

CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2012**

Officials Issuing Report

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City Manager**

**Jon Branson
Assistant City
Manager**

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CITY OF PEARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS

	<u>Page</u>
Introductory Section	
Letter of Transmittal	i
Principal Officials	xii
Organizational Chart	xiii
GFOA Certificate of Achievement	xiv
Financial Section	
Independent Auditors' Report	1
Management's Discussion and Analysis	5
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets	19
Statement of Activities	20
Fund Financial Statements:	
Balance Sheet - Governmental Funds	22
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	23
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	24
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	25
Statement of Net Assets - Proprietary Funds	26
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	27
Statement of Cash Flows - Proprietary Funds	28
Combining Statement of Net Assets - Discretely Presented Component Units - Governmental Activities	30
Combining Statement of Activities - Discretely Presented Component Units - Governmental Activities	31
Notes to the Financial Statements	32
Required Supplementary Information:	
General Fund - Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual	68
Notes To Required Supplementary Budget Information	69
Required Pension System and Other Post Retirement Benefit Supplementary Information	70

CITY OF PEARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS (Continued)

Financial Section (Continued)	<u>Page</u>
Other Supplementary Information:	
Combining and Individual Fund Statements and Schedules	
Combining Balance Sheet - Non-Major Governmental Funds	76
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Non-Major Governmental Funds	80
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
Debt Service Fund	84
Hotel/Motel Tax Fund	85
Court Security Fund	86
City-Wide Donations Fund	87
Court Technology Fund	88
Regional Detention Fund	89
Park Donations Fund	90
Police Seizure Fund	91
Parks and Recreation Development Fund	92
Sidewalk Fund	93
Grant Fund	94
Traffic Impact Improvements	95
Juvenile Management Fund	96
Educational TV Fund	97
U of H Fund	98
Discretely Presented Component Units Fund Based Financial Statements:	
Balance Sheets - Governmental Funds	100
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Funds	101
Long-Term Debt Amortization Schedules:	
Combining Schedule of Governmental Activity Long-Term Debt	104
Combining Schedule of Enterprise Fund Long-Term Debt	110
Combining Schedule of General Long-Term Debt of Pearland Economic Development Corporation	114
Combining Schedule of General Long-Term Debt of Development Authority of Pearland	116

CITY OF PEARLAND, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS (Continued)

Statistical Section (Unaudited)	Page
Net Assets by Component	120
Changes in Net Assets	122
Fund Balances of Governmental Funds	126
Changes in Fund Balances of Governmental Funds	128
Assessed Value and Estimated Actual Value of Taxable Property	130
Direct and Overlapping Property Tax Rates	132
Property Tax Levies and Collections	134
Principal Property Taxpayers	135
Taxable Sales by Category	136
Outstanding Debt by Type	138
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita	140
Direct and Overlapping Governmental Activities Debt	141
Pledged Revenue Coverage	142
Demographic and Economic Statistics	143
Principal Employers	144
Full-time Equivalent City Government Employees by Function/Program	145
Operating Indicators by Function/Program	146
Capital Asset Statistics by Function/Program	150

Introductory Section

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March 11, 2013

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, 2012, is hereby submitted as mandated by both local and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity, and that an independent firm of certified public accountants audit this report.

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

Whitley Penn, LLP, Certified Public Accountants, have issued an unqualified (or “clean”) opinion on the City of Pearland’s financial statements for the year ended September 30, 2012. 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 99,800 residents estimated as of September 2012.

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
of City Council, and Citizens of the
City of Pearland, Texas

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 voters of 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 TIRZ #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.

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

The total of all new construction permitted during calendar year 2012 totaled over \$254.0 million, a 14.3% increase in value from 2011. New single-family housing permits totaled 951 with a construction value of \$192 million. This is 260 permits and \$58.0 million more than 2011; however Pearland's economy continues to grow at a respectable pace, faring better than the rest of the nation. Residential permitting activity is anticipated to increase for fiscal year 2013, budgeted at 1,142 permits. For calendar year 2012, the City had 77 commercial permits with a value of \$62 million, compared to 42 permits with a value of \$23 million in 2011. In addition, one multi-family development was permitted with a value of \$19.6 million. The downward trend on the commercial real estate market has turned upward and strengthened.

Sales of homes throughout the greater Houston area remained strong in 2012, driven by a combination of good local job numbers and historically low interest rates. The Houston Association of Realtors reported 62,229 single family home sales for 2012, up 16.1% from the 53,606 sales in 2011. 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 2012, Pearland had 696 foreclosure filings, down from the 800 in fiscal year 2011, 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 has turned around.

Houston is the world's energy capital, and much of the recovery is from the oil and gas industry. During the recession the exploration sector lost 1,200 jobs, but added 8,100 in the recovery. Oil field services lost 9,700 jobs and have since recouped 9,500. Much of this growth is from hydraulic fracturing and much of it from the South Texas Eagle Ford Shale oil and gas reserves. The Eagle Ford produced 844 barrels of crude per day in 2009; in August of 2012 it produced 297,079 per day. 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 5.2% in September 2012, down from 6.7% in September 2011. This is compared to the national unemployment rate of 8.0% and the State of Texas unemployment rate of 7.5% as of September 2012. Pearland's unemployment is less than the national and state rates with the economy turning around. Texas has been recognized by business publications as having the best business climate in the country. Houston's economy will continue to grow next year, adding more jobs in 2013 than in 2012. The Greater Houston Partnership forecasts the region to add 76,000 jobs in 2013. 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.

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

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. Ref Chem, an oil and gas service company is constructing a 39,000 square foot regional headquarters on Beltway 8 that will employ 100 people.

Sales tax for fiscal year 2012 totaled \$22.0 million, an increase of \$2.2 million or 11.3% over fiscal year 2011. 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 in 2010 and 2011. The economy, however, has turned around, which should translate to higher consumer confidence. As such, the City projected a 5.4% growth in sales tax in the fiscal year 2013 operating budget.

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 2013 through fiscal year 2017 totals \$346 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 slower economy in 2008-2011. Projects include Drainage (\$24M), Streets (\$149M), Facilities (\$24M), Parks (\$35M), Water and Wastewater (\$114M). 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 projects 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. The debt service component of the tax rate for FY 2013 increased \$0.02 to \$0.4900, which is 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. The City's utility system continues to be self-supporting and financially sound.

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

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, last amended in September 2011. The policy statements address areas of reporting and auditing, budgeting, revenues, capital improvements, debt, and grants to name a few. Some of the most relevant policies are:

- Recurring revenues fund recurring expenditures/expenses.
- Non-recurring funds fund non-recurring expenditures/expenses.
- General Fund Operating Reserves should be a minimum of two months of operations.
- Water and Wastewater Operating Reserves shall strive to be maintained at 25% of operations.
- Budget revenues on a conservative basis.
- Fund existing services at current service levels.
- Enterprise Funds must be self-supporting.
- Leverage City dollars by seeking outside funding sources.
- Maintain stable property tax rates.

Major Initiatives

The City Council, staff, and community share a vision that combines progress and innovation with prudent controls to shape Pearland's future, 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. Pearland was recently rated as one of the safest Cities in the United States ranking number 48 in the nation. Pearland was one of two Cities in the Houston area in the top 50. 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.

For more than a decade, the City of Pearland public safety departments have been subscribers to an 800 MHZ trunked radio system provided by Harris County. This system was originally designed for mobile radios in vehicles and at a time when the western half of Pearland was sparsely populated. COP public safety departments have experienced significant radio reception difficulties creating safety issues for the City. Harris County is not able to improve radio coverage in west Pearland, and to switch to the digital version of the Harris County system is costly and would not guarantee improved radio coverage. The City of Houston has recently established a \$130 million dollar 700 MHz trunked radio system designed for in-building coverage using portable radios. After radio testing and research, the City of Pearland would be switching to the City of Houston's radio system with tremendous improvements in coverage improving public safety for employees and citizens of Pearland, and at a lesser cost than creating a new radio system or staying as a subscriber to the current radio system.

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

The City of Pearland Police Department communications division currently provides dispatch services for the city's Police, Fire, and EMS departments. Due to the rapid population growth and increased demands for service in the City, it has become apparent that the Police communications division workload is unsustainable. As an alternative to hiring more dispatchers, the City has contracted with Harris County Emergency Corps for the provision of Fire Department and EMS dispatch services. In addition to the cost savings of not having to hire additional employees, the contracted dispatch center brings added capabilities to the Fire and EMS departments. By utilizing personnel specifically trained and certified for the Fire and EMS dispatch role, as well as employing a Computer Aided Dispatch system specifically configured for Fire and EMS dispatching, this arrangement will contribute to better deployment and utilization of resources.

Brazoria County MUD's 21 and 22 in cooperation with Friendswood Development have constructed Fire Station 6 in the City's ETJ, which opened in 2012. This station is 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 in the City's southwestern ETJ, where development continues.

The City is also currently designing the reconstruction of Fire Station #3 on the eastern edge of the City to accommodate 24/7 fire and EMS crews, improving response times to that area of the City.

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.

PEDC celebrated the successful recruitment of Ref-Chem, L.P. to our community and kicked off their construction with a groundbreaking ceremony in June for the engineering, construction and maintenance firm's new office building. Ref-Chem L.P. is an Odessa, Texas based heavy industrial construction, engineering, EPC and maintenance organization with an annual sales volume of over \$100 million. Ref-Chem's new office building will be located on an 11-acre site at Beltway 8 and Tom Bass Parkway. The three-story facility will be 39,000 square feet with space for a staff of approximately 100 employees, including management personnel, engineers, designers and administrative staff.

PEDC assisted Hatch Mott MacDonald, a leading North American engineering and environmental consulting firm, in expanding and relocating its Pearland office to a new location in late 2012. HMM was previously located at 2950 Cullen Parkway and moved to its new location on the fourth floor of the Shadow Creek Business Center at 11233 Shadow Creek Parkway in mid-November. The new 20,000 square-foot Pearland office, which serves as headquarters to HMM's Pipeline Division and Houston Subdivision, houses HMM's current 70 local employees, with room for up to 30 additional employees. These two projects are in addition to KS Management Services and Merit Medical previously mentioned.

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

In 2012, the PEDC, along with local partners in government, education, healthcare and business, embarked upon a long-term strategic community and economic development planning process in order to create a shared vision for the community's future growth and an action plan to achieve it. The strategic plan process is being headed by a steering committee comprised of 23 community leaders in government, education, healthcare and local business. At the end of the process, Pearland will have a consensus-based, achievable roadmap to guide the community's path to short and long-term economic growth. The final plan will be released in April of 2013.

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.

Land Use Plan/Annexation

Land use planning seeks to order and regulate the use of land in an efficient 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 (the southwest corner of Beltway 8 and SH 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's annexation of Brazoria County MUD #4 occurred December 31, 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 3,100. Upon annexation all assets and obligations of the MUD transferred to the City.

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

In January 2013, City Council voted to incorporate the Grand Avenue Master Plan into the City's Comprehensive Plan. The plan is designed to facilitate future development of Grand Avenue as a focal point for the Oldtown Site while also responding to existing growth patterns in the city. A primary initiative for this plan is to reinvent the Oldtown Site as a modern village with a compatible mix of residential and non-residential uses. The Plan recommends adopting form based codes that would be used to ensure buildings and streets are coordinated in a manner that is attractive to pedestrians and encourages outdoor activities. Using form based codes allows for more flexibility and a mix of uses as compared to traditional zoning used throughout 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 2013 – 2017 totals \$346 million. Projects include Drainage (\$24M), Streets (\$151M), Facilities (\$23M), Parks (\$36M), Water and Wastewater (\$112M).

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, Longwood Street Reconstruction, extension of Business Center Drive between Broadway and CR59, the widening of Max Road between Broadway and Hughes Ranch Road, and the extension of Fite between McLean and Veterans. 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 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, traffic signal operational improvements with the takeover of TXDOT signals in 2011, Westside Library, and renovation of Old Police Department building. 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 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.

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

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.

The City of Pearland, METRO, TxDOT, Brazoria County and Connect Transit have been working together since 2009 to establish a Park & Ride in the Pearland Area. On November 30, 2011, METRO closed on a 15.1 acre parcel of property along Smith Ranch Road and Country Road 403. METRO solicited proposals for Engineering services to do the design and the plans and specifications for the project in November of 2012. It is anticipated that the METRO Board will authorize a contract for Engineering services in early spring of 2013. Once the design contract is let it is anticipated it will take six (6) to eight (8) months to design the project and another twelve to fifteen months to construct the project.

The initial phase of the project will include approximately 1,000 parking spaces. The anticipated service area for the Pearland area Park & Ride includes 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 and Galen. The Texas Medical Center, the largest medical center in the world, houses 13 hospitals, 46 institutions (colleges, universities, research facilities, etc.), employs approximately 90,000 people, and services approximately 5.1 million patients annually.

The fare for service each way is estimated to be \$3.25. The Park & 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 weekday evenings. It is anticipated that headway times for the busses will be twelve to fifteen 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 more important given the most recent state of the economy and steady yet slow development. Based on the long-range forecast and impacts to the debt service and operating funds, the City delayed several major capital improvement projects and slotted them in the capital improvement plan, when the City could more afford to do them. In order to minimize the increase to the FY 2013 tax

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

rate and fund City infrastructure, the City continues to identify programs and line-items that could be reduced with little or no impact to the citizens and has looked at fees to ensure recoupment of costs resulting in budget reductions totaling \$330,227 and revenue enhancements of \$522,087, in the City's General Fund budget, for the 2013 fiscal year. Over the past three years base budget reductions to the General Fund totaled \$4.9 million. While only a few months into the 2013 fiscal year, the City is already beginning to prepare for the 2014 budget process and up-coming forecast with the same goal of being fiscally responsible to our citizens.

AWARDS AND ACKNOWLEDGEMENTS

The City of Pearland was awarded a Gold rating from the Scenic City Texas Organization. The rating is based on the quality of our development codes, and the implementation and enforcement of these codes. The result of such work leads to a city full of both scenic roadways and scenic public and private developments.

The Scenic City Certification Program is a project of Scenic Texas. Scenic Texas has identified a direct correlation between the success of a city's economic development efforts and the visual appearance of its public spaces. In recognition of this link, Scenic Texas has developed the Scenic City Certification Program to support and recognize municipalities that implement high-quality scenic standards for public roadways and public spaces. The program recognizes Texas cities which already have strong scenic standards and provides an incentive to others to adopt and implement the kind of stringent criteria that has been proven to enhance economic development, improve quality of life and foster a sense of place.

The Scenic City application contained 270 possible criteria that earn points, including a high percentage of park and open space, implementation of multi-use trails and recreation areas, strong litter enforcement laws, street lighting standards, parking lot landscaping, utility line management, a budget that supports these programs and their ongoing maintenance, and more.

The City of Pearland Planning Department was recently awarded the 2012 Certificate of Achievement for Planning Excellence by the Texas Chapter of the American Planning Association. This award recognizes the professional planning standards demonstrated by the Planning staff and the support exhibited by the City Council and the Planning and Zoning Commission. Pearland received this award for increasing the awareness of professional planning, enhancing neighborhood and citizen recognition of planning efforts, encouraging the funding of professional training for Commissioners and Staff and aiding in economic development and community image. This marks the sixth time the Planning Department has won this award.

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, 2011. This was the 35th 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.

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

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.

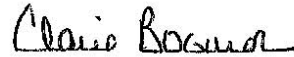
The City has also received the GFOA's Distinguished Budget Presentation Award for its annual budget document. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document had to be judged proficient as a policy document, a financial plan, an operations guide,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

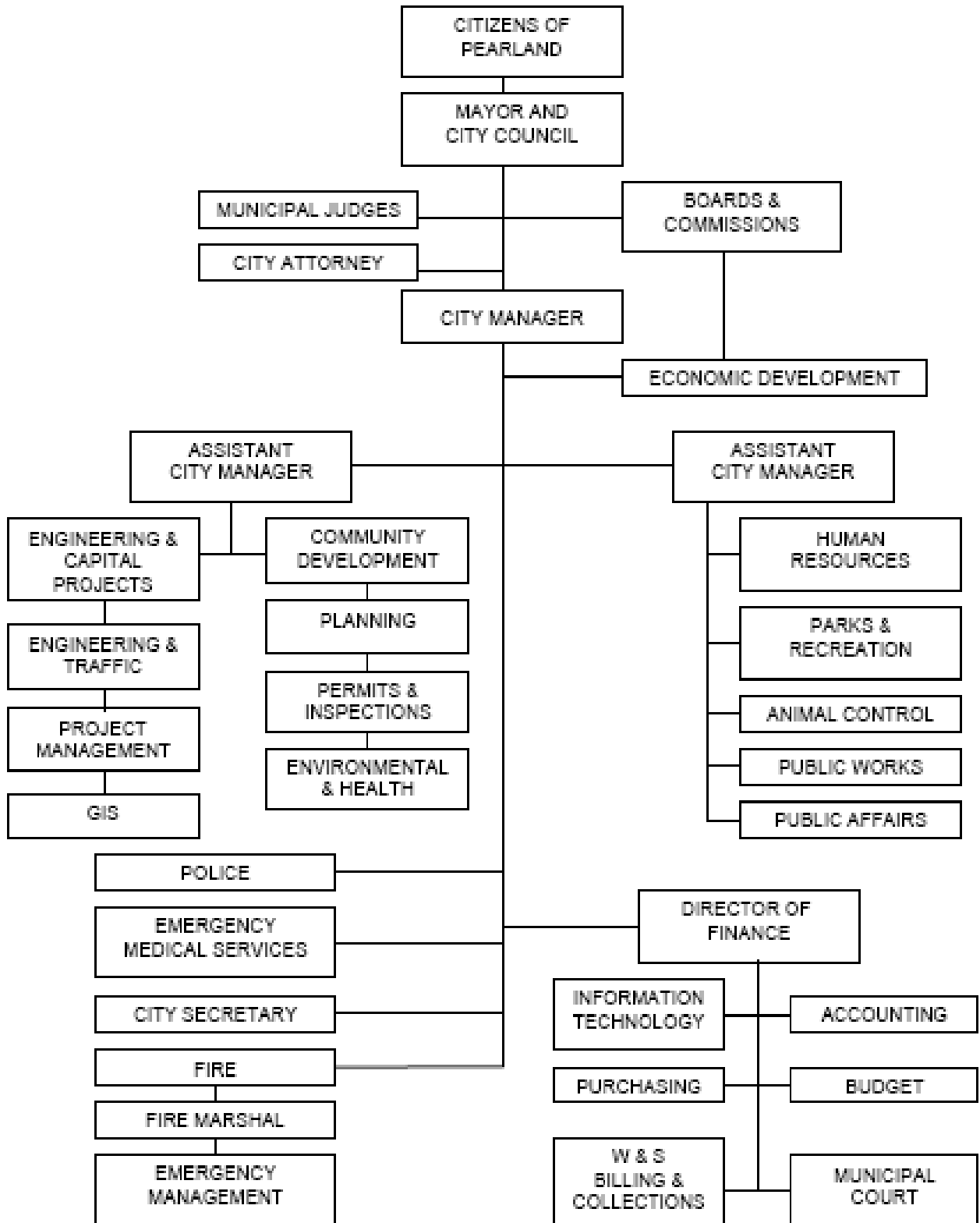
CITY OF PEARLAND, TEXAS
PRINCIPAL OFFICIALS

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	2014
Susan Sherrouse	Council Member at Large - Position Three, Mayor Pro Tem	2014
Keith Ordeneaux	Council Member at Large - Position Four	2014
Greg Hill	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 Lorfing	City Secretary
Danny Cameron	Director of Public Works
Bonita Hall	Director of Human Resources
Chris Doyle	Police Chief
Michelle Smith	Director of Parks and Recreation
Vance Riley	Fire Chief
Andrew Fearn	Head Librarian
Lata Krishnarao	Director of Community Development
Trent Epperson	Director of Engineering and Capital Projects

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, 2011

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.



