

CITY OF PEARLAND, TEXAS



COMPREHENSIVE ANNUAL FINANCIAL REPORT

**Fiscal Year Ended
September 30, 2013**

Officials Issuing Report

**Clay Pearson
City Manager**

**Jon Branson
Assistant City
Manager**

**Mickiel Hodge
Assistant City
Manager**

**Claire Bogard
Director of Finance**

**Rick Overgaard
Assistant Director
of Finance**

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Introductory Section

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City of Pearland

3519 Liberty Drive
Pearland, Texas 77581
Tel: 281.652.1600
cityofpearland.com

March 10, 2014

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 ending September 30, 2013, 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.

Grant Thornton, LLP, Certified Public Accountants, have issued an unqualified (or “clean”) opinion on the City of Pearland’s financial statements for the year ending September 30, 2013. 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 104,100 residents estimated as of September 2013.

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

Policy-making and legislative authority are vested in a governing council (Council) consisting of the mayor and five other members. The Mayor and all Council members are elected at large. The Mayor is allowed to vote only in case of a tie vote. The Mayor and each Council member hold office for a period of three years and until his/her successor is elected and qualified. Council members 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; convention and visitors bureau; and general administrative services. In addition, the City provides planning for future land use, traffic control, building codes, and health inspections, and plans for new infrastructure and rehabilitation of infrastructure to meet the needs of the citizens today, as well as tomorrow. The City is authorized to issue debt, subject to certain limitations, for the purpose of financing its capital projects and the City is empowered to levy a property tax on real property within its boundaries.

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

As an independent political subdivision of the State of Texas, the City is considered a primary government. Pursuant to standards established by the Governmental Accounting Standards Board (GASB), the City also reports for all funds for which the City, as the primary government, is financially accountable. As such, this report includes financial activities of three component units as follows: The Pearland Economic Development Corporation was created by the City in 1995 under the Texas Development Corporation Act of 1979 to promote, assist, and enhance economic and related development activities on behalf of the City. The Tax Increment Reinvestment Zone (TIRZ #2) was created in 1998 for the purposes of development and redevelopment in the Zone Area, better known as Shadow Creek Ranch. The City participates in the Zone by contributing a portion of tax increments produced in the Zone to the Tax Increment Fund. The Development Authority of Pearland was created in 2004 to provide financing for the development of TRIZ #2. All these component units are considered blended component units and have been included as major funds in the Governmental Funds.

ECONOMIC CONDITIONS

Local Economy

Located minutes away from downtown Houston, Texas, the nation's second largest seaport,

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

The total of all new construction permitted during the 2013 calendar year totaled over \$284.5 million, a 12.0% increase in value from 2012. New single-family housing permits totaled 954 with a construction value of \$214 million. While this is only 3 permits higher than last year, permitted value is up \$22.0 million or 11.6%. Pearland's economy continues to maintain strong levels. Residential permitting activity for the 2014 fiscal year is expected to remain at 2013 levels, budgeted at 1,000 permits. For calendar year 2013, the City had 184 commercial permits with a value of \$74 million, compared to 77 permits with a value of \$62 million in 2012. The commercial real estate market also remains strong.

Sales of homes throughout the greater Houston area remained robust in 2013, driven by a combination of good local job numbers and historically low interest rates. The Houston Association of Realtors reported 73,232 single family home sales for 2013, up 17.7% from the 62,226 sales in 2012. 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.

While new residential construction and home sales remain strong, the average value of existing homes have slightly declined since fiscal year 2009. The average residential home value in fiscal year 2013 was \$172,331, down half a percent, from the average value in fiscal year 2009 of \$173,308. Fiscal year 2014 average value has stayed flat, thereby having to rely on new added value to fund operations and debt service.

Houston is the world's energy capital. Growth in the oil and gas industry, spurred by technological advances such as the use of hydraulic fracturing, continued in 2013 reaching levels unseen in 30 years. Texas is now producing more than twice the oil it did three years ago, and more than one-third of all U.S. production, according to federal data. Oil production in Texas has surpassed 1.8 million barrels per day and is on track to reach 3 million barrels per day in 2017 and potentially 4 million barrels per day by 2020. This trend will continue keeping the Houston oil industry busy for many years.

Pearland's unemployment rate was 5.0% in September 2013, down from 5.3% in September 2012. This is compared to the national unemployment rate of 7.6% and the State of Texas unemployment rate of 6.5% as of September 2013. Pearland's unemployment is less than the national and state rates with the economy turning around. Texas has been named the top state for doing business by Area Development Magazine stating "With its proven model of success, the Lone Star State continues to dominate the national conversation on job creation and economic prosperity." Earlier in 2013, the state was also named best business climate by Business Facilities Magazine and the most competitive state by Site Selection Magazine. Chief Executive Magazine has also ranked Texas as the best state for business for nine years in a row through their annual survey of Chief Executive Officer's. Houston added 82,000 jobs in 2013 and the Greater Houston Partnership is forecasting 69,800 new jobs for 2014. The Houston area, and the State of Texas, 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, and livable developments along the Highway 288 corridor. A strategic and target market study shows that energy, healthcare, life sciences, and manufacturing are key areas of interest for Pearland. Combined with a mix of reinforcing land uses, urban planning, key entertainment and cultural attractions, public spaces, and walkability and connectivity, all will provide for livable sustainable developments.

Kelsey-Seybold, a major healthcare organization of 370 physicians, completed construction of a new 170,000 square foot, four story corporate headquarters on an 18 acre site in Shadow Creek Ranch in the summer of 2013, which is home to approximately 800 employees. The facility is 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, completed of 120,000 square foot facility for research and development and manufacturing in early March 2014. Merit Medical is expected to employ 220 employees at the Pearland facility.

HCA Gulf Coast Division broke ground September 17, 2013, for the new \$71 million Pearland Medical Center. As an HCA affiliated hospital, Pearland Medical Center joins the continuum of nine other Houston-area medical centers, ambulatory surgery centers, diagnostic imaging facilities, and off-campus emergency centers. The 144,000-square-foot, 30 bed acute-care hospital will open in the fall of 2014 and feature surgical suites, medical/surgical beds, intensive care beds and a 24-hour emergency department. Imaging services will include magnetic resonance imaging, computerized tomography, a catheterization lab, echocardiogram testing, and nuclear medicine modalities. The Center's new women's services will provide digital mammography, labor and delivery suites, cesarean-section operating rooms and a newborn nursery. The new hospital will be located at the southwest intersection of Highway 288 and Shadow Creek Parkway on a 48-acre site currently home to a full-service, freestanding emergency department, imaging center and 3-story, 80,000 square foot medical office building.

Memorial Hermann Health Systems will also establish a medical campus in Pearland. The centerpiece will be a 64 bed acute care hospital which will open in 2015. It will feature an intensive care unit, operating rooms, cardiac catheterization labs, surgical units, women's and neonatology services. The campus will be built on a 40-acre site currently home to an outpatient imaging center, diagnostic lab services, and medical office building. The new facility will include a one-of-a-kind convenient care center that will provide one stop coordinated access to adult and pediatric primary care, specialty physicians, sports medicine and a 24 hour emergency room.

Sales tax for fiscal year 2013 totaled \$23.6 million, an increase of \$1.6 million or 7.3% over fiscal year 2012. Of the \$23.6 million, \$15.7 million went to the City's General Fund for operations and \$7.9 million went to the City's Economic Development Corporation for economic development programs and activities. The City's General Fund is 29% funded by sales tax, an elastic revenue stream that will fluctuate with the economy. As such, the City closely monitors sales tax and the economy.

Pearland is a regional shopping destination and the economy has turned around since the recession of 2010 and 2011. The City saw a resurgence of spending in 2012, which continued in 2013. As such, the City projected a 7.8% growth in sales tax for fiscal year 2014. The nation's largest retail group, National Retail Federation, expects retail sales to increase at a

slightly faster pace this year than last year as continued improvements in jobs and housing should help shoppers feel more confident about spending.

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 2014 through fiscal year 2018 totals \$354 million and continues to implement the \$162 million bond program approved by the voters in May 2007. As of September 30, 2013 there was \$95.2 million in unissued bonds approved by the voters and based on the 2014-2018 CIP, there would be \$12.5 million in unissued bonds approved by the voters at the end of fiscal year 2018. Projects include drainage (\$23M), streets (\$160M), facilities (\$21M), parks (\$36M), 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, currently totaling \$53.1 million will be identifying projects for the City's next bond referendum, potentially as early as 2016.

The Debt Service Fund forecast shows a need to increase the Debt Service component of the tax rate to \$0.5325 by fiscal year 2017 to implement the Five-Year CIP, excluding unfunded projects, 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 debt service component of the tax rate for fiscal year 2014 remains the same as in fiscal year 2013 at \$0.4900.

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, 2012 or 2013, however, the model anticipates rate increases for 2015, 2017 and 2018. The City's utility system continues to be self-supporting and financially sound.

Relevant Financial Policies/Guidelines

Financial Policies guide the development and implementation of the budget and are a framework for fiscal decision making and that ensure financial resources are available to meet the current and future needs of the City. 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, 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 out of the top 50 Cities. 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. Pearland 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 will be switching to the City of Houston's radio system which will result in 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.

The City of Pearland Police Department communications division provided 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 became apparent that the Police communications division workload was 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 has contributed to increased safety for emergency responders as well as 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 has greatly enhanced response times out in the City's southwestern ETJ, where development continues. The City is also nearing completion of design for the reconstruction of Fire Station #3, anticipated to open fall 2014, on the eastern edge of the City to accommodate a 24/7 crew, and will be beginning design for reconstruction of Fire Station #2, to improve response times to these service areas of the City.

Another initiative of the City, is the approved merger of the Fire and EMS departments effective October 1, 2014. In 2010, the City engaged the firm of McGrath Consulting Group to evaluate the City's Fire and EMS departments. One of the recommendations was to consolidate the Departments; the purpose being to improve the efficiency and effectiveness of current and future delivery of services at the highest possible level of quality while considering costs. The consolidation is multi-year, multi-phase plan with cross-training occurring in fiscal year 2014 and full-implementation in fiscal year 2015.

Economic Development

The Pearland Economic Development Corporation (PEDC) is a Type 4B 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 for the City. The Corporation is committed to enhancing the City's economic vitality through attraction, retention, and expansion of primary employers. 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. The following highlights a few of the most recent Corporation attraction efforts.

Dover Energy kicked off construction in June 2013 for the global manufacturer's new facility in Pearland. Dover Energy, which provides highly-engineered solutions for the safe and efficient extraction and handling of critical fluids worldwide in the drilling, production and downstream markets, selected Pearland during a multi-city site search. The new facility, which will consolidate Dover's multiple Texas locations into one regional facility, is expected to be completed in February 2014. Dover Energy's new consolidated manufacturing and operations center will be located in the Lower Kirby Urban District on a 14-acre site at the northeast corner of Spectrum Boulevard and Hooper Road, directly behind Merit Medical's new facility. The facility will be 150,000 square feet with space for a staff of approximately 200 employees.

Amerlux, a manufacturer of energy efficient lighting for retail, supermarket, and commercial markets, just announced plans to build a 100,000 square foot manufacturing facility in Pearland on 11 acres on Kirby Drive. It is anticipated that the facility will open in the fourth quarter of 2014. The facility will include a wide array of new materials and equipment to help produce and service the extensive line of interior and exterior products.

Mitsubishi Heavy Industries has chosen Pearland for its first U.S plant. The \$100 million new compressor facility will sit on a 26-acre site and include a 100,000 square foot space for assembly, packaging, shipping and storage of compressors that serve the petrochemical facilities. A 40,000 square foot office facility will also be built. The first phase estimated to cost \$40 million should be complete November 2014. By 2016, the full-scale manufacturing facility will be complete with 100 new employees on-site.

The Corporation also spearheaded legislation that passed the State Legislature in 2013, to create a Highway 288 Management District for corridor beautification. The corridor currently is non-landscaped and does not reflect City standards. The goal is to create a vibrant visually appealing corridor that will attract investment in the City. District board members have been appointed and the District has levied a 10-cent tax rate, which is anticipated to generate approximately \$300,000 annually. The next step is to plan the aesthetic improvements and build a phased landscaping program for implementation.

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 planning process resulted in a Pearland 20/20 Strategic Plan incorporating nine strategies to improve Pearland's product. The nine strategies are 1. Marketing, 2. Mobility, 3. Corridors, 4. Recreation and Culture, 5. Beautification, 6. Lower Kirby Mixed Use District, 7. Multi-Use Event Center, 8. Workforce Pipeline, and 9. Image Campaign. More than ever before, companies are considering education, workforce, entertainment, parks, etc. into their decisions to locate or remain in the City. It will take a myriad of partners to develop and maintain a successful community product.

One of the City's prime areas for development, the Lower Kirby Mixed Use District at Hwy 288 and Beltway 8, has infrastructure needs that make it more difficult to develop. The PEDC is working with two area Municipal Management Districts to coordinate a multi-phase plan for the construction and funding of some of the major infrastructure that is needed. 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.

The City's Convention and Visitor's Bureau (CVB), funded by hotel occupancy taxes, also focuses on economic development through tourism and putting heads in beds. In late 2012, the City Council authorized the creation of a city department for the Convention and Visitor's Bureau, service that had been previously contracted out. In fiscal year 2013, an Executive Director and staff was hired. The location of Pearland, as previously mentioned, makes Pearland a perfect hub and spoke for visitors and "A Perfect Pick...to play, stay, meet, and getaway", the tag line for the CVB. The time has come for Pearland to complement and support its development with cultural and lifestyle amenities to include a multi-use events center. This need has been noted in multiple Pearland planning processes as an enhancement to make the city more competitive for employers and residents. Annual hotel occupancy taxes total slightly over \$1 million dollars and the funds ending balance is \$2.3 million as of September 30, 2013.

Land Use Plan/Annexation

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

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

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

The master plan and associated regulatory recommendation of a form-based code envisions a market-based approach and identifies different "character zones" of development, each implementing a unique neighborhood within the Lower Kirby Mixed Use District. 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 Mixed Use District, 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 encompassed approximately 600 acres and had an estimated population of 3,100. Upon annexation, all assets and obligations of the MUD transferred to the City.

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 Old Town Site while also responding to existing growth patterns in the city. A primary initiative for this plan is to reinvent the Old Town 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 2014 – 2018 totals \$354 million. Projects include drainage (\$23M), streets (\$160M), facilities (\$21M), parks (\$36M), water and wastewater (\$114M).

Major thoroughfare projects include the widening of Bailey Road between FM1128 and Veterans, reconstruction of one mile of Old Alvin Road from Plum Street to McHard Road, McHard Road extension from Mykawa to Cullen, expansion of Smith Ranch Road from two

lanes asphalt to four lanes concrete, curb and gutter from Hughes Ranch to North of Broadway, 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 and future storm water regional detention at FM518 and Cullen. 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 and Fire Station #2 to accommodate a 24/7 manned station, relocation of Fire Station #1, and City Hall and Hill House Road facility improvements. 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 expansion of the Far Northwest, Barry Rose and JHEC wastewater treatment plants, 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 and funding. 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 subcommittee 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 (TIP) for 2013-2016 and five of the City's projects were selected for funding. The projects are McHard Road Extension (Mykawa to Cullen), Bailey Road (Veterans to FM1128), Smith Ranch Road Extension and Green Tee Terrace and Shadow Creek Ranch Trails. These projects will receive 80% funding from state or federal sources totaling \$63,251,113 with the City providing 20% matching funds. These projects are in addition to the four projects that received funding in 2011 totaling \$20,180,901 in state or federal funding from the TIP. These projects are slated to be completed within the City's current Five-Year Capital Improvement Program.

With the growth in population along the Highway 288 corridor and the number of Pearland residents that rely on Hwy 288 to commute to Houston and the Texas Medical Center, the City along with Brazoria County have been meeting and working with the Texas Department of Transportation to provide traffic relief on the corridor through managed toll lanes. Brazoria County is preparing to begin design work, anticipated to be awarded on March 25, 2014, on four new toll lanes on Texas 288 from the Brazoria-Harris County line to County Road 58. Design will take approximately nine months with bids to be advertised around January 2015. Construction is likely to begin March 2015 with a three-year construction schedule. In 2007, State legislation was passed giving authority for the Brazoria County Toll Road Authority to construct their own toll roads.

The Gulf Coast Center operates a transportation program known as Connect Transit.

Connect Transit provides “curb cab” service to Pearland. Services are shared ride services with pick-up and delivery from curb to curb by reservation. The City funds approximately \$20,000 for this service annually to its citizens meeting the eligibility requirements: seniors, person with disabilities, or low-income. This is a way to provide those needing transportation to grocery stores, doctor visits, etc.

Fiscal Responsibility and Sustainability

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

Over the past three years because of the sluggish economy the City has seen base budget reductions to the General Fund totaling \$4.9 million. During fiscal year 2013, however, we have seen a turnaround in the economy and growth. The improving Houston area economy and the City’s increasing population played major roles in the development of the fiscal year 2014 budget. The improving economy will most likely result in improved revenues in the current fiscal year, 2014, most noticeably in sales tax and building permits. Sales tax revenue for fiscal year 2013 is up 7.3% over the prior year. The fiscal year 2014 Adopted Budget includes an increase of 7.8% over fiscal year 2013. Building Permit revenue is also projected to maintain the strong levels that have developed during fiscal year 2013. The Adopted Budget for fiscal year 2014 anticipates 1,000 single family permits. Another significant factor that impacts the Adopted Budget is a 3% increase in population. This increase in population results in a need for increased services to meet needs of new residents. This projected increase in population is the result of both newly constructed homes and multifamily dwellings. The Adopted Budget includes no increase in either the property tax rate or water and sewer rates. 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 remains unchanged at 49 cents.

While only a few months into the 2014 fiscal year, the City is already beginning to prepare for the 2015 budget process and up-coming forecast with the same goal of being fiscally responsible to our citizens.

AWARDS AND ACKNOWLEDGEMENTS

Parks and Recreation earned national accreditation through the Commission for Accreditation of Park and Recreation Agencies and the National Recreation and Park Association. The accreditation is a measure of the overall quality of operation, management and service to the community and has meet rigorous standards related to the management and administration of lands, facilities, resources, programs, safety and services.

The City of Pearland received Crystal Awards in two categories recognizing marketing excellence: Online Social Media-Non Profit for the City’s campaign promoting its three social

media pages; and Maverick Marketing for the promotion of its CATFAX cat adoption event.


The Texas Fire Marshal's Association awarded the City with the 2013 Achievement of Excellence Gold Level Award. The award recognizes organizations for performing excellence in fire prevention.

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, 2012. This was the 36th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

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,



Clay J. Pearson, City Manager

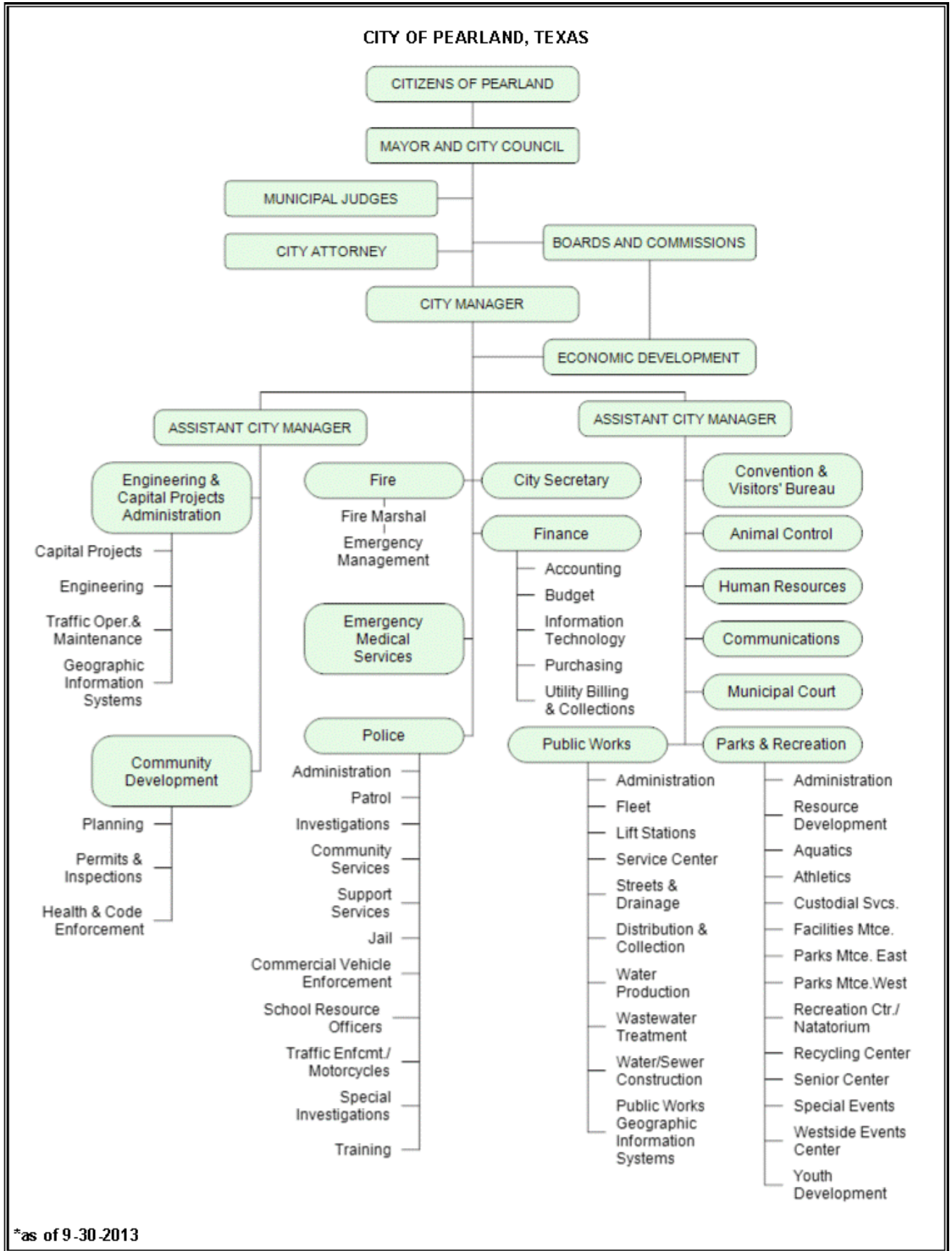


Claire Bogard, Director of Finance

CITY OF PEARLAND, TEXAS
PRINCIPAL OFFICIALS

| Elected Officials | Position | Term Expires May |
|----------------------------|--|-------------------------|
| Tom Reid | Mayor | 2014 |
| Tony Carbone | Council Member at Large - Position One | 2016 |
| Scott Sherman | Council Member at Large - Position Two | 2015 |
| Susan Sherrouse | Council Member at Large - Position Three | 2014 |
| Keith Ordeneaux | Council Member at Large - Position Four | 2015 |
| Greg Hill | Council Member at Large - Position Five, Mayor Pro Tem | 2016 |
| Appointed Officials | Position | |
| Clay Pearson | 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 | |
| Eric Wilson | 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 | |
| Kim Sinistore | Executive Director, CVB | |

ORGANIZATION CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Pearland
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2012

Executive Director/CEO

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Financial Section

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the financial statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pearland, Texas (the “City”) as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s responsibility for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pearland, Texas as of September 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 - 16, the Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual on pages 67 - 68 schedules of funding progress for Texas Municipal Retirement System and City of Pearland Other Post-Employment Benefit Obligation on page 69 be presented to supplement the basic financial statements. Such information, although not a required 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. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. These limited procedures 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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such supplementary information is the

responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other information

The introductory section and the statistical section on pages i-xv and 117-147, respectively are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other reporting required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report, dated March 12, 2014, 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 the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Grant Thornton LLP

Houston, Texas
March 12, 2014

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Management's Discussion and Analysis

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, 2013.

FINANCIAL HIGHLIGHTS

- The assets of the primary government of the City of Pearland exceeded its liabilities as of September 30, 2013, by \$645.2 million (net position). Of this amount, \$609.6 million is for investments in capital assets, net of related capital debt and \$44.2 million is restricted for economic development, capital projects, debt service, public safety, and community development projects.
- The City's total primary government net position increased by \$58.3 million primarily due to the annexation of Brazoria MUD No. 4 and capital contributions from developers for infrastructure.
- At the close of the current fiscal year, the City of Pearland's governmental funds reported combined ending fund balances of \$64.8 million, an increase of \$4.3 million in comparison with the prior year. Increases are seen in the Pearland Economic Development Corporation of \$1.9 million, \$1.1 million is in the General Fund, \$800,000 in Capital Project Fund, and the remaining in the City other Governmental Funds. Approximately \$48.8 million of the \$64.8 million is considered restricted or assigned; \$20.8 million for economic development, and \$14.5 million can be attributed to unspent bond proceeds for capital projects.
- As of September 30, 2013, the unassigned fund balance for the General Fund was \$16.9 million or 31% of total General Fund expenditures. This exceeds the City's reserve policy of 16.6%. The total fund balance for the General Fund is \$18.6 million or 34% of General Fund expenditures.
- The City of Pearland's outstanding General Obligation and Certificates of Obligation debt for governmental activities totaled \$294.7 million, a net increase of \$5.1 million over the previous year. The increase is attributable to new money being issued of \$12.1 million offset by principal payments. Revenue Bonds for the City's component units total \$75.1 million, down to \$3.6 million from last year due to payment of principal. The City's debt for business activities totaled \$119.7 million, a net decrease of approximately \$4.7 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 Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Pearland include general government, economic development, 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 20 through 22 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 blended component units is reported together with 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 statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Beginning on page 23 of this report, information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances for the General, Debt Service, Capital Projects, Pearland Economic Development Corporation, Tax Increment Reinvestment Zone #2, and Development Authority of Pearland, which are considered to be major funds. Data from the 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.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Proprietary Funds - The City maintains two types 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. The City also maintains two internal service funds to account for its property insurance and health insurance. These funds are part of the governmental activities in the government-wide financial statements and are reported separately beginning on page 27 of the Statement of Net Position.

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 can be found on pages 27 through 30 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.

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 31 of this report.

Other Information - In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information as well as combining and individual fund statements and schedules that further support the information in the financial statements. This information is presented immediately following the notes to the financial statements beginning on page 67 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$645.2 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (94 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any capital 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 capital 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.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARATIVE SCHEDULE OF NET POSITION

September 30, 2013 and 2012

Amounts in (000's)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012*</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012*</u> |
| Assets | | | | | | |
| Current and other assets | \$ 95,694 | \$ 87,941 | \$ 42,133 | \$ 48,163 | \$ 137,827 | \$ 136,104 |
| Capital assets | <u>749,038</u> | <u>706,242</u> | <u>281,213</u> | <u>266,288</u> | <u>1,030,251</u> | <u>972,530</u> |
| Total Assets | <u>844,732</u> | <u>794,183</u> | <u>323,346</u> | <u>314,451</u> | <u>1,168,078</u> | <u>1,108,634</u> |
| Liabilities | | | | | | |
| Other liabilities | 17,170 | 9,778 | 9,147 | 6,996 | 26,317 | 16,774 |
| Long-term liabilities outstanding | <u>375,604</u> | <u>378,471</u> | <u>120,961</u> | <u>126,479</u> | <u>496,565</u> | <u>504,950</u> |
| Total Liabilities | <u>392,774</u> | <u>388,249</u> | <u>130,108</u> | <u>133,475</u> | <u>522,882</u> | <u>521,724</u> |
| Net position | | | | | | |
| Net investment in capital assets | 442,581 | 396,009 | 166,992 | 158,716 | 609,573 | 554,725 |
| Restricted | 34,666 | 36,548 | 9,542 | 9,821 | 44,208 | 46,369 |
| Unrestricted | <u>(25,289)</u> | <u>(26,623)</u> | <u>16,704</u> | <u>12,439</u> | <u>(8,585)</u> | <u>(14,184)</u> |
| Total Net Position | <u>\$ 451,958</u> | <u>\$ 405,934</u> | <u>\$ 193,238</u> | <u>\$ 180,976</u> | <u>\$ 645,196</u> | <u>\$ 586,910</u> |

* As restated for comparison purposes.

