

# **CITY OF PEARLAND, TEXAS**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**Fiscal Year Ended  
September 30, 2014**

### **Officials Issuing Report**

**Clay Pearson  
City Manager**

**Jon Branson  
Deputy City  
Manager**

**Trent Epperson  
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

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February 23, 2015

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

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, 2014, is hereby submitted as mandated by both local and state statutes. These ordinances and statutes require that the City issue an annual report on its financial position and activity and that an independent firm of certified public accountants audit this report.

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

Whitley Penn, LLP, Certified Public Accountants, have issued an unqualified (or “clean”) opinion on the City of Pearland’s financial statements for the year ending September 30, 2014. 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 108,800 residents estimated as of September 2014.

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 2014 calendar year was over \$390 million, a 37% increase in value from 2013. New single-family housing permits totaled 1,068 with a construction value of \$199 million. Multi-family permits totaled 1,008 with a value of \$59 million. Pearland's economy continues to maintain strong levels. During the final quarter of 2014 there was a 52% increase in residential permits compared to the same time last year. Residential permitting activity for the 2015 fiscal year is expected to remain near 2014 levels, budgeted at 1,000 permits. For calendar year 2014, the City had 309 commercial permits with a value of \$132.4 million, compared to 184 permits with a value of \$74 million in 2013. The commercial real estate market also remains strong.

Sales of homes throughout the greater Houston area remained robust in 2014, driven by a combination of good local job numbers and historically low interest rates. The Houston Association of Realtors reported within Pearland and ETJ, 75,319 single family home sales for 2014, up 2.8% from the 73,232 sales in 2013. The average price of a single family home rose 8.7% from \$248,591 in 2013 to \$270,182 in 2014. 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.

Houston is the world's energy capital. Growth in the oil and gas industry has been robust, however, because of the recent decrease in the price of oil, exploration has been taping off. Spending for exploration in 2015 should be 40 percent lower than 2014. It may be 2016 before we see an increase in the price of oil and exploration. With the decrease in exploration, Houston will look to other sectors for growth. The forecast is for growth in all sectors except oil field services, oil field equipment manufacturing, and oil field exploration.

Pearland's unemployment rate was 4.3% in September 2014, down from 5.0% in September 2013. This is compared to the national unemployment rate of 5.9% and the State of Texas unemployment rate of 5.2% as of September 2014. Pearland's unemployment is less than the national and state rates with a growing economy. Houston added 69,800 jobs in 2014 and the Greater Houston Partnership is forecasting 62,900 new jobs for 2015. Although this is lower than the past couple of years, the Houston economy is still strong. 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, one north of Shadow Creek Parkway and the other South. 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.

Modern Green Development, one of the largest developers in China, chose a 48-acre site for its first U.S. project and only its second in North America. Pearland's Planning and Zoning Commission approved the project in July. The rendering of early stages of the project, called the Ivy District, show land for a 150-room hotel and conference center, a community center to hold local meetings and banquets, 160,000 square feet of retail space and 140,000 square feet of office space. There will be 1,150 residential units, 400 of which will be rentals. Another block will be designed as an entertainment area. About 20 acres will be left as green park space, according to the announced plans.

In late 2014, Hospital Corporation of America (HCA) completed construction on its Pearland Medical Center, the community's first acute-care hospital. The 144,000 square-foot, 32-bed hospital contains surgical suites, medical/surgical beds, intensive care beds and a 24-hour emergency department. The hospital, which opened to the public in February 2015, is located on a 48-acre site that also is home to a full-service freestanding emergency department, imaging center and three-story, 80,000 square-foot medical office building.

Other medical developments include Memorial Hermann beginning construction on its new hospital and breaking ground on a second 100,000 square-foot medical office building on its 40-acre campus. The 64-bed acute-care hospital is expected to open in 2015 and will feature an intensive care unit, operating rooms, cardiac catheterization labs, medical/surgical suites, women's and neonatology units. In addition, Chamberlain College of Nursing opened a new campus in Pearland. The Pearland campus is Chamberlain's second in Texas and 14th in the nation. Located at 12000 Shadow Creek Parkway, Chamberlain's new Pearland campus offers an on-site Bachelor of Science in Nursing degree program and features Chamberlain's SIMCARE CENTER™, which provides high-tech

simulated patient care in clinical learning environments.

Sales tax for fiscal year 2014 totaled \$25.7 million, an increase of \$2.1 million or 8.9% over fiscal year 2013. Of the \$25.7 million, \$17.1 million went to the City's General Fund for operations and \$8.6 million went to the City's Economic Development Corporation for economic development programs and activities. The City's General Fund is 28% 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 and 2014. As such, the City projected a 5.6% growth in sales tax for fiscal year 2015. 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. Increased residential units in Pearland and the immediate trade area support the established retail base.

### ***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 2015 through fiscal year 2019 totals \$419 million and continues to implement the \$162 million bond program approved by the voters in May 2007. As of September 30, 2014 there was \$77.6 million in unissued bonds approved by the voters and based on the 2014-2018 CIP. Projects include drainage (\$22M), streets (\$171M), facilities (\$41M), parks (\$20M), water and wastewater (\$165M). 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 \$70.6 million, most of this utilities, 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 2015 remains the same as in fiscal year 2014 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 taken 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 would have been costly and would not guarantee improved radio coverage. The City of Houston 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 switched 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.

Fire Station 2, located at the northeast corner of Harkey and Fite Road, is under construction. This station will be approximately 10,400 sq. ft. and house an operation crew, two fire engines, and one ambulance. This facility construction started in October 2014 and will be ready for starting occupancy by July 2015. Fire Station 1, currently located at the corner of Orange Street and Old Alvin Road, will relocate in 2018 to provide quicker response times. The new station will be located on McHard Road near Pearland Parkway. At approximately 8,500 sq. ft., the station will house a 24



hour operation crew, one fire engine, and one ambulance.

Fire Station 3 began construction in June 2014 on a new 10,726 square foot station which is located on the corner of Yost and Broadway adjacent to the existing EMS station. The new station will accommodate both Fire and EMS as the department transitions from volunteer to a career fire department and the two emergency entities have now merged. The existing EMS station that is currently located in a converted house on the same site as the new station will remain functional throughout construction. The new Fire Station #3 will accommodate 10 full-time fire fighters and is expected to be open and operational by April 2015, after which the existing EMS station will be demolished.

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 non-profit Type B Corporation under the Texas Development Corporation Act and is primarily funded by a half-cent sales tax in the City of Pearland. PEDC is committed to enhancing the community's economic vitality through the attraction, retention and expansion of primary employers. PEDC works to ensure Pearland's business climate and built environment strongly support these efforts by focusing on aesthetics, infrastructure, quality of life, image, workforce and quality development and redevelopment of key Pearland districts and corridors.

PEDC 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 PEDC's Fiscal Year 2014 attraction and retention projects.

In January, Mitsubishi Heavy Industries Compressor Corp. broke ground on its first U.S. manufacturing facility in Pearland's Lower Kirby District. The 100,000 square-foot manufacturing and service facility is located on a 26-acre site on Kirby Drive. The facility, which is estimated to bring \$40 million in investment to the community, will house approximately 100 employees who will produce, service and market compressors to serve the growing demand of North American chemical customers.

Dover Energy, a division of diversified global manufacturer Dover Corporation, opened a 150,000 square-foot manufacturing and operations facility in Fall 2014. PEDC recruited Dover Energy to the community in 2013 when the company was looking to consolidate its multiple Texas locations into one regional facility. The \$23.8 million facility, located on a 14-acre site at the northeast corner of Spectrum Boulevard and Hooper Road in Pearland's Lower Kirby District, is home to approximately 200 employees.

Merit Medical's opened its new Pearland R&D and manufacturing facility in October. The 92,000 square-foot office building has brought more than \$14 million in investment to the community. PEDC and the City began working with Merit Medical in 2011 on its multi-state search for a site for this facility. It is located on a 12-acre site in Pearland's Lower Kirby District. The facility is home to approximately 220 employees, including management personnel, engineers, and production staff, who serve client hospitals worldwide in the development, manufacture and distribution of proprietary disposable medical devices used in interventional and diagnostic procedures, particularly

in cardiology, radiology and endoscopy.

Keystone Engineering Group selected a site in Pearland for its new office and manufacturing facility in December. The \$6 million, 45,000 square-foot facility will be located on a 23-acre site on McHard Road near SH 35. PEDC began working with the company last year on the project, which will consolidate several regional sites into one location. The new facility will house approximately 70 employees, including office and administrative staff, machinists and inspectors.

PEDC continued to work with the Highway 288 Management District (PMMD#2), created in 2013, on 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 \$400,000 annually. The Board has also approved a master plan for the District and cleanup efforts have begun in the corridor.

PEDC, along with local partners in government, education, healthcare and business, continue to work on implementation of the Pearland 20/20 community strategic plan. The long-term strategic community and economic development plan that was created in 2012 incorporates nine strategies to ensure a shared vision for the community's future growth and an action plan to achieve it. 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.

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 and the City on the development of regional detention, reconstruction of Hooper Road and the installation of underground electricity that will serve developable sites on Kirby Drive.

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 \$1.4 million dollars and the funds ending balance is \$3 million as of September 30, 2014.

### **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.

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 2015–2019 totals \$419 million. Projects include drainage (\$22M), streets (\$171M), facilities (\$41M), parks (\$20M), water and wastewater (\$165M).

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, 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 sub-committee of the TPC and the Transportation Improvement Program (TIP) Subcommittee.

The City submitted several proposed roadway projects from its Capital Improvement Program for possible funding in the region's Transportation Improvement Program (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. Harris County is preparing to begin construction by the end of 2015 on four new toll lanes on Texas 288 north of the Brazoria-Harris County line to the Texas Medical Center. Brazoria County will follow with managed toll lanes from the county line south to County Road 58.

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.

Since fiscal year 2013 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 2015 budget. The strong local economy will most likely result in continued growth in revenues in the current fiscal year, 2015, most noticeably in sales tax and building permits. Sales tax revenue for fiscal year 2014 is up 7.0% over the prior year. The fiscal year 2015 Adopted Budget includes an increase of 2.3% over fiscal year 2014. Building Permit revenue is also projected to

maintain the strong levels that have developed during fiscal year 2014. The Adopted Budget for fiscal year 2015 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 a .007 cent increase in the property tax rate from \$0.7051 to \$0.7121 per \$100 valuation. Of the total adopted tax rate of 71.21 cents per hundred dollars valuation, the operating tax rate increased to 22.21 cents per hundred dollars and the debt service tax rate remains unchanged at 49 cents.

While about half-way into the 2015 fiscal year, the City is already beginning to prepare for the 2016 budget process and up-coming forecast with the same goal of being fiscally responsible to our citizens.

#### **AWARDS AND ACKNOWLEDGEMENTS**

The Texas State Comptroller awarded the City of Pearland a Platinum Leadership Circle Award, which spotlights entities that go above and beyond providing financial transparency online through clear, consistent pictures of spending and sharing information in a user-friendly format that lets viewers easily drill down for more information.

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, 2013. This was the 37th 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

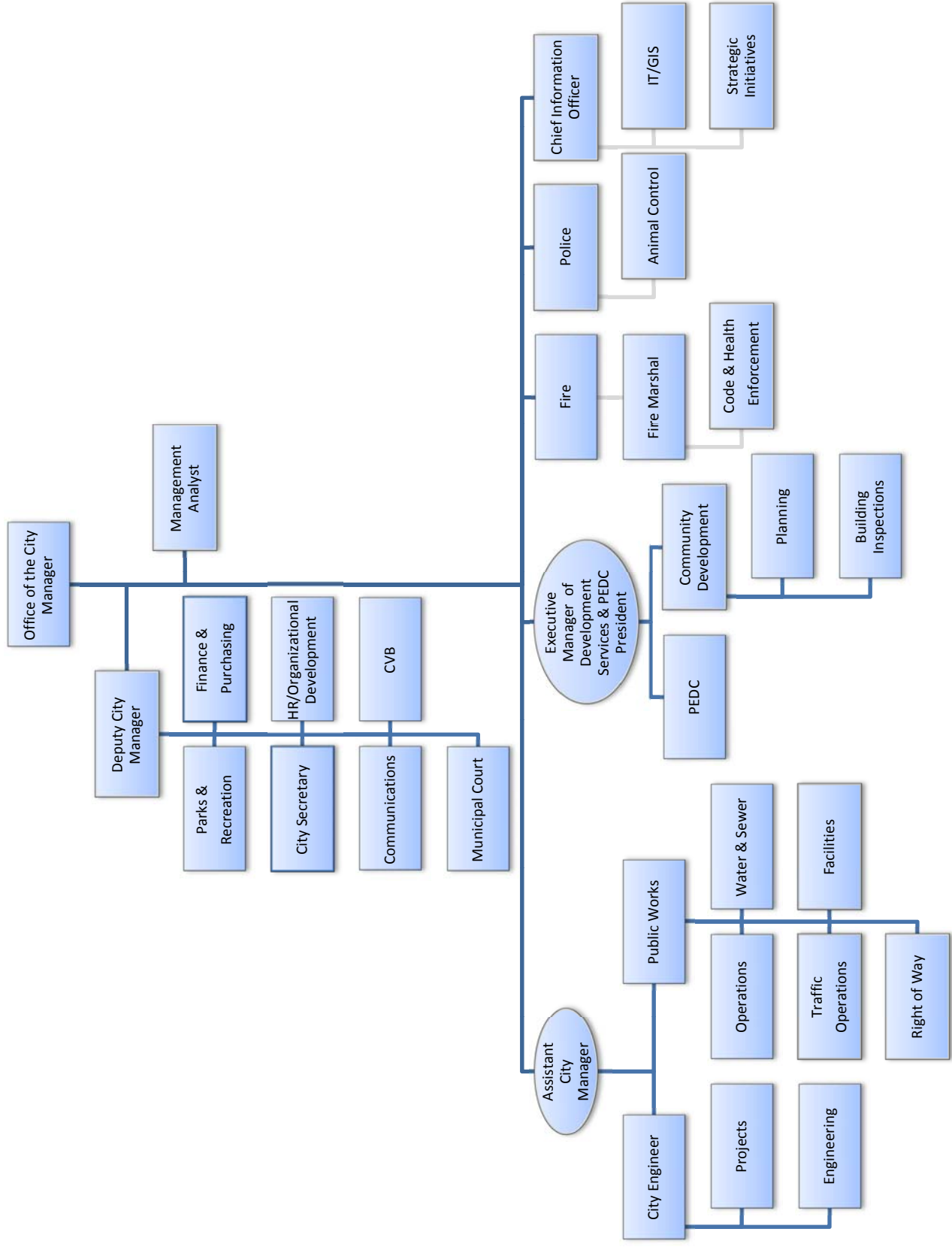


Claire Bogard, Director of Finance

**CITY OF PEARLAND, TEXAS**  
**PRINCIPAL OFFICIALS**

<b>Elected Officials</b>	<b>Position</b>	<b>Term Expires May</b>
Tom Reid	Mayor	2017
Tony Carbone	Council Member at Large - Position One	2016
Scott Sherman	Council Member at Large - Position Two	2015
Gary Moore	Council Member at Large - Position Three	2017
Keith Ordeneaux	Council Member at Large - Position Four, Mayor Pro Tem	2015
Greg Hill	Council Member at Large - Position Five	2016
<b>Appointed Officials</b>	<b>Position</b>	
Clay Pearson	City Manager	
Darrin Coker	City Attorney	
Letitia Farnie	Municipal Court Judge	
<b>City Management</b>	<b>Position</b>	
Jon Branson	Deputy City Manager	
Trent Epperson	Assistant City Manager	
Claire Bogard	Director of Finance	
Matt Buchanan	Executive Manager of Development Services and PEDC President	
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	
Kim Sinistore	Executive Director, CVB	
Sparkle Anderson	Communications Manager	

# CITY OF PEARLAND, TEXAS 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, 2013**

Executive Director/CEO

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## **Financial Section**

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## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Pearland, Texas (the “City”) as of and for the year ended September 30, 2014, 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 entity’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.

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate each major fund, and the aggregate remaining fund information of the City, as of September 30, 2014, 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.

To the Honorable Mayor and Members of  
the City Council

### **Emphasis of Matter**

As discussed in Note 16 to the financial statements, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* as of September 30, 2014. Our opinion is not modified with respect to this matter. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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 7 through 17, budgetary comparison information on pages 70 through 71, and pension system supplementary information and other post-employment benefit supplementary information on page 72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion 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.

#### *Other 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 introductory section, combining and individual fund statements and schedules, other supplementary information, budgetary comparison schedules and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and budgetary comparison schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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 combining and individual fund statements and schedules, other supplementary information, and budgetary comparison schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Honorable Mayor and Members of  
the City Council

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

Houston, Texas  
February 23, 2015

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## **Management's Discussion and Analysis**

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**CITY OF PEARLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Pearland (the "City"), 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, 2014.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the primary government of the City exceeded its liabilities as of September 30, 2014, by \$668.2 million (net position). Of this amount, \$605.2 million is invested in capital assets, net of related capital debt and \$60.3 million restricted for capital projects, debt service, community development projects, public safety, and economic development.
- The City's total primary government net position increased by \$26.8 million primarily due to capital contributions from developers.
- At the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$71.4 million, an increase of \$6.6 million in comparison with the prior year. Increases are seen in the Pearland Economic Development Corporation of \$3.8 million and \$2.0 million in the non-major governmental funds. Approximately \$51.8 million of the \$71.4 million is considered restricted; \$23.8 million for economic development, and \$17.5 million is mainly attributable to unspent bond proceeds for capital projects.
- As of September 30, 2014, the unassigned fund balance for the General Fund was \$17.9 million or 30% of total General Fund expenditures. The total fund balance for the General Fund is \$19.5 million or 33% of General Fund expenditures.
- The City's General Obligation and Certificates of Obligation debt for governmental activities totaled \$293.2 million, a net decrease of \$1.5 million over the previous year. Revenue bonds for the City's component units totaled \$80.1 million, an increase of \$5.0 million from last year. The City's debt for business activities totaled \$114.8 million, a net decrease of approximately \$4.9 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, deferred outflows of resources, and liabilities, with the difference between the three 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.

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).

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, public works, community services and parks and recreation. The business-type activities of the City include water, sewer, and solid waste.

The government-wide financial statements can be found on pages 21 through 23 of this report. The government-wide financial statements include not only the City, 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 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 statement focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

Beginning on page 24 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, Pearland Economic Development Corporation, Tax Increment Reinvestment Zone #2, and Development Authority of Pearland, which are considered to be major funds. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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



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

*Proprietary Funds* - The City maintains one type of proprietary fund. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an Enterprise Fund to account for its Water and Sewer Fund and Solid Waste Fund.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements, which begin on page 31 of this report, provide separate information for the Water and Sewer and Solid Waste Enterprise Funds since it is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 31 through 34 of this report.

**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 35 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 70 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 and deferred outflows of resources exceeded liabilities by \$668.2 million at the close of the most recent fiscal year.

By far the largest portion of the City's net position (91%) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

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

**COMPARATIVE SCHEDULE OF NET POSITION**

September 30, 2014 and 2013

Amounts in (000's)

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2014</b>	<b>2013*</b>	<b>2014</b>	<b>2013*</b>	<b>2014</b>	<b>2013*</b>
<b>Assets</b>						
Current and other assets	\$ 99,425	\$ 92,877	\$ 39,996	\$ 41,056	\$ 139,421	\$ 133,933
Capital assets	759,236	749,038	288,672	281,213	1,047,908	1,030,251
<b>Total Assets</b>	<b>858,661</b>	<b>841,915</b>	<b>328,668</b>	<b>322,269</b>	<b>1,187,329</b>	<b>1,164,184</b>
<b>Deferred Outflows of Resources</b>						
Deferred charge on refunding	11,517	11,053	509	560	12,026	11,613
<b>Total Deferred Outflows of Resources</b>	<b>11,517</b>	<b>11,053</b>	<b>509</b>	<b>560</b>	<b>12,026</b>	<b>11,613</b>
<b>Liabilities</b>						
Other liabilities	11,846	17,170	7,735	9,147	19,581	26,317
Long-term liabilities outstanding	395,230	386,657	116,392	121,521	511,622	508,178
<b>Total Liabilities</b>	<b>407,076</b>	<b>403,827</b>	<b>124,127</b>	<b>130,668</b>	<b>531,203</b>	<b>534,495</b>
<b>Net position</b>						
Net investment in capital assets	430,286	420,009	174,955	165,915	605,241	585,924
Restricted	45,826	34,666	14,483	9,542	60,309	44,208
Unrestricted	(13,010)	(5,534)	15,612	16,704	2,602	11,170
<b>Total Net Position</b>	<b>\$ 463,102</b>	<b>\$ 449,141</b>	<b>\$ 205,050</b>	<b>\$ 192,161</b>	<b>\$ 668,152</b>	<b>\$ 641,302</b>

\*As restated

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 column.

As a result of this implementation, unrestricted net position for governmental activities is negative \$13.0 million for fiscal year 2014. 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 \$19.9 million compared to \$20.6 million in fiscal year 2013, a reduction of \$698 thousand in unrestricted net position.

The increase in Total Net Position from the prior year is \$26.9 million, which is primarily attributed to capital contributions from developers.

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

**COMPARATIVE SCHEDULE OF CHANGES IN NET POSITION**

*For the Years Ended September 30, 2014 and 2013*

*Amounts in (000's)*

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013*</u>	<u>2014</u>	<u>2013*</u>
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 19,847	\$ 22,719	\$ 35,937	\$ 37,183	\$ 55,784	\$ 59,902
Operating grants and contributions	9,297	2,325			9,297	2,325
Capital grants and contributions	29,269	53,101	17,677	16,273	46,946	69,374
Property taxes	57,378	54,433			57,378	54,433
Sales and use taxes	27,295	24,942			27,295	24,942
Franchise taxes	6,484	5,999			6,484	5,999
Investment earnings	254	155	139	95	393	250
Other	2,399	1,701	275	682	2,674	2,383
<b>Total Revenues</b>	<u>152,223</u>	<u>165,375</u>	<u>54,028</u>	<u>54,233</u>	<u>206,251</u>	<u>219,608</u>
<b>Expenses</b>						
General Government	12,241	13,358			12,241	13,358
Public Safety	32,130	28,944			32,130	28,944
Public Works	38,579	31,690			38,579	31,690
Community Services	4,687	3,807			4,687	3,807
Parks and Recreation	6,896	9,524			6,896	9,524
Economic Development	26,498	17,411			26,498	17,411
Interest on long-term debt	16,225	10,534			16,225	10,534
Water and Sewer			32,444	31,289	32,444	31,289
Solid Waste			6,664	8,324	6,664	8,324
<b>Total Expenses</b>	<u>137,256</u>	<u>115,268</u>	<u>39,108</u>	<u>39,613</u>	<u>176,364</u>	<u>154,881</u>
Increase (decrease) in net position before special item and transfers	14,968	50,107	14,920	14,620	29,888	64,727
Special item - loss on disposal of asset	(3,039)				(3,039)	
Transfers	2,031	1,607	(2,031)	(1,607)		
Increase in net position	13,960	51,714	12,889	13,013	26,849	64,727
<b>Net position - beginning, as restated</b>	<u>449,141</u>	<u>397,427</u>	<u>192,161</u>	<u>179,148</u>	<u>641,302</u>	<u>576,575</u>
<b>Net position - ending</b>	<u>\$ 463,101</u>	<u>\$ 449,141</u>	<u>\$ 205,050</u>	<u>\$ 192,161</u>	<u>\$ 668,151</u>	<u>\$ 641,302</u>

\*As restated

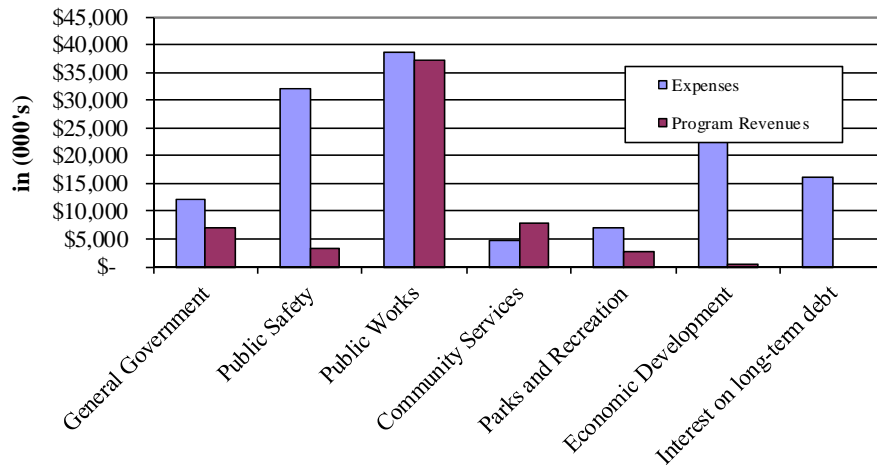
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

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

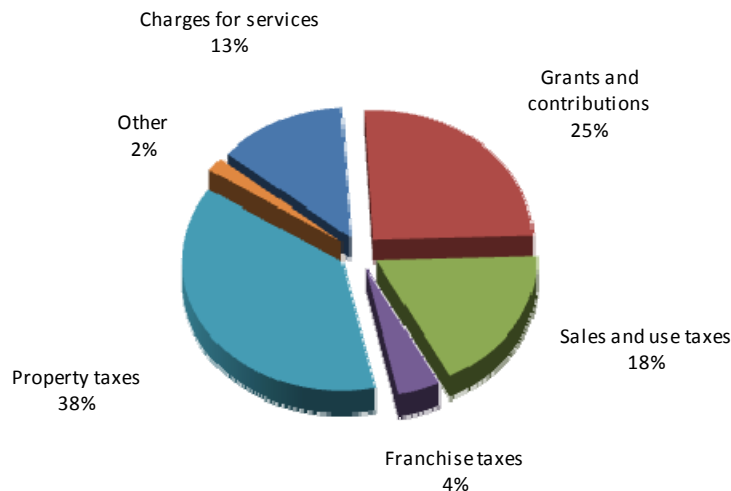
**Governmental activities** - Governmental activities increased the City's net position by \$14.0 million, thereby accounting for 52% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

- Property taxes, sales and use taxes, and franchise taxes totaled \$57.4 million, \$27.3 million, and \$6.5 million respectively. These revenues increased by \$5.8 million from prior year primarily as a result of an increase in taxable assessed values and increased consumer spending.
- Capital contributions totaled \$29.3 million as a result of infrastructure contributed by developers.
- The revenues were offset by expenses for general government, public safety, public works, and economic development of \$12.2 million, \$32.1 million, \$38.6 million, and \$26.5 million respectively. In total, these expenses were relatively consistent with the prior year.