Christopher P. Morrell

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, 2012, 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, 2012, 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 March 11, 2013, 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.

To the Honorable Mayor and Members of
the City Council

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 "Whitley Penn LLP". The signature is written in a cursive, flowing style.

March 11, 2013

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, 2012.

FINANCIAL HIGHLIGHTS

- The assets of the primary government of the City of Pearland exceeded its liabilities as of September 30, 2012, by \$629.2 million (net assets). Of this amount, \$34.2 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 increased by \$8.6 million due to lower accounts payable and long-term debt.
- At the close of the current fiscal year, the City of Pearland's governmental funds reported combined ending fund balances of \$40.8 million, a decrease of \$6.3 million in comparison with the prior year, approximately all of which is related to capital projects. Approximately \$13.8 million of the September 30, 2012, fund balance can be attributed to unspent bond proceeds for capital projects.
- As of September 30, 2012, the unassigned fund balance for the General Fund was \$17.2 million or 35% of total General Fund expenditures. The total fund balance for the General Fund is \$17.6 million or 35% of General Fund expenditures.
- The City of Pearland's General Obligation and Certificates of Obligation debt for governmental activities totaled \$289.6 million, a net decrease of \$8.7 million over the previous year. The decrease is attributable to principal payments for 2012 with no new money being issued. The City's debt for business activities totaled \$124.4 million, a net decrease of approximately \$1.4 million from the previous year principal outstanding.

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 26 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 \$629.2 million at the close of the most recent fiscal year.

By far the largest portion of the City's net assets (90%) 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, 2012 and 2011
Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Assets						
Current and other assets	\$ 67,257	\$ 72,544	\$ 48,163	\$ 41,119	\$ 115,420	\$ 113,663
Capital assets	<u>695,702</u>	<u>695,754</u>	<u>266,288</u>	<u>268,051</u>	<u>961,990</u>	<u>963,805</u>
Total Assets	<u>762,959</u>	<u>768,298</u>	<u>314,451</u>	<u>309,170</u>	<u>1,077,410</u>	<u>1,077,468</u>
Liabilities						
Other liabilities	9,078	12,205	6,996	8,169	16,074	20,374
Long-term liabilities outstanding	<u>305,621</u>	<u>311,649</u>	<u>126,479</u>	<u>124,859</u>	<u>432,100</u>	<u>436,508</u>
Total Liabilities	<u>314,699</u>	<u>323,854</u>	<u>133,475</u>	<u>133,028</u>	<u>448,174</u>	<u>456,882</u>
Net assets						
Invested in capital assets, net						
of related debt	410,078	413,439	158,716	156,629	568,794	570,068
Restricted	16,430	16,462	9,821	5,603	26,251	22,065
Unrestricted	<u>21,752</u>	<u>14,543</u>	<u>12,439</u>	<u>13,910</u>	<u>34,191</u>	<u>28,453</u>
Total Net Assets	<u>\$ 448,260</u>	<u>\$ 444,444</u>	<u>\$ 180,976</u>	<u>\$ 176,142</u>	<u>\$ 629,236</u>	<u>\$ 620,586</u>

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 increase in Total Net Assets from the prior year is \$8.7 million, which is attributed to a decrease in liabilities.

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

COMPARATIVE SCHEDULE OF CHANGES IN NET ASSETS
For the Years Ended September 30, 2012 and 2011
Amounts in (000's)

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenues						
Program revenues:						
Charges for services	\$ 12,183	\$ 10,356	\$ 35,189	\$ 35,923	\$ 47,372	\$ 46,279
Operating grants and contributions	7,662	7,399	205	61	7,867	7,460
Capital grants and contributions	18,843	10,330	8,118	4,215	26,961	14,545
Property taxes	34,305	33,451			34,305	33,451
Sales and use taxes	15,632	13,983			15,632	13,983
Franchise taxes	5,670	5,605			5,670	5,605
Investment earnings	92	157	68	116	160	273
Other	1,510	1,909	443	9	1,953	1,918
Total Revenues	<u>95,897</u>	<u>83,190</u>	<u>44,023</u>	<u>40,324</u>	<u>139,920</u>	<u>123,514</u>
Expenses						
General Government	13,334	15,637			13,334	15,637
Public Safety	27,403	23,057			27,403	23,057
Public Works	28,510	31,348			28,510	31,348
Community Services	4,267	3,350			4,267	3,350
Parks and Recreation	9,264	8,043			9,264	8,043
Interest on long-term debt	11,572	13,087			11,572	13,087
Water and Sewer			29,392	29,194	29,392	29,194
Solid Waste			7,528	7,285	7,528	7,285
Total Expenses	<u>94,350</u>	<u>94,522</u>	<u>36,920</u>	<u>36,479</u>	<u>131,270</u>	<u>131,001</u>
Increase (decrease) in net assets before transfers	1,547	(11,332)	7,103	3,845	8,650	(7,487)
Transfers	2,269	1,475	(2,269)	(1,475)		
Increase in net assets	3,816	(9,857)	4,834	2,370	8,650	(7,487)
Net assets - beginning	<u>444,444</u>	<u>454,301</u>	<u>176,142</u>	<u>173,772</u>	<u>620,586</u>	<u>628,073</u>
Net assets - ending	<u>\$ 448,260</u>	<u>\$ 444,444</u>	<u>\$ 180,976</u>	<u>\$ 176,142</u>	<u>\$ 629,236</u>	<u>\$ 620,586</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.

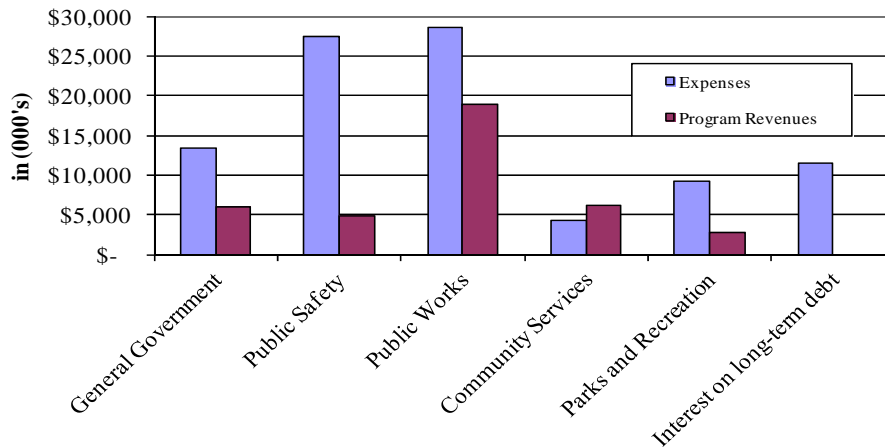
Net assets increased by \$8.7 million with the most significant change occurring in contributions for infrastructure by developers.

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

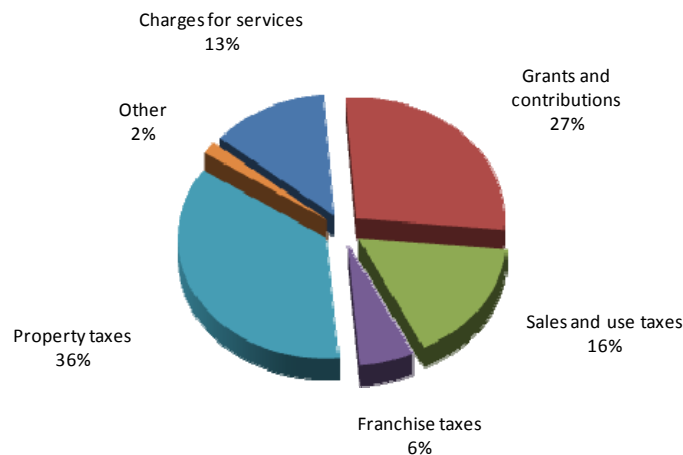
Governmental activities - Governmental activities increased the City's net assets by \$3.8 million, thereby accounting for 44% percent of the total increase in the net assets of the City. Key elements of this increase are as follows:

- Property taxes, sales and use taxes, and franchise taxes totaled \$34.3 million, \$15.6 million, and \$5.7 million respectively. These revenues increased by \$2.6 million from prior year primarily as a result of an increase in the debt service tax rate and increased consumer spending.
- Capital Contributions totaled \$18.8 million as a result of infrastructure contributed by developers.
- The revenues were offset by expenses for general government, public safety, and public works of \$13.3 million, \$27.4 million, and \$28.5 million respectively. In total, 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 \$11.6 million, an increase of \$1.5 million from the prior year due to new issuances.

Expenses and Program Revenues - Governmental Activities



Revenues by Source - Governmental Activities

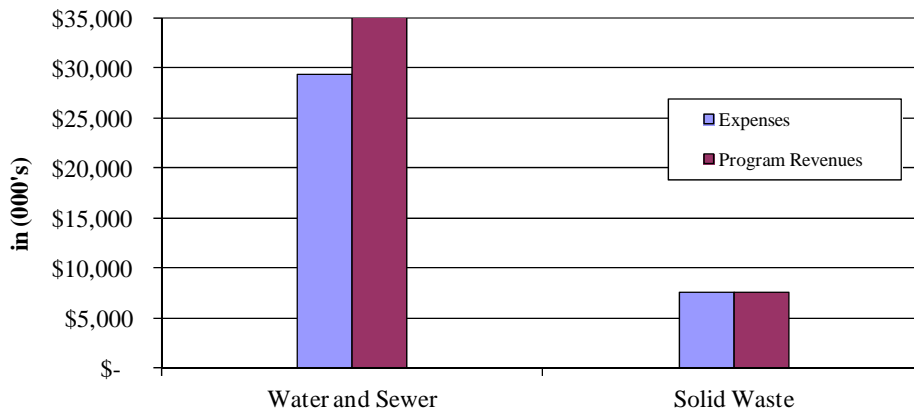


CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

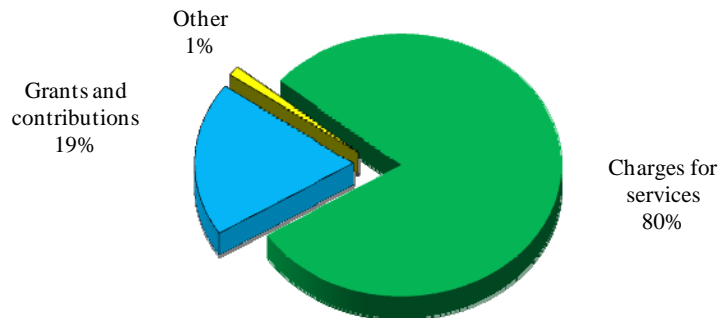
Business-type activities - Business-type activities increased the City's net assets by \$4.8 million. Key elements of this increase are as follows:

- Charges for services of \$35.2 million decreased approximately \$0.7 million over the prior year primarily due to an decrease in water and sewer consumption due to rainfall.
- Capital grants and contributions of \$8.1 million increased \$3.9 million from the prior year due to increased contributions from developers for impact fees.
- The revenues listed above were offset by expenses of \$29.4 million and \$7.5 million respectively for Water and Sewer and Solid Waste. Expenses for Water and Sewer increased from prior year by \$0.2 million mainly due to Kirby water well being down for repairs and the completion of Alice water plant.

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 \$40.8 million. A portion of the combined fund balance, or \$17.2 million, is unassigned and available for day-to-day operations of the City; \$13.8 million is restricted for capital projects; and the remaining balance is restricted for debt service and other programs.

There was a decrease in the combined fund balance of \$6.3 million from the prior year. The decrease in fund balance includes a decrease in the capital projects fund balance of approximately \$9.7 million due to draw down of bond proceed \$9.2 million, a decrease of \$0.2 million in the debt service fund balance, offset by a combined increase of approximately \$468,000 in the special revenue funds.

\$3.0 million increase in the General Fund is seen mainly in Charges for Services for TIRZ Administration fees and Recreation Center/Natatorium fees, the General Fund's fund balance totaled \$17.6 million at year end.

In the Capital Projects Fund, the City spent \$9.2 million on various improvement projects, leaving an ending fund balance of \$13.8 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 \$1.9 million for the year; also to reflect carryovers and revised projections. Actual revenues of \$49.4 million were \$1.2 million over the final budget mainly in sales and use tax and charges for services. Actual expenditures of \$48.5 million were under budget by \$3.0 million, resulting in the year-end fund balance of \$17.6 million over budget by \$3.1 million.

At year-end, equipment purchases and several projects were still in progress and part of the \$3.1 million will be carried over and reappropriated in the 2012-2013 budget year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2012, the City's governmental activities and business-type activities had invested \$695.7 million and \$266.3 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net decrease of (\$1.8)million, or -0.7 percent over the end of last fiscal year for the business-type activities capital assets and governmental activities capital assets stayed relatively flat.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Land	\$ 28,409	\$ 28,409	\$ 3,610	\$ 3,610	\$ 32,018	\$ 32,018
Construction in progress	23,120	32,868	5,419	24,891	28,539	57,759
Infrastructure	573,752	564,903	199,511	179,648	773,263	744,551
Buildings and improvements	64,378	63,351	27,898	28,615	92,277	91,966
Machinery and equipment	6,043	6,224	1,243	1,299	7,286	7,523
Contractual water rights			28,607	29,988	28,607	29,988
Total Capital Assets	<u>\$ 695,702</u>	<u>\$ 695,754</u>	<u>\$ 266,288</u>	<u>\$ 268,051</u>	<u>\$ 961,990</u>	<u>\$ 963,805</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 \$432.1 million. Of this amount, \$239.3 million is composed of general obligation bonds, \$65.4 million is composed of certificates of obligation and \$109.3 million represents revenue bonds secured solely by specified revenue sources.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
General obligation bonds	\$ 224,170	\$ 207,105	\$ 15,130	\$ 9,730	\$ 239,300	\$ 216,835
Deferred amount for issuance premium/(discount)	6,398	3,489	882	656	7,280	4,145
Revenue bonds			109,305	113,270	109,305	113,270
Certificates of obligation	65,425	91,150			65,425	91,150
Capital leases payable	3,407	4,032	342	421	3,749	4,453
Compensated absences	4,686	4,669	539	558	5,225	5,227
Post employment benefit liability	1,535	1,204	282	224	1,817	1,428
	<u>\$ 305,621</u>	<u>\$ 311,649</u>	<u>\$ 126,480</u>	<u>\$ 124,859</u>	<u>\$ 432,102</u>	<u>\$ 436,508</u>

The City of Pearland's General Obligation and Certificates of Obligation debt for governmental activities decreased to \$289.6 million. The decrease is due to principal payments with no new monies issued. The City also refunded bonds of \$43.6 million, of which \$21.0 million was General Obligation bonds refunded, and \$22.4 million in Certificates of Obligation. The City's debt for business activities increased to \$126.5 million, a net increase of \$1.6 million from the previous year, which was a result of the addition of \$5.8 million in new Revenue Bonds offset by principal payments.

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 2013 budget are the improving Houston area economy and the continued growth in population served by the City, which will include the annexation of Brazoria MUD No. 4 on December 31, 2012. The improving regional economy will result in substantially improved revenues in the coming fiscal year. Improved economic conditions will be most noticeable in two major revenue sources – sales tax and building permits. Sales tax revenue for FY 2012 was up 11% over FY 2011. The adopted budget for FY 2013 includes a total increase in sales tax of 5.4% over FY 2012 revenues. This increase assumes an overall increase in the dollar value of sales and also incorporates additional revenue from two major new sales tax producers, Sam's Club and Kelsey-Seybold. Building Permit revenue is also projected to maintain the strong levels that have developed during FY 2012. The FY 2012 Adopted Budget was based on an estimated 744 single-family permits. Due to the strengthening regional economy during the FY 2012, housing starts were 931. The FY 2013 Adopted Budget anticipates 1,142 single-family permits. Another economic factor that will impact revenues is an increase in property values of \$129 million or 2.6%, due to new construction. Values of existing residential properties have declined slightly over the past few years and indications are that residential property values will stay flat. The impact of new residential and commercial construction will more than offset home values for existing properties for 2013.

The budget incorporates an increase of 2 cents in the property tax rate. The entire increase is related to debt service. Of the total adopted tax rate of 70.51 cents per hundred dollars valuation, the operating tax rate remains at 21.51 cents per hundred dollars and the debt service tax rate is 49 cents. With this increase, the overall tax rate will have increased by 5.25 cents since the 2007 bond election. Prior to the election, voters were informed that approval of the bond propositions could result in a tax increase of 13 cents per hundred dollars of value. Another significant factor that impacts the adopted budget is a 7.1% increase in population. This increase in population results in increased services to meet the needs of the new residents. This projected increase in population is a combination of two factors – newly constructed homes and multifamily dwellings and the annexation of Brazoria MUD No. 4 on December 31, 2012. Charges for various services and permits were also reviewed as part of the budget process to determine their recovery for cost of service. As a result, increases in several charges and fees are included in the General Fund FY 2013 budget as well as \$330,227 in reductions.

Over the past 3 years, a total of \$4.4 million in General Fund budget reductions have been taken.

The Pearland City Council approved a \$58.6 million General Fund budget for FY 2013. This is a 13.7% increase from the FY 2012 adopted budget. The increase is mainly due to new positions added in FY 2013 and an average 3% pay increase for employees. The Water and Sewer fund is able to fund operations, debt service, and bond coverage requirements with no increase in rates. This is mainly attributable to efficient operations and transfers in from water and sewer impact fee funds used towards annual debt service payments.