Due to the implementation of GASB 61, *The Financial Reporting Entity: Omnibus An Amendment of GASB Statements No. 14 and No. 34 (GASB 61)*, Pearland Economic Development Corporation, Pearland TIRZ #2 and the Development Authority of Pearland have been presented as blended component units and therefore are included in the Governmental Activities numbers in this year's annual report. Fiscal year 2012 numbers have been restated for comparative purposes.

As a result of this implementation, Unrestricted Net Position for Governmental Activities is negative \$25,289 for fiscal year 2013, where historically this has been a positive number. Governmental Accounting Standards require that the Development Authority of Pearland outstanding debt be deducted from the unrestricted component of the government's net position as the Development Authority has acquired no capital assets, therefore the debt is considered non-capital related.

If one were to adjust for this, Governmental Activities Unrestricted Net Position would have been a positive \$20,628 compared to \$21,618 in fiscal year 2012, a reduction of \$990 thousand in unrestricted net position.

The increase in Total Net Position from the prior year is \$58.3 million, which is primarily attributed to an increase in capital assets from developer contributions.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION
September 30, 2013 and 2012
Amounts in (000's)

| | <u>Governmental Activities</u> | | <u>Business-Type Activities</u> | | <u>Totals</u> | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | <u>2013</u> | <u>2012*</u> | <u>2013</u> | <u>2012</u> | <u>2013</u> | <u>2012</u> |
| Revenues | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 22,719 | \$ 12,597 | \$ 37,183 | \$ 35,189 | \$ 59,902 | \$ 47,786 |
| Operating grants and contributions | 2,325 | 7,662 | - | 205 | 2,325 | 7,867 |
| Capital grants and contributions | 53,101 | 18,843 | 16,273 | 8,118 | 69,374 | 26,961 |
| Property taxes | 54,433 | 52,230 | - | - | 54,433 | 52,230 |
| Sales and use taxes | 24,942 | 22,969 | - | - | 24,942 | 22,969 |
| Franchise taxes | 5,999 | 5,670 | - | - | 5,999 | 5,670 |
| Investment earnings | 155 | 134 | 95 | 68 | 250 | 202 |
| Other | 1,701 | 1,554 | 682 | 443 | 2,383 | 1,997 |
| Total Revenues | <u>165,375</u> | <u>121,659</u> | <u>54,233</u> | <u>44,023</u> | <u>219,608</u> | <u>165,682</u> |
| Expenses | | | | | | |
| General Government | 13,358 | 13,334 | - | - | 13,358 | 13,334 |
| Public Safety | 28,944 | 27,403 | - | - | 28,944 | 27,403 |
| Public Works | 31,690 | 28,510 | - | - | 31,690 | 28,510 |
| Community Services | 3,807 | 4,267 | - | - | 3,807 | 4,267 |
| Parks and Recreation | 9,524 | 9,264 | - | - | 9,524 | 9,264 |
| Economic Development | 17,411 | 26,311 | - | - | 17,411 | 26,311 |
| Interest on long-term debt | 16,224 | 11,572 | - | - | 16,224 | 11,572 |
| Water and Sewer | - | - | 32,040 | 29,392 | 32,040 | 29,392 |
| Solid Waste | - | - | 8,324 | 7,528 | 8,324 | 7,528 |
| Total Expenses | <u>120,958</u> | <u>120,661</u> | <u>40,364</u> | <u>36,920</u> | <u>161,322</u> | <u>157,581</u> |
| Increase (decrease) in net position before transfers | 44,417 | 998 | 13,869 | 7,103 | 58,286 | 8,101 |
| Transfers | 1,607 | 2,269 | (1,607) | (2,269) | - | - |
| Increase in net position | 46,024 | 3,267 | 12,262 | 4,834 | 58,286 | 8,101 |
| Net position- beginning, as restated | <u>405,934</u> | <u>402,667</u> | <u>180,976</u> | <u>176,142</u> | <u>586,910</u> | <u>578,809</u> |
| Net position - ending | <u>\$ 451,958</u> | <u>\$ 405,934</u> | <u>\$ 193,238</u> | <u>\$ 180,976</u> | <u>\$ 645,196</u> | <u>\$ 586,910</u> |

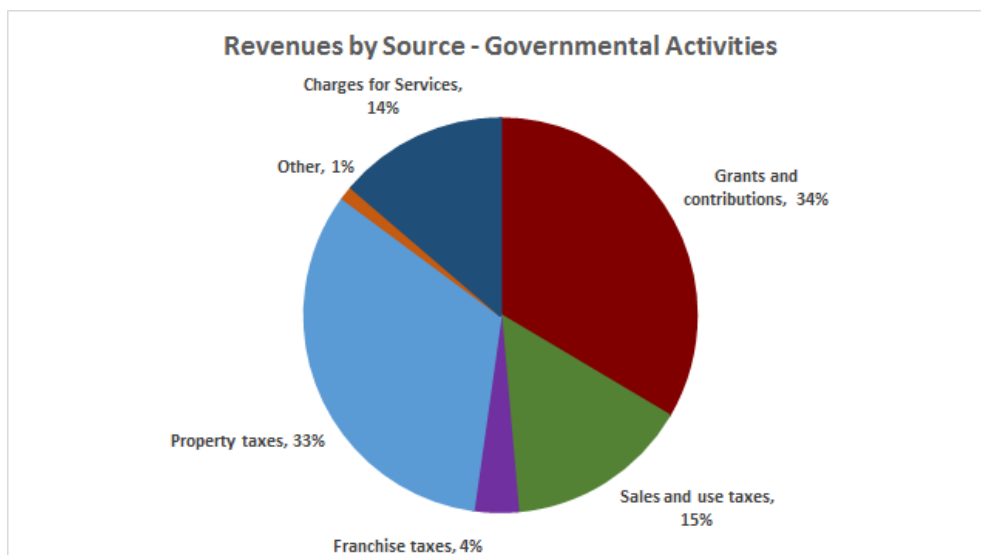
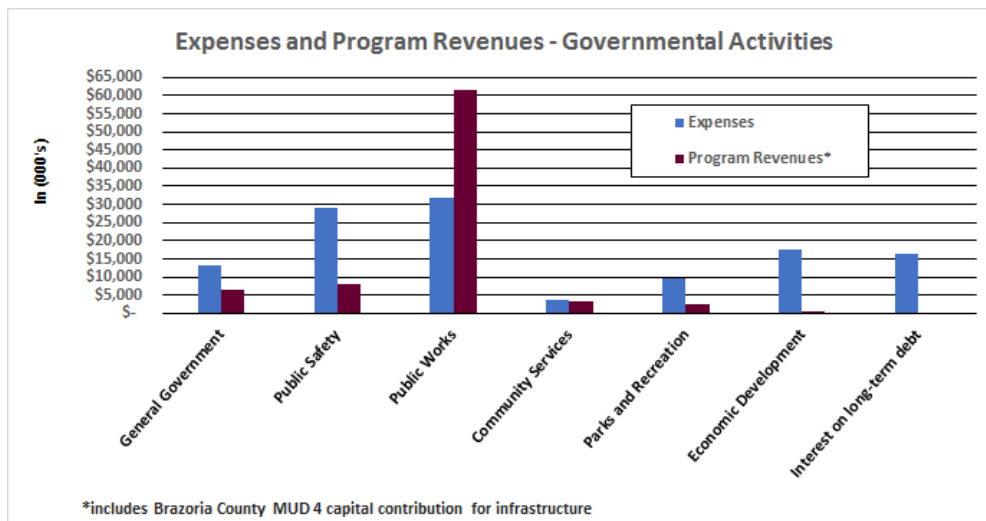
* As restated for comparison purposes.

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

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental activities - Governmental activities increased the City's net position by \$46.0 million, thereby accounting for 79% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

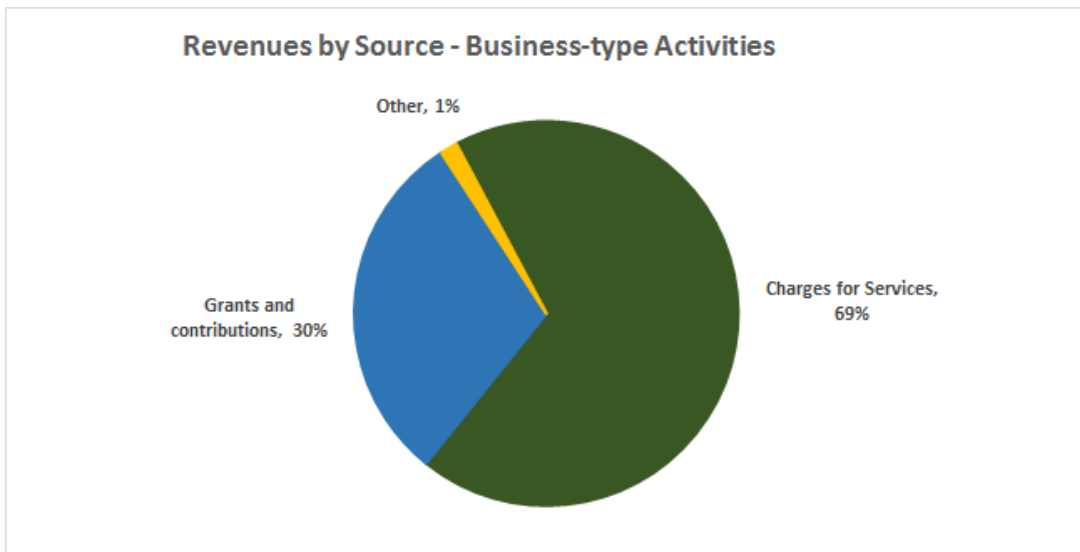
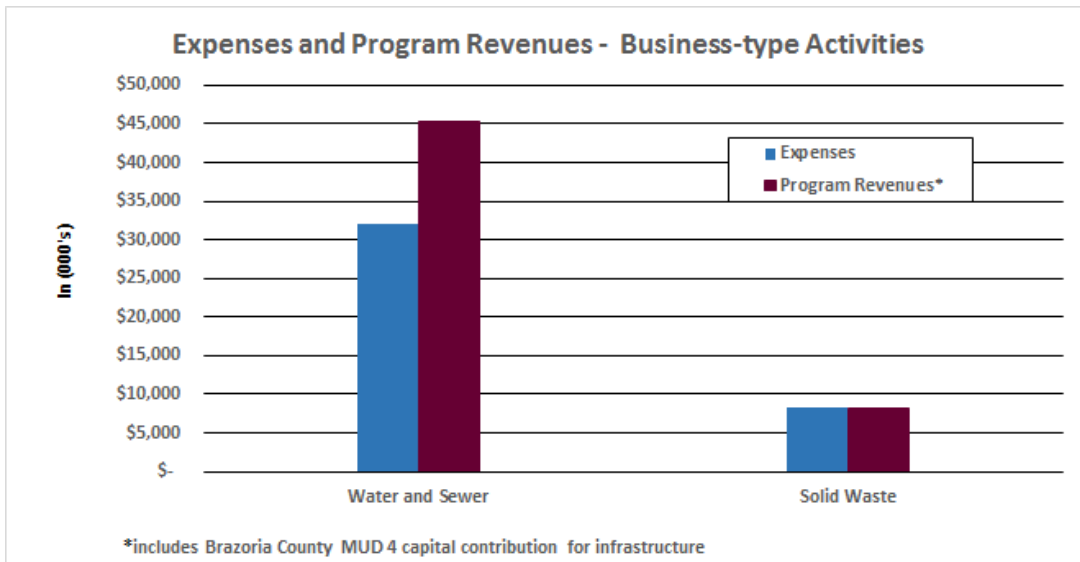
- Property taxes, sales and use taxes, and franchise taxes totaled \$54.4 million, \$24.9 million, and \$6.0 million, respectively. These revenues increased by \$4.5 million from prior year primarily as a result of the annexation of Brazoria MUD No. 4 and collection of their property taxes, increase in property taxes due to a 2 cent increase in the property tax rate, and increased consumer spending.
- Charges for services increased to \$22.7 million. This is \$10.1 million over the prior year of which \$5.4 million is TIRZ administrative fees previously classified as Operating Grants and Contributions.
- Capital Contributions totaled \$53.1 million as a result of infrastructure contributed by developers, the annexation of Brazoria MUD No. 4, and grants and contributions for capital projects. This is an increase of \$34.3 million over last year.
- The revenues were offset by expenses for general government, public safety, public works, and economic development of \$13.4 million, \$28.9 million, \$31.7 million, and \$17.4 million, respectively. In total, these expenses were relatively consistent with the prior year.



CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities - Business-type activities increased the City's net position by \$12.3 million. Key elements of this increase are as follows:

- Charges for services of \$37.2 million increased approximately \$2.0 million over the prior year primarily due to an increase in water and sewer consumption due to the annexation of Brazoria MUD No. 4.
- Capital grants and contributions of \$16.3 million increased \$8.2 million from the prior year mainly due to the annexation of Brazoria MUD No. 4 and recordation of assets.
- The revenues listed above were offset by expenses of \$32.0 million and \$8.3 million, respectively for Water and Sewer and Solid Waste. Expenses increased from prior year by \$2.6 million mainly due to an increase in solid waste of \$800,000 due to increase in rates pursuant to the contract, and annexation of Brazoria County MUD No. 4; increase in depreciation and amortization of assets of \$770,000, and increase in system repairs of \$643,000.



CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$64.8 million. A portion of the combined fund balance, or \$16.9 million, is unassigned and available for day-to-day operations of the City; \$14.5 million is restricted for capital projects; \$20.8 million for economic development and the remaining balance is restricted for debt service and other programs.

There was an increase in the combined fund balance of \$4.3 million from the prior year. The increase in fund balance includes an increase in the capital projects fund balance of approximately \$800,000 due to bond proceeds, a decrease of \$300,000 in the debt service fund balance, offset by a combined increase of approximately \$973,000 in the special revenue funds. \$1.1 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 \$18.6 million at year end.

In the Capital Projects Fund, the City spent \$17.5 million on various improvement projects; leaving an ending fund balance of \$14.5 million, which will be spent on various capital projects.

The Pearland Economic Development Corporation, TIRZ #2, and Development Authority; the City's component units, but blended with the primary government, had expenditures totaling \$23.9 million, leaving an ending fund balance of \$15.4 million, \$4.3 million, and \$1.8 million, respectively, all considered restricted.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

During the year, there was a \$2.2 million increase in appropriations between the original and final amended budget, from \$57.6 million to \$59.8 million. The increase in appropriations is attributable to carryover funding from prior-year encumbrances and projects and to reflect projections during the 2012-2013 budget process.

Budget estimates for revenues and other sources combined increased by approximately \$2.8 million for the year; also to reflect carryovers and revised projections. Actual revenues and other sources of \$59.4 million were \$1.7 million under the final budget mainly due to capital lease financing occurring in FY 2014 versus FY 2013 for FY 2013 purchases. Actual expenditures of \$55.3 million were under budget by \$4.6 million, resulting in the year-end fund balance of \$18.6 million over budget by \$2.8 million.

At year-end, equipment purchases and several projects were still in progress and \$976,713 of the \$2.8 million was carried over and re-appropriated in the 2013-2014 budget year.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of fiscal year 2013, the City's governmental activities and business-type activities had invested \$749.0 million and \$281.2 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$14.9 million, or 5.6 percent over the end of last fiscal year for the business-type activities capital assets and a net increase of \$43.7 million or 6.2 percent over the end of last fiscal year for the governmental activities capital assets. The increase is mainly due to the recordation of Brazoria County MUD No. 4 assets upon annexation.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|-----------------------------|--------------------------------|-------------------|---------------------------------|-------------------|---------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| Land | \$ 31,264 | \$ 31,260 | \$ 3,796 | \$ 3,610 | \$ 35,060 | \$ 34,870 |
| Construction in progress | 23,306 | 23,489 | 8,918 | 5,419 | 32,224 | 28,908 |
| Infrastructure | 607,940 | 573,752 | 212,666 | 199,511 | 820,606 | 773,263 |
| Buildings and improvements | 77,899 | 70,762 | 27,168 | 27,898 | 105,067 | 98,660 |
| Machinery and equipment | 6,165 | 5,200 | 1,401 | 1,199 | 7,566 | 6,399 |
| Furniture and fixtures | 2,464 | 873 | 37 | 44 | 2,501 | 917 |
| Contractual water rights | - | - | 27,227 | 28,607 | 27,227 | 28,607 |
| Total Capital Assets | \$ 749,038 | \$ 705,336 | \$ 281,213 | \$ 266,288 | \$ 1,030,251 | \$ 971,624 |

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.

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 \$496.6 million. Of this amount, \$230.0 million is composed of general obligation bonds, \$78.7 million is composed of certificates of obligation and \$180.8 million represents revenue bonds secured solely by specified revenue sources.

| | Governmental Activities | | Business-Type Activities | | Totals | |
|--|--------------------------------|-------------------|---------------------------------|-------------------|-------------------|-------------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| General obligation bonds | \$ 230,040 | \$ 224,170 | \$ - | \$ - | \$ 230,040 | \$ 224,170 |
| Certificates of obligation | 64,690 | 65,425 | 14,020 | 15,130 | 78,710 | 80,555 |
| Revenue bonds | 75,125 | 78,725 | 105,690 | 109,305 | 180,815 | 188,030 |
| Unamortized amount for issuance premium/(discount) | 6,159 | 6,479 | 730 | 882 | 6,889 | 7,361 |
| Deferred loss on refunding | (11,053) | (12,351) | (560) | (610) | (11,613) | (12,961) |
| Capital leases payable | 3,681 | 3,407 | 261 | 342 | 3,942 | 3,749 |
| Compensated absences | 5,007 | 4,724 | 463 | 539 | 5,470 | 5,263 |
| Post employment benefit liability | 1,955 | 1,535 | 357 | 282 | 2,312 | 1,817 |
| | \$ 375,604 | \$ 372,114 | \$ 120,961 | \$ 125,870 | \$ 496,565 | \$ 497,984 |

The City of Pearland's General Obligation and Certificates of Obligation debt for governmental activities increased to \$294.7 million. The \$5.1 million increase is due to new monies issued. The City's debt for business activities decreased to \$119.7 million, a net decrease of \$4.7 million from the previous year, which was the result of the principal payments.

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

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), blended 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.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Two primary factors in the 2014 budget are the improving Houston area economy and the continued growth in population served by the City. 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 2013 was up 7.3% over FY 2012. The adopted budget for FY 2014 includes a total increase in sales tax of 7.8% over FY 2013 revenues. The nation's largest retail group, National Retail Federation, expects retail sales to increase at a slightly faster pace this year than last year as continued improvements in jobs and housing should help shoppers feel more confident about spending. Building Permit revenue is also projected to maintain the strong levels that have developed during FY 2013. The FY 2013 Adopted Budget was based on an estimated 1,000 single-family permits. Due to the strengthening regional economy during FY 2013, housing starts were 941. The FY 2014 Adopted Budget anticipates 1,000 single-family permits. Another economic factor that will impact revenues is an increase in property values of \$504 million or 7.7%, due to new construction and the addition of MUD No. 4, which was annexed on December 31, 2012. Values of existing residential properties have declined slightly over the past few years, from an average value in FY 2009 of \$173,308 to an average value in FY 2013 of \$172,331, and indications are that residential property values have stayed flat for the FY 2014 budget year. The impact of new residential and commercial construction will more than offset home values for existing properties for 2014. The budget incorporates no increase in the property tax rate. 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. Another significant factor that impacts the adopted budget is a 3% 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.

The Pearland City Council approved a \$63.3 million General Fund budget for FY 2014. This is an 8% increase from the FY 2013 adopted budget. The increase is mainly due to compensation adjustments recommended from a Class and Compensation Study and new positions added in FY 2014 for a new 5th ambulance, opening of Max Road Sportsplex, and manned staffing at Fire Station #3. In addition, \$400,000 is budgeted in FY 2014 for bunker gear and cross-training of emergency medical personnel in anticipation of the approved Fire-EMS merger effective October 1, 2014. The FY 2014 budget also includes year one implementation of a Five-Year Information Technology Strategic Plan that recommends the replacement of the City's integrated Financial and Community Development systems in

CITY OF PEARLAND, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

year two, FY 2015. The Five-Year Plan totals \$7.1 million. Caring for the City's existing infrastructure to ensure the long-term economic well being and financial health of the City is a priority. As such, the City budgeted \$300,000 in FY 2014 for an in-depth street and sidewalk assessment that will provide for a rehabilitation, replacement, and maintenance program and dollars required. 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. The report and general information can be found on the City's website at www.cityofpearland.com.

Basic Financial Statements

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CITY OF PEARLAND, TEXAS
STATEMENT OF NET POSITION
September 30, 2013

| | Primary Government | | |
|---|------------------------------------|-------------------------------------|-----------------------|
| | Governmental Activities | Business-Type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 49,965,161 | \$ 4,769,402 | \$ 54,734,563 |
| Investments | 19,960,608 | 5,760,545 | 25,721,153 |
| Receivables, net of allowance for uncollectibles | 21,130,475 | 3,833,506 | 24,963,981 |
| Due from other governmental agencies | 753,725 | - | 753,725 |
| Inventories | 105,230 | - | 105,230 |
| Prepaid items | 245,906 | 12,562 | 258,468 |
| Restricted cash and investments | 716,315 | 26,679,900 | 27,396,215 |
| Unamortized issuance costs | 2,816,829 | 1,076,799 | 3,893,628 |
| Capital assets: | | | |
| Nondepreciable capital assets | 54,570,742 | 12,714,417 | 67,285,159 |
| Capital assets, net of accumulated depreciation | <u>694,467,679</u> | <u>268,498,649</u> | <u>962,966,328</u> |
| Total Capital Assets | <u>749,038,421</u> | <u>281,213,066</u> | <u>1,030,251,487</u> |
| Total Assets | <u>844,732,670</u> | <u>323,345,780</u> | <u>1,168,078,450</u> |
| Liabilities | | | |
| Accounts payable and accrued liabilities | 12,205,785 | 5,711,756 | 17,917,541 |
| Accrued interest | 1,246,881 | 411,650 | 1,658,531 |
| Unearned revenues | 3,633,280 | - | 3,633,280 |
| Customer deposits | 84,808 | 3,023,012 | 3,107,820 |
| Long-term liabilities: | | | |
| Due within one year | 15,918,732 | 5,082,862 | 21,001,594 |
| Due in more than one year | <u>359,684,992</u> | <u>115,878,489</u> | <u>475,563,481</u> |
| Total Liabilities | <u>392,774,478</u> | <u>130,107,769</u> | <u>522,882,247</u> |
| Net Position | | | |
| Net investment in capital assets | 442,581,308 | 166,991,827 | 609,573,135 |
| Restricted for: | | | |
| Capital improvements | 3,568,609 | 7,681,267 | 11,249,876 |
| Debt service | 4,161,020 | 1,860,731 | 6,021,751 |
| Community development programs | 4,756,143 | - | 4,756,143 |
| Economic development | 20,527,040 | - | 20,527,040 |
| Public safety | 1,652,989 | - | 1,652,989 |
| Unrestricted | <u>(25,288,917)</u> | <u>16,704,186</u> | <u>(8,584,731)</u> |
| Total Net Position | <u>\$ 451,958,192</u> | <u>\$ 193,238,011</u> | <u>\$ 645,196,203</u> |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2013

| Functions/Programs | Expenses | Program Revenue | | |
|--|--------------------|-----------------------------|---|---|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 13,358,412 | \$ 6,326,156 | \$ 43,847 | \$ 180,000 |
| Public Safety | 28,944,507 | 7,410,197 | 602,850 | - |
| Public Works | 31,689,576 | 3,095,679 | 1,388,392 | 52,921,691 |
| Community Services | 3,807,513 | 3,263,783 | 107,519 | - |
| Parks and Recreation | 9,523,793 | 2,209,118 | 182,496 | - |
| Economic Development | 17,410,535 | 414,000 | - | - |
| Interest on long-term debt | 16,223,583 | - | - | - |
| Total Governmental Activities | 120,957,919 | 22,718,933 | 2,325,104 | 53,101,691 |
| Business-Type Activities: | | | | |
| Water and Sewer | 32,040,246 | 29,007,476 | - | 16,273,170 |
| Solid Waste | 8,323,786 | 8,175,198 | - | - |
| Total Business-Type Activities | 40,364,032 | 37,182,674 | - | 16,273,170 |
| Total Primary Government | 161,321,951 | 59,901,607 | 2,325,104 | 69,374,861 |
| General Revenues | | | | |
| Taxes: | | | | |
| Property taxes | | | | |
| Sales and use taxes | | | | |
| Franchise taxes | | | | |
| Unrestricted investment earnings | | | | |
| Gain on sale of assets | | | | |
| Miscellaneous | | | | |
| Transfers | | | | |
| Total General Revenues and Transfers | | | | |
| Change in net assets | | | | |
| Net position - beginning, as restated | | | | |
| Net position - ending | | | | |

The accompanying notes are an integral part of these basic financial statements.

