

CITY OF PASADENA, TEXAS



**Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2006**

**CITY OF PASADENA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2006**

**PREPARED BY:
OFFICE OF THE CITY CONTROLLER
WAYNE F. LONG, JR., CPA
CITY CONTROLLER**

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



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CITY OF PASADENA

OFFICE OF THE CITY CONTROLLER

March 30, 2007

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

The comprehensive annual financial report of the City of Pasadena, Texas, ("City") for the fiscal year ended September 30, 2006, including the independent auditor's report, is presented to comply with both local charter and state statutes.

Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

Mosher, Seifert and Company, Certified Public Accountants, issued an unqualified (clean) opinion on the City of Pasadena, Texas' financial statements for the fiscal year ended September 30, 2006. The independent auditor's report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to compliment management's discussion and analysis ("MD&A") and should be read in conjunction with it. The City's MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The City's MD&A can be found immediately following the independent auditors report, on pages 15-24.

Profile of the Government

The City of Pasadena is located in the southeastern part of the state, along the Houston Ship Channel. It is the largest suburban city in the Houston metropolitan area and the fifteenth largest city in Texas. The City currently has a land area of 59.5 square miles, and is divided into 15 square miles of industrial area and 44.5 square miles of residential/commercial area, with an estimated population of 142,526 in 2006 (141,674 in the 2000 Census). It was first settled in 1893 and was incorporated December 28, 1928. The City adopted the "Home Rule Charter" on December 12, 1964, pursuant to the laws of the State of Texas.

The City operates under a "Strong Mayor-Council" form of government at this time. Council members can serve a maximum of four consecutive two-year terms and are elected from eight single member districts. The mayor is elected by voters of the entire city and serves four-year terms with a limit of two consecutive terms. Together, the Mayor and the eight members of City Council

are responsible for enacting legislation, adopting budgets, determining the policies of the City, and ultimately providing services to the citizens as authorized by the City's Charter. The City of Pasadena provides a full range of municipal services including: police and fire protection, traffic and municipal courts, sanitation services, construction and maintenance of streets and related infrastructure, water and sewer systems, recreational activities, (i.e. parks, swimming pools, baseball diamonds, tennis courts, jogging trails, golf course and libraries), and cultural event facilities, including a convention center, a senior citizen center, and an athletic/recreational center for those who are physically and mentally challenged.

In August 2006, Pasadena's City Council appointed a fifteen member committee representing a broad spectrum of citizens from its diverse community to review the City's charter. The charter was last reviewed in 1992, which is a normal average of every fourteen years. The committee was appointed to examine issues such as the form of government, the structure and compensation of council, along with the responsibilities of the City's elected officials. The committee made recommendations to the City Council. The City Council has approved nine of the proposed changes and these items will appear on the May 2007 ballot for voters' consideration.

The City Charter requires the adoption of the City budget no later than September 27th. The appropriated budget is prepared by fund, function, and department/division. Within the department/division, it is categorized further by object and subject. City department heads may make transfers between two subjects within the same object (e.g. transfer between postage and office supplies within the object of materials and supplies). Any other transfers or changes to the appropriations require the approval of City Council and an amendment to the budget. For additional information on the City's budgetary practices, see Note III.A on page 53, in the financial statement notes.

Local Economy

The area's economy is continuing to show signs of growth, but faces unsettled economic conditions and rapidly escalating costs for key items including health insurance, electricity, and fuel. In this environment, the City has established itself as steward of two equally important responsibilities: providing quality services to the City's constituents and protecting the City's financial strength.

Energy comprises slightly over fifty percent of the metropolitan economic base and affects the general financial health of the entire Houston metropolitan area including the City of Pasadena. The City's economy has strong connections to the energy sector, including upstream or exploration activities, and downstream or refining activities. The economy also relies on the industrial and manufacturing sectors and, while much of it is related to energy, the City has strong connections to other industries such as petrochemicals and construction materials. International trade also influences the City's economy significantly with its close proximity of the Houston Ship Channel, the Port of Houston, Galveston Bay, and the March 2007 opening of the new Bayport container facility which will generate almost 12,000 jobs over the first ten years. The added economic impact to the region means new business revenues and more tax revenues each year. The projected opening of a cruise terminal at Bayport in early 2008 will only mean better economic growth to the City.

The other half of metropolitan area's economic basis is primarily composed of space and medicine employment. All of these factors combined create a diversity that serves as a stabilizing factor that offsets the upswings and downswings in the energy sector.

A significant indicator of the impact of the economic downturn or upturn is seen in the City's employment and unemployment statistics. In December 2005, the unemployment rate was 5.3%. As of December 2006, the unemployment rate fell to 4.7%, which indicates a continuing 0.6% growth in the local employment rate per the Texas Workforce Commission. This trend continues with the opening of the Houston Ship Channel's – Bayport terminal March 2007, increasing jobs with the rapid trade growth benefiting the entire Houston metropolitan area. An upswing for Pasadena's economy will relieve some of the pressure of increasing health care and energy costs. The area's trucking industry will improve because of the demand for more drivers to move products inland along with having to warehouse these products until they are transported out of the area. The need for warehousing has led developers rushing to add warehouses nearby, which resulted in increasing land costs. There is a promise of additional jobs to come with the opening of a cruise terminal in early 2008.

Long-term Financial Planning

In August 2002, the City adopted the first-ever Capital Improvement Plan ("CIP") and on September 2002, the voters approved bond propositions totaling \$102 million for the tax supported projects in the CIP. The City has since updated the CIP for fiscal years 2007-2011 including up-to-date cost estimates and schedules. The proposed CIP includes \$287.4 million representing a level of investment similar to previous years reflecting the priorities of Pasadena's residents and taxpayers. Some of the proposed projects include streets and traffic (\$102.1 million), drainage (\$19.4 million), water (\$73.1 million) and wastewater (\$30.5 million) add up to \$225.1 million or nearly eighty percent of the total CIP.

Due to the current police station having major structural problems, an outdated jail, and the department growth, the highlight of the proposed police capital project is the anticipated start of construction for the new police complex. The total project cost is estimated at \$24.1 million, including \$4.6 million spent and a proposed \$19.5 million in fiscal years 2007 and 2008. This estimate assumes that the station will be built without a crime lab, and with 80,000 to 85,000 square feet next to City Hall on a site bounded by Strawberry, Dunhill and Davis streets. The project includes acquisition, demolition, design, construction, equipment and project management. Several funding sources are being used for this project, from the existing and proposed public improvement bonds, the Pasadena Crime Control and Prevention District, and federal grants specifically for public safety purposes. The City is currently working on a ten year certificates of obligation in the amount of \$5,950,000 tentatively to be issued in April, 2007.

The Central Library is looking forward to its \$3.5 million dollar renovation. This includes \$750,000 in grant funds from major private foundations and the reallocation of bond funds previously allotted for expansion of the Fairmont Branch Library. This is to have Central Library project completed in 2007 while the foundation funding is available.

Certain capital improvements are provided through a legally separate entity, Pasadena Second Century Corporation, which functions, in essence, as a department of the City and therefore has been included as an integral part of the City of Pasadena's financial statements. The City also is financially accountable for the Pasadena Crime Control and Prevention District, another legally separate entity, which is reported separately, within the City of Pasadena's financial statements. Additional information on these two legally separate entities can be found in the notes to the financial statements. (See Note I.A on page 45).

The City continues with its prior policy direction – investing in infrastructure, its employees, and basic services at an affordable rate. In fiscal year 2007's CIP, the City anticipates maintaining a level of work consistent with past years while scaling back the proposed sale of tax-supported bonds to ensure that projects underway are complete and important new projects – including the new police complex and significant renovations to the Central Library – are funded. The City is also positioned to address several major capital investment decisions this year with the water and sewer system. Through the long term planned CIP, the restructuring of the City's debt payment schedule along with the steady growth in economy all have contributed to the success in implementation of the CIP. The citizens, business, neighborhood has and will continue to see the positive benefits resulted from various improvements projects carried out by the CIP since 2002 and into the future.

The 2007 budget includes a 5 percent increase for all police officers in response to the department's high performance level over the last several years. This plan, along with the certificate pay increases approved by City Council during fiscal year 2006, will help keep our department among the best paid in the region and competitive with comparable departments across the state. The budget also includes a five percent overall raise for civilian employees in two steps. First, a two percent average one-time incentive payment was awarded to all civilian employees in fiscal year 2006. This one-time incentive payment did not add to base pay or increase the City's future liabilities. Secondly, civilian employees received a three percent pay increase in fiscal year 2007, to be funded with the City's ongoing revenue stream and can be funded again in fiscal year 2008.

Other enhancements for employees' benefits were also approved including added vacation time and additional funding for health benefits. In addition, vacation time increased for all City employees with twelve years of service from three weeks to four weeks per year, and from two weeks to three weeks for civilian employees after five years of service. In fiscal year 2006, a \$1.5 million transfer to the health benefits fund

was made to provide a hedge against future cost increases. Another important benefit for City employees is because of the plan changes made last year, the health benefits expenses are down, and the health benefits fund is expected to end next year with a \$4 million balance.

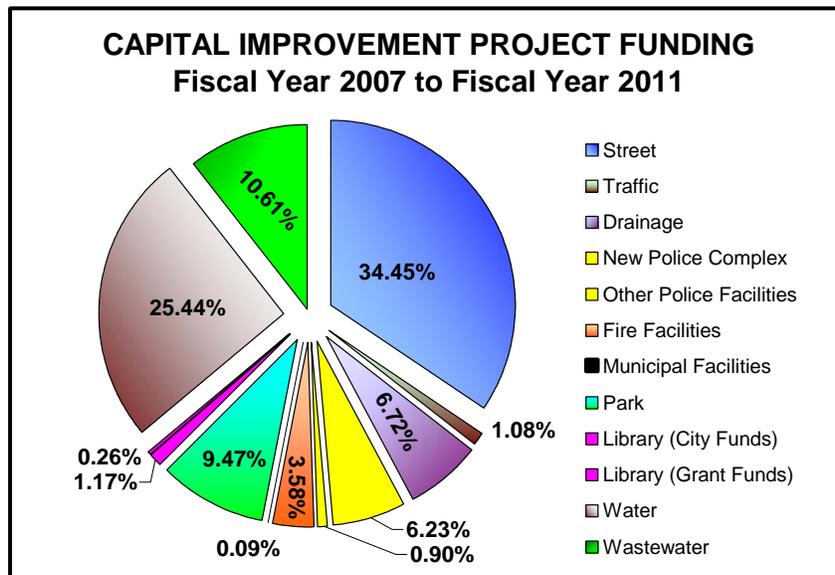
Relevant Financial Policies

Effective October 2006, the Harris County Tax Assessor-Collector’s Office was contracted to collect the property tax billings and collections for the City. The Harris County Precinct 2 Commissioner and the City’s officials are credited for supporting this consolidation initiative. As a result, the City will not only see a recurring reduction of approximately \$238,000 in expenses, or forty percent, but also more payment options are now available to the taxpayers.

Major Initiatives

The City is into its fifth year in implementing the long-term capital improvement plan (CIP), with fiscal year 2011 added to the newly adopted FY 2007-2011 plan. Like the previous years, the FY 2007-2011 plan uses current estimates of project cost and scheduling. Some project costs are estimated to be higher this year based on more through information than was available in previous fiscal year. Also, long-term growth rates in property tax revenues have been reduced to reflect the anticipated freeze on taxes on homeowners aged over 65. A number of the projects also have been rescheduled in an effort to live within the City’s financial means.

The CIP covers a wide range of improvements to street, drainage, traffic, police facilities, fire facilities, park, library, municipal facilities, and water and wastewater system. The CIP has so far completed approximately fifty-nine projects totaling \$105 million and an additional \$60 million has been appropriated for 60 projects in some stage of design, acquisition or construction. The City has established a solid track record in accomplishing plans and proposals in the CIP since the initial adoption of the CIP in 2002. In addition to improve the quality of life, it has also improved City’s image in an enduring and evident way.



Awards and Acknowledgements

The Government Finance Officers Association (“GFOA”) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (“CAFR”) for the fiscal year ended September 30, 2005. This was the twelfth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently

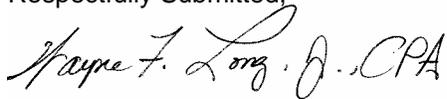
organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2005. In order to receive this award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

This report could not have been completed without the efficient and dedicated service of the entire staff of the City Controller's Office. Our sincere gratitude is extended to Mayor Manlove and the City Council for their support and leadership in conducting the financial operations of the City throughout the year.

Respectfully Submitted,

A handwritten signature in black ink that reads "Wayne F. Long, Jr., CPA". The signature is written in a cursive style with a large, stylized initial 'W'.

Wayne F. Long, Jr., CPA
City Controller

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Pasadena
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2005

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



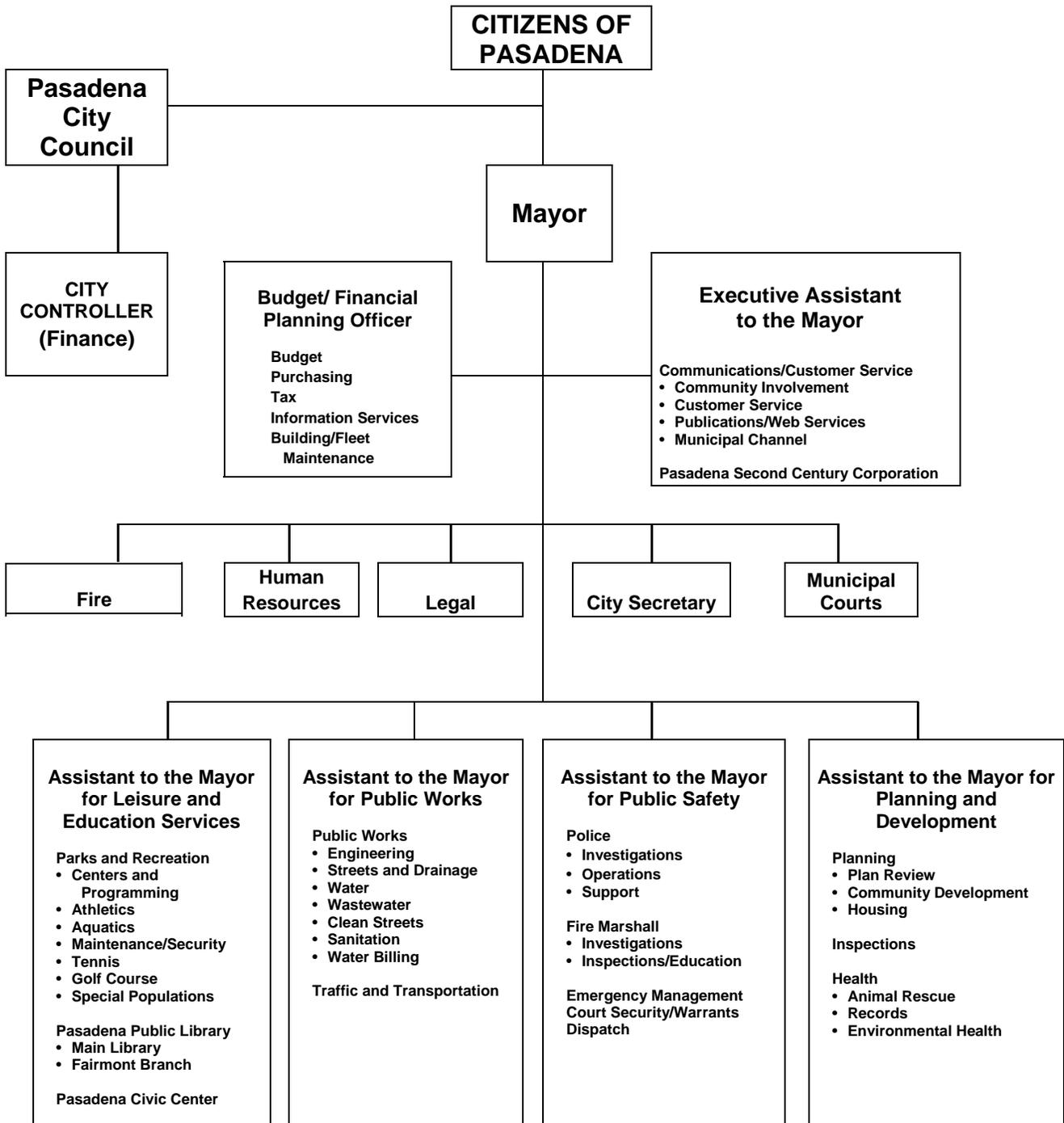
A handwritten signature in black ink, appearing to read "Thomas J. Hauer".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

Executive Director

CITY OF PASADENA, TEXAS ORGANIZATION CHART



**CITY OF PASADENA, TEXAS
PRINCIPAL OFFICIALS**

MAYOR

JOHN MANLOVE

BUDGET & FINANCIAL PLANNING

MICHAEL W. LOFTIN

**ASSISTANT TO MAYOR
FOR PLANNING & DEVELOPMENT**

MELVIN EMBRY

**ASSISTANT TO MAYOR
PUBLIC SAFETY/CHIEF OF POLICE**

MICHAEL MASSEY

**EXECUTIVE ASSISTANT
TO MAYOR**

DAVID BENSON

**ASSISTANT TO MAYOR
FOR PUBLIC WORKS**

ROBIN GREEN

**ASSISTANT TO MAYOR
LEISURE & EDUCATIONAL SERVICES**

MICHAEL ISERMANN

CITY COUNCIL

DISTRICT A
DISTRICT B
DISTRICT C
DISTRICT D
DISTRICT E
DISTRICT F
DISTRICT G
DISTRICT H

RALPH RIGGS
JACKIE WELCH
LEROY STANLEY
JACK DOUGLASS
JIM BARKER
JAMES GUTHRIE
DANA PHILIBERT
J. J. ISBELL (MAYOR PRO-TEM)

CITY CONTROLLER

WAYNE F. LONG, JR., CPA

CITY SECRETARY

LINDA RORICK

TAX ASSESSOR/COLLECTOR

BOB ALLEN (Retired)

DIRECTOR OF PERSONNEL

RICHARD NELSON

DIRECTOR OF MAINTENANCE

BRUCE MCCOY

FIRE MARSHAL

DAVID BRANNON

LIBRARY DIRECTOR

SHEILA HENDERSON

DIRECTOR OF PLANNING

TIM TIETJENS

DIRECTOR OF HEALTH

THAD GINN

FIRE CHIEF

LANNY ARMSTRONG

**PRESIDING JUDGE,
MUNICIPAL COURTS**

LESTER RORICK

CITY ATTORNEY

LEE CLARK

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FINANCIAL SECTION



MOSHER, SEIFERT & COMPANY

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Members American Institute of Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pasadena, Texas (the "City") as of and for the fiscal year ended September 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund and certain Grant Management (Major Special Revenue Fund) – Federal Equitable Sharing of Forfeited Property Justice and Treasury Department for the fiscal year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2007, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 15 through 24 are not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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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 nonmajor fund financial statements, schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mosher, Seifert and Company
Mosher, Seifert & Company
Certified Public Accountants
March 30, 2007

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pasadena's ("City") Comprehensive Annual Financial Report ("CAFR") presents a narrative overview and analysis of the financial performance of the City for the fiscal year ended September 30, 2006. This discussion and analysis includes comparative data for fiscal year 2005. Please read it in conjunction with the transmittal letter, in the introductory section of this report, and the City's financial statements following this section.

FINANCIAL HIGHLIGHTS

Some of the City's financial highlights for the fiscal year ended September 30, 2006 are as follows:

Government-Wide Financial Statements

The City's assets exceeded its liabilities by \$600,542,842 (net assets), showing an increase of \$19,710,894 (3.4%) compared to the prior fiscal year of \$580,831,948. Total net assets of the City are comprised of the following:

- Capital assets, net of related debt, of \$557,775,938 (92.9%) include land, improvements, construction in progress, and other capital assets, net of accumulated depreciation, and reduced by outstanding debt, and net unspent proceeds related to the construction of capital assets.
- Net assets of \$31,790,599 (5.3%) are restricted by constraints imposed from outside the City such as debt obligations, laws and regulations.
- Net assets of \$10,976,305 (1.8%) represent the unrestricted portion available to meet the City's ongoing obligations to citizens and creditors.

Fund Financial Statements

- The City's governmental funds reported combined fund balances of \$82,626,006. This compares to the prior fiscal year combined fund balances of \$87,495,671, showing a decrease of \$4,869,665 (5.6%). Approximately 97% of the fund balances, \$80,405,778, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of fiscal year, general fund had a total fund balance of \$14,572,714. The unreserved and designated portion of the fund balance was \$966,950. The unreserved, undesignated portion of the fund balance was \$13,605,764 or 18.8% of total general fund expenditures (including transfers out) of \$72,430,202. The City has a policy which requires the unreserved, undesignated portion of the fund balance to be equivalent of two months of regular general fund operating expenditures. At the end of September 30, 2006, the unreserved, undesignated fund balance exceeded this required balance by \$1,534,064.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Pasadena'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 information such as statistical data.

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 first of the government-wide statements is the Statement of Net Assets. This statements shows the City of Pasadena's total assets and liabilities with the difference reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The second government-wide statement is the Statement of Activities, which reports how the City's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the Statement of Activities is to show the relative financial burden of the City's distinct functions/programs on its taxpayers.

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, health, culture and recreation, housing and community development. Business-type activities include water and sewer operations.

The government-wide financial statements include the City of Pasadena (*the primary government*), and the Pasadena Crime Control and Prevention District, a legally separate entity, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information of the City. The Pasadena Second Century Corporation, also a legally separate entity, is operated like a department of the City and therefore its financial information has been included as an integral part of the City (the primary government).

The government-wide financial statements can be found on pages 25-27 of this report.

Fund Financial Statements. A fund is an accountability unit used to maintain control over resources that have been segregated for specific activities or objectives. The City of Pasadena uses fund accounting to ensure and demonstrate compliance with finance-related laws and regulations. All of the City's funds can be divided into two categories: governmental funds and proprietary funds.

Governmental funds are used to account for essentially the same functions as the governmental activities in the government-wide financial statements, but with a narrower focus. Governmental fund financial statements report short-term fiscal accountability, focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Comparing the information presented in the governmental fund statement with similar information presented for governmental activities in the government-wide financial statements can provide useful information because of the different focus. With the long-term focus of the government-wide statements, a reader may be able to better understand the long-term effects of the near term financing decisions. Both the governmental fund Balance Sheet and the government fund Statement of Revenues, Expenditures and Changes in Fund Balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Pasadena maintains nine individual governmental funds. Information for the general fund, debt service fund, Pasadena Second Century Corporation fund, capital projects fund, and grant management fund, is presented separately in the governmental fund Balance Sheet and in the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances. All of the aforementioned funds are considered to be major funds. Information from the remaining four funds is combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is presented in the Combining and Individual Fund Statements and Schedules section of this report.

The City of Pasadena adopts an annual appropriated budget for its general fund, debt service fund, the Federal equitable sharing of forfeited property of Justice and Treasury Departments within the grant management fund and four nonmajor governmental funds. The budgetary comparison statements/schedules for these funds can be found either in the Governmental Fund Financial Statements or in the Combining and Individual Fund Statements and Schedules section. The budgetary comparisons are presented to demonstrate compliance and show comparisons between the original/ final budgets and the actual amounts.

The basic governmental fund financial statements can be found on pages 28-37 of this report.

Proprietary funds. The City has two types of proprietary funds: enterprise fund and internal service funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide statements. The City uses the enterprise fund to account for its water and sewer system operations. Internal service funds provide services and charge fees to departments within the City. The City of Pasadena uses these internal service funds to account for technical services, warehouse, fleet facility operations, mailroom, and risk management services - in regards to workers compensation claims, general liabilities, and health benefits. Since the internal service funds predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the governmental-wide financial statements.

Proprietary fund statements provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements, but in more detail. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual internal service fund information is presented in the Combining and Individual Fund Statements and Schedules section of this report.

The basic proprietary financial statements can be found on pages 38-43 of this report.

Notes to the financial statements. The accompanying notes provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the fund financial statements and can be found on pages 45-76.

Other information. The combining and individual fund statements and schedules referred to earlier in connection with budgetary schedules, nonmajor governmental funds, and internal service funds can be found on pages 77-103.

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. The City's assets exceeded liabilities by \$600,542,842 at fiscal year ended September 30, 2006.

CITY OF PASADENA'S Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Current and other assets	\$ 113,546,342	\$ 114,879,399	\$ 23,528,165	\$ 51,628,139	\$ 137,074,507	\$ 166,507,538
Capital assets	458,900,580	446,926,682	196,621,393	198,398,931	655,521,973	645,325,613
Total assets	572,446,922	561,806,081	220,149,558	250,027,070	792,596,480	811,833,151
Long-term liabilities, outstanding	118,500,708	153,783,706	55,981,570	59,742,092	174,482,278	213,525,798
Other liabilities	11,505,174	11,082,851	6,066,186	6,392,554	17,571,360	17,475,405
Total liabilities	130,005,882	164,866,557	62,047,756	66,134,646	192,053,638	231,001,203
Net assets:						
Invested in capital assets, net of debt	403,423,071	370,470,916	154,352,867	184,638,432	557,775,938	555,109,348
Restricted	30,518,322	22,888,815	1,272,277	483,859	31,790,599	23,372,674
Unrestricted (deficit)	8,499,647	3,579,793	2,476,658	(1,229,867)	10,976,305	2,349,926
Total net assets	\$ 442,441,040	\$ 396,939,524	\$ 158,101,802	\$ 183,892,424	\$ 600,542,842	\$ 580,831,948

By far the largest portion of the City's net assets, \$557,775,938 (92.9%), reflects its investment in capital assets (e.g., land, building, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are used to provide services to citizens; consequently, they are not available to be used 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 liabilities.

This portion of the City's net assets increased by \$2,666,590 (0.5%) compared to prior fiscal year of \$555,109,348. The increase was due to the starting and completion of several capital project activities less the net impact on defeasement of a debt related to a capital project that was delayed and now is postponed.

The second portion of the City's net assets, \$31,790,599 (5.3%), represents resources that are subject to external restrictions on how they may be used. This compared to the prior fiscal year of \$23,372,674, showing an increase of \$8,417,925 (36%). The increase was due to the combination of increase in capital project funding in the amount of \$6,160,519 (41.3%), increase in grants and special revenue funding in the amount of \$1,339,837 (19.7%) and increase in funding restricted for debt service in the amount of \$917,569 (56.1%).

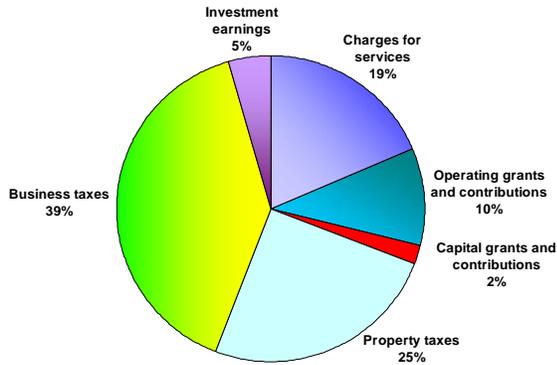
The third and final portion of the City's net assets, \$10,976,305 (1.8%) represents unrestricted resources that can be used to meet the City's ongoing obligations to citizens and creditors. This portion of net assets increased by \$8,626,379 (367.1%) compared to the prior fiscal year of \$2,349,926. This change was partially due to increase in overall program and general revenues by \$5,182,317 (3.8%) and decrease in overall expenses by \$5,859,944 (4.8%).