**Expenses and Program Revenues - Governmental Activities**



**Revenues by Source - Governmental Activities**

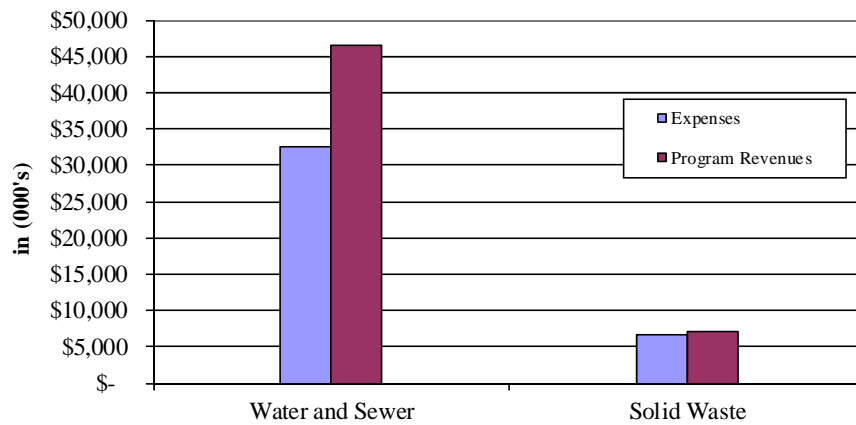


**CITY OF PEARLAND, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

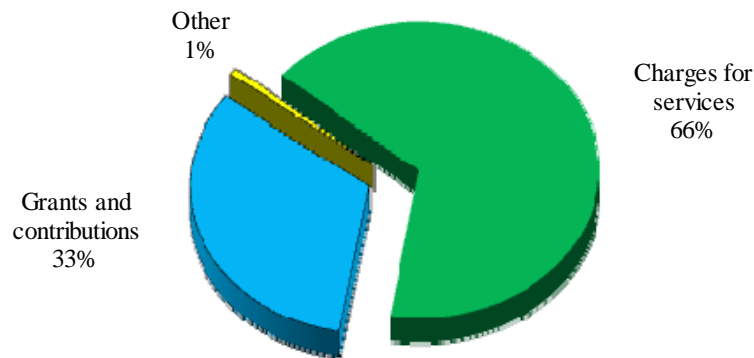
**Business-type activities** - Business-type activities increased the City's net position by \$12.9 million, thereby accounting for 48% percent of the total increase in the net position of the City. Key elements of this increase are as follows:

- Charges for services of \$35.9 million decreased approximately \$1.2 million over the prior year primarily due to a decrease in water and sewer consumption due to rainfall.
- Capital grants and contributions of million increased \$1.4 million from the prior year mainly due to increased contributions from developers for impact fees.
- The revenues listed above were offset by expenses of \$32.4 million and \$6.7 million, respectively, for Water and Sewer and Solid Waste. Expenses decreased from prior year by \$505.0 thousand as the billing of commercial garbage was transitioned directly between City provider and commercial accounts.

**Expenses and Program Revenues - Business-type Activities**



**Revenues by Source - Business-type Activities**



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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

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

The City's governmental funds reflect a combined fund balance of \$71.4 million. A portion of the combined fund balance, or \$17.9 million, is unassigned and available for day-to-day operations of the City; \$17.5 million is restricted for capital projects; \$23.8 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 \$6.6 million from the prior year. The increase in fund balance includes a decrease of \$106.9 thousand in the Debt Service Fund balance, offset by a combined increase of approximately \$831.4 thousand in the General Fund, \$3.8 million in the Pearland Economic Development Corporation, and \$2.0 million in the non-major governmental funds. The General Fund's fund balance totaled \$19.5 million at year end.

The Pearland Economic Development Corporation, TIRZ #2, and Development Authority, the City's component units blended with the primary government, had expenditures totaling \$32.5 million, leaving an ending fund balance of \$19.2 million, \$4.3 million, and \$1.9 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 \$1.6 million increase in appropriations between the original and final amended budget. The increase in appropriations is attributable to carryover funding from prior-year encumbrances and projects and to reflect projections during the 2013-2014 budget process.

Budget estimates for revenues and other sources combined increased by approximately \$1.5 million for the year; also to reflect carryovers and revised projections. Actual revenues of \$57.7 million were \$613.5 thousand over the final budget mainly in sales and use tax and licenses and permits. Actual expenditures of \$59.7 million were under budget by \$3.9 million, resulting in the year-end fund balance of \$19.5 million over budget by \$3.9 million.

At year-end, equipment purchases and several projects were still in progress and part of the \$3.9 million will be carried over and reappropriated in the 2014-2015 budget year.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets** - At the end of fiscal year 2014, the City's governmental activities and business-type activities had invested \$759.2 million and \$288.7 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents a net increase of \$10.2 million, or 1.4 percent over the end of last fiscal year for the governmental activities and a net increase of \$7.5 million or 2.7 percent over the end of last fiscal year for business-type activities.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Land	\$ 31,264	\$ 31,264	\$ 3,796	\$ 3,796	\$ 35,061	\$ 35,060
Construction in progress	19,975	23,306	9,509	8,918	29,483	32,224
Infrastructure	617,866	607,940	221,763	212,666	839,628	820,606
Buildings and improvements	79,233	77,899	26,438	27,168	105,672	105,067
Machinery and equipment	8,110	6,165	1,289	1,401	9,399	7,566
Furniture and fixtures	2,789	2,464	30	37	2,819	2,501
Contractual water rights			25,847	27,227	25,847	27,227
Total Capital Assets	<u>\$ 759,236</u>	<u>\$ 749,038</u>	<u>\$ 288,672</u>	<u>\$ 281,213</u>	<u>\$ 1,047,908</u>	<u>\$ 1,030,251</u>

Construction in progress at year-end represents numerous ongoing projects, the largest of which relate to street, parks, 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 \$511.6 million. Of this amount, \$249.6 million is composed of general obligation bonds, \$56.5 million is composed of certificates of obligation and \$182.1 million represents revenue bonds secured solely by specified revenue sources.

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Totals</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
General obligation bonds	\$ 236,730	\$ 230,040	\$ 12,865	\$ 14,020	\$ 249,595	\$ 244,060
Certificates of obligation	56,505	64,690			56,505	64,690
Revenue bonds	80,125	75,125	101,925	105,690	182,050	180,815
Unamortized amount for issuance premium/(discount)	10,123	6,159	592	730	10,715	6,889
Capital leases payable	4,344	3,681	169	261	4,513	3,942
Compensated absences	5,682	5,007	525	463	6,207	5,470
Post employment benefit liability	1,721	1,955	315	357	2,036	2,312
	<u>\$ 395,230</u>	<u>\$ 386,657</u>	<u>\$ 116,391</u>	<u>\$ 121,521</u>	<u>\$ 511,622</u>	<u>\$ 508,178</u>

The City's general obligation bonds and certificates of obligation debt for governmental activities decreased to \$293.2 million. The decrease is due to principal payments offset by new monies issued. The City's debt for business activities decreased to \$114.8 million, a net decrease of \$4.9 million from the previous year, which was a result of principal payments.

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

Current ratings on debt issues are as follows:

	<b>Standard and Poors</b>	<b>Fitch</b>	<b>Moodys Investor Services</b>
General obligation bonds	AA	AA	Aa2
Revenue bonds	AA-	AA-	Aa3

Both the Pearland Economic Development Corporation (PEDC) and the Development Authority of Pearland (DAP), component units of the City, have issued debt. The PEDC bonds are rated A1 from Moody's. The DAP bonds are rated A- by Standard and Poors. Additional information on the City's long-term debt can be found in Note 5 to the financial statements.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

The City continues to grow in FY 2015, but with some challenges and vulnerabilities. The first vulnerability is the City is significantly leveraged, which was necessary to give us the opportunity to grow successfully. As of September 30, 2014 the City had \$293.2 million in General Obligation and Certificates of Obligation outstanding being paid back primarily by property taxes. Our financial obligations will continue to be met, and the City will continue to grow, but knowing that the heavy investments both past and future may limit our resources for ongoing operations and innovations. Second is the challenge to maintain strong property values on limited land resources. The property values derived from the City's growth have not been of extremely high value relative to the land that has been developed compared to some other large suburban communities. Despite these valuation concerns, the overall tax base reflects a strong 8.5% increase for FY 2015, compared to 7.1% in FY 2014, and 1.0%, 0.6%, and 2.6% in fiscal years 2011, 2012, and 2013, respectively. The third vulnerability is bringing the City's organizational structure up to the task of supporting an expansive 48.39 square mile, 110,000 resident, and \$7 billion valuation community. In FY 2015 we will institute a modern configuration to take advantage of the talents of our staff and continue to deliver excellent results, with the biggest move bring Public Works and Projects/Engineering together.

With the improving Houston area economy and the continued growth in population served by the City we are budgeting a 5% increase in General Fund revenues over FY 2014. For General Fund operations, sales tax has been our single most important revenue at 28% of operating revenue with \$18.1 million for the City General Fund and \$8.9 million for the Economic Development Corporation. Sales tax is projected to increase 6.0% over FY 2014. The FY 2015 budget includes an increase of \$0.007 to the Operating and Maintenance property tax rate, which should provide an additional \$412,720 in revenue, for a total tax rate of \$.7121 in FY 2015. Although residential building permits still remain strong at almost 1,000 a year, there is a lag time before the benefits of the new construction are realized in the community, in revenue generation, as well in the provision of services. The budget includes an increase in fees for development, planning, and health services to reflect the actual cost of services. Because of these changes in fee charged, additional revenue of \$335,930 is projected for FY 2015. However, as predicted for FY 2015, the General Fund has a structural imbalance, with recurring operating expenditures greater than recurring operating revenues. The total net revenues for FY 2015, or drawdown of fund balance is (\$3,827,478) and comprised of \$1.5 million in recurring expenditures and \$2.3 million in non-recurring expenditures.

Overall General Fund expenditures, including transfers out, are up 1.8% in FY 2015. Operating expenditures without the transfers out are up 3.8% from FY 2014 projections. Wage and benefits are 67% of General Fund expenditures, with health care costs becoming a significant cost factor. Public Safety is



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

more than half (54%) of General Fund expenditures (Police and Fire/EMS), which have grown 4.7%, 16.8%, and 14.5% in fiscal years 2015, 2014 and 2013, respectively. The Parks and Recreation category is budgeted at \$6.77 million in expenditures, lower than last year's budget of \$8.64 million, which is primarily a function of our reorganization transferring functions to Public Works. Capital Improvements total \$55.1 million for FY 2015. A few of the projects planned for the year are McHard Road extension, Bailey Road widening, Shadow Creek Ranch Sports Complex, building of Fire Station 2, and expansion of Reflection Bay Wastewater.

As Pearland continues to grow, staff continues the planning for the expansion of the various components of the public water-sewer utility; striving to keep pace with both the system's expansion as well as the rehabilitation of the aging portions of the infrastructure. In order to operate the system, provide for debt service, cash reserves and to meet bond coverage requirements, the fiscal year 2015 budget included a 4.63% revenue increase, generating \$1.358 million in additional revenues. This increase was effective with October 2014 consumption. The last rate increase was six years ago, in October 2008.

**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](http://www.cityofpearland.com).



## **Basic Financial Statements**

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**CITY OF PEARLAND, TEXAS**

**STATEMENT OF NET POSITION**

September 30, 2014

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and equivalents	\$ 43,398,683	\$ 1,952,004	\$ 45,350,687
Investments	27,169,072	10,976,950	38,146,022
Receivables, net of allowance for uncollectibles	22,257,880	3,355,570	25,613,450
Due from other governmental agencies	4,606,223		4,606,223
Inventories	137,364		137,364
Prepaid items	273,960	12,946	286,906
Restricted cash and investments	1,581,708	23,698,185	25,279,893
Capital assets:			
Capital assets not subject to depreciation	51,238,883	13,305,246	64,544,129
Capital assets, net of accumulated depreciation	707,997,510	275,366,686	983,364,196
Total Capital Assets	<u>759,236,393</u>	<u>288,671,932</u>	<u>1,047,908,325</u>
<b>Total Assets</b>	<u>858,661,283</u>	<u>328,667,587</u>	<u>1,187,328,870</u>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	11,516,723	509,414	12,026,137
<b>Total Deferred Outflows of Resources</b>	<u>11,516,723</u>	<u>509,414</u>	<u>12,026,137</u>
<b>Liabilities</b>			
Accounts payable and accrued liabilities	6,958,302	4,178,461	11,136,763
Accrued interest	1,241,106	395,419	1,636,525
Unearned revenues	3,562,276		3,562,276
Customer deposits	84,808	3,161,497	3,246,305
Long-term liabilities:			
Due within one year	17,269,808	5,279,661	22,549,469
Due in more than one year	377,960,070	111,111,719	489,071,789
<b>Total Liabilities</b>	<u>407,076,370</u>	<u>124,126,757</u>	<u>531,203,127</u>
<b>Net Position</b>			
Net investment in capital assets	430,286,194	174,954,845	605,241,039
Restricted for:			
Capital improvements	7,433,862	12,256,333	19,690,195
Debt service	5,857,298	2,227,279	8,084,577
Community development programs	5,984,329		5,984,329
Public safety	389,883		389,883
Economic development	26,160,315		26,160,315
Unrestricted	(13,010,245)	15,611,787	2,601,542
<b>Total Net Position</b>	<u>\$ 463,101,636</u>	<u>\$ 205,050,244</u>	<u>\$ 668,151,880</u>

See Notes to Financial Statements.

**CITY OF PEARLAND, TEXAS**  
**STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2014*

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General Government	\$ 12,240,571	\$ 6,636,909	\$ 440,613	\$
Public Safety	32,129,934	2,792,687	433,973	
Public Works	38,578,835	321,715	7,612,275	29,268,764
Community Services	4,686,896	7,375,068	336,541	
Parks and Recreation	6,896,350	2,290,588	473,952	
Economic Development	26,497,574	430,472		
Interest on long-term debt	16,224,826			
<b>Total Governmental Activities</b>	<b>137,254,986</b>	<b>19,847,439</b>	<b>9,297,354</b>	<b>29,268,764</b>
<b>Business-type activities:</b>				
Water and Sewer	32,444,427	28,928,774		17,677,185
Solid Waste	6,663,564	7,008,474		
<b>Total Business-Type Activities</b>	<b>39,107,991</b>	<b>35,937,248</b>		<b>17,677,185</b>
<b>Total Primary Government</b>	<b>\$ 176,362,977</b>	<b>\$ 55,784,687</b>	<b>\$ 9,297,354</b>	<b>\$ 46,945,949</b>

**General Revenues:**

Taxes:
Property taxes
Sales and use taxes
Franchise taxes
Unrestricted investment earnings
Miscellaneous
Special item - loss on disposal of asset
Transfers
<b>Total General Revenues and Transfers</b>
Change in net position
<b>Net position - beginning, as restated</b>
<b>Net position - ending</b>

*See Notes to Financial Statements.*

**Net (Expense) Revenue and Changes in Net Position**

**Primary Government**

<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
\$ (5,163,049)	\$	\$ (5,163,049)
(28,903,274)		(28,903,274)
(1,376,081)		(1,376,081)
3,024,713		3,024,713
(4,131,810)		(4,131,810)
(26,067,102)		(26,067,102)
(16,224,826)		(16,224,826)
<u>(78,841,429)</u>		<u>(78,841,429)</u>
	14,161,532	14,161,532
	344,910	344,910
	<u>14,506,442</u>	<u>14,506,442</u>
<u>(78,841,429)</u>	<u>14,506,442</u>	<u>(64,334,987)</u>
57,378,285		57,378,285
27,294,598		27,294,598
6,483,961		6,483,961
254,228	138,712	392,940
2,398,589	274,466	2,673,055
(3,038,547)		(3,038,547)
2,030,588	(2,030,588)	
<u>92,801,702</u>	<u>(1,617,410)</u>	<u>91,184,292</u>
13,960,273	12,889,032	26,849,305
449,141,363	192,161,212	641,302,575
<u>\$ 463,101,636</u>	<u>\$ 205,050,244</u>	<u>\$ 668,151,880</u>

**CITY OF PEARLAND, TEXAS**

**BALANCE SHEET**

**GOVERNMENTAL FUNDS**

September 30, 2014

	<b>General Fund</b>	<b>Debt Service</b>	<b>Pearland Economic Development Corporation</b>	<b>Tax Increment Reinvestment Zone #2</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 10,403,021	\$ 1,638,827	\$ 5,527,157	\$ 4,346,425
Investments	8,730,187	2,993,905	11,465,298	
Receivables, net of allowance for uncollectibles	5,668,522	9,008,351	4,187,704	
Due from other governments	516,600			
Due from other funds	275,323			
Inventories	137,364			
Prepaid items	64,675	166,894	38,171	
Restricted cash			665,254	
<b>Total Assets</b>	<b>\$ 25,795,692</b>	<b>\$ 13,807,977</b>	<b>\$ 21,883,584</b>	<b>\$ 4,346,425</b>
<b>Liabilities</b>				
Accounts payable	\$ 2,659,825	\$ 247,442	83,411	\$
Accrued expenditures	1,394,615	103,332	16,352	
Deposits	46,475		38,333	
Due to other funds				
Unearned revenue	1,773,256	1,789,020		
<b>Total Liabilities</b>	<b>5,874,171</b>	<b>2,139,794</b>	<b>138,096</b>	
<b>Deferred Inflows of Resources</b>				
Unavailable revenue	467,020	7,132,246	2,590,001	
<b>Total Deferred Inflows of Resources</b>	<b>467,020</b>	<b>7,132,246</b>	<b>2,590,001</b>	
<b>Fund Balances</b>				
Non-spendable				
Inventories	137,364			
Prepaid items	64,675	166,894	38,171	
Restricted				
Debt service		4,369,043	665,254	
Capital improvements				
Community development programs				
Public safety				
Economic development			18,452,062	4,346,425
Assigned	1,393,883			
Unassigned				
General fund	17,858,579			
<b>Total Fund Balances</b>	<b>19,454,501</b>	<b>4,535,937</b>	<b>19,155,487</b>	<b>4,346,425</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 25,795,692</b>	<b>\$ 13,807,977</b>	<b>\$ 21,883,584</b>	<b>\$ 4,346,425</b>

See Notes to Financial Statements.



<b>Development Authority of Pearland</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 1,016,477	\$ 17,595,463	\$ 40,527,370
	5,712,643	28,902,033
	3,253,480	22,118,057
	4,089,623	4,606,223
		275,323
		137,364
	4,220	273,960
916,454		1,581,708
<u>\$ 1,932,931</u>	<u>\$ 30,655,429</u>	<u>\$ 98,422,038</u>
\$ 735	\$ 2,011,974	\$ 5,003,387
	136,761	1,651,060
		84,808
	275,323	275,323
		3,562,276
<u>735</u>	<u>2,424,058</u>	<u>10,576,854</u>
	6,238,130	16,427,397
	6,238,130	16,427,397
		137,364
	4,220	273,960
916,454		5,950,751
	17,518,567	17,518,567
	4,080,571	4,080,571
	389,883	389,883
1,015,742		23,814,229
		1,393,883
		17,858,579
<u>1,932,196</u>	<u>21,993,241</u>	<u>71,417,787</u>
<u>\$ 1,932,931</u>	<u>\$ 30,655,429</u>	<u>\$ 98,422,038</u>

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**CITY OF PEARLAND, TEXAS**

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

*September 30, 2014*

**Total fund balance, governmental funds** \$ 71,417,787

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. 759,236,393

Deferred outflows represent a consumption of net position that applies to future periods and therefore will not be recognized as an outflow of resources until then. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 11,516,723

Other long-term assets (property taxes receivable and adjudicated court fines receivable) are not available to pay current period expenditures and, therefore, are reported as unavailable revenue in the funds. 16,427,397

Long-term liabilities, including bonds payable, are not due and payable in the current period, therefore, are not reported in the funds.

Bonds and capital leases payable	(387,826,573)
Compensated absences	(5,682,057)
Accrued interest governmental activity debt	(1,241,106)
Estimated post employment benefit liability	(1,721,250)

Internal service funds are used by management to charge the cost of property insurance and employee benefits to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position. 974,322

**Net Position of Governmental Activities in the Statement of Net Position** \$ 463,101,636

*See Notes to Financial Statements.*

**CITY OF PEARLAND, TEXAS**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**

**IN FUND BALANCES**

**GOVERNMENTAL FUNDS**

*For the Year Ended September 30, 2014*

	<u>General Fund</u>	<u>Debt Service</u>	<u>Pearland Economic Development Corporation</u>	<u>Tax Increment Reinvestment Zone #2</u>
<b>Revenues</b>				
Property taxes	\$ 12,095,419	\$ 27,131,534	\$	\$ 18,150,930
Sales and use taxes	17,326,556		8,563,736	
Franchise fees	6,214,046			
Licenses and permits	4,148,763			
Fines and forfeitures	2,970,397			
Charges for services	12,663,599		414,000	
Investment earnings	88,232	37,272	76,217	13,366
Intergovernmental		663,540	79,060	
Other	2,172,857	111,856	20,108	
<b>Total Revenues</b>	<u>57,679,869</u>	<u>27,944,202</u>	<u>9,153,121</u>	<u>18,164,296</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	7,234,797			
Public safety	29,039,403			
Public works	7,946,912			
Community services	3,747,462			
Parks and recreation	7,357,692			
Economic development			3,334,329	6,653,380
<b>Debt Service:</b>				
Principal	89,950	11,575,162	920,000	
Interest and other charges	24,536	13,102,430	1,109,810	
Capital outlay	4,233,164			
Intergovernmental		4,307,496		
<b>Total Expenditures</b>	<u>59,673,916</u>	<u>28,985,088</u>	<u>5,364,139</u>	<u>6,653,380</u>
Excess (deficiency) of revenues over expenditures	<u>(1,994,047)</u>	<u>(1,040,886)</u>	<u>3,788,982</u>	<u>11,510,916</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt				
Refunding bonds issued		29,720,000		
Payments to refunded bond escrow agent		(33,182,437)		
Bond premium		3,778,000		
Capital leases	1,852,939			
Transfers in	3,756,917	618,439		
Transfers out	(2,784,425)			(11,494,978)
<b>Total Other Financing Sources (Uses)</b>	<u>2,825,431</u>	<u>934,002</u>		<u>(11,494,978)</u>
Net change in fund balances	831,384	(106,884)	3,788,982	15,938
<b>Fund balances - beginning</b>	<u>18,623,117</u>	<u>4,642,821</u>	<u>15,366,505</u>	<u>4,330,487</u>
<b>Fund balances - ending</b>	<u>\$ 19,454,501</u>	<u>\$ 4,535,937</u>	<u>\$ 19,155,487</u>	<u>\$ 4,346,425</u>

*See Notes to Financial Statements.*

<b>Development Authority of Pearland</b>	<b>Non-major Governmental Funds</b>	<b>Total Governmental Funds</b>
\$	\$	\$ 57,377,883
	1,404,306	27,294,598
	269,915	6,483,961
		4,148,763
	150,125	3,120,522
		13,077,599
2,394	36,083	253,564
	1,798,276	2,540,876
	1,852,425	4,157,246
<u>2,394</u>	<u>5,511,130</u>	<u>118,455,012</u>
9,218	783,336	8,027,351
	131,711	29,171,114
	174,508	8,121,420
	212,144	3,959,606
	458,104	7,815,796
15,260,000		25,247,709
3,230,000		15,815,112
2,024,178	111,564	16,372,518
	11,302,540	15,535,704
		4,307,496
<u>20,523,396</u>	<u>13,173,907</u>	<u>134,373,826</u>
<u>(20,521,002)</u>	<u>(7,662,777)</u>	<u>(15,918,814)</u>
9,150,000	10,690,000	19,840,000
		29,720,000
		(33,182,437)
	1,005,606	4,783,606
		1,852,939
11,494,978	636,591	16,506,925
	(2,687,112)	(16,966,515)
<u>20,644,978</u>	<u>9,645,085</u>	<u>22,554,518</u>
123,976	1,982,308	6,635,704
1,808,220	20,010,933	64,782,083
<u>\$ 1,932,196</u>	<u>\$ 21,993,241</u>	<u>\$ 71,417,787</u>

**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, 2014*

**Net change in fund balances - total governmental funds:** \$ 6,635,704

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

Governmental funds report outlays for capital assets as expenditures. However, in the Statement of Activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

This is the amount by which capital outlays of \$15,209,398 exceeded depreciation of \$30,832,741 in the current period. (15,623,343)

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. (3,038,547)

Capital assets net of related debt acquired as a result of in City development. 28,859,861

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. 4,909,389

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. (2,578,538)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Accrued interest	5,770
Deferred charge on refunding	(463,231)
Bond premiums/discounts	(3,963,389)
Compensated absences	(675,326)
Capital lease activity	(662,849)
Post employment benefit liability	233,904

The internal service funds are used by management to charge the costs of property insurance and employee benefits to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities. 320,868

**Change in net position of governmental activities** \$ 13,960,273

*See Notes to Financial Statements.*

**CITY OF PEARLAND, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
September 30, 2014

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>Assets</b>				
<b>Current assets:</b>				
Cash and cash equivalents	\$ 1,081,007	\$ 870,997	\$ 1,952,004	\$ 1,138,353
Investments	10,729,315	247,635	10,976,950	
Accounts receivable, net of allowance for doubtful accounts	2,745,768	609,802	3,355,570	139,824
Prepaid items	12,946		12,946	
Restricted cash and cash equivalents	16,254,065		16,254,065	
Restricted investments	7,444,120		7,444,120	
<b>Total current assets</b>	<b>38,267,221</b>	<b>1,728,434</b>	<b>39,995,655</b>	<b>1,278,177</b>
<b>Non-current assets:</b>				
Capital assets:				
Land and improvements	3,796,382		3,796,382	
Construction in progress	9,508,864		9,508,864	
Contractual rights to water supply	34,511,428		34,511,428	
Infrastructure	317,072,555		317,072,555	
Buildings	31,256,472		31,256,472	
Machinery and equipment	3,909,461		3,909,461	
Less Accumulated depreciation	(111,383,230)		(111,383,230)	
<b>Total non-current assets</b>	<b>288,671,932</b>		<b>288,671,932</b>	
<b>Total Assets</b>	<b>326,939,153</b>	<b>1,728,434</b>	<b>328,667,587</b>	<b>1,278,177</b>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	509,414		509,414	
<b>Total Deferred Outflows of Resources</b>	<b>509,414</b>		<b>509,414</b>	
<b>Liabilities</b>				
<b>Current liabilities:</b>				
Accounts payable and accrued expenses	2,861,779	1,316,682	4,178,461	303,855
Accrued interest payable	395,419		395,419	
Customer deposits	3,161,497		3,161,497	
Compensated absences - current portion	87,701		87,701	
Bonds and permanent improvement payable - current portion	5,105,000		5,105,000	
Capital lease - current portion	86,960		86,960	
<b>Total current liabilities</b>	<b>11,698,356</b>	<b>1,316,682</b>	<b>13,015,038</b>	<b>303,855</b>
<b>Non-current liabilities:</b>				
Compensated absences	437,208		437,208	
Capital lease obligation	82,180		82,180	
Other post-employment benefits	315,267		315,267	
Bonds and permanent improvement payable	110,277,064		110,277,064	
<b>Total non-current liabilities</b>	<b>111,111,719</b>		<b>111,111,719</b>	
<b>Total Liabilities</b>	<b>122,810,075</b>	<b>1,316,682</b>	<b>124,126,757</b>	<b>303,855</b>
<b>Net Position</b>				
Net investment in capital assets	174,954,845		174,954,845	
Restricted for debt service	2,227,279		2,227,279	
Restricted for capital projects	12,256,333		12,256,333	
Unrestricted	15,200,035	411,752	15,611,787	974,322
<b>Total Net Position</b>	<b>\$ 204,638,492</b>	<b>\$ 411,752</b>	<b>\$ 205,050,244</b>	<b>\$ 974,322</b>

See Notes to Financial Statements.

