

City of Pasadena, Texas

*Comprehensive Annual
Financial Report
For the Fiscal Year Ended
September 30, 2011*



**CITY OF PASADENA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2011**

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

**CITY OF PASADENA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

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INTRODUCTORY SECTION



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CITY OF PASADENA

OFFICE OF THE CITY CONTROLLER

March 2, 2012

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

The comprehensive annual financial report (CAFR) of the City of Pasadena, Texas, ("City") for the fiscal year ended September 30, 2011, including the independent auditors' report, is presented to comply with both Article IX of the City's Charter and applicable state statutes. These statutes require all local governments to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards (GAAS) by a firm of licensed independent certified public accountants chosen by the mayor and City Council members.

The CAFR is published to provide the City Council, City staff, our citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. 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 GAAP. 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.

The City's financial statements have been audited by Belt Harris Pechacek, LLLP, Certified Public Accountants. The goal of the independent audit is to provide reasonable assurance that the financial statements of the City for the fiscal year ended September 30, 2011, are prepared according to GAAP and audited in accordance with GAAS. Belt Harris Pechacek, LLLP issued an unqualified (clean) opinion on the City of Pasadena, Texas' financial statements for the fiscal year ended September 30, 2011. The independent auditors' report is presented as the first component of the financial section of this report.

The City is also required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. The independent auditors have performed a single audit and issued auditors' reports on the City's federal awards for the fiscal year ended September 30, 2011 and the City's Single Audit Report is separately available.

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 the seventeenth largest city in Texas and the largest suburban city in the Houston metropolitan area. Pasadena is located in southeast Texas, along the Houston Ship Channel and currently has a land area of 59.2 total square miles divided into 15.5 square miles of industrial area and 43.7 square miles of residential/commercial area. Pasadena's population according to the 2010 U. S. Census is 149,043. It was first settled in 1893 and was incorporated on 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. 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. 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.

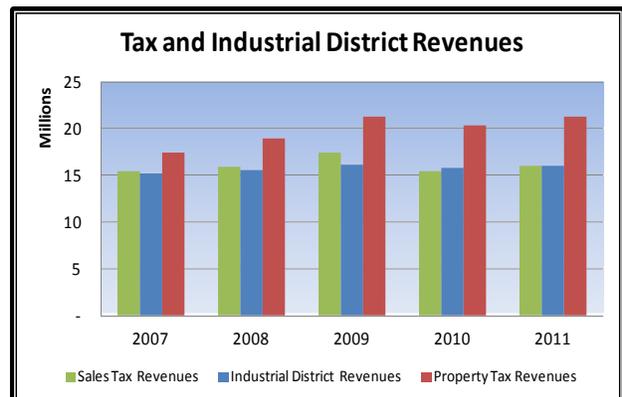
The City of Pasadena provides a full range of municipal services including: police and fire protection, traffic and municipal courts, sanitation services, construction and maintenance of streets and related infrastructure, water and sewer systems, recreational activities, (i.e. parks, swimming pools, baseball/softball fields, tennis courts, jogging and biking trails, golf course and libraries), and cultural event facilities, including a convention center, a senior citizen center, an athletic/recreational center, and the Verne Cox Multipurpose Center for special needs citizens.

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 54, in the notes to financial statements.

Local Economy

The City of Pasadena is a rich industrial area and its leaders have taken a combination of abundant natural resources, an advantageous location and a determination to succeed and have built a community of strong families and successful businesses. The metropolitan area offers various opportunities to serve the citizens in their professions and amenities for their leisure time. The City has connections to the energy sector, industry and manufacturing, aeronautics, and medicine creating diversity stabilizing the swings of the nation's economy. The City also has strong connections to other industries such as petrochemicals and construction materials. Pasadena borders the Houston Ship Channel and benefits from its proximity to the Port of Houston which ranks first among all U.S. ports in import tonnage and second in total tonnage. Its influence of international trade in the area with continuing growth is attributed to a major expansion at the Panama Canal that is anticipated to be completed by 2014.

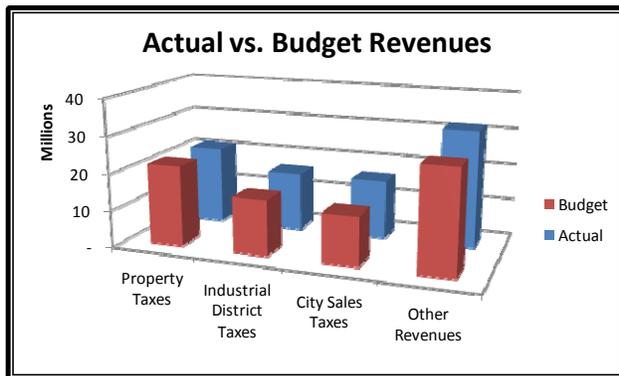
The Houston metropolitan area was slower to feel the effects of the nation's economic slowdown but is showing signs of a swifter recuperation. According to the State Comptroller's Office, Texas' recovery has brought sales tax collections almost back to peak levels. However, the near-term outlook remains clouded due to the uneven performance of the U.S. economy. The City of Pasadena sustained better than most cities by doing its best to mitigate the rising costs and falling revenues that are the unwelcome results of a financial crisis. Pasadena's sales tax revenues are showing signs of increasing, however, property taxes remain even because property values have not



recovered from the housing crisis. The City's property tax rate in FY 2011 was \$0.591593/\$100 up from \$0.562/\$100. The industrial district fees have been stagnant even though they did show a slight increase from FY 2010. The City has been attracting new industry so the outlook of industrial district revenues increasing is promising.

A significant indicator that impacts the economic condition is the employment and unemployment statistics. In December 2010, the City's unemployment rate was 10.5 percent. In December 2011, the Texas Workforce Commission reported the local unemployment rate decreasing to 8.1 percent, with the National average rate at 8.5 percent and Texas ending the year in twenty-fifth place at 7.8 percent.

The oil and natural gas industry, which is the metropolitan area's growth advantage, consists of about 5,000 companies with combined annual revenue of approximately \$290 billion. Crude pricing has been on a rollercoaster ride since late 2008 but has leveled out at above \$80 per barrel since 2010 with an outlook of increasing to around \$104 per barrel in 2013. Currently prices are fluctuating at \$95 to \$100 per barrel. Natural gas prices have not rebounded as oil prices have, decreasing through the year with an outlook of recovering by 2013. The bulk of exploration has shifted to oil from natural gas now that crude prices have rebounded and continue to increase in the future. The number of rigs engaged in exploration and production in the U.S. increased by 96%, driven primarily by land rigs as opposed to offshore rigs, and during the same time period, the natural gas rig count remained below its 2008 peak. Increased demand should have a positive effect on employment and the overall energy sector economy which is strong in the Pasadena area.



The City's sales tax revenues in FY 2011 are showing an increase, which is a positive outlook compared to FY 2010 when the City posted a decrease in fund balance of \$869,676 (3.4%) in the General Fund. As seen in the chart to the left, property taxes actual came in just below budgeted amounts but other revenues such as industrial district taxes and City sales taxes are above budgeted amounts. The City's property tax collection is anticipated to remain flat or modest declines over the near term due to the economic conditions and the City's mature nature. The State Comptroller of Texas reported an increase in sales tax revenue by 3.03% in January 2012 when compared to January 2011. The amount of local sales

tax the Comptroller's Office will be sending to Texas cities is up when compared to distributions to local governments in February 2010. All indicating not only retail trade is up but also increased activity in almost all major sectors and the strongest growth from sectors fueled by business spending, such as oil and gas activity.

Housing and real estate sales are another indicator of our local economic conditions. Higher job levels coupled with a growing business population is allowing Texas to recover from the real estate housing crash much better than many other areas of the U.S. In the Houston metropolitan area, home prices had been de-escalating since 2006, but there are signs the market is beginning to find a bottom as the inventory of homes listed for sale drops. Home prices are forecast to rise at a modest average of 1.8% in 2012. The median price for housing in Pasadena rose from approximately \$95,000 in 2010 to ending 2011 at \$99,500 and recently to \$101,480 as of February 2012. Home sales have increased slightly. Pricing is turning around and climbing and foreclosures are heading down, a situation that many other communities still have not seen.

The trend of employees continuing to migrate closer to workplaces makes renting an attractive option. Occupancy rates are decreasing from early 2011 and are forecast to continue through 2012. Rents and occupancy rates in both residential and commercial properties are following the housing market and slightly increasing with signs of increased recovery apparent early in the 2012 estimates.

The City is continuing to grow by attracting new industry and development, and continues to pose itself to increase attractiveness as a destination of choice for businesses, such as Nestle Waters North America, NA Industries, and Bendco Inc. along with several existing company expansions planned for 2012. These are just a few of the companies that have relocated to Pasadena due to location and services provided. Nestle Waters

North America chose our community in part on reliance on our ability to deliver the significant amount of quality water they use in production. Nestle will be fully operational in 2012 and will run three manufacturing lines with 50 employees/each line, which is 1,500 jobs added to Pasadena. NA Industries picks Pasadena for a \$100 million plant of a superabsorbent polymer production facility adding about 60 full time employees in FY 2012 to the area. Bendco benefits from prompt accessibility of location to international shipments as well as to gas companies on the Gulf Coast, planning to add 50 to 99 employees to its facility. Retailers and restaurants are also moving into the Pasadena area in 2012 which will help with increasing the sales tax revenues.

Long-term Financial Planning

The City's long-term plans are investing in infrastructure, its employees, and basic services at an affordable rate are always the City's policy direction. The City anticipates maintaining a level of work consistent with past years while holding back the proposed vote of tax-supported bonds to ensure that projects underway are completed. The long term planned Capital Improvement Plan (CIP) and the City's restructured debt payment schedule have contributed to the success in implementation of new improvements. The citizens, businesses, and neighborhoods have and will continue to see the positive benefits resulting from various improvement projects carried out into the future.

Pasadena Second Century Corporation (PSCC), a legally separate entity, functions as a component unit of the City and therefore has been blended 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 ("the District"), another legally separate entity, which is reported as a discretely presented component unit within the City of Pasadena's financial statements. The District helps fund public safety projects in the City. 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).

PSCC funds many of the City's capital improvement projects. Some of the funded street projects are planned in several phases of completion and over 14,000 linear feet of sewer line installation was completed in 2011. Projects funded by PSCC are in various stages of completion including the North Pasadena Redevelopment Project with sidewalks, street improvements, landscaping, historical street signs, and many other improvements to promote the City's economy. These public works projects are intended to encourage residential as well as industrial relocation to Pasadena.

Early in 2011, Pasadena Second Century Corporation issued \$4.96 million in sales tax revenue bonds with a plan to improve the area located around Pasadena's Convention Center. This project is in the early planning stage but will help to attract more events to Pasadena by providing nearby lodging and creating amenities for entertainment to patrons.

Health insurance rates will remain steady with an increase in the amount provided by the City on the flexible spending account to each employee from \$250 in 2011 to \$500 in 2012. This benefit card is to be used for co-pays and prescription drugs, but over-the-counter medication purchases are no longer allowed due to newly implemented tax laws. The City is self insured but contracts with Allegiance Benefit Plan Management, Inc. as the administrator of health insurance. Employees will again benefit with a \$10/month discount by participating in the Health Awareness Program provided by the City in hopes to reduce health insurance costs by keeping employees aware of health issues. The City also provides its employees and their families with a health clinic to assist with medical needs from prescriptions to minor medical services with the hope of long-term reduction of health costs through preventive care.

The City provides healthcare benefits to retirees requiring the City to implement the Governmental Accounting Standards Board (GASB) Statement 45. This statement establishes standards for the measurement and recognition for other post employment benefits (OPEB). GASB allows an employer to use a report for two (2) years and the City takes advantage of this provision to save money on actuarial fees. The City's annual required contribution for OPEB as of the end of fiscal year 2011 is \$6,504,626 with the total actuarial accrued liability of \$77,067,727 as of December 31, 2009, down from the last actuarial by 6.4% due to the long-term financial planning to reduce the liability.

Fitch assigned a "AA" rating to the City's \$20.3 million general obligation (GO) refunding bonds, series 2012. This rating is based on several financial profiles of the City. The refunding done in early December 2011 is being used to refund a portion of the City's outstanding debt and to pay related costs of issuance. The City's management adheres to sound financial operations such as conservative budgeting practices, balancing the FY 2012 budget without the use of reserves, and a two-month reserve policy as well as timely adjustments to revenue shortfalls. This refunding is to decrease the City's debt by taking advantage of current lower interest rates. The City maintains a stable financial profile with no additional debt plans and amortization of its tax-supported debt is very rapid with just over 80% of principal retired in 10 years.

Relevant Financial Policies

This past year has been difficult and there are still challenges ahead that will test our determination to succeed. There are some signs of the economy turning around but there is no way to know how long the tough times will linger, but City policies have built character in this time of turmoil and provided guidance to continue on community improvements to attract industry, retail, and residents. Pasadena, along with PSCC, are funding an urban street beautification project that will create an atmosphere that motivates people to come, see, and shop, thus leaving their money in Pasadena.

In February 2009, GASB Statement No. 54 was issued to be implemented with the fiscal period that ends June 30, 2011. The City's CAFR includes the new reporting for fund balance which has not changed the total amount reported. The terminology used to describe its components has been altered to reduce the misunderstandings about what the categories really mean. The new categories and terminology, non-spendable, restricted, committed, assigned, and unassigned fund balance reflect an approach that focuses on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in the fund can be spent. The City's policy is when an expenditure is incurred for which committed, assigned, or unassigned fund balance are available, the City considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds. For additional information see Note I, D7 on page 51.

Major Initiatives

On September 30, 2008 the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2009 (Pub. Law 110-329) appropriated \$6.5 billion through the Community Development Block Grant (CDBG) programs for "necessary expenses related to disaster relief, long-term recovery, and restoration of infrastructure, housing and economic revitalization in areas affected by hurricanes, floods, and other natural disasters occurring during 2008 for which the President declared a major disaster." Pasadena has been granted \$34.8 million for disaster recovery funds from Hurricane Ike, which hit Galveston and the Houston Metropolitan area in September 2008. The funds are divided into three rounds: round 1 for \$15,518,429, round 2.1 for \$4,710,307, and round 2.2 for \$14,592,495 and these funds are being used for improvement projects around the City. Rounds 1 and 2.1 are in progress on infrastructure improvements for water, drainage, and waste water. Future planned projects for the remaining grant funds include building homes in the City's award winning Sunrise Meadows subdivision and more infrastructure improvements. CDBG has now transferred these recovery programs to the state's Department of Housing and Community Affairs (TDHCA) and the General Land Office (TGLO).

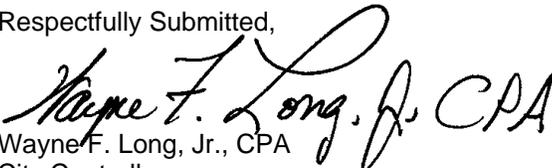
Awards and Acknowledgements

The Government Finance Officers Association of the United States and Canada ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended September 30, 2010. This was the seventeenth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy 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 comprehensive annual financial report 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.

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 the Mayor, City Council, and all City employees for their support and leadership in conducting the financial operations of the City throughout the year.