Net (Expense) Revenue and Changes in Net Position

| Primary Government | | |
|------------------------------------|-------------------------------------|-----------------------|
| Governmental Activities | Business-Type Activities | Total |
| \$ (6,808,409) | \$ - | \$ (6,808,409) |
| (20,931,460) | - | (20,931,460) |
| 25,716,186 | - | 25,716,186 |
| (436,211) | - | (436,211) |
| (7,132,179) | - | (7,132,179) |
| (16,996,535) | - | (16,996,535) |
| (16,223,583) | - | (16,223,583) |
| <u>(42,812,191)</u> | <u>-</u> | <u>(42,812,191)</u> |
| - | 13,240,400 | 13,240,400 |
| - | (148,588) | (148,588) |
| - | 13,091,812 | 13,091,812 |
| <u>(42,812,191)</u> | <u>13,091,812</u> | <u>(29,720,379)</u> |
| 54,433,047 | - | 54,433,047 |
| 24,941,540 | - | 24,941,540 |
| 5,999,154 | - | 5,999,154 |
| 154,723 | 94,889 | 249,612 |
| 8,487 | - | 8,487 |
| 1,692,870 | 681,892 | 2,374,762 |
| 1,606,753 | (1,606,753) | - |
| <u>88,836,574</u> | <u>(829,972)</u> | <u>88,006,602</u> |
| 46,024,383 | 12,261,840 | 58,286,223 |
| 405,933,809 | 180,976,171 | 586,909,980 |
| <u>\$ 451,958,192</u> | <u>\$ 193,238,011</u> | <u>\$ 645,196,203</u> |

CITY OF PEARLAND, TEXAS
BALANCE SHEET
Governmental Funds
September 30, 2013

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Capital Projects Fund</u> | <u>Pearland Economic Development Corporation</u> | <u>Tax Increment Reinvestment Zone #2</u> | <u>Development Authority of Pearland</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|----------------------|----------------------|------------------------------|--|---|--|---------------------------------|---------------------------------|
| Assets | | | | | | | | |
| Cash and cash equivalents | \$ 8,887,567 | \$ 3,073,485 | \$ 14,824,931 | \$ 4,685,369 | \$ 4,200,431 | \$ 8,148,177 | \$ 5,290,853 | \$ 49,110,813 |
| Investments | 8,742,291 | 1,496,355 | 744,000 | 8,729,962 | - | 248,000 | - | 19,960,608 |
| Receivables, net of allowance for uncollectibles | 6,094,897 | 9,692,829 | 868,241 | 1,425,984 | 130,541 | 12 | 2,854,234 | 21,066,738 |
| Due from other governments | 581,579 | - | - | - | - | - | 172,146 | 753,725 |
| Due from other funds | 118,097 | - | - | - | - | - | - | 118,097 |
| Inventories | 105,230 | - | - | - | - | - | - | 105,230 |
| Prepaid items | 53,217 | 166,894 | - | 11,547 | - | - | 4,162 | 235,820 |
| Restricted cash | - | - | - | 665,254 | - | 51,061 | - | 716,315 |
| Total Assets | <u>\$ 24,582,878</u> | <u>\$ 14,429,563</u> | <u>\$ 16,437,172</u> | <u>\$ 15,518,116</u> | <u>\$ 4,330,972</u> | <u>\$ 8,447,250</u> | <u>\$ 8,321,395</u> | <u>\$ 92,067,346</u> |
| Liabilities and Fund Balances | | | | | | | | |
| Liabilities | | | | | | | | |
| Accounts payable | \$ 1,707,531 | \$ 166,894 | \$ 1,475,090 | \$ 43,493 | \$ 485 | \$ 6,639,030 | \$ 155,137 | \$ 10,187,660 |
| Accrued expenditures | 1,197,097 | 38,870 | 426,495 | - | - | - | 80,946 | 1,743,408 |
| Deposits | 46,475 | - | - | 38,333 | - | - | - | 84,808 |
| Due to other funds | - | - | - | - | - | - | 118,097 | 118,097 |
| Unavailable/unearned revenue | 3,008,658 | 9,580,978 | - | 69,785 | - | - | 2,491,869 | 15,151,290 |
| Total Liabilities | <u>5,959,761</u> | <u>9,786,742</u> | <u>1,901,585</u> | <u>151,611</u> | <u>485</u> | <u>6,639,030</u> | <u>2,846,049</u> | <u>27,285,263</u> |
| Fund balances: | | | | | | | | |
| Non-spendable: | | | | | | | | |
| Inventories | 105,230 | - | - | - | - | - | - | 105,230 |
| Prepaid items | 53,217 | 166,894 | - | 11,547 | - | - | 4,162 | 235,820 |
| Restricted for: | | | | | | | | |
| Debt service | - | 4,475,927 | - | 665,254 | - | 51,061 | - | 5,192,242 |
| Capital improvements | - | - | 14,535,587 | - | - | - | - | 14,535,587 |
| Community development programs | - | - | - | - | - | - | 4,756,143 | 4,756,143 |
| Public safety | - | - | - | - | - | - | 715,041 | 715,041 |
| Economic development | - | - | - | 14,689,704 | 4,330,487 | 1,757,159 | - | 20,777,350 |
| Assigned for: | | | | | | | | |
| Encumbrances | 1,553,390 | - | - | - | - | - | - | 1,553,390 |
| Unassigned: | | | | | | | | |
| General fund | 16,911,280 | - | - | - | - | - | - | 16,911,280 |
| Total Fund Balances | <u>18,623,117</u> | <u>4,642,821</u> | <u>14,535,587</u> | <u>15,366,505</u> | <u>4,330,487</u> | <u>1,808,220</u> | <u>5,475,346</u> | <u>64,782,083</u> |
| Total Liabilities and Fund Balances | <u>\$ 24,582,878</u> | <u>\$ 14,429,563</u> | <u>\$ 16,437,172</u> | <u>\$ 15,518,116</u> | <u>\$ 4,330,972</u> | <u>\$ 8,447,250</u> | <u>\$ 8,321,395</u> | <u>\$ 92,067,346</u> |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS

*RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET POSITION*

September 30, 2013

| | |
|---|------------------------------|
| Total fund balance, governmental funds | \$ 64,782,083 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position. | 749,038,421 |
| Certain other long-term assets (property taxes receivable, adjudicated court fines receivable and unamortized bond issuance costs) are not available to pay current period expenditures and therefore are not reported in the fund financial statements, but are reported in the governmental activities of the Statement of Net Position | 14,334,839 |
| 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 Position: | |
| Bonds payable | (369,855,000) |
| Unamortized premium/discount | (6,158,967) |
| Deferred loss on refunding | 11,053,492 |
| Capital lease payable | (3,681,366) |
| Compensated absences | (5,006,729) |
| Accrued interest payable | (1,246,881) |
| Other post employment benefit liability | (1,955,154) |
| 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 Position. | <u>653,454</u> |
| Net Position of Governmental Activities in the Statement of Net Position | <u><u>\$ 451,958,192</u></u> |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2013

| | <u>General Fund</u> | <u>Debt Service</u> | <u>Capital Projects Fund</u> | <u>Pearland Economic Development Corporation</u> | <u>Tax Increment Reinvestment Zone #2</u> | <u>Development Authority of Pearland</u> | <u>Other Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|----------------------|---------------------|------------------------------|--|---|--|---------------------------------|---------------------------------|
| Revenues | | | | | | | | |
| Property taxes | \$ 11,178,950 | \$ 25,898,494 | \$ - | \$ - | \$ 17,397,567 | \$ - | \$ - | \$ 54,475,011 |
| Sales and use taxes | 15,919,784 | - | - | 7,871,396 | - | - | 1,150,360 | 24,941,540 |
| Franchise fees | 5,758,776 | - | - | - | - | - | 240,378 | 5,999,154 |
| Licenses and permits | 2,988,859 | - | - | - | - | - | - | 2,988,859 |
| Fines and forfeitures | 3,333,675 | - | - | - | - | - | 199,988 | 3,533,663 |
| Charges for services | 12,567,693 | - | - | 414,000 | - | - | - | 12,981,693 |
| Investment earnings | 54,063 | 19,296 | 18,070 | 40,811 | 12,238 | 2,182 | 7,485 | 154,145 |
| Intergovernmental | - | - | 3,593,783 | - | - | - | 1,001,515 | 4,595,298 |
| Other | 814,956 | 1,946,973 | 4,116,743 | 24,326 | - | - | 1,070,549 | 7,973,547 |
| Total Revenues | <u>52,616,756</u> | <u>27,864,763</u> | <u>7,728,596</u> | <u>8,350,533</u> | <u>17,409,805</u> | <u>2,182</u> | <u>3,670,275</u> | <u>117,642,910</u> |
| Expenditures | | | | | | | | |
| Current: | | | | | | | | |
| General government | 7,098,242 | - | - | - | - | 9,806 | 849,916 | 7,957,964 |
| Public safety | 26,082,178 | - | - | - | - | - | 122,479 | 26,204,657 |
| Public works | 7,502,356 | - | 309,833 | - | - | - | - | 7,812,189 |
| Community services | 3,263,146 | - | - | - | - | - | 259,741 | 3,522,887 |
| Parks and recreation | 7,111,012 | - | - | - | - | - | 133,064 | 7,244,076 |
| Economic development | - | - | - | 4,400,139 | 6,375,434 | 6,638,430 | - | 17,414,003 |
| Debt Service: | | | | | | | | |
| Principal | 86,254 | 11,950,504 | - | 880,000 | - | 2,720,000 | - | 15,636,758 |
| Interest and other charges | 28,232 | 12,667,961 | - | 1,165,585 | - | 1,671,965 | - | 15,533,743 |
| Bond issuance costs | - | - | 324,993 | - | - | - | - | 324,993 |
| Capital outlay | 4,088,048 | - | 17,487,825 | - | - | - | 525,218 | 22,101,091 |
| Intergovernmental | - | 4,057,682 | - | - | - | - | - | 4,057,682 |
| Total Expenditures | <u>55,259,468</u> | <u>28,676,147</u> | <u>18,122,651</u> | <u>6,445,724</u> | <u>6,375,434</u> | <u>11,040,201</u> | <u>1,890,418</u> | <u>127,810,043</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(2,642,712)</u> | <u>(811,384)</u> | <u>(10,394,055)</u> | <u>1,904,809</u> | <u>11,034,371</u> | <u>(11,038,019)</u> | <u>1,779,857</u> | <u>(10,167,133)</u> |
| Other Financing Sources (Uses) | | | | | | | | |
| Issuance of debt | - | - | 12,060,000 | - | - | - | - | 12,060,000 |
| Bond premium | - | - | 331,309 | - | - | - | - | 331,309 |
| Capital leases | 1,179,413 | - | - | - | - | - | - | 1,179,413 |
| Transfers in | 3,613,122 | 461,726 | 421,615 | - | - | 10,997,930 | 20,748 | 15,515,141 |
| Transfers out | (1,098,667) | - | (1,659,245) | - | (10,997,930) | - | (827,546) | (14,583,388) |
| Total Other Financing Sources (Uses) | <u>3,693,868</u> | <u>461,726</u> | <u>11,153,679</u> | <u>-</u> | <u>(10,997,930)</u> | <u>10,997,930</u> | <u>(806,798)</u> | <u>14,502,475</u> |
| Net change in fund balances | 1,051,156 | (349,658) | 759,624 | 1,904,809 | 36,441 | (40,089) | 973,059 | 4,335,342 |
| Fund balances - beginning | <u>17,571,961</u> | <u>4,992,479</u> | <u>13,775,963</u> | <u>13,461,696</u> | <u>4,294,046</u> | <u>1,848,309</u> | <u>4,502,287</u> | <u>60,446,741</u> |
| Fund balances - ending | <u>\$ 18,623,117</u> | <u>\$ 4,642,821</u> | <u>\$ 14,535,587</u> | <u>\$ 15,366,505</u> | <u>\$ 4,330,487</u> | <u>\$ 1,808,220</u> | <u>\$ 5,475,346</u> | <u>\$ 64,782,083</u> |

The accompanying notes are an integral part of these basic 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, 2013*

| | |
|--|----------------------|
| Net change in fund balances - total governmental funds: | \$ 4,335,342 |
| 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 period. This is the amount by which depreciation of \$29,360,934 exceeded capital outlays of \$22,427,041 in the current period. | (6,933,893) |
| 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. | (44,911) |
| Capital assets contributed by developers that do not represent current assets and are not reflected in the governmental fund financial statements | 18,503,918 |
| Capital assets net of related debt acquired as a result of Municipal Utility Annexation | 27,098,685 |
| 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. | 2,174,369 |
| 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. | 2,333,691 |
| Governmental funds report bond issuance costs as expenditures. In contrast the government-wide financial statements amortizes such a cost over the life of the bonds | 324,993 |
| 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 | (14,977) |
| Amortization of bond related costs | (940,048) |
| Compensated absences | (282,486) |
| Capital lease activity | (274,607) |
| Post employment benefit liability | (419,768) |
| 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. | 164,075 |
| Change in net position of governmental activities | \$ 46,024,383 |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2013

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|--|-----------------------------|-----------------------|---|
| | Water and Sewer Fund | Solid Waste Fund | Total | Activities - Internal Service Fund |
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 3,670,426 | \$ 1,098,976 | \$ 4,769,402 | \$ 854,348 |
| Investments | 5,760,545 | - | 5,760,545 | - |
| Accounts receivable, net of allowance for doubtful accounts | 3,011,164 | 822,342 | 3,833,506 | 63,737 |
| Prepaid items | 12,562 | - | 12,562 | 10,086 |
| Restricted cash and cash equivalents | 18,680,551 | - | 18,680,551 | - |
| Restricted investments | 7,999,349 | - | 7,999,349 | - |
| Total current assets | 39,134,597 | 1,921,318 | 41,055,915 | 928,171 |
| Non-current assets: | | | | |
| Unamortized issuance costs | 1,076,799 | - | 1,076,799 | - |
| Capital assets: | | | | |
| Land and improvements | 3,796,382 | - | 3,796,382 | - |
| Construction in progress | 8,918,035 | - | 8,918,035 | - |
| Contractual rights to water supply | 34,511,428 | - | 34,511,428 | - |
| Infrastructure | 300,748,324 | - | 300,748,324 | - |
| Buildings and improvement | 31,256,473 | - | 31,256,473 | - |
| Machinery and equipment | 3,706,656 | - | 3,706,656 | - |
| Furniture and fixtures | 106,127 | - | 106,127 | - |
| Less: Accumulated depreciation | (101,830,359) | - | (101,830,359) | - |
| Total non-current assets | 282,289,865 | - | 282,289,865 | - |
| Total Assets | 322,501,261 | 1,921,318 | 324,422,579 | 928,171 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable and accrued expenses | \$ 4,002,839 | \$ 1,708,917 | \$ 5,711,756 | \$ 274,717 |
| Accrued interest payable | 411,650 | - | 411,650 | - |
| Customer deposits | 3,023,012 | - | 3,023,012 | - |
| Compensated absences - current portion | 78,740 | - | 78,740 | - |
| Bonds payable - current portion | 4,920,000 | - | 4,920,000 | - |
| Capital lease - current portion | 84,122 | - | 84,122 | - |
| Total current liabilities | 12,520,363 | 1,708,917 | 14,229,280 | 274,717 |
| Non-current liabilities: | | | | |
| Compensated absences | 384,742 | - | 384,742 | - |
| Capital lease obligation | 176,862 | - | 176,862 | - |
| Other post-employment benefits | 356,544 | - | 356,544 | - |
| Bonds payable, net | 114,960,341 | - | 114,960,341 | - |
| Total non-current liabilities | 115,878,489 | - | 115,878,489 | - |
| Total Liabilities | 128,398,852 | 1,708,917 | 130,107,769 | 274,717 |
| Net Position | | | | |
| Net Investment in capital assets | 166,991,827 | - | 166,991,827 | - |
| Restricted for debt service | 1,860,731 | - | 1,860,731 | - |
| Restricted for capital projects | 7,681,267 | - | 7,681,267 | - |
| Unrestricted | 16,491,785 | 212,401 | 16,704,186 | 653,454 |
| Total Net Position | \$ 193,025,610 | \$ 212,401 | \$ 193,238,011 | \$ 653,454 |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS**

For the Year Ended September 30, 2013

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|--|--|-----------------------------|-----------------------|---|
| | Water and Sewer Fund | Solid Waste Fund | Total | Activities - Internal Service Fund |
| Revenues | | | | |
| Charges for services | \$ 29,007,476 | \$ 8,175,198 | \$ 37,182,674 | \$ 6,532,572 |
| Operating Expenses | | | | |
| Personnel services | 5,042,612 | - | 5,042,612 | - |
| Supplies and materials | 2,752,203 | - | 2,752,203 | - |
| Contractual services | 7,369,515 | 8,317,836 | 15,687,351 | 6,881,016 |
| Repairs and maintenance | 1,669,554 | - | 1,669,554 | 4,774 |
| Other expenses | 589,398 | 5,950 | 595,348 | 158,285 |
| Depreciation and amortization | 9,335,337 | - | 9,335,337 | - |
| Total Operating Expenses | 26,758,619 | 8,323,786 | 35,082,405 | 7,044,075 |
| Operating income (loss) | 2,248,857 | (148,588) | 2,100,269 | (511,503) |
| Non-Operating Revenues (Expenses) | | | | |
| Earnings on investments | 94,277 | 612 | 94,889 | 578 |
| Miscellaneous revenue (expense) | 664,418 | 17,474 | 681,892 | - |
| Interest expense | (5,281,627) | - | (5,281,627) | - |
| Total Non-Operating Revenues (Expenses) | (4,522,932) | 18,086 | (4,504,846) | 578 |
| Loss before contributions and transfers | (2,274,075) | (130,502) | (2,404,577) | (510,925) |
| Capital contributions | 16,273,170 | - | 16,273,170 | - |
| Transfers in | 218,961 | - | 218,961 | 675,000 |
| Transfers out | (1,825,714) | - | (1,825,714) | - |
| Change in net position | 12,392,342 | (130,502) | 12,261,840 | 164,075 |
| Total net position - beginning | 180,633,268 | 342,903 | 180,976,171 | 489,379 |
| Total net position - ending | \$ 193,025,610 | \$ 212,401 | \$ 193,238,011 | \$ 653,454 |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

Page 1 of 2

| | 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 | \$ 28,990,245 | \$ 8,083,250 | \$ 37,073,495 | \$ 5,345,005 |
| Receipts from interfund transactions | - | - | - | 1,135,102 |
| Disbursed for personnel services | (5,019,856) | - | (5,019,856) | - |
| Disbursed for goods and services | (10,716,040) | (7,926,751) | (18,642,791) | (7,084,133) |
| Net cash provided by (used in) operating activities | 13,254,349 | 156,499 | 13,410,848 | (1,739,128) |
| Cash Flows From Noncapital Financing Activities | | | | |
| Transfers from funds | 218,961 | - | 218,961 | 675,000 |
| Transfers to other funds | (1,825,714) | - | (1,825,714) | - |
| Cash received from non-operating revenues | 644,316 | - | 644,316 | - |
| Net cash provided by (used in) noncapital financing activities | (962,437) | - | (962,437) | 675,000 |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Proceeds from the sale of equipment | 20,102 | - | 20,102 | - |
| Capital grants and contributions | 5,942,763 | - | 5,942,763 | - |
| Principal payments on debt | (4,725,000) | - | (4,725,000) | - |
| Principal payments on leases | (81,380) | - | (81,380) | - |
| Acquisition and construction of capital assets | (13,866,825) | - | (13,866,825) | - |
| Net cash used in capital and related financing activities | (12,710,340) | - | (12,710,340) | - |
| Cash Flow from Investing Activities | | | | |
| Purchase of investments | (10,776,720) | - | (10,776,720) | - |
| Sales of investments | 13,713,512 | - | 13,713,512 | - |
| Interest received | 108,075 | 612 | 108,687 | 578 |
| Interest paid | (5,305,812) | - | (5,305,812) | - |
| Net cash provided by (used in) investing activities | (2,260,945) | 612 | (2,260,333) | 578 |
| Net increase (decrease) in cash and equivalents | (2,679,373) | 157,111 | (2,522,262) | (1,063,550) |
| Cash and equivalents, beginning | 25,030,350 | 941,865 | 25,972,215 | 782,836 |
| Cash and equivalents, end | \$ 22,350,977 | \$ 1,098,976 | \$ 23,449,953 | \$ (280,714) |
| Unrestricted cash and equivalents | \$ 3,670,426 | \$ 1,098,976 | \$ 4,769,402 | \$ 854,348 |
| Restricted cash and equivalents | 18,680,551 | - | 18,680,551 | - |
| | \$ 22,350,977 | \$ 1,098,976 | \$ 23,449,953 | \$ 854,348 |

The accompanying notes are an integral part of these basic financial statements.

CITY OF PEARLAND, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2013

| | Business-Type Activities - Enterprise Funds | | | Governmental |
|---|--|-----------------------------|----------------------|---|
| | Water and Sewer Fund | Solid Waste Fund | Total | Activities - Internal Service Fund |
| Reconciliation of operating income (loss) to net cash provided by (used in) operating activities | | | | |
| Operating income (loss) | \$ 2,248,857 | \$ (148,588) | \$ 2,100,269 | \$ (511,503) |
| Adjustments to reconcile operating income to net cash provided by (used in) operating activities: | | | | |
| Depreciation and amortization | 9,335,337 | - | 9,335,337 | - |
| Recovery of allowance | - | 17,474 | 17,474 | - |
| (Increase) decrease in accounts receivable | (249,131) | (109,422) | (358,553) | (52,505) |
| (Increase) decrease in prepaid expenses | 50,559 | - | 50,559 | (10,086) |
| Increase (decrease) in accounts payable | 1,638,146 | 397,035 | 2,035,181 | (29,972) |
| Increase (decrease) in compensated absences | (75,396) | - | (75,396) | - |
| Increase (decrease) in customer deposits | 231,900 | - | 231,900 | - |
| Increase (decrease) in other post employment benefits | 74,077 | - | 74,077 | - |
| Net cash provided by (used in) operating activities | \$ 13,254,349 | \$ 156,499 | \$ 13,410,848 | \$ (604,066) |
| Summary of non-cash transactions | | | | |
| Contributed capital assets | \$ 10,330,407 | \$ - | \$ 10,330,407 | \$ - |
| Change in value of investments | \$ 9,791 | \$ - | \$ 9,791 | \$ - |

The accompanying notes are an integral part of these basic 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. 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 and 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. Blended component units are component units that are considered so closely related to the legal entity that the blended component unit funds appear as if the funds are integral parts of the primary government. Based upon GASB 61 criteria, the City’s financial statements include the following blended 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.

Note 1 - Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

Blended 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 a specific geographic area known as Shadow Creek Ranch, 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.

Related Organizations

The City Council of Pearland appoints the voting majority of members to the board of directors for the Pearland Municipal Management District No. 1, Pearland Municipal Management District No. 2 and Lower Kirby District. However, the City's accountability for these entities does not extend beyond making appointments. There is no financial benefit/burden relationship or the ability to impose its will on these entities.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government and its blended 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.

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 statement of net position. Proprietary fund-type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

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 activities column, a reconciliation is presented which briefly explains the adjustments necessary to reconcile fund-based financial statements with the governmental activities 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, community services, public works, parks and recreation, economic development, and public safety.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other governmental long-term debt of the City. The primary source of revenue 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.

Note 1 - Summary of Significant Accounting Policies (continued)

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

The Pearland Economic Development Corporation fund is used to account for the revenues and expenditures associated with the half-cent sales tax for economic development approved by the voters in 1995. Use of funds are governed by State Law. The Pearland Economic Development Corporation is considered a major fund for reporting purposes.

The Tax Increment Reinvestment Zone #2 fund is used to account for the incremental property tax revenues in the specific geographical area and use thereof from the participating taxing entities in the Zone. The Tax Increment Re-investment Zone #2 is considered a major fund for reporting purposes.

The Development Authority of Pearland fund is used to account for the financing of the development of the TIRZ #2. The Development Authority of Pearland 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 *Internal Service Funds* used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City on a cost-reimbursement basis. Services provided by the Internal Service Funds include property and liability insurance coverage and employee health benefits. The Internal Service Funds are included in governmental activities for government-wide reporting purposes.

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Balance Working Capital Policies

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 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.

When multiple categories of fund balance are available for an expenditure, the City would typically use Restricted fund balances first, followed by Committed, and then Assigned, but reserves the right to selectively spend from any of the categories, including Unassigned based upon the individual circumstances.

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Fund Balance Working Capital Policies (continued)

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 Position

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 Position

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.

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.

Note 1 - Summary of Significant Accounting Policies (continued)

E. Cash and Cash Equivalents (continued)

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 and Certificates of Deposit with original maturities greater than three months from date of acquisition. 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". Interfund receivables and payables which are not expected to be paid within 12 months are classified as loans from/loans to other funds.

I. Inventories and Prepaid Items

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

J. Restricted Assets

Certain proceeds of the Water and Sewer Enterprise Fund revenue bonds and certain resources set aside for their repayment are classified as restricted assets on the statement of net position 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.

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

Note 1 - Summary of Significant Accounting Policies (continued)

K. Capital Assets (continued)

extend assets' lives are not capitalized. Additionally, at September 30, 2013 the City reports intangible assets under business-type activities, which include \$34.5 million in surface water rights with a life of 25 years.

Property, plant, equipment and intangible assets 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 |
| Intangible Assets - Water Rights | 25 |

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. Employees cannot 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 12 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 compensatory time is 120 hours, including employees involved in public safety.

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

M. Estimates

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

Note 1 - Summary of Significant Accounting Policies (continued)

N. Comparative Data

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.

O. Current Accounting Pronouncements

In December 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34*. This Statement is intended to improve financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement provides amendments to GASB No. 14, "The Financial Reporting Entity," and GASB No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments." The requirements of this Statement are effective for fiscal periods beginning after June 15, 2012. The City implemented this statement in fiscal year 2013.

As a result of implementation, the City determined that the three previously identified discretely presented component units met the criteria for inclusion as blended component units. These blended component units have been reflected as major governmental funds and are included in governmental activities in the government-wide statements. This implementation resulted in a retroactive adjustment to reduce beginning net position by \$43,231,585. Additionally, as reflected in Notes 4 and 5, beginning (2012) capital assets and long-term debt have been restated to include the blending of the component units.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement is intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. This Statement will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in more consistent application of applicable guidance. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City implemented this statement in fiscal year 2013; this had no effect on the financial statements.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement is intended to improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position which required the City to change references to net assets to net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City implemented this statement in fiscal year 2013, which required the City to change references to net assets to net position.

Note 1 - Summary of Significant Accounting Policies (continued)

O. Current Accounting Pronouncements (continued)

Future Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflow of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term “deferred” in financial statement presentations. This statement is effective for periods beginning after December 15, 2012. The City anticipates implementation of this statement in fiscal year 2014.

Also in March of 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. The objective of this statement is to improve accounting and financial reporting for a government financial reporting entity by resolving conflicting guidance that resulted from issuance of two pronouncements, Statements No. 54, “Fund Balance Reporting and Governmental Fund Type Definitions” and No. 62, “Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.” The City anticipates implementation of this statement in fiscal year 2014.

In June of 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*. This statement is intended to improve financial reporting by state and local governmental pension plans and replaces the requirements of Statements No. 25, “Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans” and No. 50, “Pension Disclosures.” This statement is effective for financial statements for fiscal years beginning after June 15, 2013. The City anticipates implementation of this statement in fiscal year 2014.

Also in June of 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this statement is to improve accounting and financial reporting by state and local governments for pensions. It replaces the requirements of Statement No. 27, “Accounting for Pensions by State and Local Governmental Employers” as well as the requirements of Statement No. 50, “Pension Disclosures.” This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City anticipates implementation of this statement in fiscal year 2015.

GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The term, “government combinations,” includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This statement is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. The City anticipates implementation of this statement in fiscal year 2015.

Note 1 - Summary of Significant Accounting Policies (continued)

P. Current Accounting Pronouncements (continued)

Future Accounting Pronouncements (continued)

GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This Statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to report the obligation until legally released as an obligor, and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement is effective for reporting periods beginning after June 15, 2013. The City anticipates implementation of this statement, if applicable in fiscal year 2014.

GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*. This Statement amends Statement No. 68 related to transition provisions for certain pension contributions made to defined benefit pension plans prior to implementation of Statement No. 68 by employers and nonemployer contributing entities. This statement is effective for fiscal years beginning after June 15, 2014. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68. The City anticipates implementation of this statement in fiscal year 2015.

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.

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

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

Authorization for Deposits and Investments (continued)

Government or U.S. Government Agencies, obligations of the State of Texas, counties, cities, and other political subdivisions rated not less than A, fully collateralized certificates of deposit, mutual funds, repurchase agreements and local government investment pools. The maximum maturity allowed is five years from date of purchase. The City’s investment policy does not allow investments in collateralized mortgage obligations.