**CITY OF PEARLAND, TEXAS**

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

**PROPRIETARY FUNDS**

*For the Year Ended September 30, 2014*

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>Revenues</b>				
Charges for services	\$ 28,928,774	\$ 7,008,474	\$ 35,937,248	\$ 5,625,833
<b>Total operating revenues</b>	<u>28,928,774</u>	<u>7,008,474</u>	<u>35,937,248</u>	<u>5,625,833</u>
<b>Operating Expenses</b>				
Personnel services	5,515,437		5,515,437	
Supplies and materials	1,855,344		1,855,344	
Contractual services	7,878,094	6,627,904	14,505,998	7,687,649
Repairs and maintenance	2,016,347		2,016,347	5,766
Other expenses	442,269	35,660	477,929	102,392
Depreciation and amortization	9,629,848		9,629,848	-
<b>Total Operating Expenses</b>	<u>27,337,339</u>	<u>6,663,564</u>	<u>34,000,903</u>	<u>7,795,807</u>
Operating income (loss)	<u>1,591,435</u>	<u>344,910</u>	<u>1,936,345</u>	<u>(2,169,974)</u>
<b>Non-Operating Revenues (Expenses)</b>				
Earnings on investments	137,477	1,235	138,712	664
Miscellaneous revenue (expense)	274,466		274,466	
Interest expense	(5,107,088)		(5,107,088)	
<b>Total Non-Operating Revenues (Expenses)</b>	<u>(4,695,145)</u>	<u>1,235</u>	<u>(4,693,910)</u>	<u>664</u>
Income (loss) before contributions and transfers	<u>(3,103,710)</u>	<u>346,145</u>	<u>(2,757,565)</u>	<u>(2,169,310)</u>
Capital contributions	17,677,185		17,677,185	
Transfers in	235,491		235,491	2,490,178
Transfers out	(2,119,285)	(146,794)	(2,266,079)	
Change in net position	12,689,681	199,351	12,889,032	320,868
<b>Total net position - beginning, as restated</b>	<u>191,948,811</u>	<u>212,401</u>	<u>192,161,212</u>	<u>653,454</u>
<b>Total net position - ending</b>	<u>\$ 204,638,492</u>	<u>\$ 411,752</u>	<u>\$ 205,050,244</u>	<u>\$ 974,322</u>

*See Notes to Financial Statements.*



**CITY OF PEARLAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
For the Year Ended September 30, 2014

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Activities - Internal Service Fund</b>
<b>Cash Flows from Operating Activities</b>				
Receipts from customers and users	\$ 28,846,378	\$ 7,221,014	\$ 36,067,392	\$ 5,549,746
Disbursed for personnel services	(5,506,476)		(5,506,476)	
Disbursed for goods and services	(13,332,732)	(7,055,799)	(20,388,531)	(7,756,583)
<b>Net cash provided (used) by operating activities</b>	<u>10,007,170</u>	<u>165,215</u>	<u>10,172,385</u>	<u>(2,206,837)</u>
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from funds	235,491		235,491	2,490,178
Transfers to other funds	(2,119,285)	(146,794)	(2,266,079)	
Cash received from non-operating revenues	274,466		274,466	
<b>Net cash provided by (used by) noncapital financing activities</b>	<u>(1,609,328)</u>	<u>(146,794)</u>	<u>(1,756,122)</u>	<u>2,490,178</u>
<b>Cash Flows from Capital and Related Financing Activities</b>				
Proceeds from the sale of equipment	60,317		60,317	
Capital grants and contributions	8,491,718		8,491,718	
Principal payments on debt	(4,920,000)		(4,920,000)	
Principal payments on leases	(91,844)		(91,844)	
Interest paid	(5,107,088)		(5,107,088)	
Acquisition and construction of capital assets	(7,015,557)		(7,015,557)	
<b>Net cash used by capital and related financing activities</b>	<u>(8,582,454)</u>		<u>(8,582,454)</u>	
<b>Cash Flows from Investing Activities</b>				
Purchase of investments	(4,968,770)	(247,635)	(5,216,405)	
Interest received	137,477	1,235	138,712	664
<b>Net cash provided by (used by) investing activities</b>	<u>(4,831,293)</u>	<u>(246,400)</u>	<u>(5,077,693)</u>	<u>664</u>
Net increase (decrease) in cash and equivalents	(5,015,905)	(227,979)	(5,243,884)	284,005
<b>Cash and equivalents, beginning</b>	<u>22,350,977</u>	<u>1,098,976</u>	<u>23,449,953</u>	<u>854,348</u>
<b>Cash and equivalents, end</b>	<u>\$ 17,335,072</u>	<u>\$ 870,997</u>	<u>\$ 18,206,069</u>	<u>\$ 1,138,353</u>
Unrestricted cash and equivalents	\$ 1,081,007	\$ 870,997	\$ 1,952,004	\$ 1,138,353
Restricted cash and equivalents	16,254,065		16,254,065	
	<u>\$ 17,335,072</u>	<u>\$ 870,997</u>	<u>\$ 18,206,069</u>	<u>\$ 1,138,353</u>

See Notes to Financial Statements.

**CITY OF PEARLAND, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
*For the Year Ended September 30, 2014*

	<b>Business-type Activities - Enterprise Funds</b>			<b>Governmental</b>
	<b>Water and Sewer Fund</b>	<b>Solid Waste Fund</b>	<b>Total</b>	<b>Activities - Internal Service Funds</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>				
Operating income (loss)	\$ 1,591,435	\$ 344,910	\$ 1,936,345	\$ (2,169,974)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	9,629,848		9,629,848	
(Increase) decrease in accounts receivable	(220,881)	212,540	(8,341)	(76,087)
(Increase) decrease in prepaid expenses	384		384	10,086
Increase (decrease) in accounts payable	(1,141,062)	(392,235)	(1,533,297)	29,138
Increase (decrease) in salaries payable	8,961		8,961	
Increase (decrease) in customer deposits	138,485		138,485	
<b>Net cash provided by (used by) operating activities</b>	<b>\$ 10,007,170</b>	<b>\$ 165,215</b>	<b>\$ 10,172,385</b>	<b>\$ (2,206,837)</b>
<b>Summary of non-cash transactions</b>				
Contributed capital assets	\$ 9,185,467		\$ 9,185,467	

*See Notes to Financial Statements.*

**CITY OF PEARLAND, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**

**Note 1 - Summary of Significant Accounting Policies**

The City of Pearland, Texas (the "City") was incorporated in December 1959 and adopted a "Home Rule Charter" February 6, 1971. The Charter, as amended, provides for a Council-Manager form of government and provides services authorized by its charter. Presently, these services include police, fire and emergency medical, water and sewer services, drainage, sanitation, building and code inspection, planning, zoning, engineering, street repair and maintenance, park maintenance, recreational activities for citizens, and general administrative services. Fire protection is provided through a combination full-time/volunteer part-time/volunteer department. The City is governed by an elected mayor and five-member Council. In May 2014, the citizens voted to amend the City Charter to increase the size of City Council from five councilmembers to seven councilmembers over a period of three years.

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. 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.

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

**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 specific geographic areas in accordance with applicable state laws. Besides appointing Board members, the City Council must also approve any debt issuances done on behalf of the TIRZ. A major land owner within the City sits on the Board of Directors for the TIRZ #2.

**Development Authority of Pearland**

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

**B. Government-wide and Fund Financial Statements**

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

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

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

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

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

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

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

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

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

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 *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.

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

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

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

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

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 Fund are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expense.

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Fund Balance Working Capital Policies**

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

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

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

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

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

**Unassigned** – Amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

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.

**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.

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**D. Fund Balance Working Capital Policies (continued)**

**Internal Service Fund Unrestricted Net Position**

The Internal Service 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.

The Internal Service 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 as it relates to employee benefits.

**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.

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.



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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**F. Investments**

Investments consist of United States (U.S.) Government Agency securities and Certificates of Deposit with original maturities greater than three months from the 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 balance sheet because their use is limited by applicable bond covenants. Certain resources are also set aside for repayment of Pearland Economic Development Corporation Bonds and are reported as restricted assets.

**K. Capital Assets**

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

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**K. Capital Assets (continued)**

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

<u>Asset</u>	<u>Years</u>
Buildings and improvements	10-45
Machinery and equipment	3-15
Infrastructure	10-50
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. Effective October 1, 2005, employees are no longer able to carry over unused vacation from one year to the next with the exception of police department personnel in classified positions. Certified police and firefighter personnel earn 15 days of vacation after 1 year and 20 days of vacation after 16 years. 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 overtime is 120 hours, including employees involved in public safety.

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

**M. Estimates**

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

**N. Comparative Data and Reclassifications**

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

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

**Note 1 - Summary of Significant Accounting Policies (continued)**

**O. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has only one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

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

**Authorization for Deposits and Investments**

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

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

The Council has adopted a written investment policy regarding the investment of City funds as required by the Public Funds Investment Act (Chapter 2256, Texas Government Code). The investments of the City are in compliance with the City's investment policy. The City's investment policy is more restrictive than the PFIA requires. It is the City's policy to restrict its direct investments to obligations of the U.S. Government or U.S. Government Agencies, obligations of states, counties, and cities, fully collateralized certificates of deposit, bankers' acceptances, 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.

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

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

**Deposit and Investment Amounts**

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

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

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

	<b><u>Total Fair Value</u></b>
Cash deposits	\$ 61,453,498
Temporary Investments	
FAMC discount note	2,005,806
FFCB discount note	5,015,070
FHLB discount note	5,000,892
FHLMC discount note	5,997,927
FNMA discount note	6,460,061
Certificates of deposit	22,843,348
	<b><u>\$ 108,776,602</u></b>

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

	<b><u>Total Fair Value</u></b>
Interest income	\$ 445,531
Unrealized gain (loss) on temporary investments	(52,591)
Investment earnings	<b><u>\$ 392,940</u></b>

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

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

**Interest Rate Risk**

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

	<u>Total Fair Value</u>	<u>Weighted Average Maturity (days)</u>
Temporary Investments		
FAMC discount note	\$ 2,005,806	1,464
FFCB discount note	5,015,070	870
FHLB discount note	5,000,892	1,013
FHLMC discount note	5,997,927	885
FNMA discount note	6,460,061	985
Certificates of deposit	22,843,348	554
	<u>\$ 47,323,104</u>	
<b>Portfolio weighted average maturity</b>		<u>775</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 338 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.

**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, 2014, 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>
FAMC discount note	\$ 2,005,806	4%
FFCB discount note	5,015,070	11%
FHLB discount note	5,000,892	10%
FHLMC discount note	5,997,927	13%
FNMA discount note	6,460,061	14%
Certificates of deposit	22,843,348	48%
<b>Total</b>	<u>\$ 47,323,104</u>	<u>100%</u>

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

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

**Credit Risk**

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

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

**Restricted Assets**

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

Revenue bond debt service	\$	2,622,698
Customer deposits		3,161,497
Capital improvements		17,913,990
<b>Total</b>	<b>\$</b>	<b>23,698,185</b>

**Note 3 - Receivables**

Receivables at September 30, 2014, consisted of the following:

**Primary Government:**

**Governmental Funds:**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Pearland Economic Development Corporation</b>	<b>Non-major Governmental Funds</b>	<b>Total</b>
Receivables					
Property taxes, including penalties and interest	\$ 511,630	\$ 843,729	\$	\$	\$ 1,355,359
Lease receivable		8,171,947			8,171,947
Sales and other taxes	4,553,628		1,569,076	477,251	6,599,955
Interest	20,345	6,102	25,265	4,602	56,314
Other	591,069		2,593,363	2,771,627	5,956,059
Allowance for uncollectibles	(8,150)	(13,427)			(21,577)
	<u>\$ 5,668,522</u>	<u>\$ 9,008,351</u>	<u>\$ 4,187,704</u>	<u>\$ 3,253,480</u>	<u>\$ 22,118,057</u>

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

**Note 3 - Receivables (continued)**

*Enterprise Funds:*

	<u>Water and Sewer Fund</u>	<u>Solid Waste Fund</u>	<u>Internal Service Fund</u>	<u>Total</u>
Receivables				
Customer accounts	\$ 2,743,178	\$ 662,843	\$	\$ 3,406,021
Interest	53,578	8		53,586
Other	9,992		139,824	149,816
Allowance for uncollectibles	(60,980)	(53,049)		(114,029)
	<u>\$ 2,745,768</u>	<u>\$ 609,802</u>	<u>\$ 139,824</u>	<u>\$ 3,495,394</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 and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable - general fund	\$ 467,020	\$
Delinquent property taxes receivable - debt service fund	749,318	
Lease revenues-principal	6,382,928	
Street assessments	2,527,689	
Other	6,300,442	
Lease interest revenues		1,789,020
Grants and revenues prior to meeting all eligibility requirements		1,773,256
<b>Total</b>	<u>\$ 16,427,397</u>	<u>\$ 3,562,276</u>

**Property Taxes**

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

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

**Note 4 - Capital Assets**

A summary of changes in the primary government's capital assets for the year ended September 30, 2014, follows:

	<b>Balance September 30, 2013</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2014</b>
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 31,264,285	\$	\$	\$ 31,264,285
Construction in progress	23,306,457		(3,331,859)	19,974,598
<b>Total capital assets not being depreciated</b>	<b>54,570,742</b>		<b>(3,331,859)</b>	<b>51,238,883</b>
Other capital assets:				
Infrastructure	862,884,771	38,545,615	(3,092,313)	898,338,073
Buildings and improvements	97,930,523	4,742,752		102,673,275
Machinery and equipment	15,031,317	3,278,577	(898,094)	17,411,800
Furniture and fixtures	4,699,729	838,630	(25,500)	5,512,859
<b>Total other capital assets</b>	<b>980,546,340</b>	<b>47,405,574</b>	<b>(4,015,907)</b>	<b>1,023,936,007</b>
Less accumulated depreciation for:				
Infrastructure	(254,945,190)	(25,595,727)	68,718	(280,472,199)
Buildings and improvements	(20,031,360)	(3,389,166)		(23,420,526)
Machinery and equipment	(8,865,997)	(1,334,287)	878,690	(9,321,594)
Furniture and fixtures	(2,236,114)	(513,564)	25,500	(2,724,178)
<b>Total accumulated depreciation</b>	<b>(286,078,661)</b>	<b>(30,832,744)</b>	<b>972,908</b>	<b>(315,938,497)</b>
Other capital assets, net	694,467,679	16,572,830	(3,042,999)	707,997,510
<b>Totals</b>	<b>\$ 749,038,421</b>	<b>\$ 16,572,830</b>	<b>\$ (6,374,858)</b>	<b>\$ 759,236,393</b>
	<b>Balance September 30, 2013</b>	<b>Increases</b>	<b>(Decreases)</b>	<b>Balance September 30, 2014</b>
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 3,796,382	\$	\$	\$ 3,796,382
Construction in progress	8,918,035	590,829		9,508,864
<b>Total capital assets not being depreciated</b>	<b>12,714,417</b>	<b>590,829</b>		<b>13,305,246</b>
Other capital assets:				
Water and sewer system	300,748,324	16,324,231		317,072,555
Buildings and improvements	31,256,473			31,256,473
Machinery and equipment	3,706,656	283,613	(194,210)	3,796,059
Furniture and fixtures	106,127	7,274		113,401
Contractual water rights	34,511,428			34,511,428
<b>Total other capital assets</b>	<b>370,329,008</b>	<b>16,615,118</b>	<b>(194,210)</b>	<b>386,749,916</b>
Less accumulated depreciation for:				
Water and sewer system	(88,082,289)	(7,227,723)		(95,310,012)
Buildings and improvements	(4,088,060)	(729,977)		(4,818,037)
Machinery and equipment	(2,306,076)	(365,846)	164,668	(2,507,254)
Furniture and fixtures	(69,517)	(13,536)		(83,053)
Contractual water rights	(7,284,417)	(1,380,457)		(8,664,874)
<b>Total accumulated depreciation</b>	<b>(101,830,359)</b>	<b>(9,717,539)</b>	<b>164,668</b>	<b>(111,383,230)</b>
Other capital assets, net	268,498,649	6,897,579	(29,542)	275,366,686
<b>Totals</b>	<b>\$ 281,213,066</b>	<b>\$ 7,488,408</b>	<b>\$ (29,542)</b>	<b>\$ 288,671,932</b>



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

**Note 4 - Capital Assets (continued)**

Depreciation was charged to programs as follows:

General government	\$	786,038
Public safety		2,140,277
Public works		25,367,059
Community services		224,598
Parks and recreation		2,314,772
<b>Total Governmental Activity</b>	<b>\$</b>	<b>30,832,744</b>

Water and sewer	\$	9,717,539
<b>Total Business-Type Activity</b>	<b>\$</b>	<b>9,717,539</b>

The City had active construction projects as of September 30, 2014. 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>Contract</u>	<u>Total In Progress</u>	<u>Remaining Commitment</u>
Drainage Improvement	\$ 15,686,274	\$ 4,246,926	\$ 11,439,348
Building Improvements	17,152,221	1,459,540	15,692,681
Street Improvement	62,818,725	11,928,505	50,890,220
Park Improvements	11,116,593	2,339,627	8,776,966
Total Governmental Activities	106,773,813	19,974,598	86,799,215
Water and Sewer Improvements	24,161,067	9,508,864	14,652,203
<b>Total Primary Government</b>	<b>\$ 130,934,880</b>	<b>\$ 29,483,462</b>	<b>\$ 101,451,418</b>

**Note 5 - Long-Term Debt**

**A. General Obligation Bonds and Certificates of Obligation**

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

The 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 and Certificates of Obligation (continued)**

The City issued \$40,410,000 of Permanent Improvement and Refunding Bonds, Series 2014 dated September 1, 2014. Proceeds of \$31,430,000 from the sale of the bonds were used to refund certain obligations of the City and to pay the costs associated with the sale and issuance of the bonds. As a result, the refunded portions of the bonds are considered defeased and the liability has been removed from the general long-term debt of the City. The reacquisition price exceeded the net carrying amount of the old debt resulting in a loss on the refunding of \$1.8 million. This amount is being netted against the new debt and amortized using the straight-line method over the remaining life of the refunded debt. This refunding resulted in an economic gain/present value of \$2.9 million. The premium of \$4.8 million is being amortized over the life of the bonds using the straight-line method.

The City issued \$9,150,000 of Tax Increment Contract Revenue Bonds, Series 2013 dated November 26, 2013. Proceeds from the sale of the bonds were used to reimburse developers and to pay the costs associated with the sale and issuance of the bonds.

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2014. 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.

	<b>Restated Balance September 30, 2013*</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance September 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Governmental Activities</b>					
<b>Bonds payable:</b>					
General obligation bonds	\$ 230,040,000	\$ 40,410,000	\$ (33,720,000)	\$ 236,730,000	\$ 8,300,000
Certificates of obligation	64,690,000		(8,185,000)	56,505,000	2,745,000
Sales tax revenue bonds	23,610,000		(920,000)	22,690,000	965,000
Tax increment revenue bonds	51,515,000	9,150,000	(3,230,000)	57,435,000	3,250,000
Unamortized premium/(discount)	6,158,967	4,783,606	(820,217)	10,122,356	
<b>Total bonds payable</b>	<u>376,013,967</u>	<u>54,343,606</u>	<u>(46,875,217)</u>	<u>383,482,356</u>	<u>15,260,000</u>
<b>Other liabilities:</b>					
Obligations under capital leases	3,681,366	1,852,939	(1,190,090)	4,344,215	1,208,438
Compensated absences	5,006,729	3,244,188	(2,568,860)	5,682,057	801,370
Other post-employment benefits	1,955,154		(233,904)	1,721,250	
<b>Total Governmental Activities</b>	<u>\$ 386,657,216</u>	<u>\$ 59,440,733</u>	<u>\$ (50,868,071)</u>	<u>\$ 395,229,878</u>	<u>\$ 17,269,808</u>

\* As Restated

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

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

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

**Note 5 - Long-Term Debt (continued)**

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

A summary of the terms of general obligation bonds and certificates of obligation, as of September 30, 2014, follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>General Obligation Bonds</b>				
Permanent Improvement and Refunding Bonds, Series 2005	37,015,000	2029	3.25-5.00	\$ 13,545,000
Permanent Improvement and Refunding Bonds, Series 2006	32,165,000	2029	4.00-5.00	9,955,000
Permanent Improvement and Refunding Bonds, Series 2007	69,640,000	2032	4.00-5.00	64,115,000
Permanent Improvement, Series 2008	22,835,000	2032	4.50-5.50	21,360,000
Permanent Improvement and Refunding Bonds, Series 2009	16,735,000	2034	2.00-5.00	14,985,000
Permanent Improvement, Series 2010A	12,415,000	2035	3.00-4.00	10,995,000
Permanent Improvement Refunding, Series 2010B	1,630,000	2018	2.00-4.00	780,000
Permanent Improvement, Series 2011	5,400,000	2036	2.125-4.125	5,055,000
Permanent Improvement and Refunding Bonds, Series 2012	43,575,000	2029	3.00-5.00	43,575,000
Permanent Improvement Bonds, Series 2013	43,575,000	2029	3.00-5.00	9,040,000
Permanent Improvement and Refunding Bonds, Series 2014	40,410,000	2034	2.00-5.00	40,410,000
<b>Annexed Municipal Utility District Bonds</b>				
BC MUD 1 Series 2007	1,940,000	2030	3.75-4.35	535,000
BC MUD 4 Series 2011	2,640,000	2032	2.50-5.00	2,380,000
Total General Obligation Bonds				<u>\$ 236,730,000</u>
<b>Certificates of Obligation</b>				
Certificates of Obligation, Series 2004	21,000,000	2028	4.00-5.25	\$ 710,000
Certificates of Obligation, Series 2006	9,700,000	2029	3.65-4.68	3,995,000
Certificates of Obligation, Series 2007	23,250,000	2032	3.25-5.25	22,150,000
Certificates of Obligation, Series 2008	9,000,000	2032	3.75-5.00	8,325,000
Certificates of Obligation, Series 2009	8,520,000	2034	2.25-5.00	7,605,000
Certificates of Obligation, Series 2009A	12,145,000	2029	2.00-4.50	9,585,000
Certificates of Obligation, Series 2011	2,095,000	2021	2.09	1,465,000
Certificates of Obligation, Series 2013	2,745,000	2038	3.00-4.625	2,670,000
Total Certificates of Obligation				<u>\$ 56,505,000</u>

A summary of the terms of the revenue bonds recorded as long-term liabilities in the Pearland Economic Development Corporation and Development Authority of Pearland as of September 30, 2014, is as follows:

Series	Original Issue	Matures	Interest Rate (%)	Debt Outstanding
<b>Pearland Economic Development Corporation</b>				
Sales Tax Revenue Bonds, Series 2005	\$ 10,590,000	2026	2.30-4.42	\$ 7,095,000
Sales Tax Revenue Bonds, Series 2006	10,235,000	2030	3.66-4.75	8,860,000
Sales Tax Revenue Bonds, Series 2010	7,685,000	2030	variable-resets every 6 months	6,735,000
<b>Development Authority of Pearland</b>				
Tax Increment Revenue Bonds, Series 2012	56,915,000	2029	3.07*	48,715,000
Tax Increment Revenue Bonds, Series 2013	9,150,000	2029	3.77	8,720,000
Total Component Unit Long-Term Debt				<u>\$ 80,125,000</u>

\*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 and Certificates of Obligation (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, 2014, approximately \$60 million of previously refunded bonds outstanding were considered defeased.

