

CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2011**

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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Introductory Section

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February 20, 2012

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, 2011, 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, 2011. 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 97,200 residents estimated as of December 2011.

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

To the Honorable Mayor, Members
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of three years and until his/her successor is elected and qualified. Council members are limited to two full consecutive terms of office and there is no limitation on the office of Mayor. The City Manager is appointed by Council and is responsible for implementation of Council policy, execution of the laws, and all day-to-day operations of the City.

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

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

As an independent political subdivision of the State of Texas, the City is considered a primary government. Pursuant to standards established by the Governmental Accounting Standards Board (GASB), the City also reports for all funds for which the City, as the primary government, is financially accountable. As such, this report includes financial activities of three component units as follows: The Pearland Economic Development Corporation was created by the City in 1995 under the Texas Development Corporation Act of 1979 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 TRIZ #2.

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 educational programs, Pearland's growth has been consistent and will continue to be sustained over time with continued residential and commercial development.

The total of all new construction permitted during calendar year 2011 totaled over \$222.2 million, a 30% increase in value from 2010. New single-family housing permits totaled 691 with a construction value of \$134 million. This is 32 permits and \$6.0 million less than 2010; however Pearland continues to grow at

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a respectable pace, faring better than the rest of the nation. Residential permitting activity is anticipated to remain at these levels for fiscal year 2012, budgeted at 750 permits. For calendar year 2011, the City had 42 commercial permits with a value of \$23 million, compared to 40 permits with a value of \$25 million in 2010. In addition, two multi-family developments were permitted with a value of \$24.0 million. The downward trend on the commercial real estate market seems to have leveled out.

In 2010 Houston home sales had plunged. Double-digit declines in home sales took their toll on the market, which has historically been one of the lower priced urban markets in the country. In mid 2011 the housing market started to turn around and has been rising each month. The Houston Association of Realtors reported 53,606 single family home sales for 2011, up 4.0% from the 51,556 sales in 2010. Indications are that the Houston area will continue to have a healthy market with a balanced supply of housing inventory and strong pricing – conditions that put Houston in an enviable position compared to other markets around the Country. For fiscal year 2011, Pearland had 800 foreclosure filings, down from the 870 in fiscal year 2010, but still higher than the 588 we saw in fiscal year 2009. These filings also include areas in the ETJ with a Pearland address, but the number of filings only represents less than 3% of total households in Pearland. The decrease in foreclosures is another sign that the economy is turning around.

Houston is the world's energy capital and in 2010 the drilling moratorium in the Gulf of Mexico did not help the already sluggish economy. In 2011, however, the year finished with 2,007 drilling rigs working in North America, up from 1,700 a year ago and two dozen shy of 2,031, the prerecession peak of mid-September 2008. With the high price of oil, and the South Texas Eagle Ford Shale oil and gas reserves, it is forecasted that this trend will continue keeping the Houston oil industry busy for the next 20 years.

Pearland's unemployment rate was 7.1% in September 2011, up slightly from 6.9% in September 2010. This is compared to the national unemployment rate of 9.1% and the State of Texas unemployment rate of 8.5% as of September 2011. While Pearland's unemployment is less than the national and state rates, and with the economy seeming to turn around, businesses are still slow to hire and it will take time for the private sector to begin hiring again. Texas, however, has been recognized as having the best business climate in the country. Houston's economy will continue to grow next year, adding more jobs in 2012 than in 2011. The Greater Houston Partnership forecasts the region to add 84,600. The Houston area is built on businesses, on jobs, and on economic opportunities. Pearland is poised to take advantage of those 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.

Kelsey-Seybold, a major healthcare organization of 370 physicians, is building a new 170,000 square foot, four story corporate headquarters on an 18 acre site in Shadow Creek Ranch, which will be home to approximately 750 employees. The facility will be next to the Shadow Creek Business Center, an 80,000 square foot office building built in 2009, and Hospital Corporation of America's (HCA) 78,000 square foot medical office building. Merit Medical Systems, a global medical device company, is building on a 12 acre site, a 120,000 square foot facility for research and development and manufacturing. Merit Medical is expected to employ 220 employees at the Pearland facility.

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Sales tax for fiscal year 2011 totaled \$19.8 million, an increase of \$302,000 or 1.6% over fiscal year 2010. Pearland is a regional shopping destination, however with lower consumer confidence, potential for job loss, debt, credit tightening, etc., homeowners tightened their budgets and spending over the past couple of years. The economy, however, seems to be making a turn for the better, which should translate to higher consumer confidence. As such, the City projected a 3.0% growth in sales tax for fiscal year 2012.

Long-Term Financial Planning

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

The City's Five-Year CIP for fiscal year 2012 through fiscal year 2016 totals \$262 million and continues to implement the \$162 million bond program approved by the voters in May 2007, though at a slower pace, which is financially feasible given the current economy. Projects include Drainage (\$18M), Streets (\$105M), Facilities (\$21M), Parks (\$26M), Water and Wastewater (\$92M). 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. Those projects that are unfunded will be identifying projects for a new bond referendum.

The Debt Service Fund forecast shows a need to increase the Debt Service component of the tax rate to \$0.5250 by fiscal year 2015 to implement the Five-Year CIP. This is slightly higher than last year's forecast due to slower increases in property valuations through-out the forecast, however still consistent with the financial modeling that the City undertook when analyzing the Debt Service tax implications of implementing the \$162 million bond referendum.

The City completes a Water/Sewer Cost of Service Rate Study annually for the forecast. The study is built around the Five-Year CIP, operating budget, and future needs. Due to funds on hand for pay-as-you go capital improvements, no rate increase was necessary for fiscal year 2011 or 2012, however, the model anticipates rate increases for 2015 and 2016. 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 and that 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 funds fund non-recurring expenditures/expenses.
- General Fund Operating Reserves should be a minimum of two months of operations.
- Water and Wastewater Operating Reserves shall strive to be maintained at 25% of operations.

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- Budget revenues on a conservative basis.
- Fund existing services at current service levels.
- Enterprise Funds must be self-supporting.
- Leverage City dollars by seeking outside funding sources.
- Maintain stable property tax rates.

Major Initiatives

The City Council, staff, and community share a vision that combines progress and innovation with prudent controls to shape Pearland's future, 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 and the City delivers programs in the areas of law enforcement, emergency management, emergency medical services, and fire protection.

The City constructed and opened in January 2011 a \$2.2 million, 9,800 square foot Fire Station located off Kirby Drive, staffed 24/7 with Fire and EMS personnel. In order to enhance response times and to protect life and property, the City also manned two other stations staffed 24/7 with a combination of full-time, paid part-time, and volunteers.

Brazoria County MUD's 21 and 22 are constructing a Fire Station in the City's ETJ. This station will be staffed and operated by Pearland Volunteer Firefighters with the MUD's bearing the cost of operations, pursuant to a Strategic Partnership Agreement. This will greatly enhance response times out in the City's southwestern ETJ, where development continues.

Economic Development

The Pearland Economic Development Corporation (PEDC) is a Type B non-profit corporation under the Texas Development Corporation Act that utilizes a half cent sales tax collected in the City to carry out economic development activities. The Corporation assists new and existing businesses that create new jobs and capital investment. The Corporation works with the City to utilize various tools such as tax abatement and the authority granted the City under Chapter 380 of the Local Government Code to encourage new jobs and investment in the community.

In FY 2011, the City and PEDC were successful in recruiting KS Management Services to commit to constructing a new 170,000 square foot 4-story corporate headquarters and Merit Medical, a global medical device company, beginning construction on a 120,000 square foot research and development and manufacturing facility on a 12 acre site on Kirby Drive. Combined these two projects will bring nearly 1,000 new jobs to the community.

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

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Land Use Plan/Annexation

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

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

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

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

The City will also begin planning for the annexation of Brazoria County MUD #4, which will occur December 2012, pursuant to a Strategic Partnership Agreement between the City and MUD. Brazoria County MUD #4 encompasses approximately 600 acres and has an estimated population of 4,000. Upon annexation all assets and obligations of the MUD will transfer to the City.

Capital Improvement Projects and Planning

With continued residential and commercial growth, and to plan for the future, the need to build new infrastructure and maintain existing infrastructure is a priority and will be implemented through an aggressive capital improvement program. The City's Five-Year CIP 2012 – 2016 totals \$262 million. Projects include Drainage (\$18M), Streets (\$105M), Facilities (\$21M), Parks (\$26M), Water and Wastewater (\$92M).

Major thoroughfare projects include the widening of Bailey Road between FM1128 and Veterans, widening three miles of Mykawa Road to a four lane facility, reconstruction of one mile of Old Alvin Road from Plum Street to McHard Road, the extension of Pearland Parkway to Dixie Farm Road, McHard Road extension from Mykawa to Cullen, and Longwood Street Reconstruction. Major drainage projects include expansion of the D.L. Smith detention pond by approximately 150 acre-feet, an additional 200 acre-feet of storm water storage in the Hickory Slough watershed, and future storm water

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regional detention. Major park projects include 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 an 11,500 square feet expansion and renovation to the Tom Reid Library, reconstruction of Fire Station #3 to accommodate a 24/7 manned station, Fire/EMS administrative building, and traffic signal operational improvements with the takeover of TXDOT signals in 2011. Water projects include the preliminary design 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, extension of trunk sewer on McHard, and various lift station projects.

Transportation Improvements and Strategic Planning

Charged with planning, establishing, and maintaining an effective transportation system, the City of Pearland is involved in numerous activities to face this challenge. The \$84 million transportation bond program (passed in 2007) will construct major projects 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 and the Transportation Improvement Program (TIP) Subcommittee. The City submitted several proposed roadway projects from its Capital Improvement Program for possible funding in the region's Transportation Improvement Program for 2011-2014. In 2011, The TPC and TAC selected four City of Pearland projects for funding. The projects are the Traffic Signal System Improvements (2012), Pearland Parkway Extension (2013), Max Road (2014), and Fite Road (2014). These projects will receive 80% funding from state or federal sources totaling \$20,180,901 with the city providing 20% matching funds. The City continues to work with the Brazoria County Toll Road Authority (BCTRA) to develop viable low cost alternatives for the Hwy 288 toll facility that can be constructed on a near-term schedule (3-5 years) to provide immediate relief to congestion along the corridor. H-GAC has planned a "Call for Projects" in 2012 for the 2013-2016 TIP. The City will submit several proposed roadway projects from its Capital Improvement Program in this new "Call for Projects" in an effort to continue to secure state and federal funding for projects in order to reduce the funding burden on the city taxpayers.

Another avenue the City has been pursuing to improve the transportation system is a Park-n-Ride facility. The SH 288/Brazoria County Park & Ride Stake Holders Group has been meeting since late 2009 to find a site for a Park & Ride facility in Northern Brazoria County to provide transportation services for the area.

On January 31, 2010, the State Holders Group met and unanimously recommended to METRO that they pursue the purchase of a parcel of property adjacent to SH 288 at Smith Ranch Road and Country Road 403 for the site. METRO subsequently submitted an application to the Federal Transit Authority (FTA) for a Categorical Exclusion (CE) for the site and on July 21, 2011, METRO received concurrence on their application for the CE. On November 30, 2011, METRO closed on 15.1 acres of land along Smith Ranch Road and County Road 403 for the Park & Ride site. It is anticipated the project will take approximately eighteen (18) months from the date the property was purchased before Park-n-Ride services will be available.

The first phase of the plan calls for approximately 700 parking spaces to be initially installed with the second phase adding an additional 700 hundred parking spaces. The service area for the project

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encompasses cities within Northern Brazoria County and Southern Harris County. The service will run between the Pearland area and the Texas Medical Center/Transit Center located at Fannin at Galen. The Texas Medical Center (TMC), the largest medical center in the world, houses 13 hospitals, 46 institutions (colleges, universities, research facilities, etc.), employs approximately 73,600 people, and annually services approximately 5.1 million patients.

The proposed fare for service each way will be \$3.25. The Park-n-Ride will operate Monday through Friday (weekday service only). The service will be offered weekday mornings from 5:15 AM to 8:15 AM and 3:15 PM to 7:00 PM in the evenings. It is anticipated the headway times for the busses will be every 12 minutes. METRO will provide a guaranteed ride home program during the day for those individuals that require a ride home during the times the regular bus service is not in operation.

Fiscal Responsibility and Sustainability

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

Fiscal Sustainability is even more important given the current state of the economy. Based on the long-range forecast and impacts to the debt service and operating funds, the City has delayed several major capital improvement projects until it is anticipated that the City can afford those projects. The City also identified programs and line-items that could be reduced with little or no impact to the citizens resulting in net budget reductions totaling \$811,000 in the City’s General Fund budget and \$56,000 in the Water/Sewer Fund for the 2012 fiscal year. Over the past two years base budget reductions to the General Fund totaled \$4.0 million. While only a few months into the 2012 fiscal year, the City is already beginning to prepare for the 2013 budget process and up-coming forecast with the same goal of being fiscally responsible to our citizens.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for the Excellence in Financial Reporting to the City of Pearland, Texas, for its Comprehensive Annual Financial Report for the year ended September 30, 2010. This was the 34th 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.

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

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

Respectfully submitted,



Bill Eisen, City Manager



Claire Bogard, Director of Finance

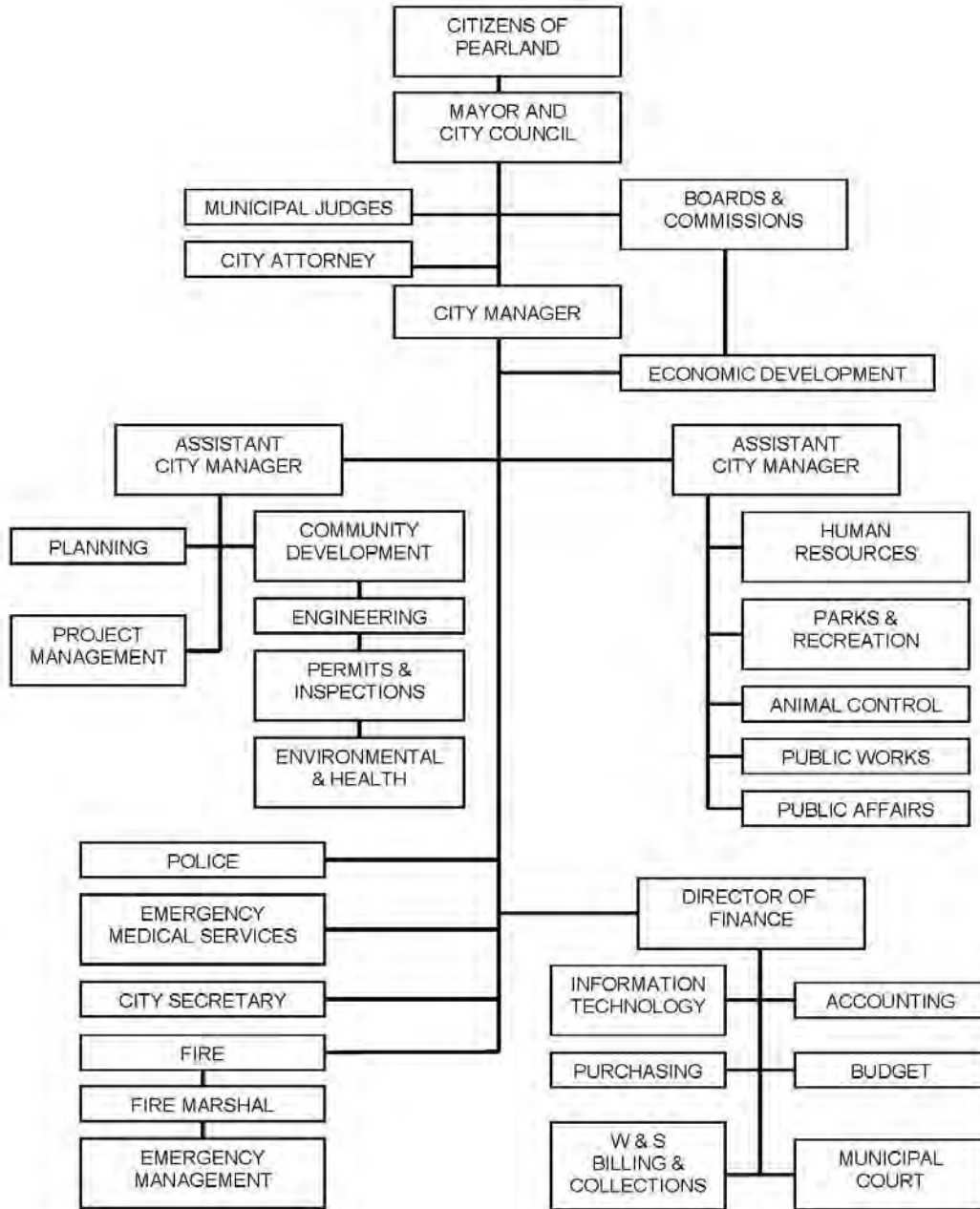


Rick Overgaard, Assistant Director of Finance

CITY OF PEARLAND, TEXAS
PRINCIPAL OFFICIALS

Elected Officials	Position	Term Expires May
Tom Reid	Mayor	2014
Woody Owens	Council Member at Large - Position One	2013
Scott Sherman	Council Member at Large - Position Two, Mayor Pro Tem	2012
Susan Sherrouse	Council Member at Large - Position Three	2014
Felicia Harris	Council Member at Large - Position Four	2012
Ed Thompson	Council Member at Large - Position Five	2013
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	President, PEDC	
Daniel Baum	Emergency Medical Services Chief	
Young Lorfin	City Secretary	
Danny Cameron	Director of Public Works	
Bonita Hall	Director of Human Resources	
Chris Doyle	Police Chief	
Narciso Lira	City Engineer	
Mike Ingalsbe	Building Official	
Michelle Smith	Director of Parks and Recreation	
Vance Riley	Fire Chief	
Andrew Fearn	Head Librarian	
Lata Krishnarao	Director of Planning	
Trent Epperson	Projects Director	

CITY OF PEARLAND, TX ORGANIZATIONAL CHART



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, 2010

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.



Linda C. Dawson

President

Jeffrey R. Emer

Executive Director

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, 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, 2011, 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the 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, each major fund, and the aggregate remaining fund information of the City as of September 30, 2011, 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 February 20, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 15, and budgetary comparison, required pension system, and other post-employment benefits on pages 68 through 70 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion

To the Honorable Mayor and Members of
the City Council

or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The introductory section, combining and individual non-major fund financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining and individual non-major fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

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

Houston, Texas

February 20, 2012

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, 2011.

FINANCIAL HIGHLIGHTS

- The assets of the primary government of the City of Pearland exceeded its liabilities as of September 30, 2011, by \$620.6 million (net assets). Of this amount, \$28.5 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 remaining amount is for investments in capital assets, net of related debt and amounts restricted for capital projects, debt service, and community development projects.
- The City's total primary government net assets decreased by \$9.9 million due to lower capital contributions from developers.
- At the close of the current fiscal year, the City of Pearland's governmental funds reported combined ending fund balances of \$47.2 million, a decrease of \$7.5 million in comparison with the prior year, approximately all of which is related to capital projects. Approximately \$23.5 million of the September 30, 2011, fund balance can be attributed to unspent bond proceeds for capital projects.
- As of September 30, 2011, the unassigned fund balance for the General Fund was \$14.1 million or 29% of total General Fund expenditures. The total fund balance for the General Fund is \$14.5 million or 30% of General Fund expenditures.
- The City of Pearland's General Obligation and Certificates of Obligation debt for governmental activities totaled \$298.3 million, a net increase of \$12.1 million over the previous year. The increase is attributable to the issuance of new debt offset by principal payments of \$9.5 million. The City's debt for business activities totaled \$123.0 million, a net decrease of approximately \$4.0 million from the previous year from principal payments.

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).

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

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.

The government-wide financial statements can be found on pages 19 through 21 of this report. The government-wide financial statements include not only the City 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 22 of this report, information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, Capital Projects 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.

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

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 26 through 29 of this report.

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 32 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 68 of this report.

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

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 \$620.6 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, 2011 and 2010

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Assets						
Current and other assets	\$ 72,544	\$ 79,176	\$ 41,119	\$ 47,585	\$ 113,663	\$ 126,761
Capital assets	695,754	684,774	268,051	263,167	963,805	947,941
Total Assets	768,298	763,950	309,170	310,752	1,077,468	1,074,702
Liabilities						
Other liabilities	12,205	11,042	8,169	8,159	20,374	19,201
Long-term liabilities outstanding	311,649	298,553	124,859	128,820	436,508	427,373
Total Liabilities	323,854	309,595	133,028	136,979	456,882	446,574
Net assets						
Invested in capital assets, net of related debt	413,439	422,643	156,629	144,244	570,068	566,887
Restricted	16,462	18,020	5,603	17,587	22,065	35,607
Unrestricted	14,543	13,692	13,910	11,942	28,453	25,634
Total Net Assets	\$ 444,444	\$ 454,355	\$ 176,142	\$ 173,773	\$ 620,586	\$ 628,128

An additional portion of the City's net assets (4%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (5%) may be used to meet the government's ongoing obligations to citizens and creditors.