REQUESTS FOR INFORMATION

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

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Basic Financial Statements

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CITY OF PEARLAND, TEXAS

STATEMENT OF NET ASSETS

September 30, 2012

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and equivalents	\$ 27,003,079	\$ 4,422,922	\$ 31,426,001	\$ 15,705,835
Investments	14,024,006	6,051,442	20,075,448	2,002,459
Receivables, net of allowance for uncollectibles	16,600,651	3,492,378	20,093,029	1,674,864
Due from other governmental agencies	768,652		768,652	
Inventories	134,720		134,720	
Prepaid items	218,438	63,121	281,559	28,435
Restricted cash and investments		32,305,395	32,305,395	665,254
Deferred charges	8,507,030	1,827,653	10,334,683	607,575
Capital assets:				
Capital assets not subject to depreciation	51,528,815	9,028,352	60,557,167	3,220,907
Capital assets, net of accumulated depreciation	644,173,218	257,260,089	901,433,307	6,413,293
Total Capital Assets	695,702,033	266,288,441	961,990,474	9,634,200
Total Assets	762,958,609	314,451,352	1,077,409,961	30,318,622
Liabilities				
Accounts payable and accrued liabilities	5,261,144	3,676,575	8,937,719	434,463
Due to other governmental agencies		91,350	91,350	
Accrued interest	1,004,536	435,835	1,440,371	227,370
Unearned revenues	2,616,994		2,616,994	
Customer deposits	195,698	2,791,112	2,986,810	38,333
Long-term liabilities				
Due within one year	10,705,778	4,895,325	15,601,103	3,600,000
Due in more than one year	294,915,760	121,584,984	416,500,744	69,250,043
Total Liabilities	314,699,910	133,475,181	448,175,091	73,550,209
Net Assets				
Invested in capital assets, net of related debt	410,077,968	158,715,983	568,793,951	(63,215,843)
Restricted for:				
Capital improvements		8,689,520	8,689,520	
Debt service	11,223,863	1,131,525	12,355,388	437,884
Community development programs	4,502,287		4,502,287	19,546,372
Public safety	702,955		702,955	
Unrestricted	21,751,626	12,439,143	34,190,769	
Total Net Assets	\$ 448,258,699	\$ 180,976,171	\$ 629,234,870	\$ (43,231,587)

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2012

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General Government	\$ 13,333,899	\$	\$ 6,045,268	\$
Public Safety	27,402,713	4,205,641	711,306	
Public Works	28,509,730	42,991	52,538	18,742,786
Community Services	4,267,485	5,854,715	310,919	
Parks and Recreation	9,265,497	2,079,614	541,896	100,000
Interest on long-term debt	11,571,519			
Total Governmental Activities	94,350,843	12,182,961	7,661,927	18,842,786
Business-type activities:				
Water and Sewer	29,392,086	27,535,464	204,866	8,117,782
Solid Waste	7,527,713	7,653,933		
Total Business-Type Activities	36,919,799	35,189,397	204,866	8,117,782
Total Primary Government	\$ 131,270,642	\$ 47,372,358	\$ 7,866,793	\$ 26,960,568
Component Units:				
Pearland Economic Development Corporation	\$ 3,042,464	\$ 414,000	\$	\$
Tax Increment Reinvestment Zone #2	5,894,105			
Development Authority of Pearland	17,373,755			
Total Component Units	\$ 26,310,324	\$ 414,000	\$	\$

General Revenues:

Taxes:
Property taxes
Sales and use taxes
Franchise taxes
Unrestricted investment earnings
Miscellaneous
Transfers

Total General Revenues and Transfers

Change in net assets

Net assets - beginning

Net assets - ending

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental	Business-type		
Activities	Activities	Total	Component Units
\$ (7,288,631)	\$	\$ (7,288,631)	
(22,485,766)		(22,485,766)	
(9,671,415)		(9,671,415)	
1,898,149		1,898,149	
(6,543,987)		(6,543,987)	
(11,571,519)		(11,571,519)	
<u>(55,663,169)</u>		<u>(55,663,169)</u>	
	6,466,026	6,466,026	
	126,220	126,220	
	<u>6,592,246</u>	<u>6,592,246</u>	
<u>(55,663,169)</u>	<u>6,592,246</u>	<u>(49,070,923)</u>	
			\$ (2,628,464)
			(5,894,105)
			<u>(17,373,755)</u>
			<u>(25,896,324)</u>
34,304,615		34,304,615	17,924,775
15,631,576		15,631,576	7,337,389
5,669,958		5,669,958	
92,365	68,427	160,792	41,644
1,510,310	442,794	1,953,104	44,353
2,268,910	(2,268,910)		
<u>59,477,734</u>	<u>(1,757,689)</u>	<u>57,720,045</u>	<u>25,348,161</u>
3,814,565	4,834,557	8,649,122	(548,163)
444,444,134	176,141,614	620,585,748	(42,683,424)
<u>\$ 448,258,699</u>	<u>\$ 180,976,171</u>	<u>\$ 629,234,870</u>	<u>\$ (43,231,587)</u>

CITY OF PEARLAND, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2012

	General Fund	Debt Service	Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$ 6,617,774	\$ 2,882,399	\$ 13,282,463	\$ 4,429,607	\$ 27,212,243
Investments	9,031,025	2,000,595	2,000,386		13,032,006
Receivables, net of allowance for uncollectibles	5,725,094	10,377,470	4,642	482,213	16,589,419
Due from other governments	608,705		159,947		768,652
Due from other funds	168,548				168,548
Inventories	134,720				134,720
Prepaid items	48,222	166,894		3,322	218,438
Total Assets	\$ 22,334,088	\$ 15,427,358	\$ 15,447,438	\$ 4,915,142	\$ 58,124,026
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,446,733	\$ 166,894	\$ 1,671,475	\$ 237,844	\$ 3,522,946
Accrued expenditures	1,433,509				1,433,509
Deposits	195,698				195,698
Due to other funds				168,548	168,548
Deferred revenue	1,686,187	10,267,985		6,463	11,960,635
Total Liabilities	4,762,127	10,434,879	1,671,475	412,855	17,281,336
Fund balances:					
Non-spendable:					
Inventories	134,720				134,720
Prepaid items	48,222	166,894		3,322	218,438
Restricted for:					
Debt service		4,825,585			4,825,585
Capital improvements			13,775,963		13,775,963
Community development programs				3,796,010	3,796,010
Public safety				702,955	702,955
Assigned for:					
Encumbrances	167,016				167,016
Unassigned					
General fund	17,222,003				17,222,003
Total fund balances	17,571,961	4,992,479	13,775,963	4,502,287	40,842,690
Total Liabilities and Fund Balances	\$ 22,334,088	\$ 15,427,358	\$ 15,447,438	\$ 4,915,142	\$ 58,124,026

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, 2012

Total fund balance, governmental funds \$ 40,842,690

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. 695,702,033

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. 9,343,641

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	(299,400,028)
Compensated absences	(4,686,124)
Accrued interest governmental activity debt	(1,004,536)
Estimated post employment benefit liability	(1,535,386)
Deferred bond issuance costs	8,507,030

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. 489,379

Net Assets of Governmental Activities in the Statement of Net Assets \$ 448,258,699

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, 2012

	<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	\$ 10,861,341	\$ 23,500,454	\$	\$	\$ 34,361,795
Sales and use taxes	14,814,936			816,640	15,631,576
Franchise fees	5,669,958			146,988	5,816,946
Licenses and permits	2,320,103				2,320,103
Fines and forfeitures	3,164,068			209,967	3,374,035
Charges for services	11,890,808				11,890,808
Investment earnings	54,614	9,783	23,536	4,130	92,063
Intergovernmental			1,851,938	1,419,488	3,271,426
Other	623,824	796,087	482,784	455,800	2,358,495
Total Revenues	<u>49,399,652</u>	<u>24,306,324</u>	<u>2,358,258</u>	<u>3,053,013</u>	<u>79,117,247</u>
Expenditures					
Current:					
General government	8,241,509		172,191	449,174	8,862,874
Public safety	25,168,443			193,972	25,362,415
Public works	5,506,477			28,136	5,534,613
Community services	3,861,520			384,262	4,245,782
Parks and recreation	6,775,316			490,554	7,265,870
Debt Service:					
Principal		9,373,377			9,373,377
Interest and other charges		12,400,810			12,400,810
Bond issuance costs					
Capital outlay			9,025,793	416,557	9,442,350
Intergovernmental		3,992,293			3,992,293
Total Expenditures	<u>49,553,265</u>	<u>25,766,480</u>	<u>9,197,984</u>	<u>1,962,655</u>	<u>86,480,384</u>
Excess (deficiency) of revenues over expenditures	<u>(153,613)</u>	<u>(1,460,156)</u>	<u>(6,839,726)</u>	<u>1,090,358</u>	<u>(7,363,137)</u>
Other Financing Sources (Uses)					
Issuance of debt					
Refunding bonds issued		49,805,000			49,805,000
Payments to refunded bond escrow agent		(54,478,177)			(54,478,177)
Bond premium		3,808,801			3,808,801
Capital leases					
Transfers in	3,599,482	2,157,471	152,030		5,908,983
Transfers out	(397,453)		(2,997,317)	(622,042)	(4,016,812)
Total Other Financing Sources (Uses)	<u>3,202,029</u>	<u>1,293,095</u>	<u>(2,845,287)</u>	<u>(622,042)</u>	<u>1,027,795</u>
Net change in fund balances	3,048,416	(167,061)	(9,685,013)	468,316	(6,335,342)
Fund balances - beginning	<u>14,523,545</u>	<u>5,159,540</u>	<u>23,460,976</u>	<u>4,033,971</u>	<u>47,178,032</u>
Fund balances - ending	<u>\$ 17,571,961</u>	<u>\$ 4,992,479</u>	<u>\$ 13,775,963</u>	<u>\$ 4,502,287</u>	<u>\$ 40,842,690</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, 2012

Net change in fund balances - total governmental funds: \$ (6,335,342)

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 \$10,462,236 exceeded depreciation of \$27,702,583 in the current period. (17,240,347)

Governmental funds report only the proceeds from the disposal of capital assets and not the difference between the carrying value and the accumulated depreciation of the asset. This is the amount by which the carrying value exceeded the accumulated depreciation. (105,786)

Capital assets net of related debt acquired as a result of in City development. 17,293,695

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. 18,071

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. 1,702,335

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. 347,294

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	56,248
Amortization of bond issuance costs	8,657,350
Capital lease activity	(426,496)
Post employment benefit liability	(348,491)

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. 196,034

Change in net assets of governmental activities \$ 3,814,565

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS

STATEMENT OF NET ASSETS

PROPRIETARY FUNDS

September 30, 2012

	Business-type Activities - Enterprise Funds			Governmental Activities -
	Water and Sewer Fund	Solid Waste Fund	Total	Internal Service Fund
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,481,057	\$ 941,865	\$ 4,422,922	\$ 782,836
Investments	6,051,442		6,051,442	
Accounts receivable, net of allowance for doubtful accounts	2,779,458	712,920	3,492,378	11,232
Prepaid items	63,121		63,121	
Restricted cash and cash equivalents	28,300,088		28,300,088	
Restricted investments	4,005,307		4,005,307	
Total current assets	44,680,473	1,654,785	46,335,258	794,068
Non-current assets:				
Deferred charges	1,827,653		1,827,653	
Capital assets:				
Land and improvements	3,609,542		3,609,542	
Construction in progress	5,418,810		5,418,810	
Contractual rights to water supply	34,511,428		34,511,428	
Infrastructure	280,739,923		280,739,923	
Buildings	31,256,473		31,256,473	
Machinery and equipment	3,465,029		3,465,029	
Less Accumulated depreciation	(92,712,764)		(92,712,764)	
Total non-current assets	268,116,094		268,116,094	
Total Assets	312,796,567	1,654,785	314,451,352	794,068
Liabilities				
Current liabilities:				
Accounts payable and accrued expenses	2,364,693	1,311,882	3,676,575	304,689
Accrued interest payable	435,835		435,835	
Due to other governments	91,350		91,350	
Customer deposits	2,791,112		2,791,112	
Compensated absences - current portion	88,945		88,945	
Bonds and certificates of obligation payable - current portion	4,725,000		4,725,000	
Capital lease - current portion	81,380		81,380	
Total current liabilities	10,578,315	1,311,882	11,890,197	304,689
Non-current liabilities:				
Compensated absences	449,933		449,933	
Capital lease obligation	260,984		260,984	
Other post-employment benefits	282,467		282,467	
Bonds and certificates of obligation payable	120,591,600		120,591,600	
Total non-current liabilities	121,584,984		121,584,984	
Total Liabilities	132,163,299	1,311,882	133,475,181	304,689
Net Assets				
Invested in capital assets, net of related debt	158,715,983		158,715,983	
Restricted for debt service	1,131,525		1,131,525	
Restricted for capital projects	8,689,520		8,689,520	
Unrestricted	12,096,240	342,903	12,439,143	489,379
Total Net Assets	\$ 180,633,268	\$ 342,903	\$ 180,976,171	\$ 489,379

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, 2012

	Business-type Activities - Enterprise Funds			Governmental
	Water and Sewer Fund	Solid Waste Fund	Total	Activities - Internal Service Fund
Revenues				
Charges for services	\$ 27,535,464	\$ 7,653,933	\$ 35,189,397	\$ 6,494,646
Operating Expenses				
Personnel services	4,790,448		4,790,448	
Supplies and materials	2,325,113		2,325,113	35,144
Contractual services	7,211,131	7,527,713	14,738,844	6,185,794
Repairs and maintenance	1,026,885		1,026,885	77,976
Other expenses	626,482		626,482	
Depreciation and amortization	8,564,822		8,564,822	
Total Operating Expenses	24,544,881	7,527,713	32,072,594	6,298,914
Operating income (loss)	2,990,583	126,220	3,116,803	195,732
Non-Operating Revenues (Expenses)				
Earnings on investments	68,050	377	68,427	303
Miscellaneous revenue (expense)	430,038		430,038	
Operating grants and contributions	204,866		204,866	
Gain (loss) on disposal of capital assets	12,756		12,756	
Interest expense	(5,223,944)		(5,223,944)	
Total Non-Operating Revenues (Expenses)	(4,508,234)	377	(4,507,857)	303
Income (loss) before contributions and transfers	(1,517,651)	126,597	(1,391,054)	196,035
Capital contributions	8,117,782		8,117,782	
Transfers in	222,811		222,811	
Transfers out	(2,114,982)		(2,114,982)	
Change in net assets	4,707,960	126,597	4,834,557	196,035
Total net assets - beginning	175,925,308	216,306	176,141,614	293,344
Total net assets - ending	\$ 180,633,268	\$ 342,903	\$ 180,976,171	\$ 489,379

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	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	\$ 27,578,140	\$ 7,625,682	\$ 35,203,822	\$ 6,487,121
Disbursed for personnel services	(4,782,920)		(4,782,920)	
Disbursed for goods and services	(11,622,829)	(8,581,492)	(20,204,321)	(6,247,156)
Net cash provided (used) by operating activities	<u>11,172,391</u>	<u>(955,810)</u>	<u>10,216,581</u>	<u>239,965</u>
Cash Flows from Noncapital Financing Activities				
Transfers from funds	222,811		222,811	(61,095)
Transfers to other funds	(2,114,982)		(2,114,982)	
Operating grants and contributions	204,866		204,866	
Net cash provided by (used by) noncapital financing activities	<u>(1,687,305)</u>		<u>(1,687,305)</u>	<u>(61,095)</u>
Cash Flows from Capital and Related Financing Activities				
Proceeds from the sale of equipment	12,756		12,756	
Capital grants and contributions	6,041,758		6,041,758	
Proceeds from the issuance of debt	14,900,000		14,900,000	
Principal payments on debt	(13,465,000)		(13,465,000)	
Interest paid	(5,223,944)		(5,223,944)	
Acquisition and construction of capital assets	(7,644,628)		(7,644,628)	
Net cash used by capital and related financing activities	<u>(5,379,058)</u>		<u>(5,379,058)</u>	
Cash Flows from Investing Activities				
Purchase of investments	2,040,257		2,040,257	
Interest received	68,050	377	68,427	303
Net cash provided by (used by) investing activities	<u>2,108,307</u>	<u>377</u>	<u>2,108,684</u>	<u>303</u>
Net increase (decrease) in cash and equivalents	6,214,335	(955,433)	5,258,902	179,173
Cash and equivalents, beginning	<u>25,566,810</u>	<u>1,897,298</u>	<u>27,464,108</u>	<u>603,663</u>
Cash and equivalents, end	<u>\$ 31,781,145</u>	<u>\$ 941,865</u>	<u>\$ 32,723,010</u>	<u>\$ 782,836</u>
Unrestricted cash and equivalents	\$ 3,481,057	\$ 941,865	\$ 4,422,922	\$ 782,836
Restricted cash and equivalents	28,300,088		28,300,088	
	<u>\$ 31,781,145</u>	<u>\$ 941,865</u>	<u>\$ 32,723,010</u>	<u>\$ 782,836</u>

See Notes to Financial Statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2012

	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)	\$ 2,990,583	\$ 126,220	\$ 3,116,803	\$ 195,732
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	8,564,822		8,564,822	
(Increase) decrease in accounts receivable	(222,682)	(28,251)	(250,933)	(7,525)
(Increase) decrease in prepaid expenses	49,740		49,740	
Increase (decrease) in accounts payable	(482,958)	(1,053,779)	(1,536,737)	51,758
Increase (decrease) in salaries payable	7,528		7,528	
Increase (decrease) in customer deposits	265,358		265,358	
Net Cash Provided by Operating Activities	<u>\$ 11,172,391</u>	<u>\$ (955,810)</u>	<u>\$ 10,216,581</u>	<u>\$ 239,965</u>
Summary of non-cash transactions				
Contributed capital assets	<u>\$ 2,076,024</u>	<u>\$</u>	<u>\$ 2,076,024</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, 2012

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Assets				
Cash and cash equivalents	\$ 9,562,003	\$ 4,655,490	\$ 1,488,342	\$ 15,705,835
Investments	2,002,459			2,002,459
Receivables - less allowance for uncollectibles	1,314,864		360,000	1,674,864
Due from primary government				
Prepaid items	28,435			28,435
Restricted cash	665,254			665,254
Deferred charges	329,660		277,915	607,575
Capital assets not subject to depreciation	3,220,907			3,220,907
Capital assets net of accumulated depreciation	6,413,293			6,413,293
Total Assets	23,536,875	4,655,490	2,126,257	30,318,622
Liabilities				
Accounts payable and accrued expenses	72,986	361,444	33	434,463
Accrued interest	93,983		133,385	227,368
Customer deposits	38,333			38,333
Non-current liabilities:				
Due within one year	883,565		2,720,000	3,603,565
Due in more than one year	23,725,351		45,521,127	69,246,478
Total Liabilities	24,814,218	361,444	48,374,545	73,550,207
Net Assets				
Invested in capital assets, net of related debt	(14,974,716)		(48,241,127)	(63,215,843)
Restricted - debt service	571,271		(133,385)	437,886
Restricted - economic development	13,126,102	4,294,046	2,126,224	19,546,372
Total Net Assets	\$ (1,277,343)	\$ 4,294,046	\$ (46,248,288)	\$ (43,231,585)

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, 2012

Functions/Programs	Expenses	Program Revenues	Net (Expense) and Changes in Net Assets			Totals
		Charges for Services	Pearland Economic Development	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	
Component Units:						
Pearland Economic Development Corporation	\$ 3,042,464	\$ 414,000	\$ (2,628,464)	\$	\$	\$ (2,628,464)
Tax Increment Reinvestment Zone #2	5,894,105			(5,894,105)		(5,894,105)
Development Authority of Pearland	17,373,755				(17,373,755)	(17,373,755)
	<u>\$ 26,310,324</u>	<u>\$ 414,000</u>	<u>(2,628,464)</u>	<u>(5,894,105)</u>	<u>(17,373,755)</u>	<u>(25,896,324)</u>
General Revenues:						
Taxes:						
Property taxes			\$	\$ 17,924,775	\$	\$ 17,924,775
Sales and use tax			7,337,389			7,337,389
Unrestricted investment earnings			34,161	5,844	1,641	41,646
Miscellaneous			44,353			44,353
Transfers between component units				(12,016,051)	12,016,051	
Total General Revenues and Transfers			<u>7,415,903</u>	<u>5,914,568</u>	<u>12,017,692</u>	<u>25,348,163</u>
Change in net assets			4,787,439	20,463	(5,356,063)	(548,161)
Net assets, beginning			<u>(6,064,782)</u>	<u>4,273,583</u>	<u>(40,892,225)</u>	<u>(42,683,424)</u>
Net assets, ending			<u>\$ (1,277,343)</u>	<u>\$ 4,294,046</u>	<u>\$ (46,248,288)</u>	<u>\$ (43,231,585)</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 Bonds and are reported as restricted assets.