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets.

**CITY OF PASADENA'S
Changes in Net Assets**

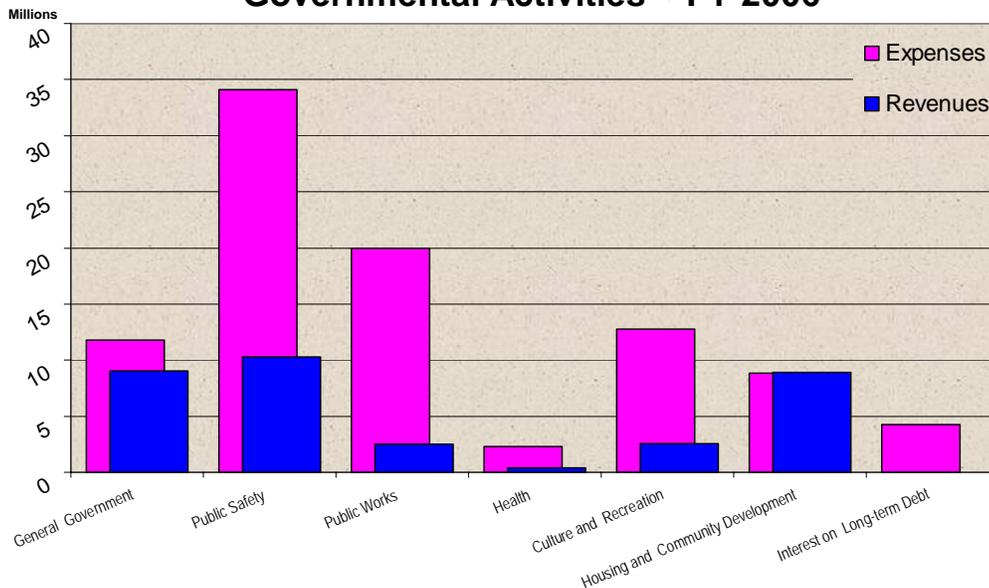
	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues:						
Charges for services	\$ 20,227,675	\$ 17,455,048	\$ 31,279,537	\$ 26,261,124	\$ 51,507,212	\$ 43,716,172
Operating grants and contributions	11,133,838	10,377,127	-	-	11,133,838	10,377,127
Capital grants and contributions	2,266,320	9,913,507	-	1,315,972	2,266,320	11,229,479
General revenues						
Property taxes	27,210,647	26,630,894	-	-	27,210,647	26,630,894
Business taxes	43,275,703	41,447,089	-	-	43,275,703	41,447,089
Investment earnings	4,967,373	2,554,992	2,086,713	1,309,736	7,054,086	3,864,728
Total Revenues	109,081,556	108,378,657	33,366,250	28,886,832	142,447,806	137,265,489
Expenses:						
General government	11,794,857	14,760,376	-	-	11,794,857	14,760,376
Public safety	34,079,956	35,897,408	-	-	34,079,956	35,897,408
Public works	19,980,978	20,368,711	-	-	19,980,978	20,368,711
Health	2,288,445	2,481,836	-	-	2,288,445	2,481,836
Culture and recreation	12,772,815	12,676,655	-	-	12,772,815	12,676,655
Housing and community development	8,855,334	8,433,494	-	-	8,855,334	8,433,494
Interest on long-term debt	4,231,769	4,252,445	-	-	4,231,769	4,252,445
Water and sewer	-	-	28,732,758	29,725,931	28,732,758	29,725,931
Total expenses	94,004,154	98,870,925	28,732,758	29,725,931	122,736,912	128,596,856
Increase (decrease) in net assets before transfers	15,077,402	9,507,732	4,633,492	(839,099)	19,710,894	8,668,633
Transfers	30,424,114	(29,395,320)	(30,424,114)	29,395,320	-	-
Increase (decrease) in net assets	45,501,516	(19,887,588)	(25,790,622)	28,556,221	19,710,894	8,668,633
Net assets - beginning	396,939,524	416,827,112	183,892,424	155,336,203	580,831,948	572,163,315
Net assets - ending	\$ 442,441,040	\$ 396,939,524	\$ 158,101,802	\$ 183,892,424	\$ 600,542,842	\$ 580,831,948

**Revenues by Source
Governmental Activities ~ FY 2006**



Governmental Activities. Governmental activities increased the City's net assets by \$45,501,516 (11.5%) during this fiscal year. The key element of this increase is attributed to increase in sales taxes revenues by \$1,804,461 (9.6%), increase in investment earnings by \$2,412,381 (94.4%) due to increase in both amount invested and the interest rates, decrease in overall expenses by \$4,866,771 (4.9%) due to budget controls and the transfer of \$27,645,000 of debt to the business-type activities.

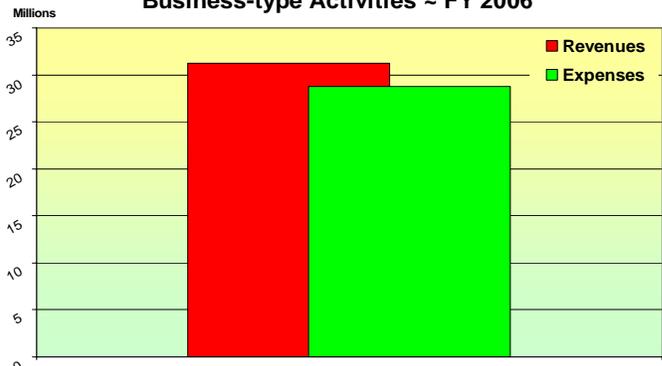
**Expenses and Program Revenues
Governmental Activities ~ FY 2006**



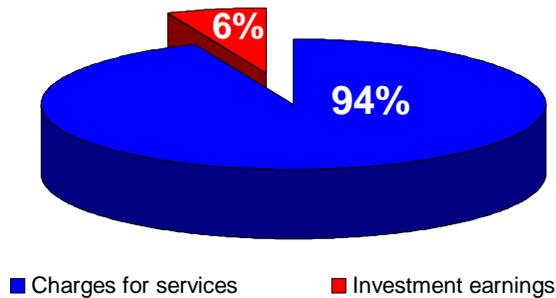
Business-type Activities. Business-type activities decreased the City's net assets by \$25,790,622. The key elements of this decrease include:

- Charges for services increased by \$5,018,413 (19.1%). This was due to the increase in rates effective October 1, 2005, which in turn resulted in an increase in water and sewer operating revenues.
- As mentioned earlier in the governmental activities discussion, the general obligation refunding bond debts were transferred to the water and sewer enterprise fund in the amount of \$27,645,000. This amount is recorded as a transfer from the governmental to business activities on the statement of activities in the government-wide financial statements.

**Expenses and Program Revenues
Business-type Activities ~ FY 2006**



**Revenues by Source
Business-type Activities ~ FY 2006**



- Overall expenses decreased in the amount of \$993,173 partly due to (1) a more favorable contract term negotiated on the operating, maintenance and water purchases contract that saved in the amount of \$249,533 and (2) a reduction in depreciation expense in the amount of \$625,471.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, the City reported combined ending fund balances of \$82,626,006; approximately 97.3% of this amount (\$80,405,778) represents unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either reserved or designated to show that it is not available for other spending because it has already been committed to:

- 1) liquidate contracts and purchase orders from the prior fiscal year (\$834,188 or 1.1%)
- 2) pay debt service (\$1,020,164 or 1.2%)
- 3) pay for certain capital and technological improvements and recall, election, and charter revision (\$365,876 or 0.4%)

The general fund is the principal operating fund of the City of Pasadena. As of September 30, 2006, the general fund reported fund balance of \$14,572,714. This compared to the prior fiscal year of \$12,203,585, showing an increase of \$2,369,129 (19.4%).

The unreserved, undesignated portion of the general fund balance was \$13,605,764. As a measure of the general fund's liquidity, it is useful to compare this portion of the fund balance to the total general fund expenditures including transfers out of \$72,430,202 (18.8%) versus the total fund balance to the same amount (20.1%).

The debt service fund has a total fund balance of \$1,020,164, all of which is reserved for the payment of debt service. An increase of \$11,035 (1.1%) in fund balance compared to prior fiscal year of \$1,009,129 was due to the reduction of expenditures. During this fiscal year there were no bond issuance costs due to the fact the City did not issue any debt.

The Pasadena Second Century Corporation fund has a total fund balance of \$16,304,452, all of which is restricted for economic development capital projects. The net decrease in fund balance during the current fiscal year was \$3,487,974 (17.6%) compared to prior fiscal year of \$19,792,426. The decrease was in part due to the transfer of \$7,068,371 to the City for their share of project costs that are currently under construction or contract.

The capital projects fund has a total fund balance of \$44,105,334, all of which is restricted for capital improvement projects. The net decrease in fund balance during the current fiscal year amounted to \$5,232,381 (10.6%) compared to prior fiscal year of \$49,337,715. A large part of this decrease was due

to the lack of current debt issues and the use of fund balance to pay for some projects but also the reduction of expenditures in the amount of \$2,653,519 (15.7%) with a slight drop in the numbers of public works projects and an increase of transfers as stated above from the Pasadena Second Century Corporation.

The grant management fund has a total fund balance of \$3,162,728, all of which is restricted for specific grant purposes. The net increase in fund balance during the fiscal year was \$972,129 (44.4%) compared to prior fiscal year of \$2,190,599. The increase was primarily due to ongoing grant revenues and the City's required match/transfers outpaced the grants expenditures.

Proprietary funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Factors concerning the City's proprietary funds have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

The final amended expenditure budget of \$74,679,952, including transfers out, was \$575,997 (0.78%) more than the original budget of \$74,103,955. This increase was funded by the use of fund balance.

The difference between the original and final budget can be briefly summarized by function as follows:

- \$1,265,171 decrease for General Government- \$964,488 was decrease in other charges in which includes a reduction in personnel services original budget of \$1,000,000 to \$312 and an increase in other from \$53,000 to \$88,200.
- \$654,535 increase for Public Safety- for increased costs in various salary accounts.
- \$456,010 decrease for Public Works- for a decrease in street lighting and signals.
- \$12,363 decrease in Health- for reduction of personnel services.
- \$165,612 decrease in Culture and Recreation- reduction in the amount of \$184,276 for parks personnel services and a small increase in material and supplies in both parks and recreation.
- \$1,820,618 increase in Interfund transfers out to the internal service funds and City matching grant funds.

Even with the abovementioned amendments, total actual expenditures, including transfers out, of \$72,430,202 were \$2,249,750 (3%) below the final budget. The actual personnel and contractual service expenditures came in under the final budgeted amount by \$954,497 and \$778,175, respectively.

Actual revenues including the transfers in totaled to \$74,799,331, which was over the final budgeted amount of \$73,382,035 by \$1,417,296 (1.9%).

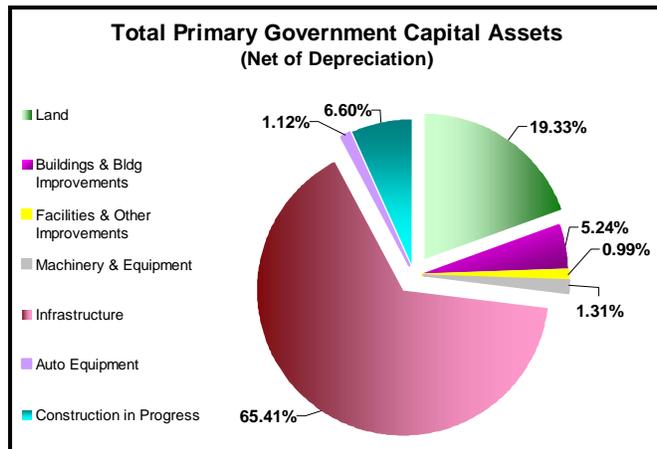
Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of September 30, 2006, amounted to \$655,521,973 (net of accumulated depreciation). This investment includes land, buildings and building improvements, facilities and other improvements, machinery and equipment, infrastructure (streets, bridges, storm drains, water and sewer systems), automotive, and construction in progress.

The total increase in the City's investment in capital assets for the current fiscal year was \$10,196,360 (1.6%) compared to prior fiscal year of \$645,325,613. A 2.7% increase for governmental activities and a 1.1% decrease for business-type activities.

Major capital asset activities that occurred during the current fiscal year included the following:

- Completion of Rustic ditch (D008) - \$240,729 with final capitalized project cost in the amount of \$1,123,149.
- Completion of Bliss Meadows drainage improvements (D012) - \$22,205 with final capitalized project cost in the amount of \$427,878.
- Completion of Country Briar drainage (D015) – \$519,339 with final capitalized project cost in the amount of \$895,460.
- Continue with Vista drainage improvements (D017) - \$328,658 with \$415,665 construction in progress at the end of fiscal year.
- Completion of 2004 storm sewer replacement (DZ003) - \$105,344 with final capitalized project cost in the amount of \$517,344.
- Continue with rebuilding fire station #2 (F003) - \$2,085,548 with \$2,413,233 construction in progress at the end of fiscal year.
- Completion of civic center levee phase II (M006) - \$684,583 with final capitalized project cost in the amount of \$731,844.
- Continue with preliminary work, and land acquisition (including relocation assistance) of the new police complex (P001) - \$1,021,919 with \$4,592,186 construction in progress at the end of fiscal year.
- Completion of police driving track phase II (P005) - \$21,410 with final capitalized project cost in the amount of \$817,430.
- Continue with Memorial park renovation project (R007) - \$2,395,245 with \$2,980,071 construction in progress at the end of fiscal year.
- Continue with Armand Bayou hike and bike trail project (R029) - \$1,713,007 with \$1,947,869 construction in progress at the end of fiscal year.
- Continue with Pasadena Blvd, phase II (S006) - \$41,370 with \$446,790 construction in progress at the end fiscal year.
- Completion of side walk annual project – 2004 and 2005 (S013) - \$324,777 with final capitalized project cost in the amount of \$788,182.
- Continue with Vista Extension phase I (S017) - \$2,503,556 with \$5,143,397 construction in progress at the end of the fiscal year.
- Completion of Shaw Phase I (S020) - \$158,788 with final capitalized project cost in the amount of \$1,012,613.
- Completion of Beusch Street from Strawberry to Claremont (S028) - \$141,617 with \$1,869,407 construction in progress at the end of fiscal year.
- Completion of reconstruction of Allendale Phase III (S030) - \$757,544 with final capitalized project cost in the amount of \$2,680,681.
- Continue with reconstruction of Strawberry Phase III (S035) - \$2,172,337 with \$5,185,583 construction in progress at the end of the fiscal year.
- Strawberry extension (S044) - continue with land acquisition (including relocation assistance) - \$768,255 with \$3,061,306 construction in progress at the end of fiscal year.
- Continue with 2006 annual pavement replacement (S056) - \$535,485 construction in progress at the end of the fiscal year.
- Continue with Deepwater elevated water tank (W003) - \$474,747 with \$3,370,199 construction in progress at the end of fiscal year.
- Continue with preliminary phase of new transmission water line (W004) - \$40,460 with \$1,033,055 engineer design cost in progress at the end of fiscal year.
- Completion of Strawberry trunk line, segment C (WW009) - \$288,112 with final capitalized cost in the amount of \$2,279,053.



**Capital Assets
(net of depreciation)
September 30, 2006**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land	\$ 125,447,465	\$ 125,447,465	\$ 1,238,951	\$ 1,238,951	\$ 126,686,416	\$ 126,686,416
Buildings and building improvements	32,388,091	33,051,408	1,977,004	2,096,635	34,365,095	35,148,043
Facilities and other improvements	3,125,632	3,040,046	3,348,869	3,419,988	6,474,501	6,460,034
Machinery and equipment	4,845,559	5,274,285	3,742,838	4,238,824	8,588,397	9,513,109
Infrastructure	251,664,042	245,062,626	177,130,425	176,814,474	428,794,467	421,877,100
Automotive equipment	7,072,977	7,686,915	305,585	393,376	7,378,562	8,080,291
Construction in progress	34,356,814	27,363,937	8,877,721	10,196,683	43,234,535	37,560,620
Totals	\$ 458,900,580	\$ 446,926,682	\$ 196,621,393	\$ 198,398,931	\$ 655,521,973	\$ 645,325,613

Additional information on the City of Pasadena's capital assets can be found in note IV, D to the financial statements.

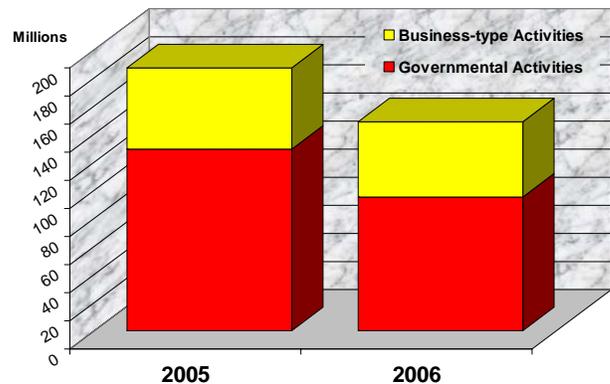
Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$148,908,993. Of this amount, \$118,162,875 represents debts backed by the full faith and credit of the City, \$4,672,030 represents debt secured by the sales tax revenues, \$24,595,000 represents debts secured solely by the net revenues of the City's water and sewer operations and \$1,479,088 unsecured debt.

During the fiscal year, the City re-allocated \$27,645,000 out of \$118,672,875 of debts backed by the full faith and credit of the City from governmental to business activities. The decision is based on the fact that the City intends to repay the debts from the proprietary resources of water and sewer revenues.

During the fiscal year, no new debts were issued and the total remaining balance of Combination Tax and Revenue Certificates of Obligation, 2002 in the amount of \$30,130,000 were totally defeased.

The overall debt decreased by \$38,616,862 (20.6%). Majority of the decrease was due to the above defeasement. Please refer to note IV, G to the financial statements for further information on the City's long-term debt. In addition, the statistical section of this report has various schedules on the City's debt capacity to help citizens and investors to assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

Outstanding Debt ~ 2005 vs. 2006



**City of Pasadena's Long Term Debt
September 30, 2006**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General and certificate obligation bonds including refunding	\$ 89,512,875	\$123,942,875	\$ 27,645,000	\$ -	\$ 117,157,875	\$ 123,942,875
Other long-term debt	5,736,264	5,715,185	-	-	5,736,264	5,715,185
Revenue bonds	-	-	18,625,000	18,625,000	18,625,000	18,625,000
Refunding revenue bonds	-	-	2,565,000	3,590,000	2,565,000	3,590,000
Tax and revenue certificate of obligation bonds	-	-	3,405,000	33,665,000	3,405,000	33,665,000
Deferred water charges debt	-	-	1,419,854	1,987,795	1,419,854	1,987,795
Total	\$ 95,249,139	\$129,658,060	\$ 53,659,854	\$ 57,867,795	\$ 148,908,993	\$ 187,525,855

The City has a continuing goal to upgrade the City's debt rating. The City's underlying bond ratings are:

Standard & Poors – "A+"
Moody's Investor Services – "A1"
Fitch Ratings – "AA-"

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10% of its total assessed valuation. The current debt limitation for the City is \$476,506,970, which is significantly in excess of the City's outstanding general obligation debt.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate for the most recent year available (as of December 2006) was 4.7%, down from 5.3% for the previous December per the Texas Workforce Commission.
- Assessed value for property tax used for the fiscal year 2007 budget preparation is up approximately \$180 million (4.1%) from fiscal year 2006 and is expected to bring in an additional \$1,020,600 in revenues.
- The sales tax revenue per the fiscal year 2007 adopted budget is expected to grow by (3.3%) over fiscal year 2006. Reflecting the growth in the region's energy base, and local economic growth, sales tax revenue is expected to continue to grow.
- The fiscal year 2007 adopted budget anticipates a fourth year of slight decline in industrial revenue. This decline can be traced directly to declining property values in the district.
- The 2007 budget includes an increase in water and sewer operating revenues of approximately \$2,080,463 (6.65%) compared to actual for the current year. This should cover the City's cost in providing water and sewer service while minimizing the impact on residential customers over 65 and avoiding the need for major increases in the future.
- Transfers have been derived based on the anticipated costs during the upcoming year for services or for subsidy purposes.

These indicators were taken into account when adopting the general fund budget for fiscal year 2007. Revenues in the general fund are budgeted in the amount of \$74,541,400, an increase of 1.6% over the final 2006 budget of \$73,382,035 (including transfer in).

Expenditures are budgeted to decrease by .02%, or \$158,664, in comparison to the final budgeted expenditures from the current fiscal year. The City under spent in the personnel category in the fiscal year 2006 budget and is anticipating the same in fiscal year 2007. The savings provided funds for a one-time performance incentive payment to civilian employees and a \$1,500,000 transfer to the health insurance fund as a hedge against health benefits cost increases.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Finance Department.

BASIC FINANCIAL STATEMENTS

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pasadena Crime Control and Prevention District
ASSETS				
Cash and cash equivalents	\$ 71,861	\$ 113,242	\$ 185,103	\$ -
Investments	31,076,581	6,244,755	37,321,336	1,694,750
Receivables (net of allowances for uncollectible)	7,349,082	5,685,895	13,034,977	1,200,820
Due from primary government	-	-	-	138,088
Due from component unit	8,488	-	8,488	-
Internal balances	1,894,658	(1,894,658)	-	-
Inventories	375,910	-	375,910	-
Deposits	50,000	-	50,000	-
Deferred charges	1,038,579	864,530	1,903,109	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	894,009	-	894,009	-
Investments	68,757,341	12,514,401	81,271,742	-
Intergovernmental receivables	2,029,833	-	2,029,833	-
Capital assets not being depreciated:				
Land	125,447,465	1,238,951	126,686,416	-
Construction in progress	34,356,814	8,877,721	43,234,535	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	32,388,091	1,977,004	34,365,095	-
Facilities and other improvements	3,125,632	3,348,869	6,474,501	-
Machinery and equipment	4,845,559	3,742,838	8,588,397	-
Infrastructure	251,664,042	177,130,425	428,794,467	-
Automotive	7,072,977	305,585	7,378,562	-
TOTAL ASSETS	572,446,922	220,149,558	792,596,480	3,033,658
LIABILITIES				
Accounts payable and other current liabilities	4,356,048	1,739,270	6,095,318	40,913
Accrued payroll payable	1,434,633	222,425	1,657,058	89,463
Accrued interest payable	2,234,709	171,424	2,406,133	-
Due to primary government	-	-	-	8,488
Due to component unit	138,088	-	138,088	-
Liabilities payable from restricted assets	3,016,910	1,549,183	4,566,093	-
Customer deposits	-	2,383,884	2,383,884	-
Unearned revenue	324,786	-	324,786	-
Noncurrent liabilities:				
Due within one year	10,582,989	4,171,513	14,754,502	82,800
Due in more than one year	107,917,719	51,810,057	159,727,776	234,600
TOTAL LIABILITIES	130,005,882	62,047,756	192,053,638	456,264
NET ASSETS				
Invested in capital assets, net of related debt	403,423,071	154,352,867	557,775,938	-
Restricted for:				
Capital projects	21,084,428	-	21,084,428	-
Grant and special revenue activities	8,152,401	-	8,152,401	-
Public safety	-	-	-	2,577,394
Debt service	1,281,493	1,272,277	2,553,770	-
Unrestricted	8,499,647	2,476,658	10,976,305	-
TOTAL NET ASSETS	\$ 442,441,040	\$ 158,101,802	\$ 600,542,842	\$ 2,577,394

The accompanying notes are an integral part of the financial statements

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**CITY OF PASADENA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions		Primary Government				Pasadena Crime Control and Prevention District
			Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total			
Primary government:									
Governmental activities:									
General government	\$ 11,794,857	\$ 8,704,860	\$ 165,381	\$ 134,754	\$ (2,789,862)	\$ -	\$ (2,789,862)	\$ -	
Public safety	34,079,956	6,936,436	2,309,415	1,028,485	(23,805,620)	-	(23,805,620)	-	
Public works	19,980,978	2,242,972	-	228,002	(17,510,004)	-	(17,510,004)	-	
Health	2,288,445	365,329	-	-	(1,923,116)	-	(1,923,116)	-	
Culture and recreation	12,772,815	1,943,544	132,669	500,000	(10,196,602)	-	(10,196,602)	-	
Housing and community development	8,855,334	34,534	8,526,373	375,079	80,652	-	80,652	-	
Interest on long-term debt	4,231,769	-	-	(4,231,769)	-	-	(4,231,769)	-	
Total governmental activities	94,004,154	20,227,675	11,133,838	2,266,320	(60,376,321)	-	(60,376,321)	-	
Business-type activities:									
Water and sewer system	28,732,758	31,279,537	-	-	-	2,546,779	2,546,779	-	
TOTAL PRIMARY GOVERNMENT	\$ 122,736,912	\$ 51,507,212	\$ 11,133,838	\$ 2,266,320	(60,376,321)	2,546,779	(57,829,542)	-	
Component unit:									
Pasadena Crime Control District	\$ 7,828,214	\$ -	\$ -	\$ -	27,210,647	-	27,210,647	7,828,214	
General revenues:									
General property taxes					14,971,745	-	14,971,745	-	
Business taxes					20,576,013	-	20,576,013	6,664,568	
Industrial district fees					7,148,517	-	7,148,517	-	
Sales taxes					579,428	-	579,428	-	
Utility taxes					43,275,703	-	43,275,703	6,664,568	
Other taxes					1,765,482	74,873	1,840,355	127,280	
Total business taxes					3,201,891	2,011,840	5,213,731	-	
Investment earnings					30,424,114	(30,424,114)	-	-	
Unrestricted					105,877,837	(28,337,401)	77,540,436	6,791,848	
Restricted					45,501,516	(25,790,622)	19,710,894	(1,036,366)	
Transfers					396,939,524	183,892,424	580,831,948	3,613,760	
Total general revenues and transfers					\$ 442,441,040	\$ 158,101,802	\$ 600,542,842	\$ 2,577,394	
CHANGE IN NET ASSETS									
NET ASSETS - BEGINNING									
NET ASSETS - ENDING									

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
<u>ASSETS</u>				
Cash and cash equivalents	\$ 71,861	\$ -	\$ -	\$ -
Investments	13,211,533	-	-	-
Receivables (net of allowance for uncollectible)	5,320,072	373,178	1,236,803	4,642
Due from other funds	1,502,365	95,139	-	7,086,701
Due from component unit	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	10,245	-
Investments	7,440,981	908,315	15,333,222	39,033,556
Receivables (net of allowance for uncollectible)	259,257	-	-	-
TOTAL ASSETS	\$ 27,806,069	\$ 1,376,632	\$ 16,580,270	\$ 46,124,899
<u>LIABILITIES</u>				
Accounts payable	\$ 4,021,545	\$ -	\$ -	\$ -
Accrued payroll payable	1,285,345	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	7,424,351	38,008	-	-
Due to component unit	138,088	-	-	-
Compensated absences payable	-	-	-	-
Deferred revenue	364,026	318,460	-	-
Liabilities payable from restricted assets	-	-	275,818	2,019,565
TOTAL LIABILITIES	13,233,355	356,468	275,818	2,019,565
<u>FUND BALANCES</u>				
Reserved for:				
Debt service	-	1,020,164	-	-
Total reserved	-	1,020,164	-	-
Unreserved, designated for, reported in:				
Encumbrances	601,074	-	-	76,524
General fund				
Capital and technology improvements	350,876	-	-	-
Recall, election, and charter revisions	15,000	-	-	-
Total unreserved and designated	966,950	-	-	76,524
Unreserved, undesignated for, reported in:				
General fund	13,605,764	-	-	-
Pasadena Second Century Corp fund	-	-	16,304,452	-
Capital projects fund	-	-	-	44,028,810
Grant management fund	-	-	-	-
Special revenue funds	-	-	-	-
Total unreserved, undesignated	13,605,764	-	16,304,452	44,028,810
TOTAL FUND BALANCES	14,572,714	1,020,164	16,304,452	44,105,334
TOTAL LIABILITIES AND FUND BALANCES	\$ 27,806,069	\$ 1,376,632	\$ 16,580,270	\$ 46,124,899

Amounts reported for governmental activities in the statement of net assets are different because:

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

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.

Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mail room, risk management - in regards to workers' compensation claims, general liabilities, and health care benefits to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

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

NET ASSETS OF GOVERNMENTAL ACTIVITIES

Grant Management	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 71,861
-	-	13,211,533
-	-	6,934,695
-	17,213	8,701,418
942	-	942
830,797	52,967	894,009
2,588,171	3,453,096	68,757,341
1,676,952	93,624	2,029,833
\$ 5,096,862	\$ 3,616,900	\$ 100,601,632
\$ -	\$ -	\$ 4,021,545
-	-	1,285,345
200,610	-	200,610
793,122	80,450	8,335,931
-	-	138,088
170,536	-	170,536
324,786	-	1,007,272
445,080	75,836	2,816,299
1,934,134	156,286	17,975,626
-	-	1,020,164
-	-	1,020,164
37,530	119,060	834,188
-	-	350,876
-	-	15,000
37,530	119,060	1,200,064
-	-	13,605,764
-	-	16,304,452
-	-	44,028,810
3,125,198	-	3,125,198
-	3,341,554	3,341,554
3,125,198	3,341,554	80,405,778
3,162,728	3,460,614	82,626,006
\$ 5,096,862	\$ 3,616,900	
		451,006,108
		682,485
		22,195,496
		(114,069,055)
		\$ 442,441,040

The accompanying notes are an integral part of the financial statements

CITY OF PASADENA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
REVENUES				
General property taxes	\$ 16,450,956	\$ 10,733,679	\$ -	\$ -
Business taxes				
Industrial district fees	14,971,745	-	-	-
Sales taxes	14,355,363	-	7,177,681	-
Utility taxes	7,148,517	-	-	-
Other taxes	207,923	-	-	-
Total business taxes	<u>36,683,548</u>	<u>-</u>	<u>7,177,681</u>	<u>-</u>
Licenses and permits	2,321,452	-	-	-
Municipal court fines	5,465,820	-	-	-
Charges for services	9,071,205	-	-	-
Intergovernmental	1,063,844	-	-	-
Program income	-	-	-	-
Assessments	-	-	-	1,217
Contribution from outside sources	-	-	-	228,002
Miscellaneous	304,537	-	-	-
Investment income	<u>1,037,969</u>	<u>87,750</u>	<u>797,570</u>	<u>2,059,732</u>
TOTAL REVENUES	<u>72,399,331</u>	<u>10,821,429</u>	<u>7,975,251</u>	<u>2,288,951</u>
EXPENDITURES				
Current:				
General government	10,787,557	-	-	-
Public safety	30,876,251	-	-	-
Public works	14,180,026	-	181,027	7,689
Health	2,229,275	-	-	-
Culture and recreation	11,937,979	-	-	-
Housing and community development	-	-	-	-
Debt Service:				
Principal	-	7,005,000	660,000	-
Interest	-	3,801,229	159,778	-
Fiscal charges	-	4,771	-	-
Capital Outlay:				
General government	-	-	-	37,167
Public safety	-	-	-	2,483,382
Public works	-	-	3,089,936	8,600,669
Culture and recreation	-	-	176,588	3,110,905
TOTAL EXPENDITURES	<u>70,011,088</u>	<u>10,811,000</u>	<u>4,267,329</u>	<u>14,239,812</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,388,243</u>	<u>10,429</u>	<u>3,707,922</u>	<u>(11,950,861)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,400,000	606	-	7,068,371
Transfers out	<u>(2,419,114)</u>	<u>-</u>	<u>(7,195,896)</u>	<u>(349,891)</u>
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(19,114)</u>	<u>606</u>	<u>(7,195,896)</u>	<u>6,718,480</u>
NET CHANGE IN FUND BALANCES	<u>2,369,129</u>	<u>11,035</u>	<u>(3,487,974)</u>	<u>(5,232,381)</u>
FUND BALANCES, BEGINNING	<u>12,203,585</u>	<u>1,009,129</u>	<u>19,792,426</u>	<u>49,337,715</u>
FUND BALANCES, ENDING	<u>\$ 14,572,714</u>	<u>\$ 1,020,164</u>	<u>\$ 16,304,452</u>	<u>\$ 44,105,334</u>

Grant Management	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 27,184,635
-	-	14,971,745
-	-	21,533,044
-	-	7,148,517
-	371,505	579,428
-	371,505	44,232,734
-	4,000	2,325,452
-	377,498	5,843,318
-	-	9,071,205
11,740,097	378,200	13,182,141
674,036	-	674,036
-	-	1,217
-	-	228,002
-	246,715	551,252
109,380	147,459	4,239,860
12,523,513	1,525,377	107,533,852
330,688	423,118	11,541,363
1,569,568	343,768	32,789,587
-	-	14,368,742
-	-	2,229,275
957,091	260,094	13,155,164
9,240,567	-	9,240,567
-	-	7,665,000
-	-	3,961,007
-	-	4,771
-	-	37,167
-	-	2,483,382
-	-	11,690,605
-	-	3,287,493
12,097,914	1,026,980	112,454,123
425,599	498,397	(4,920,271)
546,530	-	10,015,507
-	-	(9,964,901)
546,530	-	50,606
972,129	498,397	(4,869,665)
2,190,599	2,962,217	87,495,671
\$ 3,162,728	\$ 3,460,614	\$ 82,626,006

The accompanying notes are an integral part of the financial statements

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**CITY OF PASADENA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

Amounts reported for governmental activities in the statement of activities (page 27) are different because:

Net change in fund balances - total governmental funds (page 31)	\$ (4,869,665)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	13,045,867
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfer and donations) is to increase net assets	16,430
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	26,012
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	34,626,894
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.	(412,196)
Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mailroom, risk managements in regards to workers' compensation claims, general liabilities and health care benefits to individual funds. The net revenue (expense) of certain activities of internal service fund is reported with governmental activities.	3,068,174
Change in net assets of governmental activities (page 27)	<u>\$ 45,501,516</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 16,837,000	\$ 16,837,000	\$ 16,450,956	\$ (386,044)
Business taxes				
Industrial district fees	15,400,000	14,800,000	14,971,745	171,745
Sales taxes	13,455,000	14,000,000	14,355,363	355,363
Utility taxes	6,740,000	6,740,000	7,148,517	408,517
Other taxes	203,000	203,000	207,923	4,923
Total business taxes	<u>35,798,000</u>	<u>35,743,000</u>	<u>36,683,548</u>	<u>940,548</u>
Licenses and permits	2,180,000	1,955,000	2,321,452	366,452
Municipal court fines	5,683,000	5,683,000	5,465,820	(217,180)
Charges for services	9,101,300	8,970,086	9,071,205	101,119
Intergovernmental	200,200	567,298	1,063,844	496,546
Miscellaneous	692,400	692,400	304,537	(387,863)
Investment income	513,000	524,251	1,037,969	513,718
TOTAL REVENUES	<u>71,004,900</u>	<u>70,972,035</u>	<u>72,399,331</u>	<u>1,427,296</u>
EXPENDITURES				
Current				
General Government				
City council	108,686	109,758	80,671	29,087
Mayor	417,538	420,438	404,303	16,135
Budget and financial planning	226,083	230,843	228,388	2,455
Municipal court	1,619,111	1,663,136	1,663,176	(40)
City controller	1,274,554	1,206,646	1,176,133	30,513
Tax	574,559	550,675	532,676	17,999
Purchasing	265,042	260,442	248,447	11,995
Legal	960,417	820,777	793,303	27,474
City secretary	273,358	291,230	285,008	6,222
Elections	-	60,750	60,731	19
Human resources	646,074	641,974	633,591	8,383
City marshal	479,693	563,693	484,770	78,923
Community relations	619,487	602,517	553,820	48,697
Pasadena action line	210,178	220,428	217,744	2,684
Planning	349,848	321,536	318,323	3,213
Planning/development administration	219,404	218,909	217,105	1,804
Neighborhood network	245,557	206,067	182,203	23,864
Inspections	1,586,191	1,618,098	1,600,857	17,241
Property management	924,038	691,218	779,091	(87,873)
Technology	290,000	290,000	115,227	174,773
Other charges	1,234,300	269,812	211,990	57,822
Total General Government	<u>12,524,118</u>	<u>11,258,947</u>	<u>10,787,557</u>	<u>471,390</u>
Public Safety				
Emergency preparedness	195,109	263,500	197,869	65,631
Fire fighting	3,217,536	3,154,236	2,955,340	198,896
Fire prevention	829,980	891,124	876,967	14,157
Police	26,648,461	27,236,761	26,846,075	390,686
Total Public Safety	<u>30,891,086</u>	<u>31,545,621</u>	<u>30,876,251</u>	<u>669,370</u>
Public Works				
Public works administration	194,418	175,057	174,502	555
Engineering	1,733,532	1,634,223	1,627,113	7,110
Street lighting and signals	1,632,400	1,393,950	1,212,544	181,406
Sanitation	6,733,786	6,974,815	6,795,728	179,087
Street and bridge	3,690,859	3,408,220	3,344,857	63,363
Traffic and transportation	1,134,166	1,076,886	1,025,282	51,604
Total Public Works	<u>\$ 15,119,161</u>	<u>\$ 14,663,151</u>	<u>\$ 14,180,026</u>	<u>\$ 483,125</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health	\$ 1,403,451	\$ 1,378,101	\$ 1,344,425	\$ 33,676
Animal rescue and assistance	872,384	885,371	884,850	521
Total Health	2,275,835	2,263,472	2,229,275	34,197
Culture and Recreation				
Leisure services administration	215,634	213,854	206,950	6,904
Parks	3,424,110	3,288,613	3,306,163	(17,550)
Recreation	2,480,651	2,347,894	2,025,024	322,870
Clean streets	944,074	937,674	928,143	9,531
Golf course	569,667	665,172	612,294	52,878
Multi-purpose center	556,168	519,393	444,923	74,470
Civic center	739,533	876,951	856,192	20,759
Senior center - Madison Jobe	403,420	415,618	356,072	59,546
Library	3,360,498	3,262,974	3,202,218	60,756
Total Culture and Recreation	12,693,755	12,528,143	11,937,979	590,164
TOTAL EXPENDITURES	73,503,955	72,259,334	70,011,088	2,248,246
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,499,055)	(1,287,299)	2,388,243	3,675,542
OTHER FINANCING SOURCES (USES)				
Transfers in	2,400,000	2,400,000	2,400,000	-
Transfers out	(600,000)	(2,420,618)	(2,419,114)	1,504
Sale of capital assets	10,000	10,000	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,810,000	(10,618)	(19,114)	(8,496)
NET CHANGE IN FUND BALANCES	(689,055)	(1,297,917)	2,369,129	3,667,046
FUND BALANCES - BEGINNING	12,203,585	12,203,585	12,203,585	-
FUND BALANCES - ENDING	\$ 11,514,530	\$ 10,905,668	\$ 14,572,714	\$ 3,667,046

The accompanying notes are an integral part of the financial statements

CITY OF PASADENA, TEXAS
GRANT MANAGEMENT (MAJOR SPECIAL REVENUE FUND) - BUDGETED
FEDERAL EQUITABLE SHARING OF FORFEITED PROPERTY JUSTICE DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 800,000	\$ 800,000	\$ 854,789	\$ 54,789
Program Income	14,000	14,000	35,728	21,728
TOTAL REVENUES	814,000	814,000	890,517	76,517
EXPENDITURES				
Current				
Public safety				
Personnel services	-	3,500	3,463	37
Contractual services	113,900	113,900	112,621	1,279
Materials and supplies	205,000	212,230	158,385	53,845
Intergovernmental	-	83,500	81,500	2,000
Other charges	-	495,100	-	495,100
TOTAL EXPENDITURES	318,900	908,230	355,969	552,261
EXCESS (DEFICIENCY) OF REVENUES				
 OVER (UNDER) EXPENDITURES	495,100	(94,230)	534,548	628,778
FUND (PROGRAM) BALANCE - BEGINNING	524,464	524,464	524,464	-
FUND (PROGRAM) BALANCE - ENDING	\$ 1,019,564	\$ 430,234	\$ 1,059,012	\$ 628,778

The accompanying notes are an integral part of the financial statements

CITY OF PASADENA, TEXAS
GRANT MANAGEMENT (MAJOR SPECIAL REVENUE FUND) - BUDGETED
FEDERAL EQUITABLE SHARING OF FORFEITED PROPERTY TREASURY DEPARTMENT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND (PROGRAM) BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 50,000	\$ 50,000	\$ 124,050	\$ 74,050
Program income	7,000	7,000	7,746	746
TOTAL REVENUES	57,000	57,000	131,796	74,796
EXPENDITURES				
Current				
Public safety				
Contractual services	20,000	20,000	20,036	(36)
Materials and supplies	30,000	30,000	1,560	28,440
Other charges	-	7,000	-	7,000
TOTAL EXPENDITURES	50,000	57,000	21,596	35,404
EXCESS OF REVENUES OVER EXPENDITURES	7,000	-	110,200	110,200
FUND (PROGRAM) BALANCE - BEGINNING	145,631	145,631	145,631	-
FUND (PROGRAM) BALANCE - ENDING	\$ 152,631	\$ 145,631	\$ 255,831	\$ 110,200

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2006**

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Funds
	Water and Sewer System		
<u>ASSETS</u>			
Current Assets			
Cash and cash equivalents	\$ 113,242		\$ -
Investments			
TexPool	6,205,039		17,865,048
CLASS	39,716		-
Receivables (net of allowances for uncollectible)	5,685,895		-
Due from other funds	38,008		351,155
Due from component unit	-		7,546
Inventory, at cost	-		375,910
Restricted assets			
Investments			
Texpool	1,272,277		-
CLASS	11,242,124		-
Total Current Assets	24,596,301		18,599,659
Noncurrent Assets			
Deposits	-		50,000
Deferred charges - revenue bond issuance costs, bond insurance premium and administrative cost recovery fees	864,530		-
Capital assets			
Land	1,238,951		602
Buildings and building improvements	6,491,271		2,086,911
Accumulated depreciation - buildings and building improvements	(4,514,267)		(1,632,509)
Facilities and other improvements	5,333,900		175,754
Accumulated depreciation - facilities and other improvements	(1,985,031)		(37,210)
Machinery and equipment	9,558,765		4,452,585
Accumulated depreciation - machinery and equipment	(5,815,927)		(3,814,632)
Infrastructure	245,850,599		9,882
Accumulated depreciation - Infrastructure	(68,720,174)		(5,501)
Automotive	600,428		29,946,361
Accumulated depreciation - automotive	(294,843)		(22,873,384)
Construction in progress	8,877,721		-
Net capital assets	196,621,393		8,308,859
Total Noncurrent Assets	197,485,923		8,358,859
TOTAL ASSETS	\$ 222,082,224		\$ 26,958,518

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 1,739,270	\$ 334,503
Accrued payroll payable	222,425	149,288
Accrued interest payable	171,424	-
Revenue bonds payable - current	2,157,723	-
Deferred water charges payable - City of Houston	567,941	-
Due to other funds	643,214	111,436
Claims payable	-	2,604,539
Compensated absences payable	173,572	111,635
Customer deposits	2,383,884	-
Liabilities payable from restricted assets		
Accounts payable	1,461,359	-
Retainage payable	87,824	-
Revenue bonds payable	1,272,277	-
Total Current Liabilities	<u>10,880,913</u>	<u>3,311,401</u>
Noncurrent Liabilities		
Deferred water charges payable - City of Houston	851,912	-
Revenue and general obligation bonds payable (net of unamortized discounts/premium and deferred amount on refunding \$ 104,808)	49,395,997	-
Claims payable	-	1,736,361
Compensated absences payable	1,562,148	1,004,712
Total Noncurrent Liabilities	<u>51,810,057</u>	<u>2,741,073</u>
TOTAL LIABILITIES	<u>62,690,970</u>	<u>6,052,474</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	154,352,867	8,308,859
Restricted for debt service	1,272,277	-
Unrestricted	3,766,110	12,597,185
TOTAL NET ASSETS	159,391,254	\$ 20,906,044
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(1,289,452)</u>	
Net assets of business-type activities (page 25)	<u>\$ 158,101,802</u>	

The accompanying notes are an integral part of the financial statements

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CITY OF PASADENA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
OPERATING REVENUES		
Charges for sales and services	\$ 31,279,537	\$ 25,453,123
OPERATING EXPENSES		
Personnel services	6,948,333	4,638,021
Contractual services	5,135,949	1,085,564
Material and supplies	1,051,958	3,612,482
Maintenance charges	1,010,383	819,014
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	118,655	-
Operating, maintenance and water charges - Southeast Water Purification Plant	5,345,590	-
Insurance/reinsurance premiums	-	2,616,050
Claims and legal expenses	-	9,542,463
Administration fees	-	396,688
Miscellaneous	40,456	15,604
Depreciation	4,311,350	2,784,176
TOTAL OPERATING EXPENSES	23,962,674	25,510,062
OPERATING INCOME (LOSS)	7,316,863	(56,939)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on sale and retirement of capital assets	-	(9,542)
Investment income	2,086,713	727,513
Interest expense on bonds	(4,053,927)	-
(Loss) on defeasance	(595,984)	-
Amortization	(217,575)	-
Fiscal agent fees	(1,839)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(2,782,612)	717,971
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	4,534,251	661,032
CAPITAL CONTRIBUTIONS	100,624	20,783
TRANSFERS IN	-	2,600,000
TRANSFERS (OUT)	(30,524,738)	(114,400)
CHANGES IN NET ASSETS	(25,889,863)	3,167,415
TOTAL NET ASSETS - BEGINNING		17,738,629
TOTAL NET ASSETS - ENDING		\$ 20,906,044
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	99,241	
Change in net assets of business-type activities (page 27)	\$ (25,790,622)	

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 31,413,548	\$ 25,300,383
Cash payments to suppliers for goods and services	(12,689,897)	(5,387,163)
Cash payments to employees for services	(7,058,216)	(4,600,459)
Cash payments for insurance premiums, liability claims and administration	-	(12,998,912)
NET CASH PROVIDED BY OPERATING ACTIVITIES	11,665,435	2,313,849
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers (to)/from other funds		
General fund	(2,400,000)	2,350,000
Debt service fund	(606)	-
Water and sewer system fund	-	250,000
General liability insurance fund	(250,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(2,650,606)	2,600,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of capital assets	-	83,414
Debt defeasement paid to escrow agent	(31,600,345)	-
Acquisition and construction of capital assets	(1,914,747)	(2,224,346)
Principal paid on revenue bonds	(1,155,000)	-
Principal paid on deferred loan from City of Houston	(567,941)	-
Interest and fiscal agent fees paid on revenue bonds	(3,088,831)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(38,326,864)	(2,140,932)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(20,333,242)	(20,239,743)
Proceeds from sale and maturities of investments	47,604,458	16,739,310
Investment income received	2,086,713	727,516
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	29,357,929	(2,772,917)
NET INCREASE IN CASH AND CASH EQUIVALENT	45,894	-
CASH AND CASH EQUIVALENTS - BEGINNING	67,348	-
CASH AND CASH EQUIVALENTS - ENDING	\$ 113,242	\$ -

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY OPERATION ACTIVITIES		
Operating income (loss)	\$ 7,316,863	\$ (56,939)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation	4,311,350	2,784,176
Changes in assets and liabilities		
(Increase) decrease in accounts receivables	(189,692)	32,442
(Increase) decrease in due from other funds	286,439	(177,588)
(Increase) in due from component unit	-	(7,546)
Decrease in inventory	-	94,079
Decrease in deposits		25,000
(Decrease) in accounts and claims payable	(916,266)	(372,943)
Increase in accrued payroll liabilities	94,771	58,850
(Decrease) in compensated absences payable	(204,654)	(17,358)
Increase (decrease) in due to other funds	642,921	(48,324)
Increase in customer deposits	323,703	-
Total Adjustments	4,348,572	2,370,788
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 11,665,435	\$ 2,313,849
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from the government	\$ 100,624	\$ 20,783
Transfer of capital assets to the government	(11,159)	-

The accompanying notes are an integral part of the financial statements

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NOTES TO FINANCIAL STATEMENTS

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

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**CITY OF PASADENA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2006**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Pasadena, Texas, ("City") was incorporated December 26, 1928 and adopted the "Home Rule Charter" on December 12, 1964 pursuant to the Laws of the State of Texas. The City is governed by an elected Mayor and eight-member council and provides such services as authorized by the Charter to advance the welfare, health, comfort, safety and convenience of the City and its citizens.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to state and local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for state and local governments. The City has applied all relevant GASB pronouncements and applicable private sector standards (Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions) issued on or before December 1, 1989 for its government-wide reporting and proprietary fund to the extent that they are not conflict with GASB guidance. The City has the option to continue following subsequent private-sector standards for business-type activities and enterprise fund issued after November 30, 1989 and the City has elected not to do so.

A. Reporting Entity

As required by generally accepted accounting principles, the accompanying financial statements present the City (the primary government) and its component units over which the City has significant relationship and influence.

Blended Component Unit. The Pasadena Second Century Corporation is reported as a capital projects fund. Pasadena Second Century Corporation is managed by a seven-member board of directors appointed by the Mayor and approved by the City Council. Although it is legally separate from the City, the Pasadena Second Century Corporation is reported as if it were part of the City (the primary government) because its sole purpose is to provide economic resources to fund City's capital projects such as repair and improvement of streets, sidewalks, sewer and water lines, drainage systems, and parks that stimulate the City's business climate, promote new and expanded business enterprises, and improve residential quality of life. All completed projects are recorded as City's capital assets.

Discretely Presented Component Unit. The component unit column in the basic financial statements includes the financial data of the City's other component unit, the Pasadena Crime Control and Prevention District (the District). The District is reported in a separate column to emphasize that it is legally separated from the City. The District was established to fund crime control initiatives and public safety programs for the benefit of the citizenry and is managed by a seven member board of directors appointed by the Mayor and approved by the City Council. The City has the ability to impose its will on the District because it approves the District's budget and the City is legally entitled to and does have complete access to the District's economic resources.

Each component unit is funded by the levy of one-half of one percent sales and use tax approved by the voters on November 3, 1998. Separate financial statements for the two component units are available at the City Controller's office.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the *Statement of Net Assets* and the *Statement of Activities*.

The *Statement of Net Assets* is to display the financial position on all of the non-fiduciary activities of the City (the primary government) and its component units. The focus of this statement is on governmental and business-type activities rather than major fund reporting required in the fund financial statements. Governmental activities are normally supported by taxes, and intergovernmental revenues, and are reported separately from the business-type activities, which are supported mainly on fees and charges to external customers. The City (primary government) is reported separately from certain legally separate component unit for which the City has ongoing financial relationship.

The objective of this statement is to provide information needed to evaluate the financial condition; to assess the level of services provided and its ability to meet its obligations as it comes due; to understand the extent of invested capital assets, including roads, bridges, and other infrastructure assets, and to disclose legal or contractual restriction on resources.

The *Statement of Activities* demonstrates the degree to which direct expenses of a given function/program (e.g., general government, public safety, public works, etc.) are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function/program. Indirect expenses are automatically allocated to applicable function/program and have been included in the program expenses reported for the various function/program activities.

Program revenues are (1) charges for services for specific purposes such as charges for water and sewer services, and garbage collections; it also includes user fees for culture and recreational facilities, charges for licenses and permits, and fines and forfeitures; (2) grants and contributions that are restricted to meet the operational or capital requirement of a particular function/program. Property and business taxes and other revenues sources not included with program revenues are reported as general revenue.

The objective of this statement is not to identify which function/program made or lost money, but rather to report the relative financial burden of each function/program on taxpayers.

Fund Financial Statements

The fund financial statements are used to report additional detailed information about the City (the primary government). Fund financial statements focus on major funds of the City - in contrast to governmental and business-type activities reported in the government-wide statements.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise fund are reported in separate columns in the fund financial statements.

In conclusion, the focus of the government-wide financial statements is on the City as a whole. It emphasizes the operational accountability to the extent that the City has met its operating objectives efficiently and effectively, using all resources available for these purposes, and the sustainability of the City as an entity. The focus on the fund financial statements is on major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, which incorporates long-term assets and receivables as well as long-term debt and obligations. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fund Financial Statements

Governmental Funds

The governmental fund financial statements are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds (general, debt service, four of the special revenue funds, and two grant management programs) are normally budgeted. This presentation is to demonstrate legal and covenant compliance, the source and use of liquid resources, and to establish that the City's actual performance conforms to the budgeted fiscal plan. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue is available to finance the expenditures of the same fiscal period for which it is recorded. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when the payment is due.

Major revenue sources susceptible to accrual include: property taxes, business taxes (sales, utility and other type), intergovernmental revenues (federal and state grants) and investment income. In general, other revenues are recognized when cash is received.

Proprietary Funds

The proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. It measures economic resources using the full accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating 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. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund category includes enterprise and internal service fund types.

The principal operating revenues of the City's water and sewer system enterprise fund are charges to customers for sales and services. Operating expenses for the water and sewer system enterprise fund and internal service funds include the cost of sales and services, claims and administrative expenses, and depreciation on capital assets.

Focus on Major Funds

Under GASB Statement No. 34, the focus of the fund financial statements is on major funds, which generally represent the City's most important funds. Each major governmental and enterprise fund must be presented in its own column in the governmental or proprietary fund statements. Non-major funds are aggregated and presented in a single column.

The City reports the following major funds:

Governmental Funds

General fund accounts for several of the City's primary services (General Government, Public Safety and Public Works, etc.) and is the primary operating unit of the City.

Debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Pasadena Second Century Corporation fund accounts for the resources accumulated and payments made for City's capital improvement projects.

Capital projects fund accounts for the acquisition of capital assets and construction of major capital projects not being financed by Pasadena Second Century Corporation or proprietary funds.

Grant management fund accounts for the City's federal and state grant programs. Major grants included in the fund are Section 8 Rental Voucher Program, HOME Investment Partnership Program, Community Development Block Grants and Urban Area Security Initiative grants from the Department of Housing and Urban Development; the Federal Equitable Sharing of Forfeited Property, Justice and Treasury Departments.