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 as allowed by the City’s investment policy. 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 deposits and investments at year-end:

| | Total Fair Value |
|-------------------------|---------------------------------|
| | <u> </u> |
| Cash deposits | \$ 73,177,112 |
| Investments: | |
| FFCB discount note | 7,513,881 |
| FHLB discount note | 3,012,122 |
| FHLMC discount note | 5,018,755 |
| FNMA discount note | 2,521,657 |
| Certificates of deposit | <u>16,608,404</u> |
| | <u><u>\$ 107,851,931</u></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 earnings as follows:

| | |
|--|--------------------------|
| Interest income | \$ 245,070 |
| Unrealized gain on temporary investments | <u>4,542</u> |
| Investment earnings | <u><u>\$ 249,612</u></u> |

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

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

Custodial Credit Risk

For deposits, custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City’s investment policy follows state statutes, which require that all deposits in financial institutions be fully collateralized or insured. For investments, custodial credit risk is the risk that in the event of the failure of a counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

To control custody and safekeeping risk, the City shall have pledged collateral held at an independent third-party institution and evidenced by a written receipt. The value of the pledged collateral should be marked to market monthly and shall be at least 102 percent of par or market value of the investments, whichever is greater. Substitutions of collateral shall meet the requirements of the collateral agreement. Collateral shall not be released until the replacement collateral has been received, if the release of the collateral should result in the value being under 102 percent of par value. The pledge of collateral shall comply with the City’s investment policy. The City was not exposed to any custodial credit risk during the year.

Interest Rate Risk

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

| | <u>Total Fair Value</u> | <u>Weighted Average Maturity (Days)</u> |
|--|-----------------------------|---|
| Temporary investments: | | |
| FFCB discount note | \$ 7,513,881 | 332 |
| FHLB discount note | 3,012,122 | 361 |
| FHLMC discount note | 5,018,755 | 996 |
| FNMA discount note | <u>2,521,657</u> | <u>314</u> |
| | <u>\$ 18,066,415</u> | |
| Portfolio weighted average maturity | | <u><u>519</u></u> |

The City’s investment policy specifies a maximum weighted average maturity for the portfolio of 900 days or 30 months based on the stated maturity date of the investments. When including cash investments, the weighted average maturity for the City is 165 days.

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

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

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

Concentration of Credit Risk

With the exception of U.S. Treasury securities and interest-bearing checking accounts that are fully collateralized, no more than 75 percent of the City’s total investment portfolio will be invested in a single security type. As of September 30, 2013, 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>Total Fair Value</u> | <u>Percentage of Total Investment Portfolio</u> |
|------------------------|-----------------------------|---|
| FFCB discount note | \$ 7,513,881 | 41% |
| FHLB discount note | 3,012,122 | 17% |
| FHLMC discount note | 5,018,755 | 28% |
| FNMA discount note | 2,521,657 | 14% |
| Total | <u><u>\$ 18,066,415</u></u> | <u><u>100%</u></u> |

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. The city had no investments in an investment pool.

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

| | |
|---------------------------|-----------------------------|
| Revenue bond debt service | \$ 2,988,697 |
| Customer deposits | 3,023,012 |
| Capital improvements | <u>21,384,506</u> |
| Total | <u><u>\$ 27,396,215</u></u> |

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

Note 3 - Receivables

Receivables at September 30, 2013, consisted of the following:

Governmental Funds:

| | <u>General Fund</u> | <u>Debt Service Fund</u> | <u>Capital Projects Fund</u> | <u>Pearland Economic Development Corporation</u> | <u>Tax Increment Reinvestment Zone Developments</u> | <u>Development Authority of Pearland</u> | <u>Other Non-Major Funds</u> | <u>Total</u> |
|--|---------------------|--------------------------|------------------------------|--|---|--|------------------------------|----------------------|
| Receivables: | | | | | | | | |
| Property taxes, including penalties and interest | \$ 536,148 | \$ 873,642 | \$ - | \$ - | \$ 130,541 | \$ - | \$ - | \$ 1,540,331 |
| Lease receivable | - | 8,835,487 | - | - | - | - | - | 8,835,487 |
| Sales and other taxes | 3,938,047 | - | - | 1,344,827 | - | - | 32,981 | 5,315,855 |
| Fines and forfeitures | 930,995 | - | - | - | - | - | 6,953 | 937,948 |
| Interest | 7,801 | 771 | 123 | 8,010 | - | 12 | 71 | 16,788 |
| Other | 693,515 | - | 868,118 | 73,147 | - | - | 2,822,079 | 4,456,859 |
| Allowance for uncollectibles | (11,609) | (17,071) | - | - | - | - | (7,850) | (36,530) |
| | <u>\$ 6,094,897</u> | <u>\$ 9,692,829</u> | <u>\$ 868,241</u> | <u>\$ 1,425,984</u> | <u>\$ 130,541</u> | <u>\$ 12</u> | <u>\$ 2,854,234</u> | <u>\$ 21,066,738</u> |

Enterprise Funds:

| | <u>Water and Sewer Fund</u> | <u>Solid Waste Fund</u> | <u>Internal Service Fund</u> | <u>Total</u> |
|------------------------------|-----------------------------|-------------------------|------------------------------|---------------------|
| Receivables: | | | | |
| Customer accounts | \$ 3,020,156 | \$ 867,157 | \$ - | \$ 3,887,313 |
| Interest | 25,938 | - | - | 25,938 |
| Other | 19,088 | - | 63,737 | 82,825 |
| Allowance for uncollectibles | (54,018) | (44,815) | - | (98,833) |
| | <u>\$ 3,011,164</u> | <u>\$ 822,342</u> | <u>\$ 63,737</u> | <u>\$ 3,897,243</u> |

Governmental funds report receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of unavailable/unearned revenue reported in the governmental funds were as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---|----------------------|---------------------|
| Delinquent property taxes receivable - general fund | \$ 470,445 | \$ - |
| Delinquent property taxes receivable - debt service fund | 745,491 | - |
| Lease revenues-principal | 6,809,424 | - |
| Municipal fines and forfeitures | 937,948 | - |
| Street assessments | 2,484,917 | - |
| Other | 69,785 | - |
| Lease interest revenues | - | 2,026,064 |
| Grants and revenues prior to meeting all eligibility requirements | - | 1,607,216 |
| Total Unavailable/Unearned for Governmental Funds | <u>\$ 11,518,010</u> | <u>\$ 3,633,280</u> |

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

Note 3 - Receivables (continued)

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.

Note 4 - Capital Assets

A summary of changes in the primary government’s capital assets for the year ended September 30, 2013, follows:

| | Balance September 30, 2012 (Restated) | Increases | Decreases | Balance September 30, 2013 |
|---|--|----------------------|------------------------|---|
| Governmental Activities | | | | |
| Non-depreciable Capital Assets | | | | |
| Land | \$ 31,260,913 | \$ 3,372 | \$ - | \$ 31,264,285 |
| Construction in progress | 23,488,810 | 18,394,519 | (18,576,872) | 23,306,457 |
| Total Non-depreciable capital assets | 54,749,723 | 18,397,891 | (18,576,872) | 54,570,742 |
| Depreciable Capital Assets | | | | |
| Infrastructure | 804,204,296 | 58,680,475 | - | 862,884,771 |
| Buildings and improvements | 87,473,376 | 10,457,147 | - | 97,930,523 |
| Machinery and equipment | 13,519,791 | 2,111,961 | (600,435) | 15,031,317 |
| Furniture and fixtures | 2,662,298 | 2,037,431 | - | 4,699,729 |
| Total depreciable capital assets | 907,859,761 | 73,287,014 | (600,435) | 980,546,340 |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (230,452,471) | (24,492,719) | - | (254,945,190) |
| Buildings and improvements | (16,711,196) | (3,320,164) | - | (20,031,360) |
| Machinery and equipment | (8,319,855) | (1,101,666) | 555,524 | (8,865,997) |
| Furniture and fixtures | (1,789,729) | (446,385) | - | (2,236,114) |
| Total accumulated depreciation | (257,273,251) | (29,360,934) | 555,524 | (286,078,661) |
| Depreciable capital assets, net | 650,586,510 | 43,926,080 | (44,911) | 694,467,679 |
| Totals | \$ 705,336,233 | \$ 62,323,971 | \$ (18,621,783) | \$ 749,038,421 |

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

Note 4 - Capital Assets (continued)

| | <u>Balance September 30, 2012</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance September 30, 2013</u> |
|--|---|----------------------|------------------|---|
| Business-Type Activities | | | | |
| Capital assets: | | | | |
| Land | \$ 3,609,542 | \$ 186,840 | \$ - | \$ 3,796,382 |
| Construction in progress | 5,418,810 | 3,499,225 | | 8,918,035 |
| Total nondepreciable capital assets | <u>9,028,352</u> | <u>3,686,065</u> | <u>-</u> | <u>12,714,417</u> |
| Other capital assets: | | | | |
| Water and sewer system | 280,739,923 | 20,008,401 | | 300,748,324 |
| Buildings and improvements | 31,256,473 | | | 31,256,473 |
| Machinery and equipment | 3,368,901 | 492,765 | (155,010) | 3,706,656 |
| Furniture and fixtures | 96,127 | 10,000 | | 106,127 |
| Contractual water rights | 34,511,428 | | | 34,511,428 |
| Total depreciable capital assets | <u>349,972,852</u> | <u>20,511,166</u> | <u>(155,010)</u> | <u>370,329,008</u> |
| Less accumulated depreciation for: | | | | |
| Water and sewer system | (81,229,112) | (6,853,177) | | (88,082,289) |
| Buildings and improvements | (3,358,082) | (729,978) | | (4,088,060) |
| Machinery and equipment | (2,169,842) | (314,380) | 178,146 | (2,306,076) |
| Furniture and fixtures | (51,767) | (17,750) | | (69,517) |
| Contractual water rights | (5,903,960) | (1,380,457) | | (7,284,417) |
| Total accumulated depreciation | <u>(92,712,763)</u> | <u>(9,295,742)</u> | <u>178,146</u> | <u>(101,830,359)</u> |
| Depreciable capital assets, net | <u>257,260,089</u> | <u>11,215,424</u> | <u>23,136</u> | <u>268,498,649</u> |
| Totals | <u>\$ 266,288,441</u> | <u>\$ 14,901,489</u> | <u>\$ 23,136</u> | <u>\$ 281,213,066</u> |

Depreciation was charged to programs as follows:

| | |
|-------------------------------------|----------------------|
| General government | \$ 758,797 |
| Public safety | 1,918,725 |
| Public works | 24,241,247 |
| Community services | 227,991 |
| Parks and recreation | 2,214,174 |
| Total Government Activity | <u>\$ 29,360,934</u> |
| Water and sewer | <u>\$ 9,295,742</u> |
| Total Business-Type Activity | <u>\$ 9,295,742</u> |

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

Note 4 - Capital Assets (continued)

The City had active construction projects as of September 30, 2013. The projects included various improvements to streets, drainage and facilities as well as and water and sewer improvements. At year-end, the City's contractual commitments on projects were as follows:

| <u>Project Description</u> | <u>Progress</u> | <u>Commitment</u> |
|------------------------------|-----------------------------|-----------------------------|
| Drainage improvement | \$ 5,099,765 | \$ 1,997,611 |
| Building improvements | 2,770,425 | 2,534,291 |
| Street improvement | 12,383,037 | 4,212,683 |
| Park improvements | 2,745,652 | 1,617,073 |
| Water and sewer improvements | 9,225,613 | 6,678,510 |
| Totals | <u><u>\$ 32,224,492</u></u> | <u><u>\$ 17,040,168</u></u> |

Note 5 - Long-Term Debt

A. General Obligation Bonds, Certificates of Obligation and Revenue Bonds

The City issues general obligation bonds and certificates of obligation, and upon annexation and dissolution of Municipal Utility Districts, assumes unlimited tax and revenue obligations. The assumed obligations were used to acquire and construct major capital facilities. General obligation bonds, certificates of obligation, and assumed obligations from dissolved and annexed areas are for both governmental and business-type activities. The bonds are reported in the Proprietary Funds only if they are expected to be repaid from proprietary revenues. The general long-term bonds, certificates of obligation and assumed obligations are paid through the Debt Service Fund from tax revenues.

The City's component units, which are considered blended components units, have revenue bonds used to acquire and construct or to reimburse developers for major capital improvements. Revenue bonds are paid through the Pearland Economic Development Corporation from sales tax and through the Development Authority of Pearland from property tax increment.

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

Note 5 - Long-Term Debt (continued)

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

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2013. In general, the City uses the General and Debt Service funds as well as the Economic Development Corporation and Development Authority to liquidate governmental long-term liabilities.

| | Balance September 30, 2012 (Restated) | Additions | Reductions | Balance September 30, 2013 | Amounts Due Within One Year |
|--------------------------------------|--|----------------------|------------------------|---|--|
| Governmental Activities: | | | | | |
| Bonds payable: | | | | | |
| General obligation bonds | \$ 224,170,000 | \$ 13,515,000 | \$ (7,645,000) | \$ 230,040,000 | \$ 6,765,000 |
| Certificates of obligation | 65,425,000 | 2,745,000 | (3,480,000) | 64,690,000 | 3,710,000 |
| Sales tax revenue bonds | 24,490,000 | - | (880,000) | 23,610,000 | 920,000 |
| Tax increment revenue bonds | 54,235,000 | - | (2,720,000) | 51,515,000 | 2,800,000 |
| Deferred loss on refunding | (12,351,438) | - | 1,297,946 | (11,053,492) | - |
| Unamortized premium/(discount) | 6,479,066 | 303,003 | (623,102) | 6,158,967 | - |
| Total bonds payable | 362,447,628 | 16,563,003 | (14,050,156) | 364,960,475 | 14,195,000 |
| Other liabilities: | | | | | |
| Obligations under capital leases | 3,406,759 | 1,186,346 | (911,739) | 3,681,366 | 929,000 |
| Compensated absences | 4,724,243 | 2,678,203 | (2,395,717) | 5,006,729 | 794,732 |
| Other post-employment benefits | 1,535,386 | 419,768 | - | 1,955,154 | - |
| Total Governmental Activities | \$ 372,114,016 | \$ 20,847,320 | \$ (17,357,612) | \$ 375,603,724 | \$ 15,918,732 |

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, Certificates of Obligation and Revenue Bonds (continued)

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2013, follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|--|----------------|---------|-------------------|------------------|
| General Obligation Bonds | | | | |
| Permanent Improvement and Refunding Bonds, Series 2005 | 37,015,000 | 2029 | 4.00-5.00 | \$ 20,725,000 |
| Permanent Improvement and Refunding Bonds, Series 2006 | 32,165,000 | 2029 | 4.00-5.00 | 30,860,000 |
| Permanent Improvement and Refunding Bonds, Series 2007 | 69,640,000 | 2032 | 4.00-5.00 | 66,625,000 |
| Permanent Improvement, Series 2008 | 22,835,000 | 2032 | 4.50-5.50 | 21,695,000 |
| Permanent Improvement Refunding Bonds, Series 2009 | 16,735,000 | 2034 | 2.50-5.00 | 15,375,000 |
| Permanent Improvement, Series 2010A | 12,415,000 | 2035 | 2.00-4.25 | 11,350,000 |
| Permanent Improvement Refunding, Series 2010B | 1,630,000 | 2018 | 2.00-4.00 | 1,000,000 |
| Permanent Improvement, Series 2011 | 5,400,000 | 2036 | 3.00-4.125 | 5,200,000 |
| Permanent Improvement Refunding Bonds, Series 2012 | 43,575,000 | 2029 | 3.00-5.00 | 43,575,000 |
| Permanent Improvement Bond Series 2013 | 9,315,000 | 2038 | 3.00-4.625 | 9,315,000 |
| Annexed Municipal Utility District Bonds | | | | |
| BC MUD 1 Series 2007 | 1,940,000 | 2030 | 3.8-4.35 | 1,810,000 |
| BC MUD 4 Series 2011 | 2,640,000 | 2032 | 2.50-5.00 | 2,510,000 |
| Total General Obligation Bonds | | | | \$ 230,040,000 |
| Certificates of Obligations | | | | |
| Certificates of Obligation, Series 2003 | 25,000,000 | 2014 | 3.60-3.75 | 1,035,000 |
| Certificates of Obligation, Series 2004 | 21,000,000 | 2015 | 4.00 | 1,420,000 |
| Certificates of Obligation, Series 2006 | 9,700,000 | 2029 | 4.125-6.125 | 8,825,000 |
| Certificates of Obligation, Series 2007 | 23,250,000 | 2032 | 3.25-5.25 | 22,450,000 |
| Certificates of Obligation, Series 2008 | 9,000,000 | 2032 | 3.875-5.00 | 8,480,000 |
| Certificates of Obligation, Series 2009 | 8,520,000 | 2034 | 2.50-5.00 | 7,835,000 |
| Certificates of Obligation, Series 2009A | 12,145,000 | 2029 | 2.25-4.50 | 10,225,000 |
| Certificates of Obligation, Series 2011 | 2,095,000 | 2021 | 2.09 | 1,675,000 |
| Certificates of Obligation, Series 2013 | 2,745,000 | 2038 | 3.00-4.625 | 2,745,000 |
| Total Certificates of Obligation | | | | \$ 64,690,000 |

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 funds as of September 30, 2013, is as follows:

| Series | Original Issue | Matures | Interest Rate (%) | Debt Outstanding |
|---|----------------|---------|--------------------------------|------------------|
| Pearland Economic Development Corporation | | | | |
| Sales Tax Revenue and Refunding Bonds, Series 2005 | \$ 11,050,000 | 2026 | 4.0-5.0 | \$ 7,540,000 |
| Sales Tax Revenue Bonds, Series 2006 | 10,235,000 | 2030 | 4.25-5.0 | 9,075,000 |
| Sales Tax Revenue Bonds, Series 2010 | 7,685,000 | 2030 | Variable-resets every 6 months | 6,995,000 |
| Development Authority of Pearland | | | | |
| Tax Increment Contract Revenue and Refunding Bonds, Series 2012 | 56,915,000 | 2028 | 3.07 * | 51,515,000 |
| Total Revenue Bonds | | | | \$ 75,125,000 |

* Fixed for 10 years, then rate changes to be 65% of LIBOR, not to exceed 6.0%.

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

Note 5 - Long-Term Debt (continued)

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

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, 2013, approximately \$26.4 million of previously refunded bonds outstanding were considered defeased.

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 \$6.8 million.

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

| <u>Fiscal Year</u> | <u>Obligations</u> |
|---|-----------------------------------|
| 2014 | \$ 1,118,848 |
| 2015 | 1,118,848 |
| 2016 | 809,406 |
| 2017 | 629,950 |
| 2018-2019 | <u>527,391</u> |
| Total | 4,204,443 |
| Less: Interest | <u>262,093</u> |
| Obligations under capital leases | <u><u>\$ 3,942,350</u></u> |

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

Note 5 - Long-Term Debt (continued)

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

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2013, were as follows:

| Fiscal Year | Governmental Activities | | | |
|-------------|-------------------------|-----------------------|----------------------------|----------------------|
| | General Obligation | | Certificates of Obligation | |
| | Principal | Interest | Principal | Interest |
| 2014 | \$ 6,765,000 | \$ 9,913,967 | \$ 3,710,000 | \$ 2,722,249 |
| 2015 | 7,765,000 | 9,572,070 | 2,745,000 | 2,592,723 |
| 2016 | 8,865,000 | 9,190,377 | 2,120,000 | 2,500,538 |
| 2017 | 8,490,000 | 8,805,299 | 2,190,000 | 2,416,016 |
| 2018 | 8,375,000 | 8,443,772 | 2,765,000 | 2,312,640 |
| 2019 | 10,745,000 | 8,026,805 | 3,010,000 | 2,192,779 |
| 2020 | 11,580,000 | 7,541,328 | 3,050,000 | 2,065,511 |
| 2021 | 11,845,000 | 7,033,931 | 3,165,000 | 1,933,459 |
| 2022 | 12,840,000 | 6,496,949 | 3,060,000 | 1,796,233 |
| 2023 | 13,160,000 | 5,929,679 | 3,180,000 | 1,654,141 |
| 2024 | 13,925,000 | 5,332,766 | 3,310,000 | 1,504,781 |
| 2025 | 14,350,000 | 4,731,384 | 3,430,000 | 1,347,751 |
| 2026 | 14,615,000 | 4,133,095 | 3,580,000 | 1,180,803 |
| 2027 | 15,720,000 | 3,498,791 | 3,950,000 | 1,018,540 |
| 2028 | 16,255,000 | 2,835,511 | 3,995,000 | 863,823 |
| 2029 | 16,680,000 | 2,128,625 | 4,175,000 | 700,421 |
| 2030 | 9,650,000 | 1,534,628 | 3,410,000 | 544,513 |
| 2031 | 9,590,000 | 1,085,420 | 3,805,000 | 384,238 |
| 2032 | 10,125,000 | 627,044 | 4,185,000 | 199,088 |
| 2033 | 2,650,000 | 333,419 | 635,000 | 86,263 |
| 2034 | 2,765,000 | 208,507 | 660,000 | 55,163 |
| 2035 | 1,520,000 | 112,044 | 130,000 | 22,813 |
| 2036 | 795,000 | 62,122 | 140,000 | 16,650 |
| 2037 | 480,000 | 33,763 | 140,000 | 10,175 |
| 2038 | 490,000 | 11,331 | 150,000 | 3,469 |
| | <u>\$ 230,040,000</u> | <u>\$ 107,622,627</u> | <u>\$ 64,690,000</u> | <u>\$ 30,124,780</u> |

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

Note 5 - Long-Term Debt (continued)

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

The annual requirements to amortize blended component unit revenue bonds outstanding at September 30, 2013, were as follows:

| <u>Fiscal Year</u> | <u>Governmental Activities</u> | | | |
|--------------------|--|----------------------|--|----------------------|
| | <u>Pearland Economic Development Corporation</u> | | <u>Development Authority of Pearland</u> | |
| | <u>Principal</u> | <u>Interest</u> | <u>Principal</u> | <u>Interest</u> |
| 2014 | \$ 920,000 | \$ 1,110,514 | \$ 2,800,000 | \$ 1,581,511 |
| 2015 | 965,000 | 1,068,839 | 2,885,000 | 1,495,550 |
| 2016 | 1,010,000 | 1,025,057 | 2,970,000 | 1,406,981 |
| 2017 | 1,060,000 | 976,218 | 3,070,000 | 1,315,802 |
| 2018 | 1,115,000 | 924,986 | 3,160,000 | 1,221,553 |
| 2019 | 1,175,000 | 870,739 | 3,255,000 | 1,124,541 |
| 2020 | 1,230,000 | 819,126 | 3,120,000 | 1,024,613 |
| 2021 | 1,285,000 | 764,705 | 3,215,000 | 928,828 |
| 2022 | 1,350,000 | 707,225 | 3,030,000 | 830,128 |
| 2023 | 1,415,000 | 645,158 | 3,130,000 | 737,107 |
| 2024 | 1,480,000 | 579,894 | 3,225,000 | 641,016 |
| 2025 | 1,555,000 | 511,083 | 3,320,000 | 542,008 |
| 2026 | 1,635,000 | 438,397 | 3,425,000 | 440,085 |
| 2027 | 1,715,000 | 361,922 | 3,530,000 | 334,937 |
| 2028 | 1,805,000 | 275,920 | 3,635,000 | 226,566 |
| 2029 | 1,895,000 | 188,544 | 3,745,000 | 114,972 |
| 2030 | 2,000,000 | 96,818 | - | - |
| | <u>\$ 23,610,000</u> | <u>\$ 11,365,145</u> | <u>\$ 51,515,000</u> | <u>\$ 13,966,198</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, 2013:

| | <u>Balance September 30, 2012</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance September 30, 2013</u> | <u>Amounts Due Within One Year</u> |
|---------------------------------------|---|-------------------|-----------------------|---|--|
| Business-Type Activities: | | | | | |
| Bonds payable: | | | | | |
| Permanent Improvement bonds | \$ 15,130,000 | \$ - | \$ (1,110,000) | \$ 14,020,000 | \$ 1,155,000 |
| Water and sewer revenue bonds | 109,305,000 | - | (3,615,000) | 105,690,000 | 3,765,000 |
| Deferred loss on refunding | (610,450) | - | 50,481 | (559,969) | - |
| Unamortized premium/(discount) | 881,600 | - | (151,290) | 730,310 | - |
| Total bonds payable | <u>124,706,150</u> | <u>-</u> | <u>(4,825,809)</u> | <u>119,880,341</u> | <u>4,920,000</u> |
| Other liabilities: | | | | | |
| Obligations under capital leases | 342,364 | - | (81,380) | 260,984 | 84,122 |
| Compensated absences | 538,878 | 276,771 | (352,167) | 463,482 | 78,740 |
| Other post-employment benefits | 282,467 | 74,077 | - | 356,544 | - |
| Total Business-Type Activities | <u>\$ 125,869,859</u> | <u>\$ 350,848</u> | <u>\$ (5,259,356)</u> | <u>\$ 120,961,351</u> | <u>\$ 5,082,862</u> |

A summary of the terms of permanent improvement bonds and revenue bonds recorded in the Enterprise Funds as of September 30, 2013, is as follows:

| <u>Series</u> | <u>Original Issue</u> | <u>Matures</u> | <u>Interest Rate (%)</u> | <u>Debt Outstanding</u> |
|---|-----------------------|----------------|------------------------------|-----------------------------|
| Water and Wastewater Fund | | | | |
| Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999 | \$ 8,000,000 | 2020 | 4.60 | \$ 2,710,000 |
| Water and Sewer System Revenue Bonds, Series 2003 | 9,500,000 | 2014 | 4.00 | 340,000 |
| Water and Sewer System Revenue and Refunding Bonds, Series 2006 | 13,845,000 | 2031 | 4.3-5.125 | 10,850,000 |
| Water and Sewer System Revenue Bonds, Series 2007 | 40,135,000 | 2031 | 3.50-5.50 | 36,625,000 |
| Water and Sewer System Revenue Bonds, Series 2008 | 14,950,000 | 2034 | 4.125-5.00 | 13,945,000 |
| Water and Sewer System Revenue Bonds, Series 2009 | 13,130,000 | 2034 | 3.00-5.50 | 11,720,000 |
| Permanent Improvement and Refunding Bonds, Series 2009 | 11,660,000 | 2018 | 2.50-5.00 | 7,790,000 |
| Water and Sewer System Revenue Bonds, Series 2010A | 14,040,000 | 2035 | 2.00-4.50 | 12,900,000 |
| Water and Sewer System Revenue and Refunding Bonds, Series 2010B | 8,970,000 | 2023 | 2.00-4.00 | 8,225,000 |
| Permanent Improvement and Refunding Bonds, Series 2012 | 6,230,000 | 2025 | 3.00-5.00 | 6,230,000 |
| Water and Sewer System Revenue and Refunding Bonds, Series 2012 | 8,670,000 | 2037 | 2.00-3.625 | 8,375,000 |
| Total Utility System Fund | | | | <u>\$ 119,710,000</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 business-type activity revenue bonds and permanent improvement bonds outstanding at September 30, 2013, were as follows:

| Fiscal Year | Business Type Activities | | | |
|-------------|--------------------------|----------------------|-----------------------------|---------------------|
| | Revenue Bonds | | Permanent Improvement Bonds | |
| | Principal | Interest | Principal | Interest |
| 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 | 264,360 | - | - |
| 2035 | 1,180,000 | 75,725 | - | - |
| 2036 | 345,000 | 25,556 | - | - |
| 2037 | 360,000 | 13,050 | - | - |
| | <u>\$ 105,690,000</u> | <u>\$ 56,232,807</u> | <u>\$ 14,020,000</u> | <u>\$ 2,809,926</u> |

C. Legal Compliance

Long-term debt assumed by the City upon dissolution of annexed municipal utility districts in fiscal years 2006, 2007, and 2013 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, 2013, is as follows:

**Summary Table of Interfund Transfers
for the Year Ended September 30, 2013**

| | Transfers From Other Funds | Transfers To Other Funds |
|--|---------------------------------------|-------------------------------------|
| General | | |
| Debt Service Fund | \$ - | \$ 161,445 |
| Capital Projects | 1,654,245 | 137,263 |
| Water & Sewer Fund | 1,426,126 | 218,961 |
| Internal Service Fund | - | 560,250 |
| Nonmajor - Aggregate Remaining Funds | 532,751 | 20,748 |
| Total General Fund | <u>3,613,122</u> | <u>1,098,667</u> |
| Debt Service | | |
| Capital Projects | 5,000 | - |
| Water & Sewer Fund | 284,838 | - |
| General Fund | 161,445 | - |
| Nonmajor - Aggregate Remaining Funds | 10,443 | - |
| Total Debt Service Fund | <u>461,726</u> | <u>-</u> |
| Capital Projects | | |
| General Fund | 137,263 | 1,654,245 |
| Debt Service | - | 5,000 |
| Internal Service Fund | 284,352 | - |
| Total Capital Projects | <u>421,615</u> | <u>1,659,245</u> |
| Water & Sewer | | |
| Debt Service Fund | - | 284,838 |
| General Fund | 218,961 | 1,426,126 |
| Internal Service Fund | - | 114,750 |
| Total Water and Sewer | <u>218,961</u> | <u>1,825,714</u> |
| Internal Service - COP Health Claims Fund | | |
| General Fund | 560,250 | - |
| Water & Sewer Fund | 114,750 | - |
| Total Internal Service Fund | <u>675,000</u> | <u>-</u> |
| Tax Increment Reinvestment Zone #2 | | |
| Development Authority of Pearland | - | 10,997,930 |
| Development Authority of Pearland | | |
| Tax Increment Reinvestment Zone #2 | 10,997,930 | - |
| Other Governmental Funds | | |
| General Fund | 20,748 | 532,751 |
| Capital Projects | - | 284,352 |
| Debt Service Fund | - | 10,443 |
| Total Other Governmental Funds | <u>20,748</u> | <u>827,546</u> |
| Total | <u>\$ 16,409,102</u> | <u>\$ 16,409,102</u> |

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

Note 6 - Interfund Transactions (continued)

A summary of interfund receivables and payables at September 30, 2013, follows:

| <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> | <u>Purpose</u> |
|------------------------|-----------------------------|-------------------|------------------------------------|
| General Fund | Non-Major Governmental Fund | <u>\$ 118,097</u> | Short-term loan to fund operations |

Note 7 - Fund Balance

Encumbrances

Encumbrance accounting is employed as an extension of formal budgetary integration for the general fund, special revenue funds, and capital projects funds. As of September 30, 2013, certain amounts which were classified as restricted 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 | \$ 1,553,390 |
| Capital Projects - restricted | 5,799,338 |
| Debt service - restricted | 7,405 |
| Aggregate non-major funds - restricted | <u>357,583</u> |
| | <u>\$ 7,717,716</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.