The decrease in Total Net Assets from the prior year is \$7.5 million, which is mostly attributed to a decrease in restricted net assets for impact fees related to capital projects of \$13.6 million.

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

COMPARATIVE SCHEDULE OF CHANGES IN NET ASSETS

For the Years Ended September 30, 2011 and 2010

Amounts in (000's)

	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 10,356	\$ 8,524	\$ 35,921	\$ 32,274	\$ 46,277	\$ 40,798
Operating grants and contributions	7,399	6,646	61	70	7,460	6,716
Capital grants and contributions	10,330	29,898	4,215	8,611	14,545	38,509
Property taxes	33,451	32,963			33,451	32,963
Sales and use taxes	13,983	13,578			13,983	13,578
Franchise taxes	5,605	5,426			5,605	5,426
Investment earnings	157	253	117	100	274	353
Other	1,909	1,028	9	779	1,918	1,807
Total Revenues	<u>83,190</u>	<u>98,316</u>	<u>40,323</u>	<u>41,834</u>	<u>123,513</u>	<u>140,150</u>
Expenses						
General Government	15,945	13,439			15,945	13,439
Public Safety	23,042	24,268			23,042	24,268
Public Works	31,131	35,680			31,131	35,680
Community Services	3,254	3,323			3,254	3,323
Parks and Recreation	8,062	7,699			8,062	7,699
Interest on long-term debt	13,142	13,738			13,142	13,738
Water and Sewer			29,194	27,157	29,194	27,157
Solid Waste			7,285	7,089	7,285	7,089
Total Expenses	<u>94,576</u>	<u>98,147</u>	<u>36,479</u>	<u>34,246</u>	<u>131,055</u>	<u>132,393</u>
Increase (decrease) in net assets before transfers	(11,386)	169	3,844	7,588	(7,542)	7,757
Transfers	1,475	1,186	(1,475)	(1,186)		
Increase in net assets	(9,911)	1,355	2,369	6,402	(7,542)	7,757
Net assets - beginning (as restated)	<u>454,355</u>	<u>453,000</u>	<u>173,773</u>	<u>167,371</u>	<u>628,128</u>	<u>620,371</u>
Net assets - ending	<u>\$ 444,444</u>	<u>\$ 454,355</u>	<u>\$ 176,142</u>	<u>\$ 173,773</u>	<u>\$ 620,586</u>	<u>\$ 628,128</u>

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.

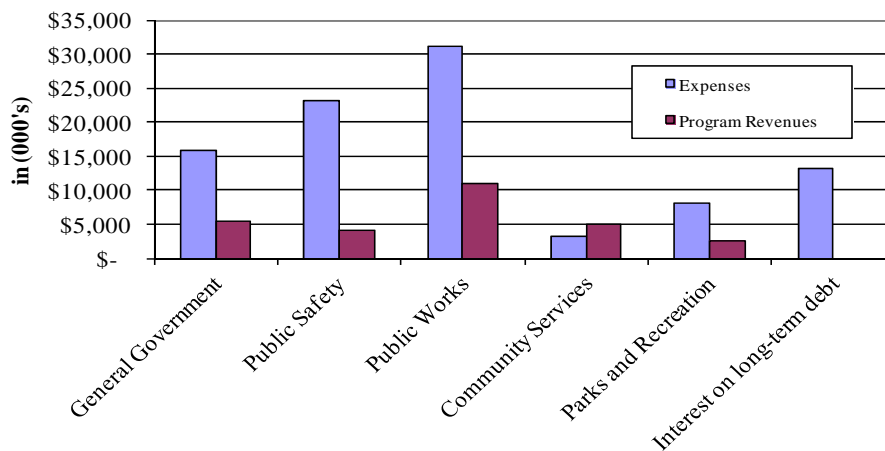
The most significant change in net assets occurred with a net decrease of \$21.4 million of contributions of infrastructure by developers.

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

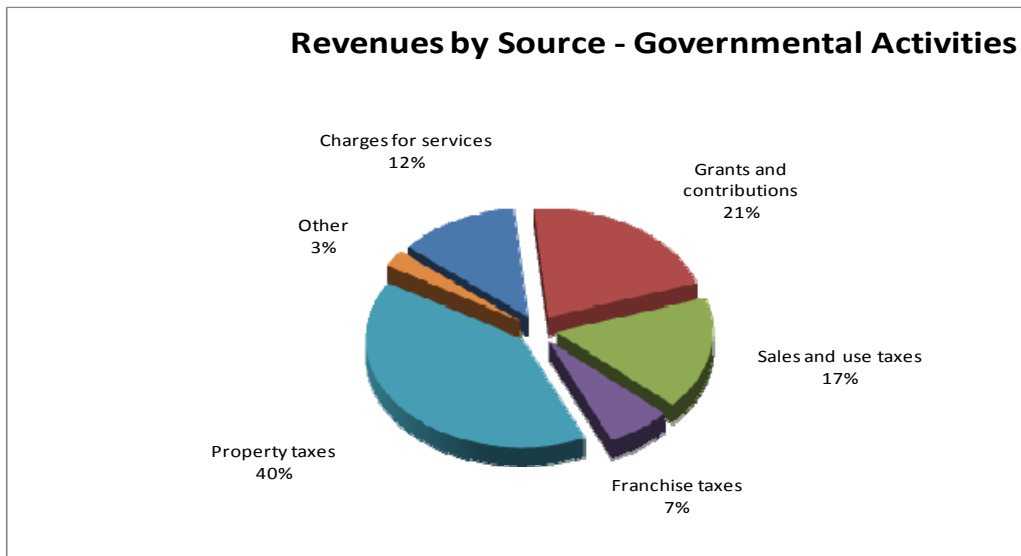
Governmental activities - Governmental activities decreased the City's net assets by \$9.9 million, thereby accounting for 131% percent of the total decrease in the net assets of the City. Key elements of this increase are as follows:

- Property taxes, sales and use taxes, and franchise taxes totaled \$33.5 million, \$14.0 million, and \$5.6 million respectively. These revenues increased by \$1.1 million from prior year primarily as a result of an increase in both property tax valuations and debt service tax rates.
- Capital Contributions totaled \$10.3 million as a result of infrastructure contributed by developers.
- The revenues were offset by expenses for general government, public safety, and public works of \$15.9 million, \$23.0 million, and \$31.1 million respectively. These expenses were relatively consistent with the prior year.
- The increase in net assets was also offset by interest expense on long-term debt of \$13.1 million, a decrease of \$0.6 million from the prior year. This expense was relatively consistent with the prior year and the decrease is due to debt retirements and refunding.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

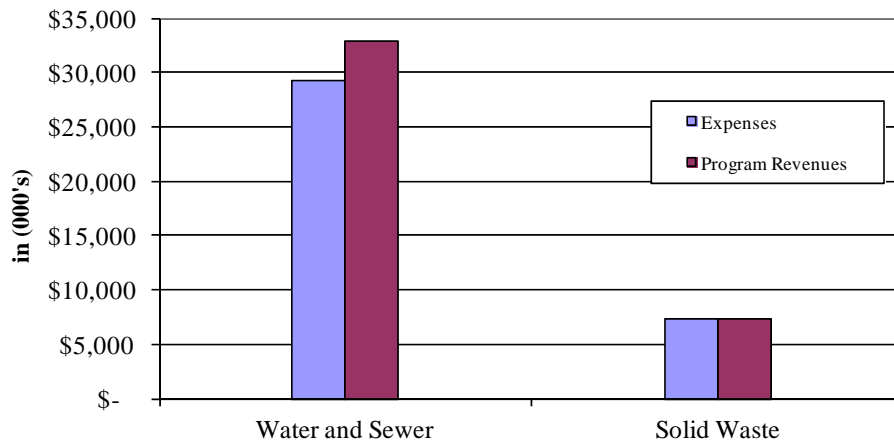


CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

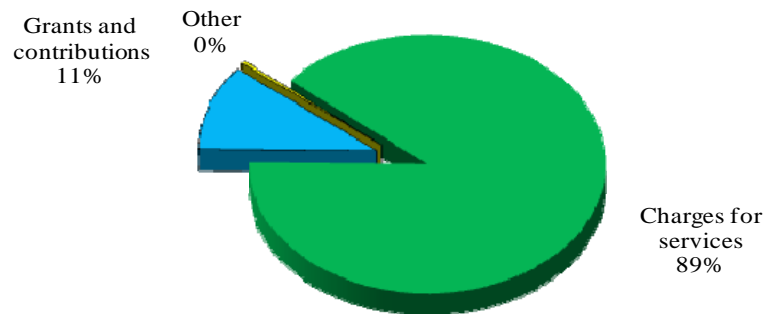
Business-type activities - Business-type activities increased the City's net assets by \$2.4 million. Key elements of this increase are as follows.

- Charges for services of \$35.9 million increased approximately \$3.6 million over the prior year primarily due to an increase in water and sewer consumption due to lack of rainfall.
- Capital grants and contributions of \$4.2 million decreased \$4.4 million from the prior year due to decreased contributions of infrastructure from developers.
- The revenues listed above were offset by expenses of \$29.2 million and \$7.3 million respectively for Water and Sewer and Solid Waste. Expenses for Water and Sewer increased from prior year by \$2.0 million mainly due to an increase in the purchase of surface water from lack of rainfall.

Expenses and Program Revenues - Business-type Activities



Revenues by Source - Business-type Activities



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

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of \$47.2 million. A portion of the combined fund balance, or \$14.1 million, is unassigned and available for day-to-day operations of the City; \$23.6 million is restricted for debt service; and the remaining balance is restricted for capital projects.

There was a decrease in the combined fund balance of \$7.5 million from the prior year. The decrease in fund balance includes a decrease in the capital projects fund balance of approximately \$7.4 million due to capital expenditures of \$27.9 million, offset by bond issues of \$20 million; a decrease of \$1.5 million in the debt service fund balance, and a combined decrease of approximately \$227,000 in the remaining special revenue funds.

With a current year increase of \$1.7 million, mainly in Charges for Services for TIRZ Administration fees and Recreation Center/Natatorium fees, the General Fund's fund balance totaled \$14.5 million at year end.

In the Capital Projects Fund, the City spent \$27.9 million on various improvement projects. Additionally, the City issued \$19.4 million in General Obligation Bonds and \$2.1 million in Certificates of Obligation, leaving an ending fund balance of \$23.5 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.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$1.0 million increase in appropriations between the original and final amended budget. The increase in appropriations is attributable to carryover funding from prior-year encumbrances and projects and to reflect projections during the 2011-2012 budget process.

Budget estimates for revenues and other sources combined increased by approximately \$524,000 for the year; also to reflect carryovers and revised projections. Actual revenues of \$46.1 million were \$811,000 over the final budget mainly in franchise fees and charges for services. Actual expenditures of \$48.5 million were under budget by \$2.0 million, resulting in the year-end fund balance of \$14.5 million over budget by \$2.8 million.

At year-end, equipment purchases and several projects were still in progress and part of the \$2.8 million will be carried over and reappropriated in the 2011-2012 budget year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2011, the City's governmental activities and business-type activities had invested \$695.8 million and \$268.1 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$4.9 million, or 1.9 percent over the end of last fiscal year for the business-type activities capital assets and a net increase of \$11.0 million or 1.6 percent for the governmental activities capital assets.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Land	\$ 28,409	\$ 28,457	\$ 3,610	\$ 3,610	\$ 32,018	\$ 32,066
Construction in progress	32,868	119,832	24,891	27,808	57,759	147,640
Infrastructure	564,903	509,657	179,648	172,082	744,551	681,739
Buildings and improvements	63,351	20,586	28,615	27,152	91,966	47,738
Machinery and equipment	6,224	6,242	1,299	1,148	7,523	7,390
Contractual water rights			29,988	31,368	29,988	31,368
Total Capital Assets	<u>\$ 695,754</u>	<u>\$ 684,774</u>	<u>\$ 268,051</u>	<u>\$ 263,167</u>	<u>\$ 963,805</u>	<u>\$ 947,941</u>

Construction in progress at year-end represents numerous ongoing projects, the largest of which relate to street, drainage and water/sewer 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, capital leases, and post employment liabilities outstanding of \$436.5 million. Of this amount, \$207.1 million is composed of general obligation bonds, \$100.9 million is composed of certificates of obligation and \$113.3 million represents revenue bonds secured solely by specified revenue sources.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
General obligation bonds	\$ 207,105	\$ 193,785	\$	\$	\$ 207,105	\$ 193,785
Deferred amount for issuance premium/(discount)	3,489	3,623	656	783	4,145	4,406
Revenue bonds			113,270	116,440	113,270	116,440
Certificates of obligation	91,150	92,380	9,730	10,540	100,880	102,920
Capital leases payable	4,032	3,237	421	345	4,453	3,582
Compensated absences	4,669	4,654	558	546	5,227	5,200
Post employment benefit liability	1,204	873	224	166	1,428	1,039
	<u>\$ 311,649</u>	<u>\$ 298,552</u>	<u>\$ 124,859</u>	<u>\$ 128,820</u>	<u>\$ 436,508</u>	<u>\$ 427,372</u>

The City of Pearland's General Obligation and Certificates of Obligation debt for governmental activities increased to \$298.3 million. The key factor was the sale of Permanent Improvement and Refunding Bonds of \$19.4 million, of which \$1.6 million was bonds refunded to pay Water and Sewer activities, and \$2.1 million in Certificates of Obligation. The increase was offset by principal payments of \$7.4 million. The City's debt for business activities decreased to \$123.0 million, a net decrease of \$4.0 million from the previous year, which was a result of principal payments of \$4.0 million.

Current ratings on debt issues are as follows:

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

Both the Pearland Economic Development Corporation (PEDC) and the Development Authority of Pearland (DAP), component units of the City, have issued debt. The PEDC bonds are rated A1 from Moody's. The DAP bonds are rated A- by Standard and 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

Two primary factors in the 2012 budget are the economy and the continued growth in population served by the City. Economic conditions in the nation and the Houston region continue to impact growth of the City's revenues, and property values, sales tax and permits are expected to remain relatively flat. New home starts for 2012 are expected to still remain at a relatively low level with the issuance of 750 single family building permits projected in FY 2012, which is flat with 2011. Commercial construction is expected to continue with current year activity. Sales tax revenues in FY 2011 have been inconsistent month to month compared to the prior year, however, FY 2011 did show an increase of \$302,000 or 1.6% over FY 2010. Area economists are forecasting an improvement in the economy for the upcoming year. As a result, the FY 2012 budget projects a 3% increase in sales tax revenue over FY 2011.

Operating costs for new facilities should not significantly impact the City in FY2012, however, the City will see the effects of serving an increased population with relatively limited revenues. To address these increased costs the City identified \$867,000 in reduction of expenditures, along with an increase of 2.0 cents in the ad valorem tax rate. The entire increase in the tax rate is related to debt service, and the portion of the property tax rate that funds operations will remain the same. Operating revenue from property taxes is expected to essentially remain unchanged from FY 2011.

The Pearland City Council approved a \$51.5 million General Fund budget for FY 2012. This is a 3.7% increase from the FY 2011 adopted budget. The increase is mainly due to a full year funding of positions budgeted part-year in FY 2011, as well as new positions added in FY 2012. The budget incorporates a tax rate of \$0.6851 per \$100 of valuation, which is an increase of \$0.02 or 3.0% over last year, however, the increase is for debt service. The General Fund budget includes the use of \$454,000 in fund balance to fund non-recurring capital items.

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. \$2.8 million of reserve funds, however, is planned to be used for capital expenditures.

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.

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Basic Financial Statements

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CITY OF PEARLAND, TEXAS
STATEMENT OF NET ASSETS
September 30, 2011

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and equivalents	\$ 37,623,761	\$ 5,571,500	\$ 43,195,261	\$ 10,718,244
Investments	12,694,389	8,091,699	20,786,088	3,611,882
Receivables, net of allowance for uncollectibles	16,996,355	3,686,809	20,683,164	1,260,937
Due from primarily government				12,691
Due from other governmental agencies	752,210		752,210	
Inventories	106,008		106,008	
Prepaid items	195,146	13,381	208,527	11,355
Restricted cash and investments		21,892,608	21,892,608	3,377,841
Deferred charges	4,176,446	1,863,359	6,039,805	3,191,767
Capital assets:				
Capital assets not subject to depreciation	61,276,237	28,500,935	89,777,172	3,220,907
Capital assets, net of accumulated depreciation	634,478,235	239,549,649	874,027,884	6,658,827
Total Capital Assets	695,754,472	268,050,584	963,805,056	9,879,734
Total Assets	768,298,787	309,169,940	1,077,468,727	32,064,451
Liabilities				
Accounts payable and accrued liabilities	6,997,572	5,213,312	12,210,884	51,255
Due to component units	12,691		12,691	
Accrued interest	1,064,735	430,297	1,495,032	279,895
Unearned revenues	3,938,231		3,938,231	
Customer deposits	191,981	2,525,754	2,717,735	38,333
Long-term liabilities				
Due within one year	10,072,718	4,295,146	14,367,864	2,740,000
Due in more than one year	301,576,724	120,563,813	422,140,537	71,638,393
Total Liabilities	323,854,652	133,028,322	456,882,974	74,747,876
Net Assets				
Invested in capital assets, net of related debt	413,439,024	156,629,158	570,068,182	(64,498,659)
Restricted for:				
Capital improvements	126,000	4,606,267	4,732,267	
Debt service	11,761,173	995,863	12,757,036	2,528,304
Community development programs	4,033,972		4,033,972	19,286,930
Public safety	540,953		540,953	
Unrestricted	14,543,013	13,910,330	28,453,343	
Total Net Assets	\$ 444,444,135	\$ 176,141,618	\$ 620,585,753	\$ (42,683,425)

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 15,945,446	\$	\$ 5,487,721	\$
Public Safety	23,042,274	3,678,787	407,155	
Public Works	31,129,640	17,532	675,382	10,329,534
Community Services	3,253,947	4,632,490	366,457	
Parks and Recreation	8,061,470	2,026,698	462,012	
Interest on long-term debt	13,142,041			
Total Governmental Activities	94,574,818	10,355,507	7,398,727	10,329,534
Business-type activities:				
Water and Sewer	29,194,345	28,664,325	60,778	4,215,224
Solid Waste	7,285,033	7,257,020		
Total Business-Type Activities	36,479,378	35,921,345	60,778	4,215,224
Total Primary Government	\$ 131,054,196	\$ 46,276,852	\$ 7,459,505	\$ 14,544,758
Component Units:				
Pearland Economic Development Corporation	\$ 3,912,444	\$ 202,519	\$	\$
Tax Increment Reinvestment Zone #2	5,527,689			
Development Authority of Pearland	12,427,195			
Total Component Units	\$ 21,867,328	\$ 202,519	\$	\$

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 (as restated)
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
\$ (10,457,725)	\$	\$ (10,457,725)	
(18,956,332)		(18,956,332)	
(20,107,192)		(20,107,192)	
1,745,000		1,745,000	
(5,572,760)		(5,572,760)	
(13,142,041)		(13,142,041)	
<u>(66,491,050)</u>		<u>(66,491,050)</u>	
	3,745,982	3,745,982	
	(28,013)	(28,013)	
	<u>3,717,969</u>	<u>3,717,969</u>	
<u>(66,491,050)</u>	<u>3,717,969</u>	<u>(62,773,081)</u>	
			\$ (3,709,925)
			(5,527,689)
			<u>(12,427,195)</u>
			<u>(21,664,809)</u>
33,451,174		33,451,174	14,724,037
13,983,299		13,983,299	6,593,971
5,605,394		5,605,394	
156,558	116,167	272,725	25,538
1,909,105	9,454	1,918,559	455,004
1,474,792	(1,474,792)		
<u>56,580,322</u>	<u>(1,349,171)</u>	<u>55,231,151</u>	<u>21,798,550</u>
(9,910,728)	2,368,798	(7,541,930)	133,741
454,354,863	173,772,820	628,127,683	(42,817,166)
<u>\$ 444,444,135</u>	<u>\$ 176,141,618</u>	<u>\$ 620,585,753</u>	<u>\$ (42,683,425)</u>