Proprietary Funds

Water and sewer system enterprise fund accounts for the operation of the City's water and sewer utility. Activities of the fund include administration, operation and maintenance of the water and sewer system, and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for revenue bonds and obligations, when due, throughout the year. All costs are financed through charges made to utility customers. Rates are reviewed periodically and adjusted as necessary to ensure integrity of the fund.

Additionally, the City also reports the following fund type:

Internal service funds account for the financing of goods or services provided by one department to other departments within the City, generally on a cost reimbursement basis. These include the technical services, warehouse, fleet, facilities operation, mail room, and risk management in regards to workers' compensation claims, general liabilities and health care benefits.

It is the City's policy to always use the restricted resources first when both restricted and unrestricted resources are available for use.

D. Assets, Liabilities and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. It is the policy of the City to require a full collateralization of all City funds on deposit with a depository bank.

The City follows the Laws of the State of Texas on investment of its funds, which are specifically limited to the following:

- 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 of, and interest on, which are unconditionally guaranteed or insured by the State of Texas or the United States
- 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
- 5) Certificates of deposit issued by state and national banks domiciled in this state
- 6) Fully collateralized direct repurchase agreements
- 7) Certificates of deposit issued by savings and loan associations domiciled in this state

An inter-local agreement was approved by the City Council on April 14, 1992 allowing the City Controller, designated and acting as the investment officer for the City, to invest City funds in TexPool, a Texas Local Government Investment Pool, and LOGIC, a Local Government Investment Cooperative. On May 20, 1997, the City Council approved a resolution authorizing the City to participate in Texas CLASS, a Cooperative Liquid Assets Security System that allows Texas municipalities to cooperate in the investment of their available funds.

During the year, the City invested in TexPool, LOGIC, and CLASS. Investments in TexPool, LOGIC, and CLASS operate like a "2a7-like" pool and are reported at amortized cost.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property taxes receivable are shown net of an allowance for uncollectible. The property tax receivable allowance is approximately equal to 70% of outstanding property taxes at September 30, 2006.

3. Inventories and Prepaid Items

Inventories of supplies are maintained at the City warehouse for use by all City departments and are accounted for using the consumption method; that is to say, inventories are reported as an asset until consumed, at which time the expenditure would be reported. Inventories are valued at cost using the first-in/first-out (FIFO) method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Certain resources are set aside and classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants and grant agreements.

5. Capital Assets

Capital assets which include land, buildings and building improvements, facilities and other improvements (recreation area and athletic fields, swimming pools, tennis courts, golf courses, pavilions, path and trails, fencing and landscaping), machinery and equipment,

infrastructure (roads, sidewalks, fire hydrants, bridges, traffic light systems, water and sewer lines and plants), automotive equipment, and construction in progress, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in-excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the 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.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets, of business-type activities, is included as part of the capitalized value of the constructed assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Capital Assets</u>	<u>Years</u>
Buildings and building improvements	41 to 50
Facilities and other improvements	20 to 75
Machinery and equipment	5 to 10
Infrastructure	10 to 88
Automotive	5 to 12

6. Compensated Absences

City employees are granted vacation and sick leave in varying amounts. Depending on the hire date, and upon termination, an employee is reimbursed for accumulated vacation and sick leave based on approved guidelines.

Employees must take a minimum of 1 week of vacation per calendar year, of which, 3 days must be consecutive.

Employees with a hire date after March 3, 1992, are allowed a maximum of 30 days of earned vacation to be paid upon retirement or termination. After three years of employment, an employee is entitled to payment for unused sick leave upon termination of their employment up to 90 days. Any sick leave accrued over 90 days can only be used for illness while in the employ of the City.

Employees with a hire date of March 3, 1992 or prior are allowed payment of all unused sick and vacation days at the time of their termination or retirement.

Accumulated vacation and sick leave is accrued, when incurred, in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements in accordance with GASB Interpretation No. 6.

7. Long-Term Debt, Bond Discounts/Premiums and Issuance Costs

In the government-wide and proprietary fund type financial statements, outstanding debts are reported as liabilities.

Bond discounts/premiums, issuance costs, and the difference between the reacquisition price (new debt) and the net carrying value of the refunded debt is capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method.

In the governmental fund financial statements, the proceeds of debt, premiums, and discounts are recognized as other financing sources/uses. The issuance costs are reported as expenditures.

8. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$114,069,055 difference are as follows:

Bonds Payable	\$ 89,512,875
Other long-term debt	5,736,264
Add: bond premiums	1,769,359
Less: deferred gain/loss on refunded bonds	(278,441)
Less: issuance costs	(1,038,579)
Rebatable arbitrage payable	152,923
Accrued interest payable	2,234,709
Compensated absences	15,979,945
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 114,069,055</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the technical services, warehouse, fleet, facilities operations, mail room, risk management in regards to workers’ compensation claims, general liabilities and health care benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.” The details of this \$22,195,496 difference are as follows:

Net assets of the internal service funds	\$ 20,906,044
Add: Internal receivable representing charges less the cost to business-type activities - prior years	1,388,693
Less: Internal receivable representing charges less the cost to business-type activities - current year	<u>(99,241)</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 22,195,496</u>

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund *statement of revenues, expenditures, and changes in fund balances* includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide *statement of activities*. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is

allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$13,045,867 difference are as follows:

Capital outlay	\$ 19,941,634
Depreciation expense	<u>(6,895,767)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ 13,045,867</u></u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations and transfers) is to increase net assets.” The details of this \$16,430 differences are as follows:

In the statement of activities, only the loss and note received on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold less the note received.	\$ (855,558)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	757,588
Transfer of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial uses.	<u>114,400</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u><u>\$ 16,430</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$34,626,894 difference are as follows:

Debt issued or incurred:	
Allocation of GO Refunding Bonds, 2005 to business-type debt	
Principal	\$ (17,675,000)
Issuance costs	292,409
Bonds premiums	(1,390,557)
Deferred loss	1,288,841
Allocation of GO and Refunding Bonds, 2005 A to business-type debt	
Principal	(9,970,000)
Issuance costs	157,298
Bonds premiums	(519,844)
Deferred gain	(46,120)
Less: principal repayments	(7,762,985)
Sales tax liability	<u>999,064</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u><u>\$ (34,626,894)</u></u>

Another element of that reconciliation states that “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.” The details of this \$412,196 difference are as follows:

Compensated absences	\$	147,293
Arbitrage		152,923
Accrued interest		152,584
Amortization of bond issuance costs		122,371
Amortization of bond premiums		(19,074)
Amortization of deferred amounts on refunding		<u>(143,901)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>412,196</u>

Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mail room, risk management in regards to workers’ compensation claims, general liabilities, health care benefits to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.” The details of this \$3,068,174 difference are as follow:

Change in net assets of the internal service funds	\$	3,167,415
Less: Profits from charges from business-type activities		<u>(99,241)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	\$	<u>3,068,174</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The City Charter contains the following requirements, which are adhered to, regarding preparation of the annual budget:

- At least thirty days prior to the end of each fiscal year, the Mayor submits to the Council a proposed budget presenting a complete financial plan for the ensuing fiscal year.
- Such budget is prepared and public hearing is held thereon in the manner prescribed by the Laws of the State of Texas relating to budgets in cities and towns.
- The budget is adopted through the passage of an ordinance no later than the twenty-seventh day of the last month of the fiscal year. Should the Council take no final action on or prior to such day, the budget, as submitted, is deemed to have been officially adopted by the Council. No budget is adopted or appropriations made unless the total of estimated revenues, income, and funds available is equal to or in excess of such budget or appropriations, except in an emergency.

Annual budgets are adopted for general, debt service, four of the special revenue funds (state forfeited property fund, special charge allocation fund, hotel and motel tax fund and abandoned motor vehicles and property fund), equitable sharing of forfeited property grants received from the U.S. Department of Justice and Treasury (accounted for in the grant management fund), enterprise, and internal service funds. Annual budgets are adopted on a basis consistent with generally accepted accounting principles except for the enterprise and internal service funds which use a modified accrual approach. The capital projects and grant management fund (except equitable sharing of forfeited property grants mentioned above) do not have annual appropriated budgets. Instead, control over capital projects is maintained by means of “project-length” budgets, and the grant contract and agreement itself served as a control device over the expenditures of grant proceeds. All annual appropriations lapse at fiscal year end.

The appropriated budget is prepared by fund, function, and department/division. Within the department/division, it is categorized further by object and subject. The City department heads may make transfers of appropriations between the subject within the same object (e.g. transfer between postage and office supplies within the object of materials and supplies), but any other transfers or changes to the appropriations require the approval of the City Council and an amendment to the budget. The legal level of budgetary control is at the object level.

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to designate that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at the fiscal year end are reported as a designation of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

During the current fiscal year, general fund expenditure budget decreased in the amount of \$1,244,621. This decrease was necessary due to the fact that the anticipated increases in general revenues were not passed by Council. Under the other financing sources (uses), transfers out increased an amount of \$1,820,618, which included \$1,500,000 and \$250,000, to be transferred to the health and workers' compensation insurance funds, respectively.

B. Grant Management Reconciliation (Major Special Revenue) – Budgeted

The following provides actual fiscal year 2006 results for both budgeted and non-budgeted grant programs under the grant management fund:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>
Budgeted grant programs:			
Federal equitable sharing of forfeited property:			
Justice Department	\$ 890,517	\$ 355,969	\$ -
Treasury Department	131,796	21,596	-
Nonbudgeted grant programs:			
Various grants	1,933,252	2,479,782	546,530
HUD section 8 rental voucher program	7,095,433	6,768,052	-
HUD CDBG entitlement program	1,353,947	1,353,947	-
HUD HOME investment partnerships program	1,010,641	1,010,641	-
HUD emergency shelter program	107,927	107,927	-
Total grant management fund - actual	<u>\$ 12,523,513</u>	<u>\$ 12,097,914</u>	<u>\$ 546,530</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2006 expenditures exceeded the budget at the object level as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
General Government			
Municipal Court			
Contractual services	\$ 58,400	\$ 61,277	\$ (2,877)
Maintenance charges	50,950	50,995	(45)
City Secretary			
Contractual services	68,500	69,717	(1,217)
City Marshal			
Materials and supplies	6,200	7,127	(927)
Maintenance charges	60,100	60,182	(82)
Inspections			
Maintenance charges	119,907	119,991	(84)
Property Management			
Capital outlay	96,330	227,002	(130,672)
Health			
Animal Rescue and Assistance			
Contractual services	109,187	113,170	(3,983)
Culture and Recreation			
Parks			
Capital outlay	70,065	222,119	(152,054)
Golf Course			
Maintenance charges	63,150	63,198	(48)
<u>Grant Management Fund</u>			
Federal Equitable Sharing of Forfeited Property Treasury Department			
Public Safety			
Contractual services	20,000	20,036	(36)
<u>Debt Service Fund</u>			
Debt service			
Fiscal charges	4,000	4,771	(771)

Each excess was due to increases in contractual services, materials and supplies, maintenance charges and capital outlay. All excess expenditures were funded by available and appropriated fund balance.

IV. DETAILED NOTES TO ALL FUNDS

A. Deposits and Investments

Deposits

Primary Government

The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102%. As of September 30, 2006, the carrying amount of the City's deposits with financial institutions was \$2,357,598 and the market values of pledged securities were \$8,296,775. The pledged securities are held by a third party custodian in the City's name.

Investments

As of September 30, 2006 the city has the following investments:

Investment Type	Fair Value			Weighted Average Maturity (Years)
	Primary Government	Blended Component Unit		
		Pasadena Second Century Corporation	Discretely Presented Component Unit Pasadena Crime Control and Prevention District	
Texpool Local Government Investment Pools	\$ 35,782,608	\$ 13,157,190	\$ 1,694,750	0.00
Logic Local Government Investment Pools	1,078,250	-	-	0.00
Class Local Government Investment Pools	66,398,998	2,176,032	-	0.00
Savings/Money Market Checking	-	10,245	-	0.00
Total Fair Value	\$ 103,259,856	\$ 15,343,467	\$ 1,694,750	
Portfolio Weighted Average				0.00

The City divides their investments between TexPool, LOGIC, CLASS, and Savings/Money Market Checking.

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of participants in TexPool and other persons who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated AAA by Standard & Poor's. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as the office of the Comptroller of Public Accounts for review.

Local Government Investment Cooperative ("LOGIC") and The Cooperative Liquid Assets Securities System - Texas ("CLASS") were organized to conform to the Texas Government Code - Interlocal Cooperation Act, Chapter 791 and the Public Funds Investment Act, Chapter 2256. LOGIC's governing body is a five-member Board of Directors comprised of three government officials or employees and two other persons with expertise in public finance representing the general manager of LOGIC. LOGIC is required by the Public funds Investment Act to maintain an "AAA" rating. It has an "AAA/V-1+" rating from Fitch IBCA, Inc. which monitors the funds compliance with its rating requirements.

CLASS is required by the Public Funds Investment Act to maintain an "AAA" rating. It has an "AAA" rating from Moody's Investor's Service and Standard and Poor's which monitors the funds compliance with its rating requirements.

GASB Statement No. 31 provides an exception to the fair value reporting for investments in an external pool if the pool operates as a "2a7-like" pool. TexPool, LOGIC and CLASS operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. All use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool, LOGIC and CLASS is the same as the value of their shares.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet

cash requirements for on going operations, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in short-term securities.

Credit risk. State law and the City's investment policy limits the types of investments as wells as the rating of the investments to A-1, P-1 or equivalent.

Concentration of credit risk. The City's investment policy requires diversification of the portfolio. This is to be achieved by investing in liquid funds or securities, varying the maturity dates of the securities and avoiding over-concentration of securities in a specific issuer or business sector (excluding US Securities).

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102%.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to keep securities at a third party institution, avoiding physical possession. Further, all trades are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

B. Property Tax Calendar and Receivables

1. Property Tax Calendar

The appraisal of property within the City is the responsibility of the Harris County Appraisal District ("Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value.

The City Tax Assessor Collector is responsible for billing and collection of property taxes. Property taxes can be attached as an enforceable lien on property as of January 1st of the year based on the assessed valuation of the property at January 1st of the same year. The tax levy date is at October 1st of the same year when the City receives the certified assessed valuation from the Appraisal District. Property tax receivables are recognized on the levy date. Property taxes become due and payable upon receipt of the tax statements mailed around the second week of October or as soon thereafter as possible and are considered delinquent after January 31st of the following year.

Article XI, Section 5 of the Texas Constitution, provides for an overall limitation for Home Rule Cities of \$2.50 per \$100 assessed valuation of which not more than \$1.50 can be used for general operating purposes under the City Charter.

The 2005 taxable assessed valuation of the City's property in the amount of \$4,765,069,704 was certified by the Appraisal District. The City Council adopted the following tax rate per \$100 of assessed taxable value for the current year.

<u>Purpose</u>	<u>Tax Rate</u>
General government	\$ 0.3426
Debt service	0.2244
	<u>\$ 0.5670</u>

2. Receivables

Receivables as of September 30, 2006, for the City's individual major funds and internal service in the aggregate, including allowance for uncollectible accounts, are as follows:

	General	Debt Service	Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Water and Sewer System	Total
Receivables								
Property taxes	\$ 1,461,371	\$ 1,243,178	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,704,549
Sales taxes	2,417,149	-	1,208,574					3,625,723
Accounts	2,464,552	-	28,229	4,642	-	-	6,034,911	8,532,334
Less: allowance for uncollectible	(1,023,000)	(870,000)	-	-	-	-	(349,016)	(2,242,016)
	5,320,072	373,178	1,236,803	4,642	-	-	5,685,895	12,620,590
Intergovernmental - restricted	259,257	-	-	-	1,676,952	93,624	-	2,029,833
Net total receivables	\$ 5,579,329	\$ 373,178	\$ 1,236,803	\$ 4,642	\$ 1,676,952	\$ 93,624	\$ 5,685,895	\$ 14,650,423

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent property taxes receivable (General fund)	\$ 364,026	\$ -
Delinquent property taxes receivable (Debt service fund)	318,460	-
Grant drawdowns prior to meeting all eligibility requirements	-	324,786
Total deferred/unearned revenue for governmental funds	\$ 682,486	\$ 324,786

C. Restricted Assets

Restricted assets are reported for deposits, investments, and receivables restricted for (1) payment of debt service, (2) use in federal and state grant programs, and (3) use in capital projects as specified in applicable bond covenants and interlocal agreement.

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Water and Sewer Enterprise
Cash and cash equivalents	\$ -	\$ -	\$ 10,245	\$ -	\$ 830,797	\$ 52,967	\$ -
Investments	7,440,981	908,315	15,333,222	39,033,556	2,588,171	3,453,096	12,514,401
Intergovernmental receivables	259,257	-	-	-	1,676,952	93,624	-
	\$ 7,700,238	\$ 908,315	\$ 15,343,467	\$ 39,033,556	\$ 5,095,920	\$ 3,599,687	\$ 12,514,401
	(2) and (3)	(1)	(3)	(3)	(2)	(2)	(1) and (3)

D. Capital Assets

Capital asset activity of the City (the primary government) for the fiscal year ended September 30, 2006 was as follows:

1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 125,447,465	\$ -	\$ -	\$ 125,447,465
Construction in progress	27,363,937	16,667,103	(9,674,226)	34,356,814
Total capital assets, not being depreciated	<u>152,811,402</u>	<u>16,667,103</u>	<u>(9,674,226)</u>	<u>159,804,279</u>
Capital assets, being depreciated:				
Buildings and building improvements	47,063,200	123,515	-	47,186,715
Facilities and other improvements	4,566,721	166,005	-	4,732,726
Machinery and equipment	17,896,197	558,653	-	18,454,850
Infrastructure	361,819,125	11,884,878	-	373,704,003
Automotive equipment	28,214,068	2,020,869	(288,576)	29,946,361
Total capital assets being depreciated:	<u>459,559,311</u>	<u>14,753,920</u>	<u>(288,576)</u>	<u>474,024,655</u>
Less accumulated depreciation for:				
Building and building improvements	(14,011,792)	(786,832)	-	(14,798,624)
Facilities and other improvements	(1,526,675)	(80,419)	-	(1,607,094)
Machinery and equipment	(12,621,912)	(987,379)	-	(13,609,291)
Infrastructure	(116,756,499)	(5,283,462)	-	(122,039,961)
Automotive equipment	(20,527,153)	(2,541,851)	195,620	(22,873,384)
Total accumulated depreciation	<u>(165,444,031)</u>	<u>(9,679,943)</u>	<u>195,620</u>	<u>(174,928,354)</u>
Total capital assets, being depreciated, net	<u>294,115,280</u>	<u>5,073,977</u>	<u>(92,956)</u>	<u>299,096,301</u>
Governmental activities capital assets, net	<u>\$ 446,926,682</u>	<u>\$ 21,741,080</u>	<u>\$ (9,767,182)</u>	<u>\$ 458,900,580</u>

2. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,238,951	\$ -	\$ -	\$ 1,238,951
Construction in progress	10,196,683	1,897,476	(3,216,438)	8,877,721
Total capital assets, not being depreciated	<u>11,435,634</u>	<u>1,897,476</u>	<u>(3,216,438)</u>	<u>10,116,672</u>
Capital assets, being depreciated:				
Buildings and building improvements	6,491,271	-	-	6,491,271
Facilities and other improvements	5,333,900	-	-	5,333,900
Machinery and equipment	9,546,772	23,152	(11,159)	9,558,765
Infrastructure	242,009,818	3,840,781	-	245,850,599
Automotive equipment	600,428	-	-	600,428
Total capital assets being depreciated:	<u>263,982,189</u>	<u>3,863,933</u>	<u>(11,159)</u>	<u>267,834,963</u>
Less accumulated depreciation for:				
Building and building improvements	(4,394,636)	(119,631)	-	(4,514,267)
Facilities and other improvements	(1,913,912)	(71,119)	-	(1,985,031)
Machinery and equipment	(5,307,948)	(507,979)	-	(5,815,927)
Infrastructure	(65,195,344)	(3,524,830)	-	(68,720,174)
Automotive equipment	(207,052)	(87,791)	-	(294,843)
Total accumulated depreciation	<u>(77,018,892)</u>	<u>(4,311,350)</u>	<u>-</u>	<u>(81,330,242)</u>
Total capital assets, being depreciated, net	<u>186,963,297</u>	<u>(447,417)</u>	<u>(11,159)</u>	<u>186,504,721</u>
Business-type activities capital assets, net	<u>\$ 198,398,931</u>	<u>\$ 1,450,059</u>	<u>\$ (3,227,597)</u>	<u>\$ 196,621,393</u>

3. Depreciation Expense of the primary government is as follows:

Governmental activities:

General Government	\$ 350,305
Public Safety	599,242
Public Works	5,277,330
Health	37,238
Culture and Recreation	631,652
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,784,176</u>
	<u>\$ 9,679,943</u>

Business-type activities

Water and Sewer System	<u>\$ 4,311,350</u>
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E. Construction Commitments

The City's commitments with contractors are as follows as of September 30, 2006:

Projects	Project Appropriation	Spent-to-Date
<u>Drainage</u>		
2006 Storm Sewer Replacement	\$ 524,318	\$ 380,751
Crenshaw Drainage: Allen Genoa to Vince Bayou	141,750	98,862
Fairdale Drainage Improvements	22,780	22,339
Flood Protection Plan	402,000	400,999
Pine St Drainage Ph I: Preston to Beltway 8	4,606,129	396,228
	<u>\$ 5,696,977</u>	<u>\$ 1,299,179</u>
<u>Fire</u>		
Rebuild Fire Station #2	\$ 2,722,535	\$ 2,520,074
Traffic Signal Pre-emption	533,882	451,971
	<u>\$ 3,256,417</u>	<u>\$ 2,972,045</u>
<u>Municipal Facilities</u>		
Monitored Security and Access ID System	\$ 190,000	\$ 144,226
Remodel of Brown and Root Offices	447,579	228,401
	<u>\$ 637,579</u>	<u>\$ 372,627</u>
<u>Parks</u>		
Aquatic Facility	\$ 46,670	\$ 16,914
Armand Bayou Hike and Bike Trail	2,744,710	1,771,282
Basketball Pavilion at Memorial Park	37,600	13,656
Holly Bay Trail Spur	215,896	15,625
Median Beautificatin	104,678	104,678
Memorial Park Renovation	3,224,825	2,980,071
Park Land Acquisition	332,000	198,903
Pavillion at Burke and Crenshaw	611,934	402,214
Preston/Crenshaw Nature Park Phase I	30,400	16,130
Village Grove Pedestrian Bridge Construction	27,100	27,100
Vince Bayou Trail: Phase I	686,832	12,729
	<u>\$ 8,062,645</u>	<u>\$ 5,559,302</u>
<u>Traffic</u>		
Exit Ramp Study	\$ 68,300	\$ 35,355
Installation of Computerized Traffic Control System	668,032	637,080
Intersection Redesign	1,043,188	873,752
	<u>\$ 1,779,520</u>	<u>\$ 1,546,187</u>
<u>Police</u>		
Design and Construction of a New Police Complex	\$ 6,127,476	\$ 4,592,186
	<u>\$ 6,127,476</u>	<u>\$ 4,592,186</u>
<u>Streets</u>		
Annual Paving Improvements	\$ 863,714	\$ 563,246
Garner: Judy to Pasadena Blvd	372,205	174,953
Lamar Construction	1,349,461	312,744
Pansy: Old Vista to Crenshaw	405,496	3,100
Pasadena Blvd Phase III: Strawberry to E of Burke	429,233	205,637
Pasadena Blvd Phase IV: Jackson to Southmore	100,000	100,000
Pasadena Blvd Phase V: SH 225 to Laird	137,866	35,601
Preston: Beltway 8 to Genoa Red Bluff	157,293	67,344
R.O.W. Acquisition	785,586	440,114
Strawberry Phase II: Jackson to Harris	2,958,090	2,686,143
Strawberry Phase III: Spencer to Cherrybrook	5,325,638	5,448,882
Vista Extension Phase I: BW8 to Space Center	600,000	583,057
	<u>\$ 13,484,582</u>	<u>\$ 10,620,821</u>

Projects	Project Appropriation	Spent-to-Date
<u>Water</u>		
El Jardin Waterline	\$ 300,000	\$ 208,734
Elevated Water Tanks	4,017,503	3,813,022
Ground Storage: Phase I	403,000	377,477
New Transmission Line	1,267,436	1,033,055
Southeast Water Plant Pump Station Improvement	594,050	43,040
Update Water Distribution Master Plan	60,000	48,600
Water Well Rehabilitation	197,219	188,917
	<u>\$ 6,839,208</u>	<u>\$ 5,712,845</u>
<u>Wastewater</u>		
Golden Acres Treatment Plant Improvements	\$ 195,000	\$ 100,800
Lift Station Modification	2,443,895	2,363,996
Louisiana Sanitary Sewer Installation	236,242	148,373
Louisiana Street Lift Station	2,700	2,700
Richey Trunkline I	400,000	147,226
	<u>\$ 3,277,837</u>	<u>\$ 2,763,095</u>

Pasadena Second Century Corporation, the City's blended component unit has commitments with contractors are as follows:

Projects	Project Appropriation	Spent-to-Date
<u>Parks</u>		
Armand Bayou Hike and Bike Trail	\$ 176,588	\$ 176,588
Construction of Holly Bay Trail Spur	9,104	9,104
Pavillion at Burke and Crenshaw	30,697	-
Vince Bayou Trail Phase I	31,768	31,768
	<u>\$ 248,157</u>	<u>\$ 217,460</u>
<u>Streets</u>		
Pasadena Phase II - Red Bluff to Beltway 8 and Pansy to Strawberry	\$ 4,600,000	\$ 446,790
Pasadena Blvd Phase III: Strawberry to E of Burke	900,000	
Pasadena Blvd Phase V: SH 225 to Laird	300,000	147,607
Strawberry Phase II: Jackson to Harris	289,212	375,163
Vista Extension Phase I: BW8 to Space Center	5,400,000	4,639,668
Vista Improv Ph II: Strawberry to Watters	2,312,000	415,665
	<u>\$ 13,801,212</u>	<u>\$ 6,024,893</u>

F. Interfund Receivables, Payables and Transfers

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. The composition of interfund balances as of September 30, 2006, is as follows:

1. Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Grant management	\$ 788,848
	** State forfeited property	73,690
	** Hotel and motel tax	4,359
	** Abandoned motor vehicles and property	1,763
	Water and sewer system	622,124
	* Health insurance	<u>11,581</u>
		\$ 1,502,365
Debt service	General	95,139
Capital projects	General	7,086,646
	Grant management	<u>55</u>
		7,086,701
** Special charge allocation	General	17,213
Water and sewer system	Debt service	38,008
* Maintenance	General	26,210
	Grant management	1,051
	** Hotel and motel tax	27
	Water and sewer system	1,813
	* General liability insurance	<u>82,812</u>
		<u>111,913</u>
* Workers' compensation insurance	General	199,143
	Grant management	3,168
	** Special charge allocation	611
	Water and sewer system	19,277
	* Maintenance	17,021
	* Health insurance	<u>22</u>
		<u>239,242</u>
		351,155
	Total	<u>\$ 9,090,581</u>
* Internal service funds		
** Nonmajor governmental		

2. Due to/from Primary Government and Component Units:

<u>Receiving Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - Grant management fund	Pasadena Crime Control and Prevention District	\$ 942
Primary government - Workers' compensation insurance fund	Pasadena Crime Control and Prevention District	<u>7,546</u> \$ 8,488
Pasadena Crime Control and Prevention District	Primary government - General fund	\$138,088

3. Interfund Transfers:

Fund Financial Statements

Interfund Transfers:

Transfer out:	Transfer In:						
	General	Debt Service	Capital Projects	Grant Management	*Workers' Compensation Insurance	* General Liability Insurance	* Health Insurance
General	\$ -	\$ -	\$ -	\$ 69,114	\$ 250,000	\$ 600,000	\$ 1,500,000
Capital project	-	-	-	349,891	-	-	-
Water and Sewer System	2,400,000	606	-	-	-	250,000	-
Pasadena Second Century Corporation	-	-	7,068,371	127,525	-	-	-
Total	\$ 2,400,000	\$ 606	\$ 7,068,371	\$ 546,530	\$ 250,000	\$ 850,000	\$ 1,500,000

\$2,600,000 Internal Service Funds

* Internal service funds

Transfers are used to move unrestricted and restricted funds from the general, capital projects, water and sewer system funds to finance various activities that the City must account for in other funds in accordance with budgetary authorization, including amounts provided as subsidies or matching for various grant programs.