<u>General Obligation</u>	
PIB Series 2005	\$ 14,155,000
PIB Series 2006	20,495,000
CO Series 2006	<u>4,475,000</u>
	<u>\$ 39,125,000</u>

<u>Development Authority of Pearland</u>	
Series 2005	\$ 6,280,000
Series 2006	7,395,000
Series 2009	<u>7,230,000</u>
	<u>\$ 20,905,000</u>

Total: \$ 60,030,000

**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>
2015	\$ 1,402,292
2016	1,092,850
2017	913,394
2018	614,365
2019	479,916
2020	<u>283,444</u>
Total	4,786,261
Less: Interest	<u>(272,906)</u>
<b>Obligations under capital leases</b>	<u><u>\$ 4,513,355</u></u>

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

**Note 5 - Long-Term Debt (continued)**

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

The annual requirements to amortize governmental activity general obligation bonds and certificates of obligation outstanding at September 30, 2014, were as follows:

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>General Obligation</b>		<b>Certificates of Obligation</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 8,300,000	\$ 9,975,103	\$ 2,745,000	\$ 2,396,055
2016	9,350,000	9,600,084	2,120,000	2,303,869
2017	8,955,000	9,224,255	2,190,000	2,219,348
2018	8,830,000	8,859,379	2,765,000	2,115,972
2019	11,690,000	8,430,716	2,505,000	2,006,841
2020	12,470,000	7,920,506	2,580,000	1,900,410
2021	12,855,000	7,376,686	2,665,000	1,789,213
2022	13,675,000	6,797,126	2,535,000	1,674,221
2023	14,225,000	6,185,290	2,625,000	1,555,824
2024	14,795,000	5,537,300	2,725,000	1,431,690
2025	15,475,000	4,885,247	2,825,000	1,301,289
2026	15,870,000	4,232,618	2,960,000	1,164,378
2027	15,870,000	3,552,560	3,840,000	1,018,540
2028	19,400,000	2,891,764	3,995,000	863,823
2029	14,230,000	2,215,900	4,175,000	700,421
2030	10,185,000	1,625,578	3,410,000	544,513
2031	10,125,000	1,154,971	3,805,000	384,238
2032	10,660,000	675,193	4,185,000	199,088
2033	3,185,000	361,506	635,000	86,263
2034	3,300,000	217,869	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>\$ 236,730,000</u>	<u>\$ 101,938,909</u>	<u>\$ 56,505,000</u>	<u>\$ 25,764,260</u>

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

**Note 5 - Long-Term Debt (continued)**

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

The annual requirements to amortize blended component unit revenue bonds outstanding at September 30, 2014, were as follows:

<b>Fiscal Year</b>	<b>Governmental Activities</b>			
	<b>Pearland Economic Development Corporation</b>		<b>Development Authority of Pearland</b>	
	<b>Principal</b>	<b>Interest</b>	<b>Principal</b>	<b>Interest</b>
2015	\$ 965,000	\$ 1,068,839	\$ 3,250,000	\$ 1,824,295
2016	1,010,000	1,025,057	3,350,000	1,721,965
2017	1,060,000	976,218	3,455,000	1,616,460
2018	1,115,000	924,986	3,565,000	1,507,696
2019	1,175,000	870,739	3,675,000	1,395,416
2020	1,230,000	819,126	3,565,000	1,279,653
2021	1,285,000	764,705	3,680,000	1,167,093
2022	1,350,000	707,225	3,765,000	1,050,862
2023	1,415,000	645,158	3,690,000	930,131
2024	1,480,000	579,894	3,840,000	812,928
2025	1,555,000	511,083	3,990,000	690,735
2026	1,635,000	438,397	4,150,000	563,552
2027	1,715,000	361,922	4,315,000	431,072
2028	1,805,000	275,920	4,485,000	293,107
2029	1,895,000	188,544	4,660,000	149,467
2030	2,000,000	96,818		
	<u>\$ 22,690,000</u>	<u>\$ 10,254,633</u>	<u>\$ 57,435,000</u>	<u>\$ 15,434,429</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, 2014.

	<b>Restated Balance September 30, 2013*</b>	<b>Additions</b>	<b>(Reductions)</b>	<b>Balance September 30, 2014</b>	<b>Amounts Due Within One Year</b>
<b>Business-type Activities</b>					
<b>Bonds payable:</b>					
Permanent Improvement Bonds	\$ 14,020,000	\$	\$ (1,155,000)	\$ 12,865,000	\$ 1,530,000
Water and sewer revenue bonds	105,690,000		(3,765,000)	101,925,000	3,575,000
Unamortized premium/(discount)	730,310	(138,246)		592,064	
<b>Total bonds payable</b>	<b>120,440,310</b>	<b>(138,246)</b>	<b>(4,920,000)</b>	<b>115,382,064</b>	<b>5,105,000</b>
<b>Other liabilities:</b>					
Obligations under capital leases	260,984		(91,844)	169,140	86,960
Compensated absences	463,482	296,131	(234,704)	524,909	87,701
Other post-employment benefits	356,544		(41,277)	315,267	
<b>Total Business-type Activities</b>	<b>\$ 121,521,320</b>	<b>\$ 157,885</b>	<b>\$ (5,287,825)</b>	<b>\$ 116,391,380</b>	<b>\$ 5,279,661</b>

\* As Restated

A summary of the terms of certificates of obligation and revenue bonds recorded in the Enterprise Funds as of September 30, 2014, is as follows:

<b>Series</b>	<b>Original Issue</b>	<b>Matures</b>	<b>Interest Rate (%)</b>	<b>Debt Outstanding</b>
<b>Water and Wastewater Fund</b>				
Water and Sewer System Adjustable Rate Revenue Bonds, Series 1999	\$ 8,000,000	2020	4.41-4.60	\$ 2,580,000
Water and Sewer System Revenue and Refunding Bonds, Series 2006	13,845,000	2031	3.74-4.82	10,170,000
Water and Sewer System Revenue and Refunding Bonds, Series 2007	40,135,000	2031	3.50-5.50	35,705,000
Water and Sewer System Revenue Bonds, Series 2008	14,950,000	2034	4.125-5.00	13,690,000
Water and Sewer System Revenue Bonds, Series 2009	13,130,000	2034	3.00-5.50	11,340,000
Permanent Improvement and Refunding Bonds, Series 2009	11,660,000	2018	2.00-5.00	6,635,000
Water and Sewer System Revenue Bonds, Series 2010A	14,040,000	2035	1.75-4.50	12,505,000
Water and Sewer System Refunding Bonds, Series 2010B	8,970,000	2023	1.75-4.00	7,875,000
Permanent Improvement and Refunding Bonds, Series 2012	6,230,000	2025	3.00-5.00	6,230,000
Water and Sewer System Revenue Bonds, Series 2012	8,670,000	2037	2.00-3.625	8,060,000
Total Utility System Fund				<b>\$ 114,790,000</b>

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

**Note 5 - Long-Term Debt (continued)**

**B. Enterprise Fund Debt (continued)**

The annual requirements to amortize governmental activity revenue bonds and permanent improvement bonds outstanding at September 30, 2014, were as follows:

Fiscal Year	Business-Type Activities			
	Revenue Bonds		Permanent Improvement Bonds	
	Principal	Interest	Principal	Interest
2015	\$ 3,575,000	\$ 4,439,469	\$ 1,530,000	\$ 474,813
2016	3,725,000	4,302,209	1,560,000	427,900
2017	3,880,000	4,153,814	2,415,000	344,000
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	3,503,758	370,000	142,200
2022	4,810,000	3,306,020	385,000	127,100
2023	5,025,000	3,100,220	395,000	111,500
2024	4,190,000	2,884,169	1,480,000	74,000
2025	4,440,000	2,689,274	1,480,000	22,200
2026	6,155,000	2,477,949		
2027	6,450,000	2,181,686		
2028	6,765,000	1,867,325		
2029	7,080,000	1,552,813		
2030	7,375,000	1,257,306		
2031	7,680,000	948,088		
2032	3,710,000	625,250		
2033	3,895,000	444,575		
2034	4,075,000	264,300		
2035	1,180,000	75,725		
2036	345,000	25,556		
2037	360,000	13,050		
	<u>\$ 101,925,000</u>	<u>\$ 51,648,423</u>	<u>\$ 12,865,000</u>	<u>\$ 2,284,600</u>

**D. Legal Compliance**

Long-term debt assumed by the City upon dissolution of annexed municipal utility district 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, 2014, is as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amounts</u>	<u>Purpose</u>
General Fund	Capital Projects Fund	\$ 1,942,825	Transfer of funds for capital projects costs
General Fund	City Wide Donations Fund	21,000	Transfer of funds for operating costs
General Fund	Grant Fund	287,210	Transfer of funds for operating costs
General Fund	Solid Waste Fund	146,794	Transfer of funds for administrative costs
General Fund	Water Sewer Fund	1,359,088	Transfer of funds for administrative costs
Total General Fund		<u>3,756,917</u>	
Debt Service Fund	General Fund	159,272	Transfer of funds for debt service payments
Debt Service Fund	Water Sewer Fund	459,167	Transfer of funds for debt service payments
Total Debt Service Fund		<u>618,439</u>	
Development Authority of Pearland	Tax Increment Reinvestment Zone #2	11,494,978	Debt service; developer reimbursements
U of H Fund	General Fund	5,717	Operating
Capital Projects Fund	General Fund	194,797	Transfer of funds for capital project costs
Capital Projects Fund	Parks and Recreation Development	66,500	Transfer of funds for capital project costs
Capital Projects Fund	Sidewalk Fund	14,652	Transfer of funds for capital project costs
Capital Projects Fund	Grant Fund	344,300	Transfer of funds for capital project costs
Capital Projects Fund	Street Assessments Fund	10,625	Transfer of funds for capital project costs
Total Capital Projects Fund		<u>630,874</u>	
Internal Service Fund	General Fund	819,638	Operating costs
Internal Service Fund	Water Sewer Fund	301,030	Operating costs
Internal Service Fund	General Fund	1,369,510	Operating costs and reserves
Total Internal Service Fund		<u>2,490,178</u>	
Water Sewer Fund	General Fund	235,491	Operating costs
Total		<u>\$ 19,232,594</u>	

A summary of interfund receivables and payables at September 30, 2014, follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Grant Fund	\$ 244,629	Short term loan
General Fund	U of H Fund	30,694	To fund operations
		<u>\$ 275,323</u>	

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

**Note 7 - Fund Balance / Net Position**

**Encumbrances**

Encumbrance accounting is employed as an extension of formal budgetary integration for the General Fund, special revenue funds, and capital projects funds. September 30, 2014, certain amounts which were classified as restricted, committed, or assigned for specific purposes have been encumbered in the governmental funds. Significant encumbrances included in governmental fund balances are as follows:

	<u>Encumbrances</u>
General Fund - assigned	\$ 1,393,883
Pearland Economic Development - restricted	342,048
Aggregate non-major funds - restricted	<u>17,222,932</u>
	<u>\$ 18,958,863</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, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System ("TMRS"), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

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.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at [www.TMRS.com](http://www.TMRS.com).

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

**Note 9 - Employee Retirement System (continued)**

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. Plan provisions for the City were as follows:

	Plan Year 2013	Plan Year 2014
Employee deposit rate	7.0%	7.0%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity Increase (to retirees)	70% of CPI Repeating	70% of CPI Repeating

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

**Contributions**

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the projected unit credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as updated service credits and annuity increases.

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect.

The City's total payroll in fiscal year 2014 was \$34.8 million and the City's contributions were based on a payroll of \$33.2 million. Contributions made by employees totaled \$2.3 million, and the City made contributions of \$4.3 million during the fiscal year ended September 30, 2014.

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

**Note 9 - Employee Retirement System (continued)**

**Contributions (continued)**

Three-year trend information is presented below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Annual Pension Cost (APC)	\$ 4,311,811	\$ 3,780,847	\$ 3,518,289
Percentage of APC Contributed	100%	100%	100%
NPO at the End of Period	\$ -	\$ -	\$ -

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

The required contribution rates for fiscal year 2014 were determined as part of the December 31, 2011 and 2012 actuarial valuations. Additional information as of the latest actuarial valuation, December 31, 2013, also follows:

Valuation Date	12/31/2013	12/31/2012	12/31/2011
Actuarial Cost Method	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization Method	Level Percent of Payroll	Level Percent of Payroll	Level Percent of Payroll
GASB 25 Equivalent Single			
Amortization Period	30.0 Years - Closed Period	25.3 Years - Closed Period	26.3 Years - Closed Period
Amortization Period for new Gains/Losses	30 years	30 years	30 years
Asset Valuation Method	10-year Smoothed Market	10-year Smoothed Market	10-year Smoothed Market
Actuarial Assumptions:			
Investment Rate of Return	7.00%	7.00%	7.00%
Projected Salary Increases	Varies by age and service	Varies by age and service	Varies by age and service
Includes Inflation At	3.00%	3.00%	3.00%
Cost-of-Living Adjustments	2.1%	2.1%	2.1%

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 resulted in increased contribution rates, provided for advanced funding and positive improvement in the pension funding rates. The TMRS Board provided for an eight-year phase-in period for new rates to enable cities to slowly increase contributions. The City chose the phase-in option.

The funded status as of December 31, 2013, the most recent valuation date is presented as follows:

<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
December 31, 2013	\$ 78,831,539	\$ 98,960,025	80%	\$20,128,486	\$ 33,237,051	61%

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

**Note 9 - Employee Retirement System (continued)**

**Contributions (continued)**

Actuarial valuations 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 actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. The schedule of funding progress, presented as Required Supplementary Information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

**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:

<b>Total Cost</b>	<b>City's Cost</b>	<b>Emp/Dep Coverage Cost</b>	<b>Number of Retired Employees</b>
\$ 107,425	\$	\$ 107,425	11

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

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

**Note 10 - Other Post-Employment Benefits (continued)**

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

<b>Actuarial Valuation Date October 1,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
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:

	<b>2012</b>	<b>2013</b>	<b>2014</b>
Normal cost	\$ 190,706	\$ 243,253	\$ 234,852
Amortization of UAAL	141,837	177,878	177,878
Annual required contribution (ARC)	332,543	421,131	412,730
Interest on prior-year net OPEB obligation	57,127	72,715	81,115
Amortization of prior-year net OPEB obligation (ARC adjustment)		(109,364)	(142,285)
Annual OPEB cost (expense)	389,670	384,482	351,560
Employer contributions		(174,458)	(342,919)
Increase in net OPEB obligation	389,670	210,024	8,641
Net OPEB obligation - beginning of year	1,428,182	1,817,852	2,027,876
<b>Net OPEB obligation - end of year</b>	<b>\$ 1,817,852</b>	<b>\$ 2,027,876</b>	<b>\$ 2,036,517</b>

The annual cost recorded to the general ledger for fiscal year 2014 is \$493,845, which includes the estimated normal cost of \$234,852 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.

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

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

**Note 11 - Commitments and Contingencies**

**Litigation and Other Contingencies**

The City was involved in various lawsuits and arbitration proceedings at September 30, 2014. The City and its legal counsel believe that any amounts which the City might ultimately be required to pay will not exceed underlying insurance coverage.

**Reimbursements due to Developers**

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

<u>Current Incentives</u>	<u>Amount</u>	<u>Prior Years</u>	<u>FY 2014</u>	<u>Balance</u>
Altus Harbor	\$ 87,500	\$ 80,000	\$	\$ 7,500
Amerlux	185,000			185,000
Base Pair Bio-Technologies	38,500		9,625	28,875
Keystone Engineering	189,000			189,000
KS Management	2,663,000			2,663,000
Merit Medical Systems	888,000		758,000	130,000
Zapp Precision Wire	60,000			60,000
	<u>\$ 4,111,000</u>	<u>\$ 80,000</u>	<u>\$ 767,625</u>	<u>\$ 3,263,375</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.

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.

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

**Note 11 - Commitments and Contingencies (continued)**

**Shadow Creek Town Center (continued)**

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, 2014, the City remitted sales tax to the developer pursuant to the agreement in the amount of \$2,347,103, of which \$446,275 was remitted in fiscal year 2014. To date, \$1,898,518 million has been reimbursed towards principal and \$448,585 for interest. The City anticipates the developer reimbursements funded from sales tax to be complete in fiscal year 2016.

**Lower Kirby Urban Center Master Plan**

One of the priorities of the Lower Kirby Urban Center Master Plan, the Pearland 20/20 Strategic Plan, and a City Council goal is the implementation of regional detention for the Lower Kirby area. The purpose of regional detention is to create a more attractive urban development, reclaim land from the 100 year flood plain and increase property values needed to pay for infrastructure. A regional approach will prevent each property owner from having to provide individual on site detention allowing for drainage areas that become amenities.

One of the first steps taken by the City to facilitate regional detention was the purchase of the existing large borrow pit on the south side of the District in November 2010 that will be utilized as the detention pond. The City hired LJA Engineering in 2012 to conduct a drainage design and impact analysis for the necessary improvements and to begin a discussion with Texas Department of Transportation (TXDOT) to utilize their existing drainage ditch for conveyance. The ditch runs north and south parallel to State Highway 288 and will convey water from the eastern 467 acres of the District to the detention pond before it outfalls into Clear Creek.

The Lower Kirby Municipal Management District (LKMMMD) and the Pearland Municipal Management District No. 1 (PMMD#1) on February 6, 2014 adopted a master drainage plan for the implementation and enforcement of regional detention that established rules, regulations and fees. The regional detention will be developed and utilized by both the LKMMMD and the PMMD#1. The PMMD#1 master drainage plan will be for the entire 127 acres of the District and the LKMMMD master drainage plan is a first phase that will provide regional detention for 340 acres of the District.

The Districts entered into a cost sharing and implementation agreement to cooperate on the regional detention system. The total cost of this phase of the regional detention system is estimated at approximately \$16M that will be split between the two Districts at 72.3% for LKMMMD and 27.7% for PMMD#1. Based on this cost sharing, the LKMMMD will charge \$34,495 per acre foot and PMMD#1 will charge \$37,047 per acre foot. Thirty percent of the fee will be a pro-rata participation fee paid by the developer and the remaining seventy percent will be reimbursed to the developer when funds are available from the District.



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

**Note 12 - Risk Management**

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

The City also provides Workers’ Compensation insurance on its employees through TML-Workers’ Compensation Fund. Workers’ Compensation premiums are subject to change when audited by TML Workers’ Compensation Fund. At fiscal year-end September 30, 2014, 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. Because this lease is recorded in a governmental fund, the receivable is deferred and the distinction between a sales and direct financing lease is not relevant at the fund level.

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

The lease payments related to debt service to be received coincide with debt service payments the City is required to make on a bond that matures on March 1, 2029. At September 30, 2014, the future minimum debt service lease payments to be received under the lease are as follows:

<b>Fiscal year ending</b> <b>September 30,</b>	<b>Payment</b>
2015	\$ 654,255
2016	643,059
2017	627,598
2018	610,030
2019	594,808
2020-2024	2,751,760
2025-2029	2,343,556
Total	<u>\$ 8,225,066</u>

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

**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, 2014, the future minimum debt service lease payments to be received under the lease are as follows:

<u>Fiscal year ending</u> <u>September 30,</u>	<u>Payment</u>
2015	\$ 110,153
2016	108,268
2017	105,665
2018	102,707
2019	100,144
2020-2024	463,297
2025-2029	394,570
Total	<u>\$ 1,384,804</u>

**Note 15 - Subsequent Events**

**Certificates of Obligation, Series 2014**

On October 16, 2014, the City received \$4,625,000 in certificates of obligations. Proceeds from the sale of the Certificates will be used for (i) improvements, renovations and additions to the existing public works service center located at East Orange Street and Old Alvin Road; (ii) acquisition of land for and the design and construction of two new fire stations located at Yost Road and FM 518 and at Harkey Road and Fite Road; (iii) project management for parks, street and facility capital projects within the City; (iv) renovations to the existing City Hall Complex; and (v) to pay the costs of issuance of the Certificates. Interest rates on the certificates range from 2.0% to 4.0% and mature in 2034.

**Water and Sewer System Revenue Bonds, Series 2014**

On October 16, 2014, the City received \$9,210,000 in water and sewer system revenue bonds. Proceeds from the sale of the bonds will be used for waterworks and sanitary sewer system improvements, and to pay the costs of issuance of the bonds. Interest rates on the bonds range from 2.0% to 4.0% and mature in 2039.

**Development Authority of Pearland Tax Increment Revenue Bonds, Series 2014**

On November 10, 2014, the Development Authority of Pearland approved the issuance of \$8,060,000 of Tax Increment Contract Revenue Bonds. Proceeds from the sale of the bonds were used to reimburse the developer \$7,890,000 for infrastructure within the TIRZ boundaries. The bonds have an annual interest rate of 2.72% and will mature in 2029.

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

**Note 15 - Subsequent Events (continued)**

**Capital Lease**

One December 18, 2014, City Council approved a seven year \$574,049 lease purchase agreement with Clayton Holdings, LLC for the purchase of a Pierce Quantum pumper truck. The bid was at a 2.02% interest rate with the first semi-annual payment of \$43,735.39 due January 2015, with final payment July 2021. The escrow account closed on January 5, 2015.

**Note 16 - Restated Net Position**

The City expensed unamortized bond issuance costs in accordance with the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The effect of these restatements on beginning net position are as follows:

	<u>Water and Sewer Fund</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Net Position as of September 30, 2013	\$ 193,025,610	\$ 451,958,192	\$ 193,238,011
Expense unamortized debt issuance costs in the accordance with GASBS No. 65:	<u>(1,076,799)</u>	<u>(2,816,829)</u>	<u>(1,076,799)</u>
Net Position as of September 30, 2013 (restated)	<u>\$ 191,948,811</u>	<u>\$ 449,141,363</u>	<u>\$ 192,161,212</u>

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**Required Supplementary Information**

**CITY OF PEARLAND, TEXAS**

**GENERAL FUND**

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN**

**FUND BALANCES - BUDGET AND ACTUAL**

*For the year ended September 30, 2014*

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>Revenues</b>				
Property taxes	\$ 11,818,335	\$ 11,901,823	\$ 12,095,419	\$ 193,596
Sales and use taxes	17,428,319	17,038,649	17,326,556	287,907
Franchise fees	6,106,615	6,264,559	6,214,046	(50,513)
Licenses and permits	2,877,117	3,642,823	4,148,763	505,940
Fees and forfeitures	3,568,281	2,945,940	2,970,397	24,457
Charges for services	13,175,835	12,828,870	12,663,599	(165,271)
Investment earnings	60,500	82,974	88,232	5,258
Other	514,862	2,360,758	2,172,857	(187,901)
<b>Total Revenues</b>	<b>55,549,864</b>	<b>57,066,396</b>	<b>57,679,869</b>	<b>613,473</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	8,793,823	7,687,619	7,234,797	452,822
Public safety	29,395,291	30,038,310	29,039,403	998,907
Public works	8,507,284	8,318,137	7,946,912	371,225
Community services	3,743,683	3,893,808	3,747,462	146,346
Parks and recreation	8,138,479	8,028,920	7,357,692	671,228
<b>Debt Service:</b>				
Principal	89,950	89,950	89,950	
Interest and other charges	24,536	24,536	24,536	
Capital outlay	3,269,551	5,470,572	4,233,164	1,237,408
<b>Total Expenditures</b>	<b>61,962,597</b>	<b>63,551,852</b>	<b>59,673,916</b>	<b>3,877,936</b>
Excess (deficiency) of revenues over expenditures	(6,412,733)	(6,485,456)	(1,994,047)	4,491,409
<b>Other Financing Sources (Uses)</b>				
Proceeds from capital leases	901,825	2,426,987	1,852,939	(574,048)
Transfers in	3,709,547	3,751,670	3,756,917	5,247
Transfers out	(1,386,903)	(2,784,191)	(2,784,425)	(234)
<b>Total Other Financing Sources (Uses)</b>	<b>3,224,469</b>	<b>3,394,466</b>	<b>2,825,431</b>	<b>(569,035)</b>
Net change in fund balances	(3,188,264)	(3,090,990)	831,384	3,922,374
<b>Fund balances, beginning</b>	<b>18,623,117</b>	<b>18,623,117</b>	<b>18,623,117</b>	
<b>Fund balances, ending</b>	<b>\$ 15,434,853</b>	<b>\$ 15,532,127</b>	<b>\$ 19,454,501</b>	<b>\$ 3,922,374</b>

## **CITY OF PEARLAND, TEXAS**

### ***NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION***

#### **Budgetary Compliance**

The City has complied with all material budget requirements for the year ended September 30, 2014.

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, 2014*

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Funding Progress**

<b>Actuarial Valuation Date December 31,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2013	\$ 78,831,539	\$ 98,960,025	80%	\$20,128,486	\$ 33,237,051	61%
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%

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

<b>Actuarial Valuation Date October 1,</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liabilities</b>	<b>Percentage Funded</b>	<b>Unfunded Actuarial Accrued Liability (UAAL)</b>	<b>Annual Covered Payroll</b>	<b>(UAAL) as a Percentage of Covered Payroll</b>
2012	\$	\$ 8,339,937	0%	\$ 8,339,937	\$ 28,876,260	29%
2010		6,994,465	0%	6,994,465	26,871,670	26%

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

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**

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

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

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

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

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

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

***Park Donation Fund*** - A fund used to account for park donations for park special events and development of parks. This fund also includes funds from tree trust donations.

***Police Seizure Fund*** - A fund created to account for state and federal seizure funds which are used solely for law enforcement purposes.

***Park and Recreation Development Fund*** - A fund created to account for the receipt and expenditure of payment in lieu of parkland for the development of parks.

***Sidewalk Fund*** - A fund created to account for resources designated for sidewalks.

***Grant Fund*** - A fund created to account for revenues and expenditures associated with federal, state, and local grants.

***Traffic Impact Improvement Fund*** - A fund created to account for resources and expenditures from traffic impact analysis.