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

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	\$ 55,706,673	\$ 16,371,089
Temporary Investments		
FFCB discount note	5,004,430	1,000,555
FHLB discount note	6,055,222	1,001,904
FHLMC discount note	5,005,182	
FNMA discount note	12,035,337	
	<u>\$ 83,806,844</u>	<u>\$ 18,373,548</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	\$ 136,749	\$ 38,899
Unrealized gain (loss) on temporary investments	24,043	2,745
Investment earnings	<u>\$ 160,792</u>	<u>\$ 41,644</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:

	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Total Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Total Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Temporary Investments				
FFCB discount note	\$ 5,004,430	549	\$ 1,000,555	509
FHLB discount note	6,055,222	135	1,001,904	600
FHLMC discount note	5,005,182	346		
FNMA discount note	12,035,337	203		
	<u>\$ 28,100,171</u>		<u>\$ 2,002,459</u>	
Portfolio weighted average maturity		<u>275</u>		<u>555</u>

The City's investment policy specifies a maximum weighted average maturity for the portfolio of 547.5 days or 18 months based on the stated maturity date of the investments. When including cash investments the weighted average maturity for the primary government is 107 days and for the component units is 124 days.

To the extent possible, the City attempts to match investments with anticipated cash flow requirements. The City does not directly invest in securities with a stated maturity date more than 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, 2012, the City had investments in U.S. Agency securities that exceeded five percent of the total investment portfolio at year-end.

<u>Investment Type</u>	<u>Primary Government</u>		<u>Component Units</u>	
	<u>Total Fair Value</u>	<u>Percentage of Total Investment Portfolio</u>	<u>Total Fair Value</u>	<u>Percentage of Total Investment Portfolio</u>
FFCB discount note	\$ 5,004,430	18%	\$ 1,000,555	50%
FHLB discount note	6,055,222	21%	1,001,904	50%
FHLMC discount note	5,005,182	18%		
FNMA discount note	12,035,337	43%		
Total	<u>\$ 28,100,171</u>	<u>100%</u>	<u>\$ 2,002,459</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	\$ 1,567,360	\$ 665,254
Customer deposits	2,813,050	
Capital improvements	27,924,985	
Total	\$ 32,305,395	\$ 665,254

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

Note 3 - Receivables

Receivables at September 30, 2012, 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	\$ 563,152	\$ 885,335	\$	\$	\$ 1,448,487
Lease receivable		9,508,179			9,508,179
Sales and other taxes	3,792,071			31,558	3,823,629
Fines and forfeitures	849,821				849,821
Interest	26,369	1,342	4,642	387	32,740
Other	504,776			450,268	955,044
Allowance for uncollectibles	(11,095)	(17,386)			(28,481)
	<u>\$ 5,725,094</u>	<u>\$ 10,377,470</u>	<u>\$ 4,642</u>	<u>\$ 482,213</u>	<u>\$ 16,589,419</u>

Proprietary Funds:

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Total</u>
Receivables			
Customer accounts	\$ 2,771,892	\$ 777,439	\$ 3,549,331
Interest	43,363		43,363
Other	65,937		65,937
Allowance for uncollectibles	(101,734)	(64,519)	(166,253)
	<u>\$ 2,779,458</u>	<u>\$ 712,920</u>	<u>\$ 3,492,378</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	\$ 1,305,787	\$	\$	\$ 1,305,787
Interest	6,275			6,275
Other	2,802		360,000	362,802
Total	<u>\$ 1,314,864</u>	<u>\$</u>	<u>\$ 360,000</u>	<u>\$ 1,674,864</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	\$ 498,094	\$
Delinquent property taxes receivable - debt service fund	759,806	
Lease revenues-principal	7,235,920	
Municipal fines and forfeitures	849,821	
Lease interest revenues		2,272,259
Grants and revenues prior to meeting all eligibility requirements		344,735
Total Deferred Revenue for Governmental Funds	<u><u>\$ 9,343,641</u></u>	<u><u>\$ 2,616,994</u></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, 2012, follows:

	Primary Government			Balance September 30, 2012
	Balance September 30, 2011	Increases	(Decreases)	
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 28,408,628	\$	\$	\$ 28,408,628
Construction in progress	32,867,609	8,312,244	(18,059,666)	23,120,187
Total capital assets not being depreciated	61,276,237	8,312,244	(18,059,666)	51,528,815
Other capital assets:				
Infrastructure	771,888,616	32,315,680		804,204,296
Buildings and improvements	76,671,106	3,821,113		80,492,219
Machinery and equipment	15,396,213	1,339,442	(734,542)	16,001,113
Furniture and fixtures				
Total other capital assets	863,955,935	37,476,235	(734,542)	900,697,628
Less accumulated depreciation for:				
Infrastructure	(206,986,038)	(23,466,433)		(230,452,471)
Buildings and improvements	(13,319,668)	(2,794,104)		(16,113,772)
Machinery and equipment	(9,171,994)	(1,442,049)	655,876	(9,958,167)
Furniture and fixtures				
Total accumulated depreciation	(229,477,700)	(27,702,586)	655,876	(256,524,410)
Other capital assets, net	634,478,235	9,773,649	(78,666)	644,173,218
Totals	\$ 695,754,472	\$ 18,085,893	\$ (18,138,332)	\$ 695,702,033
	Primary Government			Balance September 30, 2012
	Balance September 30, 2011	Increases	(Decreases)	
Business-type Activities				
Capital assets not being depreciated:				
Land and intangibles	\$ 3,609,542	\$	\$	\$ 3,609,542
Construction in progress	24,891,393	4,432,206	(23,904,789)	5,418,810
Total capital assets not being depreciated	28,500,935	4,432,206	(23,904,789)	9,028,352
Other capital assets:				
Water and sewer system	254,701,621	26,038,302		280,739,923
Buildings and improvements	31,256,473			31,256,473
Machinery and equipment	3,334,000	236,959	(105,931)	3,465,028
Contractual water rights	34,511,428			34,511,428
Total other capital assets	323,803,522	26,275,261	(105,931)	349,972,852
Less accumulated depreciation for:				
Water and sewer system	(75,053,176)	(6,175,936)		(81,229,112)
Buildings and improvements	(2,641,808)	(716,274)		(3,358,082)
Machinery and equipment	(2,035,386)	(292,154)	105,931	(2,221,609)
Contractual water rights	(4,523,503)	(1,380,457)		(5,903,960)
Total accumulated depreciation	(84,253,873)	(8,564,821)	105,931	(92,712,763)
Other capital assets, net	239,549,649	17,710,440		257,260,089
Totals	\$ 268,050,584	\$ 22,142,646	\$ (23,904,789)	\$ 266,288,441

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

Note 4 - Capital Assets (continued)

Depreciation was charged to programs as follows:

General government	\$	479,575
Public safety		1,894,167
Public works		22,951,248
Community services		178,278
Parks and recreation		2,199,318
Total Governmental Activity	\$	27,702,586
Water and sewer	\$	8,564,821
Total Business-Type Activity	\$	8,564,821

The City had active construction projects as of September 30, 2012. The projects included various improvements to streets, drainage and facilities as well as water and sewer improvements. At year-end, the City's contractual commitments on projects were as follows:

<u>Project Description</u>	<u>Total In Progress</u>	<u>Commitment</u>
Drainage Improvement	\$ 15,268,041	\$ 5,328,936
Building Improvements	1,037,908	2,868,262
Street Improvement	5,930,085	7,608,379
Park Improvements	884,153	86,584
Water and Sewer Improvements	5,418,810	19,467,693
Totals	\$ 28,538,997	\$ 35,359,854

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, 2012. In general, the City uses the General and Debt Service funds to liquidate governmental long-term liabilities.

	<u>Balance September 30, 2011</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Balance September 30, 2012</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds payable:					
General obligation bonds	\$ 207,105,000	\$ 43,575,000	\$ (26,510,000)	\$ 224,170,000	\$ 5,955,000
Certificates of obligation	91,150,000		(25,725,000)	65,425,000	3,480,000
Deferred amount for issuance premium/(discount)	3,489,368	3,548,801	(639,900)	6,398,269	
Total bonds payable	<u>301,744,368</u>	<u>47,123,801</u>	<u>(52,874,900)</u>	<u>295,993,269</u>	<u>9,435,000</u>
Other liabilities:					
Obligations under capital leases	4,032,055		(625,296)	3,406,759	644,610
Compensated absences	4,668,853	2,486,200	(2,468,929)	4,686,124	626,168
Other post-employment benefits	1,204,166	331,220		1,535,386	
Total Governmental Activities	<u>\$ 311,649,442</u>	<u>\$ 49,941,221</u>	<u>\$ (55,969,125)</u>	<u>\$ 305,621,538</u>	<u>\$ 10,705,778</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, 2012, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
General Obligation Bonds				
Permanent Improvement, Series 2003	15,000,000	2028	4.00-6.00	\$ 390,000
Permanent Improvement and Refunding Bonds, Series 2005	37,015,000	2029	3.25-5.00	22,570,000
Permanent Improvement and Refunding Bonds, Series 2006	32,165,000	2029	4.00-5.00	31,260,000
Permanent Improvement and Refunding Bonds, Series 2007	69,640,000	2032	4.00-5.00	68,565,000
Permanent Improvement, Series 2008	22,835,000	2032	4.50-5.50	21,930,000
Permanent Improvement and Refunding Bonds, Series 2009	16,735,000	2034	2.00-5.00	15,755,000
Permanent Improvement, Series 2010A	12,415,000	2035	3.00-4.00	11,700,000
Permanent Improvement Refunding, Series 2010B	1,630,000	2018	2.00-4.00	1,215,000
Permanent Improvement, Series 2011	5,400,000	2036	2.125-4.125	5,340,000
Permanent Improvement and Refunding Bonds, Series 2012	43,575,000	2029	3.00-5.00	43,575,000
Annexed Municipal Utility District Bonds				
BC MUD 1 Series 2007	1,940,000	2030	3.75-4.35	1,870,000
Total General Obligation Bonds				<u>\$ 224,170,000</u>
Certificates of Obligation				
Certificates of Obligation, Series 2003	25,000,000	2023	3.00-4.50	\$ 2,330,000
Certificates of Obligation, Series 2004	21,000,000	2028	4.00-5.25	1,805,000
Certificates of Obligation, Series 2006	9,700,000	2029	3.65-4.68	9,160,000
Certificates of Obligation, Series 2007	23,250,000	2032	3.25-5.25	22,700,000
Certificates of Obligation, Series 2008	9,000,000	2032	3.75-5.00	8,585,000
Certificates of Obligation, Series 2009	8,520,000	2034	2.25-5.00	8,095,000
Certificates of Obligation, Series 2009A	12,145,000	2029	2.00-4.50	10,865,000
Certificates of Obligation, Series 2011	2,095,000	2021	2.09	1,885,000
Total Certificates of Obligation				<u>\$ 65,425,000</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, 2012, approximately \$57.4 million of previously refunded bonds outstanding were considered defeased.

Current Year Refunding

On February 9, 2012, the City refunded approximately \$43.405 million in general obligation bonds and \$6.5 million in water and sewer bonds 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.

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 \$5.7 million.

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

	<u>Fiscal Year</u>	<u>Obligations</u>
	2013	\$ 843,723
	2014	843,723
	2015	843,723
	2016	696,006
	2017	516,550
	2018-2019	<u>363,422</u>
Total		4,107,146
Less: Interest		<u>(358,809)</u>
Obligations under capital leases		<u><u>\$ 3,748,337</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, 2012, were as follows:

Fiscal Year	Governmental Activities			
	General Obligation		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2013	\$ 5,955,000	\$ 9,642,072	\$ 3,480,000	\$ 2,726,815
2014	6,360,000	9,404,956	3,635,000	2,597,558
2015	7,340,000	9,106,827	2,660,000	2,480,111
2016	8,440,000	8,737,396	2,035,000	2,390,475
2017	8,055,000	8,366,418	2,105,000	2,308,503
2018	7,940,000	8,020,829	2,680,000	2,207,678
2019	10,425,000	7,620,587	2,920,000	2,090,441
2020	11,000,000	7,152,460	2,950,000	1,966,524
2021	11,515,000	6,662,938	3,065,000	1,838,971
2022	12,250,000	6,144,356	2,960,000	1,706,746
2023	12,820,000	5,595,767	3,080,000	1,569,654
2024	13,315,000	5,018,017	3,210,000	1,425,293
2025	13,990,000	4,436,441	3,320,000	1,273,513
2026	14,355,000	3,858,602	3,580,000	1,111,516
2027	14,980,000	3,245,078	3,730,000	953,652
2028	15,615,000	2,602,908	3,885,000	803,336
2029	16,290,000	1,917,841	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>\$ 224,170,000</u>	<u>\$ 110,664,163</u>	<u>\$ 65,425,000</u>	<u>\$ 31,165,623</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, 2012.

	Balance September 30, 2011	Additions	(Reductions)	Balance September 30, 2012	Amounts Due Within One Year
Business-type Activities					
Bonds payable:					
Permanent Improvement Bonds	\$ 9,730,000	\$ 6,230,000	\$ (830,000)	\$ 15,130,000	\$ 1,110,000
Water and sewer revenue bonds	113,270,000	8,670,000	(12,635,000)	109,305,000	3,615,000
Deferred amount for issuance premium/(discount)	655,633	347,949	(121,982)	881,600	
Total bonds payable	<u>123,655,633</u>	<u>15,247,949</u>	<u>(13,586,982)</u>	<u>125,316,600</u>	<u>4,725,000</u>
Other liabilities:					
Obligations under capital leases	421,093		(78,729)	342,364	81,380
Compensated absences	558,216	288,223	(307,561)	538,878	88,945
Other post-employment benefits	224,017	58,450		282,467	
Total Business-type Activities	<u>\$ 124,858,959</u>	<u>\$ 15,594,622</u>	<u>\$ (13,973,272)</u>	<u>\$ 126,480,309</u>	<u>\$ 4,895,325</u>

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2012, 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	\$ 2,835,000
Water and Sewer System Revenue Bonds, Series 2003	9,500,000	2025	4.00-6.00	670,000
Water and Sewer System Revenue and Refunding Bonds, Series 2006	13,845,000	2031	3.74-4.82	11,500,000
Water and Sewer System Revenue and Refunding Bonds, Series 2007	40,135,000	2031	3.50-5.50	37,505,000
Water and Sewer System Revenue Bonds, Series 2008	14,950,000	2034	4.125-5.00	14,180,000
Water and Sewer System Revenue Bonds, Series 2009	13,130,000	2034	3.00-5.50	12,090,000
Permanent Improvement and Refunding Bonds, Series 2009	11,660,000	2018	2.00-5.00	8,900,000
Water and Sewer System Revenue Bonds, Series 2010A	14,040,000	2035	1.75-4.50	13,290,000
Water and Sewer System Refunding Bonds, Series 2010B	8,970,000	2023	1.75-4.00	8,565,000
Permanent Improvement and Refunding Bonds, Series 2012	6,230,000	2025	3.00-5.00	6,230,000
Water and Sewer System Revenue Bonds, Series 2012	8,670,000	2037	2.00-3.625	8,670,000
Total Utility System Fund				<u>\$ 124,435,000</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 permanent improvement bonds outstanding at September 30, 2012, were as follows:

<u>Fiscal Year</u>	<u>Revenue Bonds</u>		<u>Permanent Improvement Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 3,615,000	\$ 4,724,111	\$ 1,110,000	\$ 565,300
2014	3,765,000	4,584,324	1,155,000	525,325
2015	3,575,000	4,439,468	1,530,000	474,812
2016	3,725,000	4,302,208	1,560,000	427,900
2017	3,880,000	4,153,814	2,415,000	344,001
2018	4,030,000	4,005,011	2,515,000	232,188
2019	4,195,000	3,847,690	365,000	171,700
2020	4,370,000	3,683,168	370,000	157,000
2021	4,615,000	3,503,757	370,000	142,200
2022	4,810,000	3,306,021	385,000	127,100
2023	5,025,000	3,100,221	395,000	111,500
2024	4,190,000	2,884,169	1,480,000	74,000
2025	4,440,000	2,689,273	1,480,000	22,200
2026	6,155,000	2,477,948		
2027	6,450,000	2,181,686		
2028	6,765,000	1,867,325		
2029	7,080,000	1,552,814		
2030	7,375,000	1,257,306		
2031	7,680,000	948,088		
2032	3,710,000	625,250		
2033	3,895,000	444,575		
2034	4,075,000	264,300		
2035	1,180,000	75,725		
2036	345,000	25,556		
2037	360,000	13,050		
	<u>\$ 109,305,000</u>	<u>\$ 60,956,857</u>	<u>\$ 15,130,000</u>	<u>\$ 3,375,226</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, 2012:

	Balance September 30, 2011	Additions	(Reductions)	Balance September 30, 2012	Amounts Due Within One Year
Pearland Economic					
Development Corporation					
Sales tax revenue bonds	\$ 25,330,000	\$	\$ (840,000)	\$ 24,490,000	\$ 880,000
Deferred amount for issuance premium/(discount)	91,161		(10,364)	80,797	
Compensated absences	43,613	25,190	(30,684)	38,119	3,565
Development Authority of					
Pearland					
Tax Increment Revenue Bonds	49,230,000	56,915,000	(51,910,000)	54,235,000	2,720,000
Deferred Loss on Refunding		(8,649,167)	2,655,294	(5,993,873)	
Deferred amount for issuance premium/(discount)	(316,381)		316,381		
	<u>\$ 74,378,393</u>	<u>\$ 48,291,023</u>	<u>\$ (49,819,373)</u>	<u>\$ 72,850,043</u>	<u>\$ 3,603,565</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, 2012, 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	\$ 7,965,000
Sales Tax Revenue Bonds, Series 2006	10,235,000	2030	3.66-4.75	9,285,000
Sales Tax Revenue Bonds, Series 2010	7,685,000	2030	variable-resets every 6 months	7,240,000
Development Authority of Pearland				
Tax Increment Revenue Bonds, Series 2012	56,915,000	2028	2.50-5.50	<u>54,235,000</u>
Total Component Unit Long-Term Debt				<u>\$ 78,725,000</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, 2012, were as follows:

Fiscal Year	Revenue Bonds			
	Pearland Economic Development Corporation		Development Authority of Pearland	
	Principal	Interest	Principal	Interest
2013	\$ 880,000	\$ 1,173,162	\$ 2,720,000	\$ 1,665,014
2014	920,000	1,132,524	2,800,000	1,581,511
2015	965,000	1,090,031	2,885,000	1,495,550
2016	1,010,000	1,045,383	2,970,000	1,406,981
2017	1,060,000	995,632	3,070,000	1,315,802
2018	1,115,000	943,456	3,160,000	1,221,553
2019	1,175,000	888,202	3,255,000	1,124,541
2020	1,230,000	835,519	3,120,000	1,024,613
2021	1,285,000	779,982	3,215,000	928,828
2022	1,350,000	721,322	3,030,000	830,128
2023	1,415,000	657,996	3,130,000	737,107
2024	1,480,000	591,411	3,225,000	641,016
2025	1,555,000	521,215	3,320,000	542,008
2026	1,635,000	447,066	3,425,000	440,085
2027	1,715,000	369,033	3,530,000	334,937
2028	1,805,000	281,379	3,635,000	226,566
2029	1,895,000	192,272	3,745,000	114,972
2030	2,000,000	98,737		
	<u>\$ 24,490,000</u>	<u>\$ 12,764,322</u>	<u>\$ 54,235,000</u>	<u>\$ 15,631,212</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, 2012, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 1,944,269	Transfer of funds for capital projects costs
General Fund	Non-Major Governmental Fund	481,164	Transfer of funds for operating costs
General Fund	Water and Sewer Fund	1,174,049	Transfer of funds for administrative costs
Debt Service Fund	Water and Sewer Fund	434,865	Transfer of funds for debt service payments
Debt Service Fund	General Fund	163,490	Transfer of funds for debt service payments
Debt Service Fund	Capital Projects Fund	1,559,116	Transfer of funds for capital project costs
Water and Sewer Fund	General Fund Non-Major	222,811	Transfer of funds for operating costs
Capital Projects Fund	Governmental Fund	152,030	Transfer of funds for operating costs
		<u>\$ 6,131,794</u>	

A summary of interfund receivables and payables at September 30, 2012, follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Non-Major Governmental Fund	\$ 168,548	Short-term loan to fund operations
		<u>\$ 168,548</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 \$1.3 and \$46.2 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, 2012, certain amounts which were 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	\$ 167,016
Capital Projects	
Restricted	9,201,689
Aggregate non-major funds	
Restricted	140,352
Aggregate component units	
Restricted	<u>90,585</u>
	<u>\$ 9,599,642</u>

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 2011	Plan Year 2012
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 2012 was \$29.9 million and the City's contributions were based on a payroll of \$28.4 million. Contributions made by employees totaled \$2.0 million, and the City made contributions of \$3.5 million during the fiscal year ended September 30, 2012.

