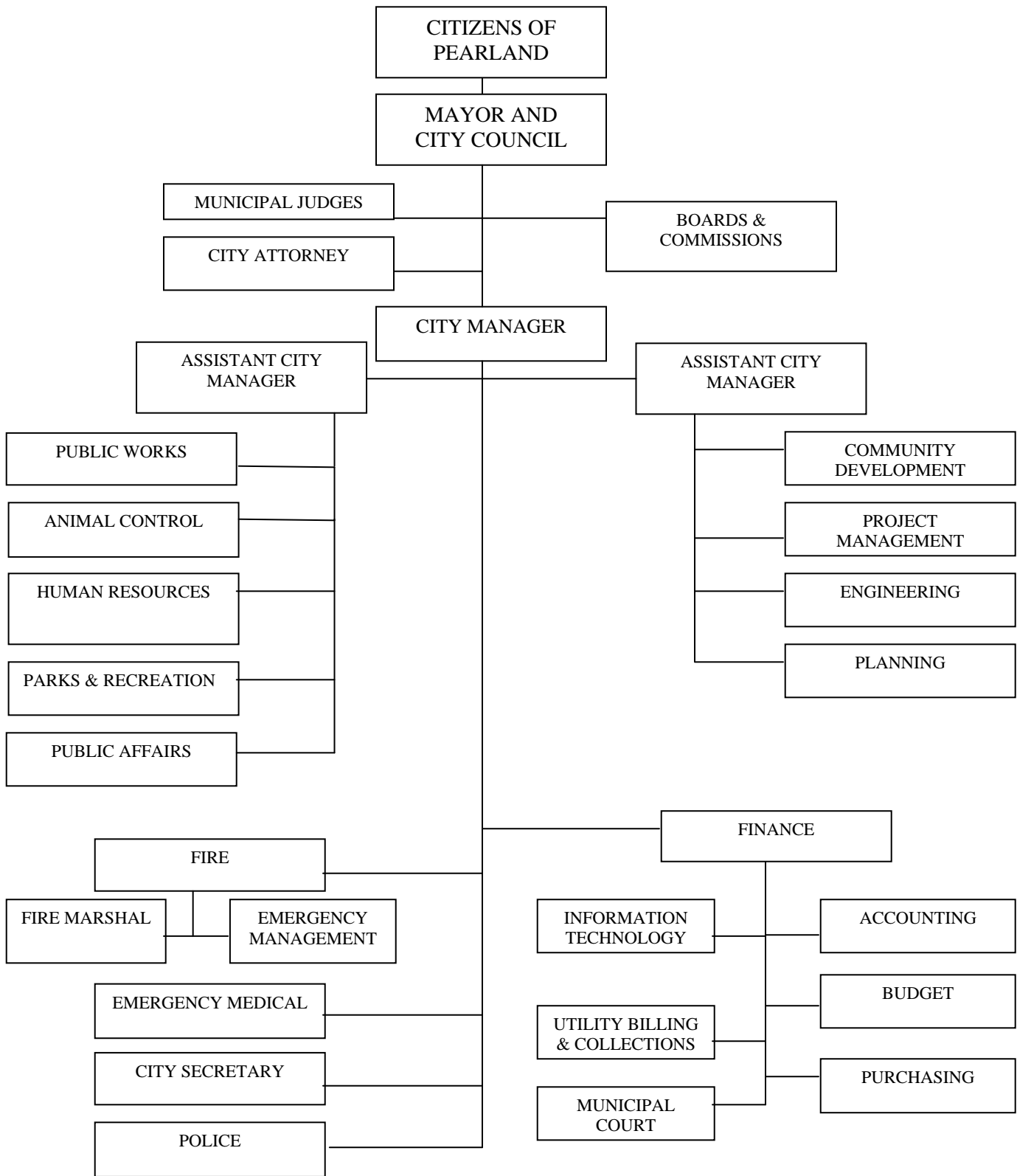
Claire Bogard, Director of Finance



Rick Overgaard, Assistant Director of Finance

CITY OF PEARLAND, TEXAS
PRINCIPAL OFFICIALS

Elected Officials	Position	Term Expires May
Tom Reid	Mayor	2011
Woody Owens	Council Member at Large - Position One	2010
Scott Sherman	Council Member at Large - Position Two	2012
Steve Saboe	Council Member at Large - Position Three	2011
Felicia Kyle	Council Member at Large - Position Four, Mayor Pro Tem	2012
Kevin Cole	Council Member at Large - Position Five	2010
Appointed Officials	Position	
Bill Eisen	City Manager	
Darrin Coker	City Attorney	
Letitia Farnie	Municipal Court Judge	
City Management	Position	
Mickiel Hodge	Assistant City Manager	
Jon Branson	Assistant City Manager	
Claire Bogard	Director of Finance	
Matt Buchanan	Executive Director PEDC	
Jeff Sundseth	Director of Emergency Medical Services	
Young Lorfing	City Secretary	
Danny Cameron	Director of Public Works	
Bonita Hall	Director of Human Resources	
Chris Doyle	Police Chief	
Narciso Lira	City Engineer	
David Whittaker	Building Official	
Michelle Smith	Director of Parks and Recreation	
Jack Colbath	Director of Fire Services	
Andrew Fearn	Head Librarian	
Lata Krishnarao	Director of Planning	
Trent Epperson	Projects Director	



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, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. ENOS".

President

A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. ENOS".

Executive Director

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Financial Section

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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Pearland, Texas, (the "City") as of and for the year ended September 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions or laws, regulations, contracts, and grants agreements and other matters. The purpose of that report is to describe the scope of our testing of internal over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report, which has been issued separately from this document, is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

To the Honorable Mayor and Members of
the City Council
City of Pearland, Texas
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The Management's Discussion and Analysis on pages 5 through 14, budgetary comparison information and Required Pension System Supplementary information on pages 65 through 67 are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. Combining and individual nonmajor fund and component unit fund financial statements as well as long-term debt amortization and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Introductory Section and Statistical Section listed in the foregoing table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements of the City. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Mull-Lainson, P.C." in a cursive, flowing script.

Houston, Texas
January 25, 2010

Management's Discussion and Analysis

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CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Pearland, 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, 2009.

FINANCIAL HIGHLIGHTS

- The assets of the primary government of the City of Pearland exceeded its liabilities as of September 30, 2009, by \$620.4 million (net assets). Of this amount, \$22.6 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation and fiscal policies.
- The City's total net assets increased by \$30.4 million.
- At the close of the current fiscal year, the City of Pearland's governmental funds reported combined ending fund balances of \$86.3 million, a decrease of \$49.7 million in comparison with the prior year, of which \$48.2 million is related to capital projects. Approximately \$62.5 million of the September 30, 2009 balance can be attributed to work in progress for capital projects.
- As of September 30, 2009, the unreserved, undesignated fund balance for the General Fund was \$11.4 million or 22% of total General Fund expenditures. Total fund balance of \$12.2 million or 24% of General Fund expenditures.
- The City of Pearland's General Obligation and Certificates of Obligation debt increased to \$263.3 million, a net increase of \$3.3 million over the previous year. The key factor was the sale of \$8.5 million in Certificates of Obligation. Annual principal payments totaled \$5.2 million.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net assets changed during the fiscal year. All changes in net assets 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 of Pearland 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.

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

The government-wide financial statements can be found on pages 17 through 19 of this report. The government-wide financial statements include not only the City of Pearland, itself (known as the primary government), but also a legally separate Economic Development Corporation, Tax Increment Reinvestment Zone (TIRZ) and the Development Authority of Pearland for which the City of Pearland is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government, itself.

Fund Financial Statements - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All funds of the City can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statement focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Beginning on page 20 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 and other funds, which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Pearland 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 one type of proprietary fund. 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.

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 24 of this report, provide separate information for the Water and Sewer and Solid Waste Enterprise Funds since it is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 24 through 27 of this report.

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

Combining Component Unit Financial Statements - The City's three discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information for each of the major discretely presented component units presented in the form of combining statements immediately following the fund financial statements of the primary government.

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 30 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 67 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$620.4 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (92 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

COMPARATIVE SCHEDULE OF NET ASSETS

September 30, 2009 and 2008

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 102,663	\$ 150,834	\$ 35,952	\$ 35,927	\$ 138,615	\$ 186,761
Capital assets	634,110	559,258	255,257	236,663	889,367	795,921
Total Assets	736,773	710,092	291,209	272,590	1,027,982	982,682
Liabilities						
Other liabilities	11,371	10,133	6,210	7,537	17,581	17,670
Long-term liabilities outstanding	272,403	268,190	117,628	106,873	390,031	375,063
Total Liabilities	283,774	278,323	123,838	114,410	407,612	392,733
Net assets						
Invested in capital assets, net of related debt	429,054	410,002	146,150	138,679	575,204	548,681
Restricted	10,615	10,863	11,965	16,095	22,580	26,958
Unrestricted	13,330	10,904	9,256	3,406	22,586	14,310
Total Net Assets	\$ 452,999	\$ 431,769	\$ 167,371	\$ 158,180	\$ 620,370	\$ 589,949

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

An additional portion of the City's net assets (four percent) represent resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (four percent) may be used to meet the government's ongoing obligations to citizens and creditors.

COMPARATIVE SCHEDULE OF CHANGES IN NET ASSETS

For the Years Ended September 30, 2009 and 2008

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues:						
Charges for services	\$ 8,985	\$ 9,128	\$ 33,638	\$ 27,562	\$ 42,623	\$ 36,690
Operating grants and contributions	6,985	4,976	2,464	315	9,449	5,291
Capital grants and contributions	30,399	16,027	6,125	5,869	36,524	21,896
Property taxes	31,140	29,492			31,140	29,492
Sales and use taxes	14,218	12,581			14,218	12,581
Franchise taxes	5,075	4,427			5,075	4,427
Investment earnings	1,377	4,572	362	1,669	1,739	6,241
Other	6,294	2,911	23	12	6,317	2,923
Total Revenues	104,473	84,114	42,612	35,427	147,085	119,541
Expenses						
General government	12,427	11,161			12,427	11,161
Public safety	22,421	17,684			22,421	17,684
Public works	26,934	24,532			26,934	24,532
Community services	3,254	3,336			3,254	3,336
Parks and recreation	7,181	7,157			7,181	7,157
Interest on long-term debt	11,647	12,266			11,647	12,266
Water and sewer			25,439	22,570	25,439	22,570
Solid waste management			7,361	6,024	7,361	6,024
Total Expenses	83,864	76,136	32,800	28,594	116,664	104,730
Increase (decrease) in net assets before transfers	20,609	7,978	9,812	6,833	30,421	14,811
Transfers	621	1,330	(621)	(1,330)		
Increase in net assets	21,230	9,308	9,191	5,503	30,421	14,811
Net assets - beginning	431,769	422,461	158,180	152,677	589,949	575,138
Net assets - ending	\$ 452,999	\$ 431,769	\$ 167,371	\$ 158,180	\$ 620,370	\$ 589,949

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

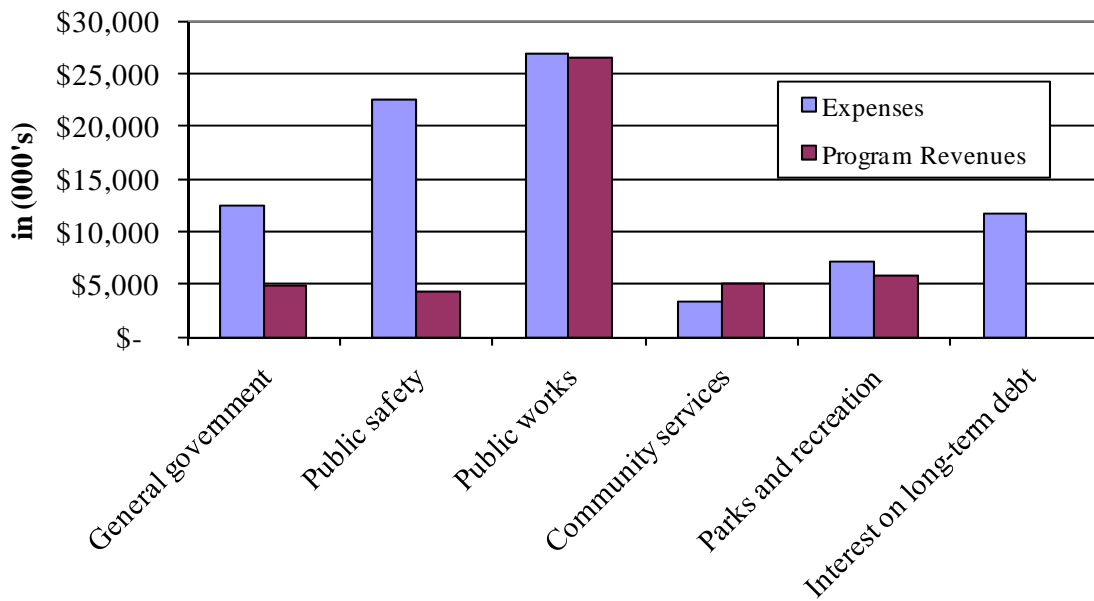
The most significant change in net assets occurred with a net increase in capital assets, net of related debt, of \$26.5 million due to contribution of infrastructure by developers.

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

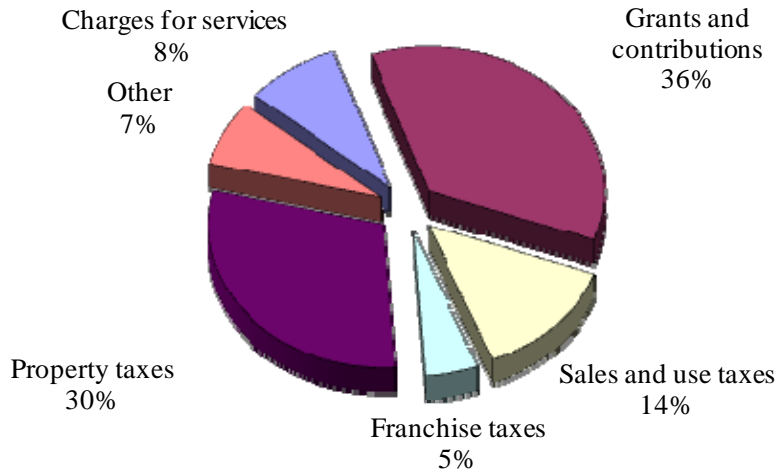
Governmental activities - Governmental activities increased the City's net assets by \$21.2 million, thereby accounting for 70 percent of the total growth in the net assets of the City. Key elements of this increase are as follows:

- Sales and use tax revenues increased by \$1.6 million, mainly due to full year operations of the two retail developments, Shadow Creek Ranch Town Center and Pearland Town Center.
- Capital Contributions increased significantly, \$14.4 million, mainly due to infrastructure of \$25.3 million contributed by developers.
- Property Taxes also increased \$1.6 million, due to an increase in taxable value of \$44 million from new construction, and revaluation.
- Operating Grants and Contributions increased by \$2.0 million due to increased contributions from Pearland TIRZ #2 in support of service to the area and contributions from participants in capital projects.
- Other Revenues increased by \$3.0 million mainly due to insurance reimbursements from hurricane IKE.

Expenses and Program Revenues - Governmental Activities



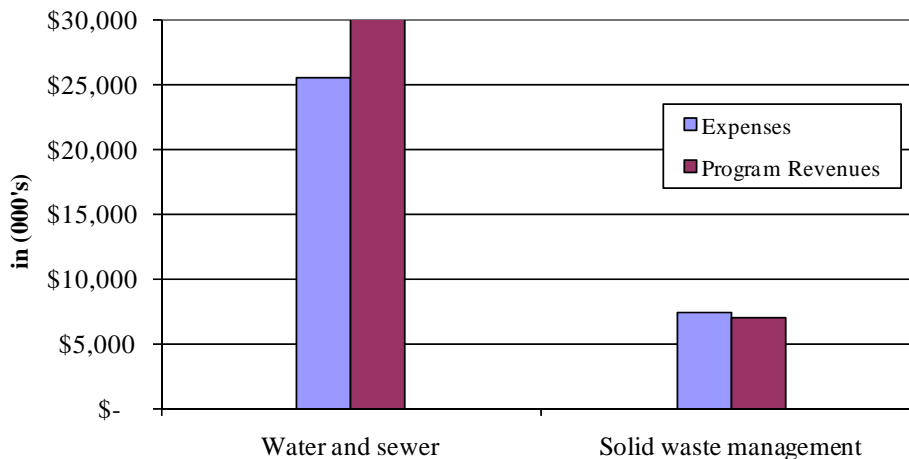
Revenues by Source - Governmental Activities



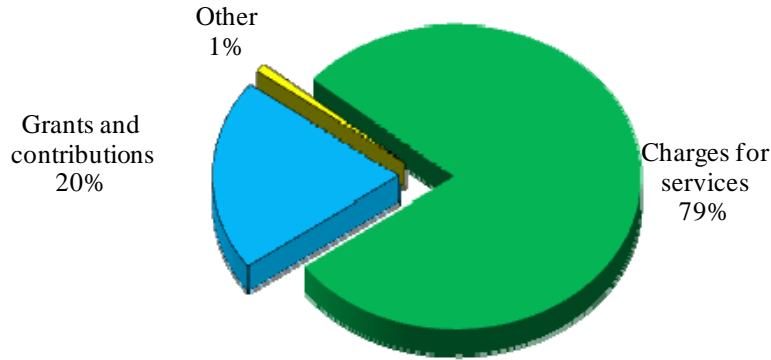
Business-type activities - Business-type activities increased the City's net assets by \$9.2 million, accounting for 30 percent of the total growth in the government's net assets. Key elements of this increase are as follows.

- Charges for services, excluding Solid Waste, increased approximately \$5.1 million over the prior year primarily due to an increase in water and sewer consumption.
- Capital grants and contributions increased by \$256,000 due to increased contributions of infrastructure from developers.
- Operating grants and contributions increased by \$2.1 million due to Pearland Economic Development Corporation participation in capital projects.
- An increase was seen in Water and Sewer expenses of \$2.9 million.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



Transfers out to the governmental activities of \$0.6 million offset the increase of net assets before transfers of \$9.8 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, unreserved fund balance may serve as a useful measure of the City's net resources available for spending at the end of the fiscal year.

The City's governmental funds reflect a combined fund balance of \$86.3 million. Of this, \$11.4 million is unreserved and available for day-to-day operations of the City; \$7.2 million is reserved for debt service and the balance is reserved or designated for capital projects and other projects.

There was a decrease in the combined fund balance of \$49.7 million from the prior year. The decrease in fund balance included a decrease in the capital projects fund balance of approximately \$48.2 million due to the expenditure of \$65.9 million in recent bond issues, an increase of \$0.4 million in the debt service fund balance, and a planned decrease of \$1.3 million in the general fund.

With a current year decrease of \$1.3 million, the General Fund's fund balance totaled \$12.2 million at year end.

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

In the Capital Projects Fund, the City spent \$67.8 million on various improvement projects. Additionally, the City issued \$8.5 million in Certificates of Obligation and received contributions from the General Fund and component units totaling \$2.8 million, and \$8.2 million from contributions, leaving an ending fund balance of \$62.5 million.

Proprietary Funds - The City's business-type activities contain two activities (water and sewer, and solid waste) The City's proprietary funds provide the same type of information found in the government-wide financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year there was a \$6.0 million increase in appropriations between the original and final amended budget. The increase in appropriations is attributable to carryover funding from prior year encumbrances and projects, hurricane IKE, as well as, amending the budget to reflect projections during the 2009-2010 budget process.

Budget estimates for revenues and other sources increased by \$4.8 million for the year as well to reflect the increases in revenues as projected during the 2009-2010 budget process and for FEMA and insurance reimbursements related to Hurricane Ike.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2009, the City's governmental activities and business-type activities had invested \$634.1 million and \$255.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$18.5 million, or 8 percent over the end of last fiscal year for the business-type activities capital assets and a change of \$74.9 million or 13 percent for the governmental activities capital assets.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Land	\$ 28,457	\$ 27,646	\$ 3,610	\$ 3,610	\$ 32,066	\$ 31,255
Construction in progress	85,710	60,756	19,202	32,585	104,912	93,340
Infrastructure	497,271	450,728	170,614	171,421	667,885	622,149
Buildings and improvements	17,421	15,771	27,781	1,609	45,201	17,380
Machinery and equipment	5,252	4,357	1,303	1,166	6,555	5,522
Contractual water rights			32,749	26,273	32,749	26,273
Total Capital Assets	<u>\$ 634,110</u>	<u>\$ 559,258</u>	<u>\$ 255,257</u>	<u>\$ 236,663</u>	<u>\$ 889,368</u>	<u>\$ 795,921</u>

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

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

Long-Term Debt - At the end of the current fiscal year, the City had total bonds, certificates of obligation, notes, and capital leases outstanding of \$386.8 million. Of this amount, \$180.8 million is composed of general obligation bonds, \$94.7 million is composed of certificates of obligation and \$104.4 million represents revenue bonds secured solely by specified revenue sources.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
General obligation bonds	\$ 180,765	\$ 184,985	\$	\$	\$ 180,765	\$ 184,985
Revenue bonds			104,435	92,900	104,435	92,900
Certificates of obligation	82,505	74,980	12,160	13,140	94,665	88,120
Capital leases payable	1,479	1,187			1,479	1,187
Compensated absences	4,395	3,898	520	494	4,915	4,392
Post employment benefit liability	484	291	92	55	576	346
	<u>\$ 269,628</u>	<u>\$ 265,341</u>	<u>\$ 117,207</u>	<u>\$ 106,589</u>	<u>\$ 386,835</u>	<u>\$ 371,930</u>

The City had two debt issuances during the year involving certificates of obligation, and revenue bonds. The net effect of these issuances was an increase in total debt of \$14.9 million or 4 percent.

Current ratings on debt issues are as follows:

	<u>Standard and Poors</u>	<u>Fitch</u>
General obligation bonds	AA-	AA-
Revenue bonds	AA-	A+

In January 2009, Standard and Poors upgraded the City's water and sewer bonds from A to AA- and Fitch ratings were A+.