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

***Capital Projects Fund*** - A fund 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.

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

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

**CITY OF PEARLAND, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
*September 30, 2014*

	<b>Hotel/Motel Tax</b>	<b>Court Security</b>	<b>City-Wide Donation</b>	<b>Court Technology</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 879,290	\$ 119,571	\$ 49,667	\$ 48,433
Investments	1,741,186			
Receivables (net of allowance for uncollectibles)	438,482			
Due from other governments				
Prepaid items	4,220			
<b>Total Assets</b>	<b>\$ 3,063,178</b>	<b>\$ 119,571</b>	<b>\$ 49,667</b>	<b>\$ 48,433</b>
<b>Liabilities</b>				
Accounts payable	\$ 64,710	\$ 2,112	\$	\$
Accrued expenditures				
Due to other funds				
<b>Total Liabilities</b>	<b>64,710</b>	<b>2,112</b>		
<b>Deferred Inflows of Resources</b>				
Unavailable revenue				
<b>Total Deferred Inflows of Resources</b>				
<b>Fund Balance</b>				
Non-spendable	4,220			
Restricted for:				
Community development programs	2,994,248	117,459	3,471	
Public safety			46,196	48,433
Capital improvements				
<b>Total Fund Balances</b>	<b>2,998,468</b>	<b>117,459</b>	<b>49,667</b>	<b>48,433</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 3,063,178</b>	<b>\$ 119,571</b>	<b>\$ 49,667</b>	<b>\$ 48,433</b>

<u>Street Assessments</u>	<u>Park Donation</u>	<u>Police Seizure</u>	<u>Park and Recreation Development</u>
\$	\$ 168,639	\$ 205,187	\$ 525,494 495,884
2,527,689		39,196	211
<u>\$ 2,527,689</u>	<u>\$ 168,639</u>	<u>\$ 244,383</u>	<u>\$ 1,021,589</u>
\$	\$ 300	\$ 2,641	\$ 33,439
	300	2,641	33,439
<u>2,527,689</u>			
<u>2,527,689</u>			
	168,339	241,742	988,150
	<u>168,339</u>	<u>241,742</u>	<u>988,150</u>
<u>\$ 2,527,689</u>	<u>\$ 168,639</u>	<u>\$ 244,383</u>	<u>\$ 1,021,589</u>

**CITY OF PEARLAND, TEXAS**  
**COMBINING BALANCE SHEET**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
*September 30, 2014*

	<u>Side walk</u>	<u>Grant</u>	<u>Traffic Impact Improvement</u>	<u>Juvenile Management</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 242,999	\$	\$ 176,216	\$ 55,113
Investments			496,089	
Receivables (net of allowance for uncollectibles)			304	
Due from other governments		319,934		
Prepaid items				
<b>Total Assets</b>	<u>\$ 242,999</u>	<u>\$ 319,934</u>	<u>\$ 672,609</u>	<u>\$ 55,113</u>
<b>Liabilities</b>				
Accounts payable	\$	\$ 5,803	\$	\$ 1,601
Accrued expenditures				
Due to other funds		244,629		
<b>Total Liabilities</b>		<u>250,432</u>		<u>1,601</u>
<b>Deferred Inflows of Resources</b>				
Unavailable revenue				
<b>Total Deferred Inflows of Resources</b>				
<b>Fund Balance</b>				
Non-spendable				
Restricted for:				
Community development programs		69,502		
Public safety				53,512
Capital improvements	242,999		672,609	
<b>Total Fund Balances</b>	<u>242,999</u>	<u>69,502</u>	<u>672,609</u>	<u>53,512</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 242,999</u>	<u>\$ 319,934</u>	<u>\$ 672,609</u>	<u>\$ 55,113</u>



<b>Capital Projects</b>	<b>Educational TV</b>	<b>U of H</b>	<b>Totals</b>
\$ 14,437,088	\$ 447,638	\$ 240,128	\$ 17,595,463
2,979,484			5,712,643
207,598	40,000		3,253,480
3,710,441		59,248	4,089,623
			4,220
<u>\$ 21,334,611</u>	<u>\$ 487,638</u>	<u>\$ 299,376</u>	<u>\$ 30,655,429</u>
\$ 1,872,600	\$ 214	\$ 28,554	\$ 2,011,974
136,761			136,761
		30,694	275,323
<u>2,009,361</u>	<u>214</u>	<u>59,248</u>	<u>2,424,058</u>
<u>3,710,441</u>			<u>6,238,130</u>
<u>3,710,441</u>			<u>6,238,130</u>
			4,220
	487,424	240,128	4,080,571
			389,883
<u>15,614,809</u>	<u>487,424</u>	<u>240,128</u>	<u>17,518,567</u>
<u>15,614,809</u>	<u>487,424</u>	<u>240,128</u>	<u>21,993,241</u>
<u>\$ 17,624,170</u>	<u>\$ 487,638</u>	<u>\$ 299,376</u>	<u>\$ 26,944,988</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, 2014*

	<u>Hotel/Motel Tax</u>	<u>Court Security</u>	<u>City-Wide Donation</u>	<u>Court Technology</u>
<b>Revenues</b>				
Sales and use taxes	\$ 1,404,306	\$	\$	\$
Franchise fees				
Fines and forfeitures		53,213		60,846
Investment earnings	4,079	180	104	202
Intergovernmental				
Other	80,990		40,775	
<b>Total Revenues</b>	<u>1,489,375</u>	<u>53,393</u>	<u>40,879</u>	<u>61,048</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	708,755			
Public safety			17,433	
Public works				
Community services		65,542		37,945
Parks and recreation				
<b>Debt Service:</b>				
Interest and other charges				
<b>Capital outlay</b>	53,304		44,116	258,105
<b>Total Expenditures</b>	<u>762,059</u>	<u>65,542</u>	<u>61,549</u>	<u>296,050</u>
Excess (deficiency) of revenues over expenditures	<u>727,316</u>	<u>(12,149)</u>	<u>(20,670)</u>	<u>(235,002)</u>
<b>Other Financing</b>				
<b>Sources (Uses)</b>				
Issuance of debt				
Bond premium				
Transfers in				
Transfers out			(21,000)	
<b>Total Other Financing</b>			<u>(21,000)</u>	
<b>Sources (Uses)</b>			<u>(21,000)</u>	
Net change in fund balances	727,316	(12,149)	(41,670)	(235,002)
<b>Fund balances - beginning</b>	<u>2,271,152</u>	<u>129,608</u>	<u>91,337</u>	<u>283,435</u>
<b>Fund balances - ending</b>	<u>\$ 2,998,468</u>	<u>\$ 117,459</u>	<u>\$ 49,667</u>	<u>\$ 48,433</u>

<u>Street Assessments</u>	<u>Park Donation</u>	<u>Police Seizure</u>	<u>Park and Recreation Development</u>
\$	\$	\$	\$
394	258	352	1,942
<u>62,194</u>	<u>111,529</u>	<u>118,233</u>	<u>292,379</u>
<u>62,588</u>	<u>111,787</u>	<u>118,585</u>	<u>294,321</u>
62,588		72,342	
	133,052		
		46,000	35,590
<u>62,588</u>	<u>133,052</u>	<u>118,342</u>	<u>35,590</u>
	<u>(21,265)</u>	<u>243</u>	<u>258,731</u>
			<u>(66,500)</u>
			<u>(66,500)</u>
	(21,265)	243	192,231
	189,604	241,499	795,919
<u>\$</u>	<u>\$ 168,339</u>	<u>\$ 241,742</u>	<u>\$ 988,150</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, 2014*

	<u>Side walk</u>	<u>Grant</u>	<u>Traffic Impact Improvement</u>	<u>Juvenile Management</u>
<b>Revenues</b>				
Sales and use taxes	\$	\$	\$	\$
Franchise fees				
Fines and forfeitures				36,066
Investment earnings	351		2,488	86
Intergovernmental		848,339		
Other	33,390		40,850	
<b>Total Revenues</b>	<u>33,741</u>	<u>848,339</u>	<u>43,338</u>	<u>36,152</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government		11,993		
Public safety		41,936		
Public works	1,890			
Community services		27,641		43,139
Parks and recreation				
<b>Debt Service:</b>				
Interest and other charges				
<b>Capital outlay</b>		112,061		
<b>Total Expenditures</b>	<u>1,890</u>	<u>193,631</u>		<u>43,139</u>
Excess (deficiency) of revenues over expenditures	<u>31,851</u>	<u>654,708</u>	<u>43,338</u>	<u>(6,987)</u>
<b>Other Financing</b>				
<b>Sources (Uses)</b>				
Issuance of debt				
Bond premium				
Transfers in				
Transfers out	(14,652)	(631,510)	(10,625)	
<b>Total Other Financing</b>				
<b>Sources (Uses)</b>	<u>(14,652)</u>	<u>(631,510)</u>	<u>(10,625)</u>	
Net change in fund balances	17,199	23,198	32,713	(6,987)
<b>Fund balances - beginning</b>	<u>225,800</u>	<u>46,304</u>	<u>639,896</u>	<u>60,499</u>
<b>Fund balances - ending</b>	<u>\$ 242,999</u>	<u>\$ 69,502</u>	<u>\$ 672,609</u>	<u>\$ 53,512</u>

<b>Capital Projects</b>	<b>Educational TV</b>	<b>U of H</b>	<b>Totals</b>
\$	\$	\$	\$ 1,404,306
	269,915		269,915
			150,125
24,804	473	370	36,083
712,409		237,528	1,798,276
990,299		81,786	1,852,425
<u>1,727,512</u>	<u>270,388</u>	<u>319,684</u>	<u>5,511,130</u>
			783,336
			131,711
172,618			174,508
	37,877		212,144
		325,052	458,104
111,564			111,564
<u>10,747,763</u>	<u>5,601</u>		<u>11,302,540</u>
<u>11,031,945</u>	<u>43,478</u>	<u>325,052</u>	<u>13,173,907</u>
<u>(9,304,433)</u>	<u>226,910</u>	<u>(5,368)</u>	<u>(7,662,777)</u>
10,690,000			10,690,000
1,005,606			1,005,606
630,874		5,717	636,591
<u>(1,942,825)</u>			<u>(2,687,112)</u>
<u>10,383,655</u>		<u>5,717</u>	<u>9,645,085</u>
1,079,222	226,910	349	1,982,308
<u>14,535,587</u>	<u>260,514</u>	<u>239,779</u>	<u>20,010,933</u>
<u>\$ 15,614,809</u>	<u>\$ 487,424</u>	<u>\$ 240,128</u>	<u>\$ 21,993,241</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, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Property taxes	\$ 26,684,495	\$ 27,131,534	\$ 447,039	\$ 25,898,494
Investment earnings	36,561	37,272	711	19,296
Miscellaneous	775,398	775,396	(2)	1,946,973
<b>Total Revenues</b>	<u>27,496,454</u>	<u>27,944,202</u>	<u>447,748</u>	<u>27,864,763</u>
<b>Expenditures</b>				
Debt Service:				
Principal	11,575,162	11,575,162		11,950,504
Interest and other charges	13,163,774	13,102,430	61,344	12,667,961
Intergovernmental	4,307,496	4,307,496		4,057,682
<b>Total Expenditures</b>	<u>29,046,432</u>	<u>28,985,088</u>	<u>61,344</u>	<u>28,676,147</u>
Excess (deficiency) of revenues over expenditures	<u>(1,549,978)</u>	<u>(1,040,886)</u>	<u>509,092</u>	<u>(811,384)</u>
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	29,720,000	29,720,000		
Premium on general obligation debt	3,778,000	3,778,000		
Payments to refunding escrow agent	(33,182,437)	(33,182,437)		
Transfers from other funds	618,439	618,439		461,726
<b>Total Other Financing Sources (Uses)</b>	<u>934,002</u>	<u>934,002</u>		<u>461,726</u>
Net change in fund balance	(615,976)	(106,884)	509,092	(349,658)
<b>Fund Balances - Beginning</b>	<u>4,642,821</u>	<u>4,642,821</u>		<u>4,992,479</u>
<b>Fund Balances - Ending</b>	<u>\$ 4,026,845</u>	<u>\$ 4,535,937</u>	<u>\$ 509,092</u>	<u>\$ 4,642,821</u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - HOTEL/MOTEL TAX**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2014*  
*with comparative actual totals for the year ended September 30, 2013*

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Sales and use taxes	\$ 1,342,794	\$ 1,404,306	\$ 61,512	\$ 1,150,360
Investment earnings	5,200	4,079	(1,121)	3,277
Other	82,000	80,990	(1,010)	
<b>Total Revenues</b>	<u>1,429,994</u>	<u>1,489,375</u>	<u>59,381</u>	<u>1,153,637</u>
<b>Expenditures</b>				
Current:				
General government	727,292	708,755	18,537	533,088
Capital outlay	53,630	53,304	326	173,226
<b>Total Expenditures</b>	<u>780,922</u>	<u>762,059</u>	<u>18,863</u>	<u>706,314</u>
Net change in fund balance	649,072	727,316	78,244	447,323
<b>Fund Balances - Beginning</b>	<u>2,271,152</u>	<u>2,271,152</u>		<u>1,823,829</u>
<b>Fund Balances - Ending</b>	<u><u>\$ 2,920,224</u></u>	<u><u>\$ 2,998,468</u></u>	<u><u>\$ 78,244</u></u>	<u><u>\$ 2,271,152</u></u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT SECURITY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2014*  
*with comparative actual totals for the year ended September 30, 2013*

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Fines and forfeitures	\$ 54,508	\$ 53,213	\$ (1,295)	\$ 59,476
Investment earnings	175	180	5	200
<b>Total Revenues</b>	<u>54,683</u>	<u>53,393</u>	<u>(1,290)</u>	<u>59,676</u>
<b>Expenditures</b>				
Current:				
Community services	78,457	65,542	12,915	71,189
<b>Total Expenditures</b>	<u>78,457</u>	<u>65,542</u>	<u>12,915</u>	<u>71,189</u>
Net change in fund balance	(23,774)	(12,149)	11,625	(11,513)
<b>Fund Balances - Beginning</b>	<u>129,608</u>	<u>129,608</u>		<u>141,121</u>
<b>Fund Balances - Ending</b>	<u>\$ 105,834</u>	<u>\$ 117,459</u>	<u>\$ 11,625</u>	<u>\$ 129,608</u>



**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - CITY-WIDE DONATION**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>			
	<b>Final Budget</b>	<b>Actual</b>	<b>Variance Positive / (Negative)</b>	<b>2013</b>
<b>Revenues</b>				
Investment earnings	\$ 150	\$ 104	\$ (46)	\$ 118
Other income	69,085	40,775	(28,310)	34,413
<b>Total Revenues</b>	<u>69,235</u>	<u>40,879</u>	<u>(28,356)</u>	<u>34,531</u>
<b>Expenditures</b>				
Current:				
Public safety	17,433	17,433		14,558
Community services	10,675		10,675	
Capital outlay	53,986	44,116	9,870	
<b>Total Expenditures</b>	<u>82,094</u>	<u>61,549</u>	<u>20,545</u>	<u>14,558</u>
Excess (deficiency) of revenues over expenditures	<u>(12,859)</u>	<u>(20,670)</u>	<u>(7,811)</u>	<u>19,973</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	<u>(21,000)</u>	<u>(21,000)</u>		
Net change in fund balance	(12,859)	(41,670)	(7,811)	19,973
<b>Fund Balances - Beginning</b>	<u>91,337</u>	<u>91,337</u>		<u>71,364</u>
<b>Fund Balances - Ending</b>	<u>\$ 57,478</u>	<u>\$ 49,667</u>	<u>\$ (7,811)</u>	<u>\$ 91,337</u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - COURT TECHNOLOGY**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2014*  
*with comparative actual totals for the year ended September 30, 2013*

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
<b>Revenues</b>				
Fines and forfeitures	\$ 62,000	\$ 60,846	\$ (1,154)	\$ 70,909
Investment earnings	246	202	(44)	380
<b>Total Revenues</b>	62,246	61,048	(1,198)	71,289
<b>Expenditures</b>				
Current:				
Community services	46,994	37,945	9,049	31,149
Capital Outlay	293,000	258,105		
<b>Total Expenditures</b>	339,994	296,050	9,049	31,149
Net change in fund balance	(277,748)	(235,002)	7,851	40,140
<b>Fund Balances - Beginning</b>	283,435	283,435		243,295
<b>Fund Balances - Ending</b>	\$ 5,687	\$ 48,433	\$ 7,851	\$ 283,435

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - STREET ASSESSMENTS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
*For the Year Ended September 30, 2014*  
*with comparative actual totals for the year ended September 30, 2013*

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment earnings	\$ 394	\$ 394	\$	\$
Other	62,194	62,194		
<b>Total Revenues</b>	<b>62,588</b>	<b>62,588</b>		
<b>Expenditures</b>				
Current:				
General government	62,588	62,588		
<b>Total Expenditures</b>	<b>62,588</b>	<b>62,588</b>		
Net change in fund balance				
<b>Fund Balances - Beginning</b>				
<b>Fund Balances - Ending</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**CITY OF PEARLAND, TEXAS**

**SPECIAL REVENUE FUND - PARK DONATION**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

*For the Year Ended September 30, 2014*

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

	<b>2014</b>		<b>Variance</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2013</b>
<b>Revenues</b>				
Investment earnings	\$ 994	\$ 258	\$ (736)	\$ 203
Other	104,025	111,529	7,504	163,096
<b>Total Revenues</b>	<u>105,019</u>	<u>111,787</u>	<u>6,768</u>	<u>163,299</u>
<b>Expenditures</b>				
Current:				
Parks and recreation	141,758	133,052	8,706	76,882
Capital outlay				5,245
<b>Total Expenditures</b>	<u>141,758</u>	<u>133,052</u>	<u>8,706</u>	<u>82,127</u>
Net change in fund balance	(36,739)	(21,265)	15,474	81,172
<b>Fund Balances - Beginning</b>	<u>189,604</u>	<u>189,604</u>		<u>108,432</u>
<b>Fund Balances - Ending</b>	<u>\$ 152,865</u>	<u>\$ 168,339</u>	<u>\$ 15,474</u>	<u>\$ 189,604</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, 2014**with comparative actual totals for the year ended September 30, 2013*

	<b>2014</b>		<b>Variance</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2013</b>
<b>Revenues</b>				
Investment earnings	\$ 351	\$ 352	\$ 1	\$ 372
Other	56,162	118,233	62,071	43,191
<b>Total Revenues</b>	<u>56,513</u>	<u>118,585</u>	<u>62,072</u>	<u>43,563</u>
<b>Expenditures</b>				
Current:				
Public safety	99,479	72,342	27,137	50,639
Capital outlay	46,000	46,000		29,883
<b>Total Expenditures</b>	<u>145,479</u>	<u>118,342</u>	<u>27,137</u>	<u>80,522</u>
Net change in fund balance	(88,966)	243	89,209	(36,959)
<b>Fund Balances - Beginning</b>	<u>241,499</u>	<u>241,499</u>		<u>278,458</u>
<b>Fund Balances - Ending</b>	<u>\$ 152,533</u>	<u>\$ 241,742</u>	<u>\$ 89,209</u>	<u>\$ 241,499</u>

**CITY OF PEARLAND, TEXAS**

**SPECIAL REVENUE FUND - PARK AND RECREATION DEVELOPMENT**

**SCHEDULE OF REVENUES, EXPENDITURES, AND**

**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**

*For the Year Ended September 30, 2014*

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

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment earnings	\$ 1,202	\$ 1,942	\$ 740	\$ 1,247
Other	223,879	292,379	68,500	243,803
<b>Total Revenues</b>	<u>225,081</u>	<u>294,321</u>	<u>69,240</u>	<u>245,050</u>
<b>Expenditures</b>				
Current:				
Parks and recreation				52,441
Capital outlay	181,523	35,590	145,933	256,392
<b>Total Expenditures</b>	<u>181,523</u>	<u>35,590</u>	<u>145,933</u>	<u>308,833</u>
Excess (deficiency) of revenues over expenditures	<u>43,558</u>	<u>258,731</u>	<u>215,173</u>	<u>(63,783)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(66,500)	(66,500)		
<b>Total Other Financing     Sources (Uses)</b>	<u>(66,500)</u>	<u>(66,500)</u>		
Net change in fund balance	(22,942)	192,231	215,173	(63,783)
<b>Fund Balances - Beginning</b>	<u>795,919</u>	<u>795,919</u>		<u>859,702</u>
<b>Fund Balances - Ending</b>	<u>\$ 772,977</u>	<u>\$ 988,150</u>	<u>\$ 215,173</u>	<u>\$ 795,919</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, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment earnings	\$ 325	\$ 351	\$ 26	\$ 308
Other	33,390	33,390		20,129
<b>Total Revenues</b>	<u>33,715</u>	<u>33,741</u>	<u>26</u>	<u>20,437</u>
<b>Expenditures</b>				
Current:				
Public works		1,890	(1,890)	
<b>Total Expenditures</b>		<u>1,890</u>	<u>(1,890)</u>	
Excess (deficiency) of revenues over expenditures	<u>33,715</u>	<u>31,851</u>	<u>(1,864)</u>	<u>20,437</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(14,652)	(14,652)		
<b>Total Other Financing Sources (Uses)</b>	<u>(14,652)</u>	<u>(14,652)</u>		
Net change in fund balance	19,063	17,199	(1,864)	20,437
<b>Fund Balances - Beginning</b>	<u>225,800</u>	<u>225,800</u>		<u>205,363</u>
<b>Fund Balances - Ending</b>	<u>\$ 244,863</u>	<u>\$ 242,999</u>	<u>\$ (1,864)</u>	<u>\$ 225,800</u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - GRANT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	2014		Variance Positive / (Negative)	2013
	Final Budget	Actual		
<b>Revenues</b>				
Investment earnings	\$ 11	\$	\$ (11)	\$ 27
Intergovernmental	1,383,649	848,339	(535,310)	814,545
Other				12,292
<b>Total Revenues</b>	<b>1,383,660</b>	<b>848,339</b>	<b>(535,321)</b>	<b>826,864</b>
<b>Expenditures</b>				
Current:				
General government	21,200	11,993	9,207	
Public safety	95,056	41,936	53,120	57,282
Community service	87,132	27,641	59,491	93,441
Parks and recreation				3,741
Capital outlay	264,656	112,061	152,595	15,659
<b>Total Expenditures</b>	<b>468,044</b>	<b>193,631</b>	<b>274,413</b>	<b>170,123</b>
Excess (deficiency) of revenues over expenditures	915,616	654,708	(260,908)	656,741
<b>Other Financing Sources (Uses)</b>				
Transfers in				20,748
Transfers out	(936,017)	(631,510)	304,507	(659,196)
<b>Total other financing sources (uses)</b>	<b>(936,017)</b>	<b>(631,510)</b>	<b>304,507</b>	<b>(638,448)</b>
Net change in fund balance	(20,401)	23,198	43,599	18,293
<b>Fund Balances - Beginning</b>	<b>46,304</b>	<b>46,304</b>		<b>28,011</b>
<b>Fund Balances - Ending</b>	<b>\$ 25,903</b>	<b>\$ 69,502</b>	<b>\$ 43,599</b>	<b>\$ 46,304</b>



**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - TRAFFIC IMPACT IMPROVEMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>		<b>Variance</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2013</b>
<b>Revenues</b>				
Investment earnings	\$ 2,000	\$ 2,488	\$ 488	\$ 1,006
Other	40,850	40,850		204,689
<b>Total Revenues</b>	<u>42,850</u>	<u>43,338</u>	<u>488</u>	<u>205,695</u>
<b>Other Financing Sources/(Uses)</b>				
Transfers out	(10,625)	(10,625)		(157,907)
<b>Total Other Financing Sources (Uses)</b>	<u>(10,625)</u>	<u>(10,625)</u>		<u>(157,907)</u>
Net change in fund balance	32,225	32,713	488	47,788
<b>Fund Balances - Beginning</b>	<u>639,896</u>	<u>639,896</u>		<u>592,108</u>
<b>Fund Balances - Ending</b>	<u>\$ 672,121</u>	<u>\$ 672,609</u>	<u>\$ 488</u>	<u>\$ 639,896</u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - JUVENILE MANAGEMENT**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Fines and Forfeitures	\$ 37,164	\$ 36,066	\$ (1,098)	\$ 69,603
Investment earnings	85	86	1	70
<b>Total Revenues</b>	<u>37,249</u>	<u>36,152</u>	<u>(1,097)</u>	<u>69,673</u>
<b>Expenditures</b>				
Current:				
Community services	44,092	43,139	953	44,081
<b>Total Expenditures</b>	<u>44,092</u>	<u>43,139</u>	<u>953</u>	<u>44,081</u>
Net change in fund balance	(6,843)	(6,987)	(144)	25,592
<b>Fund Balances - Beginning</b>	<u>60,499</u>	<u>60,499</u>		<u>34,907</u>
<b>Fund Balances - Ending</b>	<u>\$ 53,656</u>	<u>\$ 53,512</u>	<u>\$ (144)</u>	<u>\$ 60,499</u>

**CITY OF PEARLAND, TEXAS**

*SPECIAL REVENUE FUND - CAPITAL PROJECTS*

*SCHEDULE OF REVENUES, EXPENDITURES, AND*

*CHANGES IN FUND BALANCE - BUDGET AND ACTUAL*

*For the Year Ended September 30, 2014*

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

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment earnings	\$ 24,854	\$ 24,804	\$ (50)	\$ 18,070
Intergovernmental	7,373,681	712,409	(6,661,272)	3,593,783
Other income	1,980,716	990,299	(990,417)	4,116,743
<b>Total Revenues</b>	<u>9,379,251</u>	<u>1,727,512</u>	<u>(7,651,739)</u>	<u>7,728,596</u>
<b>Expenditures</b>				
Current:				
Public works	371,081	172,618	198,463	309,833
Debt Service				
Interest and other charges	385,000	111,564	273,436	324,993
Capital outlay	<u>37,644,848</u>	<u>10,747,763</u>	<u>26,897,085</u>	<u>17,487,825</u>
<b>Total Expenditures</b>	<u>38,400,929</u>	<u>11,031,945</u>	<u>27,368,984</u>	<u>18,122,651</u>
Excess (deficiency) of revenues over expenditures	<u>(29,021,678)</u>	<u>(9,304,433)</u>	<u>19,717,245</u>	<u>(10,394,055)</u>
<b>Other Financing Sources (Uses)</b>				
Issuance of debt	15,574,401	10,690,000	(4,884,401)	12,060,000
Bond premium	1,005,606	1,005,606		331,309
Transfers in	940,626	630,874	(309,752)	421,615
Transfers out	<u>(1,942,825)</u>	<u>(1,942,825)</u>		<u>(1,659,245)</u>
Net change in fund balance	(13,443,870)	1,079,222	14,523,092	759,624
<b>Fund Balances - Beginning</b>	<u>14,535,587</u>	<u>14,535,587</u>		<u>13,775,963</u>
<b>Fund Balances - Ending</b>	<u>\$ 1,091,717</u>	<u>\$ 15,614,809</u>	<u>\$ 14,523,092</u>	<u>\$ 14,535,587</u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - EDUCATIONAL TV**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>		<b>Variance Positive / (Negative)</b>	<b>2013</b>
	<b>Final Budget</b>	<b>Actual</b>		
<b>Revenues</b>				
Investment earnings	\$ 407	\$ 473	\$ 66	\$ 204
Franchise taxes	265,000	269,915	4,915	240,378
<b>Total Revenues</b>	<u>265,407</u>	<u>270,388</u>	<u>4,981</u>	<u>240,582</u>
<b>Expenditures</b>				
Current:				
Community services	36,390	37,877	(1,487)	19,881
Capital outlay	10,156	5,601	4,555	44,813
<b>Total Expenditures</b>	<u>46,546</u>	<u>43,478</u>	<u>3,068</u>	<u>64,694</u>
Net change in fund balance	218,861	226,910	8,049	175,888
<b>Fund Balances - Beginning</b>	<u>260,514</u>	<u>260,514</u>		<u>84,626</u>
<b>Fund Balances - Ending</b>	<u>\$ 479,375</u>	<u>\$ 487,424</u>	<u>\$ 8,049</u>	<u>\$ 260,514</u>