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	<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	\$ 6,706,599	\$ 4,041,023	\$ 22,388,208	\$ 3,884,268	\$ 37,020,098
Investments	7,681,312	1,000,996	4,012,081		12,694,389
Receivables, net of allowance for uncollectibles	5,336,726	11,098,233	8,817	548,873	16,992,649
Due from other governments	608,705		143,505		752,210
Due from other funds	165,352				165,352
Inventories	106,008				106,008
Prepaid items	24,480	166,894		3,772	195,146
Total Assets	<u>\$ 20,629,182</u>	<u>\$ 16,307,146</u>	<u>\$ 26,552,611</u>	<u>\$ 4,436,913</u>	<u>\$ 67,925,852</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,783,878	\$ 166,894	\$ 3,091,636	\$ 292,387	\$ 5,334,795
Accrued expenditures	1,409,846	3,951			1,413,797
Deposits	191,981				191,981
Due to other funds	4,253	8,438		104,257	116,948
Deferred revenue	2,715,678	10,968,322		6,297	13,690,297
Total Liabilities	<u>6,105,636</u>	<u>11,147,605</u>	<u>3,091,636</u>	<u>402,941</u>	<u>20,747,818</u>
Fund balances:					
Non-spendable:					
Inventories	106,008				106,008
Prepaid items	24,480	166,894		3,772	195,146
Restricted for:					
Debt service		4,992,647			4,992,647
Capital improvements	126,000		23,460,975		23,586,975
Community development programs				3,489,247	3,489,247
Public safety				540,953	540,953
Assigned for:					
Encumbrances	160,444				160,444
Unassigned					
General fund	14,106,614				14,106,614
Total fund balances	<u>14,523,546</u>	<u>5,159,541</u>	<u>23,460,975</u>	<u>4,033,972</u>	<u>47,178,034</u>
Total Liabilities and Fund Balances	<u>\$ 20,629,182</u>	<u>\$ 16,307,146</u>	<u>\$ 26,552,611</u>	<u>\$ 4,436,913</u>	<u>\$ 67,925,852</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, 2011

Total fund balance, governmental funds \$ 47,178,034

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. 695,754,472

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. 9,752,065

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 (305,776,423)

Compensated absences (4,668,853)

Accrued interest governmental activity debt (1,060,784)

Estimated post employment benefit liability (1,204,166)

Deferred bond issuance costs 4,176,446

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. 293,344

Net Assets of Governmental Activities in the Statement of Net Assets \$ 444,444,135

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, 2011

	<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	\$ 10,867,570	\$ 22,586,408	\$	\$	\$ 33,453,978
Sales and use taxes	13,331,189			652,110	13,983,299
Franchise fees	5,605,394				5,605,394
Licenses and permits	1,720,856				1,720,856
Fines and forfeitures	2,714,217			180,478	2,894,695
Charges for services	10,882,021	805,071			11,687,092
Investment earnings	59,859	29,218	61,288	5,708	156,073
Intergovernmental	350,441		1,087,629	761,034	2,199,104
Other	542,958		578,874	438,105	1,559,937
Total Revenues	<u>46,074,505</u>	<u>23,420,697</u>	<u>1,727,791</u>	<u>2,037,435</u>	<u>73,260,428</u>
Expenditures					
Current:					
General government	8,045,261		2,157,925	662,738	10,865,924
Public safety	23,716,470			209,646	23,926,116
Public works	6,505,139				6,505,139
Community services	3,027,088			349,142	3,376,230
Parks and recreation	7,171,812			366,935	7,538,747
Debt Service:					
Principal		8,217,402			8,217,402
Interest and other charges		13,302,477			13,302,477
Bond issuance costs			240,123		240,123
Capital outlay			25,545,778	157,564	25,703,342
Intergovernmental		3,954,050			3,954,050
Total Expenditures	<u>48,465,770</u>	<u>25,473,929</u>	<u>27,943,826</u>	<u>1,746,025</u>	<u>103,629,550</u>
Excess (deficiency) of revenues over expenditures	<u>(2,391,265)</u>	<u>(2,053,232)</u>	<u>(26,216,035)</u>	<u>291,410</u>	<u>(30,369,122)</u>
Other Financing Sources (Uses)					
Issuance of debt			20,006,813		20,006,813
Refunding bonds issued		1,630,000			1,630,000
Payments to refunded bond escrow agent		(1,630,140)			(1,630,140)
Bond premium		55,521			55,521
Capital leases	1,288,891				1,288,891
Transfers in	2,933,865	451,704	139,574		3,525,143
Transfers out	(169,741)		(1,362,617)	(517,993)	(2,050,351)
Total Other Financing Sources (Uses)	<u>4,053,015</u>	<u>507,085</u>	<u>18,783,770</u>	<u>(517,993)</u>	<u>22,825,877</u>
Net change in fund balances	<u>1,661,750</u>	<u>(1,546,147)</u>	<u>(7,432,265)</u>	<u>(226,583)</u>	<u>(7,543,245)</u>
Fund balances - beginning	<u>12,861,796</u>	<u>6,705,688</u>	<u>30,893,240</u>	<u>4,260,555</u>	<u>54,721,279</u>
Fund balances - ending	<u>\$ 14,523,546</u>	<u>\$ 5,159,541</u>	<u>\$ 23,460,975</u>	<u>\$ 4,033,972</u>	<u>\$ 47,178,034</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, 2011

Net change in fund balances - total governmental funds: \$ (7,543,245)

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 \$25,741,070 exceeded depreciation of \$25,010,269 in the current period. 730,801

Capital assets net of related debt acquired as a result of Municipal Utility District annexation. 10,249,631

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. 49,731

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. (13,053,490)

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. 316,216

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	(26,784)
Amortization of bond issuance costs	(82,779)
Capital lease activity	(426,496)
Post employment benefit liability	(345,883)

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. 221,570

Change in net assets of governmental activities \$ (9,910,728)

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2011

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer	Solid Waste	Total	Activities -
	Fund	Fund		Internal
				Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,674,202	\$ 1,897,298	\$ 5,571,500	\$ 603,663
Investments	8,091,699		8,091,699	
Accounts receivable, net of allowance for doubtful accounts	3,002,140	684,669	3,686,809	3,707
Prepaid items	13,381		13,381	
Restricted cash and cash equivalents	21,892,608		21,892,608	
Total current assets	36,674,030	2,581,967	39,255,997	607,370
Non-current assets:				
Deferred charges	1,863,359		1,863,359	
Capital assets:				
Land and improvements	3,609,542		3,609,542	
Construction in progress	24,891,393		24,891,393	
Contractual rights to water supply	34,511,428		34,511,428	
Infrastructure	254,701,621		254,701,621	
Buildings	31,256,473		31,256,473	
Machinery and equipment	3,334,000		3,334,000	
Less Accumulated depreciation	(84,253,873)		(84,253,873)	
Total non-current assets	269,913,943		269,913,943	
Total Assets	306,587,973	2,581,967	309,169,940	607,370
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	2,847,651	2,365,661	5,213,312	252,931
Accrued interest payable	430,297		430,297	
Due to other funds				61,095
Customer deposits	2,525,754		2,525,754	
Compensated absences - current portion	81,417		81,417	
Bonds and certificates of obligation payable - current portion	4,135,000		4,135,000	
Capital lease - current portion	78,729		78,729	
Total current liabilities	10,098,848	2,365,661	12,464,509	314,026
Non-current liabilities:				
Compensated absences	476,799		476,799	
Capital lease obligation	342,364		342,364	
Other post-employment benefits	224,017		224,017	
Bonds and certificates of obligation payable	119,520,633		119,520,633	
Total non-current liabilities	120,563,813		120,563,813	
Total Liabilities	130,662,661	2,365,661	133,028,322	314,026
Net Assets				
Invested in capital assets, net of related debt	156,629,158		156,629,158	
Restricted for debt service	995,863		995,863	
Restricted for capital projects	4,606,267		4,606,267	
Unrestricted	13,694,024	216,306	13,910,330	293,344
Total Net Assets	\$ 175,925,312	\$ 216,306	\$ 176,141,618	\$ 293,344

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, 2011

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Fund
Revenues				
Charges for services	\$ 28,664,325	\$ 7,257,020	\$ 35,921,345	\$ 5,672,413
Operating Expenses				
Personnel services	4,601,377		4,601,377	
Supplies and materials	2,218,217		2,218,217	
Contractual services	7,030,580	7,269,356	14,299,936	5,385,383
Repairs and maintenance	1,230,743		1,230,743	65,943
Other expenses	448,364	15,677	464,041	
Depreciation and amortization	8,138,881		8,138,881	
Total Operating Expenses	23,668,162	7,285,033	30,953,195	5,451,326
Operating income (loss)	4,996,163	(28,013)	4,968,150	221,087
Non-Operating Revenues (Expenses)				
Earnings on investments	115,933	234	116,167	482
Miscellaneous revenue (expense)		1,735	1,735	
Operating grants and contributions	60,778		60,778	
Gain (loss) on disposal of capital assets	7,719		7,719	
Interest expense	(5,526,183)		(5,526,183)	
Total Non-Operating Revenues (Expenses)	(5,341,753)	1,969	(5,339,784)	482
Income (loss) before contributions and transfers	(345,590)	(26,044)	(371,634)	221,569
Capital contributions	4,215,224		4,215,224	
Transfers in	169,740		169,740	
Transfers out	(1,644,532)		(1,644,532)	
Change in net assets	2,394,842	(26,044)	2,368,798	221,569
Total net assets - beginning	173,530,470	242,350	173,772,820	71,775
Total net assets - ending	\$ 175,925,312	\$ 216,306	\$ 176,141,618	\$ 293,344

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 29,112,952	\$ 7,402,448	\$ 36,515,400	\$ 5,668,706
Disbursed for personnel services	(4,598,606)		(4,598,606)	
Disbursed for goods and services	(12,320,355)	(6,152,300)	(18,472,655)	(5,218,306)
Net cash provided (used) by operating activities	<u>12,193,991</u>	<u>1,250,148</u>	<u>13,444,139</u>	<u>450,400</u>
Cash Flows from Noncapital Financing Activities				
Transfers from funds	169,740		169,740	57,640
Transfers to other funds	(1,644,532)		(1,644,532)	
Operating grants and contributions	60,778		60,778	
Net cash provided by (used by) noncapital financing activities	<u>(1,414,014)</u>	<u></u>	<u>(1,414,014)</u>	<u>57,640</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from the sale of equipment	7,719		7,719	
Capital grants and contributions	3,336,439		3,336,439	
Proceeds from the issuance of debt	152,800		152,800	
Principal payments on debt	(4,057,064)		(4,057,064)	
Acquisition and construction of capital assets	(11,389,831)	1,735	(11,388,096)	
Net cash used by capital and related financing activities	<u>(11,949,937)</u>	<u>1,735</u>	<u>(11,948,202)</u>	<u></u>
Cash Flows from Investing Activities				
Purchase of investments	(4,044,741)		(4,044,741)	
Interest received	115,933	234	116,167	482
Interest paid	(5,526,183)		(5,526,183)	
Net cash provided by (used by) investing activities	<u>(9,454,991)</u>	<u>234</u>	<u>(9,454,757)</u>	<u>482</u>
Net increase (decrease) in cash and equivalents	(10,624,951)	1,252,117	(9,372,834)	508,522
Cash and equivalents, beginning	<u>36,191,761</u>	<u>645,181</u>	<u>36,836,942</u>	<u>95,141</u>
Cash and equivalents, end	<u>\$ 25,566,810</u>	<u>\$ 1,897,298</u>	<u>\$ 27,464,108</u>	<u>\$ 603,663</u>
Unrestricted cash and equivalents	\$ 3,674,202	\$ 1,897,298	\$ 5,571,500	\$ 603,663
Restricted cash and equivalents	21,892,608		21,892,608	
	<u>\$ 25,566,810</u>	<u>\$ 1,897,298</u>	<u>\$ 27,464,108</u>	<u>\$ 603,663</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2011

	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)	\$ 4,996,163	\$ (28,013)	\$ 4,968,150	\$ 221,087
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	8,138,881		8,138,881	
(Increase) decrease in accounts receivable	232,315	145,428	377,743	(3,707)
(Increase) decrease in prepaid expenses	(65,591)		(65,591)	3,455
Increase (decrease) in accounts payable	(1,326,860)	1,132,733	(194,127)	229,565
Increase (decrease) in salaries payable	2,771		2,771	
Increase (decrease) in customer deposits	227,914		227,914	
Increase (decrease) in unearned revenue	(11,602)		(11,602)	
Net Cash Provided by Operating Activities	<u>\$ 12,193,991</u>	<u>\$ 1,250,148</u>	<u>\$ 13,444,139</u>	<u>\$ 450,400</u>
Summary of non-cash transactions				
Contributed capital assets	<u>\$ 878,785</u>	<u>\$</u>	<u>\$ 878,785</u>	<u>\$</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
COMBINING STATEMENT OF NET ASSETS
DISCRETELY PRESENTED COMPONENT UNITS - GOVERNMENTAL ACTIVITIES
September 30, 2011

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Assets				
Cash and cash equivalents	\$ 3,869,964	\$ 4,169,845	\$ 2,678,435	\$ 10,718,244
Investments	3,611,882			3,611,882
Receivables - less allowance for uncollectibles	1,155,488	105,449		1,260,937
Due from primary government		12,691		12,691
Prepaid items	11,355			11,355
Restricted cash	665,254		2,712,587	3,377,841
Deferred charges	375,711		2,816,056	3,191,767
Capital assets not subject to depreciation	3,220,907			3,220,907
Capital assets net of accumulated depreciation	6,658,827			6,658,827
Total Assets	19,569,388	4,287,985	8,207,078	32,064,451
Liabilities				
Accounts payable and accrued expenses	35,452	14,403	1,400	51,255
Accrued interest	95,612		184,283	279,895
Customer deposits	38,333			38,333
Non-current liabilities:				
Due within one year	840,000		1,900,000	2,740,000
Due in more than one year	24,624,774		47,013,619	71,638,393
Total Liabilities	25,634,171	14,403	49,099,302	74,747,876
Net Assets				
Invested in capital assets, net of related debt	(15,585,040)		(48,913,619)	(64,498,659)
Restricted - debt service	569,642		2,528,304	3,097,946
Restricted - economic development	8,950,615	4,273,582	5,493,091	18,717,288
Total Net Assets	\$ (6,064,783)	\$ 4,273,582	\$ (40,892,224)	\$ (42,683,425)

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, 2011

Functions/Programs	Expenses	Program Revenues	Net (Expense) and Changes in Net Assets			Totals
		Operating Grants and Contributions	Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	
Component Units:						
Pearland Economic Development Corporation	\$ 3,912,444	\$	\$ (3,912,444)	\$	\$	\$ (3,912,444)
Tax Increment Reinvestment Zone #2	5,527,689			(5,527,689)		(5,527,689)
Development Authority of Pearland	12,427,195				(12,427,195)	(12,427,195)
	<u>\$ 21,867,328</u>	<u>\$</u>	<u>(3,912,444)</u>	<u>(5,527,689)</u>	<u>(12,427,195)</u>	<u>(21,867,328)</u>
General Revenues:						
Taxes:						
Property taxes			\$	\$ 14,724,037	\$	\$ 14,724,037
Sales and use tax			6,593,971			6,593,971
Unrestricted investment earnings			10,641	11,891	3,006	25,538
Miscellaneous			657,523			657,523
Transfers between component units				(11,819,230)	11,819,230	
Total General Revenues and Transfers			<u>7,262,135</u>	<u>2,916,698</u>	<u>11,822,236</u>	<u>22,001,069</u>
Change in net assets			<u>3,349,691</u>	<u>(2,610,991)</u>	<u>(604,959)</u>	<u>133,741</u>
Net assets, beginning			<u>(9,414,474)</u>	<u>6,884,573</u>	<u>(40,287,265)</u>	<u>(42,817,166)</u>
Net assets, ending			<u>\$ (6,064,783)</u>	<u>\$ 4,273,582</u>	<u>\$ (40,892,224)</u>	<u>\$ (42,683,425)</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
NOTES TO FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

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

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 (DAP). No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

Tax Increment Reinvestment Zone (TIRZ #2)

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

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

The government-wide financial statements and all proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. With this measurement focus, all assets and all liabilities associated with the operations of these activities are included on the statements of net assets. 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 of 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 on a pay-as-you go basis and the sale of bonds and related interest earnings for capital improvement projects. The Capital Projects Fund is considered a major fund for reporting purposes.

The 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.

Note 1 - Summary of 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. Fund Balance Working Capital Policies

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

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

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

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

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

Unassigned – All amounts not included in other spendable classifications.

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

General Fund Unassigned Fund Balance

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Balance Working Capital Policies (continued)

Water/Sewer Unreserved Working Capital

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

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

Use of Fund Balance/Working Capital

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

Debt Service Fund Total Fund Balance

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

Property Insurance Fund Unrestricted Net Assets

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

Employee Benefits Fund Unrestricted Net Assets

The Employee Benefits Fund is funded through City and employee contributions. Estimated costs shall be determined during each budget year and the contributions adjusted accordingly. There is no minimum balance for this fund.

Economic Development Corporation

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

Water/Sewer Revenue Debt Coverage Reserves

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

Bond Issuance Reserves

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

Contingency Fund

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents

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

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

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

F. Investments

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

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 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 Pearland Economic Development Corporation and Development Authority Bonds and are reported as restricted assets.

Note 1 - Summary of Significant Accounting Policies (continued)

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

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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

M. Estimates

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

N. Comparative Data and Reclassifications

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

Note 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.

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

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

Deposit and Investment Amounts

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

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

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

	Total Fair Value	
	Primary Government	Component Units
Cash deposits	\$ 58,049,643	\$ 14,096,085
Temporary Investments		
FFCB discount note	1,604,648	599,539
FHLB discount note	10,168,324	1,013,073
FHLMC discount note	4,028,606	
FNMA discount note	12,022,736	1,999,270
	<u>\$ 85,873,957</u>	<u>\$ 17,707,967</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	\$ 235,953	\$ 29,024
Unrealized gain (loss) on temporary investments	36,772	(3,486)
Investment earnings	<u>\$ 272,725</u>	<u>\$ 25,538</u>

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

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

Interest Rate Risk

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

	Primary Government		Component Units	
	Total Fair Value	Weighted Average Maturity (days)	Total Fair Value	Weighted Average Maturity (days)
Temporary Investments				
FFCB discount note	\$ 1,604,648	633	\$ 599,539	721
FHLB discount note	10,168,324	299	1,013,073	362
FHLMC discount note	4,028,606	315		
FNMA discount note	12,022,736	372	1,999,270	408
	<u>\$ 27,824,314</u>		<u>\$ 3,611,882</u>	
Portfolio weighted average maturity		<u>352</u>		<u>447</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.