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 "A" from Standard and Poors. The DAP bonds are rated A- by Standard and Poors. Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

A primary factor in the 2010 budget is how the projected condition of the City of Pearland's economy affects the City's revenue stream. New home starts for 2010 are expected to remain at the relatively low level experienced in 2009 and is estimated to be 744, however the City is still growing, just at a lower rate. Commercial construction is anticipated to remain strong, however the dollar values are anticipated to be less with the completion of Pearland and Shadow Creek Ranch Town Centers. Sales tax revenues are expected to increase at a very modest level of 2.5%, well below the current year in which a 12.3% increase was seen. The City's population is projected to increase by 2,500 next year resulting in a 2.7 percent population growth.

The Pearland City Council approved a \$49.75 million General Fund budget for fiscal year 2009 – 2010. This is a 0.6% increase over the 2008–2009 adopted budget. The budget funds 19 new full-time positions and includes the opening of the new Public Safety facility, Recreation Natatorium, and University of Houston Pearland Campus. The budget incorporates a tax rate of \$0.6526 per \$100 of valuation, which is the same as last year.

The Water and Sewer fund is able to fund operations, debt service, and bond coverage requirements with no increase in rates. This is mainly attributable to efficient operations and transfers in from water and sewer impact fee funds used towards annual debt service payments..

REQUESTS FOR INFORMATION

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

Basic Financial Statements

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CITY OF PEARLAND, TEXAS

STATEMENT OF NET ASSETS

September 30, 2009

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and equivalents	\$ 81,735,939	\$ 6,506,528	\$ 88,242,467	\$ 12,986,351
Investments	999,060	999,060	1,998,120	
Receivables, net of allowance for uncollectibles	8,706,640	3,566,779	12,273,419	1,237,719
Due from other governmental agencies	6,956,554		6,956,554	
Inventories	66,630		66,630	
Prepaid items	131,489	21,155	152,644	21,272
Restricted cash and investments		23,561,948	23,561,948	1,522,642
Deferred charges	4,066,496	1,296,770	5,363,266	3,740,688
Capital assets				
Capital assets not subject to depreciation	114,166,825	22,811,053	136,977,878	6,875,415
Capital assets, net of accumulated depreciation	519,943,657	232,446,348	752,390,005	
Total Capital Assets	<u>634,110,482</u>	<u>255,257,401</u>	<u>889,367,883</u>	<u>6,875,415</u>
Total Assets	<u>736,773,290</u>	<u>291,209,641</u>	<u>1,027,982,931</u>	<u>26,384,087</u>
Liabilities				
Accounts payable and accrued liabilities	9,936,368	3,659,393	13,595,761	1,078,959
Due to other governmental agencies				1,058,590
Accrued interest	1,021,326	424,068	1,445,394	263,638
Unearned revenues	157,521		157,521	
Customer deposits	256,282	2,127,206	2,383,488	
Long-term liabilities				
Due within one year	6,449,877	3,696,195	10,146,072	2,325,000
Due in more than one year	265,953,280	113,931,316	379,884,596	69,312,187
Total Liabilities	<u>283,774,654</u>	<u>123,838,178</u>	<u>407,612,832</u>	<u>74,038,374</u>
Net Assets				
Invested in capital assets, net of related debt	429,053,674	146,149,602	575,203,276	
Restricted for:				
Debt service	6,248,294	270,053	6,518,347	1,327,232
Community development projects	4,367,160	11,695,609	16,062,769	
Unrestricted	13,329,508	9,256,199	22,585,707	(48,981,519)
Total Net Assets	<u>\$ 452,998,636</u>	<u>\$ 167,371,463</u>	<u>\$ 620,370,099</u>	<u>\$ (47,654,287)</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 12,427,361	\$	\$ 4,913,318	\$
Public safety	22,421,158	3,523,723	420,056	279,466
Public works	26,933,702	33,868	1,000,051	25,467,283
Community services	3,253,606	4,754,984	201,933	
Parks and recreation	7,181,445	672,066	449,982	4,652,731
Interest on long-term debt	11,646,842			
Total Governmental Activities	83,864,114	8,984,641	6,985,340	30,399,480
Business-type activities:				
Water and sewer	25,439,293	26,616,961	2,464,377	6,125,006
Solid waste management	7,360,856	7,020,992		
Total Business-Type Activities	32,800,149	33,637,953	2,464,377	6,125,006
Total Primary Government	\$ 116,664,263	\$ 42,622,594	\$ 9,449,717	\$ 36,524,486
Component Units:				
Pearland Economic Development Corporation	11,148,886			
Tax Increment Reinvestment Zone #2 Development Authority of Pearland	4,775,345			
	10,654,274			
Total Component Units	\$ 26,578,505	\$	\$	\$

General Revenues:

Taxes:

Property taxes

Sales and use taxes

Franchise taxes

Unrestricted investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,514,043)	\$	\$ (7,514,043)	
(18,197,913)		(18,197,913)	
(432,500)		(432,500)	
1,703,311		1,703,311	
(1,406,666)		(1,406,666)	
(11,646,842)		(11,646,842)	
<u>(37,494,653)</u>		<u>(37,494,653)</u>	
	9,767,051	9,767,051	
	(339,864)	(339,864)	
	<u>9,427,187</u>	<u>9,427,187</u>	
<u>(37,494,653)</u>	<u>9,427,187</u>	<u>(28,067,466)</u>	
			\$ (11,148,886)
			(4,775,345)
			<u>(10,654,274)</u>
			<u>(26,578,505)</u>
31,140,394		31,140,394	12,931,900
14,217,586		14,217,586	6,801,185
5,074,602		5,074,602	
1,375,686	363,404	1,739,090	249,167
6,294,166	22,979	6,317,145	68,542
621,417	(621,417)		
<u>58,723,851</u>	<u>(235,034)</u>	<u>58,488,817</u>	<u>20,050,794</u>
21,229,198	9,192,153	30,421,351	(6,527,711)
431,769,438	158,179,310	589,948,748	(41,126,576)
<u>\$ 452,998,636</u>	<u>\$ 167,371,463</u>	<u>\$ 620,370,099</u>	<u>\$ (47,654,287)</u>

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2009

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and cash equivalents	\$ 4,085,976	\$ 6,068,497	\$ 67,451,562	\$ 4,097,636	\$ 81,703,671
Investments		999,060			999,060
Receivables, net of allowance for uncollectibles	4,768,498	821,172	2,685,671	429,464	8,704,805
Due from other governments	6,956,554				6,956,554
Due from other funds	94,402				94,402
Inventories	66,630				66,630
Prepaid items	51,779	58,667		21,043	131,489
Total Assets	<u>\$ 16,023,839</u>	<u>\$ 7,947,396</u>	<u>\$ 70,137,233</u>	<u>\$ 4,548,143</u>	<u>\$ 98,656,611</u>
 Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 1,072,441	\$	\$ 7,669,881	\$ 81,735	\$ 8,824,057
Accrued expenditures	1,091,893	23,072			1,114,965
Deposits	256,282				256,282
Due to other funds				94,402	94,402
Deferred revenue	1,384,114	677,776		4,846	2,066,736
Total Liabilities	<u>3,804,730</u>	<u>700,848</u>	<u>7,669,881</u>	<u>180,983</u>	<u>12,356,442</u>
 Fund balances:					
Reserved for:					
Inventories	66,630				66,630
Encumbrances	699,287				699,287
Prepaid items	51,779	58,667		21,043	131,489
Debt service		7,187,881			7,187,881
Unreserved, reported in:					
General fund	11,401,413				11,401,413
Special revenue funds				4,346,117	4,346,117
Capital projects funds			62,467,352		62,467,352
Total fund balances	<u>12,219,109</u>	<u>7,246,548</u>	<u>62,467,352</u>	<u>4,367,160</u>	<u>86,300,169</u>
Total Liabilities and Fund Balances	<u>\$ 16,023,839</u>	<u>\$ 7,947,396</u>	<u>\$ 70,137,233</u>	<u>\$ 4,548,143</u>	<u>\$ 98,656,611</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

September 30, 2009

Total fund balance, governmental funds \$ 86,300,169

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 634,110,482

Certain other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 1,909,215

Some liabilities are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

Bonds and capital leases payable	(267,524,160)
Compensated absences	(4,395,127)
Accrued interest governmental activity debt	(998,254)
Estimated post employment benefit liability	(483,870)
Deferred bond issuance costs	4,066,496

The assets and liabilities of certain internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets. 13,685

Net Assets of Governmental Activities in the Statement of Net Assets \$ 452,998,636

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

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

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Property taxes	\$ 10,688,512	\$ 20,660,512	\$	\$	\$ 31,349,024
Sales and use taxes	13,760,714			456,872	14,217,586
Franchise fees	5,074,602				5,074,602
Licenses and permits	2,079,099				2,079,099
Fines and forfeitures	2,213,101			112,660	2,325,761
Charges for services	8,884,529				8,884,529
Investment earnings	143,190	147,127	1,046,181	38,828	1,375,326
Intergovernmental	4,909,362		1,638,766	1,040,917	7,589,045
Other	344,473		8,191,407	444,403	8,980,283
Total Revenues	<u>48,097,582</u>	<u>20,807,639</u>	<u>10,876,354</u>	<u>2,093,680</u>	<u>81,875,255</u>
Expenditures					
Current:					
General government	8,020,370			391,505	8,411,875
Public safety	22,025,695			284,760	22,310,455
Public works	11,913,119			137,815	12,050,934
Community services	3,204,702			181,188	3,385,890
Parks and recreation	5,753,141			35,790	5,788,931
Debt Service:					
Principal		5,482,133			5,482,133
Interest and other charges		11,941,654			11,941,654
Bond issuance costs			139,921		139,921
Capital outlay			67,773,777	840,806	68,614,583
Intergovernmental		3,249,619			3,249,619
Total Expenditures	<u>50,917,027</u>	<u>20,673,406</u>	<u>67,913,698</u>	<u>1,871,864</u>	<u>141,375,995</u>
Excess (deficiency) of revenues over expenditures	<u>(2,819,445)</u>	<u>134,233</u>	<u>(57,037,344)</u>	<u>221,816</u>	<u>(59,500,740)</u>
Other Financing Sources (Uses)					
General obligation debt issued			8,520,000		8,520,000
Discount on general obligation debt			(54,016)		(54,016)
Issuance of capital leases	648,896				648,896
Transfers in	1,793,465	277,127	1,175,513		3,246,105
Transfers out	(930,038)		(851,880)	(842,770)	(2,624,688)
Total Other Financing Sources (Uses)	<u>1,512,323</u>	<u>277,127</u>	<u>8,789,617</u>	<u>(842,770)</u>	<u>9,736,297</u>
Net change in fund balances	(1,307,122)	411,360	(48,247,727)	(620,954)	(49,764,443)
Fund balances - beginning	<u>13,526,231</u>	<u>6,835,188</u>	<u>110,715,079</u>	<u>4,988,114</u>	<u>136,064,612</u>
Fund balances - ending	<u>\$ 12,219,109</u>	<u>\$ 7,246,548</u>	<u>\$ 62,467,352</u>	<u>\$ 4,367,160</u>	<u>\$ 86,300,169</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF
ACTIVITIES**

For the Year Ended September 30, 2009

Net change in fund balances - total governmental funds: \$ (49,764,443)

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays of \$74,307,375 exceeded depreciation of \$21,798,648 in the current period. 52,508,727

Governmental funds report only the proceeds from the disposal of capital assets and not the difference between the carrying value and the accumulated depreciation of the asset. This is the amount by which the carrying value exceeded the accumulated depreciation. (184,515)

Capital assets net of related debt acquired as a result of Municipal Utility District annexation 22,528,718

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. 125,150

Governmental funds report bond proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of bond principal as an expenditure, In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount by which proceeds exceeded repayments. (3,275,205)

Governmental funds report bond issuance costs as expenditures. In contrast, the government wide financial statements amortized such a cost over the life of the bonds. 139,921

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Accrued interest not reflected in Governmental funds (38,627)
Amortization of bond issuance costs (351,871)
Other long-term liabilities 218,458
Post employment benefit liability (690,300)

Internal service funds are used by management to charge the costs of certain activities, such as property and liability insurance coverage and employee health benefits, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. 13,185

Change in net assets of governmental activities \$ 21,229,198

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2009

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 6,506,528	\$	\$ 6,506,528	\$ 32,268
Investments	999,060		999,060	
Accounts receivable, net of allowance for doubtful accounts	2,846,311	720,468	3,566,779	1,835
Due from other funds	77,723		77,723	
Prepaid items	21,155		21,155	
Restricted cash and cash equivalents	23,561,948		23,561,948	
Total current assets	34,012,725	720,468	34,733,193	34,103
Non-current assets:				
Deferred charges	1,296,770		1,296,770	
Capital assets:				
Land and improvements	3,609,542		3,609,542	
Construction in progress	19,201,511		19,201,511	
Contractual rights to water supply	34,511,428		34,511,428	
Infrastructure	234,295,776		234,295,776	
Buildings	29,062,375		29,062,375	
Machinery and equipment	2,873,319		2,873,319	
Less Accumulated depreciation	(68,296,550)		(68,296,550)	
Total non-current assets	256,554,171		256,554,171	
Total Assets	290,566,896	720,468	291,287,364	34,103
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	3,032,340	627,053	3,659,393	20,418
Accrued interest payable	424,068		424,068	
Due to other funds		77,723	77,723	
Customer deposits	2,127,206		2,127,206	
Compensated absences - current portion	71,514		71,514	
Bonds and certificates of obligation payable - current portion	3,590,000		3,590,000	
Capital lease - current portion	34,681		34,681	
Total current liabilities	9,279,809	704,776	9,984,585	20,418
Non-current liabilities:				
Compensated absences	448,118		448,118	
Capital lease obligation	200,156		200,156	
Other postemployment benefits	91,931		91,931	
Bonds and certificates of obligation payable	113,191,111		113,191,111	
Total non-current liabilities	113,931,316		113,931,316	
Total Liabilities	123,211,125	704,776	123,915,901	20,418
Net Assets				
Invested in capital assets, net of related debt	146,149,602		146,149,602	
Restricted for debt service	270,053		270,053	
Restricted for capital projects	11,695,609		11,695,609	
Unrestricted	9,240,507	15,692	9,256,199	13,685
Total Net Assets	\$ 167,355,771	\$ 15,692	\$ 167,371,463	\$ 13,685

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

PROPRIETARY FUNDS

For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Revenues				
Charges for services	\$ 26,616,961	\$ 7,020,992	\$ 33,637,953	\$ 803,104
Operating Expenses				
Personal services	3,820,951		3,820,951	
Supplies and materials	2,007,446		2,007,446	
Contractual services	6,144,495	7,105,926	13,250,421	790,279
Repairs and maintenance	828,093		828,093	
Other expenses	75,942	254,930	330,872	
Depreciation and amortization	7,371,908		7,371,908	
Total Operating Expenses	20,248,835	7,360,856	27,609,691	790,279
Operating income (loss)	6,368,126	(339,864)	6,028,262	12,825
Non-Operating Revenues (Expenses)				
Earnings on investments	362,706	698	363,404	360
Operating grants and contributions	2,464,377		2,464,377	
Gain (loss) on disposal of capital assets	22,979		22,979	
Interest expense	(5,190,458)		(5,190,458)	
Total Non-Operating Revenues (Expenses)	(2,340,396)	698	(2,339,698)	360
Income (loss) before contributions and transfers	4,027,730	(339,166)	3,688,564	13,185
Capital contributions	6,125,006		6,125,006	
Transfers in	211,690	339,298	550,988	
Transfers out	(1,172,405)		(1,172,405)	
Change in net assets	9,192,021	132	9,192,153	13,185
Total net assets - beginning	158,163,750	15,560	158,179,310	500
Total net assets - ending	\$ 167,355,771	\$ 15,692	\$ 167,371,463	\$ 13,685

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Activities -
	Fund	Fund		Internal
				Service Fund
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 26,735,263	\$ 7,252,810	\$ 33,988,073	\$ 801,769
Disbursed for personnel services	(3,825,345)		(3,825,345)	
Disbursed for goods and services	(10,187,546)	(7,828,653)	(18,016,199)	(770,382)
Net cash provided (used) by operating activities	<u>12,722,372</u>	<u>(575,843)</u>	<u>12,146,529</u>	<u>31,387</u>
Cash Flows from Noncapital Financing Activities				
Transfers from funds		417,021	417,021	
Transfers to other funds	(882,992)		(882,992)	
Operating grants and contributions	2,464,377		2,464,377	
Net cash provided by (used by) noncapital financing activities	<u>1,581,385</u>	<u>417,021</u>	<u>1,998,406</u>	
Cash Flows from Capital and Related Financing Activities				
Proceeds from the sale of equipment	22,979		22,979	
Capital grants and contributions	6,125,006		6,125,006	
Proceeds from the sale of bonds	12,745,409		12,745,409	
Principal payments on debt	(2,666,740)		(2,666,740)	
Issuance costs	83,080		83,080	
Acquisition and construction of capital assets	(25,628,070)		(25,628,070)	
Net cash used by capital and related financing activities	<u>(9,318,336)</u>		<u>(9,318,336)</u>	
Cash Flows from Investing Activities				
Purchase of investments	8,419,590		8,419,590	
Interest received	362,706	696	363,402	360
Interest paid	(5,190,458)		(5,190,458)	
Net cash provided by (used by) investing activities	<u>3,591,838</u>	<u>696</u>	<u>3,592,534</u>	<u>360</u>
Net increase (decrease) in cash and equivalents	8,577,259	(158,126)	8,419,133	31,747
Cash and equivalents, beginning of year	<u>21,491,217</u>	<u>158,126</u>	<u>21,649,343</u>	<u>521</u>
Cash and equivalents, at end of year	<u>\$ 30,068,476</u>	<u>\$</u>	<u>\$ 30,068,476</u>	<u>\$ 32,268</u>
Unrestricted cash and equivalents	\$ 6,506,528	\$	\$ 6,506,528	\$ 32,268
Restricted cash and equivalents	23,561,948		23,561,948	
	<u>\$ 30,068,476</u>	<u>\$</u>	<u>\$ 30,068,476</u>	<u>\$ 32,268</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2009

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Funds
Reconciliation of operating income to net cash provided by operating activities				
Operating income (loss)	\$ 6,368,126	\$ (339,864)	\$ 6,028,262	\$ 12,825
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	7,371,908		7,371,908	
(Increase) decrease in accounts receivable	(92,070)	231,818	139,748	(1,335)
(Increase) decrease in prepaid expenses	(20,950)		(20,950)	
Increase (decrease) in accounts payable	(1,110,620)	(467,797)	(1,578,417)	19,897
Increase (decrease) in salaries payable	(4,394)		(4,394)	
Increase (decrease) in customer deposits	210,372			
Net Cash Provided by Operating Activities	\$ 12,722,372	\$ (575,843)	\$ 12,146,529	\$ 31,387

CITY OF PEARLAND, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
September 30, 2009

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Assets				
Cash and cash equivalents	\$ 2,000,000	\$ 7,836,347	\$ 3,150,004	\$ 12,986,351
Receivables-less allowance for uncollectibles	1,089,606	133,256	14,857	1,237,719
Prepaid items	21,272			21,272
Restricted cash			1,522,642	1,522,642
Deferred charges	384,943		3,355,745	3,740,688
Capital assets not subject to depreciation	6,875,415			6,875,415
Total Assets	10,371,236	7,969,603	8,043,248	26,384,087
Liabilities				
Accounts payable and accrued expenses	1,070,683	8,185		1,078,868
Accrued interest	68,228		195,410	263,638
Due to primary government	1,058,590			1,058,590
Non-current liabilities:				
Due within one year	565,000		1,760,000	2,325,000
Due in more than one year	18,628,004		50,684,274	69,312,278
Total Liabilities	21,390,505	8,185	52,639,684	74,038,374
Net Assets				
Restricted-debt service			1,327,232	1,327,232
Unrestricted	(11,019,269)	7,961,418	(45,923,668)	(48,981,519)
Total Net Assets	\$ (11,019,269)	\$ 7,961,418	\$ (44,596,436)	\$ (47,654,287)

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
COMBINING STATEMENT OF ACTIVITIES
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
For the Year Ended September 30, 2009

Functions/Programs	Expenses	Net (Expense) and Changes in Net Assets			Totals
		Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	
Component Units:					
Pearland Economic Development Corporation	\$ 11,148,886	\$ (11,148,886)	\$	\$	\$ (11,148,886)
Tax Increment Reinvestment Zone #2	4,775,345		(4,775,345)		(4,775,345)
Development Authority of Pearland	10,654,274			(10,654,274)	(10,654,274)
	<u>\$ 26,578,505</u>	<u>(11,148,886)</u>	<u>(4,775,345)</u>	<u>(10,654,274)</u>	<u>(26,578,505)</u>
General Revenues:					
Taxes:					
Property taxes		\$	\$ 12,931,900	\$	\$ 12,931,900
Sales and use tax		6,801,185			6,801,185
Unrestricted investment earnings		150,475	62,866	35,826	249,167
Miscellaneous		206		68,336	68,542
Transfers between component units			(6,825,679)	6,825,679	
Total General Revenues and Transfers		<u>6,951,866</u>	<u>6,169,087</u>	<u>6,929,841</u>	<u>20,050,794</u>
Change in net assets		(4,197,020)	1,393,742	(3,724,433)	(6,527,711)
Net assets, beginning		<u>(6,822,249)</u>	<u>6,567,676</u>	<u>(40,872,003)</u>	<u>(41,126,576)</u>
Net assets, ending		<u>\$ (11,019,269)</u>	<u>\$ 7,961,418</u>	<u>\$ (44,596,436)</u>	<u>\$ (47,654,287)</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary 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 and emergency medical, water and sewer services, drainage, sanitation, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services. Fire protection is provided through a combination full-time/volunteer department. The City is governed by an elected mayor and five-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. Discretely presented component units, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Pearland Economic Development Corporation (PEDC); the Tax Increment Reinvestment Zone (TIRZ #2); and the Development Authority of Pearland. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are: that it has a separately elected Governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally prescribed criteria under generally accepted accounting principles include: considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. The component units do not issue separate financial statements.