During the fiscal year, the Board of Directors for the Pasadena Second Century Corporation (City's blended component unit) authorized a transfer of \$7,068,371 to the City for the Armond Bayou Hiking and Biking Trail, Holly Bay Trail Spur, Pavilion at Burk/Crenshaw Park, Strawberry Road, Phase II and Main street projects. The Board opted to transfer the entire amount authorized and have the City handle the administration and payments of the contracts.

There were transfers that were not reflected in the above schedule as follow:

- Capital assets in the amount of \$114,400 were transferred out from the internal service/maintenance fund to capital assets - governmental activities
- Long-term debt in the amount of \$27,862,973 was recorded as transfer out in the water and sewer system enterprise fund since it was re-allocated and transferred from the governmental activities.
- Transfer of capital assets in the amount of \$11,159 was recorded as transfer out and capital contribution in the water and sewer system and internal service/maintenance fund, respectively.

Government-Wide Financial Statements

During the fiscal year, the transfer activities between the governmental and business activities totaled \$ 30,424,114 and it can be summaries as follows:

- Long-term debt in the amount of \$ 27,862,973 were re-allocated and transferred out from the governmental to business activities. Please see note IV, G. Long-Term Debt (1) and (2) governmental and business-type activities for detail explanation.
- Operating transfers in the amount of \$2,650,606 were transferred out to the government from the business type activities.
- Capital assets in the amount of \$11,159 were transferred out to the government from the business activities.
- Capital assets in the amount of \$100,624 were transferred in from the government to the business type activities.

G. Long-Term Debt

1. Governmental Activities

General Obligation Bonds, General Obligation Refunding Bonds and Certificates of Obligation

The City issues general obligation bonds and certificates of obligation to provide funds for the construction and improvements of the City's infrastructures (i.e. streets, drainage, water and sewer systems, public safety, recreation, and culture facilities). In the past, the City has also refunded certain issues of general obligation bonds to take advantage of lower interest rates and even out debt payments. The original amount of general obligation bonds and certificates of obligation issued in prior years was \$81,555,000. The original amount of general obligation refunding bonds was \$24,732,875.

In the previous fiscal year, revenue bonds in the amount of \$17,755,000 and \$10,475,000 were refunded by the general obligation refunding bonds, series 2005 and 2005A. The management intention at that time was to repay these refunding bonds with the resources of governmental activities. However, during the current fiscal year, the City was able to raise the water and sewer rates and re-negotiated favorable term with the City of Houston on the water purchase contract. As a result, the water and sewer enterprise fund is now expected to provide resources in retirement of their portion of refunded debts. Respectively, \$17,675,000 and \$9,970,000 of general obligation refunding bonds 2005 and 2005A were re-allocated as debts to business activities.

All bonds are direct obligations and are secured by the full faith and credit of the City. General obligation bonds (GOB), certificates of obligations (COB), general obligation refunding bonds (GOB refunding) and general obligation and refunding bonds (GO and Refunding) are currently outstanding as follows:

	Interest %	Maturity	Purpose	Installments	Amount
\$4,167,875 GOB Refunding, 1999	4.50 - 6.40	2/15/2007	Business-type	\$4,167,875	\$ 4,167,875
\$15,125,000 COB, 2001	4.00 - 5.50	2/15/2021	Governmental type	\$625,000 to \$ 805,000	11,910,000
\$16,350,000 GOB, 2002	3.50 - 5.00	2/15/2022	Governmental type	\$50,000 to \$ 1,195,000	16,100,000
\$17,500,000 GOB, 2003	3.25 - 5.25	2/15/2023	Governmental type	\$880,000 to \$ 1,375,000	17,500,000
\$18,640,000 GOB Refunding, 2004	2.00 - 5.00	2/15/2009	Both	\$2,515,000 to \$ 6,700,000	5,330,000
\$13,200,000 GOB, 2004	3.00 - 4.50	2/15/2024	Governmental type	\$615,000 to \$ 980,000	13,200,000
\$1,925,000 GOB Refunding, 2005	3.00 - 5.00	2/15/2020	Both	\$120,000 to \$ 3,730,000	1,925,000
\$19,380,000 GO and Refunding, 2005A	3.25 - 5.00	2/15/2025	Both	\$60,000 to \$ 4,140,000	19,380,000
					<u>\$ 89,512,875</u>

Annual debt service requirements to maturity for general obligation bonds, certificates of obligation, and general obligation refunding bonds are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 4,252,875	\$ 5,536,008	\$ 9,788,883
2008	6,415,000	3,559,570	9,974,570
2009	6,195,000	3,300,027	9,495,027
2010	4,490,000	3,095,115	7,585,115
2011	4,430,000	2,937,627	7,367,627
2012-2016	24,105,000	11,903,143	36,008,143
2017-2021	27,285,000	6,082,532	33,367,532
2022-2025	12,340,000	931,723	13,271,723
	<u>\$ 89,512,875</u>	<u>\$ 37,345,745</u>	<u>\$ 126,858,620</u>

Other Long-Term Debt

- (a) \$464,535 long-term notes dated November, 1997, payable from the General Fund revenues, interest at 5.863%, due in ten annual installment of \$61,812 to fund the balance owed to the Office of Fire Fighters’ Pension Commission, State of Texas on prior service costs of Volunteer Firefighters’ retirement. The original principal of the note was changed from \$588,099 to \$464,535 due to a revision made to the initial cost study.
- (b) \$5,295,000 Tax Notes, Series 2000 dated August 15, 2000, interest at 4.5 to 6.00%, due in seven installments of \$220,000 to \$2,590,000 through February 15, 2007 were issued by the City to finance certain equipment and capital expenditures (i.e. fleet cars, fire vehicles, equipment, a truck weigh station, and other public projects). This obligation is authorized by action of the City Council and is a direct obligation of the City, payable from the ad valorem tax levied on taxable property located within the City. The principal due amount of \$1,585,000 on February 15, 2007 was refunded by the general obligation refunding bonds, series 2004.
- (c) \$5,000,000 Sales Tax Revenue Bonds, Series 2005 dated October 20, 2004, interest at 3.95%, due in installments of \$625,000 to \$805,000 through February 15, 2011 were issued by the City’s blended component unit – Pasadena Second Century Corporation (“PSCC”) to fund the cost of certain capital improvement projects. The notes are payable and secured solely from one-half of one percent sales and use tax collected by the PSCC.
- (d) A recent sales tax audit completed in the current year discovered that the City and its blended component unit, Pasadena Second Century Corporation, received sales tax revenue in error in the amount of \$666,043 and \$333,021, respectively. The Texas State Comptroller office has agreed to a four year payment plan with no interest.

Annual debt service requirements to maturity for the other long-term debt are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 1,998,892	\$ 158,406	\$ 2,157,298
2008	964,662	105,564	1,070,226
2009	989,660	76,827	1,066,487
2010	978,050	47,005	1,025,055
2011	805,000	15,899	820,899
	<u>\$ 5,736,264</u>	<u>\$ 403,701</u>	<u>\$ 6,139,965</u>

2. Business-Type Activities

Revenue Bonds, Tax and Revenue Certificates of Obligations (COB), and Revenue Refunding Bonds (Refunding)

The City also issues bonds and obligations where the City pledges net revenues derived from the City’s water and sewer system. In summary, the debts outstanding at fiscal year end are as follows:

	Interest %	Maturity	Purpose	Installments	Amount
\$ 7,105,000 Refunding, 1998	5.875 - 6.00	4/1/2009	Water and sewer	\$365,000 to \$1,050,000	\$ 2,565,000
\$ 31,370,000 Revenue bonds, 1998A	2.00 - 3.40	4/1/2019	New WWTP	\$5,000 to \$2,355,000	18,625,000
\$ 17,720,000 Revenue COB, 1999	5.00 - 6.50	10/1/2009	Water and sewer	\$780,000 to \$1,690,000	3,405,000
\$17,675,000 GO Refunding, 2005	3.25 - 5.00	2/15/2020	Water and sewer	\$120,000 to \$2,755,000	17,675,000
\$9,970,000 GO Refunding, 2005A	3.25 - 5.00	2/15/2022	Water and sewer	\$440,000 to \$2,860,000	9,970,000
					<u>\$ 52,240,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2007	\$ 3,430,000	\$ 2,240,280	\$ 5,670,280
2008	3,085,000	2,471,818	5,556,818
2009	2,870,000	1,927,144	4,797,144
2010	1,565,000	1,822,641	3,387,641
2011	2,740,000	1,727,211	4,467,211
2012-2016	18,120,000	6,528,589	24,648,589
2017-2021	19,190,000	2,340,878	21,530,878
2022	1,240,000	31,000	1,271,000
	<u>\$ 52,240,000</u>	<u>\$ 19,089,561</u>	<u>\$ 71,329,561</u>

In the previous fiscal year, principal in the amount of \$ 28,230,000 was refunded by the general obligation refunding bonds, series 2005 (\$17,755,000) and series 2005A (\$10,475,000). As mentioned in the previous note G. (1), these amounts of the refunding bonds were re-allocated as debts from governmental to business activities.

During the fiscal year, the remaining outstanding principal balance of Combination Tax and Revenue Certificates of Obligation, 2002 in the amount of \$30,130,000 were totally defeased.

The bonds were issued to finance the expansion project of the Southeast Water Purification Plant. Approximately four years has elapsed, the City is still waiting for the City of Houston to finalize the project. Given the uncertainty of City of Houston as to when it will require capital contribution on the project, the City has decided, under the advice of its bond counsel, that it is best for the City, at this time, to defease the remaining principal balance, and not risking the tax exemption status of the entire bond sale on a retroactive basis.

The defeasance in effect resulted \$27,960,151 in debt service savings and obtained an economic gain (difference between present value of the debt service savings and the cash contribution) of \$1,351,719.

Deferred Debt

The City of Pasadena entered into a contract with the City of Houston on October 17, 2000 for the purchase and delivery of water from the Southeast Water Purification Plant with an initial minimum monthly quantity of 180 million gallons per month, with the City authorized to revise the minimum monthly quantity no more than once each calendar year.

The City of Houston agrees to defer a percentage of payments required as follows:

April 2001 - March 2002	50% of payment
April 2002 - March 2003	30% of payment
April 2004 - March 2004	10% of payment

Following year three of the contract, the City of Pasadena is required to pay the deferred payment amount over a period of not more than five years at no interest. In April 2004, the City started to make a monthly payment of \$47,328 towards this deferred debt. As of September 30, 2006, the deferred debt amount was \$1,419,853.

Annual principal payment requirements to maturity for this deferred debt are as follows:

Fiscal Year Ending September 30,	Principal
2007	\$ 567,941
2008	567,941
2009	283,971
	\$ 1,419,853

3. Defeasance of Debt

In prior and current fiscal years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and defeased bonds are not included in the financial statements. At September 30, 2006, \$500,000 of general obligation bonds and \$3,280,000 of waterworks and sewer system revenue bonds (business-type activities) were considered defeased.

4. Voter Authorized Obligations

On September 14, 2002, the voters of the City authorized the issuance of \$102,000,000 of Public Improvement Bonds. At September 30, 2006, the remaining authorized but unissued bonds was \$41,800,000.

5. Legal Debt Margin

At September 30, 2006, the City's legal debt margin was 10% of assessed property valuation totaling \$4,765,069,704, reduced by the amount of bonded debt outstanding of \$89,497,711 which was netted with the amount available in the debt service fund, the City's legal debt margin was \$387,009,259.

6. Rebatable Arbitrage

The City is taking the approach of treating rebatable arbitrage as a claim. For the interim computation period from September 14, 2005 through September 30, 2006, the general obligation bonds, series 2002 and general obligation bonds and refunding, series 2005A has an estimated cumulative rebate liability of \$20,661 and \$132,262, respectively, with the next installment computation due in 2007.

7. Changes in Long-Term Liabilities

Governmental Activities:

Long-term liability activity for the year ended September 30, 2006, was as follows:

	Beginning Balance	Additions/ Reclassification	Refunding/ Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation and refunding bonds	\$ 111,997,875	\$ -	\$ (34,395,000)	\$ 77,602,875	\$ 4,217,875
Certificate of obligation bonds	11,945,000	-	(35,000)	11,910,000	35,000
	123,942,875	-	(34,430,000)	89,512,875	4,252,875
Less deferred amounts:					
For issuance premium	337,579	-	(19,075)	318,504	-
On Refunding	1,983,995	-	(811,582)	1,172,413	-
Total bonds payable	126,264,449	-	(35,260,657)	91,003,792	4,252,875
Rebatable arbitrage	-	152,923	-	152,923	-
Other long-term notes	5,715,185	999,064	(977,985)	5,736,264	1,998,892
Claims	4,682,155	7,600,359	(7,941,614)	4,340,900	2,604,539
Compensated absences	17,121,917	5,796,388	(5,651,476)	17,266,829	1,726,683
Governmental activity					
Long-term liabilities	<u>\$ 153,783,706</u>	<u>\$ 14,548,734</u>	<u>\$ (49,831,732)</u>	<u>\$ 118,500,708</u>	<u>\$ 10,582,989</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities of internal service funds are included as part of the above totals for governmental activities. As of September 30, 2006, \$1,116,347 of internal service funds compensated absences is included in the above amounts.

For the governmental activities, claims and compensated absences are liquidated by the general fund, internal service funds, and grant management fund.

Business-Type Activities:

	Beginning Balance	Additions/ Reclassification	Refunding/ Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 18,625,000	\$ -	\$ -	\$ 18,625,000	\$ 1,505,000
Revenue refunding bonds	3,590,000	-	(1,025,000)	2,565,000	1,015,000
Tax and revenue certificate of obligation	33,665,000	-	(30,260,000)	3,405,000	910,000
General obligation refunding bonds	-	27,645,000	-	27,645,000	-
Less deferred amounts:					
For premiums on issuance	11,713	1,910,402	(122,832)	1,799,283	-
On refunding					
For deferred loss on early retirement	(53,230)	(1,242,721)	100,207	(1,195,744)	-
For issuance discount	(24,560)	-	7,017	(17,543)	-
Deferred water charges payable	1,987,795	-	(567,941)	1,419,854	567,941
Compensated absences	1,940,374	509,611	(714,265)	1,735,720	173,572
Business-type activity					
Long-term liabilities	<u>\$ 59,742,092</u>	<u>\$ 28,822,292</u>	<u>\$ (32,582,814)</u>	<u>\$ 55,981,570</u>	<u>\$ 4,171,513</u>

V. OTHER INFORMATION

A. 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 established the workers' compensation insurance fund, health insurance fund and the general liability insurance fund to account for and finance its uninsured risks and losses.

Liabilities/Property

The City became fully insured in its liability and property insurances effective December 1, 2004.

Prior to this date, the City was self-insured. The City uses Arthur J. Gallagher and Company as its third-party administrator for claims incurred before November 30, 2004. The City purchases its liability and property insurances through Texas Municipal League Intergovernmental Risk Pool (TML-IRP). These policies encompass property, general, and auto liability, public officials' errors and omissions, mobile equipment, boiler and machinery. The deductible ranged from \$1,000 to \$100,000 with limit on per occurrence or aggregate. The City has not had a significant reduction in insurance coverage and the participation of the City in the TML-IRP is limited to the payment of premiums.

Workers' Compensation

The City became fully insured in its workers' compensation program effective April 1, 2004. Prior to this date, the City was self-insured. The City uses Employers General Insurance Group, Inc. as its third-party administrator for claims administration, investigation, subrogation and adjustment for all claims incurred before April 1, 2004. Stop-loss insurance for individual claims has been purchased through Arthur J. Gallagher & Co., from Safety National Casualty; stop-loss attachment point is \$375,000 for each claim other than police and fire, which is \$500,000. After April 1, 2004 the City became a member of the Texas Municipal League Intergovernmental Risk Pool. The City pays a premium based on the City's total payroll and past loss experience. As a member of the pool, stop loss insurance is no longer needed. The City includes the Pasadena Volunteer Fire Department in its workers' compensation program.

Unemployment Insurance

The City reimburses the Texas Workforce Commission for unemployment claims on a quarterly basis. By using this method, the City gives up certain appeal options, but it has only once paid more than what its taxable rate would have been. Staff from the Human Resources Department represents the City in the appeal procedures.

Health and Dental Insurance

The City is self insured in health coverage and purchases stop loss insurance from a commercial carrier. Texas Municipal League (TML) is the third party administrator. The City has two health insurance plans and two dental insurance plans. The health insurance, plan A or B, offers a wide range of medical care, services and supplies depending on the needs of the employees'. One of the two dental insurance plans is a fully insured plan provided through CIGNA and the other is self insured and TML is the third party administrator.

The City pays \$960 of the monthly premium for each employee which includes health, dental, short-term and long-term disability income protection plan, life insurance and accident death and dismemberment insurance and the employees' pay the remaining depending on which plan they choose. Dependents' coverage is available for qualified dependents at the employees' option. If elected, the City pays a portion of the premium and the employee pays the remainder. A cafeteria style plan (e.g., health spending and dependent care) is available at the employee's election.

Unpaid Claims Liability

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount of claims that have been incurred but not reported (IBNR). Claim liabilities are calculated based on past claim experiences, recent claim settlement trends and other economic and social factors. The City currently does not discount its unpaid claim liabilities.

Changes in the balances of claim liabilities during the fiscal year are as follows:

	Workers' Compensation	General Liabilities Insurance	Health/Dental Insurance
<u>Current Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the current fiscal year	\$ 741,932	\$ 885,130	\$ 3,055,093
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	-	8,826,550
Increase (decrease) in provision for insured events prior years	224,183	270,253	(1,720,627)
Total incurred claims and claim adjustment expenses	<u>224,183</u>	<u>270,253</u>	<u>7,105,923</u>
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	-	6,137,929
Prior fiscal years	287,936	181,338	1,334,411
Total payments	<u>287,936</u>	<u>181,338</u>	<u>7,472,340</u>
Total unpaid claims and claim adjustment expenses at end of current fiscal year	<u>\$ 678,179</u>	<u>\$ 974,045</u>	<u>\$ 2,688,676</u>
<u>Prior Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the prior fiscal year	\$ 763,640	\$ 736,937	\$ 3,701,322
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	316,286	9,758,180
Increase (decrease) in provision for insured events prior years	414,879	224,565	(1,652,618)
Total incurred claims and claim adjustment expenses	<u>414,879</u>	<u>540,851</u>	<u>8,105,562</u>
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	236,312	6,706,538
Prior fiscal years	436,587	156,346	2,045,253
Total payments	<u>436,587</u>	<u>392,658</u>	<u>8,751,791</u>
Total unpaid claims and claim adjustment expenses at end of prior fiscal year	<u>\$ 741,932</u>	<u>\$ 885,130</u>	<u>\$ 3,055,093</u>

Settled claims resulting from these risks have not exceeded commercial coverage in any of the past three fiscal years.

B. Commitments and Contingent Liabilities

1. Commitments

Construction commitments are discussed in note IV. E.

2. Litigation

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities, certain of which seek substantial damages. These litigations include lawsuits and claims alleging that the City caused personal injuries and wrongful deaths and claims alleging practices and certain civil rights violations and various other liability claims. The status of these litigations ranges from an early discovery stage to various levels of appeal of judgments both for and against the City. The amount of damages is limited in certain cases under the Texas Tort Claims Act and unlimited in certain Civil Rights and other cases. The City intends to defend itself vigorously against these lawsuits. There are other threatened litigations for which an amount cannot be determined.

3. Federal and State Grants

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

C. Other Post-Employment Benefits – (“OPEB”)

The City has offered health benefits to its retirees for many years. In fiscal year 2002, the City passed an ordinance that drastically reduced the amount that the retirees contributed for their health benefit plan. Substantially all of the City’s employees become eligible for the health benefits including dental if they reach normal retirement age while working for the City. The City is currently following a pay-as-you-go approach, paying an amount each year equal to the claims paid. For the fiscal year ended September 30, 2006, one hundred and fifty-five retirees participated and received OPEB.

In fiscal year 2006, retirees made contributions totaling \$302,527, while the City paid \$1,824,113 in claims on behalf of retirees, their spouses, and dependents. Effective January 1, 2004, retirees and their spouses on the City’s health plan, age 65 or older, were enrolled in a Medicare Supplement plan and no longer eligible for the City’s health plan. The City paid \$293 per person, per month, at a cost of \$278,274 for fiscal year 2006 for this supplemental plan.

Under COBRA, the City provides continuation of health coverage to its eligible former employees and their eligible dependents. The federal government for this coverage outlines certain requirements, such as coverage periods, notification responsibilities, and premiums. There is no associated cost to the City under this program.

D. Employee Retirement Systems and Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees, other than volunteer firemen, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 811 administered by TMRS, an agent multiple-employer public employee retirement system.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/1/06):

Deposit Rate:	7%
Matching Ratio (City to Employee):	2 to 1
A member is vested after	5 yrs

Members can retire at certain ages, based on the years of service with the City.
The Service Retirement Eligibilities for the City are: **5 yrs/age 60, 20 yrs/any age.**

Contribution

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution 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 (i.e. December 31, 2005 valuation is effective for rates beginning January 2007).

The City of Pasadena is one of 811 municipalities having the benefit plan administered by TMRS. Each of the 811 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-05 valuations are contained in the 2005 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Trend Information - Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2003	12/31/2004	12/31/2005
Actuarial Value of Assets	\$ 136,059,661	\$ 134,986,975	\$ 130,886,748
Actuarial Accrued Liability	168,427,353	170,358,196	169,844,348
Percentage Funded	80.80%	79.24%	77.10%
Unfunded Actuarial Accrued Liability (UAAL)	32,367,692	35,371,221	38,957,600
Annual Covered Payroll	43,197,498	42,078,577	42,297,739
UAAL as a Percentage of Covered Payroll	74.90%	84.10%	92.10%
Net Pension Obligation at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 6,270,855	\$ 6,292,899	\$ 6,422,590
Contributions Made	6,270,855	6,292,899	6,422,590
Net Pension Obligation at the end of the period	\$ -	\$ -	\$ -

Actuarial Assumptions

Actuarial Cost Method -	Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	25 Years - Open Period
Asset Valuation Method -	Amortized Cost
	(to accurately reflect the requirements of GASB statement, No. 25, paragraphs 36e and 138)
Investment Rate of Return -	7%
Projected Salary Increase -	None
Includes Inflation At -	3.50%
Cost-of-Living Adjustments -	None

2. Volunteer Firemen's Relief and Retirement Pension Trust Fund/ Texas Statewide Emergency Service Personnel Retirement Fund

Plan Description

The Fire Fighters' Pension Commission is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. A report may be obtained by contacting the Texas Comptroller (Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528). At August 31, 2006 there were 181 member fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2006, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,766
Terminated members entitled to benefits but not yet receiving them	1,815
Current active members (vested and nonvested)	4,480
	<u>8,061</u>

Senate Bill 411, 65th legislature, Regular Session (1977), created TESRS, and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), recodified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contributions levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, a vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount and continuing monthly payments to a member's surviving spouse and dependent children.

Funding policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. The City's contributions to the fund for the fiscal years ended September 30, 2006, 2005 and 2004 were \$349,537, \$235,833 and \$296,258 respectively, and have met the required contributions each year. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The City's additional contributions to the fund for the fiscal year ended September 30, 2006, 2005 and 2004 were \$61,812, \$61,812 and \$61,812 respectively. The State may also be required to make annual contributions up a limited amount to make TESRS actuarially sound.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2006 total contributions (dues and prior service) of \$2,077,728 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$675,307 for the fiscal year ending August 31, 2006. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2004 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2006 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2007 (\$709,613 as the maximum state contribution according to state law plus approximately \$400,000 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contributions amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$400,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2007 are equal to the contributions required.

3. Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 as a separately administered trust. The plan, available to all City employees, permits them to defer a portion of their salary until future years. Participation in the plan is optional. The City provides neither administrative service to the plan nor investment advice for the plan.

As a result of legislative changes, all amounts of compensation deferred under the plan, all property and rights purchased with those amounts and all income contributed to those amounts are held in trust for the exclusive benefit of the participants and their beneficiaries. Consequently, the deferred compensation investments are no longer reported in the City's financial statements as an Agency Fund.

E. Restatement

The recording of capital assets and an environmental violation penalty payable has been restated in the governmental and business-type activities, respectively. The restatement of the beginning net assets for the activities is as follows:

Government-Wide:

	Governmental Activities	Business-type Activities
Prior year ending net assets balances as reported	\$ 396,087,223	\$ 183,657,924
Change in recorded capital assets	852,301	-
Change in recorded payables	-	234,500
Restated beginning net assets	<u>\$ 396,939,524</u>	<u>\$ 183,892,424</u>

Proprietary Fund:

	Proprietary Fund Business-type Activities Enterprise Fund Water and Sewer System
Prior year ending net assets balances as reported	\$ 185,046,617
Change in recorded payables	234,500
Restated beginning net assets	<u>\$ 185,281,117</u>

F. Subsequent Events

On October 26, 2006, the City issued a General Obligation and Refunding Bonds, Series 2006 in the amount of \$8,915,000. The purposes of the issuance are (1) to provide \$6,500,000 funding for capital improvements in drainage, park improvements, library, municipal, police and fire facilities and (2) to refund certain maturities due in 2020 and 2021 of the Certificate of Obligation, Series 2001.