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, 2011, 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		Component Units	
	Total Fair Value	Percentage of Total Investment Portfolio	Total Fair Value	Percentage of Total Investment Portfolio
FFCB discount note	\$ 1,604,648	6%	\$ 599,539	20%
FHLB discount note	10,168,324	37%	1,013,073	34%
FHLMC discount note	4,028,606	14%		
FNMA discount note	12,022,736	43%	1,999,270	66%
Total	<u>\$ 27,824,314</u>	<u>100%</u>	<u>\$ 3,012,343</u>	<u>100%</u>

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

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

Credit Risk

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

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

Restricted Assets

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

	Primary Government	Component Units
Revenue bond debt service	\$ 1,426,160	\$ 3,377,841
Customer deposits	2,525,754	
Capital improvements	17,940,694	
Total	\$ 21,892,608	\$ 3,377,841

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

Note 3 - Receivables

Receivables at September 30, 2011, consisted 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 Funds</u>	<u>Total</u>
Receivables					
Property taxes, including penalties and interest	\$ 587,571	\$ 868,182	\$	\$	\$ 1,455,753
Lease receivable		10,246,277			10,246,277
Sales and other taxes	3,466,139				3,466,139
Fines and forfeitures	774,570				774,570
Interest	20,998	958	5,805		27,761
Due from other governments	608,705		143,505		752,210
Other	499,023		3,012	552,579	1,054,614
Allowance for uncollectibles	(11,575)	(17,184)			(28,759)
	<u>\$ 5,945,431</u>	<u>\$ 11,098,233</u>	<u>\$ 152,322</u>	<u>\$ 552,579</u>	<u>\$ 17,748,565</u>

Proprietary Funds:

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Receivables			
Customer accounts	\$ 3,037,172	\$ 749,188	\$ 3,786,360
Interest	48,822		48,822
Other	102,695		102,695
Allowance for uncollectibles	(186,549)	(64,519)	(251,068)
	<u>\$ 3,002,140</u>	<u>\$ 684,669</u>	<u>\$ 3,686,809</u>

Component Units:

	<u>Pearland Economic Development Corporation</u>	<u>Tax Increment Reinvestment Zone Developments</u>	<u>Development Authority of Pearland</u>	<u>Total</u>
Receivables				
Sales and other taxes	\$ 1,152,271	\$	\$	\$ 1,152,271
Interest	3,217			3,217
Other		105,449		105,449
Total	<u>\$ 1,155,488</u>	<u>\$ 105,449</u>	<u>\$</u>	<u>\$ 1,260,937</u>

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

Note 3 - Receivables (continued)

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:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 536,204	\$
Delinquent property taxes receivable - debt service fund	778,876	
Lease revenues-principal	7,662,416	
Municipal fines and forfeitures	774,570	
Lease interest revenues		2,527,030
Grants and revenues prior to meeting all eligibility requirements		1,411,201
Total Deferred Revenue for Governmental Funds	<u>\$ 9,752,066</u>	<u>\$ 3,938,231</u>

Property Taxes

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

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

Note 4 - Capital Assets

A summary of changes in the primary government's capital assets for the year ended September 30, 2011, follows:

	Primary Government			Balance September 30, 2011
	Balance September 30, 2010	Increases	(Decreases)	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 28,456,629	\$	\$ (48,001)	\$ 28,408,628
Construction in progress	119,832,206	25,429,635	(112,394,232)	32,867,609
Total capital assets not being depreciated	148,288,835	25,429,635	(112,442,233)	61,276,237
Other capital assets:				
Infrastructure	695,044,965	76,843,651		771,888,616
Buildings and improvements	32,027,582	44,643,524		76,671,106
Machinery and equipment	14,058,598	1,516,124	(178,509)	15,396,213
Total other capital assets	741,131,145	123,003,299	(178,509)	863,955,935
Less accumulated depreciation for:				
Infrastructure	(185,387,721)	(21,598,317)		(206,986,038)
Buildings and improvements	(11,441,810)	(1,877,858)		(13,319,668)
Machinery and equipment	(7,816,409)	(1,534,094)	178,509	(9,171,994)
Total accumulated depreciation	(204,645,940)	(25,010,269)	178,509	(229,477,700)
Other capital assets, net	536,485,205	97,993,030		634,478,235
Totals	\$ 684,774,040	\$ 123,422,665	\$ (112,442,233)	\$ 695,754,472
	Balance September 30, 2010	Increases	(Decreases)	Balance September 30, 2011
Business-type Activities				
Capital assets not being depreciated:				
Land and intangibles	\$ 3,609,542	\$	\$	\$ 3,609,542
Construction in progress	27,808,212		(2,916,819)	24,891,393
Total capital assets not being depreciated	31,417,754		(2,916,819)	28,500,935
Other capital assets:				
Water and sewer system	241,377,160	13,324,461		254,701,621
Buildings and improvements	29,101,323	2,155,150		31,256,473
Machinery and equipment	2,985,148	459,518	(110,666)	3,334,000
Contractual water rights	34,511,428			34,511,428
Total other capital assets	307,975,059	15,939,129	(110,666)	323,803,522
Less accumulated depreciation for:				
Water and sewer system	(69,295,554)	(5,757,621)		(75,053,175)
Buildings and improvements	(1,949,479)	(692,329)		(2,641,808)
Machinery and equipment	(1,837,578)	(308,474)	110,666	(2,035,386)
Contractual water rights	(3,143,046)	(1,380,457)		(4,523,503)
Total accumulated depreciation	(76,225,657)	(8,138,881)	110,666	(84,253,872)
Other capital assets, net	231,749,402	7,800,248		239,549,650
Totals	\$ 263,167,156	\$ 7,800,248	\$ (2,916,819)	\$ 268,050,585

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

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$	379,162
Public safety		1,637,291
Public works		21,009,636
Community services		120,876
Parks and recreation		1,863,304
Total Governmental Activity	\$	25,010,269
Water and sewer	\$	8,138,881
Total Business-Type Activity	\$	8,138,881

The City had active construction projects as of September 30, 2011. The projects included various improvements to streets, drainage and facilities as well as and water and sewer improvements. At year-end, the City's contractual commitments on projects were as follows:

Project Description	Total In Progress	Commitment
Drainage Improvement	\$ 13,642,136	\$ 6,173,687
Building Improvements	316,742	2,437,341
Street Improvement	18,443,782	18,561,050
Park Improvements	464,948	862,417
Water and Sewer Improvements	24,891,394	16,388,105
Totals	\$ 57,759,002	\$ 44,422,600

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, 2011. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities.

	Balance September 30, 2010	Additions	(Reductions)	Balance September 30, 2011	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 193,785,000	\$ 19,445,000	\$ (6,125,000)	\$ 207,105,000	\$ 5,495,000
Certificates of obligation	92,380,000	2,095,000	(3,325,000)	91,150,000	3,335,000
Deferred amount for issuance premium/(discount)	3,622,805	167,668	(301,105)	3,489,368	
Total bonds payable	<u>289,787,805</u>	<u>21,707,668</u>	<u>(9,751,105)</u>	<u>301,744,368</u>	<u>8,830,000</u>
Other liabilities:					
Obligations under capital leases	3,237,387	1,288,909	(494,241)	4,032,055	625,296
Compensated absences	4,654,191	2,588,746	(2,574,084)	4,668,853	617,422
Other post-employment benefits	872,946	331,220		1,204,166	
Total Governmental Activities	<u>\$ 298,552,329</u>	<u>\$ 25,916,543</u>	<u>\$ (12,819,430)</u>	<u>\$ 311,649,442</u>	<u>\$ 10,072,718</u>

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

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

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

Note 5 - Long-Term Debt (continued)

A. 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, 2011, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Permanent Improvement, Series 2002	\$ 25,000,000	2027	5.10-5.08	\$ 810,000
Permanent Improvement, Series 2003	15,000,000	2028	4.00-6.00	12,870,000
Permanent Improvement and Refunding Bonds, Series 2005	37,015,000	2029	3.25-5.00	33,250,000
Permanent Improvement and Refunding Bonds, Series 2006	32,165,000	2029	4.00-5.00	31,645,000
Permanent Improvement and Refunding Bonds, Series 2007	69,640,000	2032	4.00-5.00	69,450,000
Permanent Improvement, Series 2008	22,835,000	2032	4.50-5.50	22,220,000
Permanent Improvement and Refunding Bonds, Series 2009	16,735,000	2034	2.00-5.00	16,065,000
Permanent Improvement, Series 2010A	12,415,000	2035	3.00-4.00	12,045,000
Permanent Improvement Refunding, Series 2010B	1,630,000	2018	2.00-4.00	1,425,000
Permanent Improvement, Series 2011	5,400,000	2036	2.125-4.125	5,400,000
Annexed Municipal Utility District Bonds				
BC MUD 1 Series 2007	1,940,000	2030	3.75-4.35	1,925,000
Total General Obligation Bonds				<u>\$ 207,105,000</u>
Certificates of Obligation				
Certificates of Obligation, Series 2003	25,000,000	2023	3.00-4.50	\$ 15,105,000
Certificates of Obligation, Series 2004	21,000,000	2028	4.00-5.25	13,035,000
Certificates of Obligation, Series 2006	9,700,000	2029	3.65-4.68	9,475,000
Certificates of Obligation, Series 2007	23,250,000	2032	3.25-5.25	22,900,000
Certificates of Obligation, Series 2008	9,000,000	2032	3.75-5.00	8,715,000
Certificates of Obligation, Series 2009	8,520,000	2034	2.25-5.00	8,320,000
Certificates of Obligation, Series 2009A	12,145,000	2029	2.00-4.50	11,505,000
Certificates of Obligation, Series 2011	2,095,000	2021	2.09	2,095,000
Total Certificates of Obligation				<u>\$ 91,150,000</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, 2011, approximately \$26.5 million of previously refunded bonds outstanding were considered defeased.

Current Year Refunding

On October 13, 2010, the City issued \$1,630,000 in Permanent Improvement Refunding Bonds. The refunding bonds have interest rates from 2.00% to 4.00%, with an average rate of 2.76%. The proceeds were deposited into an escrow fund and were used to lower the City's overall debt service and to pay costs of issuing the bonds. This refunding decreased the City's total debt service payment by \$179,939 for an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$125,363.

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 \$5.1 million.

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

	<u>Fiscal Year</u>	<u>Obligations</u>
	2012	\$ 843,723
	2013	843,723
	2014	843,723
	2015	843,723
	2016	696,006
	2017-2019	<u>879,972</u>
Total		4,950,869
Less: Interest		<u>(498,507)</u>
Obligations under capital leases		<u><u>\$ 4,452,362</u></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, 2011, were as follows:

Fiscal Year	Governmental Activities			
	General Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2012	\$ 5,495,000	\$ 9,274,088	\$ 3,335,000	\$ 3,797,078
2013	5,955,000	9,046,301	3,480,000	3,676,909
2014	6,360,000	8,809,185	3,635,000	3,547,652
2015	6,655,000	8,524,755	3,750,000	3,410,040
2016	6,940,000	8,208,800	3,910,000	3,263,885
2017	6,155,000	7,915,597	4,345,000	3,100,757
2018	6,015,000	7,646,508	4,930,000	2,909,597
2019	8,020,000	7,332,362	5,320,000	2,697,664
2020	9,645,000	6,937,876	4,260,000	2,497,078
2021	10,060,000	6,502,171	4,445,000	2,312,690
2022	10,505,000	6,044,859	4,415,000	2,120,221
2023	10,960,000	5,565,130	4,610,000	1,919,698
2024	13,065,000	5,017,967	3,210,000	1,742,825
2025	12,070,000	4,437,128	4,945,000	1,554,482
2026	12,545,000	3,867,502	5,255,000	1,317,188
2027	13,145,000	3,275,203	5,460,000	1,080,583
2028	13,720,000	2,648,533	5,715,000	846,799
2029	16,270,000	1,939,141	4,055,000	644,684
2030	8,990,000	1,346,628	3,290,000	493,950
2031	9,180,000	921,259	3,685,000	338,925
2032	9,405,000	488,591	4,065,000	159,025
2033	2,220,000	218,131	505,000	51,750
2034	2,325,000	112,794	530,000	26,500
2035	1,070,000	36,356		
2036	335,000	6,909		
	<u>\$ 207,105,000</u>	<u>\$ 116,123,775</u>	<u>\$ 91,150,000</u>	<u>\$ 43,509,981</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, 2011.

	Balance September 30, 2010	Additions	(Reductions)	Balance September 30, 2011	Amounts Due Within One Year
Business-type Activities					
Bonds payable:					
Certificates of obligation	\$ 10,540,000	\$	\$ (810,000)	\$ 9,730,000	\$ 830,000
Water and sewer revenue bonds	116,440,000		(3,170,000)	113,270,000	3,305,000
Deferred amount for issuance premium/(discount)	783,149		(127,516)	655,633	
Total bonds payable	<u>127,763,149</u>		<u>(4,107,516)</u>	<u>123,655,633</u>	<u>4,135,000</u>
Other liabilities:					
Obligations under capital leases	345,357	152,800	(77,064)	421,093	78,729
Compensated absences	545,600	313,474	(300,858)	558,216	81,417
Other post-employment benefits	165,567	58,450		224,017	
Total Business-type Activities	<u>\$ 128,819,673</u>	<u>\$ 524,724</u>	<u>\$ (4,485,438)</u>	<u>\$ 124,858,959</u>	<u>\$ 4,295,146</u>

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2011, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Water and Wastewater Fund				
Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999	\$ 8,000,000	2020	4.41-4.60	\$ 5,915,000
Water and Sewer System Revenue Bonds, Series 2003	9,500,000	2025	4.00-6.00	7,475,000
Water and Sewer System Revenue and Refunding Bonds, Series 2006	13,845,000	2031	3.74-4.82	12,125,000
Water and Sewer System Revenue and Refunding Bonds, Series 2007	40,135,000	2031	3.50-5.50	38,335,000
Water and Sewer System Revenue Bonds, Series 2008	14,950,000	2034	4.125-5.00	14,405,000
Water and Sewer System Revenue Bonds, Series 2009	13,130,000	2034	3.00-5.50	12,450,000
Permanent Improvement and Refunding Bonds, Series 2009	11,660,000	2018	2.00-5.00	9,730,000
Water and Sewer System Revenue Bonds, Series 2010A	14,040,000	2035	1.75-4.50	13,670,000
Water and Sewer System Refunding Bonds, Series 2010B	8,970,000	2023	1.75-4.00	8,895,000
Total Utility System Fund				<u>\$ 123,000,000</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, 2011, were as follows:

Fiscal Year	Business-Type Activities			
	Revenue Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2012	\$ 3,305,000	\$ 5,016,099	\$ 830,000	\$ 346,900
2013	3,445,000	4,883,637	1,110,000	327,500
2014	3,580,000	4,744,239	1,155,000	287,525
2015	3,720,000	4,599,949	1,195,000	243,712
2016	3,880,000	4,449,216	1,220,000	212,000
2017	4,040,000	4,287,148	2,065,000	143,601
2018	4,210,000	4,114,630	2,155,000	45,988
2019	4,395,000	3,932,513		
2020	4,580,000	3,741,485		
2021	4,780,000	3,542,164		
2022	4,990,000	3,334,541		
2023	5,205,000	3,118,216		
2024	5,460,000	2,891,514		
2025	5,715,000	2,639,768		
2026	5,980,000	2,371,443		
2027	6,270,000	2,080,606		
2028	6,580,000	1,771,825		
2029	6,890,000	1,463,326		
2030	7,180,000	1,173,994		
2031	6,740,000	871,113		
2032	2,655,000	555,025		
2033	2,795,000	384,475		
2034	2,925,000	215,225		
2035	3,950,000	38,025		
	<u>\$ 113,270,000</u>	<u>\$ 66,220,173</u>	<u>\$ 9,730,000</u>	<u>\$ 1,607,226</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, 2011:

	Balance September 30, 2010	Additions	(Reductions)	Balance September 30, 2011	Amounts Due Within One Year
Pearland Economic Development Corporation					
Sales tax revenue bonds	\$ 26,130,000	\$	\$ (800,000)	\$ 25,330,000	\$ 840,000
Deferred amount for issuance premium/(discount)	101,905		(10,744)	91,161	
Compensated absences	51,835	25,206	(33,428)	43,613	5,170
Development Authority of Pearland					
Tax Increment Revenue Bonds	51,060,000		(1,830,000)	49,230,000	1,900,000
Deferred amount for issuance premium/(discount)	(345,628)		29,247	(316,381)	
	<u>\$ 76,998,112</u>	<u>\$ 25,206</u>	<u>\$ (2,644,925)</u>	<u>\$ 74,378,393</u>	<u>\$ 2,745,170</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, 2011, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
Pearland Economic Development Corporation				
Sales Tax Revenue Bonds, Series 2005	\$ 10,590,000	2026	2.30-4.42	\$ 8,375,000
Sales Tax Revenue Bonds, Series 2006	10,235,000	2030	3.66-4.75	9,485,000
Sales Tax Revenue Bonds, Series 2010	7,685,000	2030	variable-resets every 6 months	7,470,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2004	13,995,000	2028	2.50-5.50	10,810,000
Tax Increment Revenue Bonds, Series 2005	9,775,000	2028	3.50-4.75	7,225,000
Tax Increment Revenue Bonds, Series 2006	9,970,000	2028	4.00-4.40	8,570,000
Tax Increment Revenue Bonds, Series 2007	15,950,000	2029	3.70-4.75	14,415,000
Tax Increment Revenue Bonds, Series 2009	8,815,000	2029	3.00-5.875	8,210,000
Total Component Unit Long-Term Debt				<u>\$ 74,560,000</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, 2011, were as follows:

Fiscal Year	Revenue Bonds			
	Pearland Development Corporation		Development Authority of Pearland	
	Principal	Interest	Principal	Interest
2012	\$ 840,000	\$ 1,193,497	\$ 1,900,000	\$ 2,300,358
2013	880,000	1,157,316	1,975,000	2,224,827
2014	920,000	1,117,214	2,055,000	2,144,711
2015	965,000	1,075,290	2,140,000	2,059,779
2016	1,010,000	1,031,244	2,230,000	1,968,415
2017	1,060,000	982,127	2,330,000	1,871,539
2018	1,115,000	930,609	2,430,000	1,769,317
2019	1,175,000	876,055	2,540,000	1,659,862
2020	1,230,000	824,116	2,540,000	1,544,511
2021	1,285,000	769,356	2,655,000	1,427,346
2022	1,350,000	711,516	2,780,000	1,303,429
2023	1,415,000	649,066	2,915,000	1,171,434
2024	1,480,000	583,400	3,055,000	1,032,070
2025	1,555,000	514,167	3,200,000	882,421
2026	1,635,000	441,036	3,360,000	724,969
2027	1,715,000	364,087	3,530,000	556,764
2028	1,805,000	277,582	3,705,000	379,364
2029	1,895,000	189,679	3,890,000	192,313
2030	2,000,000	97,402		
	<u>\$ 25,330,000</u>	<u>\$ 13,784,759</u>	<u>\$ 49,230,000</u>	<u>\$ 25,213,422</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, 2011, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 1,362,617	Transfer of funds for capital projects costs
	Non-Major		
General Fund	Governmental Fund	203,843	Transfer of funds for operating costs
General Fund	Water and Sewer Fund	1,367,405	Transfer of funds for administrative costs
Debt Service Fund	Water and Sewer Fund	277,127	Transfer of funds for debt service payments
	Non-Major		
Debt Service Fund	Governmental Fund	174,577	Transfer of funds for debt service payments
Water and Sewer Fund	General Fund	169,741	Transfer of funds for operating costs
	Non-Major		
Capital Projects Fund	Governmental Fund	139,574	Transfer of funds for operating costs
		<u>\$ 3,694,884</u>	

A summary of interfund receivables and payables at September 30, 2011, follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
	Non-Major		
General Fund	Governmental Fund	\$ 165,352	Short-term loan to fund operations
		<u>\$ 165,352</u>	

Note 7 - Fund Balance / Net Assets

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 \$6.1 and \$40.9 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 and property tax revenues.

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

Note 7 - Fund Balance / Net Assets (continued)

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. September 30, 2011, certain amounts which were are classified as restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances</u>
General Fund	
Assigned	\$ 160,444
Capital Projects	
Restricted	9,466,924
Aggregate non-major funds	
Restricted	7,310
Aggregate component units	
Restricted	<u>81,161</u>
	<u>\$ 9,715,839</u>

Prior Period Adjustment

Subsequent analysis of prior period construction costs and agreements associated with the Cullen Road project indicated that the road under construction would not revert to the City of Pearland for future maintenance and therefore management has determined the road should not have been capitalized as part of City infrastructure. The City's previous contribution to the project of \$11.7 million has been removed from the beginning net asset balance in the City's Statement of Activities and has been recast as an expense in the comparative condensed financial presentations in the Management's Discussion and Analysis in this report.

Note 8 - Deferred Compensation Plan

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

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

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 842 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 2010	Plan Year 2011
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 30-year amortization period. The projected unit credit actuarial cost method is used for determining the City contribution rate using a 28-year closed 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 2010 was \$27.5 million and the City's contributions were based on a payroll of \$26.7 million. Contributions made by employees totaled \$1.9 million, and the City made contributions of \$3.0 million during the fiscal year ended September 30, 2010.

Three-year trend information is presented below:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Annual Pension Cost (APC)	\$ 3,302,952	\$ 2,995,119	\$ 2,331,353
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period	\$ -	\$ -	\$ -

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, 2010, valuations are contained in the 2010 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	27.2 Years - Closed Period
Asset Valuation Method	Amortized cost
Actuarial Assumptions:	
Investment Rate of Return	7.00%
Projected Salary Increases	Varies by age and service
Includes Inflation At	3.00%
Cost-of-Living Adjustments	2.1%

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' actual funding method is the Projected Unit Credit method using a 25-30 year "closed" period.

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
2010	\$ 54,358,041	\$ 72,195,923	75%	17,837,882	\$ 26,871,670	66%

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

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

Total Cost	City's Cost	Emp/Dep Coverage Cost	Number of Retired Employees
\$ 82,937	\$	\$ 82,937	10

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
2010	\$ 6,994,465	\$ 6,994,465	\$ 26,871,670	26%

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

	2010	2011
Normal cost	\$ 323,138	\$ 206,293
Amortization of UAAL	116,541	141,837
Annual required contribution (ARC)	439,679	348,130
Interest on prior-year net OPEB obligation	23,032	41,540
Estimated increase in Net OPEB obligation	462,711	389,670
Net OPEB Obligation - beginning of year	575,801	1,038,512
Net OPEB obligation - end of year	\$ 1,038,512	\$ 1,428,182

The annual cost recorded to the general ledger for fiscal year 2011 is \$389,670, which includes the estimated normal cost of \$206,293 to provide for the benefits earned by active employees. The total liability, which is not recorded to the general ledger, is \$6,994,465, and represents the actuarial present value of benefits.