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 849 currently administered by TMRS, an agent multiple-employer public employee retirement system.

Note 9 - Employee Retirement System (continued)

Plan Description and Provisions (continued)

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:

| | <u>Plan Year 2012</u> | <u>Plan Year 2013</u> |
|---|---------------------------|---------------------------|
| 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 a 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.

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.

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

Note 9 - Employee Retirement System (continued)

Contributions (continued)

The City's total payroll in fiscal year 2013 was \$31.2 million and the City's contributions were based on a payroll of \$29.7 million. Contributions made by employees totaled \$2.1 million, and the City made contributions of \$3.8 million during the fiscal year ended September 30, 2013.

Three-year trend information is presented below:

| | <u>2013</u> | <u>2012</u> | <u>2011</u> |
|-------------------------------|--------------|--------------|--------------|
| Annual Pension Cost (APC) | \$ 3,780,847 | \$ 3,518,289 | \$ 3,302,952 |
| Percentage of APC contributed | 100% | 100% | 100% |
| NPO at the end of the 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, 2012, valuations are contained in the 2012 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 | 25.3 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 | 2.10% |

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.

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

Note 9 - Employee Retirement System (continued)

Contributions (continued)

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

| Actuarial Valuation Date December 31, | Actuarial Value of Assets | Actuarial Accrued Liabilities | Percentage Funded | Unfunded Actuarial Accrued Liability (UAAL) | Annual Covered Payroll | (UAAL) as a Percentage of Covered Payroll |
|--|--|--|------------------------------|--|---------------------------------------|--|
| 2012 | \$ 69,800,322 | \$ 85,022,771 | 82% | \$ 15,222,449 | \$ 28,876,260 | 53% |

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 |
|-----------------------|------------------------|----------------------------------|--|
| \$ 77,684 | \$ - | \$ 77,684 | 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 guidelines regarding accounting and financial reporting by employers for post-employment benefits other than pensions. This standard gives guidance regarding the methods and timing for reporting. The effect of the standard is to cause the cost of retiree benefits to be accrued for during the working lifetime of the employees. This requires pre-funding or accruing of a liability. The City has elected to accrue the liability, and the unfunded liability will be funded over a period of 30 years. The results of the City's most recent actuarial valuation are as follows:

| <u>Actuarial Valuation Date October 1,</u> | <u>Actuarial Value of Assets</u> | <u>Actuarial Accrued Liabilities</u> | <u>Percentage Funded</u> | <u>Unfunded Actuarial Accrued Liability (UAAL)</u> | <u>Annual Covered Payroll</u> | <u>(UAAL) as a Percentage of Covered Payroll</u> |
|--|--|--|------------------------------|--|---------------------------------------|--|
| 2012 | \$ - | \$ 8,339,937 | 0% | \$ 8,339,937 | \$ 28,876,260 | 29% |

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

| | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|--|----------------------------|----------------------------|----------------------------|
| Normal cost | \$ 206,293 | \$ 190,706 | \$ 243,253 |
| Amortization of UAAL | <u>141,837</u> | <u>141,837</u> | <u>177,878</u> |
| Annual required contribution (ARC) | 348,130 | 332,543 | 421,131 |
| Interest on prior-year net OPEB obligation | <u>41,540</u> | <u>57,127</u> | <u>72,715</u> |
| Estimated increase in net OPEB obligation | 389,670 | 389,670 | 493,846 |
| Net OPEB obligation - beginning of year | <u>1,038,512</u> | <u>1,428,182</u> | <u>1,817,852</u> |
| Net OPEB obligation - end of year | <u><u>\$ 1,428,182</u></u> | <u><u>\$ 1,817,852</u></u> | <u><u>\$ 2,311,698</u></u> |

The annual cost recorded to the general ledger for fiscal year 2013 is \$493,846, which includes the estimated normal cost of \$243,253 to provide for the benefits earned by active employees. The total liability, which is not recorded to the general ledger, is \$8,339,937, 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, 2012 include using the Projected Unit Credit actuarial costs method, a closed amortization period of 26 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.

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, 2013. 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 City of Pearland offers incentives to attract businesses to Pearland. The following are the current incentives.

| <u>Current Incentives</u> | <u>Amount</u> | <u>Prior Years</u> | <u>FY 2013</u> | <u>Balance</u> |
|------------------------------|----------------------|---------------------|-------------------|---------------------|
| Altus Harbor | \$ 87,500 | \$ 65,000 | \$ 15,000 | \$ 7,500 |
| Braska/Neela, Inc. | 150,000 | - | 150,000 | - |
| Cardiovascular Systems, Inc. | 5,100,000 | 4,100,000 | - | 1,000,000 |
| Hatch Mott | 100,000 | - | 100,000 | - |
| KS Management | 2,600,000 | - | - | 2,600,000 |
| KS Management Sales Tax Est. | 600,000 | - | - | 600,000 |
| Merit Medical Systems, Inc. | 888,000 | - | - | 888,000 |
| Ref-Chem | 340,000 | - | 340,000 | - |
| SCR HH GP, LLC | 300,000 | 180,000 | - | 120,000 |
| Dover | 630,000 | - | - | 630,000 |
| | <u>\$ 10,795,500</u> | <u>\$ 4,345,000</u> | <u>\$ 605,000</u> | <u>\$ 5,845,500</u> |

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.

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, 2013, the City remitted sales tax to the developer pursuant to the agreement in the amount of \$1,900,828, of which \$444,060 was remitted in fiscal year 2013. To date, \$1.5 million has been reimbursed towards principal and \$448,585 for interest. The balance due as of September 30, 2013 is \$555,820.

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, 2013, the City believed the amounts paid on Workers' Compensation would not change significantly from the amounts recorded.

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.

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.

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

Note 13 - Capital Lease (continued)

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, 2013, 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> |
|---|---------------------|
| 2014 | \$ 664,384 |
| 2015 | 654,255 |
| 2016 | 643,059 |
| 2017 | 627,598 |
| 2018 | 610,030 |
| 2019-2023 | 2,826,396 |
| 2024-2029 | <u>2,863,729</u> |
| Total | <u>\$ 8,889,451</u> |

Note 14 - Operating Lease

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

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, 2013, 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> |
|---|---------------------|
| 2014 | \$ 111,858 |
| 2015 | 110,153 |
| 2016 | 108,268 |
| 2017 | 105,665 |
| 2018 | 102,707 |
| 2019-2023 | 475,863 |
| 2024-2029 | <u>482,148</u> |
| Total | <u>\$ 1,496,662</u> |

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

Note 15 - Subsequent Events

Lease Purchase

City Council approved a Notice of Intent to reimburse itself from future capital lease proceed on October 22, 2012 in an amount not to exceed \$2,100,000. On October 14, 2013, City Council awarded the bid to U.S. Bancorp Government Leasing and Finance, Inc. that provided an interest rate of 2.028%. The amount financed via lease/purchase is \$1,852,938 as follows:

| <u>Equipment Description</u> | <u>Financing Amount</u> |
|--|-------------------------|
| Alcatel-Lucent data equipment: (11) OS6850E-P48X switches, (5) OS685pE-P24X switches, (2) OS6450-P10 swithces, (20) wireless access points and appurtenances | \$ 121,159 |
| Alcatel-Lucent OmniPCX Enterprise Voice Solution system | 166,653 |
| (1) Pierce Impel Pumper Truck and (1) Pierce 75' HAL Aerial, quint, alum. body, single axle Truck | 1,277,195 |
| (1) New Frazer Type 1 ambulance on F-350 diesel cab/chassis, and (1) refurbished Frazer Type 1 ambulance module onto new F-350 diesel cab/chassis | 211,575 |
| (1) Dybapac model CA134PD 54" pad roller | <u>76,356</u> |
| Total for financing | <u>\$ 1,852,938</u> |

The first semi-annual payment is due in January, 2014 in the amount of \$141,722 with the final semi-annual payment due in July, 2020 in the amount of \$141,722. The total repayment amount for the seven-year lease term will be \$1,948,110. There is no pre-payment penalty for early payoff, and the lender has waived its usual administrative and escrow fees.

Development Authority of Pearland Bond Sale, Series 2013

On November 26, 2013, the Development Authority of Pearland issued \$9,140,000 in tax increment contract revenue bonds. Proceeds from the bonds will be used to reimburse the developer approximately \$8.9 million pursuant to the TIRZ financing plan. The remaining amount on the bonds are for issuance costs. The interest rate is 3.75% with an average annual debt service on the bonds of \$779,202 and a maturity of 2029. Based on valuation in the Tax Increment Reinvestment Zone, the Zone is able to pay the debt and maintain a 1.25 coverage.

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, 2013

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|--|-------------------------|----------------------|----------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>with Final Budget - Positive (Negative)</u> |
| Revenues | | | | |
| Property taxes | \$ 10,992,437 | \$ 11,034,162 | \$ 11,178,950 | \$ 144,788 |
| Sales and use taxes | 15,125,235 | 16,172,355 | 15,919,784 | (252,571) |
| Franchise fees | 6,016,906 | 5,855,695 | 5,758,776 | (96,919) |
| Licenses and permits | 2,620,219 | 2,726,978 | 2,988,859 | 261,881 |
| Fines and forfeitures | 3,107,512 | 3,390,068 | 3,333,675 | (56,393) |
| Charges for services | 12,330,342 | 12,428,649 | 12,567,693 | 139,044 |
| Investment earnings | 56,729 | 60,285 | 54,063 | (6,222) |
| Other | 475,329 | 693,904 | 814,956 | 121,052 |
| Total Revenues | <u>50,724,709</u> | <u>52,362,096</u> | <u>52,616,756</u> | <u>254,660</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 7,709,175 | 7,801,411 | 7,572,787 | 228,624 |
| Public safety | 29,728,329 | 31,856,493 | 29,407,655 | 2,448,838 |
| Public works | 8,466,353 | 8,832,754 | 7,741,495 | 1,091,259 |
| Community services | 3,450,700 | 3,555,628 | 3,312,710 | 242,918 |
| Parks and recreation | 8,275,021 | 7,811,503 | 7,224,821 | 586,682 |
| Total Expenditures | <u>57,629,578</u> | <u>59,857,789</u> | <u>55,259,468</u> | <u>4,598,321</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>(6,904,869)</u> | <u>(7,495,693)</u> | <u>(2,642,712)</u> | <u>4,852,981</u> |
| Other Financial Sources (Uses) | | | | |
| Proceeds from capital leases | 2,037,400 | 3,216,813 | 1,179,413 | (2,037,400) |
| Transfers in | 3,625,412 | 3,592,065 | 3,613,122 | 21,057 |
| Transfers out | (945,606) | (1,099,509) | (1,098,667) | 842 |
| Total Other Financing Sources (Uses) | <u>4,717,206</u> | <u>5,709,369</u> | <u>3,693,868</u> | <u>(2,015,501)</u> |
| Net change in fund balances | (2,187,663) | (1,786,324) | 1,051,156 | 2,837,480 |
| Fund balances, beginning | <u>17,571,961</u> | <u>17,571,961</u> | <u>17,571,961</u> | <u>-</u> |
| Fund balances, ending | <u>\$ 15,384,298</u> | <u>\$ 15,785,637</u> | <u>\$ 18,623,117</u> | <u>\$ 2,837,480</u> |

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, 2013.

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, 2013

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 |
|--|--|--|------------------------------|--|---------------------------------------|--|
| 2012 | \$ 69,800,322 | \$ 85,022,771 | 82% | \$ 15,222,449 | \$ 28,876,260 | 53% |
| 2011 | 61,822,285 | 78,404,115 | 79% | 16,581,830 | 27,756,555 | 60% |
| 2010 | 54,358,401 | 72,195,923 | 75% | 17,837,882 | 26,871,670 | 70% |

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 |
|--|--|--|------------------------------|--|---------------------------------------|--|
| 2012 | \$ - | \$ 8,339,937 | 0% | \$ 8,339,937 | \$ 28,876,260 | 29% |
| 2010 | - | 6,994,465 | 0% | 6,994,465 | 26,871,670 | 25% |

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; however there is an implicit subsidy due to the blended rate paid by the retirees. 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 – A fund created 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 created 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 revenues and expenditures associated with the results of traffic impact analysis for new development.

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).

Street Assessments – A fund created to account for the revenue and expenditure of street assessments as approved by City Council for a designated street(s).

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, 2013

| | <u>Hotel/Motel Tax</u> | <u>Court Security</u> | <u>City-Wide Donations</u> | <u>Court Technology</u> |
|--|----------------------------|---------------------------|--------------------------------|-----------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 2,130,144 | \$ 131,364 | \$ 88,807 | \$ 283,435 |
| Receivables (net of allowance for uncollectibles) | 315,111 | 2,886 | 2,530 | 2,593 |
| Due from other governments | - | - | - | - |
| Prepaid items | 4,162 | - | - | - |
| Total Assets | <u>\$ 2,449,417</u> | <u>\$ 134,250</u> | <u>\$ 91,337</u> | <u>\$ 286,028</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable and accrued liabilities | \$ 178,265 | \$ 1,756 | \$ - | \$ - |
| Due to other funds | - | - | - | - |
| Unavailable revenue | - | 2,886 | - | 2,593 |
| Total Liabilities | <u>178,265</u> | <u>4,642</u> | <u>-</u> | <u>2,593</u> |
| Fund Balances: | | | | |
| Non-spendable | 4,162 | - | - | - |
| Restricted for: | | | | |
| Community development programs | 2,266,990 | - | 91,337 | - |
| Public safety | - | 129,608 | - | 283,435 |
| Total Fund Balances | <u>2,271,152</u> | <u>129,608</u> | <u>91,337</u> | <u>283,435</u> |
| Total Liabilities and Fund Balances | <u>\$ 2,449,417</u> | <u>\$ 134,250</u> | <u>\$ 91,337</u> | <u>\$ 286,028</u> |

| Regional Detention | Park Donations | Police Seizure | Parks and Recreation Development |
|-------------------------------|---------------------------|---------------------------|---|
| \$ - | \$ 189,986 | \$ 248,514 | \$ 807,708 |
| - | - | 1,400 | - |
| - | - | - | - |
| - | - | - | - |
| <u>\$ -</u> | <u>\$ 189,986</u> | <u>\$ 249,914</u> | <u>\$ 807,708</u> |
| | | | |
| \$ - | \$ 382 | \$ 8,415 | \$ 11,789 |
| - | - | - | - |
| - | - | - | - |
| <u>-</u> | <u>382</u> | <u>8,415</u> | <u>11,789</u> |
| | | | |
| - | - | - | - |
| - | 189,604 | - | 795,919 |
| - | - | 241,499 | - |
| <u>-</u> | <u>189,604</u> | <u>241,499</u> | <u>795,919</u> |
| | | | |
| <u>\$ -</u> | <u>\$ 189,986</u> | <u>\$ 249,914</u> | <u>\$ 807,708</u> |

CITY OF PEARLAND, TEXAS
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
September 30, 2013

| | <u>Sidewalk</u> | <u>Grant Fund</u> | <u>Traffic Impact Improvements</u> | <u>Juvenile Management Fund</u> |
|--|-------------------|-------------------|--|---|
| Assets | | | | |
| Cash and cash equivalents | \$ 225,800 | \$ - | \$ 637,094 | \$ 61,822 |
| Receivables (net of allowance for uncollectibles) | - | - | 2,802 | 1,473 |
| Due from other governments | - | 172,146 | - | - |
| Prepaid items | - | - | - | - |
| Total Assets | <u>\$ 225,800</u> | <u>\$ 172,146</u> | <u>\$ 639,896</u> | <u>\$ 63,295</u> |
| Liabilities and Fund Balances | | | | |
| Liabilities: | | | | |
| Accounts payable | \$ - | \$ 7,745 | \$ - | \$ 1,323 |
| Due to other funds | - | 118,097 | - | - |
| Unavailable revenue | - | - | - | 1,473 |
| Total Liabilities | <u>-</u> | <u>125,842</u> | <u>-</u> | <u>2,796</u> |
| Fund Balances: | | | | |
| Non-spendable | - | - | - | - |
| Restricted for: | | | | |
| Community development programs | 225,800 | 46,304 | 639,896 | - |
| Public safety | - | - | - | 60,499 |
| Total Fund Balances | <u>225,800</u> | <u>46,304</u> | <u>639,896</u> | <u>60,499</u> |
| Total Liabilities and Fund Balances | <u>\$ 225,800</u> | <u>\$ 172,146</u> | <u>\$ 639,896</u> | <u>\$ 63,295</u> |

| <u>Educational TV</u> | <u>Street Assessments</u> | <u>U of H Fund</u> | <u>Total</u> |
|---------------------------|-------------------------------|--------------------|---------------------|
| \$ 227,557 | \$ - | \$ 258,622 | \$ 5,290,853 |
| 32,981 | 2,484,917 | 7,541 | 2,854,234 |
| - | - | - | 172,146 |
| - | - | - | 4,162 |
| <u>\$ 260,538</u> | <u>\$ 2,484,917</u> | <u>\$ 266,163</u> | <u>\$ 8,321,395</u> |
| | | | |
| \$ 24 | \$ - | \$ 26,384 | \$ 236,083 |
| - | - | - | 118,097 |
| - | 2,484,917 | - | 2,491,869 |
| <u>24</u> | <u>2,484,917</u> | <u>26,384</u> | <u>2,846,049</u> |
| | | | |
| - | - | - | 4,162 |
| | | | |
| 260,514 | - | 239,779 | 4,756,143 |
| - | - | - | 715,041 |
| <u>260,514</u> | <u>-</u> | <u>239,779</u> | <u>5,475,346</u> |
| | | | |
| <u>\$ 260,538</u> | <u>\$ 2,484,917</u> | <u>\$ 266,163</u> | <u>\$ 8,321,395</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, 2013*

| | <u>Hotel/Motel Tax</u> | <u>Court Security</u> | <u>City-Wide Donations</u> | <u>Court Technology</u> |
|--|----------------------------|---------------------------|--------------------------------|-----------------------------|
| Revenues | | | | |
| Sales and use taxes | \$ 1,150,360 | \$ - | \$ - | \$ - |
| Franchise fees | - | - | - | - |
| Fines and forfeitures | | 59,476 | - | 70,909 |
| Investment earnings | 3,277 | 200 | 118 | 380 |
| Intergovernmental | - | - | - | - |
| Other | - | - | 34,413 | - |
| Total Revenues | <u>1,153,637</u> | <u>59,676</u> | <u>34,531</u> | <u>71,289</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 533,088 | - | - | - |
| Public safety | - | - | 14,558 | - |
| Community services | - | 71,189 | - | 31,149 |
| Parks and recreation | - | - | - | - |
| Capital Outlay | <u>173,226</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Expenditures | <u>706,314</u> | <u>71,189</u> | <u>14,558</u> | <u>31,149</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>447,323</u> | <u>(11,513)</u> | <u>19,973</u> | <u>40,140</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balances | 447,323 | (11,513) | 19,973 | 40,140 |
| Fund balances - beginning | <u>1,823,829</u> | <u>141,121</u> | <u>71,364</u> | <u>243,295</u> |
| Fund balances - ending | <u>\$ 2,271,152</u> | <u>\$ 129,608</u> | <u>\$ 91,337</u> | <u>\$ 283,435</u> |

| Regional Detention | Park Donations | Police Seizure | Parks and Recreation Development |
|-------------------------------|---------------------------|---------------------------|---|
| \$ - | \$ - | \$ - | \$ - |
| - | - | - | - |
| - | - | - | - |
| 12 | 203 | 372 | 1,247 |
| - | - | - | - |
| 10,425 | 163,096 | 43,191 | 243,803 |
| <u>10,437</u> | <u>163,299</u> | <u>43,563</u> | <u>245,050</u> |
| - | - | - | - |
| - | - | 50,639 | - |
| - | - | - | - |
| - | 76,882 | - | 52,441 |
| - | 5,245 | 29,883 | 256,392 |
| <u>-</u> | <u>82,127</u> | <u>80,522</u> | <u>308,833</u> |
| 10,437 | 81,172 | (36,959) | (63,783) |
| - | - | - | - |
| (10,443) | - | - | - |
| <u>(10,443)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| (6) | 81,172 | (36,959) | (63,783) |
| 6 | 108,432 | 278,458 | 859,702 |
| <u>\$ -</u> | <u>\$ 189,604</u> | <u>\$ 241,499</u> | <u>\$ 795,919</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, 2013

| | <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 | - | - | - | 69,603 |
| Investment earnings | 308 | 27 | 1,006 | 70 |
| Intergovernmental | - | 814,545 | - | - |
| Other | 20,129 | 12,292 | 204,689 | - |
| Total Revenues | <u>20,437</u> | <u>826,864</u> | <u>205,695</u> | <u>69,673</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | 57,282 | - | - |
| Community services | - | 93,441 | - | 44,081 |
| Parks and recreation | - | 3,741 | - | - |
| Capital Outlay | - | 15,659 | - | - |
| Total Expenditures | <u>-</u> | <u>170,123</u> | <u>-</u> | <u>44,081</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>20,437</u> | <u>656,741</u> | <u>205,695</u> | <u>25,592</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | 20,748 | - | - |
| Transfers out | - | (659,196) | (157,907) | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>(638,448)</u> | <u>(157,907)</u> | <u>-</u> |
| Net change in fund balances | 20,437 | 18,293 | 47,788 | 25,592 |
| Fund balances - beginning | <u>205,363</u> | <u>28,011</u> | <u>592,108</u> | <u>34,907</u> |
| Fund balances - ending | <u>\$ 225,800</u> | <u>\$ 46,304</u> | <u>\$ 639,896</u> | <u>\$ 60,499</u> |

| <u>Educational TV</u> | <u>Street Assessments</u> | <u>U of H Fund</u> | <u>Total</u> |
|---------------------------|-------------------------------|--------------------|---------------------|
| \$ - | \$ - | \$ - | \$ 1,150,360 |
| 240,378 | - | - | 240,378 |
| - | - | - | 199,988 |
| 204 | - | 61 | 7,485 |
| - | - | 186,970 | 1,001,515 |
| - | - | 338,511 | 1,070,549 |
| <u>240,582</u> | <u>-</u> | <u>525,542</u> | <u>3,670,275</u> |
| - | - | 316,828 | 849,916 |
| - | - | - | 122,479 |
| 19,881 | - | - | 259,741 |
| - | - | - | 133,064 |
| <u>44,813</u> | <u>-</u> | <u>-</u> | <u>525,218</u> |
| <u>64,694</u> | <u>-</u> | <u>316,828</u> | <u>1,890,418</u> |
| <u>175,888</u> | <u>-</u> | <u>208,714</u> | <u>1,779,857</u> |
| - | - | - | 20,748 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(827,546)</u> |
| - | - | - | (806,798) |
| <u>175,888</u> | <u>-</u> | <u>208,714</u> | <u>973,059</u> |
| <u>84,626</u> | <u>-</u> | <u>31,065</u> | <u>4,502,287</u> |
| <u>\$ 260,514</u> | <u>\$ -</u> | <u>\$ 239,779</u> | <u>\$ 5,475,346</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, 2013
with comparative actual totals for the year ended September 30, 2012

| | 2013 | | Variance Positive/ (Negative) | 2012 |
|---|---------------------|---------------------|--|---------------------|
| | Final Budget | Actual | | |
| Revenues | | | | |
| Property taxes | \$ 25,546,545 | \$ 25,898,494 | \$ 351,949 | \$ 23,500,454 |
| Investment earnings | 23,595 | 19,296 | (4,299) | 9,784 |
| Miscellaneous | 1,949,966 | 1,946,973 | (2,993) | 796,087 |
| Total Revenues | 27,520,106 | 27,864,763 | 344,657 | 24,306,325 |
| Expenditures | | | | |
| Debt Service: | | | | |
| Principal | 11,950,486 | 11,950,504 | (18) | 9,373,377 |
| Interest | 12,630,564 | 12,630,436 | 128 | 12,400,810 |
| Other | 44,580 | 37,525 | 7,055 | - |
| Intergovernmental | 4,057,682 | 4,057,682 | - | 3,992,293 |
| Total Expenditures | 28,683,312 | 28,676,147 | 7,165 | 25,766,480 |
| Revenues over (under) expenditures | (1,163,206) | (811,384) | 351,822 | (1,460,155) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from long-term debt | - | - | - | 49,805,000 |
| Premium on general obligation debt | - | - | - | 3,808,801 |
| Payments to refunding escrow agent | - | - | - | (54,478,177) |
| Transfers in | 461,726 | 461,726 | - | 2,157,471 |
| Total Other Financing Sources (Uses) | 461,726 | 461,726 | - | 1,293,095 |
| Net change in fund balances | (701,480) | (349,658) | 351,822 | (167,060) |
| Fund balances - beginning | 4,992,479 | 4,992,479 | - | 5,159,539 |
| Fund balances - ending | \$ 4,290,999 | \$ 4,642,821 | \$ 351,822 | \$ 4,992,479 |