**CITY OF PEARLAND, TEXAS**  
**SPECIAL REVENUE FUND - U OF H**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**For the Year Ended September 30, 2014**  
**with comparative actual totals for the year ended September 30, 2013**

	<b>2014</b>		<b>Variance</b>	
	<b>Final Budget</b>	<b>Actual</b>	<b>Positive / (Negative)</b>	<b>2013</b>
<b>Revenues</b>				
Investment earnings	\$ 370	\$ 370	\$	\$ 61
Intergovernmental	249,889	237,528	(12,361)	186,970
Other	85,523	81,786	(3,737)	338,511
<b>Total Revenues</b>	<u>335,782</u>	<u>319,684</u>	<u>(16,098)</u>	<u>525,542</u>
<b>Expenditures</b>				
Current:				
Parks and recreation	340,935	325,052	15,883	316,828
<b>Total Expenditures</b>	<u>340,935</u>	<u>325,052</u>	<u>15,883</u>	<u>316,828</u>
Excess (deficiency) of revenues over expenditures	<u>(5,153)</u>	<u>(5,368)</u>	<u>(215)</u>	<u>208,714</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	5,483	5,717	234	34,670
Transfers out				(34,670)
<b>Total Other Financing Sources (Uses)</b>	<u>5,483</u>	<u>5,717</u>	<u>234</u>	
Net change in fund balance	330	349	19	208,714
<b>Fund Balances - Beginning</b>	<u>239,779</u>	<u>239,779</u>		<u>31,065</u>
<b>Fund Balances - Ending</b>	<u>\$ 240,109</u>	<u>\$ 240,128</u>	<u>\$ 19</u>	<u>\$ 239,779</u>

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## **Long-Term Debt Amortization Schedules**

CITY OF PEARLAND, TEXAS  
 COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT  
 BY MATURITY DATE  
 September 30, 2014

Certificates of Obligation, Series 2004

Permanent Improvement & Refunding Bonds,  
 Series 2005

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 710,000	\$ 14,200	\$ 724,200	\$ 2,010,000	\$ 603,428	\$ 2,613,428
2016				940,000	529,678	1,469,678
2017				385,000	498,478	883,478
2018				445,000	481,878	926,878
2019				170,000	469,493	639,493
2020				170,000	462,501	632,501
2021				175,000	455,320	630,320
2022				180,000	447,820	627,820
2023				390,000	435,610	825,610
2024				1,185,000	397,600	1,582,600
2025				1,245,000	336,850	1,581,850
2026				1,310,000	272,975	1,582,975
2027				1,355,000	209,738	1,564,738
2028				1,810,000	134,000	1,944,000
2029				1,775,000	44,375	1,819,375
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 710,000</u>	<u>\$ 14,200</u>	<u>\$ 724,200</u>	<u>\$ 13,545,000</u>	<u>\$ 5,779,741</u>	<u>\$ 19,324,741</u>

Certificates of Obligation, Series 2006

Permanent Improvement & Refunding Bonds,  
 Series 2006

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 370,000	\$ 174,685	\$ 544,685	\$ 430,000	\$ 458,756	\$ 888,756
2016	395,000	152,985	547,985	445,000	440,978	885,978
2017	405,000	134,263	539,263	460,000	422,025	882,025
2018	405,000	117,405	522,405	480,000	402,050	882,050
2019		108,900	108,900	1,335,000	361,813	1,696,813
2020		108,900	108,900	370,000	322,525	692,525
2021		108,900	108,900	395,000	303,400	698,400
2022		108,900	108,900	420,000	283,025	703,025
2023		108,900	108,900	535,000	259,150	794,150
2024		108,900	108,900	535,000	232,400	767,400
2025		108,900	108,900	565,000	204,900	769,900
2026		108,900	108,900	595,000	175,900	770,900
2027	765,000	91,688	856,688	630,000	146,063	776,063
2028	805,000	56,363	861,363	920,000	109,250	1,029,250
2029	850,000	19,125	869,125	1,840,000	43,700	1,883,700
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 3,995,000</u>	<u>\$ 1,617,713</u>	<u>\$ 5,612,713</u>	<u>\$ 9,955,000</u>	<u>\$ 4,165,934</u>	<u>\$ 14,120,934</u>



**Certificates of Obligation, Series 2007**

**Permanent Improvement & Refunding Bonds,  
Series 2007**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 350,000	\$ 990,588	\$ 1,340,588	\$ 2,685,000	\$ 2,924,025	\$ 5,609,025
2016	400,000	970,900	1,370,900	2,345,000	2,791,563	5,136,563
2017	450,000	948,588	1,398,588	2,460,000	2,671,438	5,131,438
2018	1,005,000	910,394	1,915,394	2,220,000	2,554,438	4,774,438
2019	1,060,000	856,188	1,916,188	3,830,000	2,403,188	6,233,188
2020	1,115,000	799,094	1,914,094	5,190,000	2,190,663	7,380,663
2021	1,170,000	739,113	1,909,113	5,395,000	1,952,500	7,347,500
2022	1,230,000	676,113	1,906,113	5,610,000	1,704,888	7,314,888
2023	1,295,000	609,831	1,904,831	5,005,000	1,466,050	6,471,050
2024	1,360,000	540,138	1,900,138	5,230,000	1,235,763	6,465,763
2025	1,430,000	466,900	1,896,900	3,835,000	1,034,197	4,869,197
2026	1,500,000	389,988	1,889,988	3,845,000	866,197	4,711,197
2027	1,580,000	324,938	1,904,938	4,010,000	686,850	4,696,850
2028	1,660,000	272,288	1,932,288	2,290,000	537,225	2,827,225
2029	1,745,000	216,956	1,961,956	2,370,000	426,550	2,796,550
2030	1,540,000	163,575	1,703,575	2,590,000	308,750	2,898,750
2031	1,600,000	104,550	1,704,550	2,620,000	185,013	2,805,013
2032	1,660,000	35,275	1,695,275	2,585,000	61,394	2,646,394
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 22,150,000</u>	<u>\$ 10,015,413</u>	<u>\$ 32,165,413</u>	<u>\$ 64,115,000</u>	<u>\$ 26,000,688</u>	<u>\$ 90,115,688</u>

**Certificates of Obligation, Series 2008**

**Permanent Improvement Bonds, Series 2008**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 145,000	\$ 393,828	\$ 538,828	\$ 310,000	\$ 1,025,025	\$ 1,335,025
2016	150,000	388,019	538,019	325,000	1,009,150	1,334,150
2017	160,000	381,819	541,819	340,000	992,525	1,332,525
2018	165,000	375,319	540,319	360,000	975,025	1,335,025
2019	185,000	368,319	553,319	405,000	955,900	1,360,900
2020	195,000	360,719	555,719	425,000	934,619	1,359,619
2021	205,000	352,591	557,591	445,000	911,781	1,356,781
2022	215,000	343,794	558,794	470,000	887,763	1,357,763
2023	225,000	334,388	559,388	490,000	861,950	1,351,950
2024	240,000	324,300	564,300	515,000	834,313	1,349,313
2025	250,000	313,550	563,550	545,000	805,163	1,350,163
2026	290,000	301,525	591,525	625,000	772,988	1,397,988
2027	305,000	287,375	592,375	660,000	737,650	1,397,650
2028	320,000	271,750	591,750	695,000	700,388	1,395,388
2029	335,000	255,375	590,375	730,000	664,850	1,394,850
2030	1,335,000	213,625	1,548,625	4,530,000	543,669	5,073,669
2031	1,675,000	138,375	1,813,375	4,705,000	330,109	5,035,109
2032	1,930,000	48,250	1,978,250	4,785,000	110,653	4,895,653
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 8,325,000</u>	<u>\$ 5,452,919</u>	<u>\$ 13,777,919</u>	<u>\$ 21,360,000</u>	<u>\$ 14,053,519</u>	<u>\$ 35,413,519</u>

CITY OF PEARLAND, TEXAS  
 COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT  
 BY MATURITY DATE  
 September 30, 2014

Certificates of Obligation, Series 2009

Certificates of Obligation, Series 2009A

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 235,000	\$ 339,953	\$ 574,953	\$ 640,000	\$ 341,765	\$ 981,765
2016	240,000	332,903	572,903	640,000	324,965	964,965
2017	245,000	325,703	570,703	640,000	301,765	941,765
2018	255,000	317,128	572,128	640,000	275,403	915,403
2019	320,000	307,565	627,565	640,000	252,560	892,560
2020	325,000	294,765	619,765	635,000	231,361	866,361
2021	340,000	281,765	621,765	640,000	210,163	850,163
2022	350,000	268,165	618,165	640,000	187,763	827,763
2023	365,000	253,815	618,815	640,000	164,403	804,403
2024	385,000	238,303	623,303	640,000	140,563	780,563
2025	400,000	221,363	621,363	635,000	116,339	751,339
2026	420,000	203,363	623,363	640,000	91,315	731,315
2027	440,000	183,938	623,938	640,000	65,715	705,715
2028	465,000	163,038	628,038	635,000	39,898	674,898
2029	485,000	139,788	624,788	640,000	13,440	653,440
2030	415,000	116,750	531,750			
2031	410,000	96,000	506,000			
2032	475,000	75,500	550,500			
2033	505,000	51,750	556,750			
2034	530,000	26,500	556,500			
2035						
2036						
2037						
2038						
	<u>\$ 7,605,000</u>	<u>\$ 4,238,050</u>	<u>\$ 11,843,050</u>	<u>\$ 9,585,000</u>	<u>\$ 2,757,415</u>	<u>\$ 12,342,415</u>

Permanent Improvement and Refunding Bonds,  
 Series 2009

Permanent Improvement Bonds, Series 2010A

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 405,000	\$ 626,754	\$ 1,031,754	\$ 370,000	\$ 399,553	\$ 769,553
2016	420,000	615,918	1,035,918	380,000	388,353	768,353
2017	435,000	599,267	1,034,267	390,000	378,703	768,703
2018	455,000	578,154	1,033,154	400,000	366,853	766,853
2019	590,000	557,888	1,147,888	415,000	354,628	769,628
2020	615,000	537,863	1,152,863	425,000	342,028	767,028
2021	635,000	517,075	1,152,075	440,000	329,053	769,053
2022	655,000	494,490	1,149,490	455,000	315,059	770,059
2023	680,000	470,120	1,150,120	465,000	300,109	765,109
2024	705,000	444,321	1,149,321	485,000	284,065	769,065
2025	735,000	416,953	1,151,953	500,000	265,578	765,578
2026	765,000	387,505	1,152,505	520,000	246,153	766,153
2027	795,000	356,305	1,151,305	540,000	226,603	766,603
2028	825,000	323,492	1,148,492	560,000	205,558	765,558
2029	865,000	288,415	1,153,415	585,000	182,938	767,938
2030	835,000	249,375	1,084,375	610,000	159,038	769,038
2031	945,000	204,875	1,149,875	635,000	133,344	768,344
2032	1,090,000	154,000	1,244,000	660,000	105,825	765,825
2033	1,235,000	95,875	1,330,875	690,000	77,138	767,138
2034	1,300,000	32,500	1,332,500	720,000	47,175	767,175
2035				750,000	15,938	765,938
2036						
2037						
2038						
	<u>\$ 14,985,000</u>	<u>\$ 7,951,145</u>	<u>\$ 22,936,145</u>	<u>\$ 10,995,000</u>	<u>\$ 5,123,684</u>	<u>\$ 16,118,684</u>

## Permanent Improvement Bonds, Series 2010B

## Permanent Improvement Bonds, Series 2011

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 225,000	\$ 21,150	\$ 246,150	\$ 150,000	\$ 190,131	\$ 340,131
2016	225,000	14,400	239,400	155,000	184,031	339,031
2017	240,000	6,300	246,300	165,000	177,631	342,631
2018	90,000	1,350	91,350	170,000	170,931	340,931
2019				175,000	164,031	339,031
2020				185,000	156,831	341,831
2021				190,000	149,331	339,331
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
2037						
2038						
	<u>\$ 780,000</u>	<u>\$ 43,200</u>	<u>\$ 823,200</u>	<u>\$ 5,055,000</u>	<u>\$ 2,435,172</u>	<u>\$ 7,490,172</u>

## Certificates of Obligation, Series 2011

Permanent Improvement & Refunding Bonds,  
Series 2012

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 210,000	\$ 28,424	\$ 238,424	\$ 685,000	\$ 1,552,550	\$ 2,237,550
2016	210,000	24,035	234,035	1,955,000	1,489,975	3,444,975
2017	205,000	19,698	224,698	2,625,000	1,388,600	4,013,600
2018	210,000	15,362	225,362	2,690,000	1,282,300	3,972,300
2019	210,000	10,973	220,973	3,210,000	1,164,300	4,374,300
2020	210,000	6,584	216,584	2,200,000	1,056,100	3,256,100
2021	210,000	2,195	212,195	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						
2037						
2038						
	<u>\$ 1,465,000</u>	<u>\$ 107,269</u>	<u>\$ 1,572,269</u>	<u>\$ 43,575,000</u>	<u>\$ 12,518,125</u>	<u>\$ 56,093,125</u>

CITY OF PEARLAND, TEXAS  
**COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT**  
**BY MATURITY DATE**  
*September 30, 2014*

**BC MUD #1**  
**Tax and Revenue Bonds, Series 2007**

**BC MUD #4**  
**Unlimited Tax Bonds, Series 2011**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 70,000	\$ 22,958	\$ 92,958	\$ 130,000	\$ 94,300	\$ 224,300
2016		20,228	20,228	130,000	90,888	220,888
2017		20,228	20,228	130,000	87,313	217,313
2018		20,228	20,228	130,000	83,575	213,575
2019		20,228	20,228	130,000	79,350	209,350
2020		20,228	20,228	130,000	74,800	204,800
2021		20,228	20,228	130,000	69,925	199,925
2022		20,228	20,228	130,000	64,725	194,725
2023		20,228	20,228	130,000	59,444	189,444
2024		20,228	20,228	130,000	54,081	184,081
2025		20,228	20,228	130,000	48,475	178,475
2026		20,228	20,228	130,000	42,625	172,625
2027		20,228	20,228	130,000	36,645	166,645
2028	145,000	20,228	165,228	130,000	30,535	160,535
2029	155,000	13,920	168,920	130,000	24,360	154,360
2030	165,000	7,178	172,178	130,000	18,120	148,120
2031				130,000	11,750	141,750
2032				170,000	4,250	174,250
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 535,000</u>	<u>\$ 307,013</u>	<u>\$ 842,013</u>	<u>\$ 2,380,000</u>	<u>\$ 975,160</u>	<u>\$ 3,355,160</u>

**Permanent Improvement Bonds , Series 2013**

**Certificates of Obligation, Series 2013**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 295,000	\$ 370,943	\$ 665,943	\$ 85,000	\$ 112,613	\$ 197,613
2016	295,000	362,093	657,093	85,000	110,063	195,063
2017	305,000	351,568	656,568	85,000	107,513	192,513
2018	305,000	339,368	644,368	85,000	104,963	189,963
2019	320,000	326,868	646,868	90,000	102,338	192,338
2020	320,000	314,068	634,068	100,000	98,988	198,988
2021	330,000	301,068	631,068	100,000	94,488	194,488
2022	330,000	287,868	617,868	100,000	89,488	189,488
2023	340,000	274,468	614,468	100,000	84,488	184,488
2024	350,000	260,668	610,668	100,000	79,488	179,488
2025	360,000	246,468	606,468	110,000	74,238	184,238
2026	370,000	231,868	601,868	110,000	69,288	179,288
2027	370,000	217,068	587,068	110,000	64,888	174,888
2028	380,000	202,068	582,068	110,000	60,488	170,488
2029	390,000	186,424	576,424	120,000	55,738	175,738
2030	400,000	169,880	569,880	120,000	50,563	170,563
2031	410,000	152,411	562,411	120,000	45,313	165,313
2032	420,000	134,203	554,203	120,000	40,063	160,063
2033	430,000	115,288	545,288	130,000	34,513	164,513
2034	440,000	95,713	535,713	130,000	28,663	158,663
2035	450,000	75,688	525,688	130,000	22,813	152,813
2036	460,000	55,213	515,213	140,000	16,650	156,650
2037	480,000	33,763	513,763	140,000	10,175	150,175
2038	490,000	11,331	501,331	150,000	3,469	153,469
	<u>\$ 9,040,000</u>	<u>\$ 5,116,356</u>	<u>\$ 14,156,356</u>	<u>\$ 2,670,000</u>	<u>\$ 1,561,281</u>	<u>\$ 4,231,281</u>

**Permanent Improvement & Refunding Bonds,  
Series 2014**

**Sales Tax Revenue Bonds, Series 2005**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 535,000	\$ 1,685,531	\$ 2,220,531	\$ 460,000	\$ 305,938	\$ 765,938
2016	1,735,000	1,662,831	3,397,831	480,000	287,538	767,538
2017	1,020,000	1,630,181	2,650,181	505,000	263,538	768,538
2018	1,085,000	1,603,231	2,688,231	530,000	238,288	768,288
2019	1,240,000	1,573,031	2,813,031	555,000	211,788	766,788
2020	2,310,000	1,508,281	3,818,281	575,000	189,588	764,588
2021	2,415,000	1,401,706	3,816,706	600,000	166,588	766,588
2022	2,510,000	1,284,831	3,794,831	625,000	141,988	766,988
2023	3,165,000	1,149,206	4,314,206	650,000	116,363	766,363
2024	2,710,000	1,002,331	3,712,331	675,000	89,550	764,550
2025	2,830,000	863,831	3,693,831	705,000	61,200	766,200
2026	3,055,000	716,706	3,771,706	735,000	31,238	766,238
2027	4,120,000	537,331	4,657,331			
2028	3,145,000	385,191	3,530,191			
2029	5,860,000	218,850	6,078,850			
2030	535,000	90,950	625,950			
2031	535,000	69,550	604,550			
2032	535,000	48,150	583,150			
2033	535,000	28,088	563,088			
2034	535,000	9,363	544,363			
2035						
2036						
2037						
2038						
	<u>\$ 40,410,000</u>	<u>\$ 17,469,172</u>	<u>\$ 57,879,172</u>	<u>\$ 7,095,000</u>	<u>\$ 2,103,600</u>	<u>\$ 9,198,600</u>

**Sales Tax Revenue Bonds, Series 2006**

**Sales Tax Revenue Bonds, Series 2010**

<b>Fiscal Year</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2015	\$ 230,000	\$ 422,919	\$ 652,919	\$ 275,000	\$ 339,983	\$ 614,983
2016	240,000	411,419	651,419	290,000	326,101	616,101
2017	255,000	401,219	656,219	300,000	311,462	611,462
2018	265,000	390,381	655,381	320,000	296,318	616,318
2019	280,000	378,788	658,788	340,000	280,164	620,164
2020	300,000	366,538	666,538	355,000	263,001	618,001
2021	310,000	353,038	663,038	375,000	245,080	620,080
2022	325,000	339,088	664,088	400,000	226,150	626,150
2023	345,000	322,838	667,838	420,000	205,958	625,958
2024	365,000	305,588	670,588	440,000	184,757	624,757
2025	385,000	287,338	672,338	465,000	162,546	627,546
2026	405,000	268,088	673,088	495,000	139,072	634,072
2027	1,190,000	247,838	1,437,838	525,000	114,085	639,085
2028	1,255,000	188,338	1,443,338	550,000	87,583	637,583
2029	1,320,000	128,725	1,448,725	575,000	59,819	634,819
2030	1,390,000	66,025	1,456,025	610,000	30,793	640,793
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 8,860,000</u>	<u>\$ 4,878,163</u>	<u>\$ 13,738,163</u>	<u>\$ 6,735,000</u>	<u>\$ 3,272,871</u>	<u>\$ 10,007,871</u>

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CITY OF PEARLAND, TEXAS  
 COMBINING SCHEDULE OF GOVERNMENTAL ACTIVITY LONG-TERM DEBT  
 BY MATURITY DATE  
 September 30, 2014

Fiscal Year	Development Authority of Pearland Tax Increment Contract Revenue and Refunding Bonds, Series 2012			Development Authority of Pearland Tax Increment Contract Revenue Bonds, Series 2013		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 2,885,000	\$ 1,495,551	\$ 4,380,551	\$ 365,000	\$ 328,744	\$ 693,744
2016	2,970,000	1,406,981	4,376,981	380,000	314,984	694,984
2017	3,070,000	1,315,802	4,385,802	385,000	300,658	685,658
2018	3,160,000	1,221,553	4,381,553	405,000	286,143	691,143
2019	3,255,000	1,124,541	4,379,541	420,000	270,875	690,875
2020	3,120,000	1,024,613	4,144,613	445,000	255,041	700,041
2021	3,215,000	928,829	4,143,829	465,000	238,264	703,264
2022	3,030,000	830,128	3,860,128	735,000	220,734	955,734
2023	3,130,000	737,107	3,867,107	560,000	193,024	753,024
2024	3,225,000	641,016	3,866,016	615,000	171,912	786,912
2025	3,320,000	542,009	3,862,009	670,000	148,727	818,727
2026	3,425,000	440,085	3,865,085	725,000	123,468	848,468
2027	3,530,000	334,937	3,864,937	785,000	96,135	881,135
2028	3,635,000	226,566	3,861,566	850,000	66,541	916,541
2029	3,745,000	114,972	3,859,972	915,000	34,496	949,496
2030						
2031						
2032						
2033						
2034						
2035						
2036						
2037						
2038						
	<u>\$ 48,715,000</u>	<u>\$ 12,384,687</u>	<u>\$ 61,099,687</u>	<u>\$ 8,720,000</u>	<u>\$ 3,049,742</u>	<u>\$ 11,769,742</u>

CITY OF PEARLAND, TEXAS  
**COMBINING SCHEDULE OF ENTERPRISE FUND LONG-TERM DEBT**  
**BY MATURITY DATE**  
September 30, 2014

Fiscal Year	Water & Sewer Revenue Bonds, Series 1999			Water & Sewer Revenue Bonds, Series 2006		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 135,000	\$ 118,680	\$ 253,680	\$ 710,000	\$ 499,519	\$ 1,209,519
2016	145,000	112,470	257,470	745,000	467,569	1,212,569
2017	540,000	105,800	645,800	100,000	434,044	534,044
2018	565,000	80,960	645,960	100,000	429,744	529,744
2019	585,000	54,970	639,970	100,000	425,369	525,369
2020	610,000	28,060	638,060	100,000	420,869	520,869
2021				100,000	416,244	516,244
2022				100,000	411,619	511,619
2023				100,000	406,994	506,994
2024				100,000	402,369	502,369
2025				100,000	397,744	497,744
2026				1,150,000	393,119	1,543,119
2027				1,205,000	338,494	1,543,494
2028				1,265,000	278,244	1,543,244
2029				1,330,000	214,994	1,544,994
2030				1,395,000	146,831	1,541,831
2031				1,470,000	75,338	1,545,338
2032						
2033						
2034						
2035						
2036						
2037						
	<u>\$ 2,580,000</u>	<u>\$ 500,940</u>	<u>\$ 3,080,940</u>	<u>\$ 10,170,000</u>	<u>\$ 6,159,100</u>	<u>\$ 16,329,100</u>

Fiscal Year	Water & Sewer Revenue Bonds, Series 2007			Water & Sewer Revenue Bonds, Series 2008		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 965,000	\$ 1,619,413	\$ 2,584,413	\$ 275,000	\$ 641,215	\$ 916,215
2016	1,010,000	1,566,338	2,576,338	290,000	628,840	918,840
2017	950,000	1,510,788	2,460,788	315,000	615,790	930,790
2018	995,000	1,458,538	2,453,538	340,000	601,615	941,615
2019	1,045,000	1,403,813	2,448,813	370,000	586,315	956,315
2020	1,095,000	1,348,950	2,443,950	395,000	569,665	964,665
2021	1,155,000	1,294,200	2,449,200	420,000	551,890	971,890
2022	1,210,000	1,236,450	2,446,450	440,000	532,990	972,990
2023	1,275,000	1,175,950	2,450,950	460,000	514,840	974,840
2024	2,295,000	1,112,200	3,407,200	490,000	495,520	985,520
2025	2,480,000	997,450	3,477,450	510,000	474,450	984,450
2026	3,120,000	873,450	3,993,450	540,000	448,950	988,950
2027	3,280,000	717,450	3,997,450	560,000	421,950	981,950
2028	3,440,000	553,450	3,993,450	595,000	393,950	988,950
2029	3,615,000	398,650	4,013,650	600,000	364,200	964,200
2030	3,795,000	272,125	4,067,125	580,000	334,200	914,200
2031	3,980,000	139,300	4,119,300	560,000	305,200	865,200
2032				1,890,000	277,200	2,167,200
2033				1,980,000	182,700	2,162,700
2034				2,080,000	93,600	2,173,600
2035						
2036						
2037						
	<u>\$ 35,705,000</u>	<u>\$ 17,678,513</u>	<u>\$ 53,383,513</u>	<u>\$ 13,690,000</u>	<u>\$ 9,035,080</u>	<u>\$ 22,725,080</u>