Respectfully Submitted,



Wayne F. Long, Jr., CPA
City Controller

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, 2010

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



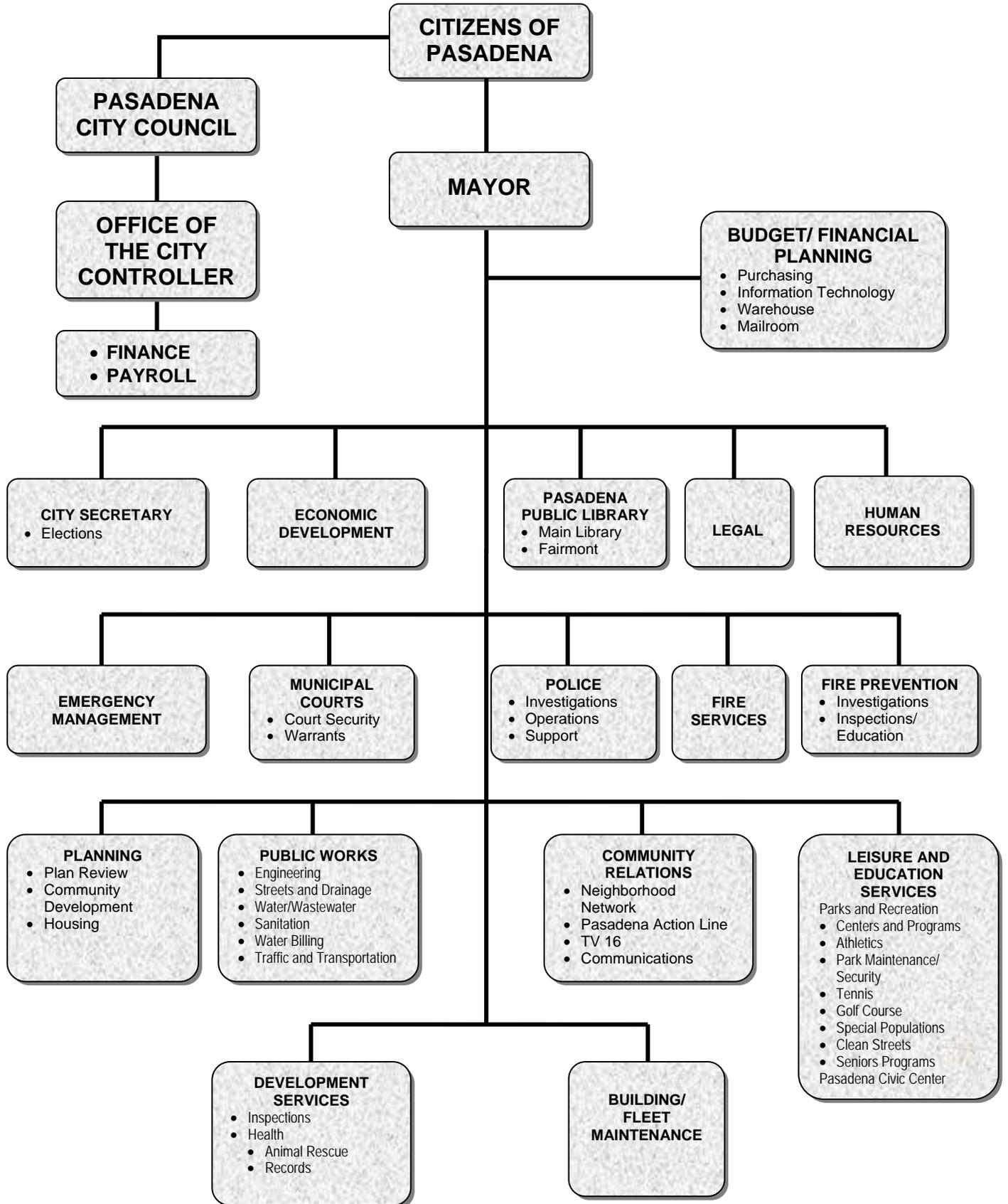
Linda C. Danison

President

Jeffrey R. Emer

Executive Director

CITY OF PASADENA, TEXAS ORGANIZATION CHART



**CITY OF PASADENA, TEXAS
PRINCIPAL OFFICIALS**

MAYOR

JOHNNY ISBELL

BUDGET & FINANCIAL PLANNING

ANDY HELMS

CITY COUNCIL

DISTRICT A	ORNALDO YBARRA (MAYOR PRO-TEM)
DISTRICT B	JACKIE WELCH
DISTRICT C	DON HARRISON
DISTRICT D	PAT VAN HOUTE
DISTRICT E	ERV BRANNON
DISTRICT F	PHIL CAYTEN
DISTRICT G	STEVE COTE
DISTRICT H	DARRELL MORRISON

CITY CONTROLLER

WAYNE F. LONG, JR., CPA

CITY SECRETARY

LINDA RORICK

CITY ATTORNEY

LEE CLARK

DIRECTOR OF PERSONNEL

RANDY PERRY

DIRECTOR OF PUBLIC WORKS

ROBIN GREEN

CHIEF OF POLICE

MICHAEL THALER

FIRE CHIEF

LANNY ARMSTRONG

FIRE MARSHALL

DAVID BRANNON

DIRECTOR OF COMMUNITY RELATIONS

RICHARD SCOTT

DIRECTOR OF PLANNING

MELVIN EMBRY

DIRECTOR OF HEALTH

KATHY PEREZ-ASHTON

DIRECTOR OF PARKS/RECREATION

KIRBY CARDENAS

DIRECTOR OF ECONOMIC DEVELOPMENT

PAUL DAVIS

PRESIDING JUDGE, MUNICIPAL COURTS

LESTER RORICK

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
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 year ended September 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of 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 generally accepted auditing standards 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, 2011, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the general fund and certain grant management (major special revenue funds) – Federal Equitable Sharing of Forfeited Property Justice and Treasury Department Grant thereof for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2012, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

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The Management's Discussion and Analysis is 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. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 2, 2012

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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, 2011. This discussion and analysis includes comparative data for fiscal year 2010. 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, 2011 are as follows:

Government-Wide Financial Statements

The City's assets exceeded its liabilities by \$701,841,667 (net assets), showing an increase of \$14,052,134 (2.0%) compared to the prior fiscal year of \$687,789,533. Total net assets of the City are comprised of the following:

Capital assets, net of related debt, of \$632,139,839 (90.1%) 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 \$37,292,133 (5.3%) are restricted by constraints imposed from outside the City such as debt covenants, laws, and regulations.

Net assets of \$32,409,695 (4.6%) 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 \$83,983,258. This compares to the prior fiscal year combined fund balances of \$82,452,865, showing an increase of \$1,530,393 (1.9%). Approximately 35.9% of the fund balances, \$30,129,675, is available for spending at the City's discretion (unassigned); 62.1% of the fund balance, \$52,165,350 is restricted for general government, public safety, public works, culture and recreation, housing and community development, capital improvements and debt service, assigned for encumbrances of \$1,430,771 (1.7%) and the balance of \$257,462 (0.3%) is committed for general government special purposes.

At the end of fiscal year, the general fund had a total fund balance of \$31,817,908. The unassigned portion of the fund balance was \$30,129,675 or 39.0% of total general fund expenditures of \$77,170,216. The assigned portion of the fund balance was \$1,430,771. The committed portion of the fund balance was \$257,462. The City has a policy which requires the unassigned portion of the fund balance to be the equivalent of two months of regular general fund operating expenditures. At the end of September 30, 2011, the unassigned fund balance exceeded this required balance by \$17,267,972.

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 statements 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 governmental fund Statement of Revenues, Expenditures and Changes in Fund Balances 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 \$701,841,667 at fiscal year ended September 30, 2011.

CITY OF PASADENA, TEXAS Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 124,922,901	\$ 125,227,362	\$ 33,188,593	\$ 29,732,692	\$ 158,111,494	\$ 154,960,054
Capital assets	563,682,979	553,510,033	249,211,645	248,024,172	812,894,624	801,534,205
Total assets	688,605,880	678,737,395	282,400,238	277,756,864	971,006,118	956,494,259
Long-term liabilities, outstanding	151,176,862	136,957,373	98,411,983	96,951,907	249,588,845	233,909,280
Other liabilities	14,798,728	26,472,565	4,776,878	8,322,881	19,575,606	34,795,446
Total liabilities	165,975,590	163,429,938	103,188,861	105,274,788	269,164,451	268,704,726
Net assets:						
Invested in capital assets, net of debt	472,614,231	463,105,305	159,525,608	157,245,239	632,139,839	620,350,544
Restricted	35,271,243	36,063,307	2,020,890	1,929,345	37,292,133	37,992,652
Unrestricted	14,744,816	16,138,845	17,664,879	13,307,492	32,409,695	29,446,337
Total net assets	\$ 522,630,290	\$ 515,307,457	\$ 179,211,377	\$ 172,482,076	\$ 701,841,667	\$ 687,789,533

By far the largest portion of the City's net assets, \$632,139,839 (90.1%), 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 \$11,789,295 (1.9%) compared to prior fiscal year of \$620,350,544. The increase was due to the start and completion of numerous capital project activities including numerous grant projects, which were capitalized during the year and the reduction of related debt financing.

The second largest portion of the City's net assets, \$37,292,133 (5.3%), represents resources that are subject to external restrictions on how they may be used. This compared to the prior fiscal year of \$37,992,652, showing a small decrease of \$700,519 (1.8%) due primarily because the City continues to use bond proceeds to carry out capital projects specified in the bond covenants.

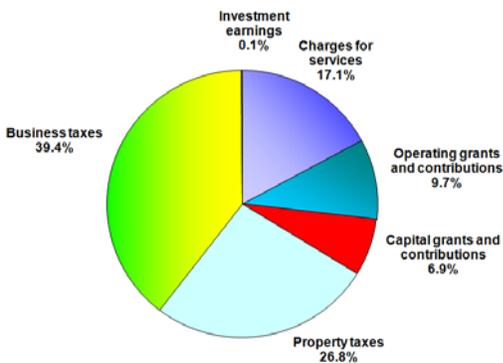
The third and final portion of the City's net assets, \$32,409,695 (4.6%) represents unrestricted resources that can be used to meet the City's ongoing obligations to citizens and creditors. This portion of net assets increased by \$2,963,358 (10.1%) compared to the prior fiscal year of \$29,446,337. This increase was a combination of positive and negative results from (1) the decrease of governmental activities in the amount of \$1,394,029 (8.6%) due to an increase in actuarial post employment benefit expenses, (2) continued profit from water and sewer business activities in the amount of \$4,357,387 (22.3%), and (3) a decrease in personnel costs because of the Voluntary Retirement Incentive Program (VRIP) last fiscal year.

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, TEXAS
Changes in Net Assets

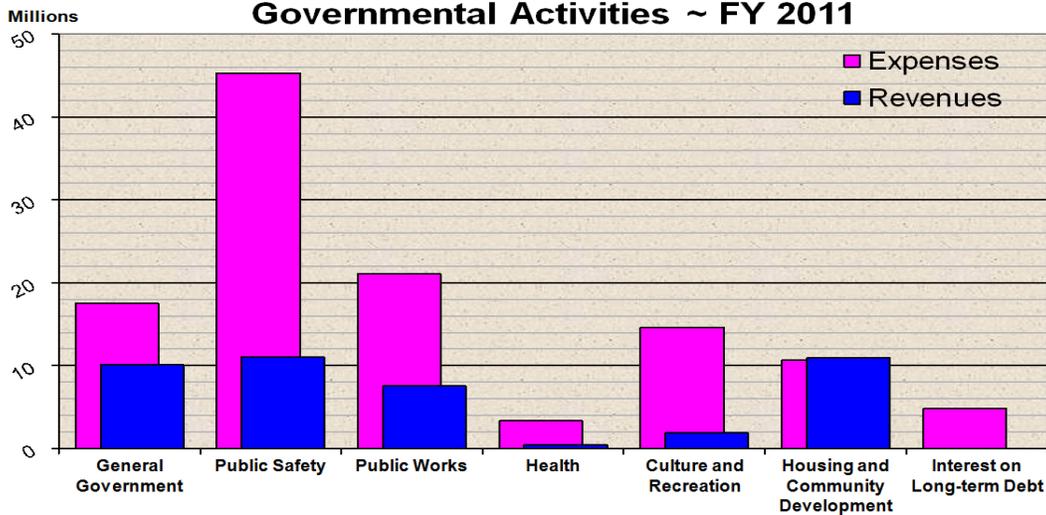
	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Revenues						
Program revenues:						
Charges for services	\$ 21,323,580	\$ 23,708,863	\$ 36,894,886	\$ 33,419,961	\$ 58,218,466	\$ 57,128,824
Operating grants and contributions	12,087,315	13,576,536	-	-	12,087,315	13,576,536
Capital grants and contributions	8,610,718	4,999,237	-	-	8,610,718	4,999,237
General revenues						
Property taxes	33,224,390	32,609,811	-	-	33,224,390	32,609,811
Business taxes	48,485,624	46,938,969	-	-	48,485,624	46,938,969
Other taxes/fees	544,183	5,523,330	-	-	544,183	5,523,330
Investment earnings	174,210	280,127	33,408	51,820	207,618	331,947
Total Revenues	<u>124,450,020</u>	<u>127,636,873</u>	<u>36,928,294</u>	<u>33,471,781</u>	<u>161,378,314</u>	<u>161,108,654</u>
Expenses:						
General government	17,498,400	16,369,013	-	-	17,498,400	16,369,013
Public safety	45,242,538	46,743,243	-	-	45,242,538	46,743,243
Public works	21,049,209	22,194,436	-	-	21,049,209	22,194,436
Health	3,419,292	3,543,536	-	-	3,419,292	3,543,536
Culture and recreation	14,629,653	15,533,525	-	-	14,629,653	15,533,525
Housing and community development	10,672,024	10,102,166	-	-	10,672,024	10,102,166
Interest on long-term debt	4,832,227	5,002,086	-	-	4,832,227	5,002,086
Water and sewer	-	-	29,982,837	29,274,247	29,982,837	29,274,247
Total Expenses	<u>117,343,343</u>	<u>119,488,005</u>	<u>29,982,837</u>	<u>29,274,247</u>	<u>147,326,180</u>	<u>148,762,252</u>
Increase in net assets before transfers	7,106,677	8,148,868	6,945,457	4,197,534	14,052,134	12,346,402
Transfers	216,156	298,328	(216,156)	(298,328)	-	-
Increase in net assets	7,322,833	8,447,196	6,729,301	3,899,206	14,052,134	12,346,402
Net assets - beginning	515,307,457	506,860,261	172,482,076	168,582,870	687,789,533	675,443,131
Net assets - ending	<u>\$ 522,630,290</u>	<u>\$ 515,307,457</u>	<u>\$ 179,211,377</u>	<u>\$ 172,482,076</u>	<u>\$ 701,841,667</u>	<u>\$ 687,789,533</u>

**Revenues by Source
Governmental Activities ~ FY 2011**



Governmental Activities. Governmental activities increased the City's net assets by \$7,322,833 (1.6%). This was impacted by the current economic conditions; the City has seen overall revenues decrease by \$3,269,025 (2.6%) including transfers. However, the City had benefited from a one-time payment of \$5,000,000 that was received from the Port of Houston in fiscal year 2010. In fiscal year 2011, this translated into an overall net increase of \$1,730,975. In general revenues, there were increases in property taxes, industrial fees and sales taxes of \$1,558,897 (2.2%) which is an increase in the right direction. The City has also moved aggressively to reduce expenses. The overall expenses decreased by \$2,144,662 (1.8%) from \$119,488,005 to \$117,343,343, with the largest decreases in public safety in the amount of \$1,500,705 for a reduction in retirement payouts.

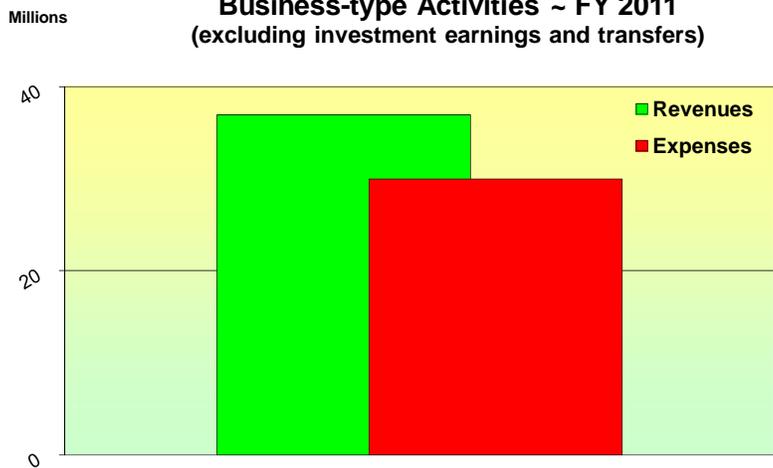
**Expenses and Program Revenues
Governmental Activities ~ FY 2011**

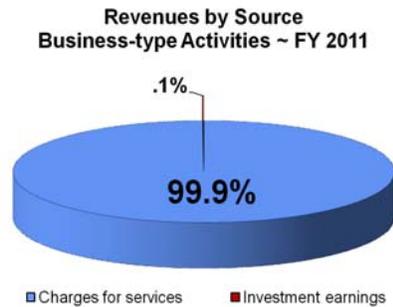


Business-type Activities. Business-type activities increased the City's net assets by \$6,729,301. The key elements of this increase include:

The business-type activities had seen an increase in net assets in fiscal year 2010 in the amount of \$3,899,206 which was repeated in fiscal year 2011. There was an increase for charges for services of \$3,474,925 (10.4%) of which \$2,770,265 was for the increase of water sales due to the extreme drought in the area. Consequently, more water had to be purchased at a higher rate which increased water cost from \$3,650,369 to \$5,684,937, an increase of \$2,034,568 up 55.7% over last year's cost. The City had to purchase 847,852,100 gallons more over last year with 570,085,100 or 67% from the East Water Purification Plant (East Plant) which costs 82% more than water purchased at the SEWPP

**Expenses and Program Revenues
Business-type Activities ~ FY 2011
(excluding investment earnings and transfers)**





because the City is a co-participant of the SEWPP. The per 1,000 gallon water cost is \$1.94 lower at the SEWPP than the East Plant, thus resulting in a tremendous increase to the City water cost. Both plants are operated by the City of Houston. Material decreases in expenses were seen in personnel costs in the amount of \$1,188,041 due to the VRIP offered in 2010 and a reduction of miscellaneous costs in the amount of \$503,719 due to management's focus of reducing costs.