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, 2013**with comparative actual totals for the year ended September 30, 2012*

| | 2013 | | | |
|------------------------------------|---------------------|---------------------|--|---------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Hotel occupancy tax | \$ 1,056,209 | \$ 1,150,360 | \$ 94,151 | \$ 816,640 |
| Investment earnings | 2,808 | 3,277 | 469 | 1,471 |
| Misc | 77,000 | - | (77,000) | - |
| Total Revenues | 1,136,017 | 1,153,637 | 17,620 | 818,111 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 614,812 | 533,088 | 81,724 | 449,174 |
| Capital outlay | 216,547 | 173,226 | 43,321 | - |
| Total Expenditures | 831,359 | 706,314 | 125,045 | 449,174 |
| Revenues over (under) expenditures | 304,658 | 447,323 | 142,665 | 368,937 |
| Net change in fund balances | 304,658 | 447,323 | 142,665 | 368,937 |
| Fund balances - beginning | 1,823,829 | 1,823,829 | - | 1,454,892 |
| Fund balances - ending | \$ 2,128,487 | \$ 2,271,152 | \$ 142,665 | \$ 1,823,829 |

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, 2013
with comparative actual totals for the year ended September 30, 2012

| | 2013 | | Variance Positive/ (Negative) | 2012 |
|------------------------------------|--------------------------|--------------------------|--|--------------------------|
| | Final Budget | Actual | | |
| Revenues | | | | |
| Fines and forfeitures | \$ 62,950 | \$ 59,476 | \$ (3,474) | \$ 62,493 |
| Investment earnings | 205 | 200 | (5) | 113 |
| Total Revenues | <u>63,155</u> | <u>59,676</u> | <u>(3,479)</u> | <u>62,606</u> |
| Expenditures | | | | |
| Current: | | | | |
| Community services | 73,850 | 71,189 | 2,661 | 61,525 |
| Total Expenditures | <u>73,850</u> | <u>71,189</u> | <u>2,661</u> | <u>61,525</u> |
| Revenues over (under) expenditures | <u>(10,695)</u> | <u>(11,513)</u> | <u>(818)</u> | <u>1,081</u> |
| Net change in fund balances | (10,695) | (11,513) | (818) | 1,081 |
| Fund balances - beginning | <u>141,121</u> | <u>141,121</u> | <u>-</u> | <u>140,040</u> |
| Fund balances - ending | <u><u>\$ 130,426</u></u> | <u><u>\$ 129,608</u></u> | <u><u>\$ (818)</u></u> | <u><u>\$ 141,121</u></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, 2013**with comparative actual totals for the year ended September 30, 2012*

| | 2013 | | | |
|------------------------------------|---------------------|------------------|--|------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Investment earnings | \$ 106 | \$ 118 | \$ 12 | \$ 51 |
| Other income | 30,560 | 34,413 | 3,853 | 33,179 |
| Total Revenues | 30,666 | 34,531 | 3,865 | 33,230 |
| Expenditures | | | | |
| Current: | | | | |
| Public safety | 17,098 | 14,558 | 2,540 | 14,937 |
| Community services | 6,500 | - | 6,500 | 7,697 |
| Total Expenditures | 23,598 | 14,558 | 9,040 | 22,634 |
| Revenues over (under) expenditures | 7,068 | 19,973 | 12,905 | 10,596 |
| Net change in fund balances | 7,068 | 19,973 | 12,905 | 10,596 |
| Fund balances - beginning | 71,364 | 71,364 | - | 60,768 |
| Fund balances - ending | \$ 78,432 | \$ 91,337 | \$ 12,905 | \$ 71,364 |

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, 2013**with comparative actual totals for the year ended September 30, 2012*

| | 2013 | | | |
|------------------------------------|---------------------|-------------------|--|-------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Fines and forfeitures | \$ 74,600 | \$ 70,909 | (3,691) | \$ 74,945 |
| Investment earnings | 352 | 380 | 28 | 180 |
| Total Revenues | 74,952 | 71,289 | (3,663) | 75,125 |
| Expenditures | | | | |
| Current: | | | | |
| Community services | 50,456 | 31,149 | 19,307 | 41,268 |
| Capital outlay | 262,676 | - | 262,676 | - |
| Total Expenditures | 313,132 | 31,149 | 281,983 | 41,268 |
| Revenues over (under) expenditures | (238,180) | 40,140 | 278,320 | 33,857 |
| Net change in fund balances | (238,180) | 40,140 | 278,320 | 33,857 |
| Fund balances - beginning | 243,295 | 243,295 | - | 209,438 |
| Fund balances - ending | \$ 5,115 | \$ 283,435 | \$ 278,320 | \$ 243,295 |

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, 2013

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

| | 2013 | | | |
|---------------------------------------|---------------------|---------------|--|---------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Investment earnings | \$ 12 | \$ 12 | \$ - | \$ 6 |
| Other Income | 10,425 | 10,425 | - | 24,750 |
| Total Revenues | 10,437 | 10,437 | - | 24,756 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (10,443) | (10,443) | - | (24,750) |
| Net change in fund balances | (6) | (6) | - | 6 |
| Fund balances - beginning | 6 | 6 | - | - |
| Fund balances - ending | \$ - | \$ - | \$ - | \$ 6 |

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, 2013**with comparative actual totals for the year ended September 30, 2012*

| | <u>Final Budget</u> | <u>Actual</u> | <u>Variance Positive/ (Negative)</u> | <u>2012</u> |
|------------------------------------|---------------------|-------------------|--|-------------------|
| Revenues | | | | |
| Investment earnings | \$ 151 | \$ 203 | \$ 52 | \$ 74 |
| Other | 95,095 | 163,096 | 68,001 | 84,559 |
| Total Revenues | <u>95,246</u> | <u>163,299</u> | <u>68,053</u> | <u>84,633</u> |
| Expenditures | | | | |
| Current: | | | | |
| Parks and recreation | 87,500 | 76,882 | 10,618 | 65,149 |
| Capital outlay | - | 5,245 | (5,245) | - |
| Total Expenditures | <u>87,500</u> | <u>82,127</u> | <u>5,373</u> | <u>65,149</u> |
| Revenues over (under) expenditures | <u>7,746</u> | <u>81,172</u> | <u>73,426</u> | <u>19,484</u> |
| Net change in fund balances | 7,746 | 81,172 | 73,426 | 19,484 |
| Fund balances - beginning | <u>108,432</u> | <u>108,432</u> | <u>-</u> | <u>88,948</u> |
| Fund balances - ending | <u>\$ 116,178</u> | <u>\$ 189,604</u> | <u>\$ 73,426</u> | <u>\$ 108,432</u> |

CITY OF PEARLAND, TEXAS
SPECIAL REVENUE FUND – POLICE SEIZURE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
For the Year Ended September 30, 2013
with comparative actual totals for the year ended September 30, 2012

| | 2013 | | | 2012 |
|------------------------------------|---------------------|-------------------|--|-------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | |
| Revenues | | | | |
| Investment earnings | \$ 357 | \$ 372 | \$ 15 | \$ 209 |
| Other | 30,123 | 43,191 | 13,068 | 178,773 |
| Total Revenues | <u>30,480</u> | <u>43,563</u> | <u>13,083</u> | <u>178,982</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public safety | 77,135 | 50,639 | 26,496 | 59,789 |
| Capital outlay | 52,883 | 29,883 | 23,000 | 8,085 |
| Total Expenditures | <u>130,018</u> | <u>80,522</u> | <u>49,496</u> | <u>67,874</u> |
| Revenues over (under) expenditures | <u>(99,538)</u> | <u>(36,959)</u> | <u>62,579</u> | <u>111,108</u> |
| Net change in fund balances | (99,538) | (36,959) | 62,579 | 111,108 |
| Fund balances - beginning | <u>278,458</u> | <u>278,458</u> | <u>-</u> | <u>167,350</u> |
| Fund balances - ending | <u>\$ 178,920</u> | <u>\$ 241,499</u> | <u>\$ 62,579</u> | <u>\$ 278,458</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, 2013
with comparative actual totals for the year ended September 30, 2012

| | 2013 | | | 2012 |
|---------------------------------------|---------------------|-------------------|--|-------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | |
| Revenues | | | | |
| Investment earnings | \$ 1,105 | \$ 1,247 | \$ 142 | \$ 1,054 |
| Other | 75,996 | 243,803 | 167,807 | 65,308 |
| Total Revenues | <u>77,101</u> | <u>245,050</u> | <u>167,949</u> | <u>66,362</u> |
| Expenditures | | | | |
| Current: | | | | |
| Parks and recreation | 136,365 | 52,441 | 83,924 | - |
| Capital outlay | 261,677 | 256,392 | 5,285 | 232,935 |
| Total Expenditures | <u>398,042</u> | <u>308,833</u> | <u>89,209</u> | <u>232,935</u> |
| Revenues over (under) expenditures | <u>(320,941)</u> | <u>(63,783)</u> | <u>257,158</u> | <u>(166,573)</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | - | (27,280) |
| Net change in fund balances | (320,941) | (63,783) | 257,158 | (193,853) |
| Fund balances - beginning | <u>859,702</u> | <u>859,702</u> | <u>-</u> | <u>1,053,555</u> |
| Fund balances - ending | <u>\$ 538,761</u> | <u>\$ 795,919</u> | <u>\$ 257,158</u> | <u>\$ 859,702</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, 2013
with comparative actual totals for the year ended September 30, 2012

| | 2013 | | | 2012 |
|---------------------------------------|---------------------|-------------------|--|-------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | |
| Revenues | | | | |
| Investment earnings | \$ 295 | \$ 308 | \$ 13 | \$ 167 |
| Other | 5,000 | 20,129 | 15,129 | - |
| Total Revenues | 5,295 | 20,437 | 15,142 | 167 |
| Expenditures | | | | |
| Current: | | | | |
| Public works | - | - | - | 1,980 |
| Total Expenditures | - | - | - | 1,980 |
| Revenues over (under) expenditures | 5,295 | 20,437 | 15,142 | (1,813) |
| Other Financing Sources (Uses) | | | | |
| Transfers out | - | - | - | (12,072) |
| Net change in fund balances | 5,295 | 20,437 | 15,142 | (13,885) |
| Fund balances - beginning | 205,363 | 205,363 | - | 219,248 |
| Fund balances - ending | \$ 210,658 | \$ 225,800 | \$ 15,142 | \$ 205,363 |

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, 2013

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

| | 2013 | | Variance Positive/ (Negative) | 2012 |
|---------------------------------------|---------------------|------------------|--|------------------|
| | Final Budget | Actual | | |
| Revenues | | | | |
| Investment earnings | \$ 3 | \$ 27 | \$ 24 | \$ - |
| Intergovernmental | 1,475,001 | 814,545 | (660,456) | 1,236,626 |
| Other | 4,000 | 12,292 | 8,292 | 5,000 |
| Total Revenues | 1,479,004 | 826,864 | (652,140) | 1,241,626 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | 100,786 | 57,282 | 43,504 | 119,246 |
| Public works | - | - | - | 26,156 |
| Community service | 126,498 | 93,441 | 33,057 | 198,688 |
| Parks and recreation | 7,741 | 3,741 | 4,000 | 208,059 |
| Capital outlay | 200,341 | 15,659 | 184,682 | 131,191 |
| Total Expenditures | 435,366 | 170,123 | 265,243 | 683,340 |
| Revenues over (under) expenditures | 1,043,638 | 656,741 | (386,897) | 558,286 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 14,710 | 20,748 | 6,038 | - |
| Transfers out | (1,058,191) | (659,196) | 398,995 | (557,940) |
| Net change in fund balances | 157 | 18,293 | 18,136 | 346 |
| Fund balances - beginning | 28,011 | 28,011 | - | 27,665 |
| Fund balances - ending | \$ 28,168 | \$ 46,304 | \$ 18,136 | \$ 28,011 |

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, 2013

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

| | 2013 | | Variance | |
|---------------------------------------|---------------------|-------------------|---------------------------------|-------------------|
| | Final Budget | Actual | Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Investment earnings | \$ 984 | \$ 1,006 | \$ 22 | \$ 704 |
| Other | 230,789 | 204,689 | (26,100) | - |
| Total Revenues | 231,773 | 205,695 | (26,078) | 704 |
| Other Financing Sources (Uses) | | | | |
| Transfers out | (157,907) | (157,907) | - | - |
| Net change in fund balances | 73,866 | 47,788 | (26,078) | 704 |
| Fund balances - beginning | 592,108 | 592,108 | - | 591,404 |
| Fund balances - ending | \$ 665,974 | \$ 639,896 | \$ (26,078) | \$ 592,108 |

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, 2013

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

| | 2013 | | Variance | |
|------------------------------------|---------------------|------------------|---------------------------------|------------------|
| | Final Budget | Actual | Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Fines and fees | \$ 74,600 | \$ 69,603 | \$ (4,997) | \$ 72,529 |
| Investment earnings | 64 | 70 | 6 | 25 |
| Total Revenues | 74,664 | 69,673 | (4,991) | 72,554 |
| Expenditures | | | | |
| Current: | | | | |
| Community services | 46,693 | 44,081 | 2,612 | 57,048 |
| Total Expenditures | 46,693 | 44,081 | 2,612 | 57,048 |
| Revenues over (under) expenditures | 27,971 | 25,592 | (2,379) | 15,506 |
| Net change in fund balances | 27,971 | 25,592 | (2,379) | 15,506 |
| Fund balances - beginning | 34,907 | 34,907 | - | 19,401 |
| Fund balances - ending | \$ 62,878 | \$ 60,499 | \$ (2,379) | \$ 34,907 |

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, 2013**with comparative actual totals for the year ended September 30, 2012*

| | 2013 | | Variance | |
|------------------------------------|---------------------|-------------------|---------------------------------|------------------|
| | Final Budget | Actual | Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Franchise taxes | \$ 243,996 | \$ 240,378 | \$ (3,618) | \$ 146,988 |
| Investment earnings | 150 | 204 | 54 | 20 |
| Total Revenues | <u>244,146</u> | <u>240,582</u> | <u>(3,564)</u> | <u>147,008</u> |
| Expenditures | | | | |
| Current: | | | | |
| Community services | 24,858 | 19,881 | 4,977 | 18,036 |
| Capital outlay | 47,151 | 44,813 | 2,338 | 44,346 |
| Total Expenditures | <u>72,009</u> | <u>64,694</u> | <u>7,315</u> | <u>62,382</u> |
| Revenues over (under) expenditures | <u>172,137</u> | <u>175,888</u> | <u>3,751</u> | <u>84,626</u> |
| Net change in fund balances | 172,137 | 175,888 | 3,751 | 84,626 |
| Fund balances - beginning | <u>84,626</u> | <u>84,626</u> | <u>-</u> | <u>-</u> |
| Fund balances - ending | <u>\$ 256,763</u> | <u>\$ 260,514</u> | <u>\$ 3,751</u> | <u>\$ 84,626</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, 2013**with comparative actual totals for the year ended September 30, 2012*

| | 2013 | | | |
|------------------------------------|---------------------|-------------------|--|------------------|
| | Final Budget | Actual | Variance Positive/ (Negative) | 2012 |
| Revenues | | | | |
| Investment earnings | \$ 50 | \$ 61 | \$ 11 | \$ 57 |
| Intergovernmental | 187,211 | 186,970 | (241) | 182,860 |
| Other | 344,195 | 338,511 | (5,684) | 64,231 |
| Total Revenues | 531,456 | 525,542 | (5,914) | 247,148 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 322,771 | 316,828 | 5,943 | 217,346 |
| Total Expenditures | 322,771 | 316,828 | 5,943 | 217,346 |
| Revenues over (under) expenditures | 208,685 | 208,714 | 29 | 29,802 |
| Net change in fund balances | 208,685 | 208,714 | 29 | 29,802 |
| Fund balances - beginning | 31,065 | 31,065 | - | 1,263 |
| Fund balances - ending | \$ 239,750 | \$ 239,779 | \$ 29 | \$ 31,065 |

Long-Term Debt Amortization Schedules

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENT ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | Certificates of Obligation, Series 2003 | | | Certificates of Obligation, Series 2004 | | |
|--------------------|--|------------------|---------------------|--|------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 1,035,000</u> | <u>\$ 18,630</u> | <u>\$ 1,053,630</u> | <u>\$ 1,420,000</u> | <u>\$ 56,800</u> | <u>\$ 1,476,800</u> |

| Fiscal Year | Permanent Improvement & Refunding Bonds, Series 2005 | | | Certificates of Obligation, Series 2006 | | |
|-------------|---|---------------------|----------------------|--|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 1,930,000 | \$ 925,414 | \$ 2,855,414 | \$ 355,000 | \$ 393,557 | \$ 748,557 |
| 2015 | 2,010,000 | 836,564 | 2,846,564 | 370,000 | 371,354 | 741,354 |
| 2016 | 2,115,000 | 733,439 | 2,848,439 | 395,000 | 349,654 | 744,654 |
| 2017 | 865,000 | 663,264 | 1,528,264 | 405,000 | 330,932 | 735,932 |
| 2018 | 995,000 | 626,064 | 1,621,064 | 405,000 | 314,074 | 719,074 |
| 2019 | 380,000 | 598,374 | 978,374 | 505,000 | 294,838 | 799,838 |
| 2020 | 385,000 | 582,643 | 967,643 | 470,000 | 274,001 | 744,001 |
| 2021 | 395,000 | 566,408 | 961,408 | 500,000 | 253,146 | 753,146 |
| 2022 | 405,000 | 549,506 | 954,506 | 525,000 | 230,912 | 755,912 |
| 2023 | 875,000 | 522,088 | 1,397,088 | 555,000 | 207,218 | 762,218 |
| 2024 | 1,185,000 | 473,650 | 1,658,650 | 585,000 | 181,991 | 766,991 |
| 2025 | 1,245,000 | 412,900 | 1,657,900 | 605,000 | 155,363 | 760,363 |
| 2026 | 1,310,000 | 349,025 | 1,659,025 | 730,000 | 125,325 | 855,325 |
| 2027 | 3,045,000 | 247,763 | 3,292,763 | 765,000 | 91,688 | 856,688 |
| 2028 | 1,810,000 | 134,000 | 1,944,000 | 805,000 | 56,363 | 861,363 |
| 2029 | 1,775,000 | 44,375 | 1,819,375 | 850,000 | 19,125 | 869,125 |
| 2030 | - | - | - | - | - | - |
| 2031 | - | - | - | - | - | - |
| 2032 | - | - | - | - | - | - |
| 2033 | - | - | - | - | - | - |
| 2034 | - | - | - | - | - | - |
| 2035 | - | - | - | - | - | - |
| 2036 | - | - | - | - | - | - |
| | <u>\$ 20,725,000</u> | <u>\$ 8,265,477</u> | <u>\$ 28,990,477</u> | <u>\$ 8,825,000</u> | <u>\$ 3,649,541</u> | <u>\$ 12,474,541</u> |

| Fiscal Year | BCMUD #1 Bonds, Series 2007 | | |
|-------------|--------------------------------|-------------------|---------------------|
| | Principal | Interest | Total |
| 2014 | \$ 65,000 | \$ 75,585 | \$ 140,585 |
| 2015 | 70,000 | 73,082 | 143,082 |
| 2016 | 75,000 | 70,353 | 145,353 |
| 2017 | 75,000 | 67,428 | 142,428 |
| 2018 | 80,000 | 64,428 | 144,428 |
| 2019 | 85,000 | 61,228 | 146,228 |
| 2020 | 90,000 | 57,827 | 147,827 |
| 2021 | 95,000 | 54,228 | 149,228 |
| 2022 | 100,000 | 50,333 | 150,333 |
| 2023 | 110,000 | 46,232 | 156,232 |
| 2024 | 115,000 | 41,612 | 156,612 |
| 2025 | 120,000 | 36,782 | 156,782 |
| 2026 | 130,000 | 31,622 | 161,622 |
| 2027 | 135,000 | 26,033 | 161,033 |
| 2028 | 145,000 | 20,227 | 165,227 |
| 2029 | 155,000 | 13,920 | 168,920 |
| 2030 | 165,000 | 7,178 | 172,178 |
| 2031 | - | - | - |
| 2032 | - | - | - |
| 2033 | - | - | - |
| 2034 | - | - | - |
| 2035 | - | - | - |
| 2036 | - | - | - |
| | <u>\$ 1,810,000</u> | <u>\$ 798,098</u> | <u>\$ 2,608,098</u> |

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENT ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | Permanent Improvement and Refunding Bonds, Series 2006 | | | Certificates of Obligation, Series 2007 | | |
|-------------|---|----------------------|----------------------|--|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 30,860,000</u> | <u>\$ 16,903,828</u> | <u>\$ 47,763,828</u> | <u>\$ 22,450,000</u> | <u>\$ 11,023,062</u> | <u>\$ 33,473,062</u> |

| Fiscal Year | Permanent Improvement and Refunding Bonds, Series 2007 | | | Certificates of Obligation, Series 2009 | | |
|-------------|---|----------------------|----------------------|--|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 66,625,000</u> | <u>\$ 29,048,749</u> | <u>\$ 95,673,749</u> | <u>\$ 7,835,000</u> | <u>\$ 4,583,758</u> | <u>\$ 12,418,758</u> |

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENT ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | Certificates of Obligation, Series 2008 | | | Permanent Improvement Bonds, Series 2008 | | |
|-------------|--|---------------------|----------------------|---|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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 | 360,710 | 555,710 | 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>\$ 8,480,000</u> | <u>\$ 5,852,553</u> | <u>\$ 14,332,553</u> | <u>\$ 21,695,000</u> | <u>\$ 15,094,671</u> | <u>\$ 36,789,671</u> |

| Fiscal Year | Certificates of Obligation, Series 2009A | | | Permanent Improvement Bonds, Series 2010A | | |
|-------------|---|---------------------|----------------------|--|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 10,225,000</u> | <u>\$ 3,114,381</u> | <u>\$ 13,339,381</u> | <u>\$ 11,350,000</u> | <u>\$ 5,534,195</u> | <u>\$ 16,884,195</u> |

| Fiscal Year | Permanent Improvement & Refund Bonds, Series 2009 | | |
|-------------|--|---------------------|----------------------|
| | Principal | Interest | Total |
| 2014 | \$ 390,000 | \$ 641,568 | \$ 1,031,568 |
| 2015 | 405,000 | 626,568 | 1,031,568 |
| 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 | 538,863 | 1,153,863 |
| 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 | 135,000 | 95,875 | 230,875 |
| 2034 | 1,300,000 | 32,500 | 1,332,500 |
| 2035 | - | - | - |
| 2036 | - | - | - |
| | <u>\$ 14,275,000</u> | <u>\$ 8,593,527</u> | <u>\$ 22,868,527</u> |

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENT ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | Permanent Improvement Refunding Bonds, Series 2010B | | | Permanent Improvement Refunding Bonds, Series 2012 | | |
|-------------|--|------------------|---------------------|---|----------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 1,000,000</u> | <u>\$ 68,800</u> | <u>\$ 1,068,800</u> | <u>\$ 43,575,000</u> | <u>\$ 14,084,375</u> | <u>\$ 57,659,375</u> |

| Fiscal Year | Permanent Improvement Bonds, Series 2011 | | | Certificates of Obligation, Series 2011 | | |
|-------------|---|---------------------|---------------------|--|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 5,200,000</u> | <u>\$ 2,631,201</u> | <u>\$ 7,831,201</u> | <u>\$ 1,675,000</u> | <u>\$ 140,084</u> | <u>\$ 1,815,084</u> |

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENT ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | BCMUD #4 Bonds, Series 2011 | | | Permanent Improvement Bonds, Series 2013 | | |
|-------------|--------------------------------|---------------------|---------------------|---|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 130,000 | \$ 97,550 | \$ 227,550 | \$ 275,000 | \$ 411,461 | \$ 686,461 |
| 2015 | 130,000 | 94,300 | 224,300 | 295,000 | 370,943 | 665,943 |
| 2016 | 130,000 | 90,887 | 220,887 | 295,000 | 362,093 | 657,093 |
| 2017 | 130,000 | 87,313 | 217,313 | 305,000 | 351,568 | 656,568 |
| 2018 | 130,000 | 83,575 | 213,575 | 305,000 | 339,368 | 644,368 |
| 2019 | 130,000 | 79,350 | 209,350 | 320,000 | 326,868 | 646,868 |
| 2020 | 130,000 | 74,800 | 204,800 | 320,000 | 314,068 | 634,068 |
| 2021 | 130,000 | 69,925 | 199,925 | 330,000 | 301,068 | 631,068 |
| 2022 | 130,000 | 64,725 | 194,725 | 330,000 | 287,868 | 617,868 |
| 2023 | 130,000 | 59,444 | 189,444 | 340,000 | 274,468 | 614,468 |
| 2024 | 130,000 | 54,081 | 184,081 | 350,000 | 260,668 | 610,668 |
| 2025 | 130,000 | 48,475 | 178,475 | 360,000 | 246,468 | 606,468 |
| 2026 | 130,000 | 42,625 | 172,625 | 370,000 | 231,868 | 601,868 |
| 2027 | 130,000 | 36,645 | 166,645 | 370,000 | 217,068 | 587,068 |
| 2028 | 130,000 | 30,535 | 160,535 | 380,000 | 202,068 | 582,068 |
| 2029 | 130,000 | 24,360 | 154,360 | 390,000 | 186,424 | 576,424 |
| 2030 | 130,000 | 18,120 | 148,120 | 400,000 | 169,880 | 569,880 |
| 2031 | 130,000 | 11,750 | 141,750 | 410,000 | 152,411 | 562,411 |
| 2032 | 170,000 | 4,250 | 174,250 | 420,000 | 134,203 | 554,203 |
| 2033 | - | - | - | 430,000 | 115,288 | 545,288 |
| 2034 | - | - | - | 440,000 | 95,713 | 535,713 |
| 2035 | - | - | - | 450,000 | 75,688 | 525,688 |
| 2036 | - | - | - | 460,000 | 55,213 | 515,213 |
| 2037 | - | - | - | 480,000 | 33,763 | 513,763 |
| 2038 | - | - | - | 490,000 | 11,331 | 501,331 |
| | <u>\$ 2,510,000</u> | <u>\$ 1,072,710</u> | <u>\$ 3,582,710</u> | <u>\$ 9,315,000</u> | <u>\$ 5,527,827</u> | <u>\$ 14,842,827</u> |

| Certificates of Obligation, Series 2013 | | | |
|--|---------------------|---------------------|---------------------|
| Fiscal Year | Principal | Interest | Total |
| 2014 | \$ 75,000 | \$ 124,691 | \$ 199,691 |
| 2015 | 85,000 | 112,613 | 197,613 |
| 2016 | 85,000 | 110,063 | 195,063 |
| 2017 | 85,000 | 107,513 | 192,513 |
| 2018 | 85,000 | 104,963 | 189,963 |
| 2019 | 90,000 | 102,338 | 192,338 |
| 2020 | 100,000 | 98,988 | 198,988 |
| 2021 | 100,000 | 94,488 | 194,488 |
| 2022 | 100,000 | 89,488 | 189,488 |
| 2023 | 100,000 | 84,488 | 184,488 |
| 2024 | 100,000 | 79,488 | 179,488 |
| 2025 | 110,000 | 74,238 | 184,238 |
| 2026 | 110,000 | 69,288 | 179,288 |
| 2027 | 110,000 | 64,888 | 174,888 |
| 2028 | 110,000 | 60,488 | 170,488 |
| 2029 | 120,000 | 55,738 | 175,738 |
| 2030 | 120,000 | 50,563 | 170,563 |
| 2031 | 120,000 | 45,313 | 165,313 |
| 2032 | 120,000 | 40,063 | 160,063 |
| 2033 | 130,000 | 34,513 | 164,513 |
| 2034 | 130,000 | 28,663 | 158,663 |
| 2035 | 130,000 | 22,813 | 152,813 |
| 2036 | 140,000 | 16,650 | 156,650 |
| 2037 | 140,000 | 10,175 | 150,175 |
| 2038 | 150,000 | 3,469 | 153,469 |
| | <u>\$ 2,745,000</u> | <u>\$ 1,685,983</u> | <u>\$ 4,430,983</u> |