Three-year trend information is presented below:

	<u>2012</u>	<u>2011</u>	<u>2010</u>
Annual Pension Cost (APC)	\$ 3,518,289	\$ 3,302,952	\$ 2,995,119
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, 2011, valuations are contained in the 2011 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 new rates were first reflected in 2009.

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liabilities	Percentage Funded	Unfunded Actuarial Accrued Liability (UAAL)	Annual Covered Payroll	(UAAL) as a Percentage of Covered Payroll
December 31, 2011	\$ 61,822,285	\$ 78,404,115	79%	16,581,830	\$ 27,756,555	60%

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
\$ 74,932	\$	\$ 74,932	9

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. Calculations are based on OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing of costs between the City and plan members to that point. The results of the City's most recent actuarial valuation are as follows:

Actuarial Valuation Date <u>October 1,</u>	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 three fiscal years are as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>
Normal cost	\$ 323,138	\$ 206,293	\$ 190,706
Amortization of UAAL	116,541	141,837	141,837
Annual required contribution (ARC)	439,679	348,130	332,543
Interest on prior-year net OPEB obligation	23,032	41,540	57,127
Estimated increase in Net OPEB obligation	462,711	389,670	389,670
Net OPEB Obligation - beginning of year	575,801	1,038,512	1,428,182
Net OPEB obligation - end of year	\$ 1,038,512	\$ 1,428,182	\$ 1,817,852

The annual cost recorded to the general ledger for fiscal year 2012 is \$389,670, which includes the estimated normal cost of \$190,706 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. Calculations are based on the OPEB benefits provided under the terms of the substantive plan in effect at the time of each valuation and on the pattern of sharing costs between employer and plan members to that point.

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.

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

Note 11 - Commitments and Contingencies

Litigation and Other Contingencies

The City was involved in various lawsuits and arbitration proceedings at September 30, 2012. 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

Pursuant to the Local Government Code, the Economic Development Corporation offers incentives to attract and retain businesses to Pearland. The following are the current incentives.

Current Incentives	Amount	Prior Years	FY 2012	Balance
Altus Harbor	\$ 87,500	\$ 50,000	\$ 15,000	\$ 22,500
Braska/Neela, Inc	150,000	0	0	150,000
Cardiovascular Systems, Inc.	5,100,000	4,100,000	0	1,000,000
Hatch Mott	100,000	0	0	100,000
KS Management	2,600,000	0	0	2,600,000
KS Management Sales Tax Est.	600,000	0	0	600,000
Merit Medical Systems, Inc	888,000	0	0	888,000
Ref-Chem	340,000	0	0	340,000
SCR HH GP, LLC	300,000	180,000	0	120,000
Speed Shore	80,000	0	66,000	0
TurboCare	105,000	0	101,000	0
Zapp Precision Wire, Inc	29,500	0	0	29,500

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.

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

Note 11 - Commitments and Contingencies (continued)

Shadow Creek Town Center (continued)

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, 2012, the City remitted sales tax to the developer pursuant to the agreement in the amount of \$1,456,768, of which \$502,699 was remitted in fiscal year 2012. To date, \$1.0 million has been reimbursed towards principal and \$448,585 for interest.

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, 2012, 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, 2012, 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>
2013	\$ 673,447
2014	664,384
2015	654,255
2016	643,059
2017	627,598
2018-2029	<u>6,300,155</u>
Total	<u>\$ 9,562,898</u>

PEDC Operating Lease

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.

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, 2012, 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>
2013	\$ 113,384
2014	111,858
2015	110,153
2016	108,268
2017	105,665
2018-2029	<u>1,060,718</u>
Total	<u>\$ 1,610,046</u>

Note 15 - Subsequent Events

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

Annexation of Brazoria County MUD No. 4

On December 31, 2012 the City annexed Brazoria County Municipal Utility District No. 4 and abolished the District. This annexation will add 600 acres and an additional 1,332 single family housing units as well as commercial property to the City. All assets and liabilities shall transfer to the City, with the City assuming approximately \$2.5 million in debt outstanding and capital assets of \$8.7 million, excluding streets and sidewalks. All City services shall be provided to the citizens in the district.

Lease Purchase

City Council approved a Notice of Intent to reimburse itself from future capital lease proceeds on October 11, 2011 not to exceed \$1,300,000. On November 12, 2012 City Council awarded the bid to Chase Equipment Finance that provided the lowest overall interest rate of 1.29%. The amount financed via lease/purchase is \$1,179,413.39 as follows:

General Fund:	
Fire Truck	\$ 550,000
Vactor Truck Body	88,850
Vehicles	379,263
(2) Ambulances	161,300
Total	\$1,179,413

The first semi-annual payment is due January 2013 in the amount of \$137,552.91 with the final semi-annual payment due July 2019 in the amount of \$40,989.60. There is no penalty for pre-payment.

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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, 2012

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 10,840,389	\$ 10,748,148	\$ 10,861,341	\$ 113,193
Sales and use taxes	13,631,831	14,363,666	14,814,936	451,270
Franchise fees	5,361,910	5,697,733	5,669,958	(27,775)
Licenses and permits	1,741,529	2,224,046	2,320,103	96,057
Fees and forfeitures	2,851,290	2,999,214	3,164,068	164,854
Charges for services	11,292,491	11,564,231	11,890,808	326,577
Investment earnings	35,000	56,729	54,611	(2,118)
Other	307,904	525,887	623,824	97,937
Total Revenues	46,062,344	48,179,654	49,399,649	1,219,995
Expenditures				
Current:				
General government	7,203,370	8,574,634	8,241,509	333,125
Public safety	25,968,194	26,389,773	25,168,443	1,221,330
Public works	5,773,975	6,100,143	5,506,477	593,666
Community services	3,982,113	4,087,483	3,861,520	225,963
Parks and recreation	7,540,139	7,463,214	6,775,316	687,898
Total Expenditures	50,467,791	52,615,247	49,553,265	3,061,982
Excess (deficiency) of revenues over expenditures	(4,405,447)	(4,435,593)	(153,616)	4,281,977
Other Financing Sources (Uses)				
Proceeds from capital leases	1,222,785	1,143,465		(1,143,465)
Transfers in	3,786,100	3,660,348	3,599,482	(60,866)
Transfers out	(1,058,162)	(397,453)	(397,453)	
Total Other Financing Sources (Uses)	3,950,723	4,406,360	3,202,029	(1,204,331)
Net change in fund balances	(454,724)	(29,233)	3,048,413	3,077,646
Fund balances, beginning	14,523,548	14,523,548	14,523,548	
Fund balances, ending	\$ 14,068,824	\$ 14,494,315	\$ 17,571,961	\$ 3,077,646

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, 2012.

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, 2012

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
2011	\$ 61,822,285	\$ 78,404,115	79%	16,581,830	\$ 27,756,555	60%
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%

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%

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.

Educational TV Fund – A fund created to account for the revenues and expenditures associated with the purchase of equipment for public-access television broadcasting under rules set forth by the Federal Communications Commission (FCC).

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

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2012

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donations</u>	<u>Court Technology</u>
Assets				
Cash and cash equivalents	\$ 1,643,314	\$ 142,669	\$ 71,364	\$ 243,608
Receivables (net of allowance for uncollectibles)	213,464	2,740		2,515
Prepaid items	3,322			
Total Assets	<u>\$ 1,860,100</u>	<u>\$ 145,409</u>	<u>\$ 71,364</u>	<u>\$ 246,123</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 36,271	\$ 1,548	\$	\$ 313
Due to other funds				
Deferred revenue		2,740		2,515
Total Liabilities	<u>36,271</u>	<u>4,288</u>		<u>2,828</u>
 Fund Balance:				
Non-spendable	3,322			
Restricted for:				
Community development programs	1,820,507		66,190	
Public safety		141,121	5,174	243,295
Total Fund Balances	<u>1,823,829</u>	<u>141,121</u>	<u>71,364</u>	<u>243,295</u>
Total Liabilities and Fund Balances	<u>\$ 1,860,100</u>	<u>\$ 145,409</u>	<u>\$ 71,364</u>	<u>\$ 246,123</u>

<u>Regional Detention</u>	<u>Park Donations</u>	<u>Police Seizure</u>	<u>Parks and Recreation Development</u>
\$ 6	\$ 100,082	\$ 315,203	\$ 940,911
	8,350	3,545	25
<u>\$ 6</u>	<u>\$ 108,432</u>	<u>\$ 318,748</u>	<u>\$ 940,936</u>
\$	\$	\$ 40,290	\$ 81,234
		<u>40,290</u>	<u>81,234</u>
6	108,432		859,702
		278,458	
<u>6</u>	<u>108,432</u>	<u>278,458</u>	<u>859,702</u>
<u>\$ 6</u>	<u>\$ 108,432</u>	<u>\$ 318,748</u>	<u>\$ 940,936</u>

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2012

	<u>Sidewalk</u>	<u>Grant Fund</u>	<u>Traffic Impact Improvements</u>	<u>Juvenile Management Fund</u>
Assets				
Cash and cash equivalents	\$ 205,363	\$ 212	\$ 591,721	\$ 36,386
Receivables (net of allowance for uncollectibles)		217,212	387	1,208
Prepaid items				
Total Assets	<u>\$ 205,363</u>	<u>\$ 217,424</u>	<u>\$ 592,108</u>	<u>\$ 37,594</u>
 Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$	\$ 20,865	\$	\$ 1,479
Due to other funds		168,548		
Deferred revenue				1,208
Total Liabilities		<u>189,413</u>		<u>2,687</u>
 Fund Balance:				
Non-spendable				
Restricted for:				
Community development programs	205,363	28,011	592,108	
Public safety				34,907
Total Fund Balances	<u>205,363</u>	<u>28,011</u>	<u>592,108</u>	<u>34,907</u>
Total Liabilities and Fund Balances	<u>\$ 205,363</u>	<u>\$ 217,424</u>	<u>\$ 592,108</u>	<u>\$ 37,594</u>

Educational TV	U of H Fund	Totals
\$ 53,068	\$ 85,700	\$ 4,429,607
31,558	1,209	482,213
		3,322
<u>\$ 84,626</u>	<u>\$ 86,909</u>	<u>\$ 4,915,142</u>
\$	\$ 55,844	\$ 237,844
		168,548
		6,463
<u></u>	<u>55,844</u>	<u>412,855</u>
		3,322
84,626	31,065	3,796,010
		702,955
<u>84,626</u>	<u>31,065</u>	<u>4,502,287</u>
<u>\$ 84,626</u>	<u>\$ 86,909</u>	<u>\$ 4,915,142</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, 2012

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donations</u>	<u>Court Technology</u>
Revenues				
Sales and use taxes	\$ 816,640	\$	\$	\$
Franchise fees				
Fines and forfeitures		62,493		74,945
Investment earnings	1,471	113	51	179
Intergovernmental				
Other			33,179	
Total Revenues	<u>818,111</u>	<u>62,606</u>	<u>33,230</u>	<u>75,124</u>
Expenditures				
Current:				
General government	449,174			
Public safety			14,937	
Public works				
Community services		61,525	7,697	41,268
Parks and recreation				
Capital outlay				
Total Expenditures	<u>449,174</u>	<u>61,525</u>	<u>22,634</u>	<u>41,268</u>
Excess (deficiency) of revenues over expenditures	<u>368,937</u>	<u>1,081</u>	<u>10,596</u>	<u>33,856</u>
Other Financing				
Sources (Uses)				
Transfers out				
Total Other Financing				
Sources (Uses)				
Net change in fund balances	368,937	1,081	10,596	33,856
Fund balances - beginning	<u>1,454,892</u>	<u>140,040</u>	<u>60,768</u>	<u>209,439</u>
Fund balances - ending	<u>\$ 1,823,829</u>	<u>\$ 141,121</u>	<u>\$ 71,364</u>	<u>\$ 243,295</u>

<u>Regional Detention</u>	<u>Park Donations</u>	<u>Police Seizure</u>	<u>Parks and Recreation Development</u>
\$	\$	\$	\$
6	74	209	1,054
24,750	84,559	178,773	65,308
<u>24,756</u>	<u>84,633</u>	<u>178,982</u>	<u>66,362</u>
		59,789	
	65,149	8,085	232,935
	<u>65,149</u>	<u>67,874</u>	<u>232,935</u>
<u>24,756</u>	<u>19,484</u>	<u>111,108</u>	<u>(166,573)</u>
<u>(24,750)</u>			<u>(27,280)</u>
<u>(24,750)</u>			<u>(27,280)</u>
6	19,484	111,108	(193,853)
	88,948	167,350	1,053,555
<u>\$ 6</u>	<u>\$ 108,432</u>	<u>\$ 278,458</u>	<u>\$ 859,702</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, 2012

	<u>Sidewalk</u>	<u>Grant Fund</u>	<u>Traffic Impact Improvements</u>	<u>Juvenile Management Fund</u>
Revenues				
Sales and use taxes	\$	\$	\$	\$
Franchise fees				
Fines and forfeitures				72,529
Investment earnings	167		704	25
Intergovernmental		1,236,628		
Other		5,000		
Total Revenues	<u>167</u>	<u>1,241,628</u>	<u>704</u>	<u>72,554</u>
Expenditures				
Current:				
General government				
Public safety		119,246		
Public works	1,980	26,156		
Community services		198,688		57,048
Parks and recreation		208,059		
Capital outlay		<u>131,191</u>		
Total Expenditures	<u>1,980</u>	<u>683,340</u>		<u>57,048</u>
Excess (deficiency) of revenues over expenditures	<u>(1,813)</u>	<u>558,288</u>	<u>704</u>	<u>15,506</u>
Other Financing				
Sources (Uses)				
Transfers out	<u>(12,072)</u>	<u>(557,940)</u>		
Total Other Financing				
Sources (Uses)	<u>(12,072)</u>	<u>(557,940)</u>		
Net change in fund balances	(13,885)	348	704	15,506
Fund balances - beginning	<u>219,248</u>	<u>27,663</u>	<u>591,404</u>	<u>19,401</u>
Fund balances - ending	<u>\$ 205,363</u>	<u>\$ 28,011</u>	<u>\$ 592,108</u>	<u>\$ 34,907</u>

Educational TV	U of H Fund	Totals
\$	\$	\$ 816,640
146,988		146,988
		209,967
20	57	4,130
	182,860	1,419,488
	64,231	455,800
<u>147,008</u>	<u>247,148</u>	<u>3,053,013</u>
		449,174
		193,972
		28,136
18,036		384,262
	217,346	490,554
44,346		416,557
<u>62,382</u>	<u>217,346</u>	<u>1,962,655</u>
<u>84,626</u>	<u>29,802</u>	<u>1,090,358</u>
		(622,042)
		(622,042)
84,626	29,802	468,316
	1,263	4,033,971
<u>\$ 84,626</u>	<u>\$ 31,065</u>	<u>\$ 4,502,287</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, 2012

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

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Property taxes	\$ 23,202,520	\$ 23,500,454	\$ 297,934	\$ 22,586,408
Investment earnings	12,215	9,784	(2,431)	29,217
Miscellaneous	796,087	796,087		805,071
Total Revenues	<u>24,010,822</u>	<u>24,306,325</u>	<u>295,503</u>	<u>23,420,696</u>
Expenditures				
Debt Service:				
Principal	9,372,486	9,373,377	(891)	8,217,402
Interest	12,543,037	12,400,810	142,227	13,302,477
Intergovernmental	3,992,293	3,992,293		3,954,050
Total Expenditures	<u>25,907,816</u>	<u>25,766,480</u>	<u>141,336</u>	<u>25,473,929</u>
Revenues over (under) expenditures	<u>(1,896,994)</u>	<u>(1,460,155)</u>	<u>436,839</u>	<u>(2,053,233)</u>
Other Financing Sources (Uses)				
Proceeds from long-term debt	49,805,000	49,805,000		1,630,000
Premium on general obligation debt	3,808,801	3,808,801		55,521
Payments to refunding escrow agent	(54,478,177)	(54,478,177)		(1,630,140)
Transfers from other funds	2,157,471	2,157,471		451,704
Total Other Financing Sources (Uses)	<u>1,293,095</u>	<u>1,293,095</u>		<u>507,085</u>
Net change in fund balance	(603,899)	(167,060)	436,839	(1,546,148)
Fund Balances - Beginning	<u>5,159,539</u>	<u>5,159,539</u>		<u>6,705,689</u>
Fund Balances - Ending	<u>\$ 4,555,640</u>	<u>\$ 4,992,479</u>	<u>\$ 436,839</u>	<u>\$ 5,159,539</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Hotel occupancy tax	\$ 768,930	\$ 816,640	\$ 47,710	\$ 652,110
Investment earnings	993	1,471	478	1,848
Other				25
Total Revenues	<u>769,923</u>	<u>818,111</u>	<u>48,188</u>	<u>653,983</u>
Expenditures				
Current:				
General government	445,944	449,174	(3,230)	446,973
Total Expenditures	<u>445,944</u>	<u>449,174</u>	<u>(3,230)</u>	<u>446,973</u>
Revenues over (under) expenditures	<u>323,979</u>	<u>368,937</u>	<u>44,958</u>	<u>207,010</u>
Other Financing Sources (Uses)				
Transfers to other funds				(170,537)
Net change in fund balance	323,979	368,937	44,958	36,473
Fund Balances - Beginning	<u>1,454,892</u>	<u>1,454,892</u>		<u>1,418,419</u>
Fund Balances - Ending	<u>\$ 1,778,871</u>	<u>\$ 1,823,829</u>	<u>\$ 44,958</u>	<u>\$ 1,454,892</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance	
	Final Budget	Actual	Positive / (Negative)	2011
Revenues				
Fines and forfeitures	\$ 59,789	\$ 62,493	\$ 2,704	\$ 54,323
Investment earnings	73	113	40	198
Total Revenues	<u>59,862</u>	<u>62,606</u>	<u>2,744</u>	<u>54,521</u>
Expenditures				
Current:				
Community services	59,018	61,525	(2,507)	4,078
Total Expenditures	<u>59,018</u>	<u>61,525</u>	<u>(2,507)</u>	<u>4,078</u>
Revenues over (under) expenditures	<u>844</u>	<u>1,081</u>	<u>237</u>	<u>50,443</u>
Other Financing Sources (Uses)				
Transfers to other funds				(45,706)
Net change in fund balance	844	1,081	237	4,737
Fund Balances - Beginning	<u>140,040</u>	<u>140,040</u>		<u>135,303</u>
Fund Balances - Ending	<u>\$ 140,884</u>	<u>\$ 141,121</u>	<u>\$ 237</u>	<u>\$ 140,040</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 35	\$ 51	\$ 16	\$ 76
Other income	31,934	33,179	1,245	29,299
Total Revenues	<u>31,969</u>	<u>33,230</u>	<u>1,261</u>	<u>29,375</u>
Expenditures				
Current:				
Public safety	15,331	14,937	394	13,004
Community services	7,220	7,697	(477)	89
Total Expenditures	<u>22,551</u>	<u>22,634</u>	<u>(83)</u>	<u>13,093</u>
Revenues over (under) expenditures	<u>9,418</u>	<u>10,596</u>	<u>1,178</u>	<u>16,282</u>
Net change in fund balance	9,418	10,596	1,178	16,282
Fund Balances - Beginning	<u>60,768</u>	<u>60,768</u>		<u>44,486</u>
Fund Balances - Ending	<u>\$ 70,186</u>	<u>\$ 71,364</u>	<u>\$ 1,178</u>	<u>\$ 60,768</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Fines and forfeitures	\$ 73,800	\$ 74,945	\$ 1,145	\$ 65,200
Investment earnings	105	180	75	287
Total Revenues	<u>73,905</u>	<u>75,125</u>	<u>1,220</u>	<u>65,487</u>
Expenditures				
Current:				
Community services	46,360	41,268	5,092	52,103
Total Expenditures	<u>46,360</u>	<u>41,268</u>	<u>5,092</u>	<u>52,103</u>
Revenues over (under) expenditures	<u>27,545</u>	<u>33,857</u>	<u>6,312</u>	<u>13,384</u>
Net change in fund balance	27,545	33,857	6,312	13,384
Fund Balances - Beginning	<u>209,438</u>	<u>209,438</u>		<u>196,054</u>
Fund Balances - Ending	<u>\$ 236,983</u>	<u>\$ 243,295</u>	<u>\$ 6,312</u>	<u>\$ 209,438</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, 2012
with comparative actual totals for the year ended September 30, 2011