**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

**The General Fund is used to account for all financial resources
except those required to be accounted for in another fund**

**CITY OF PASADENA, TEXAS
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2006**

ASSETS

Cash and cash equivalents	\$	71,861
Investments		
TexPool		3,113,962
LOGIC CLASS A		278,443
CLASS		9,819,128
		13,211,533
Receivables (net, where applicable, of allowances for uncollectible)		
General Property Taxes, including interest and penalties		438,371
Accounts receivable		4,881,701
		5,320,072
Due from other funds		1,502,365
Restricted assets		
Investment - CLASS		7,440,981
Receivables (net, where applicable, of allowances for uncollectible)-Intergovernmental		259,257
		7,700,238
TOTAL ASSETS	\$	27,806,069

LIABILITIES

Accounts payable	\$	4,021,545
Accrued payroll payable		1,285,345
Due to other funds		7,424,351
Due to component unit		138,088
Deferred revenue		364,026
		13,233,355
TOTAL LIABILITIES		13,233,355

FUND BALANCES

Designated for encumbrances		464,614
Designated for encumbrances - capital improvements		136,460
Designated for capital improvements		350,876
Designated for election, recall and charter revision		15,000
Undesignated		13,605,764
		14,572,714
TOTAL FUND BALANCES		14,572,714
TOTAL LIABILITIES AND FUND BALANCES	\$	27,806,069

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**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
FOR YEAR ENDED SEPTEMBER 30, 2006**

REVENUES

General property taxes	\$ 16,450,956
Business taxes	
Industrial district fees	14,971,745
Sales taxes	14,355,363
Utility taxes	7,148,517
Other taxes	207,923
Total business taxes	36,683,548
Licenses and permits	2,321,452
Municipal court fines	5,465,820
Charges for services	9,071,205
Intergovernmental	1,063,844
Miscellaneous	304,537
Investment income	1,037,969
TOTAL REVENUES	72,399,331

EXPENDITURES

Current	
General government	10,787,557
Public safety	30,876,251
Public works	14,180,026
Health	2,229,275
Culture and recreation	11,937,979
TOTAL EXPENDITURES	70,011,088

**EXCESS OF REVENUES
OVER EXPENDITURES**

2,388,243

OTHER FINANCING SOURCES (USES)

Operating transfers in (out)	
Worker's comprehensive fund	(250,000)
Health insurance fund	(1,500,000)
Water and sewer system	2,400,000
General liability insurance fund	(600,000)
Various grants fund	(69,114)
TOTAL OTHER FINANCING SOURCES (USES)	(19,114)

NET CHANGE IN FUND BALANCES

2,369,129

FUND BALANCES - BEGINNING

12,203,585

FUND BALANCES - ENDING

\$ 14,572,714

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General Property Taxes				
Ad valorem taxes	\$ 16,375,000	\$ 16,375,000	\$ 15,903,307	\$ (471,693)
Penalty and interest	462,000	462,000	547,649	85,649
Total General Property Taxes	16,837,000	16,837,000	16,450,956	(386,044)
Business Taxes				
Industrial district fees	15,400,000	14,800,000	14,971,745	171,745
Sales tax	13,455,000	14,000,000	14,355,363	355,363
Utility taxes	6,740,000	6,740,000	7,148,517	408,517
Other taxes				
Mixed drink tax	145,000	145,000	154,760	9,760
Bingo tax	58,000	58,000	53,163	(4,837)
Total Business Taxes	35,798,000	35,743,000	36,683,548	940,548
Licenses and Permits				
Business types	2,017,400	1,792,400	2,146,626	354,226
Occupational types	92,600	92,600	98,618	6,018
Non-business types	70,000	70,000	76,208	6,208
Total Licenses and Permits	2,180,000	1,955,000	2,321,452	366,452
Municipal court fines and fees	5,683,000	5,683,000	5,465,820	(217,180)
Charges for Services				
Ellington municipal golf course	570,400	520,400	557,427	37,027
Recreational activities	214,000	214,000	199,652	(14,348)
Swimming pool	76,500	76,500	64,555	(11,945)
Tennis court	5,200	5,200	5,796	596
Civic center	344,800	344,800	332,684	(12,116)
Other centers	61,700	61,700	80,956	19,256
Miscellaneous	592,000	512,950	628,137	115,187
Solid waste collection	6,556,800	6,556,800	6,507,164	(49,636)
Health services	382,700	332,700	319,569	(13,131)
Library services	15,600	63,436	73,687	10,251
Property management	281,600	281,600	301,578	19,978
Total Charges for Services	9,101,300	8,970,086	9,071,205	101,119
Intergovernmental				
Fire protection	57,700	57,700	58,558	858
Harris County participation	-	185,000	185,000	-
Pasadena Rotary participation	-	182,098	182,098	-
Katrina - disaster grant	-	-	22,600	22,600
Rita - disaster grant	-	-	370,584	370,584
Reimbursement from other agencies	35,000	35,000	133,632	98,632
TXDOT - traffic signal maintenance	25,000	25,000	34,500	9,500
Emergency Mgmt Performance Grant	81,500	81,500	74,257	(7,243)
Restitution - Harris County	1,000	1,000	2,615	1,615
Total Intergovernmental	200,200	567,298	1,063,844	496,546
Miscellaneous	692,400	692,400	304,537	(387,863)
Investment Income	513,000	524,251	1,037,969	513,718
TOTAL REVENUES	\$ 71,004,900	\$ 70,972,035	\$ 72,399,331	\$ 1,427,296

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current				
General Government				
City Council				
Personnel services	\$ 33,446	\$ 33,446	\$ 31,569	\$ 1,877
Contractual services	38,700	39,572	16,489	23,083
Materials and supplies	5,440	5,440	1,328	4,112
Maintenance charges	31,100	31,300	31,285	15
	108,686	109,758	80,671	29,087
Mayor				
Personnel services	376,013	376,013	363,046	12,967
Contractual services	19,450	19,450	18,291	1,159
Materials and supplies	2,925	2,925	960	1,965
Maintenance charges	19,150	22,050	22,006	44
	417,538	420,438	404,303	16,135
Budget and Financial Planning				
Personnel services	205,233	207,683	207,667	16
Contractual services	6,700	9,000	7,042	1,958
Materials and supplies	1,100	1,100	623	477
Maintenance charges	13,050	13,060	13,056	4
	226,083	230,843	228,388	2,455
Municipal Court				
Personnel services	1,492,216	1,524,941	1,524,915	26
Contractual services	56,400	58,400	61,277	(2,877)
Materials and supplies	28,845	28,845	25,989	2,856
Maintenance charges	41,650	50,950	50,995	(45)
	1,619,111	1,663,136	1,663,176	(40)
City Controller				
Personnel services	1,041,054	977,546	955,140	22,406
Contractual services	172,620	169,620	164,308	5,312
Materials and supplies	18,380	18,280	16,831	1,449
Maintenance charges	42,500	41,200	39,854	1,346
	\$ 1,274,554	\$ 1,206,646	\$ 1,176,133	\$ 30,513

Continued

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Tax				
Personnel services	\$ 226,214	\$ 176,030	\$ 171,835	\$ 4,195
Contractual services	289,900	311,500	301,714	9,786
Materials and supplies	20,945	22,945	19,159	3,786
Maintenance charges	37,500	40,200	39,968	232
	574,559	550,675	532,676	17,999
Purchasing				
Personnel services	214,742	210,142	199,871	10,271
Contractual services	25,000	22,200	21,666	534
Materials and supplies	3,400	3,400	2,256	1,144
Maintenance charges	21,900	24,700	24,654	46
	265,042	260,442	248,447	11,995
Legal				
Personnel services	845,892	698,752	678,693	20,059
Contractual services	61,425	63,925	60,586	3,339
Materials and supplies	15,500	20,500	17,512	2,988
Maintenance charges	37,600	37,600	36,512	1,088
	960,417	820,777	793,303	27,474
City Secretary				
Personnel services	191,758	185,530	179,839	5,691
Contractual services	46,500	68,500	69,717	(1,217)
Materials and supplies	4,200	4,900	3,433	1,467
Maintenance charges	30,900	32,300	32,019	281
	273,358	291,230	285,008	6,222
Elections				
Contractual services	-	60,750	60,731	19
	-	60,750	60,731	19
Human Resources				
Personnel services	505,831	520,021	519,259	762
Contractual services	71,830	59,390	56,542	2,848
Materials and supplies	25,863	20,013	16,266	3,747
Maintenance charges	42,550	42,550	41,524	1,026
	\$ 646,074	\$ 641,974	\$ 633,591	\$ 8,383

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City Marshal				
Personnel services	\$ 406,293	\$ 490,293	\$ 412,257	\$ 78,036
Contractual services	7,100	7,100	5,204	1,896
Materials and supplies	6,200	6,200	7,127	(927)
Maintenance charges	60,100	60,100	60,182	(82)
	479,693	563,693	484,770	78,923
Community Relations				
Personnel services	390,987	390,987	382,835	8,152
Contractual services	103,850	94,850	90,203	4,647
Materials and supplies	73,800	69,400	36,150	33,250
Maintenance charges	50,850	47,280	44,632	2,648
	619,487	602,517	553,820	48,697
Pasadena Action Line				
Personnel services	184,978	193,378	193,249	129
Contractual services	3,050	3,550	2,865	685
Materials and supplies	2,000	2,700	835	1,865
Maintenance charges	20,150	20,800	20,795	5
	210,178	220,428	217,744	2,684
Planning				
Personnel services	273,848	241,748	241,733	15
Contractual services	11,325	15,125	14,717	408
Materials and supplies	4,975	4,975	3,025	1,950
Maintenance charges	59,700	59,688	58,848	840
	349,848	321,536	318,323	3,213
Planning/Development Administration				
Personnel services	214,804	216,104	216,045	59
Contractual services	1,300	1,300	49	1,251
Materials and supplies	2,800	1,000	507	493
Maintenance charges	500	505	504	1
	219,404	218,909	217,105	1,804
Neighborhood Network				
Personnel services	65,907	66,207	66,102	105
Contractual services	135,800	97,500	81,892	15,608
Materials and supplies	25,500	24,000	15,849	8,151
Maintenance charges	18,350	18,360	18,360	-
	\$ 245,557	\$ 206,067	\$ 182,203	\$ 23,864

Continued

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Inspections				
Personnel services	\$ 1,414,641	\$ 1,446,541	\$ 1,446,255	\$ 286
Contractual services	29,200	29,200	21,404	7,796
Materials and supplies	22,450	22,450	13,207	9,243
Maintenance charges	119,900	119,907	119,991	(84)
	1,586,191	1,618,098	1,600,857	17,241
Property Management				
Personnel services	157,563	72,363	67,811	4,552
Contractual services	252,100	226,150	199,514	26,636
Materials and supplies	21,475	21,475	19,304	2,171
Maintenance charges	289,900	274,900	265,460	9,440
Capital outlay	203,000	96,330	227,002	(130,672)
	924,038	691,218	779,091	(87,873)
Technology				
Contractual services	100,000	132,400	28,097	104,303
Materials and supplies	30,000	110,400	87,130	23,270
Capital outlay	160,000	47,200	-	47,200
	290,000	290,000	115,227	174,773
Other Charges				
Personnel services	1,000,000	312	-	312
Contractual services	82,500	82,500	68,816	13,684
Materials and supplies	300	300	-	300
Other charges	53,000	88,200	53,549	34,651
Other uses	98,500	98,500	89,625	8,875
	1,234,300	269,812	211,990	57,822
Total General Government	\$ 12,524,118	\$ 11,258,947	\$ 10,787,557	\$ 471,390

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Emergency Preparedness				
Personnel services	\$ 120,609	\$ 188,115	\$ 135,928	\$ 52,187
Contractual services	35,100	35,140	23,058	12,082
Materials and supplies	10,800	10,800	9,906	894
Maintenance charges	28,600	29,445	28,977	468
	195,109	263,500	197,869	65,631
Fire Fighting				
Personnel services	272,336	263,836	258,012	5,824
Contractual services	1,081,400	1,091,872	1,010,240	81,632
Materials and supplies	293,500	266,303	212,910	53,393
Maintenance charges	1,470,300	1,467,755	1,454,905	12,850
Capital outlay	100,000	64,470	19,273	45,197
	3,217,536	3,154,236	2,955,340	198,896
Fire Prevention				
Personnel services	698,480	756,980	748,602	8,378
Contractual services	23,700	23,700	18,829	4,871
Materials and supplies	16,500	17,444	16,599	845
Maintenance charges	91,300	93,000	92,937	63
	829,980	891,124	876,967	14,157
Police				
Personnel services	23,527,361	23,985,123	23,667,227	317,896
Contractual services	547,100	685,741	677,554	8,187
Materials and supplies	270,400	279,900	240,212	39,688
Maintenance charges	2,303,600	2,285,997	2,261,082	24,915
	26,648,461	27,236,761	26,846,075	390,686
Total Public Safety	\$ 30,891,086	\$ 31,545,621	\$ 30,876,251	\$ 669,370

Continued

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works				
Public Works Administration				
Personnel services	\$ 169,418	\$ 151,197	\$ 150,927	\$ 270
Contractual services	3,850	3,300	3,097	203
Materials and supplies	950	350	270	80
Maintenance charges	20,200	20,210	20,208	2
	194,418	175,057	174,502	555
Engineering				
Personnel services	1,362,232	1,370,953	1,370,749	204
Contractual services	228,450	117,850	114,583	3,267
Materials and supplies	33,550	35,550	31,966	3,584
Maintenance charges	109,300	109,870	109,815	55
	1,733,532	1,634,223	1,627,113	7,110
Street Lighting and Signals				
Contractual services	1,632,400	1,393,950	1,212,544	181,406
	1,632,400	1,393,950	1,212,544	181,406
Sanitation				
Personnel services	2,395,461	2,375,674	2,366,234	9,440
Contractual services	2,870,575	3,174,267	3,151,611	22,656
Materials and supplies	950,050	932,604	800,590	132,014
Maintenance charges	517,700	492,270	477,293	14,977
	6,733,786	6,974,815	6,795,728	179,087
Street and Bridge				
Personnel services	2,554,784	2,332,941	2,332,367	574
Contractual services	123,150	63,576	60,253	3,323
Materials and supplies	503,125	501,453	441,999	59,454
Maintenance charges	509,800	510,250	510,238	12
	3,690,859	3,408,220	3,344,857	63,363
Traffic and Transportation				
Personnel services	833,366	785,837	783,375	2,462
Contractual services	86,950	100,887	58,465	42,422
Materials and supplies	129,550	105,862	99,811	6,051
Maintenance charges	84,300	84,300	83,631	669
	1,134,166	1,076,886	1,025,282	51,604
Total Public Works	\$ 15,119,161	\$ 14,663,151	\$ 14,180,026	\$ 483,125

EXPENDITURES**Health****Health**

Personnel services	\$ 687,251	\$ 640,151	\$ 636,646	\$ 3,505
Contractual services	635,900	656,850	628,988	27,862
Materials and supplies	10,300	10,300	8,200	2,100
Maintenance charges	70,000	70,800	70,591	209

	1,403,451	1,378,101	1,344,425	33,676
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Animal Rescue and Assistance

Personnel services	675,584	690,284	690,196	88
Contractual services	108,000	109,187	113,170	(3,983)
Materials and supplies	31,800	33,600	29,518	4,082
Maintenance charges	57,000	52,300	51,966	334

	872,384	885,371	884,850	521
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Total Health

	2,275,835	2,263,472	2,229,275	34,197
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Culture and Recreation**Leisure Services Administration**

Personnel services	201,614	201,614	200,585	1,029
Contractual services	8,900	8,120	3,047	5,073
Materials and supplies	2,720	1,720	918	802
Maintenance charges	2,400	2,400	2,400	-

	215,634	213,854	206,950	6,904
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Parks

Personnel services	2,152,340	1,968,064	1,892,040	76,024
Contractual services	658,670	669,090	620,899	48,191
Materials and supplies	177,100	180,494	171,132	9,362
Maintenance charges	378,000	400,900	399,973	927
Capital outlay	58,000	70,065	222,119	(152,054)

	3,424,110	3,288,613	3,306,163	(17,550)
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Recreation

Personnel services	1,592,947	1,499,565	1,304,949	194,616
Contractual services	333,648	299,531	242,047	57,484
Materials and supplies	249,556	276,698	233,434	43,264
Maintenance charges	177,400	178,000	164,973	13,027
Other charges	69,100	72,100	66,391	5,709
Capital outlay	58,000	22,000	13,230	8,770

	\$ 2,480,651	\$ 2,347,894	\$ 2,025,024	\$ 322,870
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Continued

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Culture and Recreation, Continued</u>				
Clean Streets				
Personnel services	\$ 788,639	\$ 780,639	\$ 776,202	\$ 4,437
Contractual services	17,995	18,695	16,525	2,170
Materials and supplies	26,390	26,390	23,491	2,899
Maintenance charges	111,050	111,950	111,925	25
	944,074	937,674	928,143	9,531
Golf Course				
Personnel services	449,367	465,367	462,628	2,739
Contractual services	30,000	52,155	41,095	11,060
Materials and supplies	30,000	84,500	45,373	39,127
Maintenance charges	60,300	63,150	63,198	(48)
	569,667	665,172	612,294	52,878
Multi-Purpose Center				
Personnel services	418,506	381,031	318,781	62,250
Contractual services	39,700	39,700	33,070	6,630
Materials and supplies	22,655	22,655	18,624	4,031
Maintenance charges	68,100	68,800	68,712	88
Other charges	7,207	7,207	5,736	1,471
	556,168	519,393	444,923	74,470
Civic Center				
Personnel services	454,240	585,958	583,271	2,687
Contractual services	154,318	154,318	140,588	13,730
Materials and supplies	2,975	2,975	2,651	324
Maintenance charges	128,000	133,700	129,682	4,018
	739,533	876,951	856,192	20,759
Senior Center - Madison Jobe				
Personnel services	269,699	269,699	256,045	13,654
Contractual services	46,284	43,582	37,658	5,924
Materials and supplies	14,200	19,300	11,708	7,592
Maintenance charges	35,700	37,500	37,456	44
Other charges	14,000	14,000	13,205	795
Capital outlay	23,537	31,537	-	31,537
	\$ 403,420	\$ 415,618	\$ 356,072	\$ 59,546

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Library				
Personnel services	\$ 2,432,283	\$ 2,355,024	\$ 2,328,707	\$ 26,317
Contractual services	301,800	309,780	286,653	23,127
Materials and supplies	135,800	134,757	129,185	5,572
Maintenance charges	213,200	226,450	225,924	526
Capital outlay	277,415	236,963	231,749	5,214
	3,360,498	3,262,974	3,202,218	60,756
Total Culture and Recreation	12,693,755	12,528,143	11,937,979	590,164
TOTAL EXPENDITURES	73,503,955	72,259,334	70,011,088	2,248,246
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,499,055)	(1,287,299)	2,388,243	3,675,542
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Water and sewer system fund	2,400,000	2,400,000	2,400,000	-
Workers' compensation insurance fund	-	(250,000)	(250,000)	-
General liability insurance fund	-	(600,000)	(600,000)	-
Health insurance fund	(600,000)	(1,500,000)	(1,500,000)	-
Various grants fund	-	(70,618)	(69,114)	1,504
Sale of capital assets	10,000	10,000	-	(10,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	1,810,000	(10,618)	(19,114)	(8,496)
NET CHANGE IN FUND BALANCES	(689,055)	(1,297,917)	2,369,129	3,667,046
FUND BALANCE - BEGINNING	12,203,585	12,203,585	12,203,585	-
FUND BALANCE - ENDING	\$ 11,514,530	\$ 10,905,668	\$ 14,572,714	\$ 3,667,046

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MAJOR FUND

DEBT SERVICE FUND

The Debt Service Fund is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds

**CITY OF PASADENA, TEXAS
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes				
Ad valorem taxes	\$ 10,536,000	\$ 10,536,000	\$ 10,733,679	\$ 197,679
Investment income	50,000	50,000	87,750	37,750
TOTAL REVENUES	10,586,000	10,586,000	10,821,429	235,429
EXPENDITURES				
Debt service				
Principal	7,005,000	7,005,000	7,005,000	-
Interest	5,247,400	5,247,400	3,801,229	1,446,171
Fiscal charges	4,000	4,000	4,771	(771)
TOTAL EXPENDITURES	12,256,400	12,256,400	10,811,000	1,445,400
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,670,400)	(1,670,400)	10,429	1,680,829
OTHER FINANCING SOURCES				
Transfers in - water and sewer system fund	1,371,400	1,371,400	606	1,370,794
TOTAL OTHER FINANCING SOURCES	1,371,400	1,371,400	606	1,370,794
NET CHANGE IN FUND BALANCE	(299,000)	(299,000)	11,035	3,051,623
FUND BALANCES - BEGINNING	1,009,129	1,009,129	1,009,129	-
FUND BALANCES - ENDING	\$ 710,129	\$ 710,129	\$ 1,020,164	\$ 3,051,623

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NONMAJOR FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Special Charge Allocation Fund – Established to account for the following: City's portion of child safety fees collected by the Harris County Tax Assessor, from auto license registrations and to be used for programs designed to enhance child safety, health, or nutrition, including child abuse, drug and alcohol abuse, prevention and intervention.

Security fees collected from the defendant convicted of a misdemeanor offense to be used for providing security services, such as the purchase of x-ray machines and conveying systems, walk-through metal detectors, and miscellaneous items for the municipal court building.

City's share of Law Enforcement Officer Standards and Education (LEOSE) fee collected by the State of Texas to be used for law enforcement education and training purposes.

Ten percent of "time payment fee" collected from a convicted defendant who seeks to pay a fine, court cost, or restitution over a period of time rather than immediately to be used to improve the efficiency of the administration of justice in the City.

Technology fees collected as part of the municipal court fine to be used to finance technological enhancements including computer systems, networks, hardware and software, imaging systems, electronic kiosks and ticket writers, and docket management systems.

Sign removal fee collected from sign permit applicants and licensed sign companies to be used for the removal of illegal signs.

State Forfeited Property Fund – Established to account for the City's share of cash and proceeds realized from the sale of forfeited property resulting from cases aided by the City's law enforcement and prosecuted through the Harris County District Attorney's Office. This fund is designated for law enforcement purposes.

Hotel and Motel Tax Fund – Established to account for the hotel and motel tax revenues that are restricted for the use of the enhancement and promotion of tourism, the convention and hotel industry of the City and its vicinity.

Abandoned Motor Vehicles and Property Fund – Established to account for auction proceeds of abandoned vehicles and property. Funds are designated to be used for law enforcement purposes.

**CITY OF PASADENA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2006**

	Special Revenue				Totals
	Special Charge Allocation Fund	State Forfeited Property	Hotel and Motel Tax	Abandoned Motor Vehicles and Property	
<u>ASSETS</u>					
Due from other funds	\$ 17,213	\$ -	\$ -	\$ -	\$ 17,213
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,823,717	426,266	796,369	406,744	3,453,096
Receivables (net of allowances of uncollectibles)					
Intergovernmental	12,731	-	-	-	12,731
Other	-	-	80,893	-	80,893
TOTAL ASSETS	<u>\$ 1,853,661</u>	<u>\$ 479,233</u>	<u>\$ 877,262</u>	<u>\$ 406,744</u>	<u>\$ 3,616,900</u>
<u>LIABILITIES</u>					
Due to other funds	\$ 610	\$ 73,690	\$ 4,387	\$ 1,763	\$ 80,450
Liabilities payable from restricted assets					
Accounts payable	43,007	554	18,055	7,555	69,171
Accrued payroll liabilities	6,665	-	-	-	6,665
	<u>49,672</u>	<u>554</u>	<u>18,055</u>	<u>7,555</u>	<u>75,836</u>
TOTAL LIABILITIES	<u>50,282</u>	<u>74,244</u>	<u>22,442</u>	<u>9,318</u>	<u>156,286</u>
<u>FUND BALANCES</u>					
Designated for encumbrances	16,100	-	88,065	14,895	119,060
Unreserved, undesignated	1,787,279	404,989	766,755	382,531	3,341,554
TOTAL FUND BALANCES	<u>1,803,379</u>	<u>404,989</u>	<u>854,820</u>	<u>397,426</u>	<u>3,460,614</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,853,661</u>	<u>\$ 479,233</u>	<u>\$ 877,262</u>	<u>\$ 406,744</u>	<u>\$ 3,616,900</u>

**CITY OF PASADENA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Special Revenue</u>				<u>Total</u>
	<u>Special Charge Allocation Fund</u>	<u>State Forfeited Property</u>	<u>Hotel and Motel Tax</u>	<u>Abandoned Motor Vehicles and Property</u>	
REVENUES					
Business taxes					
Other taxes					
Hotel and motel taxes	\$ -	\$ -	\$ 371,505	\$ -	\$ 371,505
Licenses and permits	4,000	-	-	-	4,000
Municipal court fines	377,498	-	-	-	377,498
Intergovernmental	264,224	105,719	8,257	-	378,200
Miscellaneous	9,983	-	-	236,732	246,715
Investment income	81,484	14,886	33,564	17,525	147,459
TOTAL REVENUES	<u>737,189</u>	<u>120,605</u>	<u>413,326</u>	<u>254,257</u>	<u>1,525,377</u>
EXPENDITURES					
Current					
General government					
Personnel services	152,361	-	-	-	152,361
Contractual services	112,685	-	-	-	112,685
Materials and supplies	26,843	-	-	-	26,843
Maintenance charges	85,296	-	-	-	85,296
Capital Outlay	45,933	-	-	-	45,933
Public safety					
Personnel services	90,431	-	-	-	90,431
Contractual services	64,614	21,599	-	90,045	176,258
Materials and supplies	5,577	4,155	-	62,784	72,516
Other charges	-	-	-	4,563	4,563
Culture and recreation					
Contractual services	-	-	66,860	-	66,860
Materials and supplies	-	-	52,085	-	52,085
Other charges	-	-	34,070	-	34,070
Capital Outlay	-	-	107,079	-	107,079
TOTAL EXPENDITURES	<u>583,740</u>	<u>25,754</u>	<u>260,094</u>	<u>157,392</u>	<u>1,026,980</u>
EXCESS OF REVENUES OVER EXPENDITURES	153,449	94,851	153,232	96,865	498,397
FUND BALANCES - BEGINNING	<u>1,649,930</u>	<u>310,138</u>	<u>701,588</u>	<u>300,561</u>	<u>2,962,217</u>
FUND BALANCES - ENDING	<u>\$ 1,803,379</u>	<u>\$ 404,989</u>	<u>\$ 854,820</u>	<u>\$ 397,426</u>	<u>\$ 3,460,614</u>

CITY OF PASADENA, TEXAS
SPECIAL CHARGE ALLOCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Licenses and permits	\$ 4,000	\$ 4,000	\$ 4,000	\$ -
Municipal court fines	348,100	348,100	377,498	29,398
Intergovernmental	212,700	225,175	264,224	39,049
Miscellaneous	-	-	9,983	9,983
Investment income	38,200	38,200	81,484	43,284
TOTAL REVENUES	603,000	615,475	737,189	121,714
EXPENDITURES				
Current				
General government				
Personnel services	144,383	165,573	152,361	13,212
Contractual services	89,500	162,841	112,685	50,156
Materials and supplies	128,500	121,900	26,843	95,057
Maintenance charges	85,300	85,300	85,296	4
Other charges	3,000	3,000	-	3,000
Capital outlay	55,000	65,788	45,933	19,855
Public safety				
Personnel services	103,100	127,275	90,431	36,844
Contractual services	107,400	95,700	64,614	31,086
Materials and supplies	6,900	6,900	5,577	1,323
Other charges	-	200	-	200
TOTAL EXPENDITURES	723,083	834,477	583,740	250,737
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(120,083)	(219,002)	153,449	372,451
FUND BALANCE - BEGINNING	1,649,930	1,649,930	1,649,930	-
FUND BALANCE - ENDING	\$ 1,529,847	\$ 1,430,928	\$ 1,803,379	\$ 372,451

**CITY OF PASADENA, TEXAS
STATE FORFEITED PROPERTY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 140,000	\$ 140,000	\$ 105,719	\$ (34,281)
Investment income	5,600	5,600	14,886	9,286
TOTAL REVENUES	<u>145,600</u>	<u>145,600</u>	<u>120,605</u>	<u>(24,995)</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	42,000	42,000	21,599	20,401
Materials and supplies	20,000	20,000	4,155	15,845
Capital outlay	-	83,600	-	83,600
TOTAL EXPENDITURES	<u>62,000</u>	<u>145,600</u>	<u>25,754</u>	<u>119,846</u>
EXCESS OF REVENUES OVER EXPENDITURES	83,600	-	94,851	94,851
FUND BALANCE - BEGINNING	<u>310,138</u>	<u>310,138</u>	<u>310,138</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 393,738</u>	<u>\$ 310,138</u>	<u>\$ 404,989</u>	<u>\$ 94,851</u>

**CITY OF PASADENA, TEXAS
HOTEL AND MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Business taxes	\$ 205,000	\$ 205,000	\$ 371,505	\$ 166,505
Intergovernmental	8,300	8,300	8,257	(43)
Investment income	16,000	16,000	33,564	17,564
TOTAL REVENUES	<u>229,300</u>	<u>229,300</u>	<u>413,326</u>	<u>184,026</u>
EXPENDITURES				
Current				
Culture and recreation				
Contractual services	120,000	125,125	66,860	58,265
Materials and supplies	72,000	67,000	52,085	14,915
Other charges	53,500	53,500	34,070	19,430
Capital outlay	-	158,010	107,079	50,931
TOTAL EXPENDITURES	<u>245,500</u>	<u>403,635</u>	<u>260,094</u>	<u>143,541</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,200)	(174,335)	153,232	327,567
FUND BALANCE - BEGINNING	<u>701,588</u>	<u>701,588</u>	<u>701,588</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 685,388</u>	<u>\$ 527,253</u>	<u>\$ 854,820</u>	<u>\$ 327,567</u>

CITY OF PASADENA, TEXAS
ABANDONED MOTOR VEHICLE AND PROPERTY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 160,000	\$ 388,635	\$ 236,732	\$ (151,903)
Investment income	6,000	6,000	17,525	11,525
TOTAL REVENUES	<u>166,000</u>	<u>394,635</u>	<u>254,257</u>	<u>(140,378)</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	91,900	93,900	90,045	3,855
Materials and supplies	45,000	98,000	62,784	35,216
Other charges	10,000	29,100	4,563	24,537
TOTAL EXPENDITURES	<u>146,900</u>	<u>221,000</u>	<u>157,392</u>	<u>63,608</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	19,100	173,635	96,865	(76,770)
FUND BALANCE - BEGINNING	<u>300,561</u>	<u>300,561</u>	<u>300,561</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 319,661</u>	<u>\$ 474,196</u>	<u>\$ 397,426</u>	<u>\$ (76,770)</u>

INTERNAL SERVICE FUNDS

Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City on a cost-reimbursement basis.