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

Note 1 - Summary Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Discretely Presented Component Units:

Pearland Economic Development Corporation (PEDC)

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

Tax Increment Reinvestment Zone (TIRZ #2)

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

Development Authority of Pearland

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

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information about the City as a whole. These statements include all activities of the primary government and its component units. For the most part, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this general rule are charges between the City's business-type and governmental funds. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Note 1 - Summary Significant Accounting Policies (continued)

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

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

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

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

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

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

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

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

Note 1 - Summary Significant Accounting Policies (continued)

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

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

The *Capital Projects Fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

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

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

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. All assets, 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. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel and depreciation. In accordance with GASB Statement No. 20, the City has elected to follow GASB statements issued after November 30, 1989, rather than the Financial Accounting Standards Board, in accounting for enterprise funds.

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.

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

Note 1 - Summary Significant Accounting Policies (continued)

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

D. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds. Open encumbrances are reported as reservations of fund balances since they do not constitute expenditures or liabilities. Encumbrances outstanding at year-end are appropriately provided for in the subsequent year's budget.

E. Cash and Cash Equivalents

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

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

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

F. Investments

Investments consist of United States (US) Government Agency securities. The City reports all investments at fair value based on quoted market prices at year-end date.

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

Note 1 - Summary Significant Accounting Policies (continued)

G. Receivables

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

H. Due to and Due from Other Funds

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

I. Inventories and Prepaid Items

Inventory, which consists of fuel and auto parts for use in the City's vehicles, is stated at cost (first-in, first-out method). Expenditures are recognized as the fuel and auto parts are consumed rather than when purchased.

J. Restricted Assets

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

K. Capital Assets

Capital assets which include property, plant, equipment and infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life of three years or more. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-45
Machinery and equipment	3-15
Infrastructure	10-50

Note 1 - Summary Significant Accounting Policies (continued)

L. Compensated Absences

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

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

City employees receive 11 paid holidays per year. Employees required to work on a City observed holiday may be paid or may elect to receive compensatory time off for the holiday. Overtime is earned at one and one-half times the regular rate of pay for non-exempt employees. Employees may be paid or receive compensatory time. The maximum accrual for overtime is 60 hours, except for employees involved in public safety, who can accrue up to 120 hours.

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

M. Estimates

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

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

Note 2 - Deposits (Cash) and Investments

Authorization for Deposits and Investments

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

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

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

Deposit and Investment Amounts

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

The deposit and investment policies for the Pearland Economic Development Corporation, TIRZ Developments, and Development Authority of Pearland are substantially the same as the City.

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

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

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

	Total Fair Value	
	Primary Government	Component Units
Cash deposits	\$ 111,804,415	\$ 14,508,993
Temporary Investments		
FHLB discount note	1,998,120	
	<u>\$ 113,802,535</u>	<u>\$ 14,508,993</u>

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

	Primary Government	Component Units
Interest income	\$ 1,737,495	\$ 249,659
Unrealized gain (loss) on temporary investments	(1,235)	492
Investment earnings	<u>\$ 1,738,730</u>	<u>\$ 249,167</u>

Investment Risks

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:

	Primary Government	
	Total Fair Value	Weighted Average Maturity (days)
Temporary Investments		
FHLB discount note	\$ 1,998,120	455
	<u>\$ 1,998,120</u>	
Portfolio weighted average maturity		<u>455</u>

The City's investment policy specifies a maximum weighted average maturity of 547.5 days or 18 months based on the stated maturity date for each investment in the portfolio.

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 three years or 1,095 days from date of purchase. The settlement date is considered the date of purchase.

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

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

Concentration of Credit Risk

With the exception of U.S. Treasury Securities and interest bearing checking accounts that are fully collateralized, no more than 75 percent of the City's total investment portfolio will be invested in a single security type. As of September 30, 2009, the City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end.

Investment Type	Primary Government	
	Total Fair Value	Percentage of Total Portfolio
FHLB discount note	\$ 1,998,120	100%
Total	\$ 1,998,120	100%

Credit Risk

Federal Home Loan Mortgage Corporation Discount Notes were rated AAA by Standard & Poor's, AAA by Fitch Ratings, and Aaa by Moody's Investors Service.

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

Restricted Assets

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

	Primary Government	Component Units
Revenue bond debt service	\$ 694,121	\$ 1,522,642
Customer deposits	2,126,456	
Capital improvements	20,741,371	
Total	\$ 23,561,948	\$ 1,522,642

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

Note 3 - Receivables

Receivables at September 30, 2009 consist of the following:

Primary Government:

Governmental Funds:

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Other Non Major Governmental Funds</u>	<u>Total</u>
Receivables					
Property taxes, including penalties and interest	\$ 632,037	\$ 819,193	\$	\$	\$ 1,451,230
Sales and other taxes	3,085,614				3,085,614
Fines and forfeitures	697,744				697,744
Interest	21,135	4,742	30,076		55,953
Other	347,530	17,717	2,655,595	429,464	3,450,306
Allowance for uncollectibles	(15,562)	(20,480)			(36,042)
	<u>\$ 4,768,498</u>	<u>\$ 821,172</u>	<u>\$ 2,685,671</u>	<u>\$ 429,464</u>	<u>8,704,805</u>

Accounts Receivable - Hurricane Ike

On September 12, 2008, the City sustained substantial damage to City facilities, mainly the Library, Community Center, and City Hall. The City also incurred significant expenditures associated with debris removal and emergency measures. The City submitted 40 project worksheets to FEMA totaling \$10.6 million, as well as submitted documentation for insurance reimbursements. As of September 30, 2009, there were \$5.9 million in reimbursements still outstanding from FEMA and approximately \$800,000 from insurance.

Proprietary Funds:

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Receivables			
Customer accounts	\$ 2,699,722	\$ 784,987	\$ 3,484,709
Interest	22,869		22,869
Other	333,717		333,717
Allowance for uncollectibles	(209,997)	(64,519)	(274,516)
	<u>\$ 2,846,311</u>	<u>\$ 720,468</u>	<u>\$ 3,566,779</u>

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

Note 3 - Receivables (continued)

Component Units:

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone Developments	Development Authority of Pearland	Total
Receivables				
Sales and other taxes	\$ 1,074,568	\$	\$	\$ 1,074,568
Interest	15,038		14,857	29,895
Other		133,256		133,256
Total	\$ 1,089,606	\$ 133,256	\$ 14,857	\$ 1,237,719

Governmental funds report deferred revenue in connection with 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 deferred revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable - general fund	\$ 533,695	\$
Delinquent property taxes receivable - debt service fund	677,776	
Municipal fines and forfeitures	697,744	
Grants and revenues prior to meeting all eligibility requirements		157,521
Total Deferred Revenue for Governmental Funds	\$ 1,909,215	\$ 157,521

Property Taxes

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

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

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2009, follows:

	Primary Government			
	Balance September 30, 2008	Increases	(Decreases)	Balance September 30, 2009
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 27,645,860	\$ 810,769	\$	\$ 28,456,629
Construction in progress	60,755,722	24,954,474		85,710,196
Total capital assets not being depreciated	88,401,582	25,765,243		114,166,825
Other capital assets:				
Infrastructure	596,377,295	66,261,240		662,638,535
Buildings and improvements	25,339,899	2,666,257	(585,320)	27,420,836
Machinery and equipment	10,165,881	2,143,353	(439,120)	11,870,114
Total other capital assets	631,883,075	71,070,850	(1,024,440)	701,929,485
Less accumulated depreciation for:				
Infrastructure	(145,649,158)	(19,718,518)		(165,367,676)
Buildings and improvements	(9,568,580)	(810,051)	378,410	(10,000,221)
Machinery and equipment	(5,809,366)	(1,270,079)	461,514	(6,617,931)
Total accumulated depreciation	(161,027,104)	(21,798,648)	839,924	(181,985,828)
Other capital assets, net	470,855,971	49,272,202	(184,516)	519,943,657
Totals	\$ 559,257,553	\$ 75,037,445	\$ (184,516)	\$ 634,110,482
	Balance September 30, 2008	Increases	(Decreases)	Balance September 30, 2009
Business-type Activities				
Capital assets not being depreciated:				
Land and intangibles	\$ 3,609,542	\$	\$	\$ 3,609,542
Construction in progress	32,584,641	(13,383,130)		19,201,511
Total capital assets not being depreciated	36,194,183	(13,383,130)		22,811,053
Other capital assets:				
Water and sewer system	229,735,098	4,560,678		234,295,776
Buildings and improvements	2,491,830	26,570,545		29,062,375
Machinery and equipment	2,502,742	515,777	(145,200)	2,873,319
Contractual water rights	26,809,000	7,702,428		34,511,428
Total other capital assets	261,538,670	39,349,428	(145,200)	300,742,898
Less accumulated depreciation for:				
Water and sewer system	(58,313,909)	(5,368,158)		(63,682,067)
Buildings and improvements	(882,691)	(398,839)		(1,281,530)
Machinery and equipment	(1,337,063)	(378,502)	145,200	(1,570,365)
Contractual water rights	(536,180)	(1,226,408)		(1,762,588)
Total accumulated depreciation	(61,069,843)	(7,371,907)	145,200	(68,296,550)
Other capital assets, net	200,468,827	31,977,521		232,446,348
Totals	\$ 236,663,010	\$ 18,594,391	\$	\$ 255,257,401

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

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$	385,942
Public safety		1,036,290
Public works		18,922,182
Community services		64,125
Parks and recreation		1,390,109
Total Governmental Activity	\$	21,798,648
Water and sewer	\$	7,371,908
Total Business-Type Activity	\$	7,371,908

The City has active construction projects as of September 30, 2009. The projects include various improvements to streets, drainage and facilities as well as and water and sewer improvements. At year-end, the City's contractual commitments on projects were as follows:

Project Description	Total In Progress	Commitment
Drainage Improvement	\$ 7,239,580	\$ 1,963,442
Building Improvements	18,976,545	14,445,001
Street Improvement	49,119,702	17,581,041
Park Improvements	10,374,371	10,552,058
Water and Sewer Improvements	19,201,509	4,249,943
Totals	\$ 104,911,707	\$ 48,791,485

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

Note 5 - Long-Term Debt

A. General Obligation Bonds and Certificates of Obligation

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 following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2009. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities.

	Balance September 30, 2008	Additions	(Reductions)	Balance September 30, 2009	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 184,985,000	\$	\$ (4,220,000)	\$ 180,765,000	\$ 3,435,000
Certificates of obligation	74,980,000	8,520,000	(995,000)	82,505,000	2,270,000
Deferred amount for issuance premium	3,048,718	(54,016)	(219,078)	2,775,624	
Total bonds payable	<u>263,013,718</u>	<u>8,465,984</u>	<u>(5,434,078)</u>	<u>266,045,624</u>	<u>5,705,000</u>
Obligations under capital leases	1,187,181	648,897	(357,542)	1,478,536	160,961
Compensated absences	3,897,915	2,510,056	(2,159,834)	4,395,127	583,916
Other post employment benefits	290,783	193,087		483,870	
Total Governmental Activities	<u>\$ 268,389,597</u>	<u>\$ 11,818,024</u>	<u>\$ (7,951,454)</u>	<u>\$ 272,403,157</u>	<u>\$ 6,449,877</u>

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

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

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

Note 5 - Long-Term Debt (continued)

A. General Obligation Bonds and Certificates of Obligation (continued)

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2009, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
General Obligation Bonds, Series 2001	\$ 1,900,000	2010	3.90	\$ 175,000
Permanent Improvement, Series 2002	25,000,000	2027	5.10-5.08	2,310,000
Permanent Improvement, Series 2003	15,000,000	2028	4.00-6.00	13,555,000
Permanent Improvement and Refunding Bonds, Series 2005	37,015,000	2029	3.25-5.00	36,590,000
Permanent Improvement and Refunding Bonds, Series 2006	32,165,000	2029	4.00-5.00	32,015,000
Permanent Improvement and Refunding Bonds, Series 2007	69,640,000	2032	4.00-5.00	69,640,000
Permanent Improvement, Series 2008	22,835,000	2032	4.50-5.50	22,665,000
Annexed Municipal Utility District Bonds				
BC MUD 1 Series 2001	4,940,000	2018	4.00-5.00	1,875,000
BC MUD 1 Series 2007	1,940,000	2030	3.75-4.35	1,940,000
Total General Obligation Bonds				<u>\$ 180,765,000</u>
Certificates of Obligation				
Certificates of Obligation, Series 2001	11,650,000	2022	5.00-6.00	\$ 1,135,000
Certificates of Obligation, Series 2003	25,000,000	2023	3.00-4.50	17,390,000
Certificates of Obligation, Series 2004	21,000,000	2028	4.00-5.25	13,740,000
Certificates of Obligation, Series 2006	9,700,000	2029	3.65-4.68	9,650,000
Certificates of Obligation, Series 2007	23,250,000	2032	3.25-5.25	23,150,000
Certificates of Obligation, Series 2008	9,000,000	2032	3.75-5.00	8,920,000
Certificates of Obligation, Series 2009	8,520,000	2034	2.25-5.00	8,520,000
Total Certificates of Obligation				<u>\$ 82,505,000</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, 2009, approximately \$35.8 million of previously refunded bonds outstanding were considered defeased.

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

Note 5 - Long-Term Debt (continued)

A. General Obligation Bonds and Certificates of Obligation (continued)

Capital Lease Obligations

The City has entered into certain capital lease agreements in order to purchase public safety and management information systems equipment and other construction related equipment. The capital lease obligations are paid out of the General, Debt Service and Water and Sewer Funds. The historical purchase price of the capital assets under lease is approximately \$2.5 million.

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

	<u>Fiscal Year</u>	<u>Obligations</u>
	2010	\$ 262,202
	2011	262,202
	2012	262,202
	2013	262,202
	2014	262,202
	Thereafter	<u>720,147</u>
Total		2,031,159
Less: Interest		<u>(317,785)</u>
Obligations under capital leases		<u>\$ 1,713,374</u>

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

Note 5 - Long-Term Debt (continued)

A. General Obligation Bonds and Certificates of Obligation (continued)

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2009 are as follows:

Fiscal Year	Governmental Activities			
	General Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2010	\$ 3,435,000	\$ 8,377,314	\$ 2,270,000	\$ 3,773,961
2011	3,700,000	8,214,168	2,685,000	3,483,654
2012	4,770,000	8,021,018	2,485,000	3,374,676
2013	5,080,000	7,804,453	2,630,000	3,269,142
2014	5,470,000	7,586,911	2,785,000	3,157,874
2015	5,735,000	7,328,144	2,900,000	3,039,851
2016	5,995,000	7,035,863	3,060,000	2,914,885
2017	5,180,000	6,771,946	3,500,000	2,779,294
2018	5,010,000	6,534,720	4,080,000	2,618,833
2019	6,840,000	6,255,815	4,470,000	2,434,132
2020	8,420,000	5,901,154	3,415,000	2,259,134
2021	8,795,000	5,506,712	3,595,000	2,100,332
2022	9,195,000	5,093,779	3,775,000	1,932,458
2023	9,610,000	4,660,445	3,970,000	1,755,295
2024	11,665,000	4,161,350	2,570,000	1,602,263
2025	10,615,000	3,633,092	4,310,000	1,438,144
2026	11,035,000	3,119,570	4,615,000	1,225,873
2027	11,575,000	2,585,789	4,820,000	1,014,868
2028	12,090,000	2,021,377	5,080,000	806,901
2029	14,570,000	1,378,971	3,415,000	631,244
2030	7,285,000	859,597	3,290,000	493,950
2031	7,325,000	515,121	3,685,000	338,925
2032	7,370,000	172,047	4,065,000	159,025
2033			505,000	51,750
2034			530,000	26,500
	<u>\$ 180,765,000</u>	<u>\$ 113,539,357</u>	<u>\$ 82,505,000</u>	<u>\$ 46,682,960</u>

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

Note 5 - Long-Term Debt (continued)

B. Enterprise Fund Debt

The following is a summary of changes in the City's total business-type long-term liabilities for the year ended September 30, 2009.

	<u>Balance September 30, 2008</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2009</u>	<u>Amounts Due Within One Year</u>
Business-type Activities					
Bonds payable:					
Certificates of obligation	\$ 13,140,000	\$	\$ (980,000)	\$ 12,160,000	\$ 1,015,000
Water and sewer revenue bonds	92,900,000	13,130,000	(1,595,000)	104,435,000	2,575,000
Premium on bond issuance	284,274	(78,969)	(19,194)	186,111	
Obligations under capital leases		234,837		234,837	34,681
	<u>106,324,274</u>	<u>13,285,868</u>	<u>(2,594,194)</u>	<u>117,015,948</u>	<u>3,624,681</u>
Other liabilities:					
Other post employment benefits	55,388	36,543		91,931	
Compensated absences	493,586	290,356	(264,310)	519,632	71,514
Total Business-type Activities	<u>\$ 106,873,248</u>	<u>\$ 13,612,767</u>	<u>\$ (2,858,504)</u>	<u>\$ 117,627,511</u>	<u>\$ 3,696,195</u>

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2009, is as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Water and Wastewater Fund				
Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999	\$ 8,000,000	2020	4.41-4.60	\$ 6,365,000
Water and Sewer System Revenue Bonds, Series 2001	10,000,000	2023	4.37-6.25	8,900,000
Water and Sewer System Revenue Bonds, Series 2003	9,500,000	2025	4.00-6.00	8,060,000
Water and Sewer System Revenue and Refunding Bonds, Series 2006	13,845,000	2031	3.74-4.82	13,295,000
Water and Sewer System Revenue and Refunding Bonds, Series 2007	40,135,000	2031	3.50-5.50	39,885,000
Water and Sewer System Revenue Bonds, Series 2008	14,950,000	2034	4.125-5.00	14,800,000
Certificates of Obligation, Series 1998	17,100,000	2018	3.10-3.80	12,160,000
Water and Sewer System Revenue Bonds, Series 2009	13,130,000	2034	3.00-5.50	13,130,000
Total Utility System Fund				<u>\$ 116,595,000</u>

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

Note 5 - Long-Term Debt (continued)

B. Enterprise Fund Debt (continued)

The annual requirements to amortize governmental activity revenue bonds and certificates of obligation outstanding at September 30, 2009 are as follows:

<u>Fiscal Year</u>	<u>Business-Type Activities</u>			
	<u>Revenue Bonds</u>		<u>Certificates of Obligation</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,575,000	\$ 4,848,266	\$ 1,015,000	\$ 428,271
2011	2,725,000	4,730,779	1,050,000	393,158
2012	2,850,000	4,601,004	1,090,000	355,698
2013	2,985,000	4,465,667	1,125,000	316,100
2014	3,125,000	4,327,231	1,170,000	274,498
2015	3,260,000	4,184,791	1,210,000	230,760
2016	3,420,000	4,035,383	1,250,000	184,938
2017	3,570,000	3,877,615	2,090,000	121,790
2018	3,730,000	3,713,077	2,160,000	41,040
2019	3,905,000	3,539,481		
2020	4,080,000	3,357,553		
2021	4,265,000	3,169,434		
2022	4,470,000	2,965,109		
2023	4,685,000	2,751,334		
2024	4,905,000	2,530,995		
2025	5,135,000	2,301,450		
2026	5,380,000	2,056,325		
2027	5,645,000	1,789,488		
2028	5,930,000	1,506,488		
2029	6,210,000	1,225,613		
2030	6,470,000	965,181		
2031	6,740,000	693,363		
2032	2,655,000	410,575		
2033	2,795,000	274,000		
2034	2,925,000	140,075		
	<u>\$ 104,435,000</u>	<u>\$ 68,460,277</u>	<u>\$ 12,160,000</u>	<u>\$ 2,346,251</u>

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

Note 5 - Long-Term Debt (continued)

C. Component Unit Long-Term Debt

The following is a summary of the long-term debt transactions of the Pearland Economic Development Corporation and the Development Authority of Pearland for the year ended September 30, 2009:

	<u>Balance September 30, 2008</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2009</u>	<u>Amounts Due Within One Year</u>
Pearland Economic					
Development Corporation					
Sales tax revenue bonds	\$ 19,555,000	\$	\$ (545,000)	\$ 19,010,000	\$ 565,000
Deferred amount for issuance premium	124,449		(11,437)	113,012	
Compensated absences	58,524	31,374	(19,906)	69,992	
Development Authority of					
Pearland					
Tax Increment Revenue Bonds	45,495,000	8,815,000	(1,490,000)	52,820,000	1,760,000
Deferred amount for issuance discount	(334,355)	(68,336)	26,965	(375,726)	
	<u>\$ 64,898,618</u>	<u>\$ 8,778,038</u>	<u>\$ (2,039,378)</u>	<u>\$ 71,637,278</u>	<u>\$ 2,325,000</u>

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, 2009 are as follows:

<u>Series</u>	<u>Original Issue</u>	<u>Matures</u>	<u>Interest Rate (%)</u>	<u>Debt Outstanding</u>
Pearland Economic Development Corporation				
Sales Tax Revenue Bonds, Series 2005	\$ 10,590,000	2026	2.30-4.42	\$ 9,160,000
Sales Tax Revenue Bonds, Series 2006	10,235,000	2030	3.66-4.75	9,850,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2004	13,995,000	2028	2.50-5.50	11,605,000
Tax Increment Revenue Bonds, Series 2005	9,775,000	2028	3.50-4.75	7,795,000
Tax Increment Revenue Bonds, Series 2006	9,970,000	2028	4.00-4.40	9,280,000
Tax Increment Revenue Bonds, Series 2007	15,950,000	2029	3.70-4.75	15,325,000
Tax Increment Revenue Bonds, Series 2009	8,815,000	2029	3.00-5.875	8,815,000
Total Component Unit Long-Term Debt				<u>\$ 71,830,000</u>

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

Note 5 - Long-Term Debt (continued)

C. Component Unit Long-Term Debt (continued)

The annual requirements to amortize component unit revenue bonds outstanding at September 30, 2009 are as follows:

Fiscal Year	Revenue Bonds			
	Pearland Economic Development Corporation		Development Authority of Pearland	
	Principal	Interest	Principal	Interest
2010	\$ 565,000	\$ 851,669	\$ 1,760,000	\$ 2,439,260
2011	585,000	831,506	1,830,000	2,371,673
2012	610,000	809,256	1,900,000	2,300,358
2013	635,000	784,906	1,975,000	2,224,827
2014	660,000	757,406	2,055,000	2,144,711
2015	690,000	728,856	2,140,000	2,059,779
2016	720,000	698,956	2,230,000	1,968,415
2017	760,000	664,756	2,330,000	1,871,539
2018	795,000	628,669	2,430,000	1,769,317
2019	835,000	590,575	2,540,000	1,659,862
2020	875,000	556,125	2,540,000	1,544,511
2021	910,000	519,625	2,655,000	1,427,346
2022	950,000	481,075	2,780,000	1,303,429
2023	995,000	439,200	2,915,000	1,171,434
2024	1,040,000	395,138	3,055,000	1,032,070
2025	1,090,000	348,538	3,200,000	882,421
2026	1,140,000	299,325	3,360,000	724,969
2027	1,190,000	247,838	3,530,000	556,764
2028	1,255,000	188,338	3,705,000	379,364
2029	1,320,000	128,725	3,890,000	192,313
2030	1,390,000	66,025		
	<u>\$ 19,010,000</u>	<u>\$ 11,016,506</u>	<u>\$ 52,820,000</u>	<u>\$ 30,024,355</u>

D. Legal Compliance

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

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

Note 6 - Interfund Transactions

A summary of interfund transfers, the purpose of which is to cover operational expenses/expenditures, for the year ended September 30, 2009, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 851,880	Transfer of funds for capital projects costs
General Fund	Non-Major Governmental Fund	46,307	Transfer of funds for administrative costs
General Fund	Water and Sewer Fund	895,278	Transfer of funds for capital projects costs
Debt Service Fund	Water and Sewer Fund	277,127	Transfer of funds for debt service payments
Capital Projects Fund	Non-Major Governmental Fund	754,513	Transfer of funds for administrative costs
Non-Major Governmental Fund	General Fund	421,000	Transfer of funds for capital project costs
Water and Sewer Fund	General Fund	169,740	Transfer of funds for administrative costs
Water and Sewer Fund	Non-Major Governmental Fund	41,950	Transfer of funds for administrative costs
Solid Waste Fund	General Fund	339,298	Transfer of funds for operating costs
		<u>\$ 3,797,093</u>	

A summary of interfund receivables and payables at September 30, 2009 follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non Major Governmental Fund	\$ 94,402	Short-term loan to fund operations
Water & Sewer Fund	Solid Waste Fund	77,723	Short-term loan to fund operations
		<u>\$ 172,125</u>	

Note 7 - Fund Equity / Net Asses

The City records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures

The Pearland Economic Development Corporation and the Development Authority of Pearland, discretely presented component units of the City, had negative net asset balances at year end of approximately \$11.0 and \$44.6 million respectively. These deficit balances are caused by these entities issuing bonds for economic development related construction projects and, in accordance with state law, transferring the capital assets to the primary government while retaining the related debt. As noted in Note 5, the debt is expected to be retired with future dedicated sales tax revenues. The Emergency Management Special Revenue Fund had a deficit fund balance of \$3,900 which is expected to be replenished through future funding.