	<u>2012</u>		<u>Variance Positive / (Negative)</u>	<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
Investment earnings	\$ 100	\$ 6	\$ (94)	\$ 5
Other income	24,750	24,750		
Total Revenues	<u>24,850</u>	<u>24,756</u>	<u>(94)</u>	<u>5</u>
Other Financing Sources (Uses)				
Operating Transfers (Out)	<u>(24,750)</u>	<u>(24,750)</u>		<u>(4,040)</u>
Net change in fund balance	100	6	(94)	(4,035)
Fund Balances - Beginning				<u>4,035</u>
Fund Balances - Ending	<u>\$ 100</u>	<u>\$ 6</u>	<u>\$ (94)</u>	<u>\$</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 40	\$ 74	\$ 34	\$ 89
Other	86,000	84,559	(1,441)	79,861
Total Revenues	86,040	84,633	(1,407)	79,950
Expenditures				
Current:				
Parks and recreation	79,296	65,149	14,147	41,396
Total Expenditures	79,296	65,149	14,147	41,396
Revenues over (under) expenditures	6,744	19,484	12,740	38,554
Net change in fund balance	6,744	19,484	12,740	38,554
Fund Balances - Beginning	88,948	88,948		50,394
Fund Balances - Ending	\$ 95,692	\$ 108,432	\$ 12,740	\$ 88,948

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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 126	\$ 209	\$ 83	\$ 299
Other	157,335	178,773	21,438	31,941
Total Revenues	<u>157,461</u>	<u>178,982</u>	<u>21,521</u>	<u>32,240</u>
Expenditures				
Current:				
Public safety	58,001	59,789	(1,788)	100,153
Capital outlay	8,085	8,085		11,000
Total Expenditures	<u>66,086</u>	<u>67,874</u>	<u>(1,788)</u>	<u>111,153</u>
Revenues over (under) expenditures	<u>91,375</u>	<u>111,108</u>	<u>19,733</u>	<u>(78,913)</u>
Net change in fund balance	91,375	111,108	19,733	(78,913)
Fund Balances - Beginning	<u>167,350</u>	<u>167,350</u>		<u>246,263</u>
Fund Balances - Ending	<u>\$ 258,725</u>	<u>\$ 278,458</u>	<u>\$ 19,733</u>	<u>\$ 167,350</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 635	\$ 1,054	\$ 419	\$ 1,605
Other	57,058	65,308	8,250	54,040
Total Revenues	<u>57,693</u>	<u>66,362</u>	<u>8,669</u>	<u>55,645</u>
Expenditures				
Current:				
Parks and recreation				635
Capital outlay	480,717	232,935	247,782	26,107
Total Expenditures	<u>480,717</u>	<u>232,935</u>	<u>247,782</u>	<u>26,742</u>
Revenues over (under) expenditures	<u>(423,024)</u>	<u>(166,573)</u>	<u>256,451</u>	<u>28,903</u>
Other Financing Sources (Uses)				
Transfers (to) other funds	(27,280)	(27,280)		(139,574)
	<u>(27,280)</u>	<u>(27,280)</u>		<u>(139,574)</u>
Net change in fund balance	(450,304)	(193,853)	256,451	(110,671)
Fund Balances - Beginning	<u>1,053,555</u>	<u>1,053,555</u>		<u>1,164,226</u>
Fund Balances - Ending	<u>\$ 603,251</u>	<u>\$ 859,702</u>	<u>\$ 256,451</u>	<u>\$ 1,053,555</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 110	\$ 167	\$ 57	\$ 306
Other	(1,980)		1,980	5,803
Total Revenues	<u>(1,870)</u>	<u>167</u>	<u>2,037</u>	<u>6,109</u>
Expenditures				
Current:				
Public works		1,980	(1,980)	
Total Expenditures		<u>1,980</u>	<u>(1,980)</u>	
Revenues over (under) expenditures	<u>(1,870)</u>	<u>(1,813)</u>	<u>57</u>	<u>6,109</u>
Other Financing Sources (Uses)				
Transfers (to) other funds	<u>(12,072)</u>	<u>(12,072)</u>	-	
Total other financing sources (uses)	<u>(12,072)</u>	<u>(12,072)</u>		
Net change in fund balance	(13,942)	(13,885)	57	6,109
Fund Balances - Beginning	<u>219,248</u>	<u>219,248</u>		<u>213,139</u>
Fund Balances - Ending	<u>\$ 205,306</u>	<u>\$ 205,363</u>	<u>\$ 57</u>	<u>\$ 219,248</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)	2011
	Final Budget	Actual		
Revenues				
Investment earnings	\$ 5	\$	\$ (5)	\$ 6
Intergovernmental	1,748,801	1,236,626	(512,175)	694,329
Other	5,000	5,000		
Total Revenues	1,753,806	1,241,626	(512,180)	694,335
Expenditures				
Current:				
General government	525		525	18,435
Public safety	157,554	119,246	38,308	85,489
Public works	180,117	26,156	153,961	
Community service	193,013	198,688	(5,675)	292,871
Parks and recreation	182,367	208,059	(25,692)	36,939
Capital outlay	421,362	131,191	290,171	157,564
Total Expenditures	1,134,938	683,340	451,598	591,298
Revenues over (under) expenditures	618,868	558,286	(60,582)	103,037
Other Financing Sources (Uses)				
Transfers from other funds				
Transfers (to) other funds	(618,863)	(557,940)	60,923	(105,786)
Total other financing sources (uses)	(618,863)	(557,940)	60,923	(105,786)
Net change in fund balance	5	346	341	(2,749)
Fund Balances - Beginning	27,665	27,665		30,414
Fund Balances - Ending	\$ 27,670	\$ 28,011	\$ 341	\$ 27,665

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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012			2011
	Final Budget	Actual	Variance Positive / (Negative)	
Revenues				
Investment earnings	\$ 600	\$ 704	\$ 104	\$ 790
Other				44,800
Total Revenues	<u>600</u>	<u>704</u>	<u>104</u>	<u>45,590</u>
Other Financing Sources/(Uses)				
Transfers (to) other funds				(750)
Total Other Financing Sources (Uses)				<u>(750)</u>
Net change in fund balance	600	704	104	44,840
Fund Balances - Beginning	<u>591,404</u>	<u>591,404</u>		<u>546,564</u>
Fund Balances - Ending	<u>\$ 592,004</u>	<u>\$ 592,108</u>	<u>\$ 104</u>	<u>\$ 591,404</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, 2012
with comparative actual totals for the year ended September 30, 2011

	<u>2012</u>		Variance Positive / (Negative)	<u>2011</u>
	<u>Final Budget</u>	<u>Actual</u>		
Revenues				
Fines and Forfeitures	\$ 71,075	\$ 72,529	\$ 1,454	\$ 60,955
Investment earnings	12	25	13	28
Total Revenues	<u>71,087</u>	<u>72,554</u>	<u>1,467</u>	<u>60,983</u>
Expenditures				
Current:				
Community services	54,245	57,048	(2,803)	
Total Expenditures	<u>54,245</u>	<u>57,048</u>	<u>(2,803)</u>	
Revenues over (under) expenditures	<u>16,842</u>	<u>15,506</u>	<u>(1,336)</u>	<u>60,983</u>
Other Financing Sources/(Uses)				
Transfers (to) other funds				(50,653)
Total other financing sources (uses)				<u>(50,653)</u>
Net change in fund balance	16,842	15,506	(1,336)	10,330
Fund Balances - Beginning	<u>19,401</u>	<u>19,401</u>		<u>9,071</u>
Fund Balances - Ending	<u>\$ 36,243</u>	<u>\$ 34,907</u>	<u>\$ (1,336)</u>	<u>\$ 19,401</u>

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND - EDUCATIONAL TV
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended September 30, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance Positive / (Negative)
	Final Budget	Actual	
Revenues			
Investment earnings	\$	\$ 20	\$ 20
Franchise taxes	169,500	146,988	(22,512)
Other			
Total Revenues	<u>169,500</u>	<u>147,008</u>	<u>(22,492)</u>
Expenditures			
Current:			
Community services	12,161	18,036	(5,875)
Capital outlay	<u>54,958</u>	<u>44,346</u>	<u>10,612</u>
Total Expenditures	<u>67,119</u>	<u>62,382</u>	<u>4,737</u>
Revenues over (under) expenditures	<u>102,381</u>	<u>84,626</u>	<u>(27,229)</u>
Net change in fund balance	102,381	84,626	(27,229)
Fund Balances - Beginning			
Fund Balances - Ending	<u>\$ 102,381</u>	<u>\$ 84,626</u>	<u>\$ (27,229)</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, 2012
with comparative actual totals for the year ended September 30, 2011

	2012		Variance	
	Final Budget	Actual	Positive / (Negative)	2011
Revenues				
Investment earnings	\$ 30	\$ 57	\$ 27	\$ 34
Intergovernmental	185,789	182,860	(2,929)	255,783
Other	62,426	64,231	1,805	3,255
Total Revenues	<u>248,245</u>	<u>247,148</u>	<u>(1,097)</u>	<u>259,072</u>
Expenditures				
Current:				
Parks and recreation	248,215	217,346	30,869	261,858
Total Expenditures	<u>248,215</u>	<u>217,346</u>	<u>30,869</u>	<u>261,858</u>
Revenues over (under) expenditures	<u>30</u>	<u>29,802</u>	<u>29,772</u>	<u>(2,786)</u>
Net change in fund balance	30	29,802	29,772	(2,786)
Fund Balances - Beginning	<u>1,263</u>	<u>1,263</u>		<u>4,049</u>
Fund Balances - Ending	<u>\$ 1,293</u>	<u>\$ 31,065</u>	<u>\$ 29,772</u>	<u>\$ 1,263</u>

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

CITY OF PEARLAND, TEXAS
DISCRETELY PRESENTED COMPONENT UNITS
BALANCE SHEETS - GOVERNMENTAL FUNDS
September 30, 2012

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Assets				
Cash and equivalents	\$ 9,562,003	\$ 4,655,490	\$ 1,488,342	\$ 15,705,835
Investments	2,002,459			2,002,459
Receivables-less allowance for uncollectibles	1,314,864		360,000	1,674,864
Prepaid items	28,435			28,435
Restricted cash	665,254			665,254
Total Assets	<u>\$ 13,573,015</u>	<u>\$ 4,655,490</u>	<u>\$ 1,848,342</u>	<u>\$ 20,076,847</u>
Liabilities				
Accounts payable and accrued expenses	\$ 72,986	\$ 361,444	\$ 33	\$ 434,463
Customer deposits	38,333			38,333
Total Liabilities	<u>111,319</u>	<u>361,444</u>	<u>33</u>	<u>472,796</u>
Fund Balance				
Non-spendable:				
Prepaid items	28,435			28,435
Restricted for:				
Debt service	665,254			665,254
Economic development	12,768,007	4,294,046	1,848,309	18,910,362
Total Fund Balance	<u>13,461,696</u>	<u>4,294,046</u>	<u>1,848,309</u>	<u>19,604,051</u>
Total Liabilities and Fund Balance	<u>\$ 13,573,015</u>	<u>\$ 4,655,490</u>	<u>\$ 1,848,342</u>	<u>\$ 20,076,847</u>
Reconciliation from fund balance to net assets				
fund balance	\$ 13,461,696	\$ 4,294,046	\$ 1,848,309	\$ 19,604,051
Add capital assets	9,634,200			9,634,200
Less revenue bonds payable	(24,241,137)		(53,957,085)	(78,198,222)
Less other long-term liabilities	(34,554)			(34,554)
Less interest payable	(93,983)		(133,385)	(227,368)
Net Assets	<u>\$ (1,277,343)</u>	<u>\$ 4,294,046</u>	<u>\$ (46,248,288)</u>	<u>\$ (43,231,585)</u>

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, 2012

	Pearland Economic Development Corporation	Tax Increment Reinvestment Zone #2	Development Authority of Pearland	Total Component Units
Revenues				
Taxes:				
Property taxes	\$	\$ 17,924,775	\$	\$ 17,924,775
Sales and use taxes	7,337,389			7,337,389
Charges for services	414,000			414,000
Investment earnings	34,161	5,844	1,641	41,646
Other	44,353			44,353
Total Revenues	<u>7,829,903</u>	<u>17,930,619</u>	<u>1,641</u>	<u>25,762,163</u>
Expenditures				
Current:				
General government			12,782	12,782
Economic development	1,397,984	5,894,105	13,105,300	20,397,389
Intergovernmental	165,638			165,638
Debt Service				
Principal	840,000		2,680,000	3,520,000
Interest	1,204,742		1,642,734	2,847,476
Bond issuance cost			286,458	286,458
Total Expenditures	<u>3,608,364</u>	<u>5,894,105</u>	<u>17,727,274</u>	<u>27,229,743</u>
Revenues over (under) expenditures	<u>4,221,539</u>	<u>12,036,514</u>	<u>(17,725,633)</u>	<u>(1,467,580)</u>
Other Financing Sources (Uses)				
Transfers from other component units			12,016,051	12,016,051
Transfers (to) other component units		(12,016,051)		(12,016,051)
Issuance of revenue bonds			56,915,000	56,915,000
Payment to escrow agent			(54,746,730)	(54,746,730)
Total other financing sources (uses)		<u>(12,016,051)</u>	<u>14,184,321</u>	<u>2,168,270</u>
Changes in fund balance	4,221,539	20,463	(3,541,312)	700,690
Fund Balances - Beginning	9,240,157	4,273,583	5,389,621	18,903,361
Fund Balances - Ending	<u>\$ 13,461,696</u>	<u>\$ 4,294,046</u>	<u>\$ 1,848,309</u>	<u>\$ 19,604,051</u>
Reconciliation from changes in fund balance to changes in net assets				
Change in fund balance	\$ 4,221,539	\$ 20,463	\$ (3,541,312)	\$ 700,690
Add principal payments	840,000		2,680,000	3,520,000
Less amortization			(2,377,379)	(2,377,379)
Changes in interest payable	1,628		50,898	52,526
Payment to escrow agent			54,746,730	54,746,730
Bond proceeds			(56,915,000)	(56,915,000)
Less post-employment benefit liability expense	(30,194)			(30,194)
Less depreciation	(245,534)			(245,534)
Changes in Net Assets	<u>\$ 4,787,439</u>	<u>\$ 20,463</u>	<u>\$ (5,356,063)</u>	<u>\$ (548,161)</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, 2012

Permanent Improvement Bonds, Series 2003

Permanent Improvement & Refund Bonds, Series 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 390,000	\$ 11,700	\$ 401,700	1,845,000	999,761	\$ 2,844,761
2014				1,930,000	925,414	2,855,414
2015				2,010,000	836,564	2,846,564
2016				2,115,000	733,439	2,848,439
2017				865,000	663,264	1,528,264
2018				995,000	626,064	1,621,064
2019				380,000	598,374	978,374
2020				385,000	582,643	967,643
2021				395,000	566,408	961,408
2022				405,000	549,506	954,506
2023				875,000	522,088	1,397,088
2024				1,185,000	473,650	1,658,650
2025				1,245,000	412,900	1,657,900
2026				1,310,000	349,025	1,659,025
2027				3,045,000	247,763	3,292,763
2028				1,810,000	134,000	1,944,000
2029				1,775,000	44,375	1,819,375
2030						
2031						
2032						
2033						
2034						
2035						
2036						
	<u>\$ 390,000</u>	<u>\$ 11,700</u>	<u>\$ 401,700</u>	<u>\$ 22,570,000</u>	<u>\$ 9,265,235</u>	<u>\$ 31,835,235</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>
2013	\$ 1,295,000	\$ 61,541	\$ 1,356,541	\$ 385,000	\$ 64,500	\$ 449,500
2014	1,035,000	18,630	1,053,630	710,000	42,600	752,600
2015				710,000	14,200	724,200
2016						
2017						
2018						
2019						
2020						
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
	<u>\$ 2,330,000</u>	<u>\$ 80,171</u>	<u>\$ 2,410,171</u>	<u>\$ 1,805,000</u>	<u>\$ 121,300</u>	<u>\$ 1,926,300</u>

Certificates of Obligation, Series 2006

BCMUD #1 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>
2013	\$ 335,000	\$ 414,688	\$ 749,688	\$ 60,000	\$ 77,865	\$ 137,865
2014	355,000	393,557	748,557	65,000	75,585	140,585
2015	370,000	371,354	741,354	70,000	73,082	143,082
2016	395,000	349,654	744,654	75,000	70,353	145,353
2017	405,000	330,932	735,932	75,000	67,428	142,428
2018	405,000	314,074	719,074	80,000	64,428	144,428
2019	505,000	294,838	799,838	85,000	61,228	146,228
2020	470,000	274,001	744,001	90,000	57,827	147,827
2021	500,000	253,146	753,146	95,000	54,228	149,228
2022	525,000	230,912	755,912	100,000	50,333	150,333
2023	555,000	207,218	762,218	110,000	46,232	156,232
2024	585,000	181,991	766,991	115,000	41,612	156,612
2025	605,000	155,363	760,363	120,000	36,782	156,782
2026	730,000	125,325	855,325	130,000	31,622	161,622
2027	765,000	91,688	856,688	135,000	26,033	161,033
2028	805,000	56,363	861,363	145,000	20,227	165,227
2029	850,000	19,125	869,125	155,000	13,920	168,920
2030				165,000	7,178	172,178
2031						
2032						
2033						
2034						
2035						
2036						
	<u>\$ 9,160,000</u>	<u>\$ 4,064,226</u>	<u>\$ 13,224,226</u>	<u>\$ 1,870,000</u>	<u>\$ 875,963</u>	<u>\$ 2,745,963</u>