Maintenance Fund – This fund is used to account for the activities of telecommunication, warehouse, electrical, data processing, fleet, building and equipment repairs, maintenance, janitorial and mail room.

Workers' Compensation Insurance Fund – This fund is used to account for the worker's compensation insurance premiums charged to other funds and claims paid.

General Liability Insurance Fund – This fund is used to account for the general liability insurance premiums charged to other funds, insurance premiums and claims paid.

Health Insurance Fund – This fund is used to account for the self-insured health and the fully insured dental plan and premiums charged to other funds and claims paid.

CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2006

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
ASSETS					
Current Assets					
Investments - Texpool	\$ 7,871,097	\$ 638,273	\$ 1,269,053	\$ 8,086,625	\$ 17,865,048
Due from other funds					
General	26,210	199,143	-	-	225,353
Grant management	1,051	3,168	-	-	4,219
Special revenue	27	611	-	-	638
Maintenance	-	17,021	-	-	17,021
General liability insurance	82,812	-	-	-	82,812
Health insurance	-	22	-	-	22
Water and sewer system	1,813	19,277	-	-	21,090
Due from component unit	-	7,546	-	-	7,546
Inventory, at cost	375,910	-	-	-	375,910
Total Current Assets	8,358,920	885,061	1,269,053	8,086,625	18,599,659
Noncurrent Assets					
Deposits	-	50,000	-	-	50,000
Capital Assets					
Land	602	-	-	-	602
Buildings and building improvements	2,086,911	-	-	-	2,086,911
Accumulated depreciation - buildings and building improvements	(1,632,509)	-	-	-	(1,632,509)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(37,210)	-	-	-	(37,210)
Machinery and equipment	4,452,585	-	-	-	4,452,585
Accumulated depreciation - machinery and equipment	(3,814,632)	-	-	-	(3,814,632)
Infrastructure	9,882	-	-	-	9,882
Accumulated depreciation - infrastructure	(5,501)	-	-	-	(5,501)
Automotive equipment	29,946,361	-	-	-	29,946,361
Accumulated depreciation - automotive equipment	(22,873,384)	-	-	-	(22,873,384)
Net Capital Assets	8,308,859	-	-	-	8,308,859
Total Noncurrent Assets	8,308,859	50,000	-	-	8,358,859
TOTAL ASSETS	16,667,779	935,061	1,269,053	8,086,625	26,958,518
LIABILITIES					
Current Liabilities					
Accounts payable	317,725	16,778	-	-	334,503
Accrued payroll payable	144,153	-	-	5,135	149,288
Due to other funds					
General	-	-	-	11,581	11,581
Maintenance	-	-	82,812	-	82,812
Workers' compensation insurance	17,021	-	-	22	17,043
Claims payable	-	406,907	584,427	1,613,205	2,604,539
Compensated absences payable	111,635	-	-	-	111,635
Total Current Liabilities	590,534	423,685	667,239	1,629,943	3,311,401
Noncurrent Liabilities					
Claims payable	-	271,272	389,618	1,075,471	1,736,361
Compensated absences payable	1,004,712	-	-	-	1,004,712
Total Noncurrent Liabilities	1,004,712	271,272	389,618	1,075,471	2,741,073
TOTAL LIABILITIES	1,595,246	694,957	1,056,857	2,705,414	6,052,474
NET ASSETS					
Invested in capital assets, net of related debt	8,308,859	-	-	-	8,308,859
Unrestricted	6,763,674	240,104	212,196	5,381,211	12,597,185
TOTAL NET ASSETS	\$ 15,072,533	\$ 240,104	\$ 212,196	\$ 5,381,211	\$ 20,906,044

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**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
OPERATING REVENUES					
Charges for sales and services	\$ 11,358,867	\$ 971,232	\$ 227,962	\$ 12,895,062	\$ 25,453,123
OPERATING EXPENSES					
Personnel services	4,621,517	16,504	-	-	4,638,021
Contractual services	1,020,912	20,614	-	44,038	1,085,564
Material and supplies	3,612,130	352	-	-	3,612,482
Maintenance charges	819,014	-	-	-	819,014
Insurance/reinsurance premiums	-	542,498	810,075	1,263,477	2,616,050
Claim and legal expenses	-	244,810	332,237	8,965,416	9,542,463
Administration fees	-	14,400	-	382,288	396,688
Miscellaneous	-	1,834	-	13,770	15,604
Depreciation	2,784,176	-	-	-	2,784,176
TOTAL OPERATING EXPENSES	12,857,749	841,012	1,142,312	10,668,989	25,510,062
OPERATING INCOME (LOSS)	(1,498,882)	130,220	(914,350)	2,226,073	(56,939)
NONOPERATING REVENUES (EXPENSES)					
(Loss) on sale of capital assets	(9,542)	-	-	-	(9,542)
Investment income	403,451	13,574	62,412	248,076	727,513
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,104,973)	143,794	(851,938)	2,474,149	661,032
CONTRIBUTIONS	20,783	-	-	-	20,783
TRANSFERS IN	-	250,000	850,000	1,500,000	2,600,000
TRANSFERS OUT	(114,400)	-	-	-	(114,400)
CHANGES IN NET ASSETS	(1,198,590)	393,794	(1,938)	3,974,149	3,167,415
TOTAL NET ASSETS - BEGINNING	16,271,123	(153,690)	214,134	1,407,062	17,738,629
TOTAL NET ASSETS - ENDING	\$ 15,072,533	\$ 240,104	\$ 212,196	\$ 5,381,211	\$ 20,906,044

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2006**

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from users	\$ 11,407,931	\$ 736,986	\$ 227,962	\$ 12,927,504	\$ 25,300,383
Cash payments to suppliers for goods and services	(5,387,163)	-	-	-	(5,387,163)
Cash payments to employees for services	(4,583,955)	(16,504)	-	-	(4,600,459)
Cash payments for insurance premiums, liability claims and administration	-	(848,742)	(1,084,473)	(11,065,697)	(12,998,912)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	1,436,813	(128,260)	(856,511)	1,861,807	2,313,849
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers from other funds					
General	-	250,000	600,000	1,500,000	2,350,000
Water and sewer system	-	-	250,000	-	250,000
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	-	250,000	850,000	1,500,000	2,600,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from sale of capital assets	83,414	-	-	-	83,414
Acquisition and construction of capital assets	(2,224,346)	-	-	-	(2,224,346)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(2,140,932)	-	-	-	(2,140,932)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of investments	(4,171,888)	(768,235)	(822,474)	(14,477,146)	(20,239,743)
Proceeds from sale and maturities of investments	4,472,556	632,921	766,573	10,867,260	16,739,310
Investment income received	403,451	13,574	62,412	248,079	727,516
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	704,119	(121,740)	6,511	(3,361,807)	(2,772,917)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	-	-	-	-	-
CASH AND CASH EQUIVALENTS - BEGINNING	-	-	-	-	-
CASH AND CASH EQUIVALENTS - ENDING	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	<u>\$ (1,498,882)</u>	<u>\$ 130,220</u>	<u>\$ (914,350)</u>	<u>\$ 2,226,073</u>	<u>\$ (56,939)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	2,784,176	-	-	-	2,784,176
Changes in assets and liabilities					
Decrease in accounts receivable	-	-	-	32,442	32,442
(Increase) decrease in due from other funds	49,064	(226,652)	-	-	(177,588)
(Increase) in due from component unit	-	(7,546)	-	-	(7,546)
Decrease in inventory	94,079	-	-	-	94,079
Decrease in deposits	-	25,000	-	-	25,000
Increase (decrease) in accounts and claims payable	(46,207)	(49,234)	88,915	(366,417)	(372,943)
Increase in accrued payroll payable	54,920	-	-	3,930	58,850
(Decrease) in compensated absences payable	(17,358)	-	-	-	(17,358)
Increase (decrease) in due to other funds	17,021	(48)	(31,076)	(34,221)	(48,324)
Total Adjustments	<u>2,935,695</u>	<u>(258,480)</u>	<u>57,839</u>	<u>(364,266)</u>	<u>2,370,788</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,436,813</u>	<u>\$ (128,260)</u>	<u>\$ (856,511)</u>	<u>\$ 1,861,807</u>	<u>\$ 2,313,849</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contribution of capital assets from the government	\$ 20,783	\$ -	\$ -	\$ -	\$ 20,783

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STATISTICAL SECTION

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

Contents	Page
Financial Trends	105-110
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	
Revenue Capacity	111-114
These schedules contain trend information to help the reader assess the government's most significant local revenue source, the property tax.	
Debt Capacity	115-119
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.	
Demographic and Economic Information	120-121
These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	
Operating Information	122-124
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.	

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

CITY OF PASADENA, TEXAS
NET ASSETS BY COMPONENT
Last Four Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 378,334,323	\$ 387,778,628	\$ 370,470,916	\$ 403,423,071
Restricted	16,176,151	18,624,939	22,888,815	30,518,322
Unrestricted	14,901,279	9,571,244	3,579,793	8,499,647
Total governmental activities net assets	<u>\$ 409,411,753</u>	<u>\$ 415,974,811</u>	<u>\$ 396,939,524</u>	<u>\$ 442,441,040</u>
Business-type activities				
Invested in capital assets, net of related debt	\$ 156,229,230	\$ 154,149,232	\$ 184,638,432	\$ 154,352,867
Restricted	1,561,254	1,634,435	483,859	1,272,277
Unrestricted (deficit)	2,957,742	(681,964)	(1,229,867)	2,476,658
Total business-type activities net assets	<u>\$ 160,748,226</u>	<u>\$ 155,101,703</u>	<u>\$ 183,892,424</u>	<u>\$ 158,101,802</u>
Primary government				
Invested in capital assets, net of related debt	\$ 534,563,553	\$ 541,927,860	\$ 555,109,348	\$ 557,775,938
Restricted	17,737,405	20,259,374	23,372,674	31,790,599
Unrestricted	17,859,021	8,889,280	2,349,926	10,976,305
Total primary government net assets	<u>\$ 570,159,979</u>	<u>\$ 571,076,514</u>	<u>\$ 580,831,948</u>	<u>\$ 600,542,842</u>

(1) The requirement for statistical data is ten years; only four fiscal years are available at this time.

CITY OF PASADENA, TEXAS
CHANGES IN NET ASSETS
Last Four Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 12,990,439	\$ 12,499,970	\$ 14,760,376	\$ 11,794,857
Public safety	34,547,829	35,031,295	35,897,408	34,079,956
Public works	24,354,816	21,881,082	19,516,410	19,980,978
Health	2,237,933	2,300,482	2,481,836	2,288,445
Culture and recreation	12,584,629	12,277,865	12,676,655	12,772,815
Housing and community development	7,495,941	7,989,705	8,433,494	8,855,334
Interest and fiscal agent fees on long-term debt	3,332,080	2,578,646	4,252,445	4,231,769
Total governmental activities expenses	<u>97,543,667</u>	<u>94,559,045</u>	<u>98,018,624</u>	<u>94,004,154</u>
Business-type activities				
Water and sewer	31,368,154	30,641,552	29,491,431	28,732,758
Total business-type activities expenses	<u>31,368,154</u>	<u>30,641,552</u>	<u>29,491,431</u>	<u>28,732,758</u>
Total primary government expenses	<u>\$ 128,911,821</u>	<u>\$ 125,200,597</u>	<u>\$ 127,510,055</u>	<u>\$ 122,736,912</u>
Program Revenues				
Governmental activities:				
Charges for service				
General government	\$ 6,565,663	\$ 7,134,722	\$ 7,348,053	\$ 8,704,860
Public safety	6,506,737	6,106,518	6,312,465	6,936,436
Other activities	3,587,805	3,629,777	3,794,530	4,586,379
Operating grants and contributions	9,455,830	9,555,552	10,377,127	11,133,838
Capital grants and contributions	5,091,202	4,984,476	9,913,507	2,266,320
Total governmental activities program revenues	<u>31,207,237</u>	<u>31,411,045</u>	<u>37,745,682</u>	<u>33,627,833</u>
Business-type activities:				
Charges for services:				
Water and sewer	26,266,529	25,175,410	26,261,124	31,279,537
Capital grants and contributions	3,148,391	-	1,315,972	-
Total business-type activities program revenues	<u>29,414,920</u>	<u>25,175,410</u>	<u>27,577,096</u>	<u>31,279,537</u>
Total primary government program revenues	<u>\$ 60,622,157</u>	<u>\$ 56,586,455</u>	<u>\$ 65,322,778</u>	<u>\$ 64,907,370</u>
Net (Expense)/Revenue				
Governmental activities	\$ (66,336,430)	\$ (63,148,000)	\$ (60,272,942)	\$ (60,376,321)
Business-type activities	(1,953,234)	(5,466,142)	(1,914,335)	2,546,779
Total primary government net expense	<u>\$ (68,289,664)</u>	<u>\$ (68,614,142)</u>	<u>\$ (62,187,277)</u>	<u>\$ (57,829,542)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
General property taxes	\$ 23,147,891	\$ 24,889,552	\$ 26,630,894	\$ 27,210,647
Industrial district fees	15,516,488	15,175,399	15,064,575	14,971,745
Sales taxes	18,325,403	20,308,039	18,771,552	20,576,013
Utility taxes	7,712,646	6,938,968	7,132,803	7,148,517
Other taxes	477,992	528,727	478,159	579,428
Investment earnings				
Unrestricted	353,699	457,598	898,174	1,765,482
Restricted	874,893	607,827	1,656,818	3,201,891
Gain on sale of capital assets	820,959	58,456	-	-
Transfers	1,306,868	746,492	(29,395,320)	30,424,114
Total governmental activities	<u>68,536,839</u>	<u>69,711,058</u>	<u>41,237,655</u>	<u>105,877,837</u>
Business-type activities:				
Investment earnings				
Unrestricted	155,200	96,440	24,737	74,873
Restricted	546,194	469,671	1,284,999	2,011,840
Transfers	(1,306,868)	(746,492)	29,395,320	(30,424,114)
Total business-type activities	<u>(605,474)</u>	<u>(180,381)</u>	<u>30,705,056</u>	<u>(28,337,401)</u>
Total primary government	<u>\$ 67,931,365</u>	<u>\$ 69,530,677</u>	<u>\$ 71,942,711</u>	<u>\$ 77,540,436</u>
Change in Net Assets				
Governmental activities	\$ 2,200,409	\$ 6,563,058	\$ (19,035,287)	\$ 45,501,516
Business-type activities	(2,558,708)	(5,646,523)	28,790,721	(25,790,622)
Total primary government	<u>\$ (358,299)</u>	<u>\$ 916,535</u>	<u>\$ 9,755,434</u>	<u>\$ 19,710,894</u>

(1) The requirement for statistical data is ten years; only four fiscal years are available at this time.

CITY OF PASADENA, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
Last Four Fiscal Years (1)
(accrual basis of accounting)

<u>Source</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General property taxes	\$ 23,147,891	\$ 24,889,552	\$ 26,630,894	\$ 27,210,647
Industrial district fees	15,516,488	15,175,399	15,064,575	14,971,745
Sales taxes	18,325,403	20,308,039	18,771,552	20,576,013 (2)
Utility taxes	7,712,646	6,938,968	7,132,803	7,148,517
Other taxes	477,992	528,727	478,159	579,428
	<u>\$ 65,180,420</u>	<u>\$ 67,840,685</u>	<u>\$ 68,077,983</u>	<u>\$ 70,486,350</u>

(1) The requirement for statistical data is ten years; only four fiscal years are available at this time.

(2) The sales tax is recuded by \$957,031. This represents collections overpaid to the City by the State Controller's office.

CITY OF PASADENA, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Four Fiscal Years (1)
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Unreserved, designated for:				
Encumbrances	\$ 523,489	\$ 385,344	\$ 69,987	\$ 601,074
Capital and technology improvements	-	788,251 (2)	569,031	350,876
Recall, election, and charter revisions	-	15,000 (2)	15,000	15,000
Unreserved	15,995,503	13,649,372	11,549,567	13,605,764
Total general fund	<u>\$ 16,518,992</u>	<u>\$ 14,837,967</u>	<u>\$ 12,203,585</u>	<u>\$ 14,572,714</u>
All Other Governmental Funds				
Reserved	\$ 854,090	\$ 1,150,518	\$ 1,009,129	\$ 1,020,164
Unreserved, designated for:				
Encumbrances	217,460	284,532	94,104	233,114
Unreserved, reported in:				
Pasadena Second Century Corp fund	-	13,661,448 (2)	19,792,426	16,304,452
Capital project fund	36,422,758	28,809,896	49,254,465	44,028,810
Grant management fund	2,742,695	2,411,987	2,179,870	3,125,198
Special revenue funds	3,084,330	2,798,734	2,962,092	3,341,554
Total all other governmental funds	<u>\$ 43,321,333</u>	<u>\$ 49,117,115</u>	<u>\$ 75,292,086</u>	<u>\$ 68,053,292</u>

(1) The requirement for statistical data is ten years; only four fiscal years are available at this time.

(2) First year amounts reported in these items.

CITY OF PASADENA, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Four Fiscal Years (1)
(modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 65,001,344	\$ 69,644,124	\$ 68,147,386	\$ 71,417,369
Licenses and permits	1,925,525	2,023,198	1,987,726	2,325,452
Municipal court fines	5,522,614	5,314,119	5,475,669	5,843,318
Charges for services	7,203,857	7,270,872	7,592,005	9,071,205
Intergovernmental	12,775,333	13,814,294	13,179,191	13,182,141
Investment earnings	986,450	857,257	2,153,484	4,239,860
Miscellaneous	610,486	700,514	1,060,031	1,454,507
Total revenues	94,025,609	99,624,378	99,595,492	107,533,852
Expenditures				
General government	11,536,552	10,816,187	11,377,181	11,541,363
Public Safety	31,559,299	34,596,834	34,095,458	32,789,587
Public works	15,980,154	15,104,816	14,264,010	14,368,742
Health	1,998,562	2,132,286	2,247,029	2,229,275
Culture and recreation	11,421,975	11,365,582	11,734,161	13,155,164
Housing and community development	9,261,335	10,620,479	10,350,263	9,240,567
Capital outlay	22,562,217	17,800,469	18,226,315	17,498,647
Debt service				
Principal	8,570,000	9,000,000	8,085,000	7,665,000
Interest	3,058,548	2,571,574	3,446,897	3,961,007
Other charges	127,333	567,609	1,112,801	4,771
Total expenditures	116,075,975	114,575,836	114,939,115	112,454,123
(Deficiency) of revenues (under) expenditures	(22,050,366)	(14,951,458)	(15,343,623)	(4,920,271)
Other Financing Sources (Uses)				
Refunding bonds issued	-	18,640,000	29,570,000	-
Payment to refunded bond escrow agent	-	(19,433,731)	(31,465,435)	-
Bonds issued	16,350,000	17,500,000	37,580,000	-
Premiums on bonds issued	1,046	1,259,946	3,254,647	-
Transfers in	1,193,932	4,582,177	3,623,734	10,015,507
Transfers out	(687,064)	(3,482,177)	(3,688,734)	(9,964,901)
Sale of capital assets	1,289,486	-	10,000	-
Total other financing sources (uses)	18,147,400	19,066,215	38,884,212	50,606
Net change in fund balances	\$ (3,902,966)	\$ 4,114,757	\$ 23,540,589	\$ (4,869,665)
Debt service as a percentage of noncapital expenditures	13.04%	13.30%	13.67%	12.59%

(1) The requirement for statistical data is ten years; only four fiscal years are available at this time.

CITY OF PASADENA, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
Last Four Fiscal Years (1)
(modified accrual basis of accounting)

<u>Source</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
General property taxes	\$ 23,065,814	\$ 25,099,303	\$ 26,639,546	\$ 27,184,635
Industrial district fees	15,329,998	15,175,399	15,064,576	14,971,745
Sales taxes	18,325,403	20,308,039	18,771,552	21,533,044
Utility taxes	7,777,466	8,528,068	7,181,942	7,148,517
Other taxes	502,663	533,315	489,770	579,428
	<u>\$ 65,001,344</u>	<u>\$ 69,644,124</u>	<u>\$ 68,147,386</u>	<u>\$ 71,417,369</u>

(1) The requirement for statistical data is ten years; only four fiscal years are available at this time.