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

Note 8 - Deferred Compensation Plan

The City maintains, for its employees, a tax-deferred compensation plan meeting the requirements of Internal Revenue Code Section 457. The plan was established in the 1995 fiscal year by City Ordinance, and Nationwide Retirement Solutions and SRC Retirement Corporation were appointed as plan administrators. 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

Plan Description and Provisions

The City provides pension benefits for all of its full-time employees through a non-traditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), one of 827 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with 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 a percent (100%, 150%, or 200%) of the employee's accumulated contributions. In addition, the City can grant, as often as annually, another type of monetary credit referred to as an updated service credit which is a theoretical amount which, when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated, with interest, if the current employee contribution rate and City matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions, with interest, and the employer-financed monetary credits, with interest, were used to purchase an annuity.

The plan provisions are adopted by the City Council of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows:

	Plan Year 2008	Plan Year 2009
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement 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

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age.

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

Note 9 - Employee Retirement System (continued)

Contributions

Under the state law governing TMRS, the Actuary annually determines the City's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate using a 29 year close period. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2009 was \$25.8 million and the City's contributions were based on a payroll of \$24.9 million. Contributions made by employees totaled \$1.7 million, and the City made contributions of \$2.6 million during the fiscal year ended September 30, 2009.

Three year trend information is presented below:

	<u>2009</u>	<u>2008</u>	<u>2007</u>
Annual Pension Cost (APC)	\$ 2,331,353	\$ 1,907,416	\$ 1,730,700
Percentage of APC Contributed	100%	100%	100%

Because the actuary determines contribution rates on an annual basis and the City pays the calculated rate each month, the City will always have a net pension obligation (NPO) of zero at the beginning and end of the period, and the annually required contributions (ARC) will always equal contributions made.

All assumptions for the December 31, 2008 valuations are contained in the 2008 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153. The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	29 Years - Closed Period
Asset Valuation Method	Amortized cost
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases	None
Includes Inflation At	3.50%
Cost-of-Living Adjustments	None

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

Note 9 - Employee Retirement System (continued)

In order to provide a reasonable retirement benefit at a reasonable cost to employers and to provide better long range rate forecasts, TMRS has changed its actual funding method from Unit Credit to Projected Unit Credit and from a 25 year “open” period to a 25-30 year “closed” period in 2008.

For cities that have adopted annually repeating annuity increases (COLA’s) this change in method results in increased contribution rates, which will provide advanced funding and positive improvement in the pension funding rates. The TMRS Board adopted an eight-year phase-in period for new rates to enable cities to slowly increase contributions. These were reflected in 2009.

A schedule of funding status and progress for TMRS for the most recent valuation date follows:

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2008	\$ 35,087,719	\$ 52,248,976	67%	\$ 17,161,257	\$ 25,135,418	68%

A schedule of funding progress for TMRS for the three most recent actuarial valuations may be found in the required supplementary information section of the City’s Annual Financial Report.

Note 10 - Other Post Employment Benefits

In addition to pension benefits, the City provides access to medical and dental coverage through its selected insurance carrier, to retirees and/or retiree dependents. To qualify for retiree’s medical or dental insurance, the retiree must have a minimum of ten years of continuous service with the City and be at least sixty years of age, or with 20 years of continuous service at any age. The City provides the coverage on a pay-as-you-go basis similar to current employees, but the City does not pay any portion of the retiree premium.

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

Total Cost	City's Cost	Emp/Dep Coverage Cost	Number of Retired Employees
\$ 54,352	\$	\$ 54,352	7

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

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

Note 10 - Other Post Employment Benefits (continued)

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

The results of the City's most recent actuarial valuation are as follows:

Actuarial Valuation Date October 1,	Actuarial Accrued Liabilities	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2008	\$ 6,063,524	\$ 6,063,524	\$ 25,135,418	24%

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

	2008	2009
Normal cost	\$ 229,630	\$ 229,630
Amortization of UAAL	116,541	116,541
Annual required contribution (ARC)	346,171	346,171
Interest on prior year net OPEB obligation		13,847
Estimated increase in Net OPEB obligation	346,171	360,018
Net OPEB Obligation - beginning of year		346,171
Net OPEB obligation - end of year	\$ 346,171	\$ 706,189

The annual cost recorded to the general ledger for fiscal year 2009 is \$229,630, which includes the estimated normal cost of \$229,630 to provide for the benefits earned by active employees. The total liability, which is not recorded to the general ledger, is \$6,063,524, and represents the actuarial present value of benefits.

Note 11 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2009. 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.

Note 11 - Commitments and Contingencies (continued)

Reimbursement due to Developers

Shadow Creek Town Center

In 2004, the City, along with the Reinvestment Zone Number Two (the Zone), and the Development Authority of Pearland (the Authority), component units of the City, entered into an agreement with a developer to reimburse the developer all or a portion of the project costs to implement the Shadow Creek Ranch Development TIRZ (TIRZ Plan). As projects implementing the TIRZ Plan are completed, the Zone Board may recommend to the City that the Authority reimburse developers on behalf of the Zone and the City. The Zone Board will forward to the City and the Authority all of the necessary and required documentation supporting the requested reimbursement and a determination of the exact amount requested for reimbursement, including a calculation of the amount of interest to be reimbursed on funds advanced for the projects. In addition all monies available in the Tax Increment Fund shall be transferred to the escrow agent no less than once per year and no later than the fifteenth day of each August, subject to the retention by the City of: (1) an amount equal to the City's administrative costs connected with the Zone and the TIRZ Plan, as provided in the TIRZ plan (36% of the City's Tax Increment, but not more than \$0.255, in years four through eight, and 64% of the City's Tax Increment, but not more than \$0.44, in years nine through 30) shall be retained by the City; (2) amounts required to be maintained in the Alvin ISD Suspense Account; (3) an amount sufficient to pay reasonable current and anticipated administrative and operating costs of the Zone, as determined by the Zone Board.

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

The Developer will provide for the construction of segments of Broadway Street, Business Center Drive, Memorial Hermann Drive, as well as landscaping, underground utilities, pipeline relocation and other associated costs. The source of funds for reimbursement of the public infrastructure is both the TIRZ #2 and City and PEDC sales tax revenue generated from the project. The total funded from TIRZ #2 is \$11,749,618 and out of TIRZ improvements to be funded from sales tax is \$2,001,931. Once completion and tenant occupancy of at least 318,000 square feet is achieved for a period of three consecutive months, then the City and PEDC, shall remit, monthly, thirty-three percent of sales tax received by the City and PEDC to the Developer until paid in full plus interest at eight percent per annum for the first two years following completion of the widening of Broadway and interest at five percent per annum for the subsequent two years. The Developer met the targets set forth in the agreement in fiscal year 2008. As of

September 30, 2009, the City remitted sales tax to the developer pursuant to the agreement in the amount of \$421,517, of which \$289,331 was attributable to fiscal year 2009.

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

Note 11 - Commitments and Contingencies (continued)

Reimbursement due to Developers (continued)

Pearland Town Center

On January 31, 2007, the City and the Pearland Town Center Limited Partnership and CBL & Associates Management, Inc. entered into an agreement whereby the developer would build and construct a 700,000 square foot retail and commercial development, including public infrastructure to serve the project and then convey the public infrastructure to the City. In consideration of the development which will bring additional sales tax revenue to the City and additional jobs, the City will reimburse the Developer solely for the costs associated with the public infrastructure from city sales tax revenues. The cost of the infrastructure subject to reimbursement is \$2,710,362. The City will make monthly reimbursement payments to the Developer from 50% of the sales tax generated within the project. Reimbursement is to begin one hundred days after the City receives notice from the Developer, and the City subsequently verifies that 75% of the square footage or 525,000 square feet have been open for business for at least thirty consecutive days. The City shall pay the Developer the entire Reimbursement Amount, including interest within three years of the completion date. Construction of the project began in fiscal year 2007 and Pearland Town Center opened on July 31, 2008. The City received notice in November 2008 that at least 525,000 square feet had been open for thirty days. As of September 30, 2009, reimbursements totaled \$333,097 and began in February 2009.

Shadow Creek Ranch Office Building - ZT Group

The Pearland Economic Development Corporation approved an incentive agreement with ZT Group for construction of an 80,000 square foot spec class "A" office building in Shadow Creek Ranch. The incentive is broken into two parts:

Part A - If 50% or more of the building is leased prior to the end of construction of the shell building, then PEDC will pay up to \$1,500 for each new job created provided that the average for jobs with each lease is \$40,000 annually and that all jobs are in the facility in Pearland. The benefit is capped at \$600,000.

Part B - If the building is not 50% pre-leased, PEDC will pay a gross lease on the facility at the rate of \$100,000 per month for a maximum of 12 months or 30 days after the facility is 50% or more leased.

As of 9/30/2009, the building was not 50% pre-leased and the Pearland Economic Development Corporation will begin paying \$100,000 a month in October 2009.

Cardiovascular Systems Inc. (CSI)

The Pearland Economic Development Corporation approved an incentive agreement with Cardiovascular Systems Inc. for a potential total incentive of \$13.85 million. CSI is a medical device company developing and commercializing innovative interventional treatment systems for vascular disease. The incentive includes a 10-year lease agreement for a new 46,000 square foot manufacturing facility in Pearland. The company received \$3.5 million upon the signing of the lease and could receive up to an additional \$2.75 million over five years as milestones are met. CSI could hire approximately 250 employees over the course of five years to work at the Pearland facility expanding the area's already thriving medical technology sector. CSI expects to begin operations in the facility during the first half of calendar 2010.

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

Note 12 - Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program mainly encompasses obtaining property and liability insurance through Texas Municipal League's Intergovernmental Risk-Pool (TML-IRP), and through commercial insurance carriers. The participation of the City in TML-IRP is limited to payment of premiums. The City has not had any significant reduction in insurance coverage, and the amounts of insurance settlements have not exceeded insurance coverage for any of the last three years.

The City also provides Workers' Compensation insurance on its employees through TML-Workers' Compensation Fund. Workers' Compensation premiums are subject to change when audited by TML Workers' Compensation Fund. At fiscal year-end September 30, 2009, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

Note 13 - Subsequent Events

Development Authority of Pearland

On November 23, 2009, the Development Authority of Pearland authorized a \$4.5 million cash reimbursement to the developer in association with the Master Development agreement and financing plan. To-date, the DAP has issued debt based on supported values on the ground as well as made cash reimbursements to the Developer totaling \$60,944,700 million, of which \$10.4 million is in cash reimbursements. Cash contributions assist in paying off the obligations earlier as well as reduce interest and carrying cost of the bonds. There is approximately \$62.1 million of improvements by the Developer approved for reimbursement by the TIRZ board, but not yet reimbursed. Additionally, the Developer has completed additional improvements estimated at \$11.1 million which have not yet been approved for reimbursement. The amended plan, estimated that throughout the life of the TIRZ, infrastructure projects to be financed totaled \$169.1 million.

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

Note 13 - Subsequent Events (continued)

Capital Lease Proceeds

On October 27, 2008, City Council approved adoption of a resolution declaring the City’s intention to reimburse certain FY09 capital expenditures from future capital lease proceeds, with aggregate purchase prices in an amount not to exceed \$2,300,000. Below is a table of the subject FY09 expenditures, with the actual purchase amounts reflected for financing, totaling \$2,205,000.

Equipment Description	Date Purchased	Amount for Financing
Sungard OSSI integrated public safety software system (less maintenance/support cost)	11/26/08	\$1,064,906.00
Crimson Fire custom pumper truck on Spartan chassis	8/27/08	\$561,962.00
Sewer Inspection Truck (2009 Sterling Bullet CONV55 cab/chassis; and Cues, Inc. camera inspection system)	4/29/09	\$155,000.00
Rapid response, light foam Fire Department apparatus (F550 4x4 cab/chassis, equipped with 250GPM pump for foam and water tanks)	6/16/09	\$168,712.00
2009 International 7400 tandem dump truck	4/24/09	\$78,850.00
8,000 gallon aboveground storage tank	8/10/09	\$78,005.00
Precast concrete restroom – Centennial Park	Not yet ordered	\$60,000.00 (estimated)
Motorola AFIS/palmprint identification system	12/19/08	\$37,565.00
TOTAL AMOUNT OF LEASE PURCHASE		\$2,205,000.00

A request for proposal (RFP) for a seven (7) year fixed-rate lease purchase agreement yielded proposals from seven (7) respondents on September 17, 2009. The best proposal was received from Bank of America with an interest rate of 3.58%. The annual payment is \$358,912.66, for a grand total of \$2,512,388.68 over the term of the lease. The bank will obtain a security interest in the subject fixtures and equipment, an interest which will be released upon final payment, resulting in the City holding full ownership rights to the equipment. The lease purchase agreement was approved by City Council on October 12, 2009.

Pearland Economic Development Corporation

The Pearland Economic Development Corporation plans to issue approximately \$ 9.6 million in sales tax revenues bonds in the 2010 fiscal year to reimburse itself \$7.6 million for the construction of a 46,000 square foot manufacturing facility built for CSI. This facility will support the production of CSI’s Diamondback 360 PAD system, a minimally invasive catheter for treating peripheral arterial disease and other products. CSI has signed a 10-year lease on the facility.

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

Note 13 - Subsequent Events (continued)

Certificates of Obligation

On September 28, 2009 City Council approved the sale of certificates in the amount of \$12.1 million for the University of Houston – Pearland campus anticipated to open fall 2010. The facility is 30,000 square feet with the University leasing 20,000 square feet and the Pearland Economic Development Corporation leasing the remaining. The University will offer Junior, Senior, and Masters courses at this location. The bonds were dated October 1, 2009 with proceeds received on October 29, 2009.

General Obligation Bonds.

On September 28, 2009 City Council approved the sale of General Obligation and Refunding Bonds totaling \$28.4 million. The sales included \$16.8 million for street, drainage and recreation projects as approved by the voters in May 2007. Refunding bonds totaled \$12.2 million and resulted in savings of approximately \$556,572 or four percent. Bond proceeds were received on October 29, 2009.

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Required Supplementary Information

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CITY OF PEARLAND, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCES - BUDGET AND ACTUAL

For the year ended September 30, 2009

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 10,534,725	\$ 10,521,766	\$ 10,688,512	\$ 166,746
Sales and use taxes	14,049,365	14,005,577	13,760,714	(244,863)
Franchise fees	4,677,832	4,983,531	5,074,602	91,071
Licenses and permits	3,053,000	2,251,536	2,079,099	(172,437)
Fees and forfeitures	2,071,410	2,124,619	2,213,101	88,482
Charges for services	8,528,565	8,562,129	8,884,529	322,400
Investment earnings	308,000	185,000	143,190	(41,810)
Intergovernmental	147,887	4,873,585	4,909,362	35,777
Other	287,096	291,824	344,473	52,649
Total Revenues	43,657,880	47,799,567	48,097,582	298,015
Expenditures				
Current:				
General government	10,303,362	8,630,387	8,020,370	610,017
Public safety	22,785,517	23,566,761	22,025,695	1,541,066
Public works	6,537,910	12,646,904	11,913,119	733,785
Community services	3,624,724	4,019,935	3,204,702	815,233
Parks and recreation	5,788,696	5,982,728	5,753,141	229,587
Total Expenditures	49,040,209	54,846,715	50,917,027	3,929,688
Excess (deficiency) of revenues over expenditures	(5,382,329)	(7,047,148)	(2,819,445)	4,227,703
Other Financing Sources (Uses)				
Proceeds from capital leases	2,049,810	2,698,707	648,896	(2,049,811)
Transfers in	1,793,465	1,793,465	1,793,465	
Transfers out	(382,991)	(590,740)	(930,038)	(339,298)
Total Other Financing Sources (Uses)	3,460,284	3,901,432	1,512,323	(2,389,109)
Net change in fund balances	(1,922,045)	(3,145,716)	(1,307,122)	1,838,594
Fund balances, beginning of year	13,526,151	13,526,151	13,526,151	
Fund balances at year end	\$ 11,604,106	\$ 10,380,435	\$ 12,219,029	\$ 1,838,594

CITY OF PEARLAND, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION

Budgetary Compliance

The City of Pearland has complied with all material budget requirements for the year ended September 30, 2009.

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

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

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

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

CITY OF PEARLAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2009

TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
Schedule of Funding Progress

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2008	\$ 35,087,719	\$ 52,248,976	67%	\$ 17,161,257	\$ 25,135,418	68%
2007	31,242,862	44,076,397	71%	12,833,535	19,967,051	64%
2006	28,049,186	33,668,925	83%	5,619,739	16,985,950	33%
2005	24,661,930	29,638,024	83%	4,976,094	15,233,614	33%
2004	21,971,144	26,517,882	83%	4,546,738	13,703,115	33%
2003	18,772,272	23,190,084	81%	4,417,812	12,731,012	35%

The Percentage of Covered Payroll increased for December 31, 2007 because of a change in actuarial funding method. Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis.

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Other Supplementary Information

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**Combining and Individual Fund
Statements and Schedules**

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CITY OF PEARLAND, TEXAS
NONMAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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 for street assessments.

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

Emergency Management Fund - A fund created to account for funds distributed by the National Flood Insurance Program, to be used by the City to buy out program participating homeowners in flood prone areas.

Management District 1 Fund - A fund created to account for sales tax collections from the Poag & McEwen Lifestyle Center development to finance and assist the development of public infrastructure.