Permanent Improvement & Refund Bonds, Series 2006

Certificates of Obligation, Series 2007

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 31,260,000</u>	<u>\$ 18,394,816</u>	<u>\$ 49,654,816</u>	<u>\$ 22,700,000</u>	<u>\$ 12,045,150</u>	<u>\$ 34,745,150</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT
BY MATURITY DATE
September 30, 2012

Permanent Improvement & Refund Bonds, Series 2007

Certificate of Obligation, Series 2009

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,940,000	\$ 3,137,063	\$ 5,077,063	\$ 260,000	\$ 351,553	\$ 611,553
2014	2,510,000	3,048,062	5,558,062	230,000	345,703	575,703
2015	2,685,000	2,924,025	5,609,025	235,000	339,953	574,953
2016	2,345,000	2,791,562	5,136,562	240,000	332,903	572,903
2017	2,460,000	2,671,438	5,131,438	245,000	325,703	570,703
2018	2,220,000	2,554,437	4,774,437	255,000	317,128	572,128
2019	3,830,000	2,403,188	6,233,188	320,000	307,565	627,565
2020	5,190,000	2,190,662	7,380,662	325,000	294,765	619,765
2021	5,395,000	1,952,500	7,347,500	340,000	281,765	621,765
2022	5,610,000	1,704,887	7,314,887	350,000	268,165	618,165
2023	5,005,000	1,466,050	6,471,050	365,000	253,815	618,815
2024	5,230,000	1,235,763	6,465,763	385,000	238,303	623,303
2025	3,835,000	1,034,197	4,869,197	400,000	221,363	621,363
2026	3,845,000	866,197	4,711,197	420,000	203,363	623,363
2027	4,010,000	686,850	4,696,850	440,000	183,938	623,938
2028	2,290,000	537,225	2,827,225	465,000	163,038	628,038
2029	2,370,000	426,550	2,796,550	485,000	139,788	624,788
2030	2,590,000	308,750	2,898,750	415,000	116,750	531,750
2031	2,620,000	185,012	2,805,012	410,000	96,000	506,000
2032	2,585,000	61,394	2,646,394	475,000	75,500	550,500
2033				505,000	51,750	556,750
2034				530,000	26,500	556,500
2035						
2036						
	<u>\$ 68,565,000</u>	<u>\$ 32,185,812</u>	<u>\$ 100,750,812</u>	<u>\$ 8,095,000</u>	<u>\$ 4,935,305</u>	<u>\$ 13,030,305</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>
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>\$ 8,585,000</u>	<u>\$ 6,257,238</u>	<u>\$ 14,842,238</u>	<u>\$ 21,930,000</u>	<u>\$ 16,150,069</u>	<u>\$ 38,080,069</u>

Certificate of Obligation, Series 2009A

Permanent Improvement Bonds, Series 2010A

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	640,000	370,565	1,010,565	350,000	417,553	767,553
2014	640,000	356,965	996,965	355,000	410,503	765,503
2015	640,000	341,765	981,765	370,000	399,553	769,553
2016	640,000	324,965	964,965	380,000	388,353	768,353
2017	640,000	301,765	941,765	390,000	378,703	768,703
2018	640,000	275,403	915,403	400,000	366,853	766,853
2019	640,000	252,560	892,560	415,000	354,628	769,628
2020	635,000	231,361	866,361	425,000	342,028	767,028
2021	640,000	210,163	850,163	440,000	329,053	769,053
2022	640,000	187,763	827,763	455,000	315,059	770,059
2023	640,000	164,403	804,403	465,000	300,109	765,109
2024	640,000	140,562	780,562	485,000	284,065	769,065
2025	635,000	116,338	751,338	500,000	265,578	765,578
2026	640,000	91,315	731,315	520,000	246,153	766,153
2027	640,000	65,715	705,715	540,000	226,603	766,603
2028	635,000	39,898	674,898	560,000	205,558	765,558
2029	640,000	13,440	653,440	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>\$ 10,865,000</u>	<u>\$ 3,484,945</u>	<u>\$ 14,349,945</u>	<u>\$ 11,700,000</u>	<u>\$ 5,951,739</u>	<u>\$ 17,651,739</u>

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

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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>\$ 15,755,000</u>	<u>\$ 9,247,831</u>	<u>\$ 25,002,831</u>

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Permanent Improvement Refunding Bonds, Series 2010B

Permanent Improvement Refunding Bonds, Series 2012
 (Governmental Activities Portion)

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2013	215,000	29,950	244,950		1,566,250	1,566,250
2014	220,000	25,600	245,600		1,566,250	1,566,250
2015	225,000	21,150	246,150	685,000	1,552,550	2,237,550
2016	225,000	14,400	239,400	1,955,000	1,489,975	3,444,975
2017	240,000	6,300	246,300	2,625,000	1,388,600	4,013,600
2018	90,000	1,350	91,350	2,690,000	1,282,300	3,972,300
2019				3,210,000	1,164,300	4,374,300
2020				2,200,000	1,056,100	3,256,100
2021				2,340,000	965,300	3,305,300
2022				2,680,000	864,900	3,544,900
2023				2,840,000	754,500	3,594,500
2024				2,720,000	643,300	3,363,300
2025				4,520,000	521,100	5,041,100
2026				4,540,000	385,200	4,925,200
2027				3,035,000	271,575	3,306,575
2028				5,355,000	145,725	5,500,725
2029				2,180,000	32,700	2,212,700
2030						
2031						
2032						
2033						
2034						
2035						
2036						
	<u>\$ 1,215,000</u>	<u>\$ 98,750</u>	<u>\$ 1,313,750</u>	<u>\$ 43,575,000</u>	<u>\$ 15,650,625</u>	<u>\$ 59,225,625</u>

Permanent Improvement Bonds , Series 2011

Certificates of Obligation, Series 2011

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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>\$ 5,340,000</u>	<u>\$ 2,831,622</u>	<u>\$ 8,171,622</u>	<u>\$ 1,885,000</u>	<u>\$ 177,284</u>	<u>\$ 2,062,284</u>

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
BY MATURITY DATE
September 30, 2012

Fiscal Year	Water & Sewer System Revenue Bonds Series 1999			Water & Sewer System Revenue Bonds Series 2003		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 125,000	\$ 130,410	\$ 255,410	\$ 330,000	\$ 32,575	\$ 362,575
2014	130,000	124,660	254,660	340,000	13,600	\$ 353,600
2015	135,000	118,680	253,680			
2016	145,000	112,470	257,470			
2017	540,000	105,800	645,800			
2018	565,000	80,960	645,960			
2019	585,000	54,970	639,970			
2020	610,000	28,060	638,060			
2021						
2022						
2023						
2024						
2025						
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
	<u>\$ 2,835,000</u>	<u>\$ 756,010</u>	<u>\$ 3,591,010</u>	<u>\$ 670,000</u>	<u>\$ 46,175</u>	<u>\$ 716,175</u>

Fiscal Year	Water & Sewer System Revenue and Refunding Bonds, Series 2006			Water & Sewer System Revenue and Refunding Bonds, Series 2007		
	Principal	Interest	Total	Principal	Interest	Total
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						
2036						
2037						
	<u>\$ 11,500,000</u>	<u>\$ 7,248,588</u>	<u>\$ 18,748,588</u>	<u>\$ 37,505,000</u>	<u>\$ 21,066,938</u>	<u>\$ 58,571,938</u>

Water & Sewer System Revenue Bonds, Series 2008

Water & Sewer System Revenue Bonds, Series 2009

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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						
2036						
2037						
	<u>\$ 14,180,000</u>	<u>\$ 10,348,098</u>	<u>\$ 24,528,098</u>	<u>\$ 12,090,000</u>	<u>\$ 8,126,563</u>	<u>\$ 20,216,563</u>

PIB Refunding Portion Series 2009
 (Water & Sewer Portion)

PIB Refunding Bonds Series 2012 - W&S Portion

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,110,000	\$ 327,500	\$ 1,437,500		\$ 237,800	\$ 237,800
2014	1,155,000	287,525	1,442,525		237,800	237,800
2015	1,195,000	243,712	1,438,712	335,000	231,100	566,100
2016	1,220,000	212,000	1,432,000	340,000	215,900	555,900
2017	2,065,000	143,601	2,208,601	350,000	200,400	550,400
2018	2,155,000	45,988	2,200,988	360,000	186,200	546,200
2019				365,000	171,700	536,700
2020				370,000	157,000	527,000
2021				370,000	142,200	512,200
2022				385,000	127,100	512,100
2023				395,000	111,500	506,500
2024				1,480,000	74,000	1,554,000
2025				1,480,000	22,200	1,502,200
2026						
2027						
2028						
2029						
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
	<u>\$ 8,900,000</u>	<u>\$ 1,260,326</u>	<u>\$ 10,160,326</u>	<u>\$ 6,230,000</u>	<u>\$ 2,114,900</u>	<u>\$ 8,344,900</u>

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Water & Sewer Revenue Bonds , Series 2010A

Water & Sewer Refunding Bonds, Series 2010B

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	740,000	177,750	917,750			
2032	755,000	144,450	900,000			
2033	785,000	110,475	895,475			
2034	825,000	75,150	900,150			
2035	845,000	38,025	883,025			
2036						
2037						
	<u>\$ 13,290,000</u>	<u>\$ 7,618,778</u>	<u>\$ 20,908,778</u>	<u>\$ 8,565,000</u>	<u>\$ 2,635,627</u>	<u>\$ 11,200,627</u>

**Water and Sewer System Revenue Bonds,
Series 2012**

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 295,000	\$ 237,355	\$ 532,355
2014	315,000	231,455	546,455
2015	345,000	225,155	570,155
2016	355,000	218,255	573,255
2017	755,000	211,155	966,155
2018	765,000	196,055	961,055
2019	780,000	180,755	960,755
2020	800,000	165,155	965,155
2021	230,000	141,155	371,155
2022	230,000	134,255	364,255
2023	240,000	127,355	367,355
2024	230,000	120,155	350,155
2025	225,000	113,255	338,255
2026	175,000	106,505	281,505
2027	180,000	101,080	281,080
2028	185,000	95,500	280,500
2029	190,000	89,488	279,488
2030	195,000	83,312	278,312
2031	200,000	76,975	276,975
2032	300,000	70,225	370,225
2033	315,000	60,100	375,100
2034	325,000	49,075	374,075
2035	335,000	37,700	372,700
2036	345,000	25,556	370,556
2037	360,000	13,050	373,050
	<u>\$ 8,670,000</u>	<u>\$ 3,110,081</u>	<u>\$ 11,780,081</u>

PEARLAND ECONOMIC DEVELOPMENT CORPORATION
COMBINING SCHEDULE OF GENERAL LONG-TERM DEBT OF
PEARLAND ECONOMIC DEVELOPMENT CORPORATION BY MATURITY DATE
 September 30, 2012

Fiscal Year	Sales Tax Revenue Bonds, Series 2005			Sales Tax Revenue Bonds, Series 2006		
	Principal	Interest	Total	Principal	Interest	Total
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>\$ 7,965,000</u>	<u>\$ 2,768,075</u>	<u>\$ 10,733,075</u>	<u>\$ 9,285,000</u>	<u>\$ 5,756,000</u>	<u>\$ 15,041,000</u>

Sales Tax Revenue Bonds, Series 2010

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 245,000	\$ 388,256	\$ 617,410
2014	260,000	375,117	619,807
2015	275,000	361,174	621,434
2016	290,000	346,427	622,288
2017	300,000	330,876	617,371
2018	320,000	314,788	621,940
2019	340,000	297,627	625,480
2020	355,000	279,394	622,991
2021	375,000	260,357	624,731
2022	400,000	240,247	630,441
2023	420,000	218,796	629,866
2024	440,000	196,273	628,262
2025	465,000	172,677	630,630
2026	495,000	147,741	636,711
2027	525,000	121,196	641,249
2028	550,000	93,042	639,245
2029	575,000	63,547	635,954
2030	610,000	32,712	641,377
	<u>\$ 7,240,000</u>	<u>\$ 4,240,247</u>	<u>\$ 11,307,187</u>

DEVELOPMENT AUTHORITY OF PEARLAND
COMBINING SCHEDULE OF GENERAL LONG-TERM DEBT OF
DEVELOPMENT AUTHORITY OF PEARLAND BY MATURITY DATE
September 30, 2012

Tax Increment Revenue Bonds, Series 2012

Fiscal Year Ending	Principal	Interest	Total
2013	\$ 2,720,000	\$ 1,665,014	\$ 4,385,014
2014	2,800,000	1,581,511	4,381,511
2015	2,885,000	1,495,550	4,380,550
2016	2,970,000	1,406,981	4,376,981
2017	3,070,000	1,315,802	4,385,802
2018	3,160,000	1,221,553	4,381,553
2019	3,255,000	1,124,541	4,379,541
2020	3,120,000	1,024,613	4,144,613
2021	3,215,000	928,828	4,143,828
2022	3,030,000	830,128	3,860,128
2023	3,130,000	737,107	3,867,107
2024	3,225,000	641,016	3,866,016
2025	3,320,000	542,008	3,862,008
2026	3,425,000	440,085	3,865,085
2027	3,530,000	334,937	3,864,937
2028	3,635,000	226,566	3,861,566
2029	3,745,000	114,972	3,859,972
	<u>\$ 54,235,000</u>	<u>\$ 15,631,212</u>	<u>\$ 69,866,212</u>

**Statistical Section
(Unaudited)**

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Unaudited Statistical Section

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

Contents	Page
Financial Trends	120
<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	130
<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	138
<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	143
<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	145
<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 Ten 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>

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>	<u>2012</u>
\$ 410,002	\$ 429,054	\$ 422,643	\$ 413,439	\$ 410,078
10,864	10,615	18,020	16,462	16,429
<u>10,903</u>	<u>13,330</u>	<u>13,692</u>	<u>14,543</u>	<u>21,752</u>
<u><u>\$ 431,769</u></u>	<u><u>\$ 452,999</u></u>	<u><u>\$ 454,355</u></u>	<u><u>\$ 444,444</u></u>	<u><u>\$ 448,259</u></u>
\$ 138,679	\$ 146,150	\$ 144,244	\$ 156,629	\$ 158,715
16,094	11,965	17,587	5,603	9,822
<u>3,406</u>	<u>9,256</u>	<u>11,942</u>	<u>13,910</u>	<u>12,439</u>
<u><u>\$ 158,179</u></u>	<u><u>\$ 167,371</u></u>	<u><u>\$ 173,773</u></u>	<u><u>\$ 176,142</u></u>	<u><u>\$ 180,976</u></u>
\$ 548,681	\$ 575,204	\$ 566,887	\$ 570,068	\$ 568,793
26,958	22,580	35,607	22,065	26,251
<u>14,309</u>	<u>22,586</u>	<u>25,634</u>	<u>28,453</u>	<u>34,191</u>
<u><u>\$ 589,948</u></u>	<u><u>\$ 620,370</u></u>	<u><u>\$ 628,128</u></u>	<u><u>\$ 620,586</u></u>	<u><u>\$ 629,235</u></u>

CITY OF PEARLAND, TEXAS

CHANGES IN NET ASSETS

Last Ten 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 governmental 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>	<u>2012</u>
\$ 11,161	\$ 12,355	\$ 13,439	\$ 15,637	\$ 13,334
17,684	22,438	24,268	23,057	27,403
24,532	26,893	35,679	31,347	28,510
3,336	3,290	3,323	3,350	4,267
7,157	7,240	7,699	8,043	9,266
12,266	11,647	13,738	13,087	11,572
<u>76,136</u>	<u>83,863</u>	<u>98,146</u>	<u>94,521</u>	<u>94,352</u>
22,570	25,439	27,157	29,192	29,392
6,024	7,106	7,089	7,285	7,528
<u>28,594</u>	<u>32,545</u>	<u>34,246</u>	<u>36,477</u>	<u>36,920</u>
<u>\$ 104,730</u>	<u>\$ 116,408</u>	<u>\$ 132,392</u>	<u>\$ 130,998</u>	<u>\$ 131,272</u>
\$	\$	\$	\$	\$
2,959	3,524	3,296	3,679	4,206
103	35	10	18	43
5,130	4,755	4,312	4,632	5,855
936	672	906	2,027	2,080
3,951	4,913	5,215	5,488	6,045
230	420	641	407	711
551	375	207	675	53
129	202	159	366	311
115	450	424	462	542
503	279	98		
15,263	26,092	29,800	10,330	18,743
261	4,653			100
<u>30,131</u>	<u>46,370</u>	<u>45,068</u>	<u>28,084</u>	<u>38,689</u>
21,524	26,617	24,961	28,664	27,535
6,038	6,766	7,313	7,258	7,654
315	2,464	70	61	205
5,869	6,125	8,611	4,215	8,118
<u>33,746</u>	<u>41,972</u>	<u>40,955</u>	<u>40,198</u>	<u>43,512</u>
<u>\$ 63,877</u>	<u>\$ 88,342</u>	<u>\$ 86,023</u>	<u>\$ 68,282</u>	<u>\$ 82,201</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>

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>	<u>2012</u>
\$ (46,005)	\$ (37,493)	\$ (53,078)	\$ (66,437)	\$ (55,663)
5,152	9,427	6,709	3,721	6,592
<u>\$ (40,853)</u>	<u>\$ (28,066)</u>	<u>\$ (46,369)</u>	<u>\$ (62,716)</u>	<u>\$ (49,071)</u>

\$ 29,492	\$ 31,140	\$ 32,963	\$ 33,451	\$ 34,305
12,581	14,218	13,578	13,983	15,632
4,427	5,075	5,426	5,605	5,670
4,572	1,376	253	157	92
2,911	6,294	1,028	1,854	1,510
1,330	621	1,186	1,475	2,269
<u>\$ 55,313</u>	<u>\$ 58,724</u>	<u>\$ 54,434</u>	<u>\$ 56,525</u>	<u>\$ 59,478</u>

\$ 1,669	\$ 363	\$ 100	\$ 116	\$ 68
12	23	779	9	444
(1,330)	(621)	(1,186)	(1,475)	(2,269)
351	(235)	(307)	(1,350)	(1,757)
<u>\$ 55,664</u>	<u>\$ 58,489</u>	<u>\$ 54,127</u>	<u>\$ 55,175</u>	<u>\$ 57,721</u>

\$ 9,308	\$ 21,231	\$ 1,356	\$ (9,912)	\$ 3,815
5,503	9,192	6,402	2,371	4,835
<u>\$ 14,811</u>	<u>\$ 30,423</u>	<u>\$ 7,758</u>	<u>\$ (7,541)</u>	<u>\$ 8,650</u>