Revenue including interest earnings had an increase of \$3,456,513. The revenues in charges for sales and services increased by \$3,474,925 (10.4%) compared to last fiscal year, primarily due to the severe drought the area experienced, which increased the customers' consumption in water.

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, unassigned (*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 \$83,983,258; approximately 35.9% of this amount of \$30,129,675, represents unassigned fund balance, which is available for spending at the City's discretion. The remainder of fund balance is restricted, assigned, or committed for (*reserved or designated*) to show that it is not available for other spending:

1. restricted for grants and special purposes with external constraints through laws or regulation (\$7,818,970 or 9.3%)
2. restricted to pay debt service (\$2,875,586 or 3.4%)
3. restricted to pay for certain capital improvements (\$41,470,794 or 49.4%)
4. assigned to pay encumbrances (\$1,430,771 or 1.7%)
5. committed to technological improvements and recall, election, and charter revision (\$257,462 or 0.3%)

The general fund is the principal operating fund of the City of Pasadena. As of September 30, 2011, the general fund reported fund balance of \$31,817,908. This compared to the prior fiscal year of \$24,685,303, showing an increase of \$7,132,605 (28.9%).

The unassigned (*unreserved, undesignated*) portion of the general fund balance was \$30,129,675. 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 excluding transfers out of \$77,170,216 (39.0%) versus the total fund balance to the same amount (41.2%).

The debt service fund has a total fund balance of \$2,875,586, all of which is restricted for the payment of debt service. The increase in fund balance of \$590,979 or 25.9% compared to prior fiscal year of \$2,284,607 was due to the amount of property taxes collected exceeding the required debt service payments.

The Pasadena Second Century Corporation fund has a total fund balance of \$23,053,517, all of which is restricted for economic development capital projects. The increase in fund balance of \$9,632,116 or 71.8% compared to prior fiscal year of \$13,421,401 was attributed to a slight upturn in the economy; an increase in sales tax collections and a large decrease in capital project expenditures. Pasadena Second Century Corporation also issued new debt in the amount of \$4,960,000 recorded in other financing sources to be used for numerous major capital projects in cooperation with the City.

The capital projects fund has a total fund balance of \$18,417,277, all of which is restricted for capital improvement projects. The decrease in fund balance amounted to \$15,355,697 or 45.5% compared to prior fiscal year of \$33,772,974. This downward trend will continue as the City had completed the issuance of the entire 2002 voters' authorization \$102,000,000 in Public Improvement Bonds. The capital outlay expenditures in the amount of \$15,566,053 had decreased by \$1,637,008 or 9.5% compared to the prior fiscal year with the majority of expenditures concentrated on public works projects totaling \$13,747,071.

The grant management fund has a total fund balance of \$4,579,050, all of which is restricted for specific grant purposes. The decrease in fund balance of \$751,546 or 14.1% compared to the prior fiscal year in the amount of \$5,330,596. The decrease was primarily due to City spending fund balance in the amount of \$440,202 in the federal equitable sharing of forfeited property treasury grant, paying for public safety overtime costs. The HUD section 8 housing choice vouchers used \$328,988 of their fund balance which consisted of \$180,938 increase of personnel costs because of new personnel and training costs and \$148,050 increase in lease costs.

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 \$83,458,982, including transfers out, was \$645,607 (0.77%) less than the original budget of \$84,104,589.

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

- \$1,351,077 decrease for General Government - included a decrease of \$1,509,179 in property management, mainly a reduction measure by decreasing the capital outlay budget.
- \$603,100 increase for Public Safety - included increased costs in various salary accounts due to the anticipation of lower personnel costs due to the voluntary retirement incentive program in fiscal year 2010.
- \$603,924 decrease for Public Works - included two major components: (1) a decrease in engineering in the amount of \$233,006 due to reimbursement of personnel costs under the disaster recovery Texas community development block grant, and (2) a decrease in sanitation department in the amount of \$396,812 attributed to management's decision to reduce the original budget to meet anticipated shortfall in revenues due to the sluggish economy.
- \$41,088 increase in Health - included an increase in animal rescue services in the amount of \$55,463, mainly due to renovation completed during the year.
- \$685,946 increase in Culture and Recreation - included an increase in capital outlay of \$688,174 for the urban streets project which was being funded by Pasadena Second Century Corporation.

Even with the above mentioned amendments, total actual expenditures, including transfers out totaling \$77,649,476, were \$5,809,506 (6.9%) below the final budget. Culture and recreation had the largest variance \$3,113,158, specifically in capital outlay due to several projects that were delayed or unfinished at the end of current fiscal year.

Actual revenues, including the transfers in, totaled \$84,782,081, which was over the final budgeted amount of \$77,789,639 by \$6,992,442 (9.0%). The largest favorable variance was on business taxes/sales taxes in the amount of \$2,769,873. This occurred because of the economic turn-around.

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, 2011 amounted to \$812,894,624 (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 \$11,360,419 (1.4%) compared to prior fiscal year of \$801,534,205, a 1.8% increase for governmental activities and a .5% increase for business-type activities.

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

- Continued with Cotton Patch Drainage Improvements PH I (D010) - \$83,767 with \$92,470 engineering and testing costs in progress at the end of the fiscal year.
- Continued with Beltway 8 Feeder Drainage Improvements (D014) - \$111,667 with \$113,910 in engineer costs in progress at the end of the fiscal year.
- Continued with Finrock and Mobile Ditch Drainage (D024) - \$912,657 with \$1,013,865 engineering and construction costs in progress at the end of the fiscal year.
- Continued with Convention Center Renovation (M003) - \$115,954 with \$925,062 construction costs in progress at the end of the fiscal year.
- Continued with Shaw PH II; Richey to Shaver (S034) - \$171,199 with \$414,239 engineering costs in progress at the end of the fiscal year.
- Continued with Genoa Red Bluff PH III (S036) - \$902,902 with \$1,304,282 engineering and construction costs in progress at the end of the fiscal year.
- Continued with Southmore PH I; Richey to Johnson (S041) - \$1,694,558 construction costs in progress at the end of the fiscal year.
- Continued with Main St; 225 to Southmore (S051) - \$4,853,790 with \$4,936,600 engineering and construction costs in progress at the end of the fiscal year.
- Began with Pansy; Old Vista to Crenshaw (S052) - \$3,371,163 paid to Harris County for construction costs.
- Began with Southmore PH II; Johnson to Strawberry (S055) - \$989,503 paid to Harris County and utility work costs in progress at the end of the fiscal year.
- Continued with Shaver; 225 to Southmore (S058) - \$5,710,545 construction costs in progress at the end of the fiscal year.
- Began 2011 Annual Pavement (S071) - \$524,575 construction costs in progress at the end of the fiscal year.
- Continued with Southmore PH III; Strawberry to Red Bluff (S081) - \$2,378,308 with \$2,458,651 engineering/construction costs in progress at the end of the fiscal year.
- Continued with New Transmission Line (W004) - \$1,033,055 engineering costs in progress at the end of the fiscal year.
- Continued with Tulip Waterwell (W007) - \$320,562 with \$424,015.41 engineering and construction costs in progress at the end of the fiscal year.
- Continued with Distribution System Loop (W014) - \$19,953 with \$1,571,324 engineering and construction costs in progress at the end of the fiscal year.
- Continued with Cascade Waterwell (W037) - \$1,096,945 with \$1,233,071 engineering and construction costs in progress at the end of the fiscal year.
- Continued with Richey Trunkline (WW014) - \$74,244 with \$2,855,547 engineering and construction costs in progress at the end of the fiscal year.
- Continued with Lift Station Rehabilitation (WW039) - \$119,209.92 with \$184,531 engineering and construction costs in progress at the end of the fiscal year.

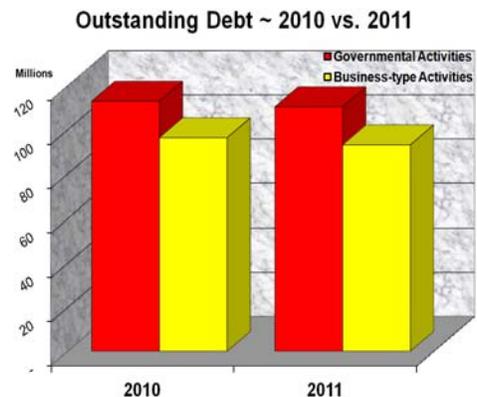
CAPITAL ASSETS
(net of depreciation)
September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
Land	\$ 136,198,102	\$ 136,154,154	\$ 2,276,074	\$ 2,276,074	\$ 138,474,176	\$ 138,430,228
Buildings and building improvements	61,970,790	62,944,261	1,707,688	1,818,259	63,678,478	64,762,520
Facilities and other improvements	3,768,993	3,242,162	3,686,615	3,782,443	7,455,608	7,024,605
Machinery and equipment	11,029,762	10,640,511	3,656,326	3,827,778	14,686,088	14,468,289
Infrastructure	305,309,032	284,034,156	169,865,800	172,344,970	475,174,832	456,379,126
Automotive equipment	10,787,562	11,577,557	15,963	58,680	10,803,525	11,636,237
Construction in progress	34,618,738	44,917,232	68,003,179	63,915,968	102,621,917	108,833,200
Totals	<u>\$ 563,682,979</u>	<u>\$ 553,510,033</u>	<u>\$ 249,211,645</u>	<u>\$ 248,024,172</u>	<u>\$ 812,894,624</u>	<u>\$ 801,534,205</u>

Additional information on the City of Pasadena's capital assets can be found in Note IV, D, pages 59-60 in the notes to the financial statements.

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$203,360,000. Of this amount, \$129,605,000 represents debt backed by the full faith and credit of the City, \$4,960,000 represents debt secured by the sales tax revenues, and \$68,795,000 represents debt secured solely by the net revenues of the City's water and sewer operations.

The overall debt decreased by \$5,765,000 (2.8%), attributable to the combination of principal payments, issuance of new debts and refunded old debt during the current fiscal year. Please refer to note IV, G, pages 63-66 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.



CITY OF PASADENA'S LONG TERM DEBT
September 30, 2011

	Governmental Activities		Business-type Activities		Total Primary Government	
	2011	2010	2011	2010	2011	2010
General and certificate obligation bonds including refunding	\$105,350,000	\$112,025,000	\$ 24,255,000	\$ 25,865,000	\$ 129,605,000	\$ 137,890,000
Other long-term debt	4,960,000	805,000	-	-	4,960,000	805,000
Revenue bonds including refunding	-	-	68,795,000	70,430,000	68,795,000	70,430,000
Total	<u>\$110,310,000</u>	<u>\$112,830,000</u>	<u>\$ 93,050,000</u>	<u>\$ 96,295,000</u>	<u>\$ 203,360,000</u>	<u>\$ 209,125,000</u>

The City continues its goal to upgrade the City's debt rating. The City's underlying bond ratings are:

Tax Supported Debt:

Standard & Poors – "AA-"
Moody's Investor Services – "Aa2"
Fitch Ratings – "AA"

Utility Supported Debt:

Standard & Poors – "AA-"
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 \$561,670,300 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 2011) was 8.1%, down from 10.5% for the previous December per the Texas Workforce Commission.
- Assessed value for property tax used for the fiscal year 2012 budget preparation is down approximately \$854 thousand (.02%) from fiscal year 2011 and is expected to bring in a decrease of \$1,217,304 in revenues due to the use of the same tax rate as fiscal year 2011 and not the effective rate this year.
- The revenue per the fiscal year 2012 adopted budget is expected to decline by approximately 6% over fiscal year 2011 excluding Pasadena Second Century Corporation bond that were issued in the amount of \$4.9.
- Sales tax revenue is expected to be flat even though the national economy is somewhat improving.
- The fiscal year 2012 adopted budget anticipates a slight decrease in industrial revenue of 1.8%. This small decrease can be traced to the industrial district decline assessed values.
- The 2012 budget under the modified accrual basis includes an increase in water and sewer operating revenues of approximately \$886,186 (2.6%) compared to the actual estimated amount in fiscal year 2011. This will cover the City's cost in providing water and sewer service and to make debt payments.
- 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 2012. Revenues in the general fund are budgeted in the amount of \$79,512,579, an increase of 2.2% over the final fiscal year 2011 budget of \$77,789,639 (including transfer in) mainly due to the revenue increase expected in business taxes.

Expenditures are budgeted to decrease by 5.1%, or \$4,264,453, in comparison to the final budgeted expenditures of fiscal year 2011. Again, this decrease is due to the reduction of \$1,105,068 or 3.0% in public safety mainly the police department, \$558,050 or 4.1% decrease in public works under sanitations, \$505,689 or 14% health and \$2,708,407 or 17.7% under culture and recreation where the urban streets project was not budgeted in parks for fiscal year 2012.

Contacting the City's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, 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 Controller's Office.

BASIC FINANCIAL STATEMENTS

CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pasadena Crime Control and Prevention District
ASSETS				
Cash and cash equivalents	\$ 1,469,590	\$ 601,779	\$ 2,071,369	\$ -
Investments	53,445,970	18,337,000	71,782,970	2,815,035
Receivables (net of allowances for uncollectible)	8,766,764	6,466,054	15,232,818	1,320,634
Due from component unit	4,173	-	4,173	-
Internal balances	719,523	(719,523)	-	-
Inventories	452,763	-	452,763	-
Prepaid items	474,384	-	474,384	-
Deposits	262,000	-	262,000	-
Deferred charges	1,401,923	1,351,907	2,753,830	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	384,716	-	384,716	-
Investments	52,606,933	7,151,376	59,758,309	-
Intergovernmental receivables	4,934,162	-	4,934,162	-
Capital assets not being depreciated:				
Land	136,198,102	2,276,074	138,474,176	-
Construction in progress	34,618,738	68,003,179	102,621,917	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	61,970,790	1,707,688	63,678,478	-
Facilities and other improvements	3,768,993	3,686,615	7,455,608	-
Machinery and equipment	11,029,762	3,656,326	14,686,088	-
Infrastructure	305,309,032	169,865,800	475,174,832	-
Automotive	10,787,562	15,963	10,803,525	-
TOTAL ASSETS	688,605,880	282,400,238	971,006,118	4,135,669
LIABILITIES				
Accounts payable and other current liabilities	7,544,153	1,197,584	8,741,737	61,537
Accrued payroll payable	2,191,204	288,951	2,480,155	283,520
Accrued interest payable	589,087	-	589,087	-
Due to primary government	-	-	-	4,173
Liabilities payable from restricted assets	3,641,092	393,594	4,034,686	-
Customer deposits	-	2,896,749	2,896,749	-
Unearned revenue	833,192	-	833,192	-
Noncurrent liabilities:				
Due within one year	11,673,055	3,846,938	15,519,993	-
Due in more than one year	139,503,807	94,565,045	234,068,852	-
TOTAL LIABILITIES	165,975,590	103,188,861	269,164,451	349,230
NET ASSETS				
Invested in capital assets, net of related debt	472,614,231	159,525,608	632,139,839	-
Restricted for:				
Capital projects	21,226,110	-	21,226,110	-
Other purpose	10,845,711	-	10,845,711	-
Public safety	-	-	-	3,786,439
Debt service	3,199,422	2,020,890	5,220,312	-
Unrestricted	14,744,816	17,664,879	32,409,695	-
TOTAL NET ASSETS	\$ 522,630,290	\$ 179,211,377	\$ 701,841,667	\$ 3,786,439

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, 2011**

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government				Pasadena Crime Control and Prevention District
					Governmental Activities	Business-type Activities	Total		
FUNCTIONS/PROGRAMS									
Primary government:									
Governmental activities:									
General government	\$ 17,498,400	\$ 9,431,596	\$ -	\$ 714,927	\$ (7,351,877)	\$ -	\$ (7,351,877)	\$ -	
Public safety	45,242,538	7,757,395	1,529,711	1,751,983	(34,203,449)	-	(34,203,449)	-	
Public works	21,049,209	1,950,323	392,400	5,238,569	(13,467,917)	-	(13,467,917)	-	
Health	3,419,292	436,568	-	-	(2,982,724)	-	(2,982,724)	-	
Culture and recreation	14,629,653	1,698,467	36,095	146,008	(12,749,083)	-	(12,749,083)	-	
Housing and community development	10,672,024	49,231	10,129,109	759,231	265,547	-	265,547	-	
Interest on long-term debt	4,832,227	-	-	-	(4,832,227)	-	(4,832,227)	-	
Total governmental activities	117,343,343	21,323,580	12,087,315	8,610,718	(75,321,730)	-	(75,321,730)	-	
Business-type activities:									
Water and sewer system	29,982,837	36,894,886	-	-	-	6,912,049	6,912,049	-	
TOTAL PRIMARY GOVERNMENT	\$ 147,326,180	\$ 58,218,466	\$ 12,087,315	\$ 8,610,718	(75,321,730)	6,912,049	(68,409,681)	-	
Component unit:									
Pasadena Crime Control and Prevention District	\$ 6,607,519	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	6,607,519	

General revenues:								
General property taxes					33,224,390	-	33,224,390	-
Business taxes								
Industrial district fees					15,980,044	-	15,980,044	-
Sales taxes					23,954,810	-	23,954,810	7,708,722
Utility taxes					8,550,770	-	8,550,770	-
Other taxes/fees					544,183	-	544,183	-
Total business taxes					49,029,807	-	49,029,807	7,708,722
Investment earnings								
Unrestricted					84,799	22,636	107,435	-
Restricted					89,411	10,772	100,183	3,359
Transfers					216,156	(216,156)	-	-
Total general revenues and transfers					82,644,563	(182,748)	82,461,815	7,712,081
CHANGE IN NET ASSETS					7,322,833	6,729,301	14,052,134	1,104,562
NET ASSETS - BEGINNING					515,307,457	172,482,076	687,789,533	2,681,877
NET ASSETS - ENDING					\$ 522,630,290	\$ 179,211,377	\$ 701,841,667	\$ 3,786,439

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Pasadena Second Century Corporation</u>	<u>Capital Projects</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,469,590	\$ -	\$ -	\$ -
Investments	35,277,566	-	-	-
Receivables (net of allowance for uncollectible)	5,817,529	407,908	1,382,507	-
Due from other funds	2,977,874	33,304	63,283	8,153
Due from component unit	4,173	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	10,722	-
Investments	-	2,791,514	21,951,989	19,956,939
Receivables (net of allowance for uncollectible)	76,076	-	-	-
TOTAL ASSETS	<u>\$ 45,622,808</u>	<u>\$ 3,232,726</u>	<u>\$ 23,408,501</u>	<u>\$ 19,965,092</u>
<u>LIABILITIES</u>				
Accounts payable	\$ 7,243,382	\$ -	\$ -	\$ -
Accrued payroll payable	2,020,842	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	1,307,614	-	-	-
Compensated absences payable	-	-	-	-
Deferred revenue	3,233,062	357,140	-	-
Liabilities payable from restricted assets	-	-	354,984	1,547,815
TOTAL LIABILITIES	<u>13,804,900</u>	<u>357,140</u>	<u>354,984</u>	<u>1,547,815</u>
<u>FUND BALANCES</u>				
Restricted	-	2,875,586	23,053,517	18,417,277
Committed	257,462	-	-	-
Assigned	1,430,771	-	-	-
Unassigned	30,129,675	-	-	-
TOTAL FUND BALANCES	<u>31,817,908</u>	<u>2,875,586</u>	<u>23,053,517</u>	<u>18,417,277</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 45,622,808</u>	<u>\$ 3,232,726</u>	<u>\$ 23,408,501</u>	<u>\$ 19,965,092</u>

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

<u>Grant Management</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 1,469,590
-	-	35,277,566
-	-	7,607,944
-	7,975	3,090,589
-	-	4,173
321,027	52,967	384,716
4,729,024	3,177,467	52,606,933
4,767,130	90,956	4,934,162
<u>\$ 9,817,181</u>	<u>\$ 3,329,365</u>	<u>\$ 105,375,673</u>

\$ -	\$ -	\$ 7,243,382
-	-	2,020,842
-	-	-
2,947,304	11,336	4,266,254
171,917	-	171,917
458,726	-	4,048,928
1,660,184	78,109	3,641,092
<u>5,238,131</u>	<u>89,445</u>	<u>21,392,415</u>

4,579,050	3,239,920	52,165,350
-	-	257,462
-	-	1,430,771
-	-	30,129,675
<u>4,579,050</u>	<u>3,239,920</u>	<u>83,983,258</u>
<u>\$ 9,817,181</u>	<u>\$ 3,329,365</u>	

550,762,819

4,318,679

29,772,721

(146,207,187)

\$ 522,630,290

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, 2011

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
REVENUES				
General property taxes	\$ 21,223,478	\$ 11,947,573	\$ -	\$ -
Business taxes and fees				
Industrial district fees	15,980,044	-	-	-
Sales taxes	15,969,873	-	7,984,937	-
Utility taxes	8,550,770	-	-	-
Other taxes/fees	189,266	-	-	-
Total business taxes and fees	40,689,953	-	7,984,937	-
Licenses and permits	2,140,936	-	-	-
Municipal court fines	5,999,461	-	-	-
Charges for services	9,680,697	-	-	-
Intergovernmental	326,372	-	-	-
Program income	-	-	-	-
Miscellaneous	508,115	-	-	-
Investment income	59,854	3,929	23,416	49,219
TOTAL REVENUES	80,628,866	11,951,502	8,008,353	49,219
EXPENDITURES				
Current:				
General government	13,093,874	-	-	-
Public safety	35,500,359	-	-	-
Public works	12,970,464	-	310,704	-
Health	3,446,535	-	-	-
Culture and recreation	12,158,984	-	-	-
Housing and community development	-	-	-	-
Debt Service:				
Principal	-	6,675,000	805,000	-
Interest	-	4,690,070	84,431	-
Bond issuance cost	-	-	143,075	-
Capital Outlay:				
General government	-	-	-	34,013
Public safety	-	-	-	888,560
Public works	-	-	1,242,340	13,747,071
Culture and recreation	-	-	68,078	896,409
TOTAL EXPENDITURES	77,170,216	11,365,070	2,653,628	15,566,053
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	3,458,650	586,432	5,354,725	(15,516,834)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,700,765	4,547	-	165,684
Transfers out	(479,260)	-	(865,684)	(4,547)
Bonds issued	-	-	4,960,000	-
Premiums on bonds issued	-	-	183,075	-
Insurance recovery	408,955	-	-	-
Sale of capital assets	43,495	-	-	-
TOTAL OTHER FINANCING SOURCES AND (USES)	3,673,955	4,547	4,277,391	161,137
NET CHANGE IN FUND BALANCES	7,132,605	590,979	9,632,116	(15,355,697)
FUND BALANCES, BEGINNING	24,685,303	2,284,607	13,421,401	33,772,974
FUND BALANCES, ENDING	\$ 31,817,908	\$ 2,875,586	\$ 23,053,517	\$ 18,417,277

Grant Management	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ -	\$ 33,171,051
-	-	15,980,044
-	-	23,954,810
-	-	8,550,770
-	354,917	544,183
-	354,917	49,029,807
-	3,589	2,144,525
-	459,996	6,459,457
-	-	9,680,697
19,278,898	596,976	20,202,246
165,174	-	165,174
-	300,868	808,983
8,680	4,167	149,265
19,452,752	1,720,513	121,811,205
714,927	516,751	14,325,552
2,466,833	651,828	38,619,020
5,630,969	-	18,912,137
-	-	3,446,535
182,103	269,998	12,611,085
11,208,701	-	11,208,701
-	-	7,480,000
-	-	4,774,501
-	-	143,075
-	-	34,013
-	-	888,560
-	-	14,989,411
-	-	964,487
20,203,533	1,438,577	128,397,077
(750,781)	281,936	(6,585,872)
-	-	3,870,996
(765)	-	(1,350,256)
-	-	4,960,000
-	-	183,075
-	-	408,955
-	-	43,495
(765)	-	8,116,265
(751,546)	281,936	1,530,393
5,330,596	2,957,984	82,452,865
\$ 4,579,050	\$ 3,239,920	\$ 83,983,258

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, 2011**

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)	\$ 1,530,393
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.	12,335,938
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfer and donations) is a decrease to net assets.	(1,136,110)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(354,250)
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.	2,520,000
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.	(4,832,935)
Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mailroom, risk management 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.	(2,740,203)
Change in net assets of governmental activities (page 27)	\$ 7,322,833

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 21,732,369	\$ 21,732,369	\$ 21,223,478	\$ (508,891)
Business taxes				
Industrial district fees	15,014,134	15,014,134	15,980,044	965,910
Sales taxes	13,200,000	13,200,000	15,969,873	2,769,873
Utility taxes	7,266,592	7,266,592	8,550,770	1,284,178
Other taxes	177,914	177,914	189,266	11,352
Total business taxes	<u>35,658,640</u>	<u>35,658,640</u>	<u>40,689,953</u>	<u>5,031,313</u>
Licenses and permits	1,685,962	1,685,962	2,140,936	454,974
Municipal court fines	5,141,168	5,141,168	5,999,461	858,293
Charges for services	8,862,566	8,862,566	9,680,697	818,131
Intergovernmental	993,918	268,918	326,372	57,454
Miscellaneous	601,736	613,518	508,115	(105,403)
Investment income	72,856	74,374	59,854	(14,520)
TOTAL REVENUES	<u>74,749,215</u>	<u>74,037,515</u>	<u>80,628,866</u>	<u>6,591,351</u>
EXPENDITURES				
Current				
General Government				
City council	179,503	178,303	155,488	22,815
Mayor	363,246	359,646	329,138	30,508
Budget and financial planning	301,188	301,188	299,987	1,201
Municipal court	1,809,685	1,831,985	1,830,768	1,217
City controller	1,653,407	1,610,720	1,582,334	28,386
Tax	437,940	438,160	424,265	13,895
Purchasing	331,870	338,170	336,489	1,681
Legal	955,586	981,786	980,665	1,121
City secretary	304,988	330,988	329,558	1,430
Elections	59,775	60,275	45,206	15,069
Human resources	621,836	655,836	612,421	43,415
City marshal	617,046	619,046	617,387	1,659
Community relations	794,941	802,075	769,226	32,849
Pasadena action line	230,833	243,933	240,102	3,831
Planning	492,596	616,834	609,885	6,949
Planning/development administration	157,996	157,998	156,429	1,569
Economic development liaison	154,214	154,214	151,114	3,100
Neighborhood network	194,875	139,875	113,236	26,639
Inspections	1,401,269	1,368,269	1,278,128	90,141
Property management	2,622,725	1,113,546	854,681	258,865
Impound/storage	334,729	365,829	361,875	3,954
Technology	57,950	57,950	47,396	10,554
Other charges	1,027,016	1,027,511	968,096	59,415
Total General Government	<u>15,105,214</u>	<u>13,754,137</u>	<u>13,093,874</u>	<u>660,263</u>
Public Safety				
Emergency preparedness	344,795	363,445	359,731	3,714
Fire fighting	3,220,230	3,347,803	3,326,139	21,664
Fire prevention	1,016,450	1,017,490	973,398	44,092
Police	31,477,776	31,933,613	30,841,091	1,092,522
Total Public Safety	<u>36,059,251</u>	<u>36,662,351</u>	<u>35,500,359</u>	<u>1,161,992</u>
Public Works				
Engineering	1,477,393	1,244,387	1,231,499	12,888
Street lighting and signals	1,335,000	1,382,000	1,381,343	657
Sanitation	7,410,023	7,013,211	6,639,986	373,225
Street and bridge	2,973,749	2,952,643	2,664,731	287,912
Traffic and transportation	1,113,260	1,113,260	1,052,905	60,355
Total Public Works	<u>\$ 14,309,425</u>	<u>\$ 13,705,501</u>	<u>\$ 12,970,464</u>	<u>\$ 735,037</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health	\$ 1,738,193	\$ 1,723,818	\$ 1,674,343	\$ 49,475
Animal rescue and assistance	1,806,310	1,861,773	1,772,192	89,581
Total Health	3,544,503	3,585,591	3,446,535	139,056
Culture and Recreation				
Parks	3,506,988	4,337,491	2,530,994	1,806,497
Recreation	2,849,535	2,914,366	2,613,137	301,229
Clean streets	2,304,214	1,977,414	1,836,990	140,424
Golf course	699,058	699,058	617,382	81,676
Multi-purpose center	718,447	720,647	371,014	349,633
Civic center	800,347	829,581	638,923	190,658
Senior center - Madison Jobe	416,260	416,260	358,298	57,962
Library	3,291,347	3,377,325	3,192,246	185,079
Total Culture and Recreation	14,586,196	15,272,142	12,158,984	3,113,158
TOTAL EXPENDITURES	83,604,589	82,979,722	77,170,216	5,809,506
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,855,374)	(8,942,207)	3,458,650	12,400,857
OTHER FINANCING SOURCES (USES)				
Transfers in	3,000,000	3,700,000	3,700,765	765
Transfers out	(500,000)	(479,260)	(479,260)	-
Insurance recovery	1,300,911	-	408,955	408,955
Sale of capital assets	52,124	52,124	43,495	(8,629)
TOTAL OTHER FINANCING SOURCES (USES)	3,853,035	3,272,864	3,673,955	401,091
NET CHANGE IN FUND BALANCES	(5,002,339)	(5,669,343)	7,132,605	12,801,948
FUND BALANCES - BEGINNING	17,564,752	24,685,303	24,685,303	-
FUND BALANCES - ENDING	\$ 12,562,413	\$ 19,015,960	\$ 31,817,908	\$ 12,801,948

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, 2011

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 200,000	\$ 200,000	\$ 478,611	\$ 278,611
Program income	400	400	2,007	1,607
TOTAL REVENUES	<u>200,400</u>	<u>200,400</u>	<u>480,618</u>	<u>280,218</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	170,000	219,000	188,550	30,450
Materials and supplies	60,000	190,000	139,746	50,254
Intergovernmental	-	90,708	90,708	-
Capital outlay	75,000	146,000	109,295	36,705
TOTAL EXPENDITURES	<u>305,000</u>	<u>645,708</u>	<u>528,299</u>	<u>117,409</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(104,600)</u>	<u>(445,308)</u>	<u>(47,681)</u>	<u>397,627</u>
FUND (PROGRAM) BALANCE - BEGINNING	<u>495,778</u>	<u>1,458,150</u>	<u>1,458,150</u>	<u>-</u>
FUND (PROGRAM) BALANCE - ENDING	<u>\$ 391,178</u>	<u>\$ 1,012,842</u>	<u>\$ 1,410,469</u>	<u>\$ 397,627</u>

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, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 75,000	\$ 75,000	\$ 305,686	\$ 230,686
Program income	1,000	1,000	651	(349)
TOTAL REVENUES	<u>76,000</u>	<u>76,000</u>	<u>306,337</u>	<u>230,337</u>
EXPENDITURES				
Public safety				
Personnel services	644,019	656,719	656,694	25
Contractual services	62,000	50,000	49,503	497
Materials and supplies	43,900	43,200	40,342	2,858
TOTAL EXPENDITURES	<u>749,919</u>	<u>749,919</u>	<u>746,539</u>	<u>3,380</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(673,919)	(673,919)	(440,202)	233,717
FUND (PROGRAM) BALANCE - BEGINNING	<u>682,856</u>	<u>737,084</u>	<u>737,084</u>	<u>-</u>
FUND (PROGRAM) BALANCE - ENDING	<u>\$ 8,937</u>	<u>\$ 63,165</u>	<u>\$ 296,882</u>	<u>\$ 233,717</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2011**

	Business-type Activities - Enterprise Fund	
	Water and Sewer System	Governmental Activities - Internal Service Funds
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 601,779	\$ -
Investments		
TexPool	18,293,100	18,168,404
CLASS	43,900	-
Receivables (net of allowances for uncollectible)	6,466,054	55,877
Due from other funds	1,195,573	1,696
Inventory, at cost	-	452,763
Prepaid items	-	474,384
Restricted assets		
Investments		
Texpool	2,171,625	-
CLASS	4,979,751	-
Total Current Assets	33,751,782	19,153,124
Noncurrent Assets		
Deposits	-	262,000
Deferred charges - revenue bond issuance costs, bond insurance premium and administrative cost recovery fees	1,351,907	-
Capital assets		
Land	2,276,074	602
Buildings and building improvements	6,024,998	2,097,496
Accumulated depreciation - buildings and building improvements	(4,317,310)	(1,686,145)
Facilities and other improvements	6,128,514	175,754
Accumulated depreciation - facilities and other improvements	(2,441,899)	(53,906)
Machinery and equipment	11,166,007	6,032,963
Accumulated depreciation - machinery and equipment	(7,509,681)	(4,463,247)
Infrastructure	253,937,180	41,746
Accumulated depreciation - Infrastructure	(84,071,380)	(12,665)
Automotive	457,159	33,625,687
Accumulated depreciation - automotive	(441,196)	(22,838,125)
Construction in progress	68,003,179	-
Net capital assets	249,211,645	12,920,160
Total Noncurrent Assets	250,563,552	13,182,160
TOTAL ASSETS	\$ 284,315,334	\$ 32,335,284

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 1,197,584	\$ 300,771
Accrued payroll payable	288,951	170,362
Revenue bonds payable - current	1,634,375	-
Due to other funds	-	21,604
Claims payable	-	1,707,138
Compensated absences payable	191,938	111,053
Customer deposits	2,896,749	-
Liabilities payable from restricted assets		
Accounts payable	219,772	-
Retainage payable	23,087	-
Accrued interest payable	150,735	-
Revenue bonds payable	2,020,625	-
Total Current Liabilities	8,623,816	2,310,928
Noncurrent Liabilities		
Revenue and general obligation bonds payable (including the unamortized discounts/premium and deferred amount on refunding of 1,372,929)	90,767,929	-
Claims payable	-	1,138,092
Compensated absences payable	1,727,441	999,473
Other post-employment benefits	2,069,675	29,166
Total Noncurrent Liabilities	94,565,045	2,166,731
TOTAL LIABILITIES	103,188,861	4,477,659
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	159,525,608	12,920,160
Restricted for debt service	2,020,890	-
Unrestricted	19,579,975	14,937,465
TOTAL NET ASSETS	181,126,473	\$ 27,857,625
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	(1,915,096)	
Net assets of business-type activities (page 25)	\$ 179,211,377	

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, 2011

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
OPERATING REVENUES		
Charges for sales and services	<u>\$ 36,894,886</u>	<u>\$ 24,604,352</u>
OPERATING EXPENSES		
Personnel services	7,714,828	4,413,454
Contractual services	5,177,970	1,141,746
Material and supplies	1,248,849	4,258,772
Maintenance charges	828,681	901,936
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	93,809	-
Operating, maintenance and water charges - Southeast Water Purification Plant	5,684,937	-
Insurance/reinsurance premiums	-	4,115,173
Claims and legal expenses	-	11,388,722
Administration fees	-	601,606
Miscellaneous	53,621	778,167
Depreciation	4,133,606	2,911,351
TOTAL OPERATING EXPENSES	<u>24,936,301</u>	<u>30,510,927</u>
OPERATING INCOME (LOSS)	<u>11,958,585</u>	<u>(5,906,575)</u>
NONOPERATING REVENUES (EXPENSES)		
Gain on sale and retirement of capital assets	10,360	88,044
Investment income	33,408	24,945
Interest expense on bonds	(4,242,051)	-
Amortization	(286,291)	-
Fiscal agent fees	(500)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(4,485,074)</u>	<u>112,989</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>7,473,511</u>	<u>(5,793,586)</u>
CAPITAL CONTRIBUTIONS	<u>2,883,719</u>	<u>1,946,194</u>
TRANSFERS IN	<u>-</u>	<u>1,579,135</u>
TRANSFERS (OUT)	<u>(3,099,875)</u>	<u>(1,000,000)</u>
CHANGES IN NET ASSETS	<u>7,257,355</u>	<u>(3,268,257)</u>
TOTAL NET ASSETS - BEGINNING	<u>173,869,118</u>	<u>31,125,882</u>
TOTAL NET ASSETS - ENDING	<u>\$ 181,126,473</u>	<u>\$ 27,857,625</u>
 CHANGES IN NET ASSETS	 <u>\$ 7,257,355</u>	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(528,054)</u>	
Change in net assets of business-type activities (page 27)	<u>\$ 6,729,301</u>	

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, 2011**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 36,197,942	\$ 24,335,178
Cash payments to suppliers for goods and services	(14,242,822)	(6,369,596)
Cash payments to employees for services	(7,138,243)	(4,446,453)
Cash payments for insurance premiums, liability claims and administration	-	(16,489,904)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>14,816,877</u>	<u>(2,970,775)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers (to)/from other funds		
General fund	(2,000,000)	(520,740)
Water and sewer system fund	-	1,099,875
Maintenance fund	(99,875)	-
General liability insurance fund	(1,000,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(3,099,875)</u>	<u>579,135</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of capital assets	44,250	190,203
Acquisition and construction of capital assets	(2,471,250)	(114,543)
Principal paid on revenue bonds	(3,245,000)	-
Interest and fiscal agent fees paid on revenue bonds	(4,163,938)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(9,835,938)</u>	<u>75,660</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(21,162,141)	(16,471,396)
Proceeds from sale and maturities of investments	19,257,601	18,762,431
Investment income received	33,408	24,945
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,871,132)</u>	<u>2,315,980</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	9,932	-
CASH AND CASH EQUIVALENTS - BEGINNING	<u>591,847</u>	-
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 601,779</u>	<u>\$ -</u>

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATION ACTIVITIES		
Operating income (loss)	\$ 11,958,585	\$ (5,906,575)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	4,133,606	2,911,351
Changes in assets and liabilities		
(Increase) decrease in accounts receivables	(886,988)	7,200
(Increase) decrease in due from other funds	(1,195,573)	54,310
(Increase) in prepaid items	-	(474,384)
(Increase) in inventory	-	(38,906)
Decrease in deposits	-	4,000
Increase in accounts and claims payable	100,053	521,424
(Decrease) in accrued payroll liabilities	(133,133)	(191,063)
Increase in compensated absences payable	160,516	177,964
(Decrease) in due to other funds	(59,435)	(17,329)
Increase (decrease) in other post employment benefits	549,202	(18,767)
Increase in customer deposits	190,044	-
Total Adjustments	2,858,292	2,935,800
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 14,816,877	\$ (2,970,775)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from the government	\$ 2,883,719	\$ 1,946,194

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, 2011**

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 the 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 the 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 of all of the 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 units 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 a specific function/program. Indirect expenses are automatically allocated to the 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 Fund Balance (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, 2011.

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. 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

5. 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.

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.

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

In the government-wide and proprietary fund type financial statements, outstanding debt is reported as a liability.

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.

7. Fund Balance (Equity)

1. Fund Balance Descriptions

- a) **Non-spendable** – indicates the portion of a fund balance that cannot be spent because they are either (1) not in a spendable form (such as inventories and prepaid amounts) or (2) legally or contractually required to be maintained intact.
- b) **Restricted** – indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either (1) externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.
- c) **Committed** – indicates the portion of a fund balance that is internally imposed by the local governmental officials; the highest level of decision making authority for the City the Mayor and City Council. The commitment must be made prior to year end and through an ordinance or resolution.
- d) **Assigned** – indicates the portion of a fund balance that sets limits as a result of the intended use of the funds. This can be expressed by the City Council or by an official or body to which the City Council delegates the authority. Assignments can be made at any time.
- e) **Unassigned** – represents amounts that are available for any purpose; residual net resources.

When the City incurred expenditures for which (1) restricted or unrestricted fund balance are available, the City considers amounts to have been spent first out of restricted then unrestricted and (2) committed, assigned, or unassigned fund balance are available, the City considers amounts to have been spent first out of committed, then assigned funds, and finally unassigned funds.

It is the desire of the City to maintain adequate general fund fund balance to maintain liquidity and in anticipation of economic downturns or natural disasters. The City Council has adopted a financial standard to maintain a general fund minimum fund balance of 60 days of actual expenditures excluding transfers.

2. Fund Balance Summary

A summary of the nature and purpose of fund balances at September 30, 2011 is as follows:

	Governmental Fund Balances									
	General	Debt Service	Pasadena Second Century	Capital Projects	Grant Management	Public Safety	Culture and Recreation	Other	Total Non major Special Revenue	Total
Fund balances:										
Restricted for:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 547,007	\$ 547,007	\$ 547,007
Public safety	-	-	-	-	1,707,351	908,675	-	525,327	1,434,002	3,141,353
Public works	-	-	-	-	-	-	-	80,470	80,470	80,470
Culture and recreation	-	-	-	-	-	-	1,118,495	59,946	1,178,441	1,178,441
Housing and community development	-	-	-	-	2,871,699	-	-	-	-	2,871,699
Capital outlay	-	-	23,053,517	18,417,277	-	-	-	-	-	41,470,794
Debt service	-	2,875,586	-	-	-	-	-	-	-	2,875,586
Total restricted	-	2,875,586	23,053,517	18,417,277	4,579,050	908,675	1,118,495	1,212,750	3,239,920	52,165,350
Committed to:										
General government	257,462	-	-	-	-	-	-	-	-	257,462
Assigned to:										
Encumbrances	1,430,771	-	-	-	-	-	-	-	-	1,430,771
Unassigned	30,129,675	-	-	-	-	-	-	-	-	30,129,675
Total	\$31,817,908	\$2,875,586	\$23,053,517	\$18,417,277	\$4,579,050	\$908,675	\$1,118,495	\$1,212,750	\$3,239,920	\$83,983,258

The amount restricted by enabling legislation was \$3,239,920.

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 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 \$146,207,187 difference are as follows:

Bonds payable	\$ 110,310,000
Other long-term debt	
Add: bond premiums	1,340,623
Less: deferred gain/loss on refunded bonds	(408,627)
Less: issuance costs	(1,401,923)
Accrued interest payable	589,087
Compensated absences	22,526,730
Other post employment benefits	13,251,297
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities.	\$ 146,207,187
	<hr/> <hr/>

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, and 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 \$29,772,721 difference are as follows:

Net assets of the internal service funds	\$ 27,857,625
Add: Internal receivable representing charges less the cost to business-type activities - prior year	1,387,042
Add: Internal receivable representing charges less the cost to business-type activities - current year	528,054
	<hr/>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities.	\$ 29,772,721
	<hr/> <hr/>

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 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 detail of this \$12,335,938 difference is as follows:

Capital outlay	\$ 21,715,641
Depreciation expense	(9,379,703)
	<hr/>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	\$ 12,335,938
	<hr/> <hr/>

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 decrease net assets.” The detail of this \$1,136,110 difference is 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.	\$ (1,285,325)
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.	<u>149,215</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (1,136,110)</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 detail of this \$2,520,000 difference is as follows:

Debt issued or incurred:	
Issuance of sales tax revenue bonds	\$ 4,960,000
Principal repayments	<u>(7,480,000)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (2,520,000)</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 detail of this \$4,832,935 difference is as follows:

Compensated absences	\$ (1,021,589)
Other post employment benefits	(3,713,620)
Accrued interest	17,366
Amortization of bond issuance costs	(72,031)
Amortization of bond premiums	(56,534)
Amortization of deferred amounts on refunding	<u>13,473</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (4,832,935)</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, and risk management 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 funds is reported with governmental activities.” The detail of this \$2,740,203 difference is as follows:

Change in net assets of the internal service funds	\$ (3,268,257)
Add: Loss from charges from business-type activities	<u>528,054</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (2,740,203)</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 a 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 funds (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 assigned fund balance unless encumbered amounts for specific purposes for which resources already have been restricted and do not constitute expenditures or liabilities because the assignment will be honored during the subsequent year.

During the current fiscal year, the general fund expenditure budget decreased in the amount of \$624,867 excluding other financing uses. Management asked each department to keep expenditures low while providing the best services to the citizens. The general government original budget was decreased by \$1,351,077 or 8.9% due to reduction of capital outlay in property management in the amount of \$1,722,479 or 93.3% with those projects put on hold until the economy improves. There was a small increase in public safety in the amount of \$603,100 or 1.7% with an increase in personnel services in the police department to cover overtime. Public works original budget was decreased by \$603,924 or 4.2% with the biggest reduction in the sanitation department by a reduction in the contractual services and material and supplies services.

Parks department under the cultural and recreation function increased the original budget by \$830,503 of which \$688,174 was capital outlay, including \$20,740 for replacement of stolen mowing equipment, and \$700,000 from PSCC to complete the Urban Street Projects; however, the projects were not completed at the year end.

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

The following provides actual fiscal year 2011 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	\$ 480,618	\$ 528,299	\$ -
Treasury Department	306,337	746,539	-
Nonbudgeted grant programs:			
Various grants	8,264,115	8,264,114	(765)
HUD Section 8 housing choice vouchers	7,403,397	7,732,385	-
FEMA DHAP program	1,938	84	-
FEMA DHAP IKE	507,066	442,831	-
HUD CDBG entitlement program	1,617,257	1,617,257	-
HUD HOME investment partnerships program	790,068	790,068	-
HUD emergency shelter program	81,956	81,956	-
Total grant management fund - actual	<u>\$ 19,452,752</u>	<u>\$ 20,203,533</u>	<u>\$ (765)</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2011, no expenditures exceeded the budget at the object level.

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, 2011, the carrying amount of the City's deposits with financial institutions was \$2,348,655, excluding \$107,430 for petty cash and tax holding account. The City's bank balance is the sum of all accounts, which totals \$2,666,280 and the market values of pledged securities were \$3,621,172. The pledged securities are held by a third party custodian in the City's name.

Investments

As of September 30, 2011 the City had 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	\$ 56,736,513	\$ 14,883,427	\$ 2,815,035	0.08
Logic Local Government Investment Pools	1,195,049	-	-	0.12
Class Local Government Investment Pools	51,657,728	7,068,562	-	0.08
Total Fair Value	\$ 109,589,290	\$ 21,951,989	\$ 2,815,035	
Portfolio Weighted Average Maturity				0.09

The City divides their investments between TexPool, LOGIC, and CLASS.

The State of Texas 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 “AAAm” 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 State of Texas Comptroller 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 “AAAm” rating from Standard & Poor’s, which monitors the fund’s compliance with its rating requirements.

CLASS is required by the Public Funds Investment Act to maintain an “AAAm” rating. It has an “AAAm” rating from Moody’s Investor’s Service and Standard and Poor’s which monitors the fund’s 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 are operated in a manner consistent with the SEC’s Rule 2a7 of the Investment Company Act of 1940. All use amortized cost rather than fair 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 ongoing 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 well 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.

Effective with the 2006 tax year, the City has contracted with the Harris County Tax Office for billing and collection of City's 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 2010 taxable assessed valuation of the City's property in the amount of \$5,616,702,995 was certified by the Appraisal District. The City Council adopted the following tax rate per \$100 of assessed taxable value for the current year.

Purpose	Tax Rate
General government	\$ 0.378203
Debt service	0.213390
	<u>\$ 0.591593</u>

2. Receivables

Receivables as of September 30, 2011, for the City's individual major and nonmajor funds and water and sewer system and internal service funds in the aggregate, including allowance for uncollectible accounts, are as follows:

	General	Debt Service	Pasadena		Grant Management	Nonmajor Governmental Funds	Water and Sewer System	Internal Service Funds		Total
			Century Corporation	Capital Projects				Maintenance	Health Insurance	
Receivables										
Property taxes	\$2,050,977	\$1,358,908	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,409,885
Sales taxes	2,765,013	-	1,382,507	-	-	-	-	-	-	4,147,520
Accounts	3,606,061	-	-	8,974	-	-	6,931,592	61	55,816	10,602,504
Less: allowance for uncollectible	(2,604,522)	(951,000)	-	(8,974)	-	-	(465,538)	-	-	(4,030,034)
	5,817,529	407,908	1,382,507	-	-	-	6,466,054	61	55,816	14,129,875
Intergovernmental - restricted	76,076	-	-	-	4,752,432	14,684	-	-	-	4,843,192
Accounts restricted	-	-	-	-	14,698	76,272	-	-	-	90,970
Net total receivables	\$5,893,605	\$ 407,908	\$1,382,507	\$ -	\$4,767,130	\$ 90,956	\$6,466,054	\$ 61	\$ 55,816	\$19,064,037

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)	\$ 527,729	\$ -
Delinquent property taxes receivable (Debt service fund)	357,140	-
Notes receivable (Grant management)	1,102,943	-
Insurance proceeds-Hurricane Ike (General fund)	2,330,867	-
Grant received prior to meeting all eligibility requirements	-	458,726
Franchise received prior to meeting all eligibility requirements (General fund)	-	374,466
Total deferred/unearned revenue for governmental funds	\$ 4,318,679	\$ 833,192

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 inter-local agreement.

	General	Debt Service	Pasadena		Grant Management	Nonmajor Governmental Funds	Water and Sewer Enterprise
			Century Corporation	Capital Projects			
Cash and cash equivalents	\$ -	\$ -	\$ 10,722	\$ -	\$ 321,027	\$ 52,967	\$ -
Investments	-	2,791,514	21,951,989	19,956,939	4,729,024	3,177,467	7,151,376
Intergovernmental receivables	76,076	-	-	-	4,752,432	14,684	-
Accounts receivables	-	-	-	-	14,698	76,272	-
	\$ 76,076	\$ 2,791,514	\$ 21,962,711	\$ 19,956,939	\$ 9,817,181	\$ 3,321,390	\$ 7,151,376
	(2)	(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, 2011 was as follows:

1. Governmental Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 136,154,154	\$ 93,452	\$ (49,504)	\$ 136,198,102
Construction in progress	<u>44,917,232</u>	<u>22,979,920</u>	<u>(33,278,414)</u>	<u>34,618,738</u>
Total capital assets, not being depreciated	<u>181,071,386</u>	<u>23,073,372</u>	<u>(33,327,918)</u>	<u>170,816,840</u>
Capital assets, being depreciated:				
Buildings and building improvements	82,186,567	504,484	-	82,691,051
Facilities and other improvements	5,012,202	652,298	(12,350)	5,652,150
Machinery and equipment	26,971,545	1,937,956	(101,232)	28,808,269
Infrastructure	429,610,554	27,826,781	-	457,437,335
Automotive equipment	<u>33,658,823</u>	<u>1,996,383</u>	<u>(2,029,518)</u>	<u>33,625,688</u>
Total capital assets being depreciated	<u>577,439,691</u>	<u>32,917,902</u>	<u>(2,143,100)</u>	<u>608,214,493</u>
Less accumulated depreciation for:				
Building and building improvements	(19,242,306)	(1,477,955)	-	(20,720,261)
Facilities and other improvements	(1,770,040)	(113,117)	-	(1,883,157)
Machinery and equipment	(16,331,034)	(1,463,860)	16,387	(17,778,507)
Infrastructure	(145,576,398)	(6,551,905)	-	(152,128,303)
Automotive equipment	<u>(22,081,266)</u>	<u>(2,684,217)</u>	<u>1,927,357</u>	<u>(22,838,126)</u>
Total accumulated depreciation	<u>(205,001,044)</u>	<u>(12,291,054)</u>	<u>1,943,744</u>	<u>(215,348,354)</u>
Total capital assets, being depreciated, net	<u>372,438,647</u>	<u>20,626,848</u>	<u>(199,356)</u>	<u>392,866,139</u>
Governmental activities capital assets, net	<u>\$ 553,510,033</u>	<u>\$ 43,700,220</u>	<u>\$ (33,527,274)</u>	<u>\$ 563,682,979</u>

2. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 2,276,074	\$ -	\$ -	\$ 2,276,074
Construction in progress	63,915,968	5,110,264	(1,023,053)	68,003,179
Total capital assets, not being depreciated	66,192,042	5,110,264	(1,023,053)	70,279,253
Capital assets, being depreciated:				
Buildings and building improvements	6,024,998	-	-	6,024,998
Facilities and other improvements	6,128,514	-	-	6,128,514
Machinery and equipment	11,009,588	198,444	(42,025)	11,166,007
Infrastructure	252,867,866	1,069,314	-	253,937,180
Automotive equipment	600,428	99,875	(243,144)	457,159
Total capital assets being depreciated	276,631,394	1,367,633	(285,169)	277,713,858
Less accumulated depreciation for:				
Building and building improvements	(4,206,739)	(110,571)	-	(4,317,310)
Facilities and other improvements	(2,346,071)	(95,828)	-	(2,441,899)
Machinery and equipment	(7,181,810)	(367,795)	39,924	(7,509,681)
Infrastructure	(80,522,896)	(3,548,484)	-	(84,071,380)
Automotive equipment	(541,748)	(10,928)	111,480	(441,196)
Total accumulated depreciation	(94,799,264)	(4,133,606)	151,404	(98,781,466)
Total capital assets, being depreciated, net	181,832,130	(2,765,973)	(133,765)	178,932,392
Business-type activities capital assets, net	\$ 248,024,172	\$ 2,344,291	\$ (1,156,818)	\$ 249,211,645

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

Governmental activities:

General Government	\$ 380,624
Public Safety	1,831,021
Public Works	6,102,388
Health	39,412
Culture and Recreation	1,026,258
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	2,911,351
	<u>\$ 12,291,054</u>

Business-type activities

Water and Sewer System	<u>\$ 4,133,606</u>
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E. Construction Commitments

The City's commitments with contractors are as follows as of September 30, 2011:

Projects		Project Appropriation	Spent-to-Date
<u>Drainage</u>			
D004	El Carey Drainage Improvements	\$ 431,605	\$ 88,655
D010	Cotton Patch Drainage Improvements PH I	1,322,612	92,470
D014	Beltway 8 Feeder Drainage Improvements	1,245,742	113,910
D024	Finrock and Mobile Ditch Drainage	1,221,549	1,013,865
D025	Beverly Street Drainage Improvements	441,258	374,012
D029	2011 Annual Drainage	853,440	529,323
D041	El Jardin Drainage PH I	897,448	448,660
		<u>\$ 6,413,654</u>	<u>\$ 2,660,895</u>
<u>Fire</u>			
F012	Fire Station #6 Upgrade/Renovate	\$ 203,246	\$ 137,573
		<u>\$ 203,246</u>	<u>\$ 137,573</u>
<u>Municipal Facilities</u>			
M003	Convention Center Renovation	\$ 1,151,891	\$ 925,062
M015	Armand Bayou Tributary Development	80,000	68,078
		<u>\$ 1,231,891</u>	<u>\$ 993,140</u>
<u>Police</u>			
P012	Police Storefront at Fire Station #6	\$ 56,754	\$ 51,171
PZ002	Police Shooting Range	200,000	184,716
		<u>\$ 256,754</u>	<u>\$ 235,887</u>
<u>Parks</u>			
R010	Rusk Building Renovations	\$ 185,062	\$ 38,791
R014	Park Land Acquisition	23,867	20,385
R031	Vince Bayou Trail PH I	875,037	782,777
		<u>\$ 1,083,966</u>	<u>\$ 841,953</u>
<u>Streets</u>			
S023	Fairmont Pkwy Electrical Landscaping	\$ 250,000	\$ 11,000
S024	Garner; Judy to Pasadena Blvd	372,205	174,953
S029	Scarborough; 225 to Southmore	410,560	318,685
S034	Shaw PH II; Richey to Shaver	2,200,000	414,239
S036	Genoa-Red Bluff PH III	1,495,152	1,304,282
S041	Southmore PH I; Richey to Johnson	1,933,422	1,694,558
S049	Preston; Beltway 8 to Genoa-Red Bluff	322,638	308,875
S051	Main St; 225 to Southmore	7,366,808	4,936,600
S052	Pansy; Old Vista to Crenshaw	4,337,511	3,371,163
S055	Southmore PH II; Johnson to Strawberry	1,017,480	989,503
S058	Shaver; 225 to Southmore	5,846,884	5,710,545
S064	2011 Annual Sidewalk Replacement	437,761	316,798
S071	2011 Annual Pavement	1,173,165	524,575
S081	Southmore PH III; Strawberry to Red Bluff	3,168,274	2,458,651
		<u>\$ 30,331,860</u>	<u>\$ 22,534,427</u>

Traffic

T006A Intersection Improvement; Beltway 8 at Red Bluff and Pasadena Blvd	\$ 111,331	\$ 98,972
	<u>\$ 111,331</u>	<u>\$ 98,972</u>

Water

W004 New Transmission Line	\$ 1,267,436	1,033,055
W006 El Jardin Waterline	505,500	302,610
W007 Tulip Waterwell and Ground Storage	2,835,988	424,015
W010 Westside Waterwell	889,723	334,518
W012 SE Water Plant/Pump Station Improvements	594,050	399,774
W014 Loop Completion of Distribution System	2,906,950	1,571,324
W019 El Jardin Ground Water Storage Tank	446,459	238,177
W023 Waterline Improvements	877,884	438,645
W037 Cascade Waterwell	3,160,965	1,233,071
	<u>\$ 13,484,955</u>	<u>\$ 5,975,189</u>

Wastewater

WW014 RTS I; Vista to Spencer	\$ 5,444,304	2,855,547
WW024 Lift Station Replacement	959,104	569,963
WW034 Manhole Rehabilitation	222,141	167,528
WW039 Lift Station Rehabilitation	1,249,882	184,531
WW040 TCEQ Sanitary Sewer Overflow Action Plan	40,000	29,795
	<u>\$ 7,915,431</u>	<u>\$ 3,807,364</u>

Others

Z001 Post Office Building	\$ 500,000	\$ 148,392
Z044 Real Estate Utilization Study	85,000	70,795
Z050 Convention Center Crossover	418,860	351,443
	<u>\$ 1,003,860</u>	<u>\$ 570,630</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, 2011 is as follows:

1. Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Grant management	\$ 2,944,934
	** State forfeited project	6,724
	** Hotel and motel tax	4,243
	** Abandoned motor vehicles and property	369
	* Maintenance	344
	* General liability insurance	21,260
		<u>\$ 2,977,874</u>
Debt Service	General	33,304
Pasadena Second Century Corporation	General	63,283
Capital project	General	8,153
** Special charge allocation	General	5,605
** State forfeited property	Grant Management	2,370
* Health Insurance	General	1,690
* Workers' compensation	General	6
Water and sewer system	General	1,195,573
	Total	<u>\$ 4,287,858</u>
* Internal service funds		
** Nonmajor governmental		

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

Receiving Entity	Payable Entity	Amount
Primary government- General fund	Pasadena Crime Control and Prevention District	\$ 4,173

3. Interfund Transfers:

Fund Financial Statements

Transfer out:	Transfer In:				* General Liability Insurance
	General	Debt Service	Capital Projects	* Maintenance	
General	\$ -	\$ -	\$ -	\$ -	\$ 479,260
Capital Projects	-	4,547	-	-	-
Grant Management	765	-	-	-	-
Water and Sewer System	2,000,000	-	-	99,875	1,000,000
* Health Insurance	1,000,000	-	-	-	-
Pasadena Second Century Corporation	700,000	-	165,684	-	-
Total	\$ 3,700,765	\$ 4,547	\$ 165,684	\$ 99,875	\$ 1,479,260

* Internal service funds

Transfers are used to move unrestricted and restricted funds from the general, debt, capital projects, grant management, water and sewer system, and internal service 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 (the City's blended component unit) authorized transfers of \$700,000 to the general fund to finance the Urban Street Projects and \$165,684 to the capital projects fund to finance a portion of the Southmore Phase II and III and the Richey truck line. The Board opted to transfer the entire amount authorized and have the City handle the administration and payments of the contracts.

Government-Wide Financial Statements

During the fiscal year, the transfer activities between the governmental and business-type activities totaled \$216,156 and it can be summarized as follows:

- The amount of \$3,099,875 was transferred out to the governmental activities from the business-type activities.
- Capital assets in the amount of \$2,883,719 were transferred into the business-type activities from the governmental 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 improvement of the City's infrastructure (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 \$129,305,000. The original amount of general obligation refunding bonds was \$10,975,000.

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) currently outstanding are as follows:

	Interest %	Maturity	Purpose	Installments	Amount
\$14,220,000 GOB, 2002	5.00	2/15/2022	Governmental type	\$50,000 to \$1,195,000	\$ 9,430,000
\$17,500,000 GOB, 2003	4.50	2/15/2023	Governmental type	\$880,000 to \$1,375,000	13,925,000
\$13,200,000 GOB, 2004	4.50	2/15/2024	Governmental type	\$615,000 to \$980,000	10,690,000
\$1,835,000 GOB Refunding, 2005	5.00	2/15/2014	Governmental type	\$950,000 to \$975,000	1,925,000
\$19,380,000 GO and Refunding, 2005A	5.00	2/15/2025	Governmental type	\$60,000 to \$1,565,000	17,255,000
\$8,915,000 GO and Refunding, 2006	4.00	2/15/2026	Both	\$100,000 to \$1,540,000	8,140,000
\$5,950,000 COB, 2007	4.88	2/15/2027	Governmental type	\$55,000 to \$390,000	5,290,000
\$13,665,000 GOB, 2007	5.63	2/15/2027	Governmental type	\$675,000 to \$840,000	12,305,000
\$21,635,000 GOB, 2008	4.75	2/15/2028	Governmental type	\$735,000 to \$1,720,000	20,135,000
\$6,725,000 GO and Refunding, 2009	4.00	2/15/2017	Governmental type	\$125,000 to \$2,240,000	6,255,000
					\$ 105,350,000

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
2012	\$ 6,815,000	\$ 4,432,200	\$ 11,247,200
2013	7,060,000	4,164,822	11,224,822
2014	7,220,000	3,872,863	11,092,863
2015	7,425,000	3,562,472	10,987,472
2016	7,610,000	3,241,535	10,851,535
2017-2021	37,290,000	11,475,510	48,765,510
2022-2026	27,350,000	3,688,908	31,038,908
2027-2028	4,580,000	188,119	4,768,119
	\$ 105,350,000	\$ 34,626,429	\$ 139,976,429

Other Long-Term Debt

\$4,960,000 Sales Tax Revenue Bonds, Series 2011 dated February 15, 2011, interest at 2.00% - 3.75%, due in an installment of \$770,000 - \$895,000 through February 15, 2017 was issued by the City's blended component unit – Pasadena Second Century Corporation ("PSCC") to fund the cost of certain capital improvement projects. The note is payable and secured solely from one-half of one percent sales and use tax collected by the PSCC.

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

Year Ending September 30,	Principal	Interest	Total
2012	\$ 770,000	\$ 144,688	\$ 914,688
2013	785,000	127,175	912,175
2014	810,000	105,213	915,213
2015	835,000	78,450	913,450
2016	865,000	48,700	913,700
2017	895,000	16,781	911,781
	\$ 4,960,000	\$ 521,007	\$ 5,481,007

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 debt outstanding at the fiscal year end is as follows:

		Interest %	Maturity	Purpose	Installments	Amount
\$17,675,000	GOB Refunding, 2005	3.25 - 5.00	2/15/2020	Water and sewer	\$120,000 to \$2,755,000	\$14,285,000
\$ 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
\$55,400,000	Revenue Bonds, 2008	4.75 - 5.00	4/1/2033	SEWPP expansion	\$35,000 to \$5,235,000	54,290,000
\$15,285,000	Revenue Refunding Bonds, 2010	2.00 - 3.00	4/1/2019	Refunding	\$780,000 to \$2,355,000	14,505,000
						<u>\$93,050,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2012	\$ 3,655,000	\$ 4,180,481	\$ 7,835,481
2013	3,830,000	4,030,056	7,860,056
2014	3,990,000	3,869,731	7,859,731
2015	4,130,000	3,707,741	7,837,741
2016	4,295,000	3,542,050	7,837,050
2017-2021	23,710,000	14,879,431	38,589,431
2022-2026	17,635,000	9,949,313	27,584,313
2027-2031	21,585,000	5,150,969	26,735,969
2032-2033	10,220,000	491,388	10,711,388
	<u>\$ 93,050,000</u>	<u>\$ 49,801,160</u>	<u>\$ 142,851,160</u>

Current Refunding

During the fiscal year, the City issued \$15,285,000 Waterworks and Sewer System Revenue Refunding Bonds, Series 2010 for a current refunding of \$15,425,000 Waterworks and Sewer System Revenue Bonds, Series 1998A. The refunding was to take advantage of lower interest rates and reduce total future debt service payments. The reacquisition price exceeded the net carrying amount of old debt by \$92,584. This amount is being netted against the new debt and amortized over the old debt's life, which is shorter than the new debt. The transaction also resulted in an economic gain of \$683,151 and a reduction of \$688,581 in future debt service payments.

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, 2011, \$2,175,000 of waterworks and sewer system revenue bonds (business-type activities) were considered defeased. Governmental and business-type activities debt defeased in prior years in the amounts of \$12,410,000 and \$16,595,000 remain outstanding.

4. Voter Authorized Obligations

On September 14, 2002, the voters of the City authorized the issuance of \$102,000,000 in Public Improvement Bonds. The City issued and used the entire authorization.

5. Legal Debt Margin

At September 30, 2011, the City's legal debt margin was 10% of assessed property valuation totaling \$5,616,702,995, reduced by the amount of bonded debt outstanding of \$105,350,000 and

netted with the amount available in the debt service fund. The City's legal debt margin was \$459,195,886.

6. Rebatable Arbitrage

The City is taking the approach of treating rebatable arbitrage as a claim. For the interim computation period through September 30, 2011, the City has no cumulative rebate liability.

7. Changes in Long-Term Liabilities

Governmental Activities:

Long-term liability activity for the year ended September 30, 2011 was as follows:

	Beginning	Additions/ Reclassification	Refunding/ Reductions	Ending	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
General obligation and refunding bonds	\$ 105,555,000	\$ -	\$ (5,495,000)	\$ 100,060,000	\$ 6,535,000
Certificate of obligation bonds	6,470,000	-	(1,180,000)	5,290,000	280,000
	112,025,000	-	(6,675,000)	105,350,000	6,815,000
Less deferred amounts:					
For issuance premium	242,205	183,074	(38,145)	387,134	-
On refunding	561,226	-	(16,363)	544,863	-
Total bonds payable	112,828,431	183,074	(6,729,508)	106,281,997	6,815,000
Rebatable arbitrage	120,552	-	(120,552)	-	-
Other long-term notes	805,000	4,960,000	(805,000)	4,960,000	770,000
Claims	2,220,276	7,164,254	(6,539,300)	2,845,230	1,707,138
Compensated absences	22,606,898	6,772,099	(5,569,825)	23,809,172	2,380,917
Other post employment benefits	9,585,610	5,657,320	(1,962,467)	13,280,463	-
Governmental activity					
Long-term liabilities	<u>\$ 148,166,767</u>	<u>\$ 24,736,747</u>	<u>\$ (21,726,652)</u>	<u>\$ 151,176,862</u>	<u>\$ 11,673,055</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, 2011, \$1,110,526 of internal service funds' compensated absences and \$29,166 of other post employment benefits are included in the above amounts.

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

Business-Type Activities:

	Beginning	Additions/ Reclassification	Refunding/ Reductions	Ending	Due Within One Year
<u>Business-type activities:</u>					
Bonds payable					
Revenue bonds	\$ 70,430,000	\$ -	\$ (16,140,000)	\$ 54,290,000	\$ 860,000
Revenue refunding bonds	-	15,285,000	(780,000)	14,505,000	1,250,000
General obligation refunding bonds	25,865,000	-	(1,610,000)	24,255,000	1,545,000
Less deferred amounts:					
For premiums on issuance	1,826,185	565,769	(203,385)	2,188,569	-
On refunding					
For deferred loss on early retirement	(817,728)	(92,584)	94,672	(815,640)	-
Rebatable arbitrage	62,018	-	(62,018)	-	-
Compensated absences	1,758,863	564,623	(404,107)	1,919,379	191,938
Other post employment benefits	1,520,473	884,045	(334,843)	2,069,675	-
Business-type activity					
Long-term liabilities	<u>\$ 100,644,811</u>	<u>\$ 17,206,853</u>	<u>\$ (19,439,681)</u>	<u>\$ 98,411,983</u>	<u>\$ 3,846,938</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 risk effective December 1, 2004. Prior to this date, the City was self-insured. The City used Arthur J. Gallagher and Company as its third-party administrator for run off claims incurred before November 30, 2004 which was completed as of September 30, 2011. The City purchases its automobile, errors and omissions, general, law enforcement, auto physical and auto catastrophe property insurance policies through Texas Municipal League Intergovernmental Risk Pool (TML-IRP) and property coverage which includes real and personal property, mobile equipment and crime, public employee dishonesty, forgery, theft, and computer fraud in an insurance policy through Rust, Ewing, Watt & Haney, Inc. until May 25, 2011. As of that date, the City purchased a new policy with MCGriff Seibels & Williams of Texas Insurance for the same coverage. The deductibles range from \$1,000 to \$5,000,000 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, Rust, Ewing, Watt & Haney, Inc. and MCGriff Seibels & Williams of Texas Insurance are all limited to the payment of premiums plus deductibles.

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 used 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 until December 31, 2006. As of January 1, 2007, Texas Municipal League (TML) became the City's third party administrator. Stop-loss insurance for individual claims had been purchased from Safety National Casualty and Midwest Employers; stop-loss attachment point is between \$300,000 thru \$375,000 for each claim until the run-off is completed. 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. United Healthcare Service, Inc., (UMR) is the third party administrator as of January 1, 2008. The City has two health insurance plans and two dental insurance plans. The health insurance plan A or B, offer 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 CGLIC - Phoenix and the other is self insured with UMR as 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. Dependent coverage is available for qualified dependents at the employee's 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	\$ 309,387	\$ 307,639	\$ 1,603,250
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	-	10,103,650
Increase (decrease) in provision for insured events-prior years	100,701	(298,282)	(2,741,815)
Total incurred claims and claim adjustment expenses	100,701	(298,282)	7,361,835
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	-	7,568,638
Prior fiscal years	99,869	9,357	(1,138,564)
Total payments	99,869	9,357	6,430,074
Total unpaid claims and claim adjustment expenses at end of current fiscal year	\$ 310,219	\$ -	\$ 2,535,011
<u>Prior Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the prior fiscal year	\$ 211,633	\$ 532,239	\$ 1,178,872
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	-	9,005,878
Increase (decrease) in provision for insured events-prior years	178,842	(185,477)	(2,650,443)
Total incurred claims and claim adjustment expenses	178,842	(185,477)	6,355,435
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	-	7,402,628
Prior fiscal years	81,088	39,123	(1,471,571)
Total payments	81,088	39,123	5,931,057
Total unpaid claims and claim adjustment expenses at end of prior fiscal year	\$ 309,387	\$ 307,639	\$ 1,603,250

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 amounts 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 provides certain healthcare benefits for retired employees. 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. Retiree healthcare is accounted for in the health insurance fund, an internal service fund. For the fiscal year ended September 30, 2011, two hundred and eighty retirees, including spouses, participated and received OPEB.

In fiscal year 2011, retirees made contributions totaling \$560,492, while the City paid \$1,931,583 in claims and \$451,641 in stop-loss premiums and administrative fees on behalf of retirees, their spouses and dependents. The City did not recover any stop loss insurance revenue associated with the retirees during this fiscal year. Effective January 1, 2004, revised January 1, 2010 and again January 1, 2011 to exclude spouses, retired employees age 65 or older, who are no longer eligible for the City's health plan, are enrolled in a Medicare Supplement plan for a total of one hundred and twenty-six at September 30, 2011. For these retirees, the City paid \$330.23 from October to December 2010 and \$341.34 from January to September 2011 per person, per month, at a cost of \$474,578 for fiscal year 2011.

Funding Policy and Annual OPEB Cost

The City's annual other post employment benefits (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance within the parameters of GASB Statement No. 45. The ARC represents an amount that is projected to recognize the normal cost each year and amortization of any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The City had its second OPEB actuarial valuation performed for the fiscal year ending September 30, 2011, as required by GASB.

The City's annual OPEB cost for the fiscal year ending September 30, 2011 is as follows:

	<u>OPEB</u>
Annual required contribution	\$ 6,504,626
Interest on OPEB obligation	499,774
Adjustment to ARC	<u>(463,035)</u>
Annual OPEB cost (expense) end of year	6,541,365
Net estimated employer contributions	<u>(2,297,310)</u>
Increase in net OPEB obligation	4,244,055
Net OPEB obligation - beginning	<u>11,106,083</u>
Net OPEB obligation - end of year	<u><u>\$ 15,350,138</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years are as follows:

Fiscal Year	Annual OPEB Costs	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2009	\$ 7,518,419	\$ 1,729,069	23.0%	\$ 5,789,350
2010	\$ 6,334,322	\$ 1,017,589	16.1%	\$ 11,106,083
2011	\$ 6,541,365	\$ 2,297,310	35.1%	\$ 15,350,138

Funding Status and Funding Progress

The funding status of the City's retiree health care plan, under GASB Statement No. 45 as of December 31, 2009 is as follows:

Actuarial Valuation Date as of December 31	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of covered Payroll
2006	\$ -	\$ 82,305,117	\$ 82,305,117	0%	\$ 37,612,068	219%
2009	\$ -	\$ 77,067,727	\$ 77,067,727	0%	\$ 45,078,183	171%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$77,067,727 at December 31, 2009.

Actuarial Methods and Assumption

The Projected Unit Credit actuarial cost method is used to calculate the GASB ARC for the City's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and pattern of sharing benefits costs between the City and the City's employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in

actuarial accrued liabilities and the actuarial value of assts. Significant methods and assumptions were as follows:

Investment rate of return -	4.5%, net of expenses
Actuarial cost method -	Projected Unit Credit Cost Method
Amortization method -	Level as a percentage of payroll
Amortization Period -	Open 30 year period
Inflation Rate -	3.0% per year
Salary Growth Rate-	3.0% per year
Medical Trend -	9% per year in 2010 decreasing by .5% per year to a rate of 4.5% for 2019 and later
Actuarial cost method -	Projected Unit Credit Cost Method

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funding status and the annual required contributions of the City’s retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented here and in the notes provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Progress

Fiscal Year Ended	Employer Annual Required Contribution	Employer Amount Contributed (estimated)	Interest on NOO (9)x4.5%	ARC Adjustment (9)/(6)	Amortization Factor	OPEB Cost (2)+(4)-(5)	Change in NOO (7)-(3)	NOO Balance NOO+(8)
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
September 30, 2009	\$ 7,518,419	\$ 1,729,069	\$ -	\$ -	23.9854	\$ 7,518,419	\$ 5,789,350	\$ 5,789,350
September 30, 2010	\$ 6,315,171	\$ 1,017,589	\$ 260,521	\$ 241,370	23.9854	\$ 6,334,322	\$ 5,316,733	\$ 11,106,083
September 30, 2011	\$ 6,504,626	\$ 2,297,310	\$ 499,774	\$ 463,035	23.9854	\$ 6,541,365	\$ 4,244,055	\$ 15,350,138

The percentage contributed and schedule of funding progress is required to present the current and the two preceding years.

Under COBRA, the City provides continuation of health coverage to its eligible former employees and their eligible dependents. The federal government outlines certain requirements for this coverage, 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 eligible employees, other than volunteer firemen, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

Benefits depend upon the sum of the employees’ 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 employees' 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 employees' accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employees' 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 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. Plan provisions for the City were as follows:

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**, updated service credit is; **100% repeating, transfers**; and the annuity increase to retirees is; **40% of CPI repeating**.

Contribution

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually: the prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases. The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2009 valuation is effective for rates beginning January 2011).

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS P.O. Box 149153, Austin, Texas 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS' website at www.TMRS.com.

Trend Information - Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/2008</u>	<u>12/31/2009</u>	<u>12/31/2010</u>
Actuarial Value of Assets	\$ 141,622,930	\$ 154,782,882	\$ 280,321,666
Actuarial Accrued Liability	202,996,809	217,148,053	311,835,392
Percentage Funded	69.77%	71.28%	89.89%
Unfunded Actuarial Accrued Liability (UAAL)	61,373,879	62,365,171	31,513,726 (2)
Annual Covered Payroll	50,092,474	53,321,738	54,105,275
UAAL as a Percentage of Covered Payroll	<u>122.50%</u>	<u>118.00%</u>	<u>59.10%</u>
Net Pension Obligation at the Beginning of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 7,696,904	\$ 9,857,955	\$ 10,378,750
Contributions Made (1)	<u>7,696,904</u>	<u>9,857,955</u>	<u>10,378,750</u>
Net Pension Obligation at the end of the period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

(1) Contribution Made - includes total City's contributions including SDBF.

(2) See Funded Status and Funding Progress for explanation.

Actuarial Assumptions

Actuarial Cost Method -	Projected Unit Credit
Amortization Method -	Level Percent of Payroll
GASB 25 Equivalent Single Amortization Period -	26.9 Years - Closed Period
Amortization Period for new Gains/Losses -	30 years
Asset Valuation Method -	10-year Smoothed Market
Investment Rate of Return -	7.0%
Projected Salary Increase -	Varies by age and service
Includes Inflation At -	3.00%
Cost-of-Living Adjustments -	1.20%

Funded Status and Funding Progress

In June 2011, Senate Bill 350 was enacted by the Texas Legislature, resulting in a restructure of the TMRS funds. This legislation provided for the actuarial valuation to be completed as if restructuring had occurred on December 31, 2010. In addition, the actuarial assumptions were updated for the new fund structure based on an actuarial experience study that was adopted by the TMRS Board at their May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). For a complete description of the combined impact of the legislation and new actuarial assumptions, including the effects on TMRS City rates and funding ratios, please see the December 31, 2010 TMRS Comprehensive Annual Financial Report.

Other Post Employment Benefits – Supplemental Death Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the

12-month period preceding the month of death); retired employees are insured for \$7,500; this coverage is an "other post employment benefit," or OPEB.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The City's contributions to the TMRS SDBF for the years ended 2011, 2010 and 2009 are included in the total contribution made in the "Trend Information-Schedule of Actuarial Liabilities and Funding Progress," which equaled the required contributions each year (1).

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

Plan Description

The Fire Fighters' Pension Commissioner 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, 2010, there were 199 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, 2010, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	2,231
Terminated members entitled to benefits but not yet receiving them	2,106
Current active members (vested and nonvested)	<u>4,371</u>
	<u>8,708</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, each 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, 2011, 2010 and 2009 were \$479,831, \$403,853, and \$431,140, 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 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, 2010, total contributions (dues and prior service) of \$2,875,103 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The state did not appropriate any maximum state contribution for the fiscal year ending August 31, 2010. 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, 2008 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the contribution arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2010 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, 2010 (\$502,941 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 \$500,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2011 are less than the contributions required because of the lag in time between an actuarial valuation that shows the need for maximum state contribution amounts and the appropriations process.

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. Hurricane Ike

The City incurred substantial expenditures planning, preparing and recovering from Hurricane Ike which hit landfall on September 13, 2008 in Galveston, Texas. The City provided refuge and assistance to citizens of the area, managed emergency operations, and cleaned up debris. Many of these expenditures incurred by the City are expected to be reimbursed by the Federal Emergency Management Agency (FEMA) in the form of public assistance grants. The City has estimated the amount it anticipates to recover from FEMA for the portion of the expenditures incurred. However, FEMA's policies have and will likely change; therefore, the actual reimbursement could differ from the amount estimated based on the City's current understanding and interpretation of FEMA's policies.

F. Subsequent Events

On January 4, 2012, the City of Pasadena, Texas issued a \$20,030,000 General Obligation Refunding Bonds, Series 2012 to current and advance refund \$8,425,000 General Obligation Bonds, Series 2002 and \$11,975,000 General Obligation Bonds, 2003, respectively. The refunding was undertaken to take advantage of lower interest rates, resulted in an economic gain of \$1,441,411 and a reduction of \$1,511,261 in future debt service payments.

**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, 2011**

ASSETS

Cash and cash equivalents	\$	1,469,590
Investments		
TexPool		9,350,641
LOGIC CLASS A		544,487
CLASS		<u>25,382,438</u>
		<u>35,277,566</u>
Receivables (net, where applicable, of allowances for uncollectible)		
General property taxes		614,977
Accounts receivable		<u>5,202,552</u>
		<u>5,817,529</u>
Due from other funds		2,977,874
Due from component unit		4,173
Restricted assets		
Receivables (net, where applicable, of allowances for uncollectible)		<u>76,076</u>
TOTAL ASSETS	\$	<u>45,622,808</u>

LIABILITIES

Accounts payable	\$	7,243,382
Accrued payroll payable		2,020,842
Due to other funds		1,307,614
Deferred revenue		<u>3,233,062</u>
TOTAL LIABILITIES		<u>13,804,900</u>

FUND BALANCES

Committed		257,462
Assigned		1,430,771
Unassigned		<u>30,129,675</u>
TOTAL FUND BALANCES		<u>31,817,908</u>
TOTAL LIABILITIES AND FUND BALANCES	\$	<u>45,622,808</u>

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**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR YEAR ENDED SEPTEMBER 30, 2011**

REVENUES

General property taxes	\$ 21,223,478
Business taxes and fees	
Industrial district fees	15,980,044
Sales taxes	15,969,873
Utility taxes	8,550,770
Other taxes and fees	189,266
Total business taxes and fees	40,689,953
Licenses and permits	2,140,936
Municipal court fines	5,999,461
Charges for services	9,680,697
Intergovernmental	326,372
Miscellaneous	508,115
Investment income	59,854
TOTAL REVENUES	80,628,866

EXPENDITURES

Current	
General government	13,093,874
Public safety	35,500,359
Public works	12,970,464
Health	3,446,535
Culture and recreation	12,158,984
TOTAL EXPENDITURES	77,170,216

**EXCESS OF REVENUES OVER
EXPENDITURES**

3,458,650

OTHER FINANCING SOURCES (USES)

Operating transfers in (out)	
Water and sewer system fund	2,000,000
Grant management fund	765
General liability insurance fund	(479,260)
Health insurance fund	1,000,000
Pasadena second century corporation fund	700,000
Insurance recovery	408,955
Sale of capital assets	43,495
TOTAL OTHER FINANCING SOURCES	3,673,955

NET CHANGE IN FUND BALANCE

7,132,605

FUND BALANCE - BEGINNING

24,685,303

FUND BALANCE - ENDING

\$ 31,817,908

**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, 2011**

	<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	\$ 21,528,820	\$ 21,528,820	\$ 20,813,860	\$ (714,960)
Penalty and interest	203,549	203,549	409,618	206,069
Total General Property Taxes	21,732,369	21,732,369	21,223,478	(508,891)
Business Taxes				
Industrial district fees	15,014,134	15,014,134	15,980,044	965,910
Sales tax	13,200,000	13,200,000	15,969,873	2,769,873
Utility taxes	7,266,592	7,266,592	8,550,770	1,284,178
Other taxes and fees				
Mixed drink tax	161,932	161,932	181,380	19,448
Bingo tax	15,982	15,982	7,886	(8,096)
Total Business Taxes	35,658,640	35,658,640	40,689,953	5,031,313
Licenses and Permits				
Business types	1,529,209	1,529,209	1,962,828	433,619
Occupational types	76,798	76,798	97,340	20,542
Non-business types	79,955	79,955	80,768	813
Total Licenses and Permits	1,685,962	1,685,962	2,140,936	454,974
Municipal Court Fines and Fees				
	5,141,168	5,141,168	5,999,461	858,293
Charges for Services				
Ellington municipal golf course	419,451	419,451	665,947	246,496
Recreational activities	152,309	152,309	222,940	70,631
Swimming pool	17,473	17,473	68,964	51,491
Tennis court	2,674	2,674	3,195	521
Civic center	286,120	286,120	349,980	63,860
Other centers	76,793	76,793	72,004	(4,789)
Miscellaneous	653,683	653,683	797,076	143,393
Solid waste collection	6,599,677	6,599,677	6,738,559	138,882
Health services	351,860	351,860	381,254	29,394
Library services	44,586	44,586	39,030	(5,556)
Property management	257,940	257,940	341,748	83,808
Total Charges for Services	8,862,566	8,862,566	9,680,697	818,131
Intergovernmental				
Fire protection	74,623	74,623	91,902	17,279
Reimbursement from other agency	806,049	81,049	128,349	47,300
TxDOT - traffic signal maintenance	29,204	29,204	29,204	-
Emergency management performance grant	81,500	81,500	76,077	(5,423)
Restitution - Harris County	2,542	2,542	840	(1,702)
Total Intergovernmental	993,918	268,918	326,372	57,454
Miscellaneous	601,736	613,518	508,115	(105,403)
Investment Income	72,856	74,374	59,854	(14,520)
TOTAL REVENUES	\$ 74,749,215	\$ 74,037,515	\$ 80,628,866	\$ 6,591,351

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES				
Current				
<u>General Government</u>				
City Council				
Personnel services	\$ 101,085	\$ 101,085	\$ 100,904	\$ 181
Contractual services	38,900	38,900	18,289	20,611
Materials and supplies	5,900	5,900	3,896	2,004
Maintenance charges	33,618	32,418	32,399	19
	179,503	178,303	155,488	22,815
Mayor				
Personnel services	313,591	313,591	288,427	25,164
Contractual services	14,400	14,400	12,721	1,679
Materials and supplies	7,250	7,250	3,646	3,604
Maintenance charges	28,005	24,405	24,344	61
	363,246	359,646	329,138	30,508
Budget and Financial Planning				
Personnel services	281,026	281,026	280,911	115
Contractual services	6,280	6,600	6,600	-
Materials and supplies	1,650	1,330	608	722
Maintenance charges	12,232	12,232	11,868	364
	301,188	301,188	299,987	1,201
Municipal Court				
Personnel services	1,595,068	1,612,068	1,611,640	428
Contractual services	52,330	65,130	65,124	6
Materials and supplies	29,620	34,117	33,512	605
Maintenance charges	132,667	120,670	120,492	178
	1,809,685	1,831,985	1,830,768	1,217
City Controller				
Personnel services	1,451,745	1,427,558	1,427,337	221
Contractual services	123,350	109,850	84,268	25,582
Materials and supplies	19,131	19,118	16,861	2,257
Maintenance charges	59,181	54,194	53,868	326
	\$ 1,653,407	\$ 1,610,720	\$ 1,582,334	\$ 28,386

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, 2011**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Tax				
Contractual services	\$ 437,940	\$ 437,935	\$ 424,043	\$ 13,892
Materials and supplies	-	5	4	1
Maintenance charges	-	220	218	2
	437,940	438,160	424,265	13,895
Purchasing				
Personnel services	288,369	296,669	296,609	60
Contractual services	13,490	12,990	11,778	1,212
Materials and supplies	2,650	3,150	2,886	264
Maintenance charges	27,361	25,361	25,216	145
	331,870	338,170	336,489	1,681
Legal				
Personnel services	803,223	809,523	809,445	78
Contractual services	92,675	104,355	103,371	984
Materials and supplies	22,750	26,070	26,063	7
Maintenance charges	36,938	41,838	41,786	52
	955,586	981,786	980,665	1,121
City Secretary				
Personnel services	220,056	235,756	235,722	34
Contractual services	48,950	54,800	54,752	48
Materials and supplies	5,350	4,500	3,221	1,279
Maintenance charges	30,632	35,932	35,863	69
	304,988	330,988	329,558	1,430
Elections				
Personnel services	-	1,250	1,250	-
Contractual services	55,000	53,750	41,904	11,846
Materials and supplies	4,775	4,775	1,631	3,144
Maintenance charges	-	500	421	79
	59,775	60,275	45,206	15,069
Human Resources				
Personnel services	494,827	506,827	484,093	22,734
Contractual services	63,000	81,800	66,459	15,341
Materials and supplies	25,500	30,700	26,408	4,292
Maintenance charges	38,509	36,509	35,461	1,048
	\$ 621,836	\$ 655,836	\$ 612,421	\$ 43,415

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City Marshal				
Personnel services	\$ 510,411	\$ 513,411	\$ 513,400	\$ 11
Contractual services	11,500	8,000	6,414	1,586
Materials and supplies	8,200	8,700	8,688	12
Maintenance charges	86,935	88,935	88,885	50
	617,046	619,046	617,387	1,659
Community Relations				
Personnel services	605,111	624,111	623,768	343
Contractual services	68,770	49,770	41,238	8,532
Materials and supplies	58,448	65,582	42,987	22,595
Maintenance charges	62,612	62,612	61,233	1,379
	794,941	802,075	769,226	32,849
Pasadena Action Line				
Personnel services	197,466	220,066	220,010	56
Contractual services	2,550	2,550	244	2,306
Materials and supplies	2,300	2,300	984	1,316
Maintenance charges	28,517	19,017	18,864	153
	230,833	243,933	240,102	3,831
Planning				
Personnel services	369,091	454,329	454,275	54
Contractual services	52,860	91,860	91,801	59
Materials and supplies	8,000	8,000	2,733	5,267
Maintenance charges	62,645	62,645	61,076	1,569
	492,596	616,834	609,885	6,949
Planning/Development Administration				
Personnel services	155,668	155,758	155,753	5
Contractual services	800	710	149	561
Materials and supplies	1,050	1,050	47	1,003
Maintenance charges	478	480	480	-
	157,996	157,998	156,429	1,569
Economic Development Liaison				
Personnel services	146,679	146,679	146,679	-
Contractual services	3,800	3,800	3,343	457
Materials and supplies	3,150	3,150	984	2,166
Maintenance charges	585	585	108	477
	\$ 154,214	\$ 154,214	\$ 151,114	\$ 3,100

**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, 2011**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Neighborhood Network				
Personnel services	\$ 75,665	\$ 75,685	\$ 75,682	\$ 3
Contractual services	84,240	29,220	15,383	13,837
Materials and supplies	18,650	18,650	6,415	12,235
Maintenance charges	16,320	16,320	15,756	564
	194,875	139,875	113,236	26,639
Inspections				
Personnel services	1,155,913	1,155,913	1,089,886	66,027
Contractual services	36,300	36,300	22,393	13,907
Materials and supplies	14,650	14,650	11,645	3,005
Maintenance charges	104,406	121,406	121,174	232
Capital outlay	90,000	40,000	33,030	6,970
	1,401,269	1,368,269	1,278,128	90,141
Property Management				
Personnel services	74,627	212,927	185,369	27,558
Contractual services	291,626	256,526	161,121	95,405
Materials and supplies	52,675	186,275	77,097	109,178
Maintenance charges	356,860	333,360	332,687	673
Capital outlay	1,846,937	124,458	98,407	26,051
	2,622,725	1,113,546	854,681	258,865
Impound/Storage				
Personnel services	328,545	359,645	359,582	63
Contractual services	2,400	2,400	459	1,941
Materials and supplies	3,000	3,000	1,054	1,946
Other charges	784	784	780	4
	334,729	365,829	361,875	3,954
Technology				
Materials and supplies	57,950	10,554	-	10,554
Capital outlay	-	47,396	47,396	-
	57,950	57,950	47,396	10,554
Other Charges				
Personnel services	734,486	829,486	828,867	619
Contractual services	163,030	64,530	45,475	19,055
Other charges	28,000	31,995	31,242	753
Other uses	101,500	101,500	62,512	38,988
	1,027,016	1,027,511	968,096	59,415
Total General Government	\$ 15,105,214	\$ 13,754,137	\$ 13,093,874	\$ 660,263

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Emergency Preparedness				
Personnel services	\$ 273,127	\$ 273,777	\$ 273,771	\$ 6
Contractual services	31,500	46,100	46,087	13
Materials and supplies	8,900	8,900	5,243	3,657
Maintenance charges	31,268	34,668	34,630	38
	344,795	363,445	359,731	3,714
Fire Fighting				
Personnel services	172,452	234,452	233,841	611
Contractual services	1,145,910	1,133,910	1,124,959	8,951
Materials and supplies	319,216	269,216	259,504	9,712
Maintenance charges	1,532,652	1,532,652	1,530,691	1,961
Capital outlay	50,000	177,573	177,144	429
	3,220,230	3,347,803	3,326,139	21,664
Fire Prevention				
Personnel services	833,161	833,161	790,238	42,923
Contractual services	29,500	30,275	30,272	3
Materials and supplies	20,826	21,066	21,065	1
Maintenance charges	132,963	132,988	131,823	1,165
	1,016,450	1,017,490	973,398	44,092
Police				
Personnel services	28,374,059	28,730,959	27,683,721	1,047,238
Contractual services	593,803	627,203	611,837	15,366
Materials and supplies	312,866	323,710	294,714	28,996
Maintenance charges	2,197,048	2,190,641	2,189,719	922
Capital outlay	-	61,100	61,100	-
	31,477,776	31,933,613	30,841,091	1,092,522
Total Public Safety	\$ 36,059,251	\$ 36,662,351	\$ 35,500,359	\$ 1,161,992

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, 2011**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works				
Engineering				
Personnel services	\$ 1,205,323	\$ 985,786	\$ 985,687	\$ 99
Contractual services	80,900	93,331	93,236	95
Materials and supplies	43,800	31,700	19,060	12,640
Maintenance charges	147,370	133,570	133,516	54
	1,477,393	1,244,387	1,231,499	12,888
Street Lighting and Signals				
Contractual services	1,335,000	1,382,000	1,381,343	657
	1,335,000	1,382,000	1,381,343	657
Sanitation				
Personnel services	2,136,718	2,146,718	2,127,135	19,583
Contractual services	3,217,400	3,170,400	3,035,598	134,802
Materials and supplies	1,607,876	1,248,039	1,037,151	210,888
Maintenance charges	448,029	448,054	440,102	7,952
	7,410,023	7,013,211	6,639,986	373,225
Street and Bridge				
Personnel services	1,785,583	1,807,477	1,807,412	65
Contractual services	90,850	90,850	9,223	81,627
Materials and supplies	352,770	412,770	233,159	179,611
Maintenance charges	544,546	544,546	542,881	1,665
Capital Outlay	200,000	97,000	72,056	24,944
	2,973,749	2,952,643	2,664,731	287,912
Traffic and Transportation				
Personnel services	722,002	732,002	731,982	20
Contractual services	103,050	153,050	131,295	21,755
Materials and supplies	190,400	130,400	107,999	22,401
Maintenance charges	82,808	82,808	81,629	1,179
Capital outlay	15,000	15,000	-	15,000
	1,113,260	1,113,260	1,052,905	60,355
Total Public Works	\$ 14,309,425	\$ 13,705,501	\$ 12,970,464	\$ 735,037

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health				
Personnel services	\$ 656,070	\$ 671,070	\$ 670,878	\$ 192
Contractual services	1,004,060	969,060	939,820	29,240
Materials and supplies	12,650	17,648	12,608	5,040
Maintenance charges	50,413	51,040	51,037	3
Capital outlay	15,000	15,000	-	15,000
	1,738,193	1,723,818	1,674,343	49,475
Animal Rescue and Assistance				
Personnel services	1,105,475	1,117,475	1,058,681	58,794
Contractual services	163,400	163,400	140,745	22,655
Materials and supplies	97,400	140,213	135,956	4,257
Maintenance charges	82,020	122,670	122,235	435
Capital outlay	358,015	318,015	314,575	3,440
	1,806,310	1,861,773	1,772,192	89,581
Total Health	3,544,503	3,585,591	3,446,535	139,056
Culture and Recreation				
Parks				
Personnel services	1,650,067	1,662,870	1,429,411	233,459
Contractual services	523,950	580,494	435,931	144,563
Materials and supplies	194,358	243,358	147,561	95,797
Maintenance charges	390,479	402,679	402,621	58
Other charges	-	11,782	11,782	-
Capital outlay	748,134	1,436,308	103,688	1,332,620
	3,506,988	4,337,491	2,530,994	1,806,497
Recreation				
Personnel services	2,004,788	2,014,468	1,867,250	147,218
Contractual services	247,055	282,675	239,433	43,242
Materials and supplies	246,583	282,023	232,899	49,124
Maintenance charges	179,952	186,752	160,364	26,388
Other charges	68,844	68,844	59,365	9,479
Capital outlay	102,313	79,604	53,826	25,778
	\$ 2,849,535	\$ 2,914,366	\$ 2,613,137	\$ 301,229

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, 2011**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