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
September 30, 2009

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donations</u>	<u>Court Technology</u>	<u>Regional Detention</u>	<u>Park Donations</u>	<u>Police Seizure</u>
Assets							
Cash and cash equivalents	\$ 1,243,641	\$ 135,296	\$ 51,756	\$ 279,964	\$ 771	\$ 48,857	\$ 150,272
Receivables (net of allowance for uncollectibles)	119,462	2,433	500	2,398	3,255		167,890
Prepaid items	17,238						3,805
Total Assets	<u>\$ 1,380,341</u>	<u>\$ 137,729</u>	<u>\$ 52,256</u>	<u>\$ 282,362</u>	<u>\$ 4,026</u>	<u>\$ 48,857</u>	<u>\$ 321,967</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ 19,516	\$ 102	\$	\$	\$	\$	\$ 55,898
Due to other funds							
Deferred revenue		2,433		2,397			
Total Liabilities	<u>19,516</u>	<u>2,535</u>		<u>2,397</u>			<u>55,898</u>
Fund Balance:							
Unreserved, reported in							
Prepaid expenses	17,238						3,805
Special revenue funds	1,343,587	135,194	52,256	279,965	4,026	48,857	262,264
Total Fund Balances	<u>1,360,825</u>	<u>135,194</u>	<u>52,256</u>	<u>279,965</u>	<u>4,026</u>	<u>48,857</u>	<u>266,069</u>
Total Liabilities and Fund Balances	<u>\$ 1,380,341</u>	<u>\$ 137,729</u>	<u>\$ 52,256</u>	<u>\$ 282,362</u>	<u>\$ 4,026</u>	<u>\$ 48,857</u>	<u>\$ 321,967</u>

Parks and Recreation Development	Sidewalk	Grant Fund	Traffic Impact Improvements	Juvenile Management Fund	Emergency Management	Management District 1	Totals
\$ 1,044,519	\$ 202,353	\$	\$ 540,885	\$ 504	\$	\$ 398,818	\$ 4,097,636
		133,510		16			429,464
<u>\$ 1,044,519</u>	<u>\$ 202,353</u>	<u>\$ 133,510</u>	<u>\$ 540,885</u>	<u>\$ 520</u>	<u>\$</u>	<u>\$ 398,818</u>	<u>\$ 4,548,143</u>
\$	\$	\$ 6,219	\$	\$	\$	\$	\$ 81,735
		90,502			3,900		94,402
				16			4,846
		<u>96,721</u>		<u>16</u>	<u>3,900</u>		<u>180,983</u>
							21,043
<u>1,044,519</u>	<u>202,353</u>	<u>36,789</u>	<u>540,885</u>	<u>504</u>	<u>(3,900)</u>	<u>398,818</u>	<u>4,346,117</u>
<u>1,044,519</u>	<u>202,353</u>	<u>36,789</u>	<u>540,885</u>	<u>504</u>	<u>(3,900)</u>	<u>398,818</u>	<u>4,367,160</u>
<u>\$ 1,044,519</u>	<u>\$ 202,353</u>	<u>\$ 133,510</u>	<u>\$ 540,885</u>	<u>\$ 520</u>	<u>\$</u>	<u>\$ 398,818</u>	<u>\$ 4,548,143</u>

CITY OF PEARLAND, TEXAS

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

NONMAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2009

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donations</u>	<u>Court Technology</u>	<u>Regional Detention</u>	<u>Park Donations</u>	<u>Police Seizure</u>
Revenues							
Sales and use taxes	\$ 456,872	\$	\$	\$	\$	\$	\$
Fines and forfeitures		50,312		61,844			
Investment earnings	11,765	1,305	558	2,751	813	1,561	1,341
Intergovernmental							
Other			31,955		3,255	68,320	250,852
Total Revenues	<u>468,637</u>	<u>51,617</u>	<u>32,513</u>	<u>64,595</u>	<u>4,068</u>	<u>69,881</u>	<u>252,193</u>
Expenditures							
Current:							
General government	354,590						
Public safety			21,255				113,824
Public works							
Community services		2,405	9,750	84,161			
Parks and recreation						35,790	
Capital outlay							22,824
Total Expenditures	<u>354,590</u>	<u>2,405</u>	<u>31,005</u>	<u>84,161</u>		<u>35,790</u>	<u>136,648</u>
Excess (deficiency) of revenues over expenditures	<u>114,047</u>	<u>49,212</u>	<u>1,508</u>	<u>(19,566)</u>	<u>4,068</u>	<u>34,091</u>	<u>115,545</u>
Other Financing Sources							
(Uses)							
Transfers out		(46,307)			(116,557)	(181,825)	
Total Other Financing Sources							
(Uses)		(46,307)			(116,557)	(181,825)	
Net change in fund balances	114,047	2,905	1,508	(19,566)	(112,489)	(147,734)	115,545
Fund balances - beginning	<u>1,246,778</u>	<u>132,289</u>	<u>50,748</u>	<u>299,531</u>	<u>116,515</u>	<u>196,591</u>	<u>150,524</u>
Fund balances - ending	<u>\$ 1,360,825</u>	<u>\$ 135,194</u>	<u>\$ 52,256</u>	<u>\$ 279,965</u>	<u>\$ 4,026</u>	<u>\$ 48,857</u>	<u>\$ 266,069</u>

Parks and Recreation Development	Sidewalk	Grant Fund	Traffic Impact Improvements	Juvenile Management Fund	Emergency Management	Management District 1	Totals
\$	\$	\$	\$	\$	\$	\$	\$ 456,872
				504			112,660
9,493	1,776	260	6,726			479	38,828
		664,921			279,466	96,530	1,040,917
67,500	22,168	353					444,403
<u>76,993</u>	<u>23,944</u>	<u>665,534</u>	<u>6,726</u>	<u>504</u>	<u>279,466</u>	<u>97,009</u>	<u>2,093,680</u>
		36,915					391,505
		148,231			1,450		284,760
		115,135	22,680				137,815
		84,872					181,188
							35,790
18,839		23,640			775,503		840,806
<u>18,839</u>	<u></u>	<u>408,793</u>	<u>22,680</u>	<u></u>	<u>776,953</u>	<u></u>	<u>1,871,864</u>
<u>58,154</u>	<u>23,944</u>	<u>256,741</u>	<u>(15,954)</u>	<u>504</u>	<u>(497,487)</u>	<u>97,009</u>	<u>221,816</u>
		(305,897)	(192,184)				(842,770)
		(305,897)	(192,184)				(842,770)
58,154	23,944	(49,156)	(208,138)	504	(497,487)	97,009	(620,954)
986,365	178,409	85,945	749,023		493,587	301,809	4,988,114
<u>\$ 1,044,519</u>	<u>\$ 202,353</u>	<u>\$ 36,789</u>	<u>\$ 540,885</u>	<u>\$ 504</u>	<u>\$ (3,900)</u>	<u>\$ 398,818</u>	<u>\$ 4,367,160</u>

CITY OF PEARLAND, TEXAS

DEBT SERVICE FUND

**SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended September 30, 2009

with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Property taxes	\$ 20,271,679	\$ 20,660,512	\$ 388,833	\$ 17,940,551
Investment earnings	160,000	147,127	(12,873)	403,780
Miscellaneous	319,331		(319,331)	
Intergovernmental				1,629
Total Revenues	<u>20,751,010</u>	<u>20,807,639</u>	<u>56,629</u>	<u>18,345,960</u>
Expenditures				
Debt Service:				
Principal	5,482,133	5,482,133		3,159,611
Interest	11,958,614	11,941,654	16,960	12,230,657
Intergovernmental	3,249,619	3,249,619		2,886,987
Total Expenditures	<u>20,690,366</u>	<u>20,673,406</u>	<u>16,960</u>	<u>18,277,255</u>
Revenues over (under) expenditures	<u>60,644</u>	<u>134,233</u>	<u>73,589</u>	<u>68,705</u>
Other Financing Sources (Uses)				
Transfers from other funds	<u>277,127</u>	<u>277,127</u>		<u>214,486</u>
Total Other Financing Sources (Uses)	<u>277,127</u>	<u>277,127</u>		<u>214,486</u>
Net change in fund balance	337,771	411,360	73,589	283,191
Fund Balances - Beginning	<u>6,835,188</u>	<u>6,835,188</u>		<u>6,551,997</u>
Fund Balances - Ending	<u>\$ 7,172,959</u>	<u>\$ 7,246,548</u>	<u>\$ 73,589</u>	<u>\$ 6,835,188</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - HOTEL/MOTEL TAX
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Hotels occupancy tax	\$ 533,200	\$ 456,872	\$ (76,328)	\$ 346,018
Investment earnings	16,650	11,765	(4,885)	33,540
Other				161
Total Revenues	<u>549,850</u>	<u>468,637</u>	<u>(81,213)</u>	<u>379,719</u>
Expenditures				
Current:				
General government	411,950	354,590	57,360	183,873
Total Expenditures	<u>411,950</u>	<u>354,590</u>	<u>57,360</u>	<u>183,873</u>
Revenues over (under) expenditures	<u>137,900</u>	<u>114,047</u>	<u>(23,853)</u>	<u>195,846</u>
Net change in fund balance	137,900	114,047	(23,853)	195,846
Fund Balances - Beginning	<u>1,246,778</u>	<u>1,246,778</u>		<u>1,050,932</u>
Fund Balances - Ending	<u>\$ 1,384,678</u>	<u>\$ 1,360,825</u>	<u>\$ (23,853)</u>	<u>\$ 1,246,778</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - COURT SECURITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Fines and forfeitures	\$ 47,441	\$ 50,312	\$ 2,871	\$ 44,660
Investment earnings	1,578	1,305	(273)	4,238
Total Revenues	<u>49,019</u>	<u>51,617</u>	<u>2,598</u>	<u>48,898</u>
Expenditures				
Current:				
Community services	3,050	2,405	645	767
Total Expenditures	<u>3,050</u>	<u>2,405</u>	<u>645</u>	<u>767</u>
Revenues over (under) expenditures	<u>45,969</u>	<u>49,212</u>	<u>3,243</u>	<u>48,131</u>
Other Financing Sources (Uses)				
Transfers (out)	(46,307)	(46,307)		(42,262)
Net change in fund balance	(338)	2,905	3,243	5,869
Fund Balances - Beginning	<u>132,289</u>	<u>132,289</u>		<u>126,420</u>
Fund Balances - Ending	<u>\$ 131,951</u>	<u>\$ 135,194</u>	<u>\$ 3,243</u>	<u>\$ 132,289</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - CITY-WIDE DONATIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009			2008
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 685	\$ 558	\$ (127)	\$ 1,726
Other income	33,638	31,955	(1,683)	19,439
Total Revenues	<u>34,323</u>	<u>32,513</u>	<u>(1,810)</u>	<u>21,165</u>
Expenditures				
Current:				
Public safety	22,000	21,255	745	17,645
Community services	21,212	9,750	11,462	24
Total Expenditures	<u>43,212</u>	<u>31,005</u>	<u>12,207</u>	<u>17,669</u>
Net change in fund balance	(8,889)	1,508	10,397	3,496
Fund Balances - Beginning	<u>50,748</u>	<u>50,748</u>		<u>47,252</u>
Fund Balances - Ending	<u>\$ 41,859</u>	<u>\$ 52,256</u>	<u>\$ 10,397</u>	<u>\$ 50,748</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - COURT TECHNOLOGY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009			2008
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 57,500	\$ 61,844	\$ 4,344	\$ 54,315
Investment earnings	4,000	2,751	(1,249)	8,768
Total Revenues	<u>61,500</u>	<u>64,595</u>	<u>3,095</u>	<u>63,083</u>
Expenditures				
Current:				
Community services	162,055	84,161	77,894	22,483
Total Expenditures	<u>162,055</u>	<u>84,161</u>	<u>77,894</u>	<u>22,483</u>
Revenues over (under) expenditures	<u>(100,555)</u>	<u>(19,566)</u>	<u>80,989</u>	<u>40,600</u>
Net change in fund balance	(100,555)	(19,566)	80,989	40,600
Fund Balances - Beginning	<u>299,531</u>	<u>299,531</u>		<u>258,931</u>
Fund Balances - Ending	<u>\$ 198,976</u>	<u>\$ 279,965</u>	<u>\$ 80,989</u>	<u>\$ 299,531</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - REGIONAL DETENTION
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 840	\$ 813	\$ (27)	\$ 3,658
Other income		3,255	3,255	
Total Revenues	<u>840</u>	<u>4,068</u>	<u>3,228</u>	<u>3,658</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	(116,557)	(116,557)		
Net change in fund balance	(115,717)	(112,489)	3,228	3,658
Fund Balances - Beginning	<u>116,515</u>	<u>116,515</u>		<u>112,857</u>
Fund Balances - Ending	<u>\$ 798</u>	<u>\$ 4,026</u>	<u>\$ 3,228</u>	<u>\$ 116,515</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - PARK DONATIONS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 1,568	\$ 1,561	\$ (7)	\$ 7,964
Other	59,830	68,320	8,490	57,127
Total Revenues	<u>61,398</u>	<u>69,881</u>	<u>8,483</u>	<u>65,091</u>
Expenditures				
Current:				
Parks and recreation	47,870	35,790	12,080	47,402
Total Expenditures	<u>47,870</u>	<u>35,790</u>	<u>12,080</u>	<u>47,402</u>
Revenues over (under) expenditures	<u>13,528</u>	<u>34,091</u>	<u>20,563</u>	<u>17,689</u>
Other Financing Sources (Uses)				
Transfers (to) other funds	(181,825)	(181,825)		(100,000)
Net change in fund balance	(168,297)	(147,734)	20,563	(82,311)
Fund Balances - Beginning	<u>196,591</u>	<u>196,591</u>		<u>278,902</u>
Fund Balances - Ending	<u>\$ 28,294</u>	<u>\$ 48,857</u>	<u>\$ 20,563</u>	<u>\$ 196,591</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - POLICE SEIZURE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 1,550	\$ 1,341	\$ (209)	\$ 5,206
Other	67,060	250,852	183,792	33,930
Total Revenues	68,610	252,193	183,583	39,136
Expenditures				
Current:				
Public safety	74,331	113,824	(39,493)	94,820
Capital outlay	23,238	22,824	414	
Total Expenditures	97,569	136,648	(39,079)	94,820
Revenues over (under) expenditures	(28,959)	115,545	144,504	(55,684)
Net change in fund balance	(28,959)	115,545	144,504	(55,684)
Fund Balances - Beginning	150,524	150,524		206,208
Fund Balances - Ending	\$ 121,565	\$ 266,069	\$ 144,504	\$ 150,524

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - PARKS AND RECREATION DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance	
	Final Budget	Actual	Positive / (Negative)	2008
Revenues				
Investment earnings	\$ 10,945	\$ 9,493	\$ (1,452)	\$ 43,185
Other	65,250	67,500	2,250	230,600
Total Revenues	<u>76,195</u>	<u>76,993</u>	<u>798</u>	<u>273,785</u>
Expenditures				
Capital outlay	50,232	18,839	31,393	872,754
Total Expenditures	<u>50,232</u>	<u>18,839</u>	<u>31,393</u>	<u>872,754</u>
Revenues over (under) expenditures	<u>25,963</u>	<u>58,154</u>	<u>32,191</u>	<u>(598,969)</u>
Other Financing Sources (Uses)				
Transfers from other funds				211,427
Net change in fund balance	25,963	58,154	32,191	(387,542)
Fund Balances - Beginning	<u>986,365</u>	<u>986,365</u>		<u>1,373,907</u>
Fund Balances - Ending	<u>\$ 1,012,328</u>	<u>\$ 1,044,519</u>	<u>\$ 32,191</u>	<u>\$ 986,365</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - SIDEWALK
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 2,026	\$ 1,776	\$ (250)	\$ 5,152
Other	22,168	22,168		20,533
Total Revenues	<u>24,194</u>	<u>23,944</u>	<u>(250)</u>	<u>25,685</u>
 Net change in fund balance	 24,194	 23,944	 (250)	 25,685
Fund Balances - Beginning	<u>178,409</u>	<u>178,409</u>		<u>152,724</u>
 Fund Balances - Ending	 <u>\$ 202,603</u>	 <u>\$ 202,353</u>	 <u>\$ (250)</u>	 <u>\$ 178,409</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - GRANT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 100	\$ 260	\$ 160	\$ 1,754
Intergovernmental	863,944	664,921	(199,023)	240,711
Other	351	353	2	
Total Revenues	864,395	665,534	(198,861)	242,465
Expenditures				
Current:				
General government	36,865	36,915	(50)	31,950
Public safety	169,071	148,231	20,840	177,138
Public works	167,597	115,135	52,462	
Community service	140,389	84,872	55,517	
Capital outlay	219,511	23,640	195,871	14,042
Total Expenditures	733,433	408,793	324,640	223,130
Revenues over (under) expenditures	130,962	256,741	125,779	19,335
Other Financing Sources (Uses)				
Transfers (to) other funds	(305,896)	(305,897)	(1)	
Total other financing sources (uses)	(305,896)	(305,897)	(1)	
Net change in fund balance	(174,934)	(49,156)	125,778	19,335
Fund Balances - Beginning	85,945	85,945		66,610
Fund Balances - Ending	\$ (88,989)	\$ 36,789	\$ 125,778	\$ 85,945

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - TRAFFIC IMPACT IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 7,500	\$ 6,726	\$ (774)	\$ 23,543
Total Revenues	<u>7,500</u>	<u>6,726</u>	<u>(774)</u>	<u>23,543</u>
Expenditures				
Public works	<u>22,680</u>	<u>22,680</u>		
Total Expenditures	<u>22,680</u>	<u>22,680</u>		
Revenues over (under) expenditures	<u>(15,180)</u>	<u>(15,954)</u>	<u>(774)</u>	<u>23,543</u>
Transfers (to) other funds	<u>(192,184)</u>	<u>(192,184)</u>		<u>(146,224)</u>
Total Other Financing Sources (Uses)	<u>(192,184)</u>	<u>(192,184)</u>		<u>(146,224)</u>
Net change in fund balance	(207,364)	(208,138)	(774)	(122,681)
Fund Balances - Beginning	<u>749,023</u>	<u>749,023</u>		<u>871,704</u>
Fund Balances - Ending	<u>\$ 541,659</u>	<u>\$ 540,885</u>	<u>\$ (774)</u>	<u>\$ 749,023</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - EMERGENCY MANAGEMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Intergovernmental	\$ 344,117	\$ 279,466	\$ (64,651)	\$
Total Revenues	<u>344,117</u>	<u>279,466</u>	<u>(64,651)</u>	<u>502,687</u>
Expenditures				
Current:				
Public safety	1,450	1,450		9,100
Capital outlay	836,254	775,503	60,751	
Total Expenditures	<u>837,704</u>	<u>776,953</u>	<u>60,751</u>	<u>9,100</u>
Revenues over (under) expenditures	<u>(493,587)</u>	<u>(497,487)</u>	<u>(3,900)</u>	<u>493,587</u>
Net change in fund balance	(493,587)	(497,487)	(3,900)	493,587
Fund Balances - Beginning	<u>493,587</u>	<u>493,587</u>		
Fund Balances - Ending	<u>\$</u>	<u>\$ (3,900)</u>	<u>\$ (3,900)</u>	<u>\$ 493,587</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - MANAGEMENT DISTRICT 1
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2009
with comparative actual totals for the year ended September 30, 2008

	2009		Variance Positive / (Negative)	2008
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 800	\$ 479	\$ (321)	\$
Intergovernmental	98,465	96,530	(1,935)	100,593
Total Revenues	<u>99,265</u>	<u>97,009</u>	<u>(2,256)</u>	<u>100,593</u>
Other Financing Sources (Uses)				
Transfers from other funds				201,216
Total Other Financing Sources (Uses)				<u>201,216</u>
Net change in fund balance	99,265	97,009	(2,256)	301,809
Fund Balances - Beginning	<u>301,809</u>	<u>301,809</u>		
Fund Balances - Ending	<u><u>\$ 401,074</u></u>	<u><u>\$ 398,818</u></u>	<u><u>\$ (2,256)</u></u>	<u><u>\$ 301,809</u></u>

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**Discretely Presented Component Units
Fund Based Financial Statements**

CITY OF PEARLAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEETS - GOVERNMENTAL FUNDS
September 30, 2009

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Assets				
Cash and equivalents	\$ 2,000,000	\$ 7,836,347	\$ 3,150,004	\$ 12,986,351
Receivables-less allowance for uncollectibles	1,089,606	133,256	14,857	1,237,719
Prepaid items	21,272			21,272
Restricted cash			1,522,642	1,522,642
Total Assets	\$ 3,110,878	\$ 7,969,603	\$ 4,687,503	\$ 15,767,984
Liabilities				
Accounts payable and accrued expenses	\$ 1,070,683	\$ 8,185	\$	\$ 1,078,868
Due to primary government	1,058,590			1,058,590
Total Liabilities	2,129,273	8,185		2,137,458
Fund Balance				
Reserved for debt service			1,522,642	1,522,642
Unreserved	981,605	7,961,418	3,164,861	12,107,884
Total Fund Balance	981,605	7,961,418	4,687,503	13,630,526
Total Liabilities and Fund Balance	\$ 3,110,878	\$ 7,969,603	\$ 4,687,503	\$ 15,767,984
Reconciliation from fund balance to net assets				
fund balance	\$ 981,605	\$ 7,961,418	\$ 4,687,503	\$ 13,630,526
Add capital assets	6,875,415			6,875,415
Less revenue bonds payable	(18,738,069)		(49,088,529)	(67,826,598)
Less other long-term liabilities	(69,992)			(69,992)
Less interest payable	(68,228)		(195,410)	(263,638)
Net Assets	\$ (11,019,269)	\$ 7,961,418	\$ (44,596,436)	\$ (47,654,287)

CITY OF PEARLAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2009

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Revenues				
Taxes:				
Property taxes	\$	\$ 12,931,900	\$	\$ 12,931,900
Sales and use taxes	6,801,185			6,801,185
Investment earnings	150,475	62,866	35,826	249,167
Other	206			206
Total Revenues	<u>6,951,866</u>	<u>12,994,766</u>	<u>35,826</u>	<u>19,982,458</u>
Expenditures				
Current:				
General government			11,118	11,118
Economic development	5,850,108	4,775,345	8,105,000	18,730,453
Capital Outlay	6,875,413			6,875,413
Debt Service				
Principal	545,000		1,490,000	2,035,000
Interest	871,644		2,151,312	3,022,956
Bond issuance cost	5,000		596,107	601,107
Intergovernmental -City	4,380,265			4,380,265
Total Expenditures	<u>18,527,430</u>	<u>4,775,345</u>	<u>12,353,537</u>	<u>35,656,312</u>
Revenues over (under) expenditures	<u>(11,575,564)</u>	<u>8,219,421</u>	<u>(12,317,711)</u>	<u>(15,673,854)</u>
Other Financing Sources (Uses)				
Transfers from other component units			6,825,679	6,825,679
Transfers (to) other component units		(6,825,679)		(6,825,679)
Issuance of revenue bonds			8,815,000	8,815,000
Total other financing sources (uses)		<u>(6,825,679)</u>	<u>15,640,679</u>	<u>8,815,000</u>
Changes in fund balance	(11,575,564)	1,393,742	3,322,968	(6,858,854)
Fund Balances - Beginning	<u>12,557,169</u>	<u>6,567,676</u>	<u>1,364,535</u>	<u>20,489,380</u>
Fund Balances - Ending	<u>\$ 981,605</u>	<u>\$ 7,961,418</u>	<u>\$ 4,687,503</u>	<u>\$ 13,630,526</u>
Reconciliation from changes in fund balance to changes in net assets				
Change in fund balance	\$ (11,575,564)	\$ 1,393,742	\$ 3,322,968	\$ (6,858,854)
Add principal payments	545,000		1,490,000	2,035,000
Bond issuance costs			239,881	239,881
Changes in interest payable	1,480		(30,618)	(29,138)
Less changes in other long-term liabilities	(40,481)			(40,481)
Add premium/discount on bonds			68,336	68,336
Less post employment benefit liability expense	(2,869)			(2,869)
Less issuance of revenue bonds			(8,815,000)	(8,815,000)
Add capital outlay	6,875,414			6,875,414
Changes in Net Assets	<u>\$ (4,197,020)</u>	<u>\$ 1,393,742</u>	<u>\$ (3,724,433)</u>	<u>\$ (6,527,711)</u>