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF GOVERNMENT ACTIVITY LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | Sales Tax Revenue and Refunding Bonds, Series 2005 | | | Sales Tax Revenue Bonds, Series 2006 | | |
|-------------|---|---------------------|---------------------|---|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| | 2014 | \$ 445,000 | \$ 323,738 | \$ 768,738 | \$ 215,000 | \$ 433,669 |
| 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>\$ 7,540,000</u> | <u>\$ 2,427,343</u> | <u>\$ 9,967,343</u> | <u>\$ 9,075,000</u> | <u>\$ 5,311,837</u> | <u>\$ 14,386,837</u> |

| Fiscal Year | Sales Tax Revenue Bonds, Series 2010 | | |
|-------------|---|---------------------|----------------------|
| | Principal | Interest | Total |
| 2014 | \$ 260,000 | \$ 353,108 | \$ 613,108 |
| 2015 | 275,000 | 339,983 | 614,983 |
| 2016 | 290,000 | 326,101 | 616,101 |
| 2017 | 300,000 | 311,462 | 611,462 |
| 2018 | 320,000 | 296,318 | 616,318 |
| 2019 | 340,000 | 280,164 | 620,164 |
| 2020 | 355,000 | 263,001 | 618,001 |
| 2021 | 375,000 | 245,080 | 620,080 |
| 2022 | 400,000 | 226,150 | 626,150 |
| 2023 | 420,000 | 205,958 | 625,958 |
| 2024 | 440,000 | 184,757 | 624,757 |
| 2025 | 465,000 | 162,546 | 627,546 |
| 2026 | 495,000 | 139,072 | 634,072 |
| 2027 | 525,000 | 114,085 | 639,085 |
| 2028 | 550,000 | 87,583 | 637,583 |
| 2029 | 575,000 | 59,819 | 634,819 |
| 2030 | 610,000 | 30,793 | 640,793 |
| | <u>\$ 6,995,000</u> | <u>\$ 3,625,980</u> | <u>\$ 10,620,980</u> |

**Tax Increment Contract Revenue and Refunding Bonds,
Series 2012**

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|----------------------|----------------------|----------------------|
| 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>\$ 51,515,000</u> | <u>\$ 13,966,198</u> | <u>\$ 65,481,198</u> |

CITY OF PEARLAND, TEXAS
COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT
BY MATURITY DATE
September 30, 2013

| Fiscal Year | Water & Sewer System Revenue Bonds, Series 1999 | | | Water & Sewer System Revenue Bonds, Series 2003 | | |
|-------------|--|-------------------|---------------------|--|------------------|-------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 2,710,000</u> | <u>\$ 625,600</u> | <u>\$ 3,335,600</u> | <u>\$ 340,000</u> | <u>\$ 13,600</u> | <u>\$ 353,600</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 |
| 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>\$ 10,850,000</u> | <u>\$ 6,689,223</u> | <u>\$ 17,539,223</u> | <u>\$ 36,625,000</u> | <u>\$ 19,348,528</u> | <u>\$ 55,973,528</u> |

| Fiscal Year | Water & Sewer System Revenue Bonds, Series 2008 | | | Water & Sewer System Revenue Bonds, Series 2009 | | |
|-------------|--|---------------------|----------------------|--|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 13,945,000</u> | <u>\$ 9,687,770</u> | <u>\$ 23,632,770</u> | <u>\$ 11,720,000</u> | <u>\$ 7,556,701</u> | <u>\$ 19,276,701</u> |

| Fiscal Year | PIB Refunding Portion Series 2009 | | | PIB Refunding Portion Series 2012 - W & S Portion | | |
|-------------|--------------------------------------|-------------------|---------------------|--|---------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 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>\$ 7,790,000</u> | <u>\$ 932,826</u> | <u>\$ 8,722,826</u> | <u>\$ 6,230,000</u> | <u>\$ 1,877,100</u> | <u>\$ 8,107,100</u> |

CITY OF PEARLAND, TEXAS

COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT

BY MATURITY DATE

September 30, 2013

| Fiscal Year | Water & Sewer System Revenue Bonds, Series 2010A | | | Water & Sewer System Refunding Bonds, Series 2010B | | |
|-------------|---|---------------------|----------------------|---|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2014 | \$ 395,000 | \$ 506,481 | \$ 901,481 | \$ 350,000 | \$ 296,544 | \$ 646,544 |
| 2015 | 405,000 | 498,581 | 903,581 | 355,000 | 289,544 | 644,544 |
| 2016 | 410,000 | 490,481 | 900,481 | 370,000 | 282,444 | 652,444 |
| 2017 | 425,000 | 480,231 | 905,231 | 385,000 | 273,194 | 658,194 |
| 2018 | 440,000 | 467,481 | 907,481 | 405,000 | 261,644 | 666,644 |
| 2019 | 455,000 | 453,731 | 908,731 | 425,000 | 248,988 | 673,988 |
| 2020 | 475,000 | 438,944 | 913,944 | 445,000 | 235,175 | 680,175 |
| 2021 | 495,000 | 422,318 | 917,318 | 1,750,000 | 219,600 | 1,969,600 |
| 2022 | 515,000 | 402,519 | 917,519 | 1,830,000 | 149,600 | 1,979,600 |
| 2023 | 535,000 | 381,919 | 916,919 | 1,910,000 | 76,400 | 1,986,400 |
| 2024 | 555,000 | 360,519 | 915,519 | - | - | - |
| 2025 | 580,000 | 338,318 | 918,318 | - | - | - |
| 2026 | 600,000 | 315,118 | 915,118 | - | - | - |
| 2027 | 625,000 | 291,118 | 916,118 | - | - | - |
| 2028 | 650,000 | 265,337 | 915,337 | - | - | - |
| 2029 | 680,000 | 237,713 | 917,713 | - | - | - |
| 2030 | 710,000 | 208,813 | 918,813 | - | - | - |
| 2031 | - | 177,750 | 177,750 | - | - | - |
| 2032 | - | 144,450 | 144,450 | - | - | - |
| 2033 | - | 110,475 | 110,475 | - | - | - |
| 2034 | - | 75,150 | 75,150 | - | - | - |
| 2035 | 3,950,000 | 38,025 | 3,988,025 | - | - | - |
| 2036 | - | - | - | - | - | - |
| 2037 | - | - | - | - | - | - |
| | <u>\$ 12,900,000</u> | <u>\$ 7,105,472</u> | <u>\$ 20,005,472</u> | <u>\$ 8,225,000</u> | <u>\$ 2,333,133</u> | <u>\$ 10,558,133</u> |

| Fiscal Year | Water & Sewer System Revenue Bonds, Series 2012 | | |
|-------------|--|---------------------|----------------------|
| | Principal | Interest | Total |
| 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>\$ 8,375,000</u> | <u>\$ 2,872,726</u> | <u>\$ 11,247,726</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 | 117 |
| <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 | 127 |
| <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 | 135 |
| <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 | 140 |
| <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 | 143 |
| <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 POSITION BY COMPONENT
Last Ten Fiscal Years
Amounts in (000's)
(Accrual Basis of Accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|------------------|------------------|------------------|------------------|------------------|
| Governmental Activities | | | | | |
| Net investment in capital assets | \$405,052 | \$396,619 | \$402,103 | \$400,522 | \$410,002 |
| Restricted | 6,391 | 6,862 | 8,085 | 10,130 | 10,864 |
| Unrestricted | <u>6,746</u> | <u>5,785</u> | <u>8,917</u> | <u>11,809</u> | <u>10,903</u> |
| Total governmental activities net position | <u>\$418,189</u> | <u>\$409,266</u> | <u>\$419,105</u> | <u>\$422,461</u> | <u>\$431,769</u> |
| Business-type activities | | | | | |
| Net investment in capital assets | \$113,736 | \$127,144 | \$130,648 | \$126,779 | \$138,679 |
| Restricted | - | 7,027 | 10,129 | 24,258 | 16,094 |
| Unrestricted | <u>18,986</u> | <u>552</u> | <u>700</u> | <u>1,638</u> | <u>3,406</u> |
| Total business-type activities net position | <u>\$132,722</u> | <u>\$134,723</u> | <u>\$141,477</u> | <u>\$152,675</u> | <u>\$158,179</u> |
| Primary government | | | | | |
| Net investment in capital assets | \$518,788 | \$523,763 | \$532,751 | \$527,301 | \$548,681 |
| Restricted | 6,391 | 13,889 | 18,214 | 34,388 | 26,958 |
| Unrestricted | <u>25,732</u> | <u>6,337</u> | <u>9,617</u> | <u>13,447</u> | <u>14,309</u> |
| Total primary government net position | <u>\$550,911</u> | <u>\$543,989</u> | <u>\$560,582</u> | <u>\$575,136</u> | <u>\$589,948</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.

^a Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013. Fiscal Year 2012 has been restated for comparison purposes.

| 2009 | 2010 | 2011 | 2012 | 2013^a |
|-------------------|-------------------|-------------------|-------------------|-------------------------|
| \$ 429,054 | \$ 422,643 | \$ 413,439 | \$ 396,009 | \$ 442,581 |
| 10,615 | 18,020 | 16,462 | 36,548 | 34,666 |
| 13,330 | 13,692 | 14,543 | (26,623) | (25,289) |
| <u>\$ 452,999</u> | <u>\$ 454,355</u> | <u>\$ 444,444</u> | <u>\$ 405,934</u> | <u>\$ 451,958</u> |
| \$ 146,150 | \$ 144,244 | \$ 156,629 | \$ 158,716 | \$ 166,992 |
| 11,965 | 17,587 | 5,603 | 9,821 | 9,542 |
| 9,256 | 11,942 | 13,910 | 12,439 | 16,704 |
| <u>\$ 167,371</u> | <u>\$ 173,773</u> | <u>\$ 176,142</u> | <u>\$ 180,976</u> | <u>\$ 193,238</u> |
| \$ 575,204 | \$ 566,887 | \$ 570,068 | \$ 554,725 | \$ 609,573 |
| 22,580 | 35,607 | 22,065 | 46,369 | 44,208 |
| 22,586 | 25,634 | 28,453 | (14,184) | (8,585) |
| <u>\$ 620,370</u> | <u>\$ 628,128</u> | <u>\$ 620,586</u> | <u>\$ 586,910</u> | <u>\$ 645,196</u> |

CITY OF PEARLAND, TEXAS

CHANGES IN NET POSITION

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|------------------|------------------|------------------|------------------|-------------------|
| Expenses | | | | | |
| Governmental activities | | | | | |
| General Government | \$ 7,314 | \$ 8,714 | \$ 8,574 | \$ 8,660 | \$ 11,161 |
| Public Safety | 10,525 | 11,857 | 12,564 | 14,655 | 17,684 |
| Public Works | 25,913 | 28,858 | 26,914 | 24,041 | 24,532 |
| Community Services | 2,700 | 2,939 | 2,903 | 3,113 | 3,336 |
| Parks and Recreation | - | - | 4,131 | 4,882 | 7,157 |
| Economic Development | - | - | - | - | - |
| Interest on long-term debt | 5,549 | 5,115 | 6,559 | 9,070 | 12,266 |
| Total government activities expenses | <u>52,001</u> | <u>57,483</u> | <u>61,645</u> | <u>64,421</u> | <u>76,136</u> |
| Business-type activities: | | | | | |
| Water and Sewer | 19,265 | 17,624 | 20,531 | 21,076 | 22,570 |
| Solid Waste | - | - | - | 5,218 | 6,024 |
| Total business-type activities: | <u>19,265</u> | <u>17,624</u> | <u>20,531</u> | <u>26,294</u> | <u>28,594</u> |
| Total primary government expenses | <u>\$ 71,266</u> | <u>\$ 75,107</u> | <u>\$ 82,176</u> | <u>\$ 90,715</u> | <u>\$ 104,730</u> |
| Program Revenue | | | | | |
| Governmental activities | | | | | |
| Charges for services: | | | | | |
| General Government | \$ 506 | \$ 185 | \$ - | \$ - | \$ - |
| Public Safety | 2,975 | 3,640 | 2,627 | 2,788 | 2,959 |
| Public Works | 6,864 | 7,221 | 4,331 | 195 | 103 |
| Community Services | 696 | 1,263 | 6,312 | 5,822 | 5,130 |
| Parks and Recreation | - | - | 825 | 818 | 936 |
| Economic Development | - | - | - | - | - |
| Operating grants and contributions | | | | | |
| General Government | - | 2 | 1,239 | 1,659 | 3,951 |
| Public Safety | 839 | 673 | 111 | 154 | 230 |
| Public Works | - | - | - | 456 | 551 |
| Community Services | 17 | 479 | 55 | 34 | 129 |
| Parks and Recreation | - | - | 21 | 11 | 115 |
| Capital grants and contributions | | | | | |
| General Government | 1,319 | 800 | - | - | - |
| Public Safety | 756 | 312 | - | - | 503 |
| Public Works | - | 6 | 15,743 | 8,690 | 15,263 |
| Parks and Recreation | - | - | 6 | - | 261 |
| Total governmental activities program revenues | <u>13,971</u> | <u>14,582</u> | <u>31,270</u> | <u>20,627</u> | <u>30,131</u> |
| Business-type activities: | | | | | |
| Charges for services | | | | | |
| Water and Sewer | 11,893 | 11,219 | 13,849 | 17,754 | 21,524 |
| Solid Waste | - | - | - | 5,218 | 6,038 |
| Operating grants and contributions | | | | | |
| Water and Sewer | 47 | - | 474 | 385 | 315 |
| Capital grants and contributions | | | | | |
| Water and Sewer | 6,933 | 8,365 | 13,434 | 12,621 | 5,869 |
| Total business-type activities program revenues | <u>18,873</u> | <u>19,585</u> | <u>27,757</u> | <u>35,978</u> | <u>33,746</u> |
| Total primary government program revenues | <u>\$ 32,844</u> | <u>\$ 34,167</u> | <u>\$ 59,027</u> | <u>\$ 56,605</u> | <u>\$ 63,877</u> |

^a Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013. Fiscal year 2012 has been restated for comparison purposes.

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------------|-------------------|-------------------|-------------------|-------------------|
| \$ 12,355 | \$ 13,439 | \$ 15,945 | \$ 13,334 | \$ 13,358 |
| 22,438 | 24,268 | 23,042 | 27,403 | 28,944 |
| 26,893 | 35,679 | 31,130 | 28,510 | 31,690 |
| 3,290 | 3,323 | 3,254 | 4,267 | 3,807 |
| 7,240 | 7,699 | 8,062 | 9,264 | 9,524 |
| - | - | - | 26,311 | 17,411 |
| 11,647 | 13,738 | 13,142 | 11,572 | 16,224 |
| <u>83,863</u> | <u>98,146</u> | <u>94,575</u> | <u>120,661</u> | <u>120,958</u> |
| 25,439 | 27,157 | 29,192 | 29,392 | 32,040 |
| 7,106 | 7,089 | 7,285 | 7,528 | 8,324 |
| <u>32,545</u> | <u>34,246</u> | <u>36,477</u> | <u>36,920</u> | <u>40,364</u> |
| <u>\$ 116,408</u> | <u>\$ 132,392</u> | <u>\$ 131,052</u> | <u>\$ 157,581</u> | <u>\$ 161,322</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 6,326 |
| 3,524 | 3,296 | 3,679 | 4,206 | 7,410 |
| 35 | 10 | 18 | 43 | 3,096 |
| 4,755 | 4,312 | 4,632 | 5,855 | 3,264 |
| 672 | 906 | 2,027 | 2,080 | 2,209 |
| - | - | - | 413 | 414 |
| 4,913 | 5,215 | 5,488 | 6,045 | 44 |
| 420 | 641 | 407 | 711 | 603 |
| 375 | 207 | 675 | 53 | 1,388 |
| 202 | 159 | 366 | 311 | 108 |
| 450 | 424 | 462 | 542 | 182 |
| - | - | - | - | 180 |
| 279 | 98 | - | - | - |
| 26,092 | 29,800 | 10,330 | 18,743 | 52,921 |
| 4,653 | - | - | 100 | - |
| <u>46,370</u> | <u>45,068</u> | <u>28,084</u> | <u>39,102</u> | <u>78,145</u> |
| 26,617 | 24,961 | 28,664 | 27,535 | 29,008 |
| 6,766 | 7,313 | 7,258 | 7,654 | 8,175 |
| 2,464 | 70 | 61 | 205 | - |
| 6,125 | 8,611 | 4,215 | 8,118 | 16,273 |
| <u>41,972</u> | <u>40,955</u> | <u>40,198</u> | <u>43,512</u> | <u>53,456</u> |
| <u>\$ 88,342</u> | <u>\$ 86,023</u> | <u>\$ 68,282</u> | <u>\$ 82,614</u> | <u>\$ 131,601</u> |

CITY OF PEARLAND, TEXAS**CHANGES IN NET POSITION**

Last Ten Fiscal Years

Amounts in (000's)

(Accrual Basis of Accounting)

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|---|--------------------|--------------------|--------------------|--------------------|--------------------|
| Net (Expense)/Revenue | | | | | |
| Governmental activities | \$ (38,030) | \$ (42,901) | \$ (30,375) | \$ (43,794) | \$ (46,005) |
| Business-type activities | (392) | 1,961 | 7,226 | 9,684 | 5,152 |
| Total primary government net expense | <u>\$ (38,422)</u> | <u>\$ (40,940)</u> | <u>\$ (23,149)</u> | <u>\$ (34,110)</u> | <u>\$ (40,853)</u> |
| General Revenues and Other Changes in Net Position | | | | | |
| Governmental activities: | | | | | |
| Taxes: | | | | | |
| Property taxes | \$ 17,907 | \$ 19,805 | \$ 21,845 | \$ 24,823 | \$ 29,492 |
| Sales and use taxes | 6,933 | 8,026 | 9,980 | 11,025 | 12,581 |
| Franchise taxes | 2,883 | 3,097 | 3,426 | 3,760 | 4,427 |
| Investment earnings | 1,115 | 1,863 | 2,991 | 4,943 | 4,572 |
| Miscellaneous | 783 | 828 | 740 | 1,539 | 2,911 |
| Transfers | 524 | 359 | 1,230 | 1,060 | 1,330 |
| Total governmental activities | <u>30,145</u> | <u>33,978</u> | <u>40,212</u> | <u>47,150</u> | <u>55,313</u> |
| Business-type activities: | | | | | |
| Investment earnings | 417 | 399 | 758 | 2,574 | 1,669 |
| Miscellaneous | - | - | - | - | 12 |
| Transfers | (524) | (359) | (1,230) | (1,060) | (1,330) |
| Total business-type activities | <u>(107)</u> | <u>40</u> | <u>(472)</u> | <u>1,514</u> | <u>351</u> |
| Total primary government | <u>\$ 30,038</u> | <u>\$ 34,018</u> | <u>\$ 39,740</u> | <u>\$ 48,664</u> | <u>\$ 55,664</u> |
| Change in Net Position | | | | | |
| Governmental activities | \$ (7,885) | \$ (8,923) | \$ 9,837 | \$ 3,356 | \$ 9,308 |
| Business-type activities | (499) | 2,001 | 6,754 | 11,198 | 5,503 |
| Total primary government | <u>\$ (8,384)</u> | <u>\$ (6,922)</u> | <u>\$ 16,591</u> | <u>\$ 14,554</u> | <u>\$ 14,811</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.

^a Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented prior to fiscal year 2013.

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013^a</u> |
|--------------------|--------------------|--------------------|--------------------|-------------------------|
| \$ (37,493) | \$ (53,078) | \$ (66,491) | \$ (81,559) | \$ (42,813) |
| 9,427 | 6,709 | 3,721 | 6,592 | 13,092 |
| <u>\$ (28,066)</u> | <u>\$ (46,369)</u> | <u>\$ (62,770)</u> | <u>\$ (74,967)</u> | <u>\$ (29,721)</u> |
| | | | | |
| \$ 31,140 | \$ 32,963 | \$ 33,451 | \$ 52,230 | \$ 54,433 |
| 14,218 | 13,578 | 13,983 | 22,969 | 24,942 |
| 5,075 | 5,426 | 5,605 | 5,670 | 5,999 |
| 1,376 | 253 | 157 | 134 | 155 |
| 6,294 | 1,028 | 1,854 | 1,554 | 1,701 |
| 621 | 1,186 | 1,475 | 2,269 | 1,607 |
| <u>58,724</u> | <u>54,434</u> | <u>56,525</u> | <u>84,826</u> | <u>88,837</u> |
| | | | | |
| 363 | 100 | 116 | 68 | 95 |
| 23 | 779 | 9 | 444 | 682 |
| (621) | (1,186) | (1,475) | (2,269) | (1,607) |
| <u>(235)</u> | <u>(307)</u> | <u>(1,350)</u> | <u>(1,757)</u> | <u>(830)</u> |
| <u>\$ 58,489</u> | <u>\$ 54,127</u> | <u>\$ 55,175</u> | <u>\$ 83,069</u> | <u>\$ 88,007</u> |
| | | | | |
| \$ 21,231 | \$ 1,356 | \$ (9,966) | \$ 3,267 | \$ 46,024 |
| 9,192 | 6,402 | 2,371 | 4,835 | 12,262 |
| <u>\$ 30,423</u> | <u>\$ 7,758</u> | <u>\$ (7,595)</u> | <u>\$ 8,102</u> | <u>\$ 58,286</u> |

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

| | <u>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> | <u>2008</u> |
|--------------------------------|------------------|------------------|------------------|-------------------|-------------------|
| General fund | | | | | |
| Non-spendable | \$ 70 | \$ 71 | \$ 84 | \$ 123 | \$ 181 |
| Restricted | - | - | - | - | - |
| Assigned | - | - | 552 | 581 | 4,698 |
| Unassigned | 8,216 | 8,132 | 9,961 | 12,932 | 8,647 |
| Total General Fund | <u>\$ 8,286</u> | <u>\$ 8,203</u> | <u>\$ 10,597</u> | <u>\$ 13,636</u> | <u>\$ 13,526</u> |
| All other governmental funds | | | | | |
| Nonspendable | \$ - | \$ - | \$ - | \$ - | \$ - |
| Debt service | 3,008 | 3,855 | 4,658 | 6,552 | 6,835 |
| Capital improvements | 46,014 | 43,545 | 52,957 | 96,542 | 110,715 |
| Public safety | 284 | 348 | 453 | 591 | 583 |
| Economic development | - | - | - | - | - |
| Community development projects | | | | | |
| Tourism | 557 | 670 | 864 | 1,051 | 1,247 |
| Parks and recreation | 793 | 992 | 1,393 | 1,652 | 1,183 |
| Capital projects - other | 872 | 1,007 | 1,064 | 1,138 | 1,346 |
| Other | 909 | 238 | 247 | 114 | 629 |
| Total other Governmental Funds | <u>\$ 52,437</u> | <u>\$ 50,655</u> | <u>\$ 61,636</u> | <u>\$ 107,640</u> | <u>\$ 122,538</u> |

| 2009 | 2010 | 2011 | 2012 | 2013 |
|------------------|------------------|------------------|------------------|------------------|
| \$ 119 | \$ 146 | \$ 130 | \$ 182 | \$ 158 |
| - | - | 126 | - | - |
| 699 | 117 | 160 | 167 | 1,554 |
| 11,401 | 12,599 | 14,108 | 17,222 | 16,911 |
| <u>\$ 12,219</u> | <u>\$ 12,862</u> | <u>\$ 14,524</u> | <u>\$ 17,571</u> | <u>\$ 18,623</u> |
| \$ - | \$ - | \$ - | \$ - | \$ 183 |
| 7,246 | 6,705 | 5,160 | 4,992 | 5,192 |
| 62,467 | 30,893 | 23,461 | 13,776 | 14,536 |
| 699 | 612 | 541 | 702 | 715 |
| - | - | - | - | 20,777 |
| 1,344 | 1,394 | 1,452 | 1,821 | 2,267 |
| 1,094 | 1,214 | 1,143 | 968 | 985 |
| 1,146 | 962 | 810 | 797 | 866 |
| 85 | 79 | 87 | 215 | 638 |
| <u>\$ 74,081</u> | <u>\$ 41,859</u> | <u>\$ 32,654</u> | <u>\$ 23,271</u> | <u>\$ 46,159</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>2004</u> | <u>2005</u> | <u>2006</u> | <u>2007</u> |
|--|------------------|---------------|------------------|------------------|
| Revenues | | | | |
| Property taxes | \$ 17,891 | \$ 19,745 | \$ 22,150 | \$ 24,525 |
| Sales and use taxes | 6,933 | 8,026 | 9,980 | 11,025 |
| Franchise fees | 2,883 | 3,097 | 3,426 | 3,760 |
| Licenses and permits | 3,441 | 3,864 | 4,067 | 4,030 |
| Fines and forfeitures | 1,608 | 1,935 | 2,038 | 2,048 |
| Charges for services | 5,260 | 6,139 | 8,734 | 5,250 |
| Investment earnings | 1,115 | 1,863 | 2,991 | 4,938 |
| Intergovernmental | 3,040 | 2,382 | 7,852 | 14,463 |
| Other | 1,076 | 1,172 | 1,744 | 1,815 |
| Total Revenues | <u>43,247</u> | <u>48,223</u> | <u>62,982</u> | <u>71,854</u> |
| Expenditures | | | | |
| General government | 6,221 | 6,750 | 6,381 | 6,293 |
| Public safety | 10,142 | 11,081 | 12,870 | 14,598 |
| Public works | 8,709 | 10,450 | 9,728 | 6,278 |
| Community services | 2,904 | 2,747 | 3,787 | 3,102 |
| Parks and recreation | - | - | 3,358 | 4,908 |
| Economic development | - | - | - | - |
| Debt service: | | | | |
| Principal | 3,000 | 3,535 | 3,429 | 3,228 |
| Interest and other charges | 5,665 | 5,555 | 6,771 | 10,197 |
| Capital outlay | 18,058 | 28,661 | 36,706 | 28,530 |
| Intergovernmental | - | 1,084 | 1,684 | 2,169 |
| Total Expenditures | <u>54,699</u> | <u>69,863</u> | <u>84,714</u> | <u>79,303</u> |
| Excess (deficiency) of revenues over (under) expenditures | (11,452) | (21,640) | (21,732) | (7,449) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 1,431 | 4,870 | 5,852 | 4,596 |
| Transfers out | (907) | (4,510) | (4,698) | (3,536) |
| Bonds issued | 184 | 37,015 | 41,959 | 94,559 |
| Payment to Escrow Agent | - | - | - | - |
| Capital leases | 21,000 | 271 | - | 1,568 |
| Other | 94 | (15,926) | (8,005) | (40,695) |
| Total Other Financing Sources (Uses) | <u>21,802</u> | <u>21,720</u> | <u>35,108</u> | <u>56,492</u> |
| Net change in fund balances | <u>\$ 10,350</u> | <u>\$ 80</u> | <u>\$ 13,376</u> | <u>\$ 49,043</u> |
| Debt service as a percentage of noncapital expenditures | 23.6% | 22.1% | 21.2% | 26.4% |