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. The methods and assumptions used as of the measurement date of October 1, 2010 include using the Projected Unit Credit actuarial costs method, a closed amortization period of 28 years, a discount rate of 4%, medical inflation and ultimate pre-Medicare rate of 10% and 5% respectively, with a straight years of service amortization method.

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

Note 11 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2011. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

Reimbursements due to Developers

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

Through September 30, 2011, the City remitted sales tax to the developer pursuant to the agreement in the amount of \$919,367, of which \$281,308 was remitted in fiscal year 2011.

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

Note 11 - Commitments and Contingencies (continued)

Reimbursements 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 \$2,758,821. 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, 2011.

As of September 30, 2011 the developer has been fully reimbursed. Pursuant to the agreement, full reimbursement was due in March 2012. The City chose to issue Certificates of Obligation in August 2011 and pay off the developer earlier, resulting in an approximate savings of \$50,000 in accrued interest.

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 began operations in fiscal year 2010 and received \$300,000 upon occupying the facility and received another \$300,000 in fiscal year 2011.

Note 11 - Commitments and Contingencies (continued)

Reimbursements due to Developers (continued)

KS Management Services, LLC.

KS Management Services, LLC., a major health-care organization of 370 physicians at 20 locations in the region, is relocating their corporate headquarters facility to Pearland, building a 170,000 square foot, four-story office facility, making a capital investment of \$18,000,000 and bringing approximately 750 jobs to Pearland. The PEDC will provide financial assistance in the amount of \$200,000 per year for nine years, not to exceed \$1.8 million for the creation and maintenance of 60 full-time equivalent positions a year. If the company creates and maintains additional full-time equivalent positions that exceed 600 up to 750, then the company is eligible for an amount of \$333.54 per position over 600. This amount may not exceed \$50,000 per year and not exceed \$450,000 over nine years. The company can also qualify for \$413,000 for reimbursement of qualified expenditures made to the Property, for a possible total incentive of \$2,663,000 over a nine year period.

In addition to the financial assistance above, the City and PEDC will rebate 60% of their respective 1% and .5% sales and use tax, of the sales and use tax generated by and attributed solely to taxable purchases billed or shipped to the property, and remitted to the City for 120 consecutive months.

Merit Medical Systems, Inc.

Merit Medical Systems, Inc., a global medical device company, is building a new 118,000 square foot research & development and manufacturing facility on a 12 acre site with space for a staff of 220 employees with a minimum investment of \$14,600,000. The PEDC will provide Merit a forgivable loan of \$620,000 at time of occupancy of the facility and for creation and maintaining a minimum of 160 full-time positions in Pearland. For each full-time position exceeding 160 and up to 225, PEDC will advance to Merit \$2,000 per job not to exceed \$130,000. The company may also be advanced \$138,000 for qualified expenditures made to the property for a possible total loan of \$888,000. The loan and note payable will be forgiven if Merit maintains the necessary jobs and investment over a seven year period.

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, 2011, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

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

Note 13 - Capital Lease

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

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

The lease payments related to debt service to be received coincide with debt service payments the City is required to make on a bond that matures on March 1, 2029. At September 30, 2011, the future minimum debt service lease payments to be received under the lease are as follows:

<u>Fiscal year ending September 30,</u>	<u>Payment</u>
2012	\$ 681,977
2013	673,447
2014	664,384
2015	654,255
2016	643,059
2017-2029	<u>6,927,753</u>
Total	<u>\$ 10,244,875</u>

Note 14 - Operating Lease

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

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

Note 14 - Operating Lease (continued)

The debt service lease payments to be received coincide with debt service payments the City is required to make on a bond that matures on March 1, 2029. At September 30, 2011, the future minimum debt service lease payments to be received under the lease are as follows:

<u>Fiscal year ending September 30,</u>	<u>Payment</u>
2012	\$ 114,820
2013	113,384
2014	111,858
2015	110,153
2016	108,268
2017-2029	1,166,383
Total	<u>\$ 1,724,866</u>

Note 15 - Subsequent Events

General Obligation Refunding, Series 2012

Due to favorable market conditions, the City refunded approximately \$43.405 million in general obligation bonds and \$6.5 million in water and sewer revenue bonds on February 9, 2012 in order to take advantage of lower interest rates which produced \$5.3 million in savings over sixteen years. Net Present Value of the refunding is 9.2%, which is well over the City's financial policy of a minimum of 3% for a refunding. The water and sewer revenue bonds will be folded into general obligation bonds, however will be paid from water and sewer revenues.

Required Supplementary Information

CITY OF PEARLAND, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
For the year ended September 30, 2011

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 10,714,857	\$ 10,793,354	\$ 10,867,570	\$ 74,216
Sales and use taxes	13,208,866	13,237,205	13,331,189	93,984
Franchise fees	5,431,118	5,316,353	5,605,394	289,041
Licenses and permits	2,078,655	1,758,736	1,720,856	(37,880)
Fees and forfeitures	2,648,857	2,689,500	2,714,217	24,717
Charges for services	10,708,401	10,623,159	10,882,021	258,862
Investment earnings	70,000	35,000	59,859	24,859
Intergovernmental		308,947	350,441	41,494
Other	314,920	501,145	542,958	41,813
Total Revenues	45,175,674	45,263,399	46,074,505	811,106
Expenditures				
Current:				
General government	7,971,302	8,490,393	8,045,261	445,132
Public safety	23,992,965	24,457,029	23,716,470	740,559
Public works	6,237,695	6,889,642	6,505,139	384,503
Community services	3,194,975	3,144,828	3,027,088	117,740
Parks and recreation	7,418,540	7,470,711	7,171,812	298,899
Total Expenditures	48,815,477	50,452,603	48,465,770	1,986,833
Excess (deficiency) of revenues over expenditures	(3,639,803)	(5,189,204)	(2,391,265)	2,797,939
Other Financing Sources (Uses)				
Proceeds from capital leases	769,850	1,288,891	1,288,891	
Transfers in	3,030,877	2,948,402	2,933,865	(14,537)
Transfers out	(851,467)	(215,511)	(169,741)	45,770
Total Other Financing Sources (Uses)	2,949,260	4,021,782	4,053,015	31,233
Net change in fund balances	(690,543)	(1,167,422)	1,661,750	2,829,172
Fund balances, beginning	12,861,796	12,861,796	12,861,796	
Fund balances, ending	\$ 12,171,253	\$ 11,694,374	\$ 14,523,546	\$ 2,829,172

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, 2011.

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

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

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

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

CITY OF PEARLAND, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
September 30, 2011

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
2010	\$ 54,358,041	\$ 72,195,923	75%	17,837,882	\$ 26,871,670	66%
2009	40,139,722	57,645,422	70%	17,505,700	25,519,548	69%
2008	35,087,719	52,248,976	67%	17,161,257	25,135,418	68%

CITY OF PEARLAND OTHER POST-EMPLOYMENT BENEFIT OBLIGATION
Schedule of Funding Progress

Actuarial Valuation Date October 1,	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
2010	\$	\$ 6,994,465	0%	\$ 6,994,465	\$ 26,871,670	26%
2009	-	6,063,524	0%	6,063,524	25,519,548	24%

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

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

Other Supplementary Information

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**Combining and Individual Fund
Statements and Schedules**

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CITY OF PEARLAND, TEXAS
NON-MAJOR GOVERNMENTAL FUNDS
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.

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.

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

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2011

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donations</u>	<u>Court Technology</u>
Assets				
Cash and cash equivalents	\$ 1,303,373	\$ 140,040	\$ 60,768	\$ 210,571
Receivables (net of allowance for uncollectibles)	178,906	2,726		2,551
Prepaid items	3,322	400		
Total Assets	<u>\$ 1,485,601</u>	<u>\$ 143,166</u>	<u>\$ 60,768</u>	<u>\$ 213,122</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 30,709	\$ 400	\$	\$ 1,133
Due to other funds				
Deferred revenue		2,726		2,551
Total Liabilities	<u>30,709</u>	<u>3,126</u>		<u>3,684</u>
 Fund Balance:				
Non-spendable	3,322	400		
Restricted for:				
Community development programs	1,451,570		55,594	
Public safety		139,640	5,174	209,438
Total Fund Balances	<u>1,454,892</u>	<u>140,040</u>	<u>60,768</u>	<u>209,438</u>
Total Liabilities and Fund Balances	<u>\$ 1,485,601</u>	<u>\$ 143,166</u>	<u>\$ 60,768</u>	<u>\$ 213,122</u>

Regional Detention	Park Donations	Police Seizure	Parks and Recreation Development
\$	\$ 88,744	\$ 169,989	\$ 1,062,490
	600		
<u>\$</u>	<u>\$ 89,344</u>	<u>\$ 169,989</u>	<u>\$ 1,062,490</u>
\$	\$ 396	\$ 2,639	\$ 8,935
<u></u>	<u>396</u>	<u>2,639</u>	<u>8,935</u>
	88,948	167,350	1,053,555
<u></u>	<u>88,948</u>	<u>167,350</u>	<u>1,053,555</u>
<u>\$</u>	<u>\$ 89,344</u>	<u>\$ 169,989</u>	<u>\$ 1,062,490</u>

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2011

	<u>Sidewalk</u>	<u>Grant Fund</u>	<u>Traffic Impact Improvements</u>	<u>Juvenile Management Fund</u>
Assets				
Cash and cash equivalents	\$ 219,248	\$ (625)	\$ 591,404	\$ 19,401
Receivables (net of allowance for uncollectibles)		363,070		1,020
Prepaid items				50
Total Assets	<u>\$ 219,248</u>	<u>\$ 362,445</u>	<u>\$ 591,404</u>	<u>\$ 20,471</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$	\$ 230,523	\$	\$ 50
Due to other funds		104,257		
Deferred revenue				1,020
Total Liabilities		<u>334,780</u>		<u>1,070</u>
 Fund Balance:				
Non-spendable				50
Restricted for:				
Community development programs	219,248	27,665	591,404	
Public safety				19,351
Total Fund Balances	<u>219,248</u>	<u>27,665</u>	<u>591,404</u>	<u>19,401</u>
Total Liabilities and Fund Balances	<u>\$ 219,248</u>	<u>\$ 362,445</u>	<u>\$ 591,404</u>	<u>\$ 20,471</u>

Management District 1	U of H Fund	Totals
\$	\$ 18,865	\$ 3,884,268
		548,873
		3,772
<u>\$</u>	<u>\$ 18,865</u>	<u>\$ 4,436,913</u>
\$	\$ 17,602	\$ 292,387
		104,257
		6,297
<u></u>	<u>17,602</u>	<u>402,941</u>
		3,772
	1,263	3,489,247
		540,953
<u></u>	<u>1,263</u>	<u>4,033,972</u>
<u>\$</u>	<u>\$ 18,865</u>	<u>\$ 4,436,913</u>

CITY OF PEARLAND, TEXAS

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

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donations</u>	<u>Court Technology</u>
Revenues				
Sales and use taxes	\$ 652,110	\$	\$	\$
Fines and forfeitures		54,323		65,200
Investment earnings	1,847	198	76	287
Intergovernmental				
Other	25		29,299	
Total Revenues	<u>653,982</u>	<u>54,521</u>	<u>29,375</u>	<u>65,487</u>
Expenditures				
Current:				
General government	446,973			
Public safety			13,004	
Community services		4,078	89	52,104
Parks and recreation				
Capital outlay				
Total Expenditures	<u>446,973</u>	<u>4,078</u>	<u>13,093</u>	<u>52,104</u>
Excess (deficiency) of revenues over expenditures	<u>207,009</u>	<u>50,443</u>	<u>16,282</u>	<u>13,383</u>
Other Financing Sources (Uses)				
Transfers out	<u>(170,537)</u>	<u>(45,706)</u>		
Total Other Financing Sources (Uses)	<u>(170,537)</u>	<u>(45,706)</u>		
Net change in fund balances	36,472	4,737	16,282	13,383
Fund balances - beginning	<u>1,418,420</u>	<u>135,303</u>	<u>44,486</u>	<u>196,055</u>
Fund balances - ending	<u>\$ 1,454,892</u>	<u>\$ 140,040</u>	<u>\$ 60,768</u>	<u>\$ 209,438</u>

Regional Detention	Park Donations	Police Seizure	Parks and Recreation Development
\$	\$	\$	\$
5	89	299	1,605
	79,861	31,941	54,040
<u>5</u>	<u>79,950</u>	<u>32,240</u>	<u>55,645</u>
		111,153	
	41,396		26,742
	<u>41,396</u>	<u>111,153</u>	<u>26,742</u>
<u>5</u>	<u>38,554</u>	<u>(78,913)</u>	<u>28,903</u>
<u>(4,039)</u>			<u>(139,574)</u>
<u>(4,039)</u>			<u>(139,574)</u>
(4,034)	38,554	(78,913)	(110,671)
4,034	50,394	246,263	1,164,226
<u>\$</u>	<u>\$ 88,948</u>	<u>\$ 167,350</u>	<u>\$ 1,053,555</u>

CITY OF PEARLAND, TEXAS

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

NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended September 30, 2011

	<u>Sidewalk</u>	<u>Grant Fund</u>	<u>Traffic Impact Improvements</u>	<u>Juvenile Management Fund</u>
Revenues				
Sales and use taxes	\$	\$	\$	\$
Fines and forfeitures				60,955
Investment earnings	306	6	790	28
Intergovernmental		694,332		
Other	5,803		44,800	
Total Revenues	<u>6,109</u>	<u>694,338</u>	<u>45,590</u>	<u>60,983</u>
Expenditures				
Current:				
General government		18,435		
Public safety		85,489		
Community services		292,871		
Parks and recreation		36,939		
Capital outlay		<u>157,564</u>		
Total Expenditures		<u>591,298</u>		
Excess (deficiency) of revenues over expenditures	<u>6,109</u>	<u>103,040</u>	<u>45,590</u>	<u>60,983</u>
Other Financing Sources (Uses)				
Transfers out		<u>(105,786)</u>	<u>(750)</u>	<u>(50,653)</u>
Total Other Financing Sources (Uses)		<u>(105,786)</u>	<u>(750)</u>	<u>(50,653)</u>
Net change in fund balances	6,109	(2,746)	44,840	10,330
Fund balances - beginning	<u>213,139</u>	<u>30,411</u>	<u>546,564</u>	<u>9,071</u>
Fund balances - ending	<u>\$ 219,248</u>	<u>\$ 27,665</u>	<u>\$ 591,404</u>	<u>\$ 19,401</u>

Management District 1	U of H Fund	Totals
\$	\$	\$ 652,110
		180,478
138	34	5,708
	66,702	761,034
	192,336	438,105
<u>138</u>	<u>259,072</u>	<u>2,037,435</u>
197,330		662,738
		209,646
		349,142
	261,858	366,935
		157,564
<u>197,330</u>	<u>261,858</u>	<u>1,746,025</u>
<u>(197,192)</u>	<u>(2,786)</u>	<u>291,410</u>
<u>(948)</u>	<u></u>	<u>(517,993)</u>
<u>(948)</u>	<u></u>	<u>(517,993)</u>
(198,140)	(2,786)	(226,583)
198,140	4,049	4,260,555
<u>\$</u>	<u>\$ 1,263</u>	<u>\$ 4,033,972</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, 2011

with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Property taxes	\$ 22,451,513	\$ 22,586,408	\$ 134,895	\$ 21,740,334
Charges for services	806,472	805,071	(1,401)	81,766
Investment earnings	31,600	29,218	(2,382)	377,463
Total Revenues	<u>23,289,585</u>	<u>23,420,697</u>	<u>131,112</u>	<u>22,199,563</u>
Expenditures				
Debt Service:				
Principal	8,229,526	8,217,402	12,124	6,200,254
Interest	13,307,416	13,302,477	4,939	13,103,133
Intergovernmental	3,954,049	3,954,050	(1)	3,794,164
Total Expenditures	<u>25,490,991</u>	<u>25,473,929</u>	<u>17,062</u>	<u>23,097,551</u>
Revenues over (under) expenditures	<u>(2,201,406)</u>	<u>(2,053,232)</u>	<u>148,174</u>	<u>(897,988)</u>
Other Financing Sources (Uses)				
Proceeds from long-term debt	1,630,000	1,630,000		
Premium on general obligation debt	55,521	55,521		
Payments to refunding escrow agent	(1,630,140)	(1,630,140)		
Transfers from other funds	451,704	451,704		357,127
Total Other Financing Sources (Uses)	<u>507,085</u>	<u>507,085</u>		<u>357,127</u>
Net change in fund balance	(1,694,321)	(1,546,147)	148,174	(540,861)
Fund Balances - Beginning	<u>6,705,688</u>	<u>6,705,688</u>		<u>7,246,549</u>
Fund Balances - Ending	<u>\$ 5,011,367</u>	<u>\$ 5,159,541</u>	<u>\$ 148,174</u>	<u>\$ 6,705,688</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Hotel occupancy tax	\$ 607,781	\$ 652,110	\$ 44,329	\$ 496,278
Investment earnings	2,052	1,847	(205)	2,432
Other	25	25		139
Total Revenues	<u>609,858</u>	<u>653,982</u>	<u>44,124</u>	<u>498,849</u>
Expenditures				
Current:				
General government	443,403	446,973	(3,570)	441,253
Total Expenditures	<u>443,403</u>	<u>446,973</u>	<u>(3,570)</u>	<u>441,253</u>
Revenues over (under) expenditures	<u>166,455</u>	<u>207,009</u>	<u>40,554</u>	<u>57,596</u>
Other Financing Sources (Uses)				
Transfers to other funds	(170,537)	(170,537)		
Net change in fund balance	(4,082)	36,472	40,554	57,596
Fund Balances - Beginning	<u>1,418,420</u>	<u>1,418,420</u>		<u>1,360,824</u>
Fund Balances - Ending	<u>\$ 1,414,338</u>	<u>\$ 1,454,892</u>	<u>\$ 40,554</u>	<u>\$ 1,418,420</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Fines and forfeitures	\$ 55,095	\$ 54,323	\$ (772)	\$ 50,888
Investment earnings	229	198	(31)	256
Total Revenues	<u>55,324</u>	<u>54,521</u>	<u>(803)</u>	<u>51,144</u>
Expenditures				
Current:				
Community services	22,108	4,078	18,030	1,913
Total Expenditures	<u>22,108</u>	<u>4,078</u>	<u>18,030</u>	<u>1,913</u>
Revenues over (under) expenditures	<u>33,216</u>	<u>50,443</u>	<u>17,227</u>	<u>49,231</u>
Other Financing Sources (Uses)				
Transfers (out)	(45,706)	(45,706)		(49,122)
Net change in fund balance	(12,490)	4,737	17,227	109
Fund Balances - Beginning	<u>135,303</u>	<u>135,303</u>		<u>135,194</u>
Fund Balances - Ending	<u>\$ 122,813</u>	<u>\$ 140,040</u>	<u>\$ 17,227</u>	<u>\$ 135,303</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 85	\$ 76	\$ (9)	\$ 94
Other income	27,405	29,299	1,894	25,716
Total Revenues	<u>27,490</u>	<u>29,375</u>	<u>1,885</u>	<u>25,810</u>
Expenditures				
Current:				
Public safety	15,382	13,004	2,378	26,229
Community services	15,335	89	15,246	10,351
Total Expenditures	<u>30,717</u>	<u>13,093</u>	<u>17,624</u>	<u>36,580</u>
Revenues over (under) expenditures	<u>(3,227)</u>	<u>16,282</u>	<u>19,509</u>	<u>(10,770)</u>
Other Financing Sources (Uses)				
Transfers in				3,000
Net change in fund balance	(3,227)	16,282	19,509	(10,770)
Fund Balances - Beginning	<u>44,486</u>	<u>44,486</u>		<u>52,256</u>
Fund Balances - Ending	<u>\$ 41,259</u>	<u>\$ 60,768</u>	<u>\$ 19,509</u>	<u>\$ 44,486</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Fines and forfeitures	\$ 66,579	\$ 65,200	\$ (1,379)	\$ 62,452
Investment earnings	327	287	(40)	455
Total Revenues	<u>66,906</u>	<u>65,487</u>	<u>(1,419)</u>	<u>62,907</u>
Expenditures				
Current:				
Community services	70,913	52,104	18,809	146,815
Total Expenditures	<u>70,913</u>	<u>52,104</u>	<u>18,809</u>	<u>146,815</u>
Revenues over (under) expenditures	<u>(4,007)</u>	<u>13,383</u>	<u>17,390</u>	<u>(83,908)</u>
Net change in fund balance	(4,007)	13,383	17,390	(83,908)
Fund Balances - Beginning	<u>196,055</u>	<u>196,055</u>		<u>279,963</u>
Fund Balances - Ending	<u>\$ 192,048</u>	<u>\$ 209,438</u>	<u>\$ 17,390</u>	<u>\$ 196,055</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 7	\$ 5	\$ (2)	\$ 7
Total Revenues	<u>7</u>	<u>5</u>	<u>(2)</u>	<u>7</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	(4,041)	(4,039)	2	
Net change in fund balance	(4,034)	(4,034)		7
Fund Balances - Beginning	<u>4,034</u>	<u>4,034</u>		<u>4,027</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 4,034</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 94	\$ 89	\$ (5)	\$ 99
Other	64,525	79,861	15,336	86,764
Total Revenues	<u>64,619</u>	<u>79,950</u>	<u>15,331</u>	<u>86,863</u>
Expenditures				
Current:				
Parks and recreation	41,798	41,396	402	82,326
Total Expenditures	<u>41,798</u>	<u>41,396</u>	<u>402</u>	<u>82,326</u>
Revenues over (under) expenditures	<u>22,821</u>	<u>38,554</u>	<u>15,733</u>	<u>4,537</u>
Other Financing Sources (Uses)				
Transfers (to) other funds				(3,000)
Net change in fund balance	22,821	38,554	15,733	1,537
Fund Balances - Beginning	<u>50,394</u>	<u>50,394</u>		<u>48,857</u>
Fund Balances - Ending	<u>\$ 73,215</u>	<u>\$ 88,948</u>	<u>\$ 15,733</u>	<u>\$ 50,394</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 330	\$ 299	\$ (31)	\$ 481
Other	75,250	31,941	(43,309)	61,289
Total Revenues	<u>75,580</u>	<u>32,240</u>	<u>(43,340)</u>	<u>61,770</u>
Expenditures				
Current:				
Public safety	132,717	111,153	21,564	81,575
Total Expenditures	<u>132,717</u>	<u>111,153</u>	<u>21,564</u>	<u>81,575</u>
Revenues over (under) expenditures	<u>(57,137)</u>	<u>(78,913)</u>	<u>(21,776)</u>	<u>(19,805)</u>
Net change in fund balance	(57,137)	(78,913)	(21,776)	(19,805)
Fund Balances - Beginning	<u>246,263</u>	<u>246,263</u>	<u></u>	<u>266,068</u>
Fund Balances - Ending	<u>\$ 189,126</u>	<u>\$ 167,350</u>	<u>\$ (21,776)</u>	<u>\$ 246,263</u>