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Long-Term Debt Amortization Schedules

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
BY MATURITY DATE
September 30, 2009

G.O. Series 2001 (TIRZ Obligation)

Permanent Improvement Bonds, Series 2003

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 175,000	\$ 3,413	\$ 178,413	\$ 335,000	\$ 601,879	\$ 936,879
2011				350,000	581,329	931,329
2012				370,000	559,728	929,728
2013				390,000	536,929	926,929
2014					525,229	525,229
2015					525,228	525,228
2016				455,000	516,129	971,129
2017				725,000	492,529	1,217,529
2018				765,000	462,729	1,227,729
2019				805,000	430,826	1,235,826
2020				845,000	396,266	1,241,266
2021				885,000	359,283	1,244,283
2022				935,000	320,153	1,255,153
2023				980,000	278,613	1,258,613
2024				1,030,000	234,000	1,264,000
2025				1,085,000	186,413	1,271,413
2026				1,140,000	136,350	1,276,350
2027				1,200,000	83,700	1,283,700
2028				1,260,000	28,350	1,288,350
2029						
2030						
2031						
2032						
2033						
2034						
	<u>\$ 175,000</u>	<u>\$ 3,413</u>	<u>\$ 178,413</u>	<u>\$ 13,555,000</u>	<u>\$ 7,255,660</u>	<u>\$ 20,810,660</u>

Certificates of Obligation, Series 2001

Permanent Improvement Bonds, Series 2002

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 560,000	\$ 37,000	\$ 597,000	\$ 730,000	\$ 128,450	\$ 858,450
2011	575,000	11,500	586,500	770,000	79,800	849,800
2012				810,000	28,350	838,350
2013						
2014						
2015						
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
	<u>\$ 1,135,000</u>	<u>\$ 48,500</u>	<u>\$ 1,183,500</u>	<u>\$ 2,310,000</u>	<u>\$ 236,600</u>	<u>\$ 2,546,600</u>

Permanent Improvement & Refund Bonds, Series 2005

BCMUD #1 Series 2001

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,635,000	\$ 1,637,739	\$ 3,272,739	\$ 230,000	\$ 88,223	\$ 318,223
2011	1,705,000	1,578,223	3,283,223	185,000	78,332	263,332
2012	1,775,000	1,514,039	3,289,039	200,000	70,193	270,193
2013	1,845,000	1,445,011	3,290,011	210,000	61,192	271,192
2014	1,930,000	1,370,664	3,300,664	220,000	51,428	271,428
2015	2,010,000	1,281,814	3,291,814	230,000	40,977	270,977
2016	2,115,000	1,178,689	3,293,689	235,000	29,765	264,765
2017	865,000	1,108,514	1,973,514	255,000	18,250	273,250
2018	995,000	1,071,314	2,066,314	110,000	5,500	115,500
2019	380,000	1,043,624	1,423,624			
2020	385,000	1,027,893	1,412,893			
2021	395,000	1,011,658	1,406,658			
2022	405,000	994,756	1,399,756			
2023	875,000	967,338	1,842,338			
2024	2,625,000	882,900	3,507,900			
2025	2,760,000	748,275	3,508,275			
2026	2,900,000	606,775	3,506,775			
2027	3,045,000	465,763	3,510,763			
2028	4,010,000	297,000	4,307,000			
2029	3,935,000	98,375	4,033,375			
2030						
2031						
2032						
2033						
2034						
	<u>\$ 36,590,000</u>	<u>\$ 20,330,361</u>	<u>\$ 56,920,361</u>	<u>\$ 1,875,000</u>	<u>\$ 443,860</u>	<u>\$ 2,318,860</u>

Certificates of Obligation, Series 2003

Certificates of Obligation, Series 2004

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,110,000	\$ 685,420	\$ 1,795,420	\$ 340,000	\$ 589,321	\$ 929,321
2011	1,175,000	631,233	1,806,233	365,000	575,221	940,221
2012	1,235,000	580,095	1,815,095	380,000	560,322	940,322
2013	1,295,000	531,114	1,826,114	385,000	545,021	930,021
2014	1,035,000	488,203	1,523,203	710,000	523,121	1,233,121
2015	1,090,000	449,408	1,539,408	710,000	494,721	1,204,721
2016	1,145,000	407,488	1,552,488	730,000	465,922	1,195,922
2017	1,210,000	361,533	1,571,533	1,030,000	430,721	1,460,721
2018	1,180,000	313,733	1,493,733	1,070,000	388,186	1,458,186
2019	1,240,000	265,333	1,505,333	1,160,000	341,891	1,501,891
2020	1,310,000	213,023	1,523,023		317,532	317,532
2021	1,380,000	156,188	1,536,188		317,531	317,531
2022	1,455,000	95,944	1,550,944		317,531	317,531
2023	1,530,000	32,513	1,562,513		317,531	317,531
2024					317,532	317,532
2025				1,625,000	280,969	1,905,969
2026				1,675,000	205,672	1,880,672
2027				1,730,000	126,931	1,856,931
2028				1,830,000	43,463	1,873,463
2029						
2030						
2031						
2032						
	<u>\$ 17,390,000</u>	<u>\$ 5,211,223</u>	<u>\$ 22,601,223</u>	<u>\$ 13,740,000</u>	<u>\$ 7,159,139</u>	<u>\$ 20,899,139</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
BY MATURITY DATE
September 30, 2009

Permanent Improvement & Refund Bonds, Series 2006

Permanent Improvement & Refund Bonds, Series 2007

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 50,000	\$ 1,528,194	\$ 1,578,194	\$ 40,000	\$ 3,218,063	\$ 3,258,063
2011	320,000	1,520,794	1,840,794	150,000	3,214,263	3,364,263
2012	385,000	1,506,694	1,891,694	885,000	3,193,562	4,078,562
2013	400,000	1,490,994	1,890,994	1,940,000	3,137,063	5,077,063
2014	410,000	1,474,794	1,884,794	2,510,000	3,048,062	5,558,062
2015	430,000	1,457,994	1,887,994	2,685,000	2,924,025	5,609,025
2016	445,000	1,440,216	1,885,216	2,345,000	2,791,562	5,136,562
2017	460,000	1,421,263	1,881,263	2,460,000	2,671,438	5,131,438
2018	480,000	1,401,288	1,881,288	2,220,000	2,554,437	4,774,437
2019	1,335,000	1,361,050	2,696,050	3,830,000	2,403,188	6,233,188
2020	1,485,000	1,293,888	2,778,888	5,190,000	2,190,662	7,380,662
2021	1,580,000	1,217,263	2,797,263	5,395,000	1,952,500	7,347,500
2022	1,675,000	1,135,888	2,810,888	5,610,000	1,704,887	7,314,887
2023	2,150,000	1,040,263	3,190,263	5,005,000	1,466,050	6,471,050
2024	2,150,000	932,763	3,082,763	5,230,000	1,235,763	6,465,763
2025	2,270,000	822,263	3,092,263	3,835,000	1,034,197	4,869,197
2026	2,395,000	705,638	3,100,638	3,845,000	866,197	4,711,197
2027	2,525,000	585,794	3,110,794	4,010,000	686,850	4,696,850
2028	3,690,000	438,188	4,128,188	2,290,000	537,225	2,827,225
2029	7,380,000	175,275	7,555,275	2,370,000	426,550	2,796,550
2030				2,590,000	308,750	2,898,750
2031				2,620,000	185,012	2,805,012
2032				2,585,000	61,394	2,646,394
2033						
2034						
	<u>\$ 32,015,000</u>	<u>\$ 22,950,497</u>	<u>\$ 54,965,497</u>	<u>\$ 69,640,000</u>	<u>\$ 41,811,700</u>	<u>\$ 111,451,700</u>

BCMUD #1 Series 2007

Certificates of Obligation, Series 2006

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010		\$ 80,528	\$ 80,528	\$ 50,000	\$ 453,429	\$ 503,429
2011	15,000	80,527	95,527	125,000	448,069	573,069
2012	55,000	79,927	134,927	315,000	434,594	749,594
2013	60,000	77,865	137,865	335,000	414,688	749,688
2014	65,000	75,585	140,585	355,000	393,557	748,557
2015	70,000	73,082	143,082	370,000	371,354	741,354
2016	75,000	70,353	145,353	395,000	349,654	744,654
2017	75,000	67,428	142,428	405,000	330,932	735,932
2018	80,000	64,428	144,428	405,000	314,074	719,074
2019	85,000	61,228	146,228	505,000	294,838	799,838
2020	90,000	57,827	147,827	470,000	274,001	744,001
2021	95,000	54,228	149,228	500,000	253,146	753,146
2022	100,000	50,333	150,333	525,000	230,912	755,912
2023	110,000	46,232	156,232	555,000	207,218	762,218
2024	115,000	41,612	156,612	585,000	181,991	766,991
2025	120,000	36,782	156,782	605,000	155,363	760,363
2026	130,000	31,622	161,622	730,000	125,325	855,325
2027	135,000	26,033	161,033	765,000	91,688	856,688
2028	145,000	20,227	165,227	805,000	56,363	861,363
2029	155,000	13,920	168,920	850,000	19,125	869,125
2030	165,000	7,178	172,178			
2031						
2032						
2033						
2034						
	<u>\$ 1,940,000</u>	<u>\$ 1,116,945</u>	<u>\$ 3,056,945</u>	<u>\$ 9,650,000</u>	<u>\$ 5,400,319</u>	<u>\$ 15,050,319</u>

Permanent Improvement & Refund Bonds, Series 2008

Certificates of Obligation, Series 2008

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 240,000	\$ 1,090,825	\$ 1,330,825	\$ 110,000	\$ 417,469	\$ 527,469
2011	205,000	1,080,900	1,285,900	95,000	413,428	508,428
2012	290,000	1,068,525	1,358,525	130,000	409,150	539,150
2013	235,000	1,055,400	1,290,400	105,000	404,678	509,678
2014	335,000	1,041,150	1,376,150	155,000	399,641	554,641
2015	310,000	1,025,025	1,335,025	145,000	393,828	538,828
2016	325,000	1,009,150	1,334,150	150,000	388,019	538,019
2017	340,000	992,525	1,332,525	160,000	381,819	541,819
2018	360,000	975,025	1,335,025	165,000	375,319	540,319
2019	405,000	955,900	1,360,900	185,000	368,319	553,319
2020	425,000	934,619	1,359,619	195,000	360,719	555,719
2021	445,000	911,781	1,356,781	205,000	352,591	557,591
2022	470,000	887,763	1,357,763	215,000	343,794	558,794
2023	490,000	861,950	1,351,950	225,000	334,388	559,388
2024	515,000	834,313	1,349,313	240,000	324,300	564,300
2025	545,000	805,163	1,350,163	250,000	313,550	563,550
2026	625,000	772,988	1,397,988	290,000	301,525	591,525
2027	660,000	737,650	1,397,650	305,000	287,375	592,375
2028	695,000	700,388	1,395,388	320,000	271,750	591,750
2029	730,000	664,850	1,394,850	335,000	255,375	590,375
2030	4,530,000	543,669	5,073,669	1,335,000	213,625	1,548,625
2031	4,705,000	330,109	5,035,109	1,675,000	138,375	1,813,375
2032	4,785,000	110,653	4,895,653	1,930,000	48,250	1,978,250
	<u>\$ 22,665,000</u>	<u>\$ 19,390,319</u>	<u>\$ 42,055,319</u>	<u>\$ 8,920,000</u>	<u>\$ 7,497,284</u>	<u>\$ 16,417,284</u>

Certificates of Obligation, Series 2007

Certificate of Obligation, Series 2009

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 100,000	\$ 1,049,650	\$ 1,149,650	\$	\$ 541,673	\$ 541,673
2011	150,000	1,043,088	1,193,088	200,000	361,115	561,115
2012	200,000	1,033,900	1,233,900	225,000	356,615	581,615
2013	250,000	1,022,088	1,272,088	260,000	351,553	611,553
2014	300,000	1,007,650	1,307,650	230,000	345,703	575,703
2015	350,000	990,588	1,340,588	235,000	339,953	574,953
2016	400,000	970,900	1,370,900	240,000	332,903	572,903
2017	450,000	948,587	1,398,587	245,000	325,703	570,703
2018	1,005,000	910,394	1,915,394	255,000	317,128	572,128
2019	1,060,000	856,187	1,916,187	320,000	307,565	627,565
2020	1,115,000	799,094	1,914,094	325,000	294,765	619,765
2021	1,170,000	739,112	1,909,112	340,000	281,765	621,765
2022	1,230,000	676,113	1,906,113	350,000	268,165	618,165
2023	1,295,000	609,831	1,904,831	365,000	253,815	618,815
2024	1,360,000	540,137	1,900,137	385,000	238,303	623,303
2025	1,430,000	466,900	1,896,900	400,000	221,363	621,363
2026	1,500,000	389,988	1,889,988	420,000	203,363	623,363
2027	1,580,000	324,937	1,904,937	440,000	183,938	623,938
2028	1,660,000	272,288	1,932,288	465,000	163,038	628,038
2029	1,745,000	216,956	1,961,956	485,000	139,788	624,788
2030	1,540,000	163,575	1,703,575	415,000	116,750	531,750
2031	1,600,000	104,550	1,704,550	410,000	96,000	506,000
2032	1,660,000	35,275	1,695,275	475,000	75,500	550,500
				505,000	51,750	556,750
				530,000	26,500	556,500
	<u>\$ 23,150,000</u>	<u>\$ 15,171,788</u>	<u>\$ 38,321,788</u>	<u>\$ 8,520,000</u>	<u>\$ 6,194,708</u>	<u>\$ 14,714,708</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
BY MATURITY DATE
September 30, 2009

Certificates of Obligation, 1998

Water & Sewer System Revenue Bonds, Series 1999

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 1,015,000	\$ 428,271	\$ 1,443,271	\$ 220,000	\$ 286,739	\$ 506,739
2011	1,050,000	393,158	1,443,158	230,000	276,827	506,827
2012	1,090,000	355,698	1,445,698	240,000	266,466	506,466
2013	1,125,000	316,100	1,441,100	250,000	255,654	505,654
2014	1,170,000	274,498	1,444,498	260,000	244,392	504,392
2015	1,210,000	230,760	1,440,760	270,000	232,678	502,678
2016	1,250,000	184,938	1,434,938	290,000	220,295	510,295
2017	2,090,000	121,790	2,211,790	1,080,000	207,451	1,287,451
2018	2,160,000	41,040	2,201,040	1,125,000	158,796	1,283,796
2019				1,175,000	108,110	1,283,110
2020				1,225,000	55,182	1,280,182
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
	<u>\$ 12,160,000</u>	<u>\$ 2,346,251</u>	<u>\$ 14,506,251</u>	<u>\$ 6,365,000</u>	<u>\$ 2,312,590</u>	<u>\$ 8,677,590</u>

Water and Sewer System Revenue and Refunding Bonds,
Series 2006

Water and Sewer System Revenue and Refunding Bonds,
Series 2007

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 570,000	\$ 635,656	\$ 1,205,656	\$ 760,000	\$ 1,849,313	\$ 2,609,313
2011	600,000	611,431	1,211,431	790,000	1,807,513	2,597,513
2012	625,000	585,931	1,210,931	830,000	1,764,063	2,594,063
2013	650,000	559,369	1,209,369	880,000	1,718,413	2,598,413
2014	680,000	530,119	1,210,119	920,000	1,670,013	2,590,013
2015	710,000	499,519	1,209,519	965,000	1,619,413	2,584,413
2016	745,000	467,569	1,212,569	1,010,000	1,566,338	2,576,338
2017	100,000	434,044	534,044	950,000	1,510,788	2,460,788
2018	100,000	429,744	529,744	995,000	1,458,538	2,453,538
2019	100,000	425,369	525,369	1,045,000	1,403,813	2,448,813
2020	100,000	420,869	520,869	1,095,000	1,348,950	2,443,950
2021	100,000	416,244	516,244	1,155,000	1,294,200	2,449,200
2022	100,000	411,619	511,619	1,210,000	1,236,450	2,446,450
2023	100,000	406,994	506,994	1,275,000	1,175,950	2,450,950
2024	100,000	402,369	502,369	2,295,000	1,112,200	3,407,200
2025	100,000	397,744	497,744	2,480,000	997,450	3,477,450
2026	1,150,000	393,119	1,543,119	3,120,000	873,450	3,993,450
2027	1,205,000	338,494	1,543,494	3,280,000	717,450	3,997,450
2028	1,265,000	278,244	1,543,244	3,440,000	553,450	3,993,450
2029	1,330,000	214,994	1,544,994	3,615,000	398,650	4,013,650
2030	1,395,000	146,831	1,541,831	3,795,000	272,125	4,067,125
2031	1,470,000	75,338	1,545,338	3,980,000	139,300	4,119,300
2032						
2033						
2034						
	<u>\$ 13,295,000</u>	<u>\$ 9,081,606</u>	<u>\$ 22,376,606</u>	<u>\$ 39,885,000</u>	<u>\$ 26,487,825</u>	<u>\$ 66,372,825</u>

Water & Sewer System Revenue Bonds, Series 2001

Water & Sewer System Revenue Bonds, Series 2003

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 230,000	\$ 442,505	\$ 672,505	\$ 285,000	\$ 352,513	\$ 637,513
2011	240,000	428,130	668,130	300,000	341,113	641,113
2012	255,000	413,130	668,130	315,000	323,113	638,113
2013	270,000	397,830	667,830	330,000	304,213	634,213
2014	290,000	386,018	676,018	340,000	285,238	625,238
2015	300,000	372,968	672,968	355,000	271,638	626,638
2016	320,000	359,093	679,093	365,000	257,438	622,438
2017	340,000	343,893	683,893	375,000	242,838	617,838
2018	365,000	327,573	692,573	385,000	227,838	612,838
2019	390,000	309,688	699,688	390,000	212,438	602,438
2020	420,000	290,188	710,188	395,000	196,350	591,350
2021	1,730,000	269,188	1,999,188	395,000	179,563	574,563
2022	1,825,000	182,688	2,007,688	410,000	162,775	572,775
2023	1,925,000	91,438	2,016,438	420,000	145,350	565,350
2024				1,500,000	127,500	1,627,500
2025				1,500,000	63,750	1,563,750
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
	<u>\$ 8,900,000</u>	<u>\$ 4,614,325</u>	<u>\$ 13,514,325</u>	<u>\$ 8,060,000</u>	<u>\$ 3,693,663</u>	<u>\$ 11,753,663</u>

Water & Sewer System Revenue Bonds, Series 2008

Water and Sewer System Revenue Bonds, Series 2009

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 190,000	\$ 680,478	\$ 870,478	\$ 320,000	\$ 601,063	\$ 921,063
2011	205,000	674,303	879,303	360,000	591,463	951,463
2012	225,000	667,640	892,640	360,000	580,662	940,662
2013	235,000	660,328	895,328	370,000	569,862	939,862
2014	255,000	652,690	907,690	380,000	558,763	938,763
2015	275,000	641,215	916,215	385,000	547,362	932,362
2016	290,000	628,840	918,840	400,000	535,812	935,812
2017	315,000	615,790	930,790	410,000	522,813	932,813
2018	340,000	601,615	941,615	420,000	508,975	928,975
2019	370,000	586,315	956,315	435,000	493,750	928,750
2020	395,000	569,665	964,665	450,000	476,350	926,350
2021	420,000	551,890	971,890	465,000	458,350	923,350
2022	440,000	532,990	972,990	485,000	438,588	923,588
2023	460,000	514,840	974,840	505,000	416,763	921,763
2024	490,000	495,520	985,520	520,000	393,406	913,406
2025	510,000	474,450	984,450	545,000	368,056	913,056
2026	540,000	448,950	988,950	570,000	340,806	910,806
2027	560,000	421,950	981,950	600,000	311,594	911,594
2028	595,000	393,950	988,950	630,000	280,844	910,844
2029	600,000	364,200	964,200	665,000	247,769	912,769
2030	580,000	334,200	914,200	700,000	212,025	912,025
2031	560,000	305,200	865,200	730,000	173,525	903,525
2032	1,890,000	277,200	2,167,200	765,000	133,375	898,375
2033	1,980,000	182,700	2,162,700	815,000	91,300	906,300
2034	2,080,000	93,600	2,173,600	845,000	46,475	891,475
	<u>\$ 14,800,000</u>	<u>\$ 12,370,518</u>	<u>\$ 27,170,518</u>	<u>\$ 13,130,000</u>	<u>\$ 9,899,751</u>	<u>\$ 23,029,751</u>

DEVELOPMENT AUTHORITY OF PEARLAND
COMBINING SCHEDULE OF GENERAL LONG-TERM DEBT OF
DEVELOPMENT AUTHORITY OF PEARLAND BY MATURITY DATE
September 30, 2009