**Water & Sewer Revenue Bonds,  
Series 2009**

**Permanent Improvement and Refunding Bonds,  
Series 2009 (water/sewer portion)**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 385,000	\$ 547,363	\$ 932,363	\$ 1,195,000	\$ 243,713	\$ 1,438,713
2016	400,000	535,813	935,813	1,220,000	212,000	1,432,000
2017	410,000	522,813	932,813	2,065,000	143,600	2,208,600
2018	420,000	508,975	928,975	2,155,000	45,988	2,200,988
2019	435,000	493,750	928,750			
2020	450,000	476,350	926,350			
2021	465,000	458,350	923,350			
2022	485,000	438,588	923,588			
2023	505,000	416,763	921,763			
2024	520,000	393,406	913,406			
2025	545,000	368,056	913,056			
2026	570,000	340,806	910,806			
2027	600,000	311,594	911,594			
2028	630,000	280,844	910,844			
2029	665,000	247,769	912,769			
2030	700,000	212,025	912,025			
2031	730,000	173,525	903,525			
2032	765,000	133,375	898,375			
2033	815,000	91,300	906,300			
2034	845,000	46,475	891,475			
2035						
2036						
2037						
	<u>\$ 11,340,000</u>	<u>\$ 6,997,938</u>	<u>\$ 18,337,938</u>	<u>\$ 6,635,000</u>	<u>\$ 645,300</u>	<u>\$ 7,280,300</u>

**Water & Sewer Revenue Bonds,  
Series 2010A**

**Water & Sewer Revenue Bonds,  
Series 2010B**

Fiscal Year	Principal	Interest	Total	Principal	Interest	Total
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	422,319	917,319	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	338,319	918,319			
2026	600,000	315,119	915,119			
2027	625,000	291,119	916,119			
2028	650,000	265,338	915,338			
2029	680,000	237,713	917,713			
2030	710,000	208,813	918,813			
2031	740,000	177,750	917,750			
2032	755,000	144,450	899,450			
2033	785,000	110,475	895,475			
2034	825,000	75,150	900,150			
2035	845,000	38,025	883,025			
2036						
2037						
	<u>\$ 12,505,000</u>	<u>\$ 6,598,994</u>	<u>\$ 19,103,994</u>	<u>\$ 7,875,000</u>	<u>\$ 2,036,588</u>	<u>\$ 9,911,588</u>

	Permanent Improvement and Refunding Bonds, Series 2012 (water/sewer portion)			Water & Sewer Revenue Bonds, Series 2012		
	Principal	Interest	Total	Principal	Interest	Total
2015	\$ 335,000	\$ 231,100	\$ 566,100	\$ 345,000	\$ 225,155	\$ 570,155
2016	340,000	215,900	555,900	355,000	218,255	573,255
2017	350,000	200,400	550,400	755,000	211,155	966,155
2018	360,000	186,200	546,200	765,000	196,055	961,055
2019	365,000	171,700	536,700	780,000	180,755	960,755
2020	370,000	157,000	527,000	800,000	165,155	965,155
2021	370,000	142,200	512,200	230,000	141,155	371,155
2022	385,000	127,100	512,100	230,000	134,255	364,255
2023	395,000	111,500	506,500	240,000	127,355	367,355
2024	1,480,000	74,000	1,554,000	230,000	120,155	350,155
2025	1,480,000	22,200	1,502,200	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	83,313	278,313
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>\$ 6,230,000</u>	<u>\$ 1,639,300</u>	<u>\$ 7,869,300</u>	<u>\$ 8,060,000</u>	<u>\$ 2,641,271</u>	<u>\$ 10,701,271</u>

**Statistical Section  
(Unaudited)**

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## Unaudited Statistical Section

This part of the City's 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	118
<i>These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.</i>	
Revenue Capacity	130
<i>These schedules contain information to help the reader assess the government's most significant local revenue sources, the property tax and sales tax.</i>	
Debt Capacity	140
<i>These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.</i>	
Demographic and Economic Information	145
<i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.</i>	
Operating Information	148
<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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Governmental Activities					
Net investment in capital assets	\$396,619	\$402,103	\$400,522	\$410,002	\$429,054
Restricted	6,862	8,085	10,130	10,864	10,615
Unrestricted	<u>5,785</u>	<u>8,917</u>	<u>11,809</u>	<u>10,903</u>	<u>13,330</u>
Total governmental activities net position	<u>\$409,266</u>	<u>\$419,105</u>	<u>\$422,461</u>	<u>\$431,769</u>	<u>\$452,999</u>
Business-type activities					
Net investment in capital assets	\$127,144	\$130,648	\$126,779	\$138,679	\$146,150
Restricted	7,027	10,129	24,258	16,094	11,965
Unrestricted	<u>552</u>	<u>700</u>	<u>1,638</u>	<u>3,406</u>	<u>9,256</u>
Total business-type activities net position	<u>\$134,723</u>	<u>\$141,477</u>	<u>\$152,675</u>	<u>\$158,179</u>	<u>\$167,371</u>
Primary government					
Investment in capital assets	\$523,763	\$532,751	\$527,301	\$548,681	\$575,204
Restricted	13,889	18,214	34,388	26,958	22,580
Unrestricted	<u>6,337</u>	<u>9,617</u>	<u>13,447</u>	<u>14,309</u>	<u>22,586</u>
Total primary government net position	<u>\$543,989</u>	<u>\$560,582</u>	<u>\$575,136</u>	<u>\$589,948</u>	<u>\$620,370</u>

(1) 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.

(2) Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

<u>2010</u>	<u>2011</u>	<u>2012 (2)</u>	<u>2013 (1)(2)</u>	<u>2014</u>
\$422,643	\$413,439	\$367,747	\$420,009	\$430,286
18,020	16,462	36,548	34,666	45,826
<u>13,692</u>	<u>14,543</u>	<u>(6,868)</u>	<u>(5,534)</u>	<u>(13,010)</u>
<u>\$454,355</u>	<u>\$444,444</u>	<u>\$397,427</u>	<u>\$449,141</u>	<u>\$463,102</u>
\$144,244	\$156,629	\$156,888	\$165,915	\$174,955
17,587	5,603	9,821	9,542	14,484
<u>11,942</u>	<u>13,910</u>	<u>12,439</u>	<u>16,704</u>	<u>15,612</u>
<u>\$173,773</u>	<u>\$176,142</u>	<u>\$179,148</u>	<u>\$192,161</u>	<u>\$205,050</u>
\$566,887	\$570,068	\$524,635	\$585,924	\$605,241
35,607	22,065	46,369	44,208	60,309
<u>25,634</u>	<u>28,453</u>	<u>5,571</u>	<u>11,170</u>	<u>2,602</u>
<u>\$628,128</u>	<u>\$620,586</u>	<u>\$576,575</u>	<u>\$641,302</u>	<u>\$668,152</u>

**CITY OF PEARLAND, TEXAS**

**CHANGES IN NET POSITION**

*Last Ten Fiscal Years*

*Amounts in (000's)*

*(Accrual Basis of Accounting)*

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

(1) 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.

(2) Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.



<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 (2)</u>	<u>2013 (1)(2)</u>	<u>2014</u>
\$ 12,355	\$ 13,439	\$ 15,945	\$ 13,334	\$ 13,358	\$ 12,241
22,438	24,268	23,042	27,403	28,944	32,130
26,893	35,679	31,130	28,510	31,690	38,579
3,290	3,323	3,254	4,267	3,807	4,687
7,240	7,699	8,062	9,264	9,524	6,896
			26,311	17,411	26,498
<u>11,647</u>	<u>13,738</u>	<u>13,142</u>	<u>11,572</u>	<u>10,534</u>	<u>16,225</u>
<u>83,863</u>	<u>98,146</u>	<u>94,575</u>	<u>120,661</u>	<u>115,268</u>	<u>137,255</u>
25,439	27,157	29,192	29,392	31,289	32,444
<u>7,106</u>	<u>7,089</u>	<u>7,285</u>	<u>7,528</u>	<u>8,324</u>	<u>6,664</u>
<u>32,545</u>	<u>34,246</u>	<u>36,477</u>	<u>36,920</u>	<u>39,613</u>	<u>39,108</u>
<u>\$116,408</u>	<u>\$132,392</u>	<u>\$131,052</u>	<u>\$157,581</u>	<u>\$154,881</u>	<u>\$176,363</u>
\$ 6,351	\$ 6,351	\$	\$ 6,637	\$ 6,326	\$ 6,637
3,524	3,296	3,679	4,206	7,410	2,793
35	10	18	43	3,096	322
4,755	4,312	4,632	5,855	3,264	7,375
672	906	2,027	2,080	2,209	2,290
			413	414	430
4,913	5,215	5,488	6,045	44	440
420	641	407	711	603	434
375	207	675	53	1,388	7,612
202	159	366	311	108	337
450	424	462	542	182	474
				180	
279	98				
26,092	29,800	10,330	18,743	52,921	29,269
<u>4,653</u>			<u>100</u>		
<u>52,721</u>	<u>51,419</u>	<u>28,084</u>	<u>45,739</u>	<u>78,145</u>	<u>58,413</u>
26,617	24,961	28,664	27,535	29,008	28,929
6,766	7,313	7,258	7,654	8,175	7,008
2,464	70	61	205		
<u>6,125</u>	<u>8,611</u>	<u>4,215</u>	<u>8,118</u>	<u>16,273</u>	<u>17,677</u>
<u>41,972</u>	<u>40,955</u>	<u>40,198</u>	<u>43,512</u>	<u>53,456</u>	<u>53,614</u>
<u>\$ 94,693</u>	<u>\$ 92,374</u>	<u>\$ 68,282</u>	<u>\$ 89,251</u>	<u>\$131,601</u>	<u>\$112,027</u>

**CITY OF PEARLAND, TEXAS**

**CHANGES IN NET POSITION**

*Last Nine Fiscal Years\**

*Amounts in (000's)*

*(Accrual Basis of Accounting)*

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

(1) 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.

(2) Restated due to implementation of GASB 65 in fiscal year 2014. Fiscal years 2012 and 2013 have been restated for comparison purposes.

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 (2)</u>	<u>2013 (1)(2)</u>	<u>2014</u>
\$ (31,142)	\$ (46,727)	\$ (66,491)	\$ (74,922)	\$ (37,123)	\$ (78,842)
9,427	6,709	3,721	6,592	13,843	14,506
<u>\$ (21,715)</u>	<u>\$ (40,018)</u>	<u>\$ (62,770)</u>	<u>\$ (68,330)</u>	<u>\$ (23,280)</u>	<u>\$ (64,336)</u>

\$ 31,140	\$ 32,963	\$ 33,451	\$ 52,230	\$ 54,433	\$ 57,378
14,218	13,578	13,983	22,969	24,942	27,295
5,075	5,426	5,605	5,670	5,999	6,484
1,376	253	157	134	155	254
6,294	1,028	1,854	1,554	1,701	2,398
					(3,039)
621	1,186	1,475	2,269	1,607	2,031
<u>\$ 58,724</u>	<u>\$ 54,434</u>	<u>\$ 56,525</u>	<u>\$ 84,826</u>	<u>\$ 88,837</u>	<u>\$ 92,801</u>

\$ 363	\$ 100	\$ 116	\$ 68	\$ 95	\$ 139
23	779	9	444	682	274
(621)	(1,186)	(1,475)	(2,269)	(1,607)	(2,030)
<u>(235)</u>	<u>(307)</u>	<u>(1,350)</u>	<u>(1,757)</u>	<u>(830)</u>	<u>(1,617)</u>
<u>\$ 58,489</u>	<u>\$ 54,127</u>	<u>\$ 55,175</u>	<u>\$ 83,069</u>	<u>\$ 88,007</u>	<u>\$ 91,184</u>

\$ 27,582	\$ 7,707	\$ (9,966)	\$ 9,904	\$ 51,714	\$ 13,960
9,192	6,402	2,371	4,835	13,013	12,889
<u>\$ 36,774</u>	<u>\$ 14,109</u>	<u>\$ (7,595)</u>	<u>\$ 14,739</u>	<u>\$ 64,727</u>	<u>\$ 26,849</u>

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

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

(1) 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.

<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013 (1)</b>	<b>2014</b>
\$ 119	\$ 146	\$ 130	\$ 182	\$ 158	\$ 202
		126			
699	117	160	167	1,554	1,394
11,401	12,599	14,108	17,222	16,911	17,859
<u>\$ 12,219</u>	<u>\$ 12,862</u>	<u>\$ 14,524</u>	<u>\$ 17,571</u>	<u>\$ 18,623</u>	<u>\$ 19,455</u>
\$	\$	\$	\$	\$ 183	\$ 209
7,246	6,705	5,160	4,992	5,192	5,951
62,467	30,893	23,461	13,776	14,536	17,519
699	612	541	702	715	390
				20,777	23,814
1,344	1,394	1,452	1,821	2,267	2,994
1,094	1,214	1,143	968	985	168
1,146	962	810	797	866	
85	79	87	215	638	918
<u>\$ 74,081</u>	<u>\$ 41,859</u>	<u>\$ 32,654</u>	<u>\$ 23,271</u>	<u>\$ 46,159</u>	<u>\$ 51,963</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
<b>Revenues</b>				
Property taxes	\$ 19,745	\$ 22,150	\$ 24,525	\$ 29,200
Sales and use taxes	8,026	9,980	11,025	12,581
Franchise fees	3,097	3,426	3,760	4,427
Licenses and permits	3,864	4,067	4,030	2,992
Fines and forfeitures	1,935	2,038	2,048	2,086
Charges for services	6,139	8,734	5,250	7,512
Investment earnings	1,863	2,991	4,938	4,568
Intergovernmental	2,382	7,852	14,463	3,731
Other	1,172	1,744	1,815	5,638
Total Revenues	<u>48,223</u>	<u>62,982</u>	<u>71,854</u>	<u>72,735</u>
<b>Expenditures</b>				
General government	6,750	6,381	6,293	7,388
Public safety	11,081	12,870	14,598	19,604
Public works	10,450	9,728	6,278	7,536
Community services	2,747	3,787	3,102	3,426
Parks and recreation		3,358	4,908	6,605
Economic development				
Debt service:				
Principal	3,535	3,429	3,228	3,160
Interest and other charges	5,555	6,771	10,197	12,382
Capital outlay	28,661	36,706	28,530	27,777
Intergovernmental	1,084	1,684	2,169	3,434
Total Expenditures	<u>69,863</u>	<u>84,714</u>	<u>79,303</u>	<u>91,312</u>
Excess of revenues over (under) expenditures	(21,640)	(21,732)	(7,449)	(18,577)
<b>Other Financing Sources (Uses)</b>				
Transfers in	4,870	5,852	4,596	4,912
Transfers out	(4,510)	(4,698)	(3,536)	(3,582)
Bonds issued	37,015	41,959	94,559	31,835
Payment to Escrow Agent				
Capital leases	271		1,568	
Other	(15,926)	(8,005)	(40,695)	200
Total other Financing Sources (uses)	<u>21,720</u>	<u>35,108</u>	<u>56,492</u>	<u>33,365</u>
Net change in fund balances	<u>\$ 80</u>	<u>\$ 13,376</u>	<u>\$ 49,043</u>	<u>\$ 14,788</u>
Debt service as a percentage of noncapital expenditures	22.1%	21.2%	26.4%	24.5%

<sup>a</sup> 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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013<sup>a</sup></u>	<u>2014</u>
\$	31,349	\$ 32,856	\$ 33,454	\$ 34,362	\$ 54,475	\$ 57,378
	14,218	13,578	13,983	15,632	24,942	27,295
	5,075	5,426	5,605	5,817	5,999	6,484
	2,079	1,807	1,721	2,320	2,989	4,149
	2,325	2,475	2,895	3,374	3,534	3,121
	8,885	9,328	11,687	11,891	12,982	13,078
	1,375	591	156	92	154	254
	7,589	3,689	2,199	3,089	4,595	2,541
	8,980	982	1,560	2,541	7,973	4,157
	<u>81,875</u>	<u>70,732</u>	<u>73,260</u>	<u>79,118</u>	<u>117,643</u>	<u>118,455</u>
	8,412	8,527	10,866	7,784	7,958	8,027
	22,310	23,784	23,926	25,372	26,204	29,171
	12,051	7,108	6,505	5,533	7,812	8,121
	3,386	3,839	3,376	4,246	3,523	3,960
	5,789	6,305	7,539	7,499	7,244	7,816
					17,414	25,248
	5,482	6,200	8,217	9,373	15,637	15,815
	12,080	13,635	13,543	12,401	15,859	16,373
	68,615	61,317	25,703	9,201	22,101	15,536
	3,250	3,794	3,954	3,992	4,058	4,307
	<u>141,375</u>	<u>134,509</u>	<u>103,629</u>	<u>85,401</u>	<u>127,810</u>	<u>134,374</u>
	(59,500)	(63,777)	(30,369)	(6,283)	(10,167)	(15,919)
	3,246	3,498	3,525	5,909	15,515	16,507
	(2,625)	(2,312)	(2,050)	(5,096)	(14,583)	(16,967)
	8,520	28,962	21,637	49,805	12,060	49,560
			(1,630)	(54,478)		(33,182)
	649	2,050	1,289		1,179	1,853
	(54)		56	3,809	331	4,784
	<u>9,736</u>	<u>32,198</u>	<u>22,826</u>	<u>(51)</u>	<u>14,502</u>	<u>22,555</u>
\$	<u>(49,764)</u>	<u>(31,579)</u>	<u>(7,543)</u>	<u>(6,334)</u>	<u>4,335</u>	<u>6,636</u>
	24.1%	27.1%	27.9%	28.3%	29.8%	27.0%

**CITY OF PEARLAND, TEXAS**  
**SPENDING AND GROWTH ANALYSIS**  
*Last Ten Fiscal Years*  
*Amounts in (000's)*  
*(Modified Accrual Basis of Accounting)*

*Amounts in (000's)*

<b>Expenditures</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
General Gov't	\$ 6,750	\$ 6,430	\$ 6,363	\$ 7,406
Public Safety	11,081	12,870	14,598	19,604
Public Works	10,450	9,728	6,278	7,536
Community Services	171	3,787	3,102	3,426
Parks & recreation	2,576	3,358	4,908	6,605
Economic Development	16,528	10,670	14,391	16,899
Debt Service - principal	3,950	5,309	5,183	4,265
Debt service - interest	7,530	9,141	13,483	15,688
Capital outlay	28,661	36,706	28,530	27,777
Intergovernmental	1,084	8,896	14,699	3,434
<b>Total</b>	<b>\$ 88,781</b>	<b>\$ 106,895</b>	<b>\$ 111,535</b>	<b>\$ 112,640</b>

**Distribution of Spending**

General Gov't	7.6%	6.0%	5.7%	6.6%
Public Safety	12.5%	12.0%	13.1%	17.4%
Public Works	11.8%	9.1%	5.6%	6.7%
Community Services	0.2%	3.5%	2.8%	3.0%
Parks & recreation	2.9%	3.1%	4.4%	5.9%
Economic Development	18.6%	10.0%	12.9%	15.0%
Debt Service - principal	4.4%	5.0%	4.6%	3.8%
Debt service - interest	8.5%	8.6%	12.1%	13.9%
Capital outlay	32.3%	34.3%	25.6%	24.7%
Intergovernmental	1.2%	8.3%	13.2%	3.0%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

**Per Capita Expenditures Adjusted for CPI**

<b>POPULATION</b>	62,634	79,322	84,500	89,000
<b>PER CAPITA</b>	\$ 1,417.46	\$ 1,347.61	\$ 1,319.94	\$ 1,265.62
<b>CPI INDEX (NATIONAL)</b>	195.29	201.59	207.34	215.30
<b>PER CAPITA ADJ TO 2014</b>	\$ 1,703.85	\$ 1,569.27	\$ 1,494.42	\$ 1,379.94
<b>PER CAPITA ADJ TO 2005</b>	\$ 1,417.46	\$ 1,305.49	\$ 1,243.23	\$ 1,147.99



<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>% CHG</b>	<b>Average Compounded Growth Rate</b>
\$ 8,423	\$ 19,561	\$ 10,877	\$ 7,797	\$ 7,958	\$ 8,027	18.9%	1.94%
22,310	23,784	23,926	25,372	26,204	29,171	163.3%	11.35%
12,051	7,108	6,505	5,533	7,812	8,121	-22.3%	-2.76%
3,386	3,839	3,376	4,246	3,523	3,960	2215.6%	41.78%
5,789	6,305	7,539	7,499	7,244	7,816	203.4%	13.13%
18,730	15,426	17,391	20,397	17,414	25,248	52.8%	4.82%
7,517	8,525	10,847	12,893	15,637	15,815	300.4%	16.67%
15,704	17,096	17,154	15,534	15,859	16,373	117.4%	9.01%
75,490	64,563	25,768	9,201	22,101	15,536	-45.8%	-6.58%
7,630	4,234	4,127	4,158	4,058	4,307	297.4%	16.57%
\$ 177,030	\$ 170,441	\$ 127,510	\$ 112,630	\$ 127,810	\$ 134,374	51.4%	4.71%

4.8%	11.5%	8.5%	6.9%	6.2%	6.0%
12.6%	14.0%	18.8%	22.5%	20.5%	21.7%
6.8%	4.2%	5.1%	4.9%	6.1%	6.0%
1.9%	2.3%	2.6%	3.8%	2.8%	2.9%
3.3%	3.7%	5.9%	6.7%	5.7%	5.8%
10.6%	9.1%	13.6%	18.1%	13.6%	18.8%
4.2%	5.0%	8.5%	11.4%	12.2%	11.8%
8.9%	10.0%	13.5%	13.8%	12.4%	12.2%
42.6%	37.9%	20.2%	8.2%	17.3%	11.6%
4.3%	2.5%	3.2%	3.7%	3.2%	3.2%
100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

						<b>Average Compounded Growth Rate</b>
92,600	94,100	97,200	99,800	104,100	106,900	6.12%
\$ 1,911.77	\$ 1,811.28	\$ 1,311.83	\$ 1,128.56	\$ 1,227.76	\$ 1,257.00	-1.33%
214.54	218.06	224.94	229.59	232.96	234.75	2.07%
\$ 2,091.89	\$ 1,949.95	\$ 1,369.05	\$ 1,153.90	\$ 1,237.21	\$ 1,257.00	-3.32%
\$ 1,740.27	\$ 1,622.19	\$ 1,138.93	\$ 959.95	\$ 1,029.25	\$ 1,045.72	-3.32%

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

Real Property

<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 (1)	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 (2)	2012	5,042,965,503	1,954,587,058	612,564,952	617,274,555
2014	2013	5,530,854,515	1,966,675,342	614,461,500	627,308,465

Notes:

Assessed valuation for fiscal year 2007 does not include Brazoria County Mud #1 valuation of  
(1) \$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  
(2) \$241,712,166 that was annexed into the City on December 31, 2012.

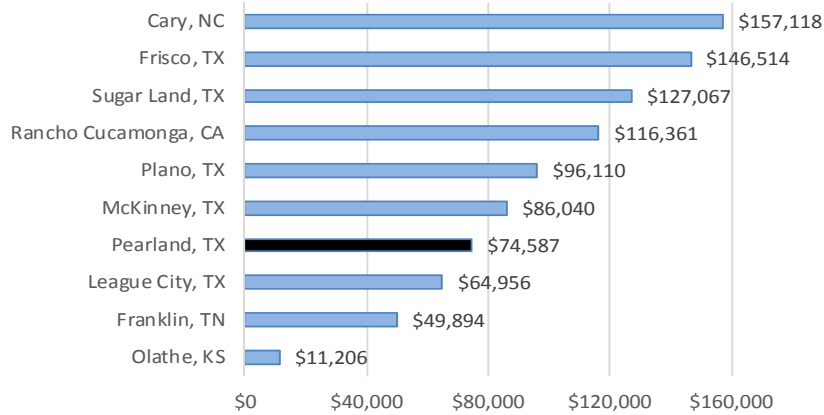
Assessed value based on adjusted tax roll at year end.