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, 2011

with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 1,650	\$ 1,605	\$ (45)	\$ 1,922
Other	80,290	54,040	(26,250)	147,150
Total Revenues	<u>81,940</u>	<u>55,645</u>	<u>(26,295)</u>	<u>149,072</u>
Expenditures				
Current:				
Parks and recreation	342,459	26,742	315,717	29,365
Total Expenditures	<u>342,459</u>	<u>26,742</u>	<u>315,717</u>	<u>29,365</u>
Revenues over (under) expenditures	<u>(260,519)</u>	<u>28,903</u>	<u>289,422</u>	<u>119,707</u>
Other Financing Sources (Uses)				
Transfers (to) other funds	(139,574)	(139,574)		
	<u>(139,574)</u>	<u>(139,574)</u>		
Net change in fund balance	(400,093)	(110,671)	289,422	119,707
Fund Balances - Beginning	<u>1,164,226</u>	<u>1,164,226</u>		<u>1,044,519</u>
Fund Balances - Ending	<u>\$ 764,133</u>	<u>\$ 1,053,555</u>	<u>\$ 289,422</u>	<u>\$ 1,164,226</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 341	\$ 306	\$ (35)	\$ 379
Other	15,803	5,803	(10,000)	10,407
Total Revenues	<u>16,144</u>	<u>6,109</u>	<u>(10,035)</u>	<u>10,786</u>
Net change in fund balance	16,144	6,109	(10,035)	10,786
Fund Balances - Beginning	<u>213,139</u>	<u>213,139</u>		<u>202,353</u>
Fund Balances - Ending	<u><u>\$ 229,283</u></u>	<u><u>\$ 219,248</u></u>	<u><u>\$ (10,035)</u></u>	<u><u>\$ 213,139</u></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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 8	\$ 6	\$ (2)	\$ 25
Intergovernmental	1,567,255	694,332	(872,923)	1,066,293
Other				
Total Revenues	<u>1,567,263</u>	<u>694,338</u>	<u>(872,925)</u>	<u>1,066,318</u>
Expenditures				
Current:				
General government	18,961	18,435	526	21,409
Public safety	88,244	85,489	2,755	440,943
Community service	475,417	292,871	182,546	31,266
Parks and recreation	231,256	36,939	194,317	50,067
Capital outlay	515,052	157,564	357,488	509,626
Total Expenditures	<u>1,328,930</u>	<u>591,298</u>	<u>737,632</u>	<u>1,053,311</u>
Revenues over (under) expenditures	<u>238,333</u>	<u>103,040</u>	<u>(135,293)</u>	<u>13,007</u>
Other Financing Sources (Uses)				
Transfers from other funds				
Transfers (to) other funds	(220,323)	(105,786)	114,537	(19,384)
Total other financing sources (uses)	<u>(220,323)</u>	<u>(105,786)</u>	<u>114,537</u>	<u>(19,384)</u>
Net change in fund balance	18,010	(2,746)	(20,756)	(6,377)
Fund Balances - Beginning	<u>30,411</u>	<u>30,411</u>		<u>36,788</u>
Fund Balances - Ending	<u>\$ 48,421</u>	<u>\$ 27,665</u>	<u>\$ (20,756)</u>	<u>\$ 30,411</u>

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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 800	\$ 790	\$ (10)	\$ 1,009
Other		44,800	44,800	4,670
Total Revenues	<u>800</u>	<u>45,590</u>	<u>44,790</u>	<u>5,679</u>
Revenues over (under) expenditures	<u>800</u>	<u>45,590</u>	<u>44,790</u>	<u>5,679</u>
Other Financing Sources/(Uses)				
Transfers (to) other funds	<u>(750)</u>	<u>(750)</u>		
Total Other Financing Sources (Uses)	<u>(750)</u>	<u>(750)</u>		
Net change in fund balance	50	44,840	44,790	5,679
Fund Balances - Beginning	<u>546,564</u>	<u>546,564</u>		<u>540,885</u>
Fund Balances - Ending	<u>\$ 546,614</u>	<u>\$ 591,404</u>	<u>\$ 44,790</u>	<u>\$ 546,564</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - JUVENILE MANAGEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual totals for the year ended September 30, 2010

	2011			2010
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and Fees	\$ 61,563	\$ 60,955	\$ (608)	\$ 51,155
Investment earnings	29	28	(1)	8
Total Revenues	<u>61,592</u>	<u>60,983</u>	<u>(609)</u>	<u>51,163</u>
Revenues over (under) expenditures	<u>61,592</u>	<u>60,983</u>	<u>(609)</u>	<u>51,163</u>
Other Financing Sources/(Uses)				
Transfers (to) other funds	<u>(50,653)</u>	<u>(50,653)</u>		<u>(42,596)</u>
Total other financing sources (uses)	<u>(50,653)</u>	<u>(50,653)</u>		<u>(42,596)</u>
Net change in fund balance	10,939	10,330	(609)	8,567
Fund Balances - Beginning	<u>9,071</u>	<u>9,071</u>		<u>504</u>
Fund Balances - Ending	<u>\$ 20,010</u>	<u>\$ 19,401</u>	<u>\$ (609)</u>	<u>\$ 9,071</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, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 138	\$ 138		\$ 539
Total Revenues	<u>138</u>	<u>138</u>		<u>539</u>
EXPENDITURES				
Current:				
General government	197,330	197,330		
Total Expenditures	<u>197,330</u>	<u>197,330</u>		
Revenues over (under) expenditures	<u>(197,192)</u>	<u>(197,192)</u>		<u>539</u>
Other Financing Sources (Uses)				
Transfers from other funds				
Transfers (to) other funds	(948)	(948)		(201,217)
Total Other Financing Sources (Uses)	<u>(948)</u>	<u>(948)</u>		<u>(201,217)</u>
Net change in fund balance	(198,140)	(198,140)		(200,678)
Fund Balances - Beginning	<u>198,140</u>	<u>198,140</u>		<u>398,818</u>
Fund Balances - Ending	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$ 198,140</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - U OF H FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2011
with comparative actual totals for the year ended September 30, 2010

	2011		Variance Positive / (Negative)	2010
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 30	\$ 34	\$ 4	\$ 3
Intergovernmental	65,601	66,702	1,101	11,798
Other	192,299	192,336	37	41,464
Total Revenues	<u>257,930</u>	<u>259,072</u>	<u>1,142</u>	<u>53,265</u>
Expenditures				
Current:				
Parks and recreation	307,750	261,858	45,892	46,562
Total Expenditures	<u>307,750</u>	<u>261,858</u>	<u>45,892</u>	<u>46,562</u>
Revenues over (under) expenditures	<u>(49,820)</u>	<u>(2,786)</u>	<u>47,034</u>	<u>6,703</u>
Other Financing Sources (Uses)				
Transfers from other funds	45,771		(45,771)	
Transfers (to) other funds				(2,654)
Total Other Financing Sources (Uses)	<u>45,771</u>		<u>(45,771)</u>	<u>(2,654)</u>
Net change in fund balance	(4,049)	(2,786)	1,263	4,049
Fund Balances - Beginning	<u>4,049</u>	<u>4,049</u>		
Fund Balances - Ending	<u>\$</u>	<u>\$ 1,263</u>	<u>\$ 1,263</u>	<u>\$ 4,049</u>

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

CITY OF PEARLAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEETS - GOVERNMENTAL FUNDS
September 30, 2011

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Assets				
Cash and equivalents	\$ 3,869,964	\$ 4,169,845	\$ 2,678,435	\$ 10,718,244
Investments	3,611,882			3,611,882
Receivables-less allowance for uncollectibles	1,155,488	105,449		1,260,937
Due from primary government		12,691		12,691
Prepaid items	11,355			11,355
Restricted cash	665,254		2,712,587	3,377,841
Total Assets	\$ 9,313,943	\$ 4,287,985	\$ 5,391,022	\$ 18,992,950
Liabilities				
Accounts payable and accrued expenses	\$ 35,452	\$ 14,403	\$ 1,400	\$ 51,255
Customer deposits	38,333			38,333
Total Liabilities	73,785	14,403	1,400	89,588
Fund Balance				
Non-spendable:				
Prepaid items	11,355			11,355
Restricted for:				
Debt service	665,254		2,712,587	3,377,841
Economic development	8,563,549	4,273,582	2,677,035	15,514,166
Total Fund Balance	9,240,158	4,273,582	5,389,622	18,903,362
Total Liabilities and Fund Balance	\$ 9,313,943	\$ 4,287,985	\$ 5,391,022	\$ 18,992,950
Reconciliation from fund balance to net assets				
fund balance	\$ 9,240,158	\$ 4,273,582	\$ 5,389,622	\$ 18,903,362
Add capital assets	9,879,734			9,879,734
Less revenue bonds payable	(25,045,450)		(46,097,563)	(71,143,013)
Less other long-term liabilities	(43,613)			(43,613)
Less interest payable	(95,612)		(184,283)	(279,895)
Net Assets	\$ (6,064,783)	\$ 4,273,582	\$ (40,892,224)	\$ (42,683,425)

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, 2011

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Revenues				
Taxes:				
Property taxes	\$	\$ 14,724,037	\$	\$ 14,724,037
Sales and use taxes	6,593,971			6,593,971
Investment earnings	10,643	11,891	3,006	25,540
Other	657,523			657,523
Total Revenues	<u>7,262,137</u>	<u>14,735,928</u>	<u>3,006</u>	<u>22,001,071</u>
Expenditures				
Current:				
General government			11,333	11,333
Economic development	2,122,912	5,527,689	9,740,000	17,390,601
Capital Outlay	64,652			64,652
Debt Service				
Principal	800,000		1,830,000	2,630,000
Interest	1,226,324		2,385,172	3,611,496
Bond issuance cost				
Intergovernmental - City	173,158			173,158
Total Expenditures	<u>4,387,046</u>	<u>5,527,689</u>	<u>13,966,505</u>	<u>23,881,240</u>
Revenues over (under) expenditures	<u>2,875,091</u>	<u>9,208,239</u>	<u>(13,963,499)</u>	<u>(1,880,169)</u>
Other Financing Sources (Uses)				
Transfers from other component units			11,819,230	11,819,230
Transfers (to) other component units		(11,819,230)		(11,819,230)
Total other financing sources (uses)		<u>(11,819,230)</u>	<u>11,819,230</u>	
Changes in fund balance	2,875,091	(2,610,991)	(2,144,269)	(1,880,169)
Fund Balances - Beginning	<u>6,365,067</u>	<u>6,884,573</u>	<u>7,533,891</u>	<u>20,783,531</u>
Fund Balances - Ending	<u>\$ 9,240,158</u>	<u>\$ 4,273,582</u>	<u>\$ 5,389,622</u>	<u>\$ 18,903,362</u>
Reconciliation from changes in fund balance to changes in net assets				
Change in fund balance	\$ 2,875,091	\$ (2,610,991)	\$ (2,144,269)	\$ (1,880,169)
Add principal payments	800,000		1,830,000	2,630,000
Less amortization			(296,403)	(296,403)
Changes in interest payable	2,582		5,713	8,295
Less post-employment benefit liability expense				
	(28,642)			(28,642)
Less depreciation	(358,848)			(358,848)
Add capital outlay	59,508			59,508
Changes in Net Assets	<u>\$ 3,349,691</u>	<u>\$ (2,610,991)</u>	<u>\$ (604,959)</u>	<u>\$ 133,741</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, 2011

Permanent Improvement Bonds, Series 2002

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>
2012	\$ 810,000	\$ 28,350	\$ 838,350	\$ 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						
2035						
2036						
	<u>\$ 810,000</u>	<u>\$ 28,350</u>	<u>\$ 838,350</u>	<u>\$ 12,870,000</u>	<u>\$ 6,072,452</u>	<u>\$ 18,942,452</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>
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						
2033						
2034						
2035						
2036						
	<u>\$ 15,105,000</u>	<u>\$ 3,894,570</u>	<u>\$ 18,999,570</u>	<u>\$ 13,035,000</u>	<u>\$ 5,994,597</u>	<u>\$ 19,029,597</u>

Permanent Improvement & Refund Bonds, Series 2005

Certificates of Obligation, Series 2006

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 1,775,000	\$ 1,514,039	\$ 3,289,039	\$ 315,000	\$ 434,594	\$ 749,594
2013	1,845,000	1,445,011	3,290,011	335,000	414,688	749,688
2014	1,930,000	1,370,664	3,300,664	355,000	393,557	748,557
2015	2,010,000	1,281,814	3,291,814	370,000	371,354	741,354
2016	2,115,000	1,178,689	3,293,689	395,000	349,654	744,654
2017	865,000	1,108,514	1,973,514	405,000	330,932	735,932
2018	995,000	1,071,314	2,066,314	405,000	314,074	719,074
2019	380,000	1,043,624	1,423,624	505,000	294,838	799,838
2020	385,000	1,027,893	1,412,893	470,000	274,001	744,001
2021	395,000	1,011,658	1,406,658	500,000	253,146	753,146
2022	405,000	994,756	1,399,756	525,000	230,912	755,912
2023	875,000	967,338	1,842,338	555,000	207,218	762,218
2024	2,625,000	882,900	3,507,900	585,000	181,991	766,991
2025	2,760,000	748,275	3,508,275	605,000	155,363	760,363
2026	2,900,000	606,775	3,506,775	730,000	125,325	855,325
2027	3,045,000	465,763	3,510,763	765,000	91,688	856,688
2028	4,010,000	297,000	4,307,000	805,000	56,363	861,363
2029	3,935,000	98,375	4,033,375	850,000	19,125	869,125
2030						
2031						
2032						
2033						
2034						
2035						
2036						
	<u>\$ 33,250,000</u>	<u>\$ 17,114,399</u>	<u>\$ 50,364,399</u>	<u>\$ 9,475,000</u>	<u>\$ 4,498,821</u>	<u>\$ 13,973,821</u>

Permanent Improvement & Refund Bonds, Series 2006

Certificates of Obligation, Series 2007

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 385,000	\$ 1,506,694	\$ 1,891,694	\$ 200,000	\$ 1,033,900	\$ 1,233,900
2013	400,000	1,490,994	1,890,994	250,000	1,022,088	1,272,088
2014	410,000	1,474,794	1,884,794	300,000	1,007,650	1,307,650
2015	430,000	1,457,994	1,887,994	350,000	990,588	1,340,588
2016	445,000	1,440,216	1,885,216	400,000	970,900	1,370,900
2017	460,000	1,421,263	1,881,263	450,000	948,587	1,398,587
2018	480,000	1,401,288	1,881,288	1,005,000	910,394	1,915,394
2019	1,335,000	1,361,050	2,696,050	1,060,000	856,187	1,916,187
2020	1,485,000	1,293,888	2,778,888	1,115,000	799,094	1,914,094
2021	1,580,000	1,217,263	2,797,263	1,170,000	739,112	1,909,112
2022	1,675,000	1,135,888	2,810,888	1,230,000	676,113	1,906,113
2023	2,150,000	1,040,263	3,190,263	1,295,000	609,831	1,904,831
2024	2,150,000	932,763	3,082,763	1,360,000	540,137	1,900,137
2025	2,270,000	822,263	3,092,263	1,430,000	466,900	1,896,900
2026	2,395,000	705,638	3,100,638	1,500,000	389,988	1,889,988
2027	2,525,000	585,794	3,110,794	1,580,000	324,937	1,904,937
2028	3,690,000	438,188	4,128,188	1,660,000	272,288	1,932,288
2029	7,380,000	175,275	7,555,275	1,745,000	216,956	1,961,956
2030				1,540,000	163,575	1,703,575
2031				1,600,000	104,550	1,704,550
2032				1,660,000	35,275	1,695,275
2033						
2034						
2035						
2036						
	<u>\$ 31,645,000</u>	<u>\$ 19,901,509</u>	<u>\$ 51,546,509</u>	<u>\$ 22,900,000</u>	<u>\$ 13,079,050</u>	<u>\$ 35,979,050</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
BY MATURITY DATE
September 30, 2011

BCMUD #1 Bonds, Series 2007

Permanent Improvement & Refund Bonds, Series 2007

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 55,000	\$ 79,927	\$ 134,927	\$ 885,000	\$ 3,193,562	\$ 4,078,562
2013	60,000	77,865	137,865	1,940,000	3,137,063	5,077,063
2014	65,000	75,585	140,585	2,510,000	3,048,062	5,558,062
2015	70,000	73,082	143,082	2,685,000	2,924,025	5,609,025
2016	75,000	70,353	145,353	2,345,000	2,791,562	5,136,562
2017	75,000	67,428	142,428	2,460,000	2,671,438	5,131,438
2018	80,000	64,428	144,428	2,220,000	2,554,437	4,774,437
2019	85,000	61,228	146,228	3,830,000	2,403,188	6,233,188
2020	90,000	57,827	147,827	5,190,000	2,190,662	7,380,662
2021	95,000	54,228	149,228	5,395,000	1,952,500	7,347,500
2022	100,000	50,333	150,333	5,610,000	1,704,887	7,314,887
2023	110,000	46,232	156,232	5,005,000	1,466,050	6,471,050
2024	115,000	41,612	156,612	5,230,000	1,235,763	6,465,763
2025	120,000	36,782	156,782	3,835,000	1,034,197	4,869,197
2026	130,000	31,622	161,622	3,845,000	866,197	4,711,197
2027	135,000	26,033	161,033	4,010,000	686,850	4,696,850
2028	145,000	20,227	165,227	2,290,000	537,225	2,827,225
2029	155,000	13,920	168,920	2,370,000	426,550	2,796,550
2030	165,000	7,178	172,178	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						
2035						
2036						
	<u>\$ 1,925,000</u>	<u>\$ 955,890</u>	<u>\$ 2,880,890</u>	<u>\$ 69,450,000</u>	<u>\$ 35,379,374</u>	<u>\$ 104,829,374</u>