Tax Increment Revenue Bonds, Series 2004				Tax Increment Revenue Bonds, Series 2005		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
Ending						
2010	\$ 390,000	\$ 586,435	\$ 976,435	\$ 280,000	\$ 350,779	\$ 630,779
2011	405,000	570,348	975,348	290,000	339,929	629,929
2012	425,000	552,933	977,933	300,000	328,329	628,329
2013	440,000	534,020	974,020	315,000	315,954	630,954
2014	460,000	513,780	973,780	330,000	302,566	632,566
2015	485,000	492,160	977,160	340,000	288,129	628,129
2016	505,000	469,365	974,365	360,000	272,829	632,829
2017	530,000	445,125	975,125	375,000	257,529	632,529
2018	555,000	418,625	973,625	390,000	241,216	631,216
2019	585,000	390,875	975,875	390,000	223,666	613,666
2020	615,000	361,625	976,625	410,000	206,116	616,116
2021	645,000	330,875	975,875	425,000	187,256	612,256
2022	675,000	298,625	973,625	450,000	168,131	618,131
2023	710,000	264,031	974,031	470,000	147,319	617,319
2024	750,000	227,644	977,644	485,000	125,581	610,581
2025	790,000	186,806	976,806	510,000	103,150	613,150
2026	835,000	143,788	978,788	530,000	79,563	609,563
2027	880,000	98,313	978,313	560,000	54,388	614,388
2028	925,000	50,388	975,388	585,000	27,788	612,788
2029						
	<u>\$ 11,605,000</u>	<u>\$ 6,935,761</u>	<u>\$ 18,540,761</u>	<u>\$ 7,795,000</u>	<u>\$ 4,020,218</u>	<u>\$ 11,815,218</u>

Tax Increment Revenue Bonds, Series 2006				Tax Increment Revenue Bonds, Series 2007		
Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
Ending						
2010	\$ 345,000	\$ 386,786	\$ 731,786	\$ 450,000	\$ 674,509	\$ 1,124,509
2011	365,000	372,986	737,986	460,000	656,509	1,116,509
2012	375,000	358,386	733,386	485,000	638,109	1,123,109
2013	395,000	343,386	738,386	500,000	618,709	1,118,709
2014	405,000	327,586	732,586	520,000	600,209	1,120,209
2015	425,000	311,386	736,386	540,000	580,709	1,120,709
2016	440,000	294,387	734,387	560,000	560,189	1,120,189
2017	455,000	276,788	731,788	585,000	537,789	1,122,789
2018	480,000	258,586	738,586	605,000	514,389	1,119,389
2019	460,000	239,387	699,387	680,000	489,433	1,169,433
2020	480,000	220,986	700,986	620,000	460,533	1,080,533
2021	500,000	201,306	701,306	650,000	433,408	1,083,408
2022	520,000	180,307	700,307	680,000	404,158	1,084,158
2023	540,000	158,206	698,206	710,000	373,558	1,083,558
2024	570,000	134,986	704,986	740,000	341,608	1,081,608
2025	590,000	110,476	700,476	775,000	308,308	1,083,308
2026	620,000	84,811	704,811	810,000	273,433	1,083,433
2027	640,000	57,531	697,531	850,000	235,363	1,085,363
2028	675,000	29,531	704,531	885,000	194,988	1,079,988
2029						
	<u>\$ 9,280,000</u>	<u>\$ 4,347,804</u>	<u>\$ 13,627,804</u>	<u>\$ 15,325,000</u>	<u>\$ 9,048,854</u>	<u>\$ 24,373,854</u>

Tax Increment Revenue Bonds, Series 2009

Fiscal Year Ending	Principal	Interest	Total
2010	\$ 295,000	\$ 440,751	\$ 735,751
2011	310,000	431,901	741,901
2012	315,000	422,601	737,601
2013	325,000	412,758	737,758
2014	340,000	400,570	740,570
2015	350,000	387,395	737,395
2016	365,000	371,645	736,645
2017	385,000	354,308	739,308
2018	400,000	336,501	736,501
2019	425,000	316,501	741,501
2020	415,000	295,251	710,251
2021	435,000	274,501	709,501
2022	455,000	252,208	707,208
2023	485,000	228,320	713,320
2024	510,000	202,251	712,251
2025	535,000	173,681	708,681
2026	565,000	143,374	708,374
2027	600,000	111,169	711,169
2028	635,000	76,669	711,669
2029	670,000	39,363	709,363
	<u>\$ 8,815,000</u>	<u>\$ 5,671,718</u>	<u>\$ 14,486,718</u>

PEARLAND ECONOMIC DEVELOPMENT CORPORATION
COMBINING SCHEDULE OF GENERAL LONG-TERM DEBT OF
PEARLAND ECONOMIC DEVELOPMENT CORPORATION BY MATURITY DATE
September 30, 2009

Fiscal Year	Sales Tax Revenue Bonds, Series 2005			Sales Tax Revenue Bonds, Series 2006		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 385,000	\$ 380,600	\$ 765,600	\$ 180,000	\$ 471,069	\$ 651,069
2011	400,000	368,088	768,088	185,000	463,419	648,419
2012	410,000	355,088	765,088	200,000	454,169	654,169
2013	425,000	340,738	765,738	210,000	444,169	654,169
2014	445,000	323,738	768,738	215,000	433,669	648,669
2015	460,000	305,938	765,938	230,000	422,919	652,919
2016	480,000	287,538	767,538	240,000	411,419	651,419
2017	505,000	263,538	768,538	255,000	401,219	656,219
2018	530,000	238,288	768,288	265,000	390,381	655,381
2019	555,000	211,788	766,788	280,000	378,788	658,788
2020	575,000	189,588	764,588	300,000	366,538	666,538
2021	600,000	166,588	766,588	310,000	353,038	663,038
2022	625,000	141,988	766,988	325,000	339,088	664,088
2023	650,000	116,363	766,363	345,000	322,838	667,838
2024	675,000	89,550	764,550	365,000	305,588	670,588
2025	705,000	61,200	766,200	385,000	287,338	672,338
2026	735,000	31,238	766,238	405,000	268,088	673,088
2027				1,190,000	247,838	1,437,838
2028				1,255,000	188,338	1,443,338
2029				1,320,000	128,725	1,448,725
2030				1,390,000	66,025	1,456,025
	<u>\$ 9,160,000</u>	<u>\$ 3,871,850</u>	<u>\$ 13,031,850</u>	<u>\$ 9,850,000</u>	<u>\$ 7,144,656</u>	<u>\$ 16,994,656</u>

**Statistical Section
(Unaudited)**

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Unaudited Statistical Section

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

Contents	Page
Financial Trends	110
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	120
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and sales tax.</i>	
Debt Capacity	128
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	133
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	135
<i>These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.</i>	

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

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Governmental Activities					
Invested in capital assets, net of related debt	\$ 418,713	\$ 405,052	\$ 396,619	\$ 402,103	\$ 400,522
Restricted	4,151	6,391	6,862	8,085	10,130
Unrestricted	<u>3,210</u>	<u>6,746</u>	<u>5,785</u>	<u>8,917</u>	<u>11,809</u>
Total governmental activities net assets	<u>\$ 426,074</u>	<u>\$ 418,189</u>	<u>\$ 409,266</u>	<u>\$ 419,105</u>	<u>\$ 422,461</u>
Business-type activities					
Invested in capital assets, net of related debt	\$ 107,472	\$ 113,736	\$ 127,144	\$ 130,648	\$ 126,779
Restricted			7,027	10,129	24,258
Unrestricted	<u>25,749</u>	<u>18,986</u>	<u>552</u>	<u>700</u>	<u>1,638</u>
Total business-type activities net assets	<u>\$ 133,221</u>	<u>\$ 132,722</u>	<u>\$ 134,723</u>	<u>\$ 141,477</u>	<u>\$ 152,675</u>
Primary government					
Invested in capital assets	\$ 526,185	\$ 518,788	\$ 523,763	\$ 532,751	\$ 527,301
Restricted	4,151	6,391	13,889	18,214	34,388
Unrestricted	<u>28,959</u>	<u>25,732</u>	<u>6,337</u>	<u>9,617</u>	<u>13,447</u>
Total primary government net assets	<u>\$ 559,295</u>	<u>\$ 550,911</u>	<u>\$ 543,989</u>	<u>\$ 560,582</u>	<u>\$ 575,136</u>

*GASB 34 was implemented in fiscal 2003, therefore 10 years of data is unavailable.

In Fiscal Year 2007, the City implemented the retroactive reporting of infrastructure in accordance with GASB 34. Prior year presentations have been adjusted to reflect the retroactive reporting.

<u>2008</u>	<u>2009</u>
\$ 410,002	\$ 429,054
10,864	10,615
<u>10,903</u>	<u>13,330</u>
<u>\$ 431,769</u>	<u>\$ 452,999</u>
\$ 138,679	\$ 146,150
16,094	11,965
<u>3,406</u>	<u>9,256</u>
<u>\$ 158,179</u>	<u>\$ 167,371</u>
\$ 548,681	\$ 575,204
26,958	22,580
<u>14,309</u>	<u>22,586</u>
<u>\$ 589,948</u>	<u>\$ 620,370</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET ASSETS

*Last Seven Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Expenses					
Governmental activities					
General government	\$ 6,275	\$ 7,314	\$ 8,714	\$ 8,574	\$ 8,660
Public safety	9,645	10,525	11,857	12,564	14,655
Public works	25,729	25,913	28,858	26,914	24,041
Community services	2,874	2,700	2,939	2,903	3,113
Parks and recreation				4,131	4,882
Interest on long-term debt	4,559	5,549	5,115	6,559	9,070
Total government activities expenses	<u>49,082</u>	<u>52,001</u>	<u>57,483</u>	<u>61,645</u>	<u>64,421</u>
Business-type activities:					
Water and sewer	13,643	19,265	17,624	20,531	21,076
Solid waste management					5,218
Total business-type activities:	<u>13,643</u>	<u>19,265</u>	<u>17,624</u>	<u>20,531</u>	<u>26,294</u>
Total primary government expenses	<u>\$ 62,725</u>	<u>\$ 71,266</u>	<u>\$ 75,107</u>	<u>\$ 82,176</u>	<u>\$ 90,715</u>
Program Revenue					
Governmental activities					
Charges for services:					
General government	\$ 161	\$ 506	\$ 185	\$	\$
Public safety	1,998	2,975	3,640	2,627	2,788
Public works	5,547	6,864	7,221	4,331	195
Community services	866	696	1,263	6,312	5,822
Parks and recreation				825	818
Operating grants and contributions					
General government	5		2	1,239	1,659
Public safety	370	839	673	111	154
Public works	12				456
Community services	324	17	479	55	34
Parks and recreation				21	11
Capital grants and contributions					
General government	14	1,319	800		
Public safety	1,618	756	312		
Public works	586		6	15,743	8,690
Parks and recreation				6	
Total governmental activities program revenues	<u>11,501</u>	<u>13,971</u>	<u>14,582</u>	<u>31,270</u>	<u>20,627</u>
Business-type activities:					
Charges for services					
Water and sewer	8,809	11,893	11,219	13,849	17,754
Solid waste management					5,218
Operating grants and contributions					
Water and sewer		47		474	385
Capital grants and contributions					
Water and sewer	9,882	6,933	8,365	13,434	12,621
Total business-type activities program revenues	<u>18,691</u>	<u>18,873</u>	<u>19,585</u>	<u>27,757</u>	<u>35,978</u>
Total primary government program revenues	<u>\$ 30,192</u>	<u>\$ 32,844</u>	<u>\$ 34,167</u>	<u>\$ 59,027</u>	<u>\$ 56,605</u>

<u>2008</u>	<u>2009</u>
\$ 11,161	\$ 12,427
17,684	22,421
24,532	26,934
3,336	3,254
7,157	7,181
<u>12,266</u>	<u>11,647</u>
<u>76,136</u>	<u>83,864</u>
22,570	25,439
<u>6,024</u>	<u>7,361</u>
<u>28,594</u>	<u>32,800</u>
<u>\$ 104,730</u>	<u>\$ 116,664</u>

\$	\$
2,959	3,524
103	34
5,130	4,755
936	672
3,951	4,913
230	420
551	1,000
129	202
115	450
503	279
15,263	25,467
<u>261</u>	<u>4,653</u>
<u>30,131</u>	<u>46,369</u>
21,524	26,617
6,038	7,021
315	2,464
<u>5,869</u>	<u>6,125</u>
<u>33,746</u>	<u>42,227</u>
<u>\$ 63,877</u>	<u>\$ 88,596</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET ASSETS

*Last Seven Fiscal Years**

Amounts in (000's)

(Accrual Basis of Accounting)

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Net (Expense)/Revenue					
Governmental activities	\$ (37,581)	\$ (38,030)	\$ (42,901)	\$ (30,375)	\$ (43,794)
Business-type activities	5,048	(392)	1,961	7,226	9,684
Total primary government net expense	<u>\$ (32,533)</u>	<u>\$ (38,422)</u>	<u>\$ (40,940)</u>	<u>\$ (23,149)</u>	<u>\$ (34,110)</u>
General Revenues and Other Changes in Net Assets					
Governmental activities:					
Taxes:					
Property taxes	\$ 15,120	\$ 17,907	\$ 19,805	\$ 21,845	\$ 24,823
Sales and use taxes	6,008	6,933	8,026	9,980	11,025
Franchise taxes	2,533	2,883	3,097	3,426	3,760
Investment earnings	171	1,115	1,863	2,991	4,943
Miscellaneous	741	782	828	740	1,539
Transfers	728	524	359	1,230	1,060
Total governmental activities	<u>\$ 25,302</u>	<u>\$ 30,145</u>	<u>\$ 33,978</u>	<u>\$ 40,212</u>	<u>\$ 47,150</u>
Business-type activities:					
Unrestricted grants and contributions					
Investment earnings	\$ 196	\$ 417	\$ 399	\$ 758	\$ 2,574
Miscellaneous					
Transfers	(728)	(524)	(359)	(1,230)	(1,060)
Total business-type activities	<u>(532)</u>	<u>(107)</u>	<u>40</u>	<u>(472)</u>	<u>1,514</u>
Total primary government	<u>\$ 24,770</u>	<u>\$ 30,038</u>	<u>\$ 34,018</u>	<u>\$ 39,740</u>	<u>\$ 48,664</u>
Change in Net Assets					
Governmental activities	\$ (12,279)	\$ (7,885)	\$ (8,923)	\$ 9,837	\$ 3,356
Business-type activities	4,516	(499)	2,001	6,754	11,198
Total primary government	<u>\$ (7,763)</u>	<u>\$ (8,384)</u>	<u>\$ (6,922)</u>	<u>\$ 16,591</u>	<u>\$ 14,554</u>

*GASB 34 was implemented in fiscal 2003, therefore 10 years of data is unavailable.

In Fiscal Year 2007, the City implemented the retroactive reporting of infrastructure in accordance with GASB 34. Prior year presentations have been adjusted to reflect the retroactive reporting of depreciation expenses.

<u>2008</u>	<u>2009</u>
\$ (46,005)	\$ (37,495)
<u>5,152</u>	<u>9,427</u>
<u>\$ (40,853)</u>	<u>\$ (28,068)</u>

\$ 29,492	\$ 31,140
12,581	14,218
4,427	5,075
4,572	1,376
2,911	6,294
<u>1,330</u>	<u>621</u>
<u>\$ 55,313</u>	<u>\$ 58,724</u>

\$ 1,669	\$ 363
12	23
<u>(1,330)</u>	<u>(621)</u>
<u>351</u>	<u>(235)</u>
<u>\$ 55,664</u>	<u>\$ 58,489</u>

\$ 9,308	\$ 21,229
<u>5,503</u>	<u>9,192</u>
<u>\$ 14,811</u>	<u>\$ 30,421</u>

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
General fund				
Reserved	\$ 295	\$ 472	\$ 286	\$ 52
Unreserved	4,911	6,092	4,739	5,310
Total General Fund	<u>\$ 5,205</u>	<u>\$ 6,564</u>	<u>\$ 5,025</u>	<u>\$ 5,362</u>
All other governmental funds				
Reserved for debt service	\$ 681	\$ 1,545	\$ 2,230	\$ 2,130
Unreserved, reported in:				
Special revenue funds	603	861	877	1,724
Capital projects funds	5,114	3,654	28,494	41,255
Total other Governmental Funds	<u>\$ 6,398</u>	<u>\$ 6,060</u>	<u>\$ 31,601</u>	<u>\$ 45,109</u>

2004	2005	2006	2007	2008	2009
\$ 70	\$ 71	\$ 636	\$ 704	\$ 4,879	\$ 818
8,216	8,132	9,961	12,932	8,647	11,401
<u>\$ 8,286</u>	<u>\$ 8,203</u>	<u>\$ 10,597</u>	<u>\$ 13,636</u>	<u>\$ 13,526</u>	<u>\$ 12,219</u>
\$ 3,008	\$ 3,855	\$ 4,658	\$ 6,552	\$ 6,835	\$ 7,246
2,849	2,462	3,215	4,546	4,988	4,368
<u>46,580</u>	<u>44,338</u>	<u>53,763</u>	<u>96,542</u>	<u>110,715</u>	<u>62,467</u>
<u>\$ 52,437</u>	<u>\$ 50,655</u>	<u>\$ 61,636</u>	<u>\$ 107,640</u>	<u>\$ 122,538</u>	<u>\$ 74,081</u>

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

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>
Revenues				
Property taxes	\$ 9,272	\$ 10,833	\$ 12,858	\$ 15,120
Sales and use taxes	3,745	4,863	5,103	6,008
Franchise fees	2,023	2,304	2,454	2,533
Licenses and permits	1,470	1,897	2,257	2,682
Fines and forfeitures	732	857	845	1,422
Charges for services	3,062	3,203	3,652	3,982
Investment earnings			649	171
Intergovernmental	319	334	9,001	2,398
Other	2,084	1,961	1,584	1,133
Total Revenues	<u>22,707</u>	<u>26,251</u>	<u>38,403</u>	<u>35,451</u>
Expenditures				
General government	3,972	4,235	16,225	5,852
Public safety	5,952	6,692	8,303	9,650
Public works	5,635	5,975	7,604	8,770
Community services	1,782	2,662	2,932	2,827
Parks and recreation				
Debt service:				
Principal	1,605	1,680	1,920	2,040
Interest and other charges	1,459	1,596	2,374	4,469
Capital outlay	1,680	4,517	12,239	23,568
Intergovernmental				
Total Expenditures	<u>22,085</u>	<u>27,357</u>	<u>51,598</u>	<u>57,176</u>
Excess of revenues over (under) expenditures	622	(1,106)	(13,195)	(21,725)
Other Financing Sources (Uses)				
Transfers in	1,686	1,023	4,382	1,534
Transfers out	(923)	(128)	(3,752)	(806)
Bonds issued	10,895		38,550	34,653
Capital leases	152			
Other	(10,822)		(1,900)	
Total other Financing Sources (uses)	<u>987</u>	<u>895</u>	<u>37,280</u>	<u>35,381</u>
Net change in fund balances	<u>\$ 1,609</u>	<u>\$ (211)</u>	<u>\$ 24,085</u>	<u>\$ 13,655</u>
Debt service as a percentage of noncapital expenditures	15.0%	14.3%	10.9%	19.4%

<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
\$ 17,891	\$ 19,745	\$ 22,150	\$ 24,525	\$ 29,200	\$ 31,349
6,933	8,026	9,980	11,025	12,581	14,218
2,883	3,097	3,426	3,760	4,427	5,075
3,441	3,864	4,067	4,030	2,992	2,079
1,608	1,935	2,038	2,048	2,086	2,325
5,260	6,139	8,734	5,250	7,512	8,885
1,115	1,863	2,991	4,938	4,568	1,375
3,040	2,382	7,852	14,463	3,731	7,589
1,076	1,172	1,744	1,815	5,638	8,980
<u>43,247</u>	<u>48,223</u>	<u>62,982</u>	<u>71,854</u>	<u>72,735</u>	<u>81,875</u>
6,221	6,750	6,381	6,293	7,388	8,412
10,142	11,081	12,870	14,598	19,604	22,310
8,709	10,450	9,728	6,278	7,536	12,051
2,904	2,747	3,787	3,102	3,426	3,386
		3,358	4,908	6,605	5,789
3,000	3,535	3,429	3,228	3,160	5,482
5,665	5,555	6,771	10,197	12,382	12,080
18,058	28,661	36,706	28,530	27,777	68,615
	1,084	1,684	2,169	3,434	3,250
<u>54,699</u>	<u>69,862</u>	<u>84,714</u>	<u>79,303</u>	<u>91,312</u>	<u>141,375</u>
(11,452)	(21,639)	(21,732)	(7,449)	(18,577)	(59,500)
1,431	4,870	5,852	4,596	4,912	3,246
(907)	(4,510)	(4,698)	(3,536)	(3,582)	(2,625)
184	37,015	41,959	94,559	31,835	8,520
21,000	271		1,568		649
94	(15,926)	(8,004)	(40,695)	200	(54)
<u>21,803</u>	<u>21,719</u>	<u>35,108</u>	<u>56,492</u>	<u>33,365</u>	<u>9,736</u>
<u>\$ 10,350</u>	<u>\$ 80</u>	<u>\$ 13,376</u>	<u>\$ 49,043</u>	<u>\$ 14,788</u>	<u>\$ (49,764)</u>
23.6%	22.1%	22.0%	37.6%	33.3%	35.5%

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

Real Property					
Fiscal Year	Tax Year	Residential	Commercial	Agricultural Land	Personal Property and Minerals
2006	2005	\$ 2,689,041,440	\$ 1,007,277,760	\$ 65,139,552	\$ 309,552,190
2007	2006	3,398,952,580	1,179,173,066	55,271,365	378,160,330
2008	2007	4,136,844,130	1,408,312,647	55,657,006	449,453,570
2009	2008	4,535,133,971	1,738,317,595	56,815,255	521,854,047

Notes:

Information not presented was not available at time of publication.
 Agricultural Property and Productivity Loss in Commercial

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

Assessed value based on final certified roll.