^a Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely presented as in years prior to fiscal year 2013.

| | <u>2008</u> | <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013^a</u> |
|----|---------------|--------------------|--------------------|-------------------|-------------------|-------------------------|
| \$ | 29,200 | \$ 31,349 | \$ 32,856 | \$ 33,454 | \$ 34,362 | \$ 54,475 |
| | 12,581 | 14,218 | 13,578 | 13,983 | 15,632 | 24,942 |
| | 4,427 | 5,075 | 5,426 | 5,605 | 5,817 | 5,999 |
| | 2,992 | 2,079 | 1,807 | 1,721 | 2,320 | 2,989 |
| | 2,086 | 2,325 | 2,475 | 2,895 | 3,374 | 3,534 |
| | 7,512 | 8,885 | 9,328 | 11,687 | 11,891 | 12,982 |
| | 4,568 | 1,375 | 591 | 156 | 92 | 154 |
| | 3,731 | 7,589 | 3,689 | 2,199 | 3,089 | 4,595 |
| | 5,638 | 8,980 | 982 | 1,560 | 2,541 | 7,973 |
| | <u>72,735</u> | <u>81,875</u> | <u>70,732</u> | <u>73,260</u> | <u>79,118</u> | <u>117,643</u> |
| | 7,388 | 8,412 | 8,527 | 10,866 | 7,784 | 7,958 |
| | 19,604 | 22,310 | 23,784 | 23,926 | 25,372 | 26,204 |
| | 7,536 | 12,051 | 7,108 | 6,505 | 5,533 | 7,812 |
| | 3,426 | 3,386 | 3,839 | 3,376 | 4,246 | 3,523 |
| | 6,605 | 5,789 | 6,305 | 7,539 | 7,499 | 7,244 |
| | - | - | - | - | - | 17,414 |
| | 3,160 | 5,482 | 6,200 | 8,217 | 9,373 | 15,637 |
| | 12,382 | 12,080 | 13,635 | 13,543 | 12,401 | 15,859 |
| | 27,777 | 68,615 | 61,317 | 25,703 | 9,201 | 22,101 |
| | 3,434 | 3,250 | 3,794 | 3,954 | 3,992 | 4,058 |
| | <u>91,312</u> | <u>141,375</u> | <u>134,509</u> | <u>103,630</u> | <u>85,401</u> | <u>127,810</u> |
| | (18,577) | (59,500) | (63,777) | (30,369) | (6,283) | (10,167) |
| | 4,912 | 3,246 | 3,498 | 3,525 | 5,909 | 15,515 |
| | (3,582) | (2,625) | (2,312) | (2,050) | (5,096) | (14,583) |
| | 31,835 | 8,520 | 28,962 | 21,637 | 49,805 | 12,060 |
| | - | - | - | (1,630) | (54,478) | - |
| | - | 649 | 2,050 | 1,289 | - | 1,179 |
| | 200 | (54) | - | 56 | 3,809 | 331 |
| | <u>33,365</u> | <u>9,736</u> | <u>32,198</u> | <u>22,826</u> | <u>(51)</u> | <u>14,502</u> |
| \$ | <u>14,788</u> | <u>\$ (49,764)</u> | <u>\$ (31,579)</u> | <u>\$ (7,543)</u> | <u>\$ (6,334)</u> | <u>\$ 4,335</u> |
| | 24.5% | 24.1% | 27.1% | 27.9% | 28.3% | 29.8% |

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

| <u>Real Property</u> | | | | | | |
|----------------------|-----------------|--------------------|-------------------|--------------------------|--------------------------------------|--|
| <u>Fiscal Year</u> | <u>Tax Year</u> | <u>Residential</u> | <u>Commercial</u> | <u>Personal Property</u> | <u>Less Tax Exempt Real Property</u> | |
| 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 | |
| 2013 | 2012 | 5,042,965,503 | 1,954,587,058 | 612,564,952 | 617,274,555 | |

Notes:

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

Assessed valuation for fiscal year 2013 does not include Brazoria County MUD #4 valuation of \$242,712,166 that was annexed into the City on December 31, 2012.

| 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% |
| 454,866,920 | 6,537,976,038 | 0.7051 | 6,537,976,038 | 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 | | | | | | | | |
|-------------|-------------------|------------|--------------|--------------------------------------|--------------------------------------|-----------------------------------|--------------------|-----------------|------------------|---------------|---------------------------|-----------------------------|
| | 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 |
| 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 |
| 2013 | 0.215 | 0.490 | 0.705 | 1.419 | 1.350 | 1.329 | 0.200 | 0.426 | 0.500 | 0.400 | 0.020 | 0.028 |

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

Overlapping Rates

| 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 | 0.850 | \$ 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 |
| 0.182 | 0.007 | 0.850 | 0.547 | 0.530 | 0.580 | 0.610 | 0.690 | 0.820 | 0.850 | 1.020 |

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

| 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 |
| 2004 | \$ 18,030,473 | \$ 17,633,986 | 97.80% | \$ 363,348 | \$ 17,997,334 | 99.8% |
| 2005 | 21,073,788 | 20,576,812 | 97.64% | 475,920 | 21,052,732 | 99.9% |
| 2006 | 24,284,597 | 23,690,031 | 97.55% | 562,316 | 24,252,347 | 99.9% |
| 2007 | 28,819,229 | 28,235,276 | 97.97% | 553,881 | 28,789,157 | 99.9% |
| 2008 | 35,035,569 | 34,461,652 | 98.36% | 559,681 | 35,021,333 | 100.0% |
| 2009 | 38,368,354 | 37,820,603 | 98.57% | 506,999 | 38,327,602 | 99.9% |
| 2010 | 41,081,407 | 40,590,543 | 98.81% | 392,167 | 40,982,709 | 99.8% |
| 2011 | 41,968,046 | 41,594,389 | 99.11% | 239,676 | 41,834,065 | 99.7% |
| 2012 | 43,441,792 | 43,110,373 | 99.24% | 186,945 | 43,297,318 | 99.7% |
| 2013 | 45,850,625 | 45,509,522 | 99.26% | - | 45,509,522 | 99.3% |

Source: Brazoria County Tax Office.

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

| <u>Taxpayer</u> | <u>2013</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 | \$ 68,763,470 | 1 | 1.11% | \$ - | | |
| Amreit SPF Shadow Creek, LP | 43,671,670 | 2 | 0.71% | - | | |
| Weatherford U.S., Inc. | 37,689,240 | 3 | 0.61% | 34,843,830 | 1 | 1.26% |
| Pearland Investments Ltd | 35,554,380 | 4 | 0.58% | - | | |
| Villas at Shadow Creek | 29,597,540 | 5 | 0.48% | | | |
| Centerpoint Energy, Inc. | 28,444,700 | 6 | 0.46% | 18,062,650 | 2 | 0.65% |
| Shadow Creek Parkway | 28,229,200 | 7 | 0.46% | - | | |
| Discovery Shadow Creek | 26,391,910 | 8 | 0.43% | - | | |
| Shadow Kirby LTD Partnership | 25,000,000 | 9 | 0.40% | - | | |
| Pearland Lifestyle Center | 23,731,897 | 10 | 0.38% | - | | |
| Walmart Real Estate BUS TR | - | | | 12,115,230 | 3 | 0.44% |
| Landar Mary's Creek Apts | - | | | 11,113,820 | 4 | 0.40% |
| Southwestern Bell Telephone | - | | | 9,439,220 | 5 | 0.34% |
| Lennar Homes of Texas | - | | | 8,997,250 | 6 | 0.32% |
| Westlake Residential Apts | - | | | 8,835,990 | 7 | 0.32% |
| Aggreko, Inc. | - | | | 8,560,750 | 8 | 0.31% |
| Whispering Winds Apartments | - | | | 7,705,580 | 9 | 0.28% |
| Texas Windmill Apts | - | | | 7,624,730 | 10 | 0.28% |
| Total | <u>\$ 347,074,007</u> | | <u>5.61%</u> | <u>\$ 127,299,050</u> | | <u>4.60%</u> |

Source: Brazoria County Appraisal District.

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

| | Calendar Year | | | |
|---|----------------------|-------------------|-------------------|-------------------|
| | 2004 | 2005 | 2006 | 2007 |
| Agriculture, Forestry, Fishing | \$ 190 | \$ 283 | \$ 453 | \$ 473 |
| Mining, Quarrying, Oil and Gas | 3,738 | 2,985 | 11,186 | 9,280 |
| Utilities | - | - | 7 | 3 |
| Manufacturing | 29,200 | 41,057 | 46,241 | 50,134 |
| Wholesale Trade | 13,059 | 24,070 | 30,592 | 28,782 |
| Retail Trade | 305,156 | 370,665 | 464,850 | 536,352 |
| Transportation/Warehousing | 54 | 55 | 155 | 169 |
| Information | 3,365 | 7,203 | 8,553 | 10,086 |
| Finance, Insurance | 3,505 | 1,811 | 1,722 | 1,038 |
| Real Estate/Rental/Leasing | 10,722 | 18,629 | 33,329 | 44,560 |
| Professional/Scientific/Technical | 3,516 | 3,538 | 3,893 | 4,103 |
| Management of Companies/Enterprises | 2,399 | 2,278 | - | 1,161 |
| Admin/Support/Waste Mgmt/Remediation | 17,880 | 13,688 | 8,060 | 9,209 |
| Educational Services | 95 | 204 | 110 | 110 |
| Health Care/Social Assistance | 9 | 72 | 56 | 63 |
| Arts, Entertainment & Recreation | 4,703 | 4,787 | 5,208 | 8,789 |
| Accommodations & Food Services | 65,708 | 80,185 | 95,154 | 107,850 |
| Construction | 13,288 | 13,234 | 18,348 | 16,232 |
| Other Services (Except Public Admin) | 15,108 | 16,921 | 20,390 | 20,794 |
| Other | 547 | 13 | 2 | - |
| Total | \$ 492,242 | \$ 601,677 | \$ 748,310 | \$ 849,188 |
| | | | | |
| City direct sales tax rate ^b | 1.00% | 1.00% | 1.00% | 1.00% |

Source: State Comptroller's Office.

^a 2013 taxable sales thru 2nd quarter of 2013.

^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

| 2008 | 2009 | 2010 | 2011 | 2012 | 2013^a |
|---------------------|---------------------|---------------------|---------------------|---------------------|-------------------------|
| \$ 675 | \$ 566 | \$ 180 | \$ 306 | \$ 468 | \$ 272 |
| 10,520 | 3,355 | 3,246 | 3,316 | 3,726 | 6,971 |
| 6 | 6 | 3 | 187 | 3 | - |
| 47,447 | 31,243 | 39,582 | 49,474 | 48,213 | 17,908 |
| 32,999 | 25,954 | 30,730 | 33,163 | 39,434 | 18,376 |
| 667,470 | 699,338 | 673,714 | 697,359 | 758,145 | 390,888 |
| 138 | 161 | 282 | 418 | 425 | 161 |
| 12,567 | 14,413 | 15,672 | 16,896 | 19,194 | 11,077 |
| 1,469 | 1,811 | 1,404 | 1,261 | 1,347 | 601 |
| 52,276 | 38,924 | 46,811 | 48,062 | 61,695 | 27,017 |
| 5,218 | 5,923 | 6,277 | 7,069 | 9,028 | 5,891 |
| 2,594 | - | - | - | - | - |
| 12,656 | 11,670 | 10,650 | 11,004 | 12,690 | 6,832 |
| 212 | 144 | 207 | 314 | 429 | 177 |
| 37 | 52 | 184 | 252 | 351 | 175 |
| 9,751 | 9,909 | 11,315 | 11,566 | 13,082 | 6,971 |
| 127,994 | 146,598 | 155,345 | 172,131 | 198,450 | 107,619 |
| 17,496 | 14,372 | 15,537 | 17,558 | 23,181 | 11,054 |
| 23,764 | 23,670 | 25,114 | 29,768 | 31,713 | 17,707 |
| - | - | - | - | - | - |
| \$ 1,025,289 | \$ 1,028,107 | \$ 1,036,253 | \$ 1,100,104 | \$ 1,221,574 | \$ 629,696 |
| 1.00% | 1.00% | 1.00% | 1.00% | 1.00% | 1.00% |

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

| Fiscal Year | Governmental Activities | | | | Business-Type Activities | | |
|-------------|--------------------------|----------------------------------|---------------|---------------------------|--------------------------|-----------------------------|---------------------------|
| | General Obligation Bonds | Certificates of Obligation Bonds | Revenue Bonds | Capital Lease Obligations | Revenue Bonds | Permanent Improvement Bonds | Capital Lease Obligations |
| 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 |
| 2013* | 230,040 | 64,690 | 75,125 | 3,681 | 105,690 | 14,020 | 253 |

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

* Due to implementation of GASB 61, the City's component units are now considered blended component units versus discretely as in years prior to fiscal year 2013. As such, the outstanding debt for the components units have been added; however, the City, or primary government is not legally responsible for the payment of its debt. Excluding this debt, debt per capita is \$4,019.

| | Total Primary Government | Percentage of Personal Income | Total Per Capita | Excluding Component Units Per Capita |
|----|---|--|---------------------------------|---|
| \$ | 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% | 2,121 | - |
| | 416,727 | 13.5% | 4,429 | - |
| | 425,708 | 14.3% | 4,380 | - |
| | 417,779 | 13.0% | 4,186 | - |
| | 493,499 | 14.0% | 4,741 | 4,019 |

CITY OF PEARLAND, TEXAS**RATIOS 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 |
|--------------------|-----------------|---------------------------------|--------------------------------|------------------------|---|--|-------------------------------|
| 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 |
| 2013 | 2012 | 308,750 | 4,643 | 304,107 | 4.7% | 8.5% | 2,921 |

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, 2013

| Taxing Jurisdiction | Debt as of September 30, 2013 | Overlapping | |
|--|-------------------------------------|----------------|-----------------------|
| | | Percent | Amount |
| Alvin Community College District | \$ 15,305,000 | 27.17% | \$ 4,158,369 |
| Alvin ISD | 307,545,000 | 30.89% | 95,000,651 |
| Brazoria County | 83,865,000 | 24.19% | 20,286,944 |
| Brazoria County MUD No. 17 | 28,085,000 | 100.00% | 28,085,000 |
| Brazoria County MUD No. 18 | 29,355,000 | 97.35% | 28,577,093 |
| Brazoria County MUD No. 19 | 36,150,000 | 100.00% | 36,150,000 |
| Brazoria County MUD No. 23 | 17,035,000 | 100.00% | 17,035,000 |
| Brazoria County MUD No. 26 | 39,185,000 | 100.00% | 39,185,000 |
| Brazoria County MUD No. 28 | 16,570,000 | 100.00% | 16,570,000 |
| Brazoria County MUD No. 34 | 27,800,000 | 100.00% | 27,800,000 |
| Brazoria County MUD No. 35 | 9,230,000 | 100.00% | 9,230,000 |
| Brazoria-Fort Bend County MUD No. 1 | 56,185,000 | 73.76% | 41,442,056 |
| Fort Bend County | 468,360,000 | 0.23% | 1,077,228 |
| Harris County (a) | 2,640,417,190 | 0.13% | 3,432,542 |
| Harris County Dept. of Education | 7,605,000 | 0.13% | 9,887 |
| Harris County Flood Control District | 96,470,000 | 0.13% | 125,411 |
| Pasadena ISD | 606,810,000 | 0.14% | 849,534 |
| Pearland ISD | 300,627,047 | 71.72% | 215,609,718 |
| Port of Houston Authority | 731,969,397 | 0.13% | 951,560 |
| TOTAL ESTIMATED OVERLAPPING | | | 585,575,993 |
| The City | \$ 308,750,000 | 100.00% | 308,750,000 |
| Total Direct and Estimated Overlapping Debt | | | \$ 894,325,993 |
| Population | | | 104,100 |
| Per Capita Debt - Direct and Overlapping Debt | | | \$ 8,591 |

Source: Individual jurisdictions and/or Texas Municipal Reports.

* Debt amounts are as of September 30, 2013.

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 | |
| 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 |
| 2013 | 29,607 | 17,423 | 12,184 | 3,615 | 4,724 | 8,339 | 1.46 |

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements. Operating expenses do not include interest, depreciation, or amortization expenses. Debt service excludes Permanent Improvement Bonds paid with system revenues, as those bonds do not require bond coverage.

CITY OF PEARLAND, TEXAS
DEMOGRATPIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years

| Fiscal Year | Population (A) | Personal Income (in \$000's) | Per Capita Personal Income | Median Age (B) | Education level in Years of Schooling | School Enrollment (C) | Unemployment Rate (D) |
|--------------------|-----------------------|-------------------------------------|-----------------------------------|-----------------------|--|------------------------------|------------------------------|
| 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% |
| 2013 | 104,100 | 3,555,431 | 34,154 | 34.4 | 14.2 | 23,771 | 5.0% |

(A) Estimated

(B) Pearland Economic Development Corporation - CDS

(C) Texas Education Agency

(D) Bureau of Labor Statistics

*Information not presented is not available.

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

| Employer | 2013 | | | 2005 | | |
|------------------|------------------|-------------|--|------------------|-------------|--|
| | Employees | Rank | Percentage of Total City Employment | Employees | Rank | Percentage of Total City Employment |
| Pearland ISD | 2,450 | 1 | 5.37% | 1,820 | 1 | 7.26% |
| Wal-Mart | 1,185 | 2 | 2.60% | 800 | 2 | 3.19% |
| Kelsey Seybold | 800 | 3 | 1.75% | - | | 0.00% |
| City of Pearland | 614 | 4 | 1.35% | 420 | 3 | 1.67% |
| HEB | 350 | 5 | 0.77% | - | | 0.00% |
| Davis-Lynch | 275 | 6 | 0.60% | - | | 0.00% |
| Home Depot | 230 | 7 | 0.50% | - | | 0.00% |
| Super Target | 205 | 8 | 0.45% | - | | 0.00% |
| Bass Pro Shop | 200 | 9 | 0.44% | - | | 0.00% |
| Kemlon | 200 | 10 | 0.44% | 185 | 6 | 0.74% |
| TurboCare | - | | 0.00% | 175 | 7 | 0.70% |
| Weatherford | - | | 0.00% | 250 | 4 | 1.00% |
| Randall's | - | | 0.00% | 250 | 5 | 1.00% |
| Super Target | - | | 0.00% | 150 | 8 | 0.60% |
| Tele-flow | - | | 0.00% | 140 | 9 | 0.56% |
| Lowe's | - | | 0.00% | 132 | 10 | 0.53% |
| Total | 6,509 | | 14.27% | 4,322 | | 17.23% |

Sources:

Pearland Economic Development Corp.

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

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

| Function/Program | Full-time Equivalent Employees as of September 30 | | | | | | | | | |
|--------------------------|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| Governmental Activities | | | | | | | | | | |
| General Government | 41 | 42 | 49 | 51 | 55 | 55 | 57 | 57 | 56 | 44 |
| Public Safety | 160 | 170 | 184 | 205 | 242 | 253 | 264 | 276 | 286 | 295 |
| Public Works | 42 | 43 | 44 | 47 | 45 | 47 | 47 | 45 | 31 | 57 |
| Community Services | 37 | 41 | 47 | 50 | 51 | 52 | 47 | 45 | 56 | 51 |
| Parks and Recreation | 55 | 58 | 52 | 59 | 68 | 72 | 99 | 105 | 109 | 101 |
| Business Type Activities | | | | | | | | | | |
| Water & Sewer | 62 | 62 | 76 | 78 | 77 | 82 | 82 | 87 | 90 | 99 |
| Component Unit | | | | | | | | | | |
| Economic Development | 4 | 4 | 4 | 4 | 5 | 5 | 6 | 5 | 5 | 5 |
| Total | 401 | 420 | 456 | 494 | 543 | 564 | 601 | 619 | 633 | 652 |

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

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

| <u>2009</u> | <u>2010</u> | <u>2011</u> | <u>2012</u> | <u>2013</u> |
|-------------|-------------|-------------|-------------|-------------|
| 3,264 | 2,913 | 2,679 | 2,415 | 2,671 |
| 406 | 470 | 427 | 429 | 465 |
| 23,259 | 21,632 | 21,000 | 20,768 | 23,512 |
| 1,230 | 1,220 | 1,438 | 1,481 | 1,527 |
| 90 | 91 | 131 | 112 | 94 |
| 431 | 532 | 73 | 54 | 3 |
| 3,137 | 3,880 | 3,299 | 4,936 | 7,642 |
| 266 | 229 | 205 | 220 | 254 |
| 649 | 734 | 815 | 832 | 843 |
| 394 | 429 | 439 | 448 | 454 |
| 37,440 | 35,676 | 39,815 | 42,318 | 47,200 |
| 5,188 | 5,986 | 6,218 | 6,525 | 7,642 |
| 576 | 513 | 606 | 625 | 659 |
| 711 | 672 | 852 | 900 | 810 |
| 629 | 2,003 | 3,304 | 1,836 | 2,094 |
| 8 | 5 | 2 | 2 | 6 |
| 33 | 22 | 25 | 18 | 16 |
| 2,374 | 1,752 | 1,380 | 1,537 | 1,958 |
| 2,432 | 2,416 | 2,621 | 2,826 | 3,369 |
| 6,411 | 6,472 | 7,055 | 7,668 | 7,668 |
| 5,804 | 5,619 | 6,121 | 6,537 | 6,537 |
| 3,063 | 2,394 | 3,410 | 3,581 | 3,817 |
| 1,998 | 1,741 | 747 | 682 | 611 |
| 313,596 | 354,422 | 361,464 | 377,754 | 350,186 |
| 2,561 | 2,239 | 1,299 | 1,079 | 1,155 |
| 2,864 | 2,049 | 1,588 | 1,090 | 884 |
| 20,213 | 18,632 | 16,834 | 17,803 | 18,346 |

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

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

| 2009 | 2010 | 2011 | 2012 | 2013 |
|---------|---------|---------|---------|---------|
| 228 | 245 | 255 | 251 | 251 |
| 5,004 | 5,800 | 6,327 | 6,157 | 6,312 |
| 851 | 1,301 | 1,331 | 1,380 | 1,380 |
| 275 | 252 | 249 | 230 | 140 |
| 138 | 139 | 139 | 138 | 138 |
| 25 | 24 | 21 | 22 | 22 |
| 6 | 9 | 11 | 2 | 1 |
| 855 | 307 | 459 | 486 | 281 |
| 3,623 | 11,823 | 16,116 | 18,378 | 18,980 |
| 2,868 | 2,532 | 2,685 | 2,220 | 2,355 |
| 3,529 | 4,206 | 4,346 | 4,326 | 4,884 |
| 24,834 | 21,753 | 19,244 | 22,416 | 26,274 |
| 4,274 | 3,433 | 2,860 | 1,952 | 2,244 |
| 9,249 | 7,874 | 7,869 | 8,696 | 10,630 |
| 925 | 969 | 917 | 1,050 | 939 |
| 1,391 | 402 | 688 | 1,116 | 885 |
| 24,400 | 24,657 | 26,369 | 30,187 | 27,439 |
| 7,374 | 8,692 | 8,204 | 10,080 | 10,328 |
| 451 | 402 | 395 | 887 | 1,399 |
| 270 | 325 | 310 | 275 | 286 |
| 168 | 82 | 410 | 283 | 380 |
| 2,574 | 3,065 | 3,869 | 2,916 | 2,859 |
| 1,146 | 634 | 968 | 1,321 | 1,816 |
| 340,281 | 344,618 | 364,424 | 370,755 | 403,220 |
| 325,201 | 336,668 | 350,871 | 359,716 | 387,997 |
| 2,106 | 2,361 | 1,943 | 2,364 | 2,530 |

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

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

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

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

⁵ In Water & Sewer, Distribution and Collection fire hydrant maintenance and inspection 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 | | | | | | | | | |
|-----------------------------|-------------|------|------|------|------|------|------|------|------|------|
| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 |
| PUBLIC SAFETY | | | | | | | | | | |
| Police | | | | | | | | | | |
| Police stations | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Police vehicles | 100 | 109 | 112 | 117 | 126 | 130 | 138 | 142 | 155 | 157 |
| Fire | | | | | | | | | | |
| Fire stations | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 5 | 6 | 6 |
| Fire vehicles | 15 | 15 | 16 | 16 | 17 | 17 | 17 | 22 | 23 | 26 |
| EMS | | | | | | | | | | |
| EMS stations | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 4 | 5 |
| EMS ambulances | 5 | 5 | 5 | 5 | 6 | 8 | 8 | 8 | 8 | 9 |
| PUBLIC WORKS | | | | | | | | | | |
| Other public works | | | | | | | | | | |
| Streets (miles)* | 232 | 248 | 578 | 758 | 773 | 807 | 807 | 806 | 806 | 839 |
| Vehicle inventory** | N/A | N/A | 342 | 405 | 360 | 333 | 355 | 363 | 385 | 374 |
| Traffic signals | 43 | 47 | 48 | 57 | 67 | 71 | 62 | 62 | 74 | 81 |
| PARKS AND RECREATION | | | | | | | | | | |
| Parks and recreation | | | | | | | | | | |
| Developed acreage*** | 124 | 124 | 175 | 175 | 180 | 138 | 139 | 139 | 138 | 138 |
| Pools | 1 | 1 | 1 | 1 | 1 | 1 | 3 | 3 | 3 | 3 |
| Outdoor basketball courts | N/A | N/A | 10 | 10 | 10 | 10 | 10 | 10 | 6 | 6 |
| Soccer fields | N/A | N/A | 12 | 12 | 12 | 12 | 12 | 12 | 12 | 12 |
| Activity buildings | 2 | 3 | 3 | 3 | 3 | 3 | 4 | 4 | 3 | 3 |
| Baseball/Softball Fields | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| WATER AND SEWER | | | | | | | | | | |
| Water Production | | | | | | | | | | |
| Water wells | 8 | 9 | 9 | 10 | 11 | 11 | 11 | 11 | 11 | 10 |
| Pumping stations | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 2 | 3 | 3 |
| Ground storage tanks | 10 | 13 | 15 | 15 | 15 | 15 | 15 | 15 | 15 | 15 |
| Elevated towers | 4 | 4 | 5 | 5 | 5 | 5 | 6 | 6 | 6 | 6 |
| Wastewater | | | | | | | | | | |
| Treatment Plants | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| Lift Stations | 74 | 78 | 74 | 78 | 76 | 78 | 78 | 80 | 80 | 75 |
| Distribution and Collection | | | | | | | | | | |
| Water mains (miles) | 250 | 296 | 361 | 395 | 410 | 420 | 433 | 443 | 448 | 469 |
| Sanitary sewers (miles) | 240 | 279 | 321 | 353 | 360 | 370 | 378 | 380 | 382 | 400 |

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 publications.

*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 FY2011, an audit of the database resulted in the elimination of some street miles previously reported.

**Decrease in inventory reflects surplus of vehicles auctioned off. Increases reflect new purchases, which may be offset with those sold. Vehicle inventory includes public safety vehicles.

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