Certificates of Obligation, Series 2008

Permanent Improvement Bonds, Series 2008

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 130,000	\$ 409,150	\$ 539,150	\$ 290,000	\$ 1,068,525	\$ 1,358,525
2013	105,000	404,678	509,678	235,000	1,055,400	1,290,400
2014	155,000	399,641	554,641	335,000	1,041,150	1,376,150
2015	145,000	393,828	538,828	310,000	1,025,025	1,335,025
2016	150,000	388,019	538,019	325,000	1,009,150	1,334,150
2017	160,000	381,819	541,819	340,000	992,525	1,332,525
2018	165,000	375,319	540,319	360,000	975,025	1,335,025
2019	185,000	368,319	553,319	405,000	955,900	1,360,900
2020	195,000	360,719	555,719	425,000	934,619	1,359,619
2021	205,000	352,591	557,591	445,000	911,781	1,356,781
2022	215,000	343,794	558,794	470,000	887,763	1,357,763
2023	225,000	334,388	559,388	490,000	861,950	1,351,950
2024	240,000	324,300	564,300	515,000	834,313	1,349,313
2025	250,000	313,550	563,550	545,000	805,163	1,350,163
2026	290,000	301,525	591,525	625,000	772,988	1,397,988
2027	305,000	287,375	592,375	660,000	737,650	1,397,650
2028	320,000	271,750	591,750	695,000	700,388	1,395,388
2029	335,000	255,375	590,375	730,000	664,850	1,394,850
2030	1,335,000	213,625	1,548,625	4,530,000	543,669	5,073,669
2031	1,675,000	138,375	1,813,375	4,705,000	330,109	5,035,109
2032	1,930,000	48,250	1,978,250	4,785,000	110,653	4,895,653
2033						
2034						
2035						
2036						
	<u>\$ 8,715,000</u>	<u>\$ 6,666,388</u>	<u>\$ 15,381,388</u>	<u>\$ 22,220,000</u>	<u>\$ 17,218,594</u>	<u>\$ 39,438,594</u>

Certificate of Obligation, Series 2009

Certificate of Obligation, Series 2009A

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 225,000	\$ 356,615	\$ 581,615	\$ 640,000	\$ 383,365	\$ 1,023,365
2013	260,000	351,553	611,553	640,000	370,565	1,010,565
2014	230,000	345,703	575,703	640,000	356,965	996,965
2015	235,000	339,953	574,953	640,000	341,765	981,765
2016	240,000	332,903	572,903	640,000	324,965	964,965
2017	245,000	325,703	570,703	640,000	301,765	941,765
2018	255,000	317,128	572,128	640,000	275,403	915,403
2019	320,000	307,565	627,565	640,000	252,560	892,560
2020	325,000	294,765	619,765	635,000	231,361	866,361
2021	340,000	281,765	621,765	640,000	210,163	850,163
2022	350,000	268,165	618,165	640,000	187,763	827,763
2023	365,000	253,815	618,815	640,000	164,403	804,403
2024	385,000	238,303	623,303	640,000	140,562	780,562
2025	400,000	221,363	621,363	635,000	116,338	751,338
2026	420,000	203,363	623,363	640,000	91,315	731,315
2027	440,000	183,938	623,938	640,000	65,715	705,715
2028	465,000	163,038	628,038	635,000	39,898	674,898
2029	485,000	139,788	624,788	640,000	13,440	653,440
2030	415,000	116,750	531,750			
2031	410,000	96,000	506,000			
2032	475,000	75,500	550,500			
2033	505,000	51,750	556,750			
2034	530,000	26,500	556,500			
2035						
2036						
	<u>\$ 8,320,000</u>	<u>\$ 5,291,920</u>	<u>\$ 13,611,920</u>	<u>\$ 11,505,000</u>	<u>\$ 3,868,311</u>	<u>\$ 15,373,311</u>

Permanent Improvement & Refund Bonds, Series 2009
(Governmental Activities Portion)

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 310,000	\$ 662,017	\$ 972,017
2013	380,000	655,118	1,035,118
2014	390,000	641,568	1,031,568
2015	405,000	626,754	1,031,754
2016	420,000	615,918	1,035,918
2017	435,000	599,267	1,034,267
2018	455,000	578,154	1,033,154
2019	590,000	557,888	1,147,888
2020	615,000	537,863	1,152,863
2021	635,000	517,075	1,152,075
2022	655,000	494,490	1,149,490
2023	680,000	470,120	1,150,120
2024	705,000	444,321	1,149,321
2025	735,000	416,953	1,151,953
2026	765,000	387,505	1,152,505
2027	795,000	356,305	1,151,305
2028	825,000	323,492	1,148,492
2029	865,000	288,415	1,153,415
2030	835,000	249,375	1,084,375
2031	945,000	204,875	1,149,875
2032	1,090,000	154,000	1,244,000
2033	1,235,000	95,875	1,330,875
2034	1,300,000	32,500	1,332,500
2035			
2036			
	<u>\$ 16,065,000</u>	<u>\$ 9,909,848</u>	<u>\$ 25,974,848</u>

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Permanent Improvement Bonds, Series 2010A

Permanent Improvement Refunding Bonds, Series 2010B

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 345,000	\$ 424,503	\$ 769,503	\$ 210,000	\$ 34,200	\$ 244,200
2013	350,000	417,553	767,553	215,000	29,950	244,950
2014	355,000	410,503	765,503	220,000	25,600	245,600
2015	370,000	399,553	769,553	225,000	21,150	246,150
2016	380,000	388,353	768,353	225,000	14,400	239,400
2017	390,000	378,703	768,703	240,000	6,300	246,300
2018	400,000	366,853	766,853	90,000	1,350	91,350
2019	415,000	354,628	769,628			
2020	425,000	342,028	767,028			
2021	440,000	329,053	769,053			
2022	455,000	315,059	770,059			
2023	465,000	300,109	765,109			
2024	485,000	284,065	769,065			
2025	500,000	265,578	765,578			
2026	520,000	246,153	766,153			
2027	540,000	226,603	766,603			
2028	560,000	205,558	765,558			
2029	585,000	182,938	767,938			
2030	610,000	159,038	769,038			
2031	635,000	133,344	768,344			
2032	660,000	105,825	765,825			
2033	690,000	77,138	767,138			
2034	720,000	47,175	767,175			
2035	750,000	15,938	765,938			
2036						
	<u>\$ 12,045,000</u>	<u>\$ 6,376,241</u>	<u>\$ 18,421,241</u>	<u>\$ 1,425,000</u>	<u>\$ 132,950</u>	<u>\$ 1,557,950</u>

Permanent Improvement Bonds , Series 2011

Certificates of Obligation, Series 2011

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 60,000	\$ 202,544	\$ 262,544	\$ 210,000	\$ 39,037	\$ 249,037
2013	140,000	200,419	340,419	210,000	37,202	247,202
2014	145,000	196,031	341,031	210,000	32,813	242,813
2015	150,000	190,131	340,131	210,000	28,424	238,424
2016	155,000	184,031	339,031	210,000	24,035	234,035
2017	165,000	177,631	342,631	205,000	19,698	224,698
2018	170,000	170,931	340,931	210,000	15,362	225,362
2019	175,000	164,031	339,031	210,000	10,973	220,973
2020	185,000	156,831	341,831	210,000	6,584	216,584
2021	190,000	149,331	339,331	210,000	2,195	212,195
2022	200,000	141,531	341,531			
2023	205,000	134,456	339,456			
2024	210,000	128,231	338,231			
2025	220,000	121,506	341,506			
2026	225,000	114,275	339,275			
2027	235,000	106,506	341,506			
2028	245,000	98,106	343,106			
2029	250,000	88,819	338,819			
2030	260,000	78,619	338,619			
2031	275,000	67,919	342,919			
2032	285,000	56,719	341,719			
2033	295,000	45,119	340,119			
2034	305,000	33,119	338,119			
2035	320,000	20,419	340,419			
2036	335,000	6,909	341,909			
	<u>\$ 5,400,000</u>	<u>\$ 3,034,166</u>	<u>\$ 8,434,166</u>	<u>\$ 2,095,000</u>	<u>\$ 216,321</u>	<u>\$ 2,311,321</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
BY MATURITY DATE
September 30, 2011

Water & Sewer System Revenue Bonds, Series 1999

Water & Sewer System Revenue Bonds, Series 2003

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 240,000	\$ 266,466	\$ 506,466	\$ 315,000	\$ 323,113	\$ 638,113
2013	250,000	255,654	505,654	330,000	304,213	634,213
2014	260,000	244,392	504,392	340,000	285,238	625,238
2015	270,000	232,678	502,678	355,000	271,638	626,638
2016	290,000	220,295	510,295	365,000	257,438	622,438
2017	1,080,000	207,451	1,287,451	375,000	242,838	617,838
2018	1,125,000	158,796	1,283,796	385,000	227,838	612,838
2019	1,175,000	108,110	1,283,110	390,000	212,438	602,438
2020	1,225,000	55,182	1,280,182	395,000	196,350	591,350
2021				395,000	179,563	574,563
2022				410,000	162,775	572,775
2023				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						
2035						
	<u>\$ 5,915,000</u>	<u>\$ 1,749,024</u>	<u>\$ 7,664,024</u>	<u>\$ 7,475,000</u>	<u>\$ 3,000,038</u>	<u>\$ 10,475,038</u>

**Water & Sewer System Revenue and Refunding Bonds,
Series 2006**

**Water & Sewer System Revenue and Refunding Bonds,
Series 2007**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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						
2035						
	<u>\$ 12,125,000</u>	<u>\$ 7,834,519</u>	<u>\$ 19,959,519</u>	<u>\$ 38,335,000</u>	<u>\$ 22,831,000</u>	<u>\$ 61,166,000</u>

Water & Sewer System Revenue Bonds, Series 2008

Water & Sewer System Revenue Bonds, Series 2009

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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
2035						
	<u>\$ 14,405,000</u>	<u>\$ 11,015,738</u>	<u>\$ 25,420,738</u>	<u>\$ 12,450,000</u>	<u>\$ 8,707,225</u>	<u>\$ 21,157,225</u>

**Permanent Improvement and Refunding Bonds,
Series 2009**

Fiscal Year	Principal	Interest	Total
2012	\$ 830,000	\$ 346,900	\$ 1,176,900
2013	1,110,000	327,500	1,437,500
2014	1,155,000	287,525	1,442,525
2015	1,195,000	243,712	1,438,712
2016	1,220,000	212,000	1,432,000
2017	2,065,000	143,601	2,208,601
2018	2,155,000	45,988	2,200,988
2019			
2020			
2021			
2022			
2023			
2024			
2025			
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
	<u>\$ 9,730,000</u>	<u>\$ 1,607,226</u>	<u>\$ 11,337,226</u>

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Water & Sewer Revenue Bonds , Series 2010A

Water & Sewer Refunding Bonds, Series 2010B

	Principal	Interest	Total	Principal	Interest	Total
2012	\$ 380,000	\$ 519,956	\$ 899,956	\$ 330,000	\$ 308,269	\$ 638,269
2013	390,000	513,306	903,306	340,000	302,494	642,494
2014	395,000	506,481	901,481	350,000	296,544	646,544
2015	405,000	498,581	903,581	355,000	289,544	644,544
2016	410,000	490,481	900,481	370,000	282,444	652,444
2017	425,000	480,231	905,231	385,000	273,194	658,194
2018	440,000	467,481	907,481	405,000	261,644	666,644
2019	455,000	453,731	908,731	425,000	248,988	673,988
2020	475,000	438,944	913,944	445,000	235,175	680,175
2021	495,000	422,318	917,318	1,750,000	219,600	1,969,600
2022	515,000	402,519	917,519	1,830,000	149,600	1,979,600
2023	535,000	381,919	916,919	1,910,000	76,400	1,986,400
2024	555,000	360,519	915,519			
2025	580,000	338,318	918,318			
2026	600,000	315,118	915,118			
2027	625,000	291,118	916,118			
2028	650,000	265,337	915,337			
2029	680,000	237,713	917,713			
2030	710,000	208,813	918,813			
2031		177,750	177,750			
2032		144,450	144,450			
2033		110,475	110,475			
2034		75,150	75,150			
2035	3,950,000	38,025	3,988,025			
	<u>\$ 13,670,000</u>	<u>\$ 8,138,734</u>	<u>\$ 21,808,734</u>	<u>\$ 8,895,000</u>	<u>\$ 2,943,896</u>	<u>\$ 11,838,896</u>

PEARLAND ECONOMIC DEVELOPMENT CORPORATION
COMBINING SCHEDULE OF GENERAL LONG-TERM DEBT OF
PEARLAND ECONOMIC DEVELOPMENT CORPORATION BY MATURITY DATE
September 30, 2011

Fiscal Year	Sales Tax Revenue Bonds, Series 2005			Sales Tax Revenue Bonds, Series 2006		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 8,375,000</u>	<u>\$ 3,123,163</u>	<u>\$ 11,498,163</u>	<u>\$ 9,485,000</u>	<u>\$ 6,210,169</u>	<u>\$ 15,695,169</u>

Sales Tax Revenue Bonds, Series 2010

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 230,000	\$ 384,240	\$ 614,240
2013	245,000	372,410	617,410
2014	260,000	359,807	619,807
2015	275,000	346,434	621,434
2016	290,000	332,288	622,288
2017	300,000	317,371	617,371
2018	320,000	301,940	621,940
2019	340,000	285,480	625,480
2020	355,000	267,991	622,991
2021	375,000	249,731	624,731
2022	400,000	230,441	630,441
2023	420,000	209,866	629,866
2024	440,000	188,262	628,262
2025	465,000	165,630	630,630
2026	495,000	141,711	636,711
2027	525,000	116,249	641,249
2028	550,000	89,245	639,245
2029	575,000	60,954	635,954
2030	610,000	31,377	641,377
	<u>\$ 7,470,000</u>	<u>\$ 4,451,427</u>	<u>\$ 11,921,427</u>

DEVELOPMENT AUTHORITY OF PEARLAND
COMBINING SCHEDULE OF GENERAL LONG-TERM DEBT OF
DEVELOPMENT AUTHORITY OF PEARLAND BY MATURITY DATE
September 30, 2011

Fiscal Year Ending	Tax Increment Revenue Bonds, Series 2004			Tax Increment Revenue Bonds, Series 2005		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 10,810,000</u>	<u>\$ 5,778,978</u>	<u>\$ 16,588,978</u>	<u>\$ 7,225,000</u>	<u>\$ 3,329,510</u>	<u>\$ 10,554,510</u>

Fiscal Year Ending	Tax Increment Revenue Bonds, Series 2006			Tax Increment Revenue Bonds, Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
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				3,220,000	152,950	3,372,950
	<u>\$ 8,570,000</u>	<u>\$ 3,588,032</u>	<u>\$ 12,158,032</u>	<u>\$ 14,415,000</u>	<u>\$ 7,717,836</u>	<u>\$ 22,132,836</u>

Tax Increment Revenue Bonds, Series 2009

Fiscal Year Ending	Principal	Interest	Total
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>\$ 8,210,000</u>	<u>\$ 4,799,066</u>	<u>\$ 13,009,066</u>

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**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	122
<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	132
<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	140
<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	145
<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	147
<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 Nine 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>	<u>2010</u>	<u>2011</u>
\$410,002	\$429,054	\$422,643	\$413,439
10,864	10,615	18,020	16,462
10,903	13,330	13,692	14,543
<u>\$431,769</u>	<u>\$452,999</u>	<u>\$454,355</u>	<u>\$444,444</u>
\$138,679	\$146,150	\$144,244	\$156,629
16,094	11,965	17,587	5,603
3,406	9,256	11,942	13,910
<u>\$158,179</u>	<u>\$167,371</u>	<u>\$173,773</u>	<u>\$176,142</u>
\$548,681	\$575,204	\$566,887	\$570,068
26,958	22,580	35,607	22,065
14,309	22,586	25,634	28,453
<u>\$589,948</u>	<u>\$620,370</u>	<u>\$628,128</u>	<u>\$620,586</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET ASSETS

*Last Nine 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					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					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>	<u>2010</u>	<u>2011</u>
\$ 11,161	\$ 12,355	\$ 13,439	\$ 15,945
17,684	22,438	24,268	23,042
24,532	26,893	35,679	31,130
3,336	3,290	3,323	3,254
7,157	7,240	7,699	8,062
12,266	11,647	13,738	13,142
<u>76,136</u>	<u>83,863</u>	<u>98,146</u>	<u>94,575</u>
22,570	25,439	27,157	29,194
6,024	7,106	7,089	7,285
<u>28,594</u>	<u>32,545</u>	<u>34,246</u>	<u>36,479</u>
<u>\$ 104,730</u>	<u>\$ 116,408</u>	<u>\$ 132,392</u>	<u>\$ 131,054</u>

\$	\$	\$	\$
2,959	3,524	3,296	3,679
103	35	10	18
5,130	4,755	4,312	4,632
936	672	906	2,027
3,951	4,913	5,215	5,488
230	420	641	407
551	375	207	675
129	202	159	366
115	450	424	462
503	279	98	
15,263	26,092	29,800	10,330
261	4,653		
<u>30,131</u>	<u>46,370</u>	<u>45,068</u>	<u>28,084</u>
21,524	26,617	24,961	28,664
6,038	6,766	7,313	7,257
315	2,464	70	61
5,869	6,125	8,611	4,215
<u>33,746</u>	<u>41,972</u>	<u>40,955</u>	<u>40,197</u>
<u>\$ 63,877</u>	<u>\$ 88,342</u>	<u>\$ 86,023</u>	<u>\$ 68,281</u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET ASSETS

*Last Nine 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	742	783	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:					
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>	<u>2010</u>	<u>2011</u>
\$ (46,005)	\$ (37,493)	\$ (53,078)	\$ (66,491)
<u>5,152</u>	<u>9,427</u>	<u>6,709</u>	<u>3,718</u>
<u>\$ (40,853)</u>	<u>\$ (28,066)</u>	<u>\$ (46,369)</u>	<u>\$ (62,773)</u>

\$ 29,492	\$ 31,140	\$ 32,963	\$ 33,451
12,581	14,218	13,578	13,983
4,427	5,075	5,426	5,605
4,572	1,376	253	157
2,911	6,294	1,028	1,909
<u>1,330</u>	<u>621</u>	<u>1,186</u>	<u>1,475</u>
<u>\$ 55,313</u>	<u>\$ 58,724</u>	<u>\$ 54,434</u>	<u>\$ 56,580</u>

\$ 1,669	\$ 363	\$ 100	\$ 116
12	23	779	10
<u>(1,330)</u>	<u>(621)</u>	<u>(1,186)</u>	<u>(1,475)</u>
<u>351</u>	<u>(235)</u>	<u>(307)</u>	<u>(1,349)</u>
<u>\$ 55,664</u>	<u>\$ 58,489</u>	<u>\$ 54,127</u>	<u>\$ 55,231</u>

\$ 9,308	\$ 21,231	\$ 1,356	\$ (9,911)
<u>5,503</u>	<u>9,192</u>	<u>6,402</u>	<u>2,369</u>
<u>\$ 14,811</u>	<u>\$ 30,423</u>	<u>\$ 7,758</u>	<u>\$ (7,542)</u>

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General fund				
Non-spendable	\$ 286	\$ 52	\$ 70	\$ 71
Restricted				
Assigned				
Unassigned	4,739	5,310	8,216	8,132
Total General Fund	<u>\$ 5,025</u>	<u>\$ 5,362</u>	<u>\$ 8,286</u>	<u>\$ 8,203</u>
All other governmental funds				
Debt service	\$ 2,230	\$ 2,130	\$ 3,008	\$ 3,855
Capital improvements	28,494	41,255	46,014	43,545
Public safety	116	190	284	348
Community development projects				
Tourism	280	392	557	670
Parks and recreation	174	569	793	992
Capital projects - other	194	250	872	1,007
Other	113	323	909	238
Total other Governmental Funds	<u>\$ 31,601</u>	<u>\$ 45,109</u>	<u>\$ 52,437</u>	<u>\$ 50,655</u>