Less Tax Exempt Real Property	Less Other Exemptions and Abatements	Total Assessed and Estimated Actual Taxable Value	Total Direct Tax Rate	Assessed Value as a Percent of Actual Taxable Value
\$ 270,175,010	\$ 224,396,803	\$ 3,576,439,129	\$ 0.6744	100%
307,538,080	291,197,312	4,412,821,949	0.6527	100%
384,651,183	275,826,005	5,389,790,165	0.6526	100%
461,051,494	486,242,814	5,904,826,560	0.6526	100%

CITY OF PEARLAND, TEXAS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
Last Ten Fiscal Years
(rate per \$100 of assessed value)

Fiscal Year	City Direct Rates			Pearland Independent School District	Overlapping Rates ^a					
	M & O Rate	I & S Rate	Total Direct		Alvin Comm College	Brazoria County	Fort Bend County	Harris County	Port of Houston Authority	Harris County Flood Control
2000	\$ 0.440	\$ 0.255	\$ 0.695	\$ 1.650	\$ 0.239	\$ 0.400	\$ 0.590	\$ 0.350	\$ 0.018	\$ 0.062
2001	0.435	0.260	0.695	1.820	0.239	0.400	0.575	0.384	0.018	0.048
2002	0.430	0.256	0.686	1.837	0.241	0.420	0.538	0.360	0.020	0.050
2003	0.406	0.280	0.686	1.837	0.255	0.420	0.513	0.360	0.020	0.050
2004	0.346	0.350	0.696	1.809	0.255	0.420	0.499	0.388	0.020	0.042
2005	0.339	0.356	0.695	1.792	0.241	0.422	0.500	0.400	0.017	0.033
2006	0.345	0.329	0.674	1.792	0.238	0.408	0.517	0.400	0.015	0.033
2007	0.299	0.354	0.653	1.662	0.220	0.382	0.517	0.402	0.013	0.032
2008	0.250	0.402	0.653	1.427	0.210	0.311	0.517	0.392	0.014	0.031
2009	0.220	0.433	0.653	1.419	0.200	0.330	0.500	0.391	0.018	0.031

Source: Brazoria County and Harris County Appraisal District.

Note: The city's basic property tax rate may be increased only by a majority vote of the city's residents. Rates for debt service are set based on each year's requirements.

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

Harris County Hospital District	Brazoria/ Ft Bend MUD No. 1	MUD No. 17	MUD No. 18	MUD No. 19	MUD No. 23	MUD No. 26	MUD No. 28	MUD No. 34
\$ 0.203		\$ 0.750	\$ 0.650	\$ 0.800				
0.190		0.750	0.650	0.800				
0.190		0.750	0.650	0.800				
0.190		0.750	0.650	0.800		\$ 0.850		
0.190		0.750	0.650	0.800		0.850		
0.190		0.750	0.650	0.800	\$ 0.850	0.850	\$ 0.820	\$ 0.850
0.192	\$ 0.850	0.750	0.640	0.800	0.850	0.850	0.820	0.850
0.192	0.850	0.750	0.610	0.780	0.850	0.770	0.820	0.850
0.192	0.850	0.730	0.590	0.680	0.850	0.710	0.820	0.850
0.192	0.850	0.630	0.570	0.660	0.820	0.710	0.820	0.850

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
2000	\$ 9,173,950	\$ 9,022,542	98.3%	\$ 122,367	\$ 9,144,909	99.7%
2001	10,863,316	10,609,654	97.7%	234,306	10,843,960	99.8%
2002	12,890,017	12,477,283	96.8%	383,877	12,861,160	99.8%
2003	14,880,007	14,575,297	98.0%	271,132	14,846,429	99.8%
2004	18,030,473	17,633,986	98.0%	354,494	17,988,480	99.8%
2005	21,073,788	20,576,812	98.1%	450,119	21,026,931	99.8%
2006	24,284,597	23,690,031	97.8%	532,768	24,222,799	99.7%
2007	28,819,229	28,235,276	98.1%	503,664	28,738,940	99.7%
2008	35,035,569	34,461,652	98.4%	428,877	34,890,529	99.6%
2009	38,368,354	37,820,603	98.6%		37,820,603	98.6%

Source: Brazoria County Tax Office

Taxes levied based on adjusted tax roll.

CITY OF PEARLAND, TEXAS
PRINCIPAL PROPERTY TAX PAYERS
Current Year And Nine Years Ago

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
AmREIT SPF Shadow Creek LP	\$ 70,313,800	1	1.19%			
Weatherford U.S., Inc.	52,609,383	2	0.89%	\$ 18,679,380	1	1.58%
Pearland Investments Ltd	35,486,130	3	0.60%			
Centerpoint Energy	24,467,250	4	0.41%			
Wal-Mart Real Estate	24,177,330	5	0.41%			
Waterford SCR LP	24,135,860	6	0.41%			
Carrington SCR LP	22,156,750	7	0.38%			
Pearland Town Center LP	19,085,030	8	0.32%			
USA Tranquility Lake	18,300,410	9	0.31%			
HCA Healthcare	18,283,700	10	0.31%			
Houston Lighting & Power				12,036,460	2	1.02%
Pearland Enclave Apts.				10,235,020	3	0.87%
Southwestern Bell Telephone				9,374,920	4	0.79%
Weatherford U.S., LP				6,574,300	5	0.56%
Texas Windmill Apts				6,108,210	6	0.52%
Continental 34 Fund Ltd.				6,093,140	7	0.52%
Phillips				6,036,120	8	0.51%
Aggreko, Inc.				5,976,480	9	0.51%
Whispering Winds Apts				5,854,140	10	0.50%
Total	\$ 309,015,643		5.23%	\$ 86,968,170		7.37%

Source: Brazoria County Appraisal District

CITY OF PEARLAND, TEXAS

TAXABLE SALES BY CATEGORY

Last Ten Calendar Years

(in thousands of dollars)

	Calendar Year				
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Agriculture, Forestry, Fishing	\$ 1,732	\$ 1,783	\$ 6	\$ 13	\$ 199
Mining, Quarrying, Oil and Gas	434	1,222	4,061	4,283	3,738
Utilities					
Manufacturing	12,018	15,648	24,365	27,491	36,756
Wholesale Trade	9,062	13,269	13,248	11,234	14,526
Retail Trade	218,485	253,792	240,767	278,527	303,816
Transportation/Warehousing	1,929	2,083	50	43	98
Information			2,294	2,851	3,568
Finance, Insurance	2,161	2,940	3,095	3,403	3,505
Real Estate/Rental/Leasing			14,892	14,219	16,414
Professional/Scientific/Technical			2,421	2,743	3,443
Management of Companies/Enterprises					2,399
Admin/Support/Waste Mgmt/Remediation			7,740	10,529	12,054
Educational Services			10	159	116
Health Care/Social Assistance			17	14	9
Arts, Entertainment & Recreation			3,990	4,080	4,623
Accommodations & Food Services			43,421	54,331	65,719
Construction	20,124	16,902	17,586	14,392	13,592
Other Services (Except Public Admin)	52,158	61,834	13,332	17,709	15,055
Other			5,574	2,423	547
Total	<u><u>\$ 318,103</u></u>	<u><u>\$ 369,473</u></u>	<u><u>\$ 396,867</u></u>	<u><u>\$ 448,445</u></u>	<u><u>\$ 500,179</u></u>
City direct sales tax rate ^b	1.00%	1.00%	1.00%	1.00%	1.00%

Source: State Comptroller's Office.

^a 2009 taxable sales thru 2nd quarter of 2009.

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

^c Categories changed in 2007. Re-categorized data only available back to 2002.

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u> ^a
\$ 283	\$ 453	\$ 473	\$ 675	\$ 272
2,985	7,397	9,280	10,520	2,357
	7	3	6	
40,848	46,185	49,997	47,437	14,650
24,070	34,611	29,104	32,975	12,293
370,973	464,647	535,417	667,416	346,646
107	155	169	131	74
6,388	8,554	10,086	12,567	7,025
1,811	1,722	1,038	1,469	761
18,629	33,329	45,312	53,180	19,841
3,538	3,819	4,120	5,411	2,644
2,278		1,161	2,594	
13,625	8,060	9,209	13,210	6,660
204	110	110	212	44
72	56	63	37	29
4,787	5,208	8,789	10,085	4,989
80,185	95,143	107,834	127,875	73,417
13,234	18,438	16,232	16,763	7,663
16,558	20,377	20,794	23,162	11,741
13	2			
<u>\$ 600,588</u>	<u>\$ 748,272</u>	<u>\$ 849,189</u>	<u>\$ 1,025,726</u>	<u>\$ 511,106</u>
1.00%	1.00%	1.00%	1.00%	1.00%

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

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation Bonds	Capital Lease Obligations	Revenue Bonds	Certificates of Obligation Bonds	Capital Lease Obligations
2000	\$ 13,760	\$ 16,210	\$ 381	\$ 16,675	\$ 17,050	\$
2001	12,610	15,680	75	16,140	17,000	
2002	13,335	51,585		25,570	16,925	
2003	26,880	70,650		34,485	16,835	
2004	25,345	90,185	184	33,505	16,735	
2005	60,175	72,390	396	32,480	15,880	
2006	90,305	81,275	309	40,170	15,000	
2007	164,810	66,220	1,538	79,180	13,915	
2008	184,985	74,980	1,187	92,900	13,140	
2009	180,765	82,505	1,479	104,435	12,160	235

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

* Information not available.

	Total Primary Government	Percentage of Personal Income	Per Capita
\$	64,076	6.2%	\$ 1,643
	61,505	5.8%	1,519
	107,415	9.5%	2,492
	148,850	10.6%	3,167
	165,954	10.3%	3,073
	181,321	9.3%	2,895
	227,059	11.1%	2,862
	325,663	12.4%	3,854
	367,192	12.4%	4,126
	381,579	13.0%	4,121

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

Fiscal Year	Tax Year	General Obligation Bonds	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Percentage of Personal Income^a	Per Capita^a
2000	1999	\$ 47,020	\$ 681	\$ 46,339	3.9%	4.5%	\$ 1,188
2001	2000	45,290	1,545	43,745	3.3%	4.1%	1,080
2002	2001	81,845	2,230	79,615	5.1%	7.0%	1,847
2003	2002	114,365	2,130	112,235	6.0%	8.0%	2,388
2004	2003	132,265	3,008	129,257	6.3%	8.0%	2,394
2005	2004	148,445	3,855	144,590	6.2%	7.4%	2,308
2006	2005	186,580	4,658	181,922	5.1%	8.9%	2,293
2007	2006	244,945	6,552	238,393	5.4%	9.1%	2,821
2008	2007	273,105	6,552	266,553	4.9%	9.0%	2,995
2009	2008	275,430	7,247	268,183	4.5%	9.1%	2,896

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

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

* Information not available.

CITY OF PEARLAND, TEXAS
Direct and Overlapping Governmental Activities Debt
September 30, 2009
(dollars in thousands, except per capita)

Taxing Jurisdiction	Gross Debt *	Overlapping	
		Percent	Amount
Alvin Community College District	\$18,195,000	21.09%	\$ 3,837,326
Alvin ISD	297,795,000	27.34%	81,417,153
Brazoria County	51,395,000	21.18%	10,885,461
Brazoria County MUD No. 17	31,320,000	100.00%	31,320,000
Brazoria County MUD No. 18	31,680,000	97.35%	30,840,480
Brazoria County MUD No. 19	39,710,000	100.00%	39,710,000
Brazoria County MUD No. 23	16,455,000	100.00%	16,455,000
Brazoria County MUD No. 26	56,700,000	100.00%	56,700,000
Brazoria County MUD No. 28	10,865,000	100.00%	10,865,000
Brazoria County MUD No. 34	10,340,000	100.00%	10,340,000
Brazoria County MUD No. 35	9,900,000	100.00%	9,900,000
Brazoria-Fort Bend County MUD No. 1	52,625,000	100.00%	52,625,000
Fort Bend County	446,110,000	0.16%	713,776
Harris County (a)	2,215,831,629	0.13%	2,880,581
Harris County Dept. of Education	8,320,000	0.13%	10,816
Harris County Flood Control District	105,482,945	0.13%	137,128
Pasadena ISD	454,255,000	0.14%	635,957
Pearland ISD	336,255,590	93.85%	315,575,871
Port of Houston Authority	547,415,000	0.13%	711,640
TOTAL ESTIMATED OVERLAPPING			675,561,188
The City	\$275,430,000	100.00%	275,430,000
Total Direct and Estimated Overlapping Debt			\$ 950,991,188
Population			92,600
Per Capita Debt - Direct and Overlapping Debt			\$ 10,270

Source: Individual jurisdictions and/or Texas Municipal Reports.

* Debt amounts are as of September 30, 2009.

CITY OF PEARLAND, TEXAS

PLEDGED REVENUE COVERAGE

Amounts in (000's)

Last Ten Fiscal Years

Water & Sewer Revenue Bonds

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Revenue Available for Debt Service	Debt Service			Coverage
				Principal	Interest	Total	
2000	\$ 8,745	\$ 3,899	\$ 4,846	\$ 535	\$ 785	\$ 1,320	3.67
2001	8,727	4,947	3,780	570	760	1,330	2.84
2002	9,037	5,244	3,793	575	1,159	1,734	2.19
2003	9,023	6,282	2,741	980	1,635	2,615	1.05
2004	12,357	10,877	1,480	1,025	1,504	2,529	0.59
2005	11,619	8,607	3,012	1,075	1,459	2,534	1.19
2006	15,004	11,228	3,776	1,125	1,829	2,954	1.28
2007	20,713	12,151	8,562	1,125	2,915	4,040	2.12
2008	23,507	14,827	8,680	1,230	4,011	5,241	1.66
2009	26,980	12,877	14,103	1,595	5,127	6,722	2.10

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.

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)
2000	39,000	\$ 1,025,934	\$ 26,306	34.0	14.3	10,165	3.8%
2001	40,500	1,065,393	26,306	34.0	14.3	10,618	3.6%
2002	43,103	1,133,868	26,306	34.0	14.3	11,723	4.3%
2003	47,000	1,400,741	29,803	35.1	14.3	12,708	4.7%
2004	54,000	1,609,362	29,803	35.1	14.3	13,600	4.5%
2005	62,634	1,951,801	31,162	35.5	14.3	15,023	4.6%
2006	79,322	2,050,394	25,849	33.4	14.3	16,629	3.6%
2007	84,500	2,631,837	31,146	34.9	14.3	17,733	3.6%
2008	89,000	2,963,255	33,295	35.8	14.3	18,439	3.8%
2009	92,600	2,941,717	31,768	34.5	14.2	20,056	6.5%

(A) Estimated

(B) Pearland Economic Development Corporation

(C) Texas Education Agency

(D) Bureau of Labor Statistics

* Information not presented is not available.

CITY OF PEARLAND, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Four Years Ago

<u>Employer</u>	<u>2009</u>			<u>2005</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	2,400	1	5.62%	1,820	1	7.26%
Wal-Mart	800	2	1.87%	800	2	3.19%
City of Pearland	471	3	1.10%	420	3	1.71%
Kemlon	325	4	0.76%	185	6	0.74%
Bass Pro Shop	300	5	0.70%			
ShawCor Pipe Protection	275	6	0.64%			
Davis Lynch	250	7	0.59%			
Weatherford	325	8	0.76%	250	4	1.00%
Home Depot	225	9	0.53%			
TurboCare	181	10	0.42%	175	7	0.70%
Randall's				250	5	1.00%
Super Target				150	8	0.60%
Tele-flow				140	9	0.56%
Lowe's				132	10	0.53%
Total	<u>5,552</u>		<u>12.99%</u>	<u>4,446</u>		<u>17.73%</u>

Source: Pearland Economic Development Corp.

Note: Information for the period nine years ago is not readily available.

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

Function/Program	Full-time Equivalent Employees as of Sept 30									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities										
General Government	32	34	37	45	41	42	49	51	55	55
Public Safety	113	113	132	132	160	170	184	205	242	253
Public Works	29	30	32	41	42	43	44	47	45	47
Community Services	21	22	26	34	37	41	47	50	51	52
Parks and Recreation	47	47	50	52	55	58	52	59	68	72
Business Type Activities										
Water & Sewer	47	49	51	56	62	62	76	78	77	82
Component Unit										
Economic Development	4	4	4	4	4	4	4	4	5	5
Total	293	299	332	364	401	420	456	494	543	564

Source: City Budget

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

Function/Program	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
GENERAL GOVERNMENT							
Finance							
Number of purchase orders	3,953	3,667	3,183	3,085	3,475	3,552	3,264
Number of budget transfers	61	82	117	226	194	398	406
Number of invoices paid	N/A	N/A	21,180	22,438	22,279	23,434	23,259
Average number of employees paid per month	764	848	930	984	1,026	1,185	1,230
Human Resources							
Number of hires	69	58	77	95	97	109	90
Number of interviews conducted	320	292	333	360	449	353	431
Number of applications received	2,318	2,541	3,138	2,808	3,074	2,495	3,137
Legal							
Number of resolutions and ordinances prepared	261	268	234	295	269	293	266
Information Technology							
Average monthly service requests	275	300	350	370	486	616	649
Number of PC's supported	175	185	205	220	354	386	394
PUBLIC SAFETY							
Police							
Number of police calls resulting in dispatch	23,706	25,849	27,443	30,496	32,747	34,865	37,440
Total police arrests made	4,234	4,222	3,753	4,809	5,053	4,424	5,188
Dispatched calls per patrol officer	677	680	704	555	544	592	576
Commercial vehicles equipment violations	991	1,104	1,015	1,069	980	860	711
UCR Part I cases assigned	398	398	418	366	371	349	629
Fire							
Total number of arson incidents	8	6	4	11	21	9	8
Fires investigated	33	71	70	120	96	28	33
Total annual inspections	300	1,059	965	1,307	2,333	2,677	2,374
Total calls for service	644	889	1,168	1,188	1,202	2,215	2,432
EMS							
Total calls for service	N/A	3,297	3,941	4,290	5,372	6,029	6,411
Patients treated	2,858	3,124	3,848	4,048	4,983	5,529	5,804
PUBLIC WORKS							
Fleet Maintenance							
Fleet maintenance jobs completed	3,593	3,850	3,950	4,778	4,686	4,153	3,063
Preventative maintenance performed	1,348	1,501	2,251	1,815	1,889	1,756	1,998
Other Public Works							
Fuel issued (gallons)	143,686	183,000	220,000	303,930	318,587	343,865	313,596
Street sweeping (miles)	145	790	790	790	583	2,324	2,561
Street signs maintained/replaced	865	758	1,170	1,725	1,404	1,288	2,864
Total work orders completed	15,463	16,888	19,327	21,181	19,961	18,723	20,213

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

	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
PARKS AND RECREATION							
All Parks and recreation							
ROW maintained - acres	760	N/A	N/A	478	385	210	228
Trees maintained - acres	N/A	N/A	3,450	3,450	4,280	5,000	5,004
Acres of city property mowed	N/A	N/A	N/A	167	439	470	851
Total number of parkwork orders received	N/A	N/A	N/A	227	361	316	275
Parkland - acres	N/A	N/A	N/A	175	175	180	138
Total number of special events held	24	23	24	20	25	25	25
Total number of tournaments held	N/A	N/A	N/A	19	25	9	6
Number of recreation classes offered	N/A	632	1,170	1,189	1,222	1,083	855
Average monthly attendance (all locations)	2,543	5,211	5,977	6,723	7,988	7,607	3,623
COMMUNITY SERVICES							
Animal Control							
Number of animals at shelter	2,357	1,834	2,228	2,898	3,068	2,947	2,868
Total number of calls for service	3,721	3,535	5,443	4,600	6,099	4,296	3,529
Community Development							
Total building inspections	35,007	44,973	53,924	36,724	31,004	34,773	24,834
Total code violation cases	5,242	3,687	2,792	2,739	3,962	3,629	4,274
Total permits issued	11,515	13,738	15,289	14,889	13,769	9,878	9,249
Number of plans reviewed	2,136	2,482	3,026	2,682	3,055	1,309	925
Municipal Court							
Number of trials	1,667	2,195	2,800	1,952	2,305	1,616	1,391
Number of charges	24,494	20,964	18,275	22,185	20,481	19,666	24,400
Warrants cleared	N/A	N/A	N/A	N/A	3,596	6,402	7,374
WATER & SEWER							
Distribution and Collection							
Fire hydrant maintenance and inspections	1,730	1,730	1,967	99*	537	740	451
Backed up sewer repairs	313	261	278	251	330	393	270
Water mains repaired	29	37	71	129	108	160	168
Water Production							
Water produced - wells (in millions of gallons)	1,465	1,850	1,925	2,044	1,597	2,128	2,574
Surface Water Purchased (in millions of gallons)	118	280	683	967	1,121	1,147	1,146
Billing & Collections							
Annual meter reads	N/A	N/A	211,956	234,875	285,930	325,471	340,281
Number of bills	146,055	N/A	192,014	248,848	293,833	318,160	325,201
Wastewater Treatment							
Wastewater treated (in millions of gallons)	1,467	1,386	1,398	1,668	2,305	2,096	2,106

Sources: Various city departments.

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

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

Function/Program	Fiscal Year						
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
PUBLIC SAFETY							
Police							
Police stations	1	1	1	1	1	1	1
Police vehicles	89	100	109	112	117	126	130
Fire							
Fire stations	4	4	4	4	4	4	4
Fire vehicles	14	15	15	16	16	17	17
EMS							
EMS Stations	3	3	3	3	3	3	3
EMS Ambulances	5	5	5	5	5	6	8
PUBLIC WORKS							
Other public works							
Streets (miles) ^a	202	232	248	578	758	773	807
Streetlights	3,425	3,425	3,494	3,563	5,294	5,479	6,264
Traffic signals	43	43	47	48	57	67	71
PARKS AND RECREATION							
Parks and recreation							
Developed acreage	124	124	124	175	175	180	138
Pools	N/A	1	1	1	1	1	1
Outdoor basketball courts	N/A	N/A	N/A	10	10	10	10
Soccer fields	N/A	N/A	N/A	12	12	12	12
Activity buildings	2	2	3	3	3	3	3
Baseball/Softball Fields	4	4	4	4	4	4	4
WATER AND SEWER							
Water Production							
Water wells	8	8	9	9	10	11	11
Pumping stations	2	2	2	2	2	2	2
Ground storage tanks	10	10	13	15	15	15	15
Elevated towers	4	4	4	5	5	5	5
Wastewater							
Treatment Plants	4	4	4	4	5	5	5
Lift Stations	74	74	78	74	78	76	78
Distribution and Collection							
Water mains (miles)	240	250	296	361	395	410	420
Sanitary sewers (miles)	230	240	279	321	353	360	370

Sources: Various city departments.

Note: No capital asset indicators are available for the general government and community services functions.

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