<b>Less Other Exemptions and Abatements</b>	<b>Total Taxable Assessed Value</b>	<b>Total Direct Tax Rate</b>	<b>Estimated Actual Taxable Value</b>	<b>Assessed Value as a Percent of Actual Taxable Value</b>
\$ 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%
487,709,374	6,996,973,518	0.7051	6,996,973,518	100%

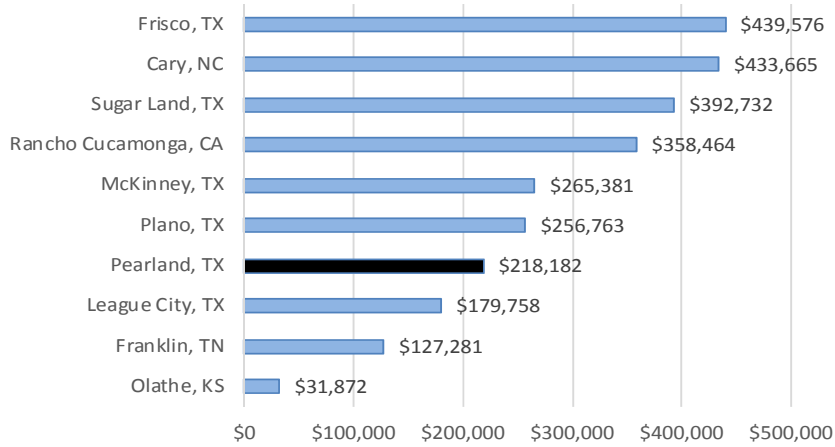
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**CITY OF PEARLAND, TEXAS**  
**PER CAPITA, HOUSEHOLD, SQUARE MILE**  
**FOR BENCHMARK CITIES OF TAXABLE PROPERTY**  
**Fiscal Year 2014**

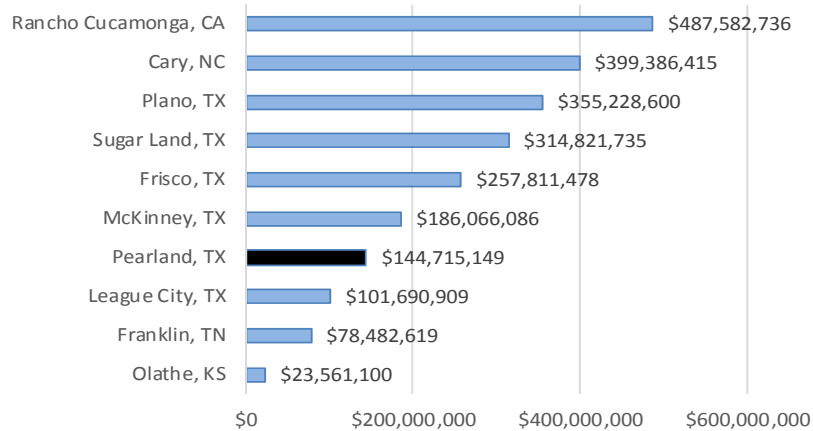
**Total Taxable Value per Capita**



**Total Taxable Value per Household**



**Taxable Value per Square Mile**



Notes: Data from Community Development Strategies Survey

**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 <sup>a</sup>							
	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
2005	\$ 0.339	\$ 0.356	\$ 0.695	\$ 1.792			\$ 0.241	\$ 0.422	\$ 0.500	\$ 0.400	\$ 0.017
2006	0.345	0.329	0.674	1.792			0.238	0.408	0.517	0.400	0.015
2007	0.299	0.354	0.653	1.662	1.350	1.546	0.220	0.382	0.517	0.402	0.013
2008	0.250	0.402	0.653	1.427	1.350	1.328	0.210	0.311	0.517	0.392	0.014
2009	0.220	0.433	0.653	1.419	1.350	1.328	0.200	0.330	0.500	0.391	0.018
2010	0.220	0.433	0.653	1.419	1.350	1.304	0.200	0.366	0.500	0.392	0.016
2011	0.215	0.450	0.665	1.419	1.350	1.304	0.200	0.403	0.500	0.388	0.021
2012	0.215	0.470	0.685	1.419	1.350	1.344	0.199	0.413	0.500	0.391	0.019
2013	0.215	0.490	0.705	1.419	1.350	1.329	0.200	0.426	0.500	0.400	0.020
2014	0.215	0.490	0.705	1.416	1.350	1.329	0.194	0.492	0.500	0.415	0.017

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

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

<b>Harris County Flood Control</b>	<b>Harris County Hospital District</b>	<b>Harris County Dept of Education</b>	<b>Brazoria/ Ft Bend MUD No. 1</b>	<b>MUD No. 17</b>	<b>MUD No. 18</b>	<b>MUD No. 19</b>	<b>MUD No. 23</b>	<b>MUD No. 26</b>	<b>MUD No. 28</b>	<b>MUD No. 34</b>	<b>MUD No. 35</b>
\$ 0.033	\$0.190	\$ 0.006	\$	\$0.750	\$0.650	0.800	0.850	0.850	\$ 0.820	\$ 0.850	\$
0.033	0.192	0.006	0.850	0.750	0.640	0.800	0.850	0.850	0.820	0.850	
0.032	0.192	0.006	0.850	0.750	0.610	0.780	0.850	0.770	0.820	0.850	
0.031	0.192	0.006	0.850	0.730	0.590	0.680	0.850	0.710	0.820	0.850	0.850
0.031	0.192	0.006	0.850	0.630	0.570	0.660	0.820	0.710	0.820	0.850	0.890
0.029	0.192	0.060	0.850	0.600	0.560	0.630	0.800	0.710	0.820	0.850	1.020
0.029	0.192	0.007	0.850	0.547	0.550	0.620	0.770	0.710	0.820	0.850	1.020
0.028	0.192	0.007	0.850	0.547	0.545	0.600	0.630	0.690	0.820	0.850	1.020
0.028	0.182	0.007	0.850	0.547	0.530	0.580	0.610	0.690	0.820	0.850	1.020
0.028	0.170	0.006	0.850	0.544	0.510	0.550	0.600	0.690	0.820	0.850	1.020

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

Fiscal Year Ended Sept 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$ 21,073,788	\$ 20,576,812	97.64%	\$ 477,235	\$ 21,054,047	99.9%
2006	24,284,597	23,690,031	97.55%	564,465	24,254,496	99.9%
2007	28,819,229	28,235,276	97.97%	555,538	28,790,814	99.9%
2008	35,035,569	34,461,652	98.36%	563,405	35,025,057	100.0%
2009	38,368,354	37,820,603	98.57%	516,212	38,336,815	99.9%
2010	41,081,407	40,590,543	98.81%	425,209	41,015,752	99.8%
2011	41,968,046	41,594,389	99.11%	278,859	41,873,248	99.8%
2012	43,441,792	43,110,373	99.24%	249,826	43,360,199	99.8%
2013	45,850,625	45,509,522	99.26%	200,552	45,710,074	99.7%
2014	49,096,473	48,802,720	99.40%		48,802,720	99.4%

**Source:** Brazoria County Tax Office

Taxes levied based on adjusted tax roll.



**CITY OF PEARLAND, TEXAS**  
**PRINCIPAL PROPERTY TAX PAYERS**

*Current Year and Nine Years Ago*

<u>Taxpayer</u>	<u>2014</u>			<u>2005</u>		
	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>	<u>Taxable</u>	<u>Rank</u>	<u>Percentage</u>
	<u>Assessed</u>		<u>of Total City</u>	<u>Assessed</u>		<u>of Total City</u>
	<u>Value</u>		<u>Value</u>	<u>Value</u>		<u>Value</u>
Weatherford U.S., Inc.	\$ 69,914,860	1	1.00%	\$		
Pearland Town Center LP	66,757,240	2	0.95%			
Global Pipe Supply	51,522,280	3	0.74%			
Amreit SPF Shadow Creek, LP	47,959,306	4	0.69%			
Centerpoint Energy, Inc.	32,832,920	5	0.47%			
Shadow Creek Parkway	27,100,030	6	0.39%			
Discovery Shadow Creek	25,330,000	7	0.36%			
Shadow Kirby LTD Partnership	25,000,000	8	0.36%			
Walmart Real Estate BUS TR	23,179,360	9	0.33%	12,428,460	2	0.45%
HCA Healthcare Corp	18,981,110	10	0.27%			
Lowe's Home Centers, Inc.				13,731,150	1	0.50%
Home Depot				9,756,700	3	0.35%
Walmart Stores, Inc.				7,855,740	4	0.28%
CFPI LP				6,488,200	5	0.23%
Home Depot USA, Inc.				6,410,390	6	0.23%
HD Development Properties, LP				6,117,950	7	0.22%
Walmart Stores, Inc.				5,920,880	8	0.21%
WC Properties, LTD				4,679,450	9	0.17%
Walmart Stores, Inc.				4,099,890	10	0.15%
Total	<u>\$ 388,577,106</u>		<u>5.55%</u>	<u>\$ 77,488,810</u>		<u>2.80%</u>

**Source:** Brazoria County Appraisal District

**CITY OF PEARLAND, TEXAS**

**TAXABLE SALES BY CATEGORY**

*Last Ten Calendar Years*

*(in thousands of dollars)*

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Retail Trade	\$ 370,665	\$ 464,850	\$ 536,352	\$ 667,470
Accommodations & Food Services	80,185	95,154	107,850	127,994
Real Estate/Rental/Leasing	18,629	33,329	44,560	52,276
Manufacturing	41,057	46,241	50,134	47,447
Wholesale Trade	24,070	30,592	28,782	32,999
Other Services (Except Public Admin)	16,921	20,390	20,794	23,764
Information	7,203	8,553	10,086	12,567
Construction	13,234	18,348	16,232	17,496
Arts, Entertainment & Recreation	4,787	5,208	8,789	9,751
Mining, Quarrying, Oil and Gas	2,985	11,186	9,280	10,520
Admin/Support/Waste Mgmt/Remediation	13,688	8,060	9,209	12,656
Professional/Scientific/Technical	3,538	3,893	4,103	5,218
Health Care/Social Assistance	72	56	63	37
Finance, Insurance	1,811	1,722	1,038	1,469
Agriculture, Forestry, Fishing	283	453	473	675
Transportation/Warehousing	55	155	169	138
Educational Services	204	110	110	212
Utilities		7	3	6
Management of Companies/Enterprises	2,278		1,161	2,594
Other	13	2		
Total	<u>\$ 601,677</u>	<u>\$ 748,310</u>	<u>\$ 849,188</u>	<u>\$ 1,025,289</u>
City direct sales tax rate <sup>b</sup>	1.00%	1.00%	1.00%	1.00%

**Source:** State Comptroller's Office.

<sup>a</sup> 2014 taxable sales thru 2nd quarter of 2014.

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

<sup>c</sup> Categories changed in 2007. Re-categorized data.

<b>Calendar Year</b>					
<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014<sup>a</sup></b>
\$ 699,338	\$ 673,714	\$ 697,419	\$ 764,460	\$ 829,666	\$ 393,002
146,598	155,345	172,126	198,439	216,155	117,241
38,924	46,811	48,059	61,690	56,079	27,978
31,243	39,582	49,474	48,213	34,598	20,705
25,954	30,730	33,163	33,566	34,358	19,925
23,670	25,114	29,557	30,669	34,175	18,687
14,413	15,672	16,896	19,194	24,387	15,155
14,372	15,537	17,558	23,181	24,370	12,285
9,909	11,315	11,511	12,710	13,570	7,294
3,355	3,246	3,316	3,726	12,893	6,762
11,670	10,650	11,004	12,696	13,778	6,364
5,923	6,277	7,072	9,037	11,317	4,388
52	184	252	351	1,057	1,629
1,811	1,404	1,261	1,347	1,246	661
566	180	306	468	772	218
161	282	418	425	318	157
144	207	314	429	374	136
6	3	187	3	7	
<b>\$1,028,107</b>	<b>\$ 1,036,253</b>	<b>\$ 1,099,893</b>	<b>\$ 1,220,603</b>	<b>\$ 1,309,121</b>	<b>\$ 652,588</b>
1.00%	1.00%	1.00%	1.00%	1.00%	1.00%

**CITY OF PEARLAND, TEXAS**

**RATIOS OF OUTSTANDING DEBT BY TYPE**

*Last Ten Fiscal Years*

*(dollars in thousands, except per capita)*

Fiscal Year	Governmental Activities				Business-Type Activities		
	General Obligation Bonds	Certificates of Obligation Bonds	Revenue Bonds	Capital Lease Obligations	Revenue Bonds	Permanent Improvement Bonds	Capital Lease Obligations
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	4,344	3,407	109,305	15,130	342
2013	236,199	64,690	75,125	3,681	105,690	14,020	253
2014	246,852	56,505	80,125	4,344	102,517	12,865	169

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

\* Due to implementation of GASB 61 in fiscal year 2013, 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.

<u>Total Primary Government</u>	<u>Percentage of Personal Income</u>	<u>Total Per Capita</u>	<u>Excluding Component Units Per Capita</u>
\$ 181,321	9.3%	\$ 2,895	\$
227,059	11.1%	2,862	
325,663	12.4%	3,854	
367,192	12.4%	4,126	
381,579	13.0%	4,121	
416,727	13.5%	4,429	
425,708	14.3%	4,380	
422,123	13.1%	4,230	
499,658	14.1%	4,800	4,019
503,378	13.2%	4,709	3,859

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

<b>Fiscal Year</b>	<b>Tax Year</b>	<b>General Obligation Bonds</b>	<b>Less Debt Service Funds</b>	<b>Net Bonded Debt</b>	<b>Ratio of Net Bonded Debt to Assessed Value</b>	<b>Percentage of Personal Income <sup>a</sup></b>	<b>Per Capita <sup>a</sup></b>
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	314,909	4,643	310,266	4.7%	8.7%	2,980
2014	2013	316,222	4,536	311,686	4.5%	8.2%	2,916

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

<sup>a</sup> 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, 2014

Taxing Jurisdiction	Debt as of September 30, 2014	Overlapping	
		Percent	Amount
Alvin Community College District	\$14,380,000	27.15%	\$ 3,904,170
Alvin ISD	463,780,000	30.34%	140,710,852
Brazoria County	90,265,000	25.46%	22,981,469
Brazoria County MUD No. 17	26,990,000	100.00%	26,990,000
Brazoria County MUD No. 18	28,170,000	97.35%	27,423,495
Brazoria County MUD No. 19	34,825,000	100.00%	34,825,000
Brazoria County MUD No. 23	16,530,000	100.00%	16,530,000
Brazoria County MUD No. 26	41,235,000	100.00%	41,235,000
Brazoria County MUD No. 28	22,820,000	100.00%	22,820,000
Brazoria County MUD No. 34	28,205,000	100.00%	28,205,000
Brazoria County MUD No. 35	8,815,000	100.00%	8,815,000
Brazoria-Fort Bend County MUD No. 1	62,105,000	60.32%	37,461,736
Fort Bend County	448,570,000	0.42%	1,883,994
Harris County (a)	2,396,117,860	0.14%	3,354,565
Harris County Dept. of Education	7,410,000	0.14%	10,374
Harris County Flood Control District	87,400,000	0.14%	122,360
Pasadena ISD	590,315,000	0.14%	826,441
Pearland ISD	321,365,767	75.74%	243,402,432
Port of Houston Authority	702,379,397	0.14%	983,331
Total estimated Overlapping			662,485,219
The City	\$307,701,571	100.00%	307,701,571
Total Direct and Estimated Overlapping Debt			\$ 970,186,790
Population			106,900
Per Capita Debt - Direct and Overlapping Debt			\$ 9,076

Source: Individual jurisdictions and/or Texas Municipal Reports.

\* Debt amounts are as of September 30, 2014.

(a) Harris County Toll Road Certificates are considered self-supporting and are not included in the amount shown for Harris County.

**CITY OF PEARLAND, TEXAS**

**PLEDGED REVENUE COVERAGE**

*Amounts in (000's)*

*Last Ten Fiscal Years*

**Water & Sewer Revenue Bonds**

<b>Fiscal Year</b>	<b>Gross Revenues</b>	<b>Less: Operating Expenses</b>	<b>Net Revenue Available for Debt Service</b>	<b>Debt Service</b>			<b>Coverage</b>
				<b>Principal</b>	<b>Interest</b>	<b>Total</b>	
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
2014	29,341	17,707	11,633	3,765	4,584	8,349	1.39

**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**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
**LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Population (A)</b>	<b>Personal Income (in \$000's)</b>	<b>Per Capita Personal Income (B)</b>	<b>Median Age (B)</b>	<b>Education level in Years of Schooling</b>	<b>School Enrollment (C)</b>	<b>Unemployment Rate (D)</b>
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%
2014	106,900	3,822,958	35,762	34.6	14.2	23,075	4.3%

(A) Estimated

(B) Pearland Economic Development Corporation

(C) Texas Education Agency

(D) Bureau of Labor Statistics

\* Information not presented is not available.

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**CITY OF PEARLAND, TEXAS**

**PRINCIPAL EMPLOYERS**

*Current Year and Nine Years Ago*

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pearland ISD	2,472	1	5.42%	1,820	1	7.26%
Kelsey Seybold	850	2	1.86%			
City of Pearland	614	3	1.35%	420	3	1.67%
Kemlon	390	4	0.86%	185	6	0.74%
Alvin ISD	352	5	0.77%			
Davis-Lynch (Forum Energy Tech.)	300	6	0.66%			
Packaging Service Co.	230	7	0.50%			
Texas Honing	190	8	0.42%			
TurboCare	175	9	0.38%	175	7	0.70%
Weatherford	160	10	0.35%	250	4	1.00%
Wal-Mart				800	2	3.19%
Randall's				250	5	1.00%
Super Target				150	8	0.60%
Tele-flow				140	9	0.56%
Lowe's				132	10	0.53%
<b>Total</b>	<u>5,733</u>		<u>12.57%</u>	<u>4,322</u>		<u>17.23%</u>

**Sources:**

Pearland Economic Development Corp.

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

<b>Function/Program</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Governmental Activities:							
General Government	42	49	51	55	55	57	57
Public Safety	170	184	205	242	253	264	276
Public Works	43	44	47	45	47	47	45
Community Services	41	47	50	51	52	47	45
Parks and Recreation	58	52	59	68	72	99	105
Business Type Activities:							
Water & Sewer	62	76	78	77	82	82	87
Component Unit:							
Economic Development	4	4	4	5	5	6	5
Total	420	456	494	543	564	601	619

**Source:** City Budget

<u>2012</u>	<u>2013</u>	<u>2014</u>
56	44	48
286	295	315
31	57	60
56	51	53
109	101	99
90	99	104
<u>5</u>	<u>5</u>	<u>5</u>
633	652	684

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

<b>Function/Program</b>	<b>Fiscal Year</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>GENERAL GOVERNMENT</b>						
Finance						
Number of purchase orders	3,183	3,085	3,475	3,552	3,264	2,913
Number of budget transfers	117	226	194	398	406	470
Number of invoices paid	21,180	22,438	22,279	23,434	23,259	21,632
Average number of employees paid per month	930	984	1,026	1,185	1,230	1,220
Human Resources						
Number of hires	77	95	97	109	90	91
Number of applications received	3,138	2,808	3,074	2,495	3,137	3,880
Legal						
Number of resolutions and ordinances prepare	234	295	269	293	266	229
Information Technology						
Average monthly service requests	350	370	486	616	649	734
Number of PC's supported	205	220	354	386	394	429
<b>PUBLIC SAFETY</b>						
Police						
Number of police calls resulting in dispatch	27,443	30,496	32,747	34,865	37,440	35,676
Total police arrests made	3,753	4,809	5,053	4,424	5,188	5,986
Dispatched calls per patrol officer	704	555	544	592	576	513
Commercial vehicles equipment violations	1,015	1,069	980	860	711	672
UCR Part I cases assigned <sup>(1)</sup>	418	366	371	349	629	2,003
Fire						
Total number of arson incidents	4	11	21	9	8	5
Fires investigated	70	120	96	28	33	22
Total annual inspections	965	1,307	2,333	2,677	2,374	1,752
Total calls for service <sup>(2)</sup>	1,168	1,188	1,202	2,215	2,432	2,416
EMS						
Total calls for service	3,941	4,290	5,372	6,029	6,411	6,472
Patients treated	3,848	4,048	4,983	5,529	5,804	5,619
<b>PUBLIC WORKS</b>						
Fleet Maintenance						
Fleet maintenance jobs completed	3,950	4,778	4,686	4,153	3,063	2,394
Preventative maintenance performed	2,251	1,815	1,889	1,756	1,998	1,741
Other Public Works						
Fuel issued (gallons)	220,000	303,930	318,587	343,865	313,596	354,422
Street sweeping (miles)	790	790	583	2,324	2,561	2,239
Street signs maintained/replaced	1,170	1,725	1,404	1,288	2,864	2,049
Total work orders completed	19,327	21,181	19,961	18,723	20,213	18,632

<b>Fiscal Year</b>			
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
2,679	2,415	2,671	2,640
427	429	465	548
21,000	20,768	23,512	21,486
1,438	1,481	1,527	1,548
131	112	94	98
3,299	4,936	7,642	8,507
205	220	254	243
815	832	843	838
439	448	454	575
39,815	42,318	47,200	45,500
6,218	6,525	7,642	7,081
606	625	659	550
852	900	810	598
3,304	1,836	2,094	1,900
2	2	6	7
25	18	16	25
1,380	1,537	1,958	1,644
2,621	2,826	3,369	7,602
7,055	7,668	7,420	7,446
6,121	6,537	6,537	6,936
3,410	3,581	3,817	3,860
747	682	611	610
361,464	377,754	350,186	353,890
1,299	1,079	1,155	871
1,588	1,090	884	993
16,834	17,803	18,346	21,212

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

<b>Function/Program (continued)</b>	<b>Fiscal Year</b>					
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>
<b>PARKS AND RECREATION</b>						
All Parks and recreation						
ROW maintained - acres	N/A	478	385	210	228	245
Trees maintained	3,450	3,450	4,280	5,000	5,004	5,800
Acres of city property mowed	N/A	167	439	470	851	1,301
Total number of parkwork orders received	N/A	227	361	316	275	252
Parkland - acres <sup>(3)</sup>	N/A	175	175	180	138	139
Total number of special events held	24	20	25	25	25	24
Total number of tournaments held	N/A	19	25	9	6	9
Number of recreation classes offered <sup>(4)</sup>	1,170	1,189	1,222	1,083	855	307
Average monthly attendance (all locations) <sup>(5)</sup>	5,977	6,723	7,988	7,607	3,623	11,823
<b>COMMUNITY SERVICES</b>						
Animal Control						
Number of animals at shelter	2,228	2,898	3,068	2,947	2,868	2,532
Total number of calls for service	5,443	4,600	6,099	4,296	3,529	4,206
Inspection Services						
Total building inspections	53,924	36,724	31,004	34,773	24,834	21,753
Total code violation cases	2,792	2,739	3,962	3,629	4,274	3,433
Total permits issued	15,289	14,889	13,769	9,878	9,249	7,874
Number of plans reviewed	3,026	2,682	3,055	1,309	925	969
Municipal Court						
Number of trials	2,800	1,952	2,305	1,616	1,391	402
Number of charges	18,275	22,185	20,481	19,666	24,400	24,657
Warrants cleared	N/A	N/A	3,596	6,402	7,374	8,692
<b>WATER &amp; SEWER</b>						
Distribution and Collection						
Fire hydrant maintenance and inspections <sup>(6)</sup>	1,967	99*	537	740	451	402
Backed up sewer repairs	278	251	330	393	270	325
Water mains repaired	71	129	108	160	168	82
Water Production						
Water produced - wells (in millions of gallons)	1,925	2,044	1,597	2,128	2,574	3,065
Surface Water Purchased (in millions of gallons)	683	967	1,121	1,147	1,146	634
Billing & Collections						
Annual meter reads	211,956	234,875	285,930	325,471	340,281	344,618
Number of bills	192,014	248,848	293,833	318,160	325,201	336,668
Wastewater Treatment						
Wastewater treated (in millions of gallons)	1,398	1,668	2,305	2,096	2,106	2,361

**Sources:** Various city departments.

Information not presented was not available at time of publication.

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

<sup>2</sup>First Responders calls to Fire Department are included in this number. First Responder calls increased from 1,492 in FY13 to 5,422 in FY14.

<sup>3</sup>Prior to 2009, Parkland acres included medians and Wastewater Treatment Plants. After 2009, reported under total acres of city property maintained.

<sup>4</sup>Prior to 2010, individual music classes were included in the total recreation classes held. Program was cancelled.

<sup>5</sup>In FY 2010, a new facility, Recreation Center/Natatorium, opened.

<sup>6</sup>In Water & Sewer, Distribution and Collection fire hydrant maintenance and inspections is contracted out. During FY06, the contractor's services were disrupted by a storm.



<b>Fiscal Year</b>			
<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
255	251	251	251
6,327	6,157	6,312	6,313
1,331	1,380	1,035	1,035
249	230	140	180
139	138	138	138
21	22	22	20
11	2	1	3
459	486	281	272
16,116	18,378	18,980	21,366
2,685	2,220	2,375	2,176
4,346	4,326	5,236	6,114
19,244	22,416	26,274	28,434
2,860	1,952	2,244	2,140
7,869	8,696	10,630	13,972
917	1,050	939	1,185
688	1,116	885	839
26,369	30,187	27,439	23,182
8,204	10,080	10,328	9,050
395	887	1,399	837
310	275	286	334
410	283	380	111
3,869	2,916	2,859	2,470
968	1,321	1,816	2,133
364,424	370,755	403,220	414,499
350,871	359,716	387,997	388,338
1,943	2,364	2,530	2,493

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

Function/Program	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
<b>PUBLIC SAFETY</b>										
Police										
Police stations	1	1	1	1	1	1	1	1	1	1
Police vehicles	109	112	117	126	130	138	142	155	157	161
Fire										
Fire stations	4	4	4	4	4	4	5	6	6	6
Fire vehicles	15	16	16	17	17	17	22	23	26	26
EMS										
EMS Stations*	3	3	3	3	3	3	3	4	5	1
EMS Ambulances	5	5	5	6	8	8	8	8	9	9
<b>PUBLIC WORKS</b>										
Other public works										
Streets (miles)**	248	578	758	773	807	807	806	806	839	844
Vehicle Inventory***	N/A	342	405	360	333	355	363	385	374	375
Traffic signals	47	48	57	67	71	80	62	74	81	81
<b>PARKS AND RECREATION</b>										
Parks and recreation										
Developed acreage****	124	175	175	180	138	139	139	138	138	138
Pools	1	1	1	1	1	3	3	3	3	3
Outdoor basketball courts	N/A	10	10	10	10	10	10	6	6	6
Soccer fields	N/A	12	12	12	12	12	12	12	12	12
Activity buildings	3	3	3	3	3	4	4	3	3	3
Baseball/Softball Fields	4	4	4	4	4	4	4	4	4	4
<b>WATER AND SEWER</b>										
Water Production										
Water wells	9	9	10	11	11	11	11	11	10	10
Pumping stations	2	2	2	2	2	2	2	3	3	3
Ground storage tanks	13	15	15	15	15	15	15	15	15	15
Elevated towers	4	5	5	5	5	6	6	6	6	6
Wastewater										
Treatment Plants	4	4	5	5	5	5	5	5	5	5
Lift Stations	78	74	78	76	78	78	80	80	75	76
Distribution and Collection										
Water mains (miles)	296	361	395	410	420	433	443	448	469	488
Sanitary sewers (miles)	279	321	353	360	370	378	380	382	400	415

**Sources:** Various city departments.

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

Information not presented was not available at time of publication.

\*EMS and Fire Departments merged in FY2014 and EMS locations are now included with Fire stations, except in one location.

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

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

\*\*\*Decrease in inventory reflects surplus of vehicles auctioned off. Increases reflect new purchases, which may offset with those sold.

those sold. Vehicle inventory includes public safety revenues.

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