CITY OF PASADENA, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (2)
Last Nine Fiscal Years (1)

Assessed Value of Taxable Property	Fiscal Year Ended September 30,									1998 Tax Year	
	2006	2005	2004	2003	2002	2001	2000	1999	1998		
Real Property											
Real Residential	\$ 3,610,874,137	\$ 3,440,020,230	\$ 3,266,300,400	\$ 3,020,674,720	\$ 2,795,295,314	\$ 2,487,071,955	\$ 2,244,033,222	\$ 2,083,934,824	\$ 1,926,333,528		
Real Commercial	869,515,809	810,536,290	788,524,850	783,413,430	742,959,700	668,640,790	618,811,650	558,756,330	534,045,070		
Real Industrial	118,187,838	123,296,580	127,572,470	148,983,490	167,075,240	101,709,310	91,088,900	89,033,960	89,094,440		
Real Agriculture	634,834	930,250	219,820	1,164,750	1,446,380	1,195,670	809,170	815,300	1,518,320		
Real Vacant	73,973,512	66,377,580	68,388,720	223,850	125,470	67,220,490	60,806,650	57,828,940	56,644,940		
Real Acreage Undeveloped	50,408,184	51,182,580	54,660,110	50,581,620	53,123,640	54,821,910	48,992,820	49,358,740	53,848,610		
Total Real Property	4,723,594,314	4,492,343,510	4,305,666,370	4,005,041,860	3,760,025,744	3,380,660,125	3,064,552,412	2,839,728,094	2,661,484,908		
Less: Exemptions	(765,632,990)	(741,233,200)	(718,866,840)	(675,272,370)	(635,160,980)	(585,940,770)	(530,756,910)	(286,889,030)	(281,287,760)		
Net Total Real Property	3,957,961,324	3,751,110,310	3,586,799,530	3,329,769,490	3,124,864,764	2,794,719,355	2,533,795,502	2,552,839,064	2,380,197,148		
Other Property											
Oil Gas and Mineral Reserves	1,603,070	1,546,720	3,468,740	2,989,570	4,273,360	2,823,660	2,944,490	20,385,800	29,837,320		
Real and Tangible Personal - Utility	252,591	464,650	513,290	522,490	482,080	10,630	473,620	471,840	471,840		
Gas Companies	8,022,960	8,118,090	8,255,430	8,215,010	8,171,670	8,099,210	8,090,720	8,061,350	7,722,750		
Electric Companies	61,266,427	61,042,420	59,291,710	55,211,110	53,815,990	50,937,690	45,690,140	47,193,300	48,792,820		
Telephone Companies	23,452,876	23,967,470	22,996,210	30,924,600	28,223,330	29,886,370	34,988,100	37,979,320	39,848,250		
Railroad	308,280	310,450	262,600	227,060	191,960	177,960	118,520	146,950	170,060		
Pipelines	27,800,375	25,554,840	24,829,790	24,646,050	24,761,010	25,360,930	25,485,780	24,659,590	23,583,610		
Inventory	5,554,061										
Major Cable TV Systems	5,063,930	5,135,200	12,036,930	12,052,890	10,703,550	8,941,790	6,271,090	4,824,010	4,727,060		
Tangible Personal Commercial	468,136,790	446,662,770	435,964,970	424,731,170	411,480,130	379,196,750	347,492,600	339,390,970	322,793,790		
Tangible Personal Industrial	407,988,270	302,988,360	285,370,390	211,614,770	134,520,780	157,443,170	121,127,060	138,814,580	138,814,580		
Tangible Personal Other - Mobile Homes	18,363,900	18,725,010	18,001,500	19,262,240	19,860,610	19,646,900	17,544,030	12,864,350	12,491,520		
Residential Inventory - Vacant		8,765,750	4,153,050	8,449,970	10,930,910	4,128,910	1,570,910	1,889,260	2,725,630		
Governmental Exemption	312,682,653	665,870	5,715,590	53,260	1,903,050	158,840	475,170	2,923,830	437,380		
Charitable Exemption	27,158,235	14,700	485,900	182,790	83,100	-	1,305,500	51,260	51,260		
Religious Exemption	101,908,422	681,920	4,962,650	3,265,120	308,550	940,350	3,614,770	2,206,400	2,127,120		
Private School Exempt	17,011,007										
Miscellaneous Exempt	387,520										
Agricultural			17,588,310								
Low-Moderate Income Housing			104,400								
Unknown		139,750						2,720,410			
Total Other Property	1,476,981,113	904,783,970	903,941,460	820,560,220	729,269,380	707,995,560	617,192,500	629,306,530	634,594,990		
Less: Exemptions	(669,872,733)	(127,855,460)	(144,102,394)	(107,797,050)	(65,411,040)	(60,216,650)	(37,824,000)	(58,675,250)	(65,158,650)		
Net Total Other Property	807,108,380	776,928,510	759,839,066	712,763,170	663,858,340	647,778,910	579,368,500	570,631,280	569,436,340		
Total Property	6,200,575,427	5,397,127,480	5,209,607,830	4,825,602,080	4,489,295,124	4,088,655,685	3,681,744,912	3,469,034,624	3,296,079,898		
Less: Total Exemptions	(1,435,505,723)	(869,088,660)	(862,969,234)	(783,069,420)	(700,572,020)	(646,157,420)	(568,580,910)	(345,564,280)	(346,446,410)		
Total Assessed Value of Taxable Property	\$ 4,765,069,704	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344	\$ 2,949,633,488		
Total Actual Value of Taxable Property	\$ 4,765,069,704	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344	\$ 2,949,633,488		
Total Direct Tax Rate Per \$ 100	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.579	\$ 0.643	\$ 0.645		

Source: Harris County Appraisal District Certified Tax Roll

(1) The requirement for statistical data is ten years; only nine fiscal years are available at this time.
(2) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

**CITY OF PASADENA, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS**
Last Ten Fiscal Years
(Per \$100 of assessed value)

Fiscal Year Ended September 30,	City Direct Rates										Overlapping Rates (1)					Total Direct and Overlapping Rates
	Tax Year	General Fund	Debt Service Fund	Total Direct	Clear Lake City Water Authority	Clear Creek ISD	Deer Park ISD	La Porte ISD	Pasadena ISD	Harris County (2)	Harris County Department of Education	Jacinto College District	San Jacinto College District			
1997	1996	\$ 0.3053	\$ 0.3397	\$ 0.6450	\$ 0.3300	\$ 1.63000	\$ 1.5300	\$ 1.5600	\$ 1.4800	\$ 0.6417	\$ 0.0056	\$ 0.1100	\$ 0.1100	\$ 7.9323		
1998	1997	0.3408	0.3042	0.6450	0.3300	1.51500	1.5600	1.6100	1.5210	0.6417	0.0061	0.1100	0.1100	7.9388		
1999	1998	0.3650	0.2780	0.6430	0.3300	1.64200	1.5800	1.6100	1.5500	0.6417	0.0063	0.1100	0.1100	8.1130		
2000	1999	0.3110	0.2680	0.5790	0.3300	1.64150	1.6700	1.6500	1.5200	0.6417	0.0063	0.1100	0.1100	8.1485		
2001	2000	0.3088	0.2582	0.5670	0.3300	1.64150	1.6900	1.6300	1.5200	0.6417	0.0063	0.1100	0.1100	8.1365		
2002	2001	0.3060	0.2610	0.5670	0.3300	1.72500	1.6898	1.6300	1.6649	0.6399	0.0063	0.1260	0.1260	8.3789		
2003	2002	0.3060	0.2610	0.5670	0.3100	1.74000	1.8035	1.6800	1.6875	0.6399	0.0063	0.1307	0.1307	8.5649		
2004	2003	0.3170	0.2500	0.5670	0.2900	1.73000	1.8071	1.6800	1.7750	0.6399	0.0063	0.1307	0.1307	8.6260		
2005	2004	0.3333	0.2337	0.5670	0.2900	1.74500	1.8055	1.7335	1.7750	0.6400	0.0063	0.1391	0.1391	8.7014		
2006	2005	0.3426	0.2244	0.5670	0.2900	1.77500	1.8055	1.7335	1.8050	0.6400	0.0063	0.1454	0.1454	8.7676		

Source: Harris County Appraisal District.

(1) Overlapping rates are those of local and county governments that apply within the City of Pasadena. Not all overlapping rates apply to all City of Pasadena property owners (e.g., the rates for certain school/college district and water authority apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the school/college district or water authority).

(2) Harris County tax rates includes Harris County, Harris County Flood District, Port of Houston Authority and Harris County Hospital District.

**CITY OF PASADENA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2006**

Property Taxpayer	Fiscal Year Ended September 30, 2006			Fiscal Year Ended September 30, 1997		
	2005 Tax Year		% of Taxable Assessed Value	1996 Tax Year		% of Taxable Assessed Value
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Coral Energy Resources	\$ 97,049,190	1	2.04%	\$ -	-	-
CenterPoint Energy, Inc	47,691,430	2	1.00%	48,424,430	1	1.67%
The Boeing Co.	37,999,990	3	0.80%	-	-	-
CHCA Bayshore LP	32,561,955	4	0.68%	-	-	-
GATX Terminals Kinder Morgan	28,127,600	5	0.59%	-	-	-
KIR Pasadena II, LP	25,289,700	6	0.53%	-	-	-
Pasadena Bayshore Hospital	25,034,348	7	0.53%	19,972,700	9	0.69%
Village on the Lake Ltd.	23,306,200	8	0.49%	-	-	-
Tejas Gas Pipeline Partnership	22,681,240	9	0.48%	-	-	-
Sanstone Apartments LP	19,958,190	10	0.42%	22,435,410	7	0.77%
Southwestern Bell	-	-	-	41,794,750	2	1.44%
Global Natural Resources	-	-	-	29,778,455	3	1.02%
General American Transport	-	-	-	27,383,960	4	0.94%
Exxon Corporation	-	-	-	23,221,958	5	0.80%
Connecticut General Life	-	-	-	23,000,000	6	0.79%
Phillip 66 Company	-	-	-	21,946,600	8	0.75%
Schwan's Sales, Inc.	-	-	-	16,184,960	10	0.56%
Subtotal	\$ 359,699,843		7.55%	\$ 274,143,223		9.43%
Other Taxpayers	4,405,369,861		92.45%	2,632,693,372		90.57%
Total	\$ 4,765,069,704		100.00%	\$ 2,906,836,595		100.00%

Source: City of Pasadena Tax Assessor-Collector's records.

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

Fiscal Year Ended September 30,	Tax Year	Tax Rate	Total Tax Levy for 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
1997	1996	\$0.6450/\$100	\$ 18,723,439	\$ 18,201,198	97.21%	\$ 473,629	\$ 18,674,827	99.74%
1998	1997	\$0.6450/\$100	19,228,963	18,383,252	95.60%	790,003	19,173,255	99.71%
1999	1998	\$0.6430/\$100	20,134,355	19,326,412	95.99%	729,674	20,056,086	99.61%
2000	1999	\$0.5790/\$100	18,023,788	17,328,875	96.14%	615,969	17,944,844	99.56%
2001	2000	\$0.5670/\$100	19,779,055	18,940,979	95.76%	732,021	19,673,000	99.46%
2002	2001	\$0.5670/\$100	21,225,697	20,271,340	95.50%	768,160	21,039,500	99.12%
2003	2002	\$0.5670/\$100	22,792,859	21,830,521	95.78%	714,041	22,544,562	98.91%
2004	2003	\$0.5670/\$100	24,859,994	23,677,426	95.24%	617,182	24,294,608	97.73%
2005	2004	\$0.5670/\$100	25,606,448	24,842,437	97.02%	345,352	25,187,789	98.37%
2006	2005	\$0.5670/\$100	26,925,292	25,952,683	96.39%	-	25,952,683	96.39%

CITY OF PASADENA, TEXAS
RATIOS OF OUTSTANDING DEBT BY TYPE
Last Ten Fiscal Years

Fiscal Year Ended September 30,	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Governmental Activities										
General Obligation Bonds	\$ 46,800,000	\$ 46,850,000	\$ 34,175,000	\$ 18,750,000	\$ 2,925,000	\$ 4,325,000	\$ 4,700,000	\$ 9,100,000	\$ 9,425,000	\$ 9,750,000
General Obligation Refunding Bonds	11,422,875	35,797,875	22,807,875	26,787,875	32,977,875	37,962,875	42,472,875	42,650,000	46,740,000	49,944,897
General Obligation and Refunding Bonds	19,380,000	29,350,000	-	-	-	-	-	-	-	-
Combination Tax and Revenue Certificates of Obligation	11,910,000	11,945,000	13,885,000	13,915,000	13,945,000	-	-	-	-	-
Other Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Volunteer Fireman Prior Service Costs Note	59,233	115,185	168,038	217,965	265,127	309,677	351,761	391,513	543,271	588,099
Tax Notes, 2000	1,005,000	1,225,000	1,515,000	3,445,000	4,225,000	4,950,000	5,295,000	-	-	-
Long term notes	-	-	-	-	-	-	1,330,000	2,585,000	3,770,000	5,890,000
Overpaid Sales Tax Note	957,031	-	-	-	-	-	-	-	-	-
Blended Component Unit - Pasadena Second Century Corporation	-	-	-	1,085,000	2,140,000	3,135,000	4,090,000	5,000,000	-	-
Sales Tax Notes,	3,715,000	4,375,000	-	-	-	-	-	-	-	-
Sales Tax Revenue Bonds	95,249,139	129,658,060	72,550,913	64,210,840	56,478,002	50,582,552	58,239,636	59,726,513	60,478,271	66,172,996
Business Activities										
Waterworks and Sewer System Revenue Bonds	18,625,000	18,625,000	28,265,000	29,730,000	31,150,000	32,535,000	32,615,000	32,695,000	1,400,000	1,475,000
Waterworks and Sewer System Revenue Refunding Bonds	2,565,000	3,590,000	4,630,000	5,680,000	6,740,000	7,480,000	9,470,000	11,350,000	6,030,000	7,725,000
Waterworks and Sewer System Subordinate Lien Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Combination Tax and Revenue Certificates of Obligation	3,405,000	33,665,000	54,400,000	55,975,000	57,460,000	16,115,000	16,940,000	-	-	-
General Obligation Refunding Bonds	17,675,000	-	-	-	-	-	-	-	-	-
General Obligation and Refunding Bonds	9,970,000	-	-	-	-	-	-	-	-	-
Deferred Water Charges Debt	1,419,854	1,987,795	2,555,736	2,714,418	2,210,058	1,056,817	-	-	-	-
	53,659,854	57,867,795	89,850,736	94,099,418	97,560,058	57,186,817	59,025,000	44,045,000	14,535,000	17,260,000
Total Primary Government	\$ 148,908,993	\$ 187,525,855	\$ 162,401,649	\$ 158,310,258	\$ 154,038,060	\$ 107,769,369	\$ 117,264,636	\$ 103,771,513	\$ 75,013,271	\$ 83,432,996
(1) Percentage of Personal Income	6.41%	7.31%	6.40%	7.03%	8.03%	5.64%	5.08%	5.74%	4.25%	4.64%
(1) Per Capita	\$ 1,045	\$ 1,317	\$ 1,142	\$ 1,114	\$ 1,085	\$ 760	\$ 828	\$ 769	\$ 558	\$ 602
Personal Income (amount expressed in thousands)	\$ 2,323,319	\$ 2,564,090	\$ 2,536,167	\$ 2,253,129	\$ 1,919,123	\$ 1,911,533	\$ 2,309,428	\$ 1,806,435	\$ 1,763,059	\$ 1,796,867
Population	142,526	142,384	142,242	142,099	141,957	141,816	141,674	135,000	134,400	138,583

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

(1) See the Schedule of Demographic and Economic Statistics on page 124 for personal income and population data

CITY OF PASADENA, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended September 30,	(1) General Bonded Debt	Less: Amounts Restricted to Repaying Principal	Total	(2) Assessed Value of Property	Percentage of Assessed Value of Property	(3) Population	(3) Per Capita
1997	\$ 65,584,897	\$ (1,923,868)	\$ 63,661,029	\$ 2,906,836,595	2.19%	138,583	\$ 459
1998	59,935,000	(1,311,980)	58,623,020	2,949,633,488	1.99%	134,400	436
1999	54,335,000	(1,458,996)	52,876,004	3,123,470,344	1.69%	135,000	392
2000	53,797,875	(1,392,559)	52,405,316	3,113,164,002	1.68%	141,674	370
2001	47,137,875	(1,171,532)	45,966,343	3,442,498,265	1.34%	141,816	324
2002	54,072,875	(470,871)	53,602,004	3,788,723,104	1.41%	141,957	378
2003	62,897,875	(603,760)	62,294,115	4,042,532,660	1.54%	142,099	438
2004	72,382,875	(1,103,283)	71,279,592	4,346,638,596	1.64%	142,242	501
2005	125,167,875	(1,009,129)	124,158,746	4,528,038,820	2.74%	142,384	872
2006	118,162,875	(1,020,164)	117,142,711	4,765,069,704	2.46%	142,526	822

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

(1) Includes other long-term debt to be paid from ad valorem taxes levied on taxable property located within the City.

(2) See the Schedule of Legal Debt Margin information for assessed value of property.

(3) See the Schedule of Demographic and Economic Statistics for population and per capita.

CITY OF PASADENA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended September 30, 2006

<u>Government Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Harris County	\$ 1,823,087,727	2.35%	\$ 42,842,562
Harris County Flood Control District	47,488,074	2.44%	1,158,709
Port of Houston Authority	298,689,801	2.35%	7,019,210
Harris County Department of Education	1,135,000	2.35%	26,673
Clear Lake City Water Authority	67,095,588	28.41%	19,061,857
Clear Creek ISD	519,216,000	6.68%	34,683,629
Deer Park Independent School District	98,480,000	8.84%	8,705,632
La Porte Independent School District	60,669,376	2.75%	1,668,408
Pasadena Independent School District	329,359,207	36.76%	121,072,444
San Jacinto College District	77,234,454	11.54%	8,912,856
Subtotal, overlapping debt			245,151,980
City direct debt			90,517,875
Total direct and overlapping debt			\$ 335,669,855

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas and RBC Dan Raischer, Inc.

Note: Overlapping government are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping government that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentage were estimated by determining the portion of the overlapping government taxable assessed value that is within the City's boundaries and dividing it by the City's total taxable assessed value.

CITY OF PASADENA, TEXAS
LEGAL DEBT MARGIN INFORMATION
 Last Ten Fiscal Years

	2006	2005	2004	2003	2002	2001	2000	1999	1998	1997
Fiscal Year Ended September 30,										
Debt limit										
Assessed value based on tax year	\$ 4,765,069,704	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,496,265	\$ 3,113,164,002	\$ 3,123,470,344	\$ 2,949,633,488	\$ 2,906,836,595
10% of assessed value	<u>476,506,970</u>	<u>452,803,882</u>	<u>434,663,860</u>	<u>404,253,266</u>	<u>378,872,310</u>	<u>344,249,827</u>	<u>311,316,400</u>	<u>312,347,034</u>	<u>294,963,349</u>	<u>290,683,660</u>
Less: net debt applicable to limit										
Debt to be repaid from ad valorem tax	90,517,875	125,167,875	72,382,875	62,897,875	54,072,875	47,137,875	53,797,875	54,335,000	59,935,000	65,584,897
Less: amount available in debt service fund	(1,020,164)	(1,009,129)	(1,103,283)	(603,760)	(470,871)	(1,171,532)	(1,392,559)	(1,458,996)	(1,311,980)	(1,923,868)
	<u>89,497,711</u>	<u>124,158,746</u>	<u>71,279,592</u>	<u>62,294,115</u>	<u>53,602,004</u>	<u>45,966,343</u>	<u>52,405,316</u>	<u>52,876,004</u>	<u>58,623,020</u>	<u>63,661,029</u>
Legal Debt Margin	<u>\$ 387,009,259</u>	<u>\$ 328,645,136</u>	<u>\$ 363,384,268</u>	<u>\$ 341,959,151</u>	<u>\$ 325,270,306</u>	<u>\$ 298,283,484</u>	<u>\$ 258,911,084</u>	<u>\$ 259,471,030</u>	<u>\$ 236,340,329</u>	<u>\$ 227,022,631</u>
Total net debt applicable to the limit as a percentage of debt limit	18.78%	27.42%	16.40%	15.41%	14.15%	13.35%	16.83%	16.93%	19.87%	21.90%

Note: Under Article IX, Section 14 of the City Home Rule Charter states that the maximum bonded indebtedness of the City outstanding at any one time and payable solely from ad valorem taxes shall not exceed ten percent (10%) of the assessed valuation of all taxable property on the City's tax roll.

**CITY OF PASADENA, TEXAS
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Water and Sewer Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1997	\$ 20,147,327	\$ 13,150,704	\$ 6,996,623	\$ 1,985,000	\$ 1,224,258	2.18
1998	21,348,163	13,735,559	7,612,604	2,070,000	918,061	2.55
1999	22,045,466	14,661,469	7,383,997	1,860,000	1,658,552	2.10
2000	25,492,939	15,188,159	10,304,780	2,740,000	2,394,232	2.01
2001	23,495,100	17,362,099	6,133,001	2,895,000	2,483,310	1.14
2002	27,126,094	19,723,404	7,402,690	3,000,000	3,294,487	1.18
2003	26,746,577	20,746,358	6,000,219	3,965,000	4,350,940	0.72
2004	25,741,521	20,111,558	5,629,963	4,373,971	4,163,660	0.66
2005	27,570,860	19,826,965	7,743,895	3,752,941	3,309,641	1.10
2006	33,366,250	19,651,324	13,714,926	1,722,941	4,053,927	2.37

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
 Gross Revenues includes operating revenues and investment earnings. Operating expenses do not include depreciation.

**CITY OF PASADENA, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Population(1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income(2)	Median Age (2)	School Enrollment(3)	Unemployment Rate(4)
1997	138,583	\$ 1,796,867	\$ 12,966	29.4	40,800	5.8%
1998	134,400	1,763,059	13,118	29.5	41,000	5.7%
1999	135,000	1,806,435	13,381	29.6	41,500	4.5%
2000	141,674	2,309,428	16,301	29.0	40,935	4.6%
2001	141,816	1,911,533	13,479	29.1	43,414	5.0%
2002	141,957	1,919,123	13,519	29.3	44,420	6.2%
2003	142,099	2,253,129	15,856	29.9	50,374	7.5%
2004	142,242	2,536,167	17,830	28.9	46,100	5.9%
2005	142,384	2,564,090	18,008	29.0	45,038	5.3%
2006	142,526	2,323,319	16,301	29.1	43,976	4.7%

Data sources:

- (1) Bureau of the Census and Pasadena Chamber of Commerce
- (2) Bureau of the Census
- (3) Bureau of the Census and Pasadena Chamber of Commerce
- (4) Texas Workforce Commission

CITY OF PASADENA, TEXAS
PRINCIPAL EMPLOYERS
Current and Prior Year (1)

<u>Employer</u>	<u>2006</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>
Pasadena Independent School District	5,800	1	4.63%	4,946	1	4.10%
The Boeing Company	2,300	2	1.83%	2,300	2	1.91%
San Jacinto College District	1,058	3	0.84%	1,058	4	0.88%
Bayshore Medical Center	1,042	4	0.83%	1,047	6	0.87%
Lyondell Chemical (2)	1,000	5	0.80%	-	-	-
City of Pasadena	991	6	0.79%	1,058	5	0.88%
Lyondell Houston Refinery (2)	900	7	0.72%	-	-	-
Wal-Mart	750	8	0.60%	850	7	0.70%
Chevron Phillips - Pasadena Plastics	693	9	0.55%	693	8	0.57%
Celanese Chemicals - Pasadena	280	10	0.22%	590	9	0.49%
Lyondell-Citgo, Refining LP (2)	-	-	-	1,080	3	0.90%
Albermarle	-	-	-	280	10	0.23%
	<u>14,814</u>		<u>11.82%</u>	<u>13,902</u>		<u>11.53%</u>

Source: Pasadena Chamber of Commerce

(1) The requirement for statistical data is current year and nine years ago; only current and prior year are available at this time.

(2) In 2005 Lyondell Chemical and Lyondell Houston Refinery were one company, Lyondell-Citgo, Refining LP.

CITY OF PASADENA, TEXAS
CITY GOVERNMENT EMPLOYEES BY FUNCTION (1)
Last Seven Fiscal Years (2)

Function	Number of Employees as of September 30,						
	2000	2001	2002	2003	2004	2005	2006
General Government							
City Council	9	9	8	8	8	8	8
Mayor	3	4	4	4	4	4	3
Budget and Financial Planning	2	2	2	2	2	2	2
Municipal Court	32	31	31	33	32	31	31
City Controller	13	12	14	15	15	12	13
Tax	5	5	4	5	5	4	1
Purchasing	2	2	3	2	3	3	3
Legal	9	9	8	11	9	8	8
City Secretary	3	3	4	3	3	3	3
Human Resources	9	11	11	8	9	9	8
City Marshal	6	6	4	6	6	6	6
Community Relation	5	4	6	6	7	6	6
Pasadena Action Line	3	3	3	3	5	4	3
Planning	3	3	5	4	4	5	4
Planning/Development Administration	-	-	1	1	1	2	2
Neighborhood Network	-	-	-	2	1	1	1
Inspections	18	20	26	27	24	23	21
Property Management	-	-	-	2	2	2	1
Public Safety							
Emergency Preparedness	2	2	2	3	3	2	2
Fire Fighting	11	9	11	12	10	4	4
Fire Prevention	9	10	12	12	11	9	11
Police	319	330	324	329	329	330	327
Public Works							
Public Works Administration	-	1	3	3	3	1	2
Engineering	12	14	18	21	20	20	19
Sanitation	57	50	48	54	48	49	44
Street and Bridge	41	39	48	54	51	49	44
Traffic and Transportation	13	14	16	14	11	13	11
Health							
Health	14	11	13	15	14	13	12
Animal Rescue and Assistance	7	9	13	16	14	14	14
Culture and Recreation							
Leisure Services Administration	-	1	2	3	2	2	2
Parks	46	47	50	47	42	42	42
Recreation	36	41	34	40	43	51	33
Clean Streets	8	7	8	9	11	12	12
Golf Course	9	7	8	10	10	9	10
Multi-Purpose Center	9	6	7	7	7	14	7
Civic Center	8	6	7	9	9	9	9
Senior Center - Madison Jobe	8	7	9	8	8	6	5
Library	44	46	53	51	50	50	46
Water and Sewer System	121	120	129	139	136	125	114
Maintenance	80	89	90	98	87	81	74
Health Insurance	-	-	-	-	4	-	3
Grant Management	12	12	16	19	17	18	18
Nonmajor Governmental Funds	-	1	4	1	2	2	2
TOTAL CITY POSITIONS	988	1,003	1,059	1,116	1,082	1,058	991

Source: Payroll department.

Note: This schedule is prepared by City Employees Home Organization.

(1) The total number of persons who received pay for any part of the pay period including the 12th of the month of September.
(2) The requirement for statistical data is ten years; only seven fiscal years are available at this time.

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

	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006
Function										
Public Safety										
Police										
Arrests	10,142	10,564	10,971	10,040	11,625	12,883	12,913	12,073	13,768	13,197
Accident reports	(1)	4,307	4,375	4,296	4,439	3,685	3,681	4,056	3,827	3,812
Citations issued	(1)	71,362	71,611	92,166	86,354	88,562	88,650	76,448	76,132	83,967
Calls for service	50,672	34,810	39,226	78,985	80,511	80,726	78,800	85,119	88,770	85,492
Public Works										
Refuse collection										
Refuse collected Type 1 (tons/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	107	97	120
Refuse collected Type 2 (cubic yards/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	236	195	273
Mulching collected (cubic yards/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	68	71	91
Recyclables collected (tons/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	1.26	1.57	2.84
Health										
Number of food permits issued	761	(1)	860	1,053	799	1,003	943	1,004	1,132	1,135
Number of health inspections	1,972	(1)	1,929	733	2,275	2,390	2,458	2,626	2,184	1,925
Culture and Recreation										
Convention Center										
Number of Events	(1)	(1)	(1)	(1)	(1)	(1)	(1)	137	133	157
Library										
Visitors	(1)	(1)	(1)	(1)	(1)	(1)	(1)	673,081	762,135	710,297
Water and Sewer System										
Average daily consumption (millions of gallons)	20.83	21.95	21.57	22.47	21.26	20.84	18.65	17.49	18.92	18.51
Total Consumption (millions of gallons)	7,601.46	8,012.69	7,871.60	8,202.24	7,760.88	6,960.36	6,806.97	6,384.79	6,906.26	6,754.82
Average daily Waste Water Plant Flow (millions of gallons)	13.43	16.82	16.95	8.13	16.64	16.20	16.15	14.36	11.54	10.38
Total Waste Water Plant Flow (millions of gallons)	4,900.74	6,139.69	6,188.10	2,968.13	6,075.24	5,911.65	5,895.33	5,239.80	4,213.41	3,786.63

Source: Various City departments.

Note: Indicators are not available for the General Government and Housing and Community Development functions.

(1) Information unavailable.

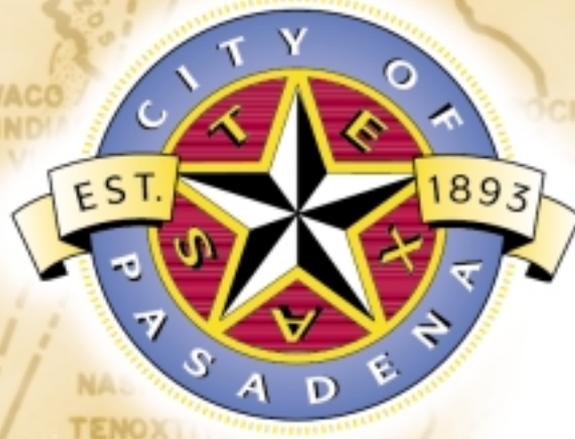
**CITY OF PASADENA, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Last Two Fiscal Years (1)**

Function / Program	Fiscal Year	
	2005	2006
Public Safety		
Police		
Stations	2	2
Patrol units	152	145
Fire stations	10	10
Public Works		
Streets (miles)	534	539
Streetlights	7,027	7,092
Traffic signals	185	195
Sanitation		
Collection trucks	37	33
Culture and Recreation		
Parks	48	47
Parks acreage	767.826	818.896
Swimming pools	5	5
Tennis courts	15	15
Community centers	8	8
Water and Sewer System		
Water		
Water mains (miles)	463	465
Fire hydrants	2,150	2,190
Maximum daily capacity (millions of gallons)	27	22
Sewer		
Sanitary sewers (miles)	386	386
Storm sewers (miles)	216	217
Max daily treatment capacity (millions of gallons)	18.5	24.0

Source: Various City departments

Note: No capital asset indicators are available for the General Government, Health, or Housing and Community Development.

(1) The requirement for statistical data is ten years; only two fiscal years are available at this time.



CITY OF PASADENA

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