2006	2007	2008	2009	2010	2011
\$ 84	\$ 123	\$ 181	\$ 119	\$ 146	\$ 130
					126
552	581	4,698	699	117	160
9,961	12,932	8,647	11,401	12,599	14,108
<u>\$ 10,597</u>	<u>\$ 13,636</u>	<u>\$ 13,526</u>	<u>\$ 12,219</u>	<u>\$ 12,862</u>	<u>\$ 14,524</u>
\$ 4,658	\$ 6,552	\$ 6,835	\$ 7,246	\$ 6,705	\$ 5,160
52,957	96,542	110,715	62,467	30,893	23,461
453	591	583	699	612	541
864	1,051	1,247	1,344	1,394	1,452
1,393	1,652	1,183	1,094	1,214	1,143
1,064	1,138	1,346	1,146	962	810
247	114	629	85	79	87
<u>\$ 61,636</u>	<u>\$ 107,640</u>	<u>\$ 122,538</u>	<u>\$ 74,081</u>	<u>\$ 41,859</u>	<u>\$ 32,654</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>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Revenues				
Property taxes	\$ 12,858	\$ 15,120	\$ 17,891	\$ 19,745
Sales and use taxes	5,103	6,008	6,933	8,026
Franchise fees	2,454	2,533	2,883	3,097
Licenses and permits	2,257	2,682	3,441	3,864
Fines and forfeitures	845	1,422	1,608	1,935
Charges for services	3,652	3,982	5,260	6,139
Investment earnings	649	171	1,115	1,863
Intergovernmental	9,001	2,398	3,040	2,382
Other	1,584	1,135	1,076	1,172
Total Revenues	<u>38,403</u>	<u>35,451</u>	<u>43,247</u>	<u>48,223</u>
Expenditures				
General government	16,226	5,852	6,221	6,750
Public safety	8,303	9,650	10,142	11,081
Public works	7,604	8,770	8,709	10,450
Community services	2,932	2,827	2,904	2,747
Parks and recreation				
Debt service:				
Principal	1,920	2,040	3,000	3,535
Interest and other charges	2,374	4,469	5,665	5,555
Capital outlay	12,239	23,568	18,058	28,661
Intergovernmental				1,084
Total Expenditures	<u>51,598</u>	<u>57,176</u>	<u>54,699</u>	<u>69,863</u>
Excess of revenues over (under) expenditures	(13,195)	(21,725)	(11,452)	(21,640)
Other Financing Sources (Uses)				
Transfers in	4,382	1,534	1,431	4,870
Transfers out	(3,752)	(806)	(907)	(4,510)
Bonds issued	38,550	34,653	184	37,015
Payment to Escrow Agent				
Capital leases			21,000	271
Other	(1,900)		94	(15,926)
Total other Financing Sources (uses)	<u>37,280</u>	<u>35,381</u>	<u>21,802</u>	<u>21,720</u>
Net change in fund balances	<u>\$ 24,085</u>	<u>\$ 13,656</u>	<u>\$ 10,350</u>	<u>\$ 80</u>
Debt service as a percentage of noncapital expenditures	10.9%	19.4%	23.6%	22.1%

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	22,150	\$ 24,525	\$ 29,200	\$ 31,349	\$ 32,856	\$ 33,454
	9,980	11,025	12,581	14,218	13,578	13,983
	3,426	3,760	4,427	5,075	5,426	5,605
	4,067	4,030	2,992	2,079	1,807	1,721
	2,038	2,048	2,086	2,325	2,475	2,895
	8,734	5,250	7,512	8,885	9,328	11,687
	2,991	4,938	4,568	1,375	591	156
	7,852	14,463	3,731	7,589	3,689	2,199
	1,744	1,815	5,638	8,980	982	1,560
	<u>62,982</u>	<u>71,854</u>	<u>72,735</u>	<u>81,875</u>	<u>70,732</u>	<u>73,260</u>
	6,381	6,293	7,388	8,412	8,527	10,866
	12,870	14,598	19,604	22,310	23,784	23,926
	9,728	6,278	7,536	12,051	7,108	6,505
	3,787	3,102	3,426	3,386	3,839	3,376
	3,358	4,908	6,605	5,789	6,305	7,539
	3,429	3,228	3,160	5,482	6,200	8,217
	6,771	10,197	12,382	12,080	13,635	13,543
	36,706	28,530	27,777	68,615	61,317	25,703
	1,684	2,169	3,434	3,250	3,794	3,954
	<u>84,714</u>	<u>79,303</u>	<u>91,312</u>	<u>141,375</u>	<u>134,509</u>	<u>103,630</u>
	(21,732)	(7,449)	(18,577)	(59,500)	(63,777)	(30,369)
	5,852	4,596	4,912	3,246	3,498	3,525
	(4,698)	(3,536)	(3,582)	(2,625)	(2,312)	(2,050)
	41,959	94,559	31,835	8,520	28,962	21,637
		1,568		649	2,050	(1,630)
	(8,005)	(40,695)	200	(54)		1,289
	<u>35,108</u>	<u>56,492</u>	<u>33,365</u>	<u>9,736</u>	<u>32,198</u>	<u>22,826</u>
\$	<u>13,376</u>	<u>49,043</u>	<u>14,788</u>	<u>(49,764)</u>	<u>(31,579)</u>	<u>(7,543)</u>
	22.0%	37.6%	33.3%	35.5%	40.4%	38.8%

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

Real Property

Fiscal Year	Tax Year	Residential	Commercial	Personal Property	Less Tax Exempt Real Property
2006	2005	\$ 2,689,041,440	\$ 1,072,417,312	\$ 309,552,190	\$ 270,175,010
2007	2006	3,398,952,580	1,234,444,431	378,160,330	307,538,080
2008	2007	4,136,844,130	1,463,969,653	449,453,570	384,651,183
2009	2008	4,535,133,971	1,795,132,850	521,854,047	461,051,494
2010	2009	4,673,324,896	1,762,831,286	632,160,830	484,145,515
2011	2010	4,916,409,359	1,833,483,370	527,132,210	590,247,297

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 adjusted tax roll at year end.

Less Other Exemptions and Abatements	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Assessed Value as a Percent of Actual Taxable Value
\$ 224,396,803	\$ 3,576,439,129	\$ 0.6744	\$ 3,576,439,129	100%
291,197,312	4,412,821,949	0.6527	4,412,821,949	100%
275,826,005	5,389,790,165	0.6526	5,389,790,165	100%
486,242,814	5,904,826,560	0.6526	5,904,826,560	100%
315,123,559	6,269,047,937	0.6526	6,269,047,937	100%
355,054,613	6,331,723,029	0.6651	6,331,723,029	100%

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

Fiscal Year	City Direct Rates			Overlapping Rates ^a								
	M & O Rate	I & S Rate	Total Direct	Pearland Independent School District	Pasadena Independent School District	Alvin Independent School District	Alvin Comm College	Brazoria County	Fort Bend County	Harris County	Port of Houston Authority	Harris County Flood Control
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	\$ 1.350	\$ 1.546	0.220	0.382	0.517	0.402	0.013	0.032
2008	0.250	0.402	0.653	1.427	1.350	1.328	0.210	0.311	0.517	0.392	0.014	0.031
2009	0.220	0.433	0.653	1.419	1.350	1.328	0.200	0.330	0.500	0.391	0.018	0.031
2010	0.220	0.433	0.653	1.419	1.350	1.304	0.200	0.366	0.500	0.392	0.016	0.029
2011	0.215	0.450	0.665	1.419	1.350	1.304	0.200	0.403	0.500	0.388	0.021	0.029

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

Harris County Hospital District	Harris County Dept of Education	Brazoria/ Ft Bend MUD No. 1	MUD No. 17	MUD No. 18	MUD No. 19	MUD No. 23	MUD No. 26	MUD No. 28	MUD No. 34	MUD No. 35
\$0.190	\$ 0.006		\$0.750	\$0.650	\$ 0.800					
0.190	0.006		0.750	0.650	0.800		0.850			
0.190	0.006		0.750	0.650	0.800		0.850			
0.190	0.006		0.750	0.650	0.800	0.850	0.850	0.820	0.850	
0.192	0.006	\$ 0.850	0.750	0.640	0.800	0.850	0.850	0.820	0.850	
0.192	0.006	0.850	0.750	0.610	0.780	0.850	0.770	0.820	0.850	
0.192	0.006	0.850	0.730	0.590	0.680	0.850	0.710	0.820	0.850	0.850
0.192	0.006	0.850	0.630	0.570	0.660	0.820	0.710	0.820	0.850	0.890
0.192	0.060	0.850	0.600	0.560	0.630	0.800	0.710	0.820	0.850	1.020
0.192	0.007	0.850	0.547	0.550	0.620	0.770	0.710	0.820	0.850	1.020

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

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2002	\$ 12,890,017	\$ 12,477,283	96.80%	\$ 388,897	\$ 12,866,180	99.8%
2003	14,880,007	14,575,297	97.95%	279,233	14,854,530	99.8%
2004	18,030,473	17,633,986	97.80%	360,718	17,994,704	99.8%
2005	21,073,788	20,576,812	97.64%	471,658	21,048,470	99.9%
2006	24,284,597	23,690,031	97.55%	556,960	24,246,991	99.8%
2007	28,819,229	28,235,276	97.97%	541,487	28,776,763	99.9%
2008	35,035,569	34,461,652	98.36%	522,399	34,984,051	99.9%
2009	38,368,354	37,820,603	98.57%	438,634	38,259,237	99.7%
2010	41,081,407	40,590,543	98.81%	281,453	40,871,996	99.5%
2011	41,968,046	41,594,389	99.11%		41,594,389	99.1%

Source: Brazoria County Tax Office

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

<u>Taxpayer</u>	<u>2011</u>			<u>2002</u>		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total City Taxable Assessed Value</u>
Pearland Town Center LP	67,661,190	1	1.07%			
Amreit SPF Shadow Creek, LP	50,744,245	2	0.80%			
Weatherford U.S., Inc.	45,210,463	3	0.71%	35,033,690	1	1.87%
Pearland Investments Ltd	35,554,380	4	0.56%			
Centerpoint Energy, Inc.	25,946,710	5	0.41%			
Pearland Lifestyle Center, LP	24,153,065	6	0.38%			
Walmart Real Estate Bus TR	23,412,910	7	0.37%			
Shadow Kirby LTD Partnership	23,114,059	8	0.37%			
HCA Healthcare Corp.	20,030,180	9	0.32%			
Inland American Waterford, LTD	17,125,100	10	0.27%			
Reliant Energy				16,221,790	2	0.87%
Lowe's Home Centers, Inc.				13,599,840	3	0.73%
Southwestern Bell Telephone				11,405,920	4	0.61%
Aggreko, Inc.				10,581,530	5	0.56%
Landar Mary's Creek Apts				10,097,750	6	0.54%
Green Hollow Apts				9,119,750	7	0.49%
Kroger's Grocery Store				8,808,890	8	0.47%
Westlake Residential Apts				7,649,780	9	0.41%
Texas Windmill Apts				6,438,841	10	0.34%
Total	<u>\$ 332,952,302</u>		<u>5.26%</u>	<u>\$ 128,957,781</u>		<u>6.88%</u>

Source: Brazoria County Appraisal District

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

	Calendar Year			
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Agriculture, Forestry, Fishing	\$ 6	\$ 13	\$ 190	\$ 283
Mining, Quarrying, Oil and Gas	4,062	4,283	3,738	2,985
Utilities				
Manufacturing	24,365	27,491	29,200	41,057
Wholesale Trade	13,248	11,234	13,059	24,070
Retail Trade	240,767	278,527	305,156	370,665
Transportation/Warehousing	50	43	54	55
Information	2,323	2,851	3,365	7,203
Finance, Insurance	3,095	3,403	3,505	1,811
Real Estate/Rental/Leasing	14,900	14,243	10,722	18,629
Professional/Scientific/Technical	2,421	2,743	3,516	3,538
Management of Companies/Enterprises			2,399	2,278
Admin/Support/Waste Mgmt/Remediation	7,760	10,515	17,880	13,688
Educational Services	133	195	95	204
Health Care/Social Assistance	17	14	9	72
Arts, Entertainment & Recreation	3,990	4,283	4,703	4,787
Accommodations & Food Services	43,421	54,331	65,708	80,185
Construction	18,204	14,392	13,288	13,234
Other Services (Except Public Admin)	13,315	14,500	15,108	16,921
Other	5,546	2,412	547	13
Total	<u>\$ 397,621</u>	<u>\$ 445,474</u>	<u>\$ 492,242</u>	<u>\$ 601,677</u>
 City direct sales tax rate ^b	 1.00%	 1.00%	 1.00%	 1.00%

Source: State Comptroller's Office.

^a 2011 taxable sales thru 2nd quarter of 2011.

^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.

Calendar Year					
<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>^a
\$ 453	\$ 473	\$ 675	\$ 566	\$ 180	\$ 74
11,186	9,280	10,520	3,355	3,246	1,686
7	3	6	6	3	7
46,241	50,134	47,447	31,243	39,582	21,909
30,592	28,782	32,999	24,613	26,370	13,010
464,850	536,352	667,470	698,971	674,270	326,939
155	169	138	161	282	198
8,553	10,086	12,567	14,413	15,672	7,833
1,722	1,038	1,469	1,811	1,404	607
33,329	44,560	52,276	38,836	47,085	23,148
3,893	4,103	5,218	5,923	6,266	2,900
	1,161	2,594			
8,060	9,209	12,656	11,670	10,650	5,638
110	110	212	144	207	110
56	63	37	52	184	111
5,208	8,789	9,751	9,909	10,861	5,586
95,154	107,850	127,994	145,857	153,569	82,615
18,348	16,232	17,496	14,372	13,939	7,218
20,390	20,794	23,764	23,665	24,609	14,001
2					
\$ 748,310	\$ 849,188	\$ 1,025,289	\$ 1,025,566	\$ 1,028,379	\$ 513,589
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

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

Fiscal Year	Governmental Activities			Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation Bonds	Capital Lease Obligations	Revenue Bonds	Certificates of Obligation Bonds	Capital Lease Obligations
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
2010	193,785	92,380	3,237	116,440	10,540	345
2011	207,105	91,150	4,032	113,270	9,730	421

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

Total Primary Government	Percentage of Personal Income	Per Capita
\$ 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
416,727	13.5%	4,429
425,708	14.3%	4,380

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
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
2010	2009	296,705	6,706	289,999	4.6%	9.4%	3,082
2011	2010	307,985	5,160	302,825	4.8%	10.2%	3,115

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

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

CITY OF PEARLAND, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2011

Taxing Jurisdiction	Gross Debt *	Overlapping	
		Percent	Amount
Alvin Community College District	\$16,960,000	27.17%	\$ 4,608,032
Alvin ISD	325,285,000	30.89%	100,480,537
Brazoria County	61,340,000	24.40%	14,966,960
Brazoria County MUD No. 17	30,145,000	100.00%	30,145,000
Brazoria County MUD No. 18	30,620,000	97.35%	29,808,570
Brazoria County MUD No. 19	37,815,000	100.00%	37,815,000
Brazoria County MUD No. 23	18,940,000	100.00%	18,940,000
Brazoria County MUD No. 26	53,490,000	100.00%	53,490,000
Brazoria County MUD No. 28	13,610,000	100.00%	13,610,000
Brazoria County MUD No. 34	12,920,000	100.00%	12,920,000
Brazoria County MUD No. 35	9,580,000	100.00%	9,580,000
Brazoria-Fort Bend County MUD No. 1	54,305,000	73.76%	40,055,368
Fort Bend County	452,755,000	0.22%	996,061
Harris County (a)	2,874,566,628	0.13%	3,736,937
Harris County Dept. of Education	7,980,000	0.13%	10,374
Harris County Flood Control District	102,539,024	0.13%	133,301
Pasadena ISD	417,965,000	0.14%	585,151
Pearland ISD	323,230,930	71.72%	231,821,223
Port of Houston Authority	763,619,397	0.13%	992,705
TOTAL ESTIMATED OVERLAPPING			604,695,218
The City	\$307,985,000	100.00%	307,985,000
Total Direct and Estimated Overlapping Debt			\$ 912,680,218
Population			97,200
Per Capita Debt - Direct and Overlapping Debt			\$ 9,390

Source: Individual jurisdictions and/or Texas Municipal Reports.

* Debt amounts are as of September 30, 2011.

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	
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	4,648	6,243	2.26
2010	25,061	13,585	11,476	2,575	4,848	7,423	1.55
2011	28,664	15,529	13,135	3,170	5,155	8,325	1.58

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)
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%
2010	94,100	3,076,788	32,697	33.4	14.2	21,269	6.9%
2011	97,200	2,974,785	30,605	33.3	14.2	20,931	6.9%

- (A) Estimated
- (B) Pearland Economic Development Corporation
- (C) Texas Education Agency
- (D) Bureau of Labor Statistics

CITY OF PEARLAND, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Six Years Ago

Employer	2011			2005		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Pearland ISD	2,212	1	4.85%	1,820	1	7.26%
Wal-Mart	1,185	2	2.60%	800	2	3.19%
City of Pearland	619	3	1.36%	420	3	1.67%
Kemlon	370	4	0.81%	185	6	0.74%
HEB	350	5	0.77%			
Home Depot	230	6	0.50%			
Bredero Shaw	225	7	0.49%			
Bass Pro Shop	200	8	0.44%			
Packaging Service Co, Inc.	200	9	0.44%			
Texas Honing	178	10	0.39%			
TurboCare	175		0.38%	175	7	0.70%
Weatherford	80		0.18%	250	4	1.00%
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	6,024		13.21%	4,322		17.23%

Sources:

2005 Pearland Economic Development Corp.

2011 Pearland Chamber of Commerce

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

	Full-time Equivalent Employees as of Sept 30									
Function/Program	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
Governmental Activities										
General Government	37	45	41	42	49	51	55	55	57	57
Public Safety	132	132	160	170	184	205	242	253	264	276
Public Works	32	41	42	43	44	47	45	47	47	45
Community Services	26	34	37	41	47	50	51	52	47	45
Parks and Recreation	50	52	55	58	52	59	68	72	99	105
Business Type Activities										
Water & Sewer	51	56	62	62	76	78	77	82	82	87
Component Unit										
Economic Development	4	4	4	4	4	4	5	5	6	5
Total	332	364	401	420	456	494	543	564	601	619

Source: City Budget

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

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

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
3,552	3,264	2,913	2,679
398	406	470	427
23,434	23,259	21,632	21,000
1,185	1,230	1,220	1,438
109	90	91	131
353	431	532	73
2,495	3,137	3,880	3,299
293	266	229	205
616	649	734	815
386	394	429	439
34,865	37,440	35,676	39,815
4,424	5,188	5,986	6,218
592	576	513	606
860	711	672	852
349	629	2,003	3,304
9	8	5	2
28	33	22	25
2,677	2,374	1,752	1,380
2,215	2,432	2,416	2,621
6,029	6,411	6,472	7,055
5,529	5,804	5,619	6,121
4,153	3,063	2,394	3,410
1,756	1,998	1,741	747
343,865	313,596	354,422	361,464
2,324	2,561	2,239	1,256
1,288	2,864	2,049	1,588
18,723	20,213	18,632	16,834

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

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

Sources: Various city departments.

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
210	228	245	255
5,000	5,004	5,800	6,327
470	851	1,301	1,331
316	275	252	249
180	138	139	139
25	25	24	21
9	6	9	11
1,083	855	307	459
7,607	3,623	11,823	16,116
2,947	2,868	2,532	2,685
4,296	3,529	4,206	4,346
34,773	24,834	21,753	19,244
3,629	4,274	3,433	2,860
9,878	9,249	7,874	7,869
1,309	925	969	917
1,616	1,391	402	688
19,666	24,400	24,657	26,369
6,402	7,374	8,692	8,204
740	451	402	395
393	270	325	310
160	168	82	410
2,128	2,574	3,065	3,869
1,147	1,146	634	968
325,471	340,281	344,618	364,424
318,160	325,201	336,668	350,871
2,096	2,106	2,361	1,943

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

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

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

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

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

CITY OF PEARLAND, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
Last Nine 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>	<u>2010</u>	<u>2011</u>
PUBLIC SAFETY									
Police									
Police stations	1	1	1	1	1	1	1	1	1
Police vehicles	89	100	109	112	117	126	130	138	142
Fire									
Fire stations	4	4	4	4	4	4	4	4	5
Fire vehicles	14	15	15	16	16	17	17	17	22
EMS									
EMS Stations	3	3	3	3	3	3	3	3	3
EMS Ambulances	5	5	5	5	5	6	8	8	8
PUBLIC WORKS									
Other public works									
Streets (miles)*	202	232	248	578	758	773	807	807	806
Streetlights	3,425	3,425	3,494	3,563	5,294	5,479	5,479	5,479	7,533
Traffic signals	43	43	47	48	57	67	71	80	62
PARKS AND RECREATION									
Parks and recreation									
Developed acreage**	124	124	124	175	175	180	138	139	139
Pools	N/A	1	1	1	1	1	1	3	3
Outdoor basketball courts	N/A	N/A	N/A	10	10	10	10	10	10
Soccer fields	N/A	N/A	N/A	12	12	12	12	12	12
Activity buildings	2	2	3	3	3	3	3	4	4
Baseball/Softball Fields	4	4	4	4	4	4	4	4	4
WATER AND SEWER									
Water Production									
Water wells	8	8	9	9	10	11	11	11	11
Pumping stations	2	2	2	2	2	2	2	2	2
Ground storage tanks	10	10	13	15	15	15	15	15	15
Elevated towers	4	4	4	5	5	5	5	6	6
Wastewater									
Treatment Plants	4	4	4	4	5	5	5	5	5
Lift Stations	74	74	78	74	78	76	78	78	80
Distribution and Collection									
Water mains (miles)	240	250	296	361	395	410	420	433	443
Sanitary sewers (miles)	230	240	279	321	353	360	370	378	380

Sources: Various city departments.

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

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

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

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