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

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General fund				
Non-spendable	\$ 52	\$ 70	\$ 71	\$ 84
Restricted				
Assigned				552
Unassigned	5,310	8,216	8,132	9,961
Total General Fund	<u>\$ 5,362</u>	<u>\$ 8,286</u>	<u>\$ 8,203</u>	<u>\$ 10,597</u>
All other governmental funds restricted for:				
Debt service	\$ 2,130	\$ 3,008	\$ 3,855	\$ 4,658
Capital improvements	41,255	46,014	43,545	52,957
Public safety	190	284	348	453
Community development projects				
Tourism	392	557	670	864
Parks and recreation	569	793	992	1,393
Capital projects - other	250	872	1,007	1,064
Other	323	909	238	247
Total other Governmental Funds	<u>\$ 45,109</u>	<u>\$ 52,437</u>	<u>\$ 50,655</u>	<u>\$ 61,636</u>

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$ 123	\$ 181	\$ 119	\$ 146	\$ 130	\$ 182
581	4,698	699	117	126	167
12,932	8,647	11,401	12,599	160	17,222
<u>\$ 13,636</u>	<u>\$ 13,526</u>	<u>\$ 12,219</u>	<u>\$ 12,862</u>	<u>\$ 14,108</u>	<u>\$ 17,571</u>
<u>\$ 14,524</u>					
\$ 6,552	\$ 6,835	\$ 7,246	\$ 6,705	\$ 5,160	\$ 4,992
96,542	110,715	62,467	30,893	23,461	13,776
591	583	699	612	541	702
1,051	1,247	1,344	1,394	1,452	1,821
1,652	1,183	1,094	1,214	1,143	968
1,138	1,346	1,146	962	810	797
114	629	85	79	87	215
<u>\$ 107,640</u>	<u>\$ 122,538</u>	<u>\$ 74,081</u>	<u>\$ 41,859</u>	<u>\$ 32,654</u>	<u>\$ 23,271</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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Revenues				
Property taxes	\$ 15,120	\$ 17,891	\$ 19,745	\$ 22,150
Sales and use taxes	6,008	6,933	8,026	9,980
Franchise fees	2,533	2,883	3,097	3,426
Licenses and permits	2,682	3,441	3,864	4,067
Fines and forfeitures	1,422	1,608	1,935	2,038
Charges for services	3,982	5,260	6,139	8,734
Investment earnings	171	1,115	1,863	2,991
Intergovernmental	2,398	3,040	2,382	7,852
Other	1,135	1,076	1,172	1,744
Total Revenues	<u>35,451</u>	<u>43,247</u>	<u>48,223</u>	<u>62,982</u>
Expenditures				
General government	5,852	6,221	6,750	6,381
Public safety	9,650	10,142	11,081	12,870
Public works	8,770	8,709	10,450	9,728
Community services	2,827	2,904	2,747	3,787
Parks and recreation				3,358
Debt service:				
Principal	2,040	3,000	3,535	3,429
Interest and other charges	4,469	5,665	5,555	6,771
Capital outlay	23,568	18,058	28,661	36,706
Intergovernmental			1,084	1,684
Total Expenditures	<u>57,176</u>	<u>54,699</u>	<u>69,863</u>	<u>84,714</u>
Excess of revenues over (under) expenditures	(21,725)	(11,452)	(21,640)	(21,732)
Other Financing Sources (Uses)				
Transfers in	1,534	1,431	4,870	5,852
Transfers out	(806)	(907)	(4,510)	(4,698)
Bonds issued	34,653	184	37,015	41,959
Payment to Escrow Agent				
Capital leases		21,000	271	
Other		94	(15,926)	(8,005)
Total other Financing Sources (uses)	<u>35,381</u>	<u>21,802</u>	<u>21,720</u>	<u>35,108</u>
Net change in fund balances	<u>\$ 13,656</u>	<u>\$ 10,350</u>	<u>\$ 80</u>	<u>\$ 13,376</u>
Debt service as a percentage of noncapital expenditures	19.4%	23.6%	22.1%	21.2%

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
\$	24,525	\$ 29,200	\$ 31,349	\$ 32,856	\$ 33,454	\$ 34,362
	11,025	12,581	14,218	13,578	13,983	15,632
	3,760	4,427	5,075	5,426	5,605	5,817
	4,030	2,992	2,079	1,807	1,721	2,320
	2,048	2,086	2,325	2,475	2,895	3,374
	5,250	7,512	8,885	9,328	11,687	11,891
	4,938	4,568	1,375	591	156	92
	14,463	3,731	7,589	3,689	2,199	3,271
	1,815	5,638	8,980	982	1,560	2,358
	<u>71,854</u>	<u>72,735</u>	<u>81,875</u>	<u>70,732</u>	<u>73,260</u>	<u>79,117</u>
	6,293	7,388	8,412	8,527	10,866	8,863
	14,598	19,604	22,310	23,784	23,926	25,362
	6,278	7,536	12,051	7,108	6,505	5,535
	3,102	3,426	3,386	3,839	3,376	4,246
	4,908	6,605	5,789	6,305	7,539	7,266
	3,228	3,160	5,482	6,200	8,217	9,373
	10,197	12,382	12,080	13,635	13,543	12,401
	28,530	27,777	68,615	61,317	25,703	9,442
	2,169	3,434	3,250	3,794	3,954	3,992
	<u>79,303</u>	<u>91,312</u>	<u>141,375</u>	<u>134,509</u>	<u>103,629</u>	<u>86,480</u>
	(7,449)	(18,577)	(59,500)	(63,777)	(30,369)	(7,363)
	4,596	4,912	3,246	3,498	3,525	5,909
	(3,536)	(3,582)	(2,625)	(2,312)	(2,050)	(4,017)
	94,559	31,835	8,520	28,962	21,637	49,805
					(1,630)	(54,478)
	1,568		649	2,050	1,289	
	(40,695)	200	(54)		56	3,809
	<u>56,492</u>	<u>33,365</u>	<u>9,736</u>	<u>32,198</u>	<u>22,827</u>	<u>1,028</u>
\$	<u>49,043</u>	<u>\$ 14,788</u>	<u>\$ (49,764)</u>	<u>\$ (31,579)</u>	<u>\$ (7,542)</u>	<u>\$ (6,335)</u>
	26.4%	24.5%	24.1%	27.1%	27.9%	28.3%

CITY OF PEARLAND, TEXAS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE
OF TAXABLE PROPERTY
Last Seven 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
2012	2011	4,929,336,548	1,897,683,176	488,098,315	592,996,676

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.

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%
352,494,382	6,369,626,981	0.6851	6,369,626,981	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
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
2012	0.215	0.470	0.685	1.419	1.350	1.344	0.199	0.413	0.500	0.391	0.019	0.028

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		\$ 0.850			
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
0.192	0.007	0.850	0.547	0.545	0.600	0.630	0.690	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
2003	\$ 14,880,007	\$ 14,575,297	97.95%	\$ 279,516	\$ 14,854,813	99.8%
2004	18,030,473	17,633,986	97.80%	361,748	17,995,734	99.8%
2005	21,073,788	20,576,812	97.64%	473,048	21,049,860	99.9%
2006	24,284,597	23,690,031	97.55%	558,342	24,248,373	99.9%
2007	28,819,229	28,235,276	97.97%	546,638	28,781,914	99.9%
2008	35,035,569	34,461,652	98.36%	528,647	34,990,299	99.9%
2009	38,368,354	37,820,603	98.57%	463,703	38,284,306	99.8%
2010	41,081,407	40,590,543	98.81%	322,919	40,913,461	99.6%
2011	41,968,046	41,594,389	99.11%	155,198	41,749,587	99.5%
2012	43,441,792	43,110,373	99.24%		43,110,373	99.2%

Source: Brazoria County Tax Office

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

<u>Taxpayer</u>	<u>2012</u>			<u>2003</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	\$ 66,933,820	1	1.06%			
Amreit SPF Shadow Creek, LP	41,006,650	2	0.65%			
Pearland Investments Ltd	31,696,920	3	0.50%			
Weatherford U.S., Inc.	31,613,080	4	0.50%	\$ 34,843,830	1	1.48%
Villas Shadow Creek Ranch LP	29,000,460	5	0.46%			
Centerpoint Energy, Inc.	26,536,120	6	0.42%	18,062,650	2	0.77%
Walmart Real Estate Bus TR	23,678,280	7	0.37%	12,115,230	3	0.51%
Shadow Kirby LTD Partnership	23,114,059	8	0.37%			
MRP Shadow Creek LP	21,000,000	9	0.33%			
HCA Healthcare Corp.	19,074,620	10	0.30%			
Landar Mary's Creek Apts				11,113,820	4	0.47%
Southwestern Bell Telephone				9,439,220	5	0.40%
Lennar Homes of Texas				8,997,250	6	0.38%
Westlake Residential Apts				8,835,990	7	0.38%
Aggreko, Inc.				8,560,750	8	0.36%
Whispering Winds Apartments				7,705,580	9	0.33%
Texas Windmill Apts				7,624,730	10	0.32%
Total	\$ 313,654,009		4.95%	\$ 127,299,050		5.40%

Source: Brazoria County Appraisal District

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

	Calendar Year			
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Agriculture, Forestry, Fishing	\$ 13	\$ 190	\$ 283	\$ 453
Mining, Quarrying, Oil and Gas	4,283	3,738	2,985	11,186
Utilities				7
Manufacturing	27,491	29,200	41,057	46,241
Wholesale Trade	11,234	13,059	24,070	30,592
Retail Trade	278,528	305,156	370,665	464,850
Transportation/Warehousing	43	54	55	155
Information	2,851	3,365	7,203	8,553
Finance, Insurance	3,403	3,505	1,811	1,722
Real Estate/Rental/Leasing	14,243	10,722	18,629	33,329
Professional/Scientific/Technical	2,743	3,516	3,538	3,893
Management of Companies/Enterprises		2,399	2,278	
Admin/Support/Waste Mgmt/Remediation	10,515	17,880	13,688	8,060
Educational Services	195	95	204	110
Health Care/Social Assistance	14	9	72	56
Arts, Entertainment & Recreation	4,283	4,703	4,787	5,208
Accommodations & Food Services	54,331	65,708	80,185	95,154
Construction	14,392	13,288	13,234	18,348
Other Services (Except Public Admin)	14,500	15,108	16,921	20,390
Other	2,412	547	13	2
Total	\$ 445,475	\$ 492,242	\$ 601,677	\$ 748,310
City direct sales tax rate ^b	1.00%	1.00%	1.00%	1.00%

Source: State Comptroller's Office.

^a 2012 taxable sales thru 2nd quarter of 2012.

^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.

Calendar Year

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u> ^a
\$ 473	\$ 675	\$ 566	\$ 180	\$ 306	\$ 244
9,280	10,520	3,355	3,246	3,316	1,348
3	6	6	3	187	
50,134	47,447	31,243	39,582	49,474	24,733
28,782	32,999	25,954	30,730	33,163	18,754
536,352	667,470	699,338	673,724	697,252	353,081
169	138	161	282	418	200
10,086	12,567	14,413	15,672	16,896	9,180
1,038	1,469	1,811	1,404	1,260	681
44,560	52,276	38,924	46,811	48,062	28,209
4,103	5,218	5,923	6,277	7,069	5,120
1,161	2,594				
9,209	12,656	11,670	10,650	11,002	5,756
110	212	144	207	314	148
63	37	52	184	252	183
8,789	9,751	9,909	11,315	11,566	6,488
107,850	127,994	146,598	155,335	172,088	96,885
16,232	17,496	14,372	15,537	17,558	9,472
20,794	23,764	23,670	25,114	29,748	15,156
\$ 849,188	\$ 1,025,289	\$ 1,028,107	\$ 1,036,253	\$ 1,099,932	\$ 575,638

1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
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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
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
2012	224,170	65,425	3,407	109,305	15,130	342

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
\$	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
	417,779	13.0%		4,186

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
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
2012	2011	304,725	4,992	299,733	4.7%	9.3%	3,003

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

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

CITY OF PEARLAND, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
September 30, 2012

Taxing Jurisdiction	Gross Debt *	Overlapping	
		Percent (a)	Amount
Alvin Community College District	\$16,160,000	27.17%	\$ 4,390,672
Alvin ISD	314,505,000	30.89%	97,150,595
Brazoria County	89,385,000	24.19%	21,622,232
Brazoria County MUD No. 17	29,565,000	100.00%	29,565,000
Brazoria County MUD No. 18	30,260,000	97.35%	29,458,110
Brazoria County MUD No. 19	37,285,000	100.00%	37,285,000
Brazoria County MUD No. 23	18,570,000	100.00%	18,570,000
Brazoria County MUD No. 26	43,130,000	100.00%	43,130,000
Brazoria County MUD No. 28	13,300,000	100.00%	13,300,000
Brazoria County MUD No. 34	24,800,000	100.00%	24,800,000
Brazoria County MUD No. 35	9,410,000	100.00%	9,410,000
Brazoria-Fort Bend County MUD No. 1	53,015,000	73.76%	39,103,864
Fort Bend County	485,890,000	0.23%	1,117,547
Harris County	2,365,577,190	0.13%	3,075,250
Harris County Dept. of Education	7,795,000	0.13%	10,134
Harris County Flood Control District	96,470,000	0.13%	125,411
Pasadena ISD	488,300,000	0.14%	683,620
Pearland ISD	311,629,177	71.72%	223,500,446
Port of Houston Authority	731,969,397	0.13%	951,560
TOTAL ESTIMATED OVERLAPPING			597,249,440
The City	\$304,725,000	100.00%	304,725,000
Total Direct and Estimated Overlapping Debt			\$ 901,974,440
Population			99,800
Per Capita Debt - Direct and Overlapping Debt			\$ 9,038

Source: Individual jurisdictions and/or Texas Municipal Reports.

* Debt amounts as of September 30, 2012.

(a) Overlapping percentage based on assessed property tax values

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	
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
2012	27,969	15,946	12,023	3,305	5,016	8,321	1.44

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)
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%
2012	99,800	3,213,184	32,196	34.8	14.2	21,721	5.6%

- (A) Estimated
- (B) Pearland Economic Development Corporation
- (C) Texas Education Agency

CITY OF PEARLAND, TEXAS
PRINCIPAL EMPLOYERS
Current Year and Six Years Ago

<u>Employer</u>	<u>2012</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pearland ISD	2,268	1	4.97%	1,820	1	7.26%
Wal-Mart	1,150	2	2.52%	800	2	3.19%
City of Pearland	633	3	1.39%	420	3	1.67%
Kemlon	390	4	0.86%	185	6	0.74%
HEB	350	5	0.77%			
Davis-Lynch	300	6	0.66%			
Sam's Club	230	7	0.50%			
Bass Pro Shop	225	8	0.49%			
Home Depot	223	9	0.49%			
Packaging Service Co, Inc.	205	10	0.45%			
TurboCare				175	7	0.70%
Weatherford				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	5,974		13.10%	4,322		17.23%

Sources:

2005 Pearland Economic Development Corp.
2012 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

Function/Program	Full-time Equivalent Employees as of Sept 30									
	<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>	<u>2012</u>
Governmental Activities										
General Government	45	41	42	49	51	55	55	57	57	57
Public Safety	132	160	170	184	205	242	253	264	276	286
Public Works	41	42	43	44	47	45	47	47	45	32
Community Services	34	37	41	47	50	51	52	47	45	54
Parks and Recreation	52	55	58	52	59	68	72	99	105	108
Business Type Activities										
Water & Sewer	56	62	62	76	78	77	82	82	87	91
Component Unit										
Economic Development	4	4	4	4	4	5	5	6	5	5
Total	364	401	420	456	494	543	564	601	619	633

Source: City Budget

Reorganization in 2012 with 17 FTE's moving from Public Works to Community Services

CITY OF PEARLAND, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten 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>	<u>2012</u>
3,552	3,264	2,913	2,679	2,415
398	406	470	427	429
23,434	23,259	21,632	21,000	20,768
1,185	1,230	1,220	1,438	1,481
109	90	91	131	112
353	431	532	73	54
2,495	3,137	3,880	3,299	4,936
293	266	229	205	220
616	649	734	815	832
386	394	429	439	448
34,865	37,440	35,676	39,815	42,318
4,424	5,188	5,986	6,218	6,525
592	576	513	606	625
860	711	672	852	900
349	629	2,003	3,304	1,836
9	8	5	2	2
28	33	22	25	18
2,677	2,374	1,752	1,380	1,537
2,215	2,432	2,416	2,621	2,826
6,029	6,411	6,472	7,055	7,668
5,529	5,804	5,619	6,121	6,537
4,153	3,063	2,394	3,410	3,581
1,756	1,998	1,741	747	682
343,865	313,596	354,422	361,464	377,754
2,324	2,561	2,239	1,256	1,079
1,288	2,864	2,049	1,588	1,090
18,723	20,213	18,632	16,834	17,803

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

	Fiscal Year				
	2003	2004	2005	2006	2007
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>	<u>2012</u>
210	228	245	255	251
5,000	5,004	5,800	6,327	6,157
470	851	1,301	1,331	1,380
316	275	252	249	230
180	138	139	139	138
25	25	24	21	22
9	6	9	11	2
1,083	855	307	459	486
7,607	3,623	11,823	16,116	18,378
2,947	2,868	2,532	2,685	2,220
4,296	3,529	4,206	4,346	4,326
34,773	24,834	21,753	19,244	22,416
3,629	4,274	3,433	2,860	1,952
9,878	9,249	7,874	7,869	8,696
1,309	925	969	917	1,050
1,616	1,391	402	688	1,116
19,666	24,400	24,657	26,369	30,187
6,402	7,374	8,692	8,204	10,080
740	451	402	395	887
393	270	325	310	275
160	168	82	410	283
2,128	2,574	3,065	3,869	2,916
1,147	1,146	634	968	1,321
325,471	340,281	344,618	364,424	370,755
318,160	325,201	336,668	350,871	359,716
2,096	2,106	2,361	1,943	2,364

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 Ten 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>	<u>2012</u>
PUBLIC SAFETY										
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	89	100	109	112	117	126	130	138	142	155
Fire										
Fire stations	4	4	4	4	4	4	4	4	5	6
Fire vehicles	14	15	15	16	16	17	17	17	22	23
EMS										
EMS Stations	3	3	3	3	3	3	3	3	3	4
EMS Ambulances	5	5	5	5	5	6	8	8	8	8
PUBLIC WORKS										
Other public works										
Streets (miles)*	202	232	248	578	758	773	807	807	806	806
Vehicle Inventory	N/A	N/A	N/A	342	405	360	333	355	363	385
Traffic signals	43	43	47	48	57	67	71	80	62	74
PARKS AND RECREATION										
Parks and recreation										
Developed acreage**	124	124	124	175	175	180	138	139	139	138
Pools	N/A	1	1	1	1	1	1	3	3	3
Outdoor basketball courts	N/A	N/A	N/A	10	10	10	10	10	10	6
Soccer fields	N/A	N/A	N/A	12	12	12	12	12	12	12
Activity buildings	2	2	3	3	3	3	3	4	4	3
Baseball/Softball Fields	4	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	11
Pumping stations	2	2	2	2	2	2	2	2	2	3
Ground storage tanks	10	10	13	15	15	15	15	15	15	15
Elevated towers	4	4	4	5	5	5	5	6	6	6
Wastewater										
Treatment Plants	4	4	4	4	5	5	5	5	5	5
Lift Stations	74	74	78	74	78	76	78	78	80	80
Distribution and Collection										
Water mains (miles)	240	250	296	361	395	410	420	433	443	448
Sanitary sewers (miles)	230	240	279	321	353	360	370	378	380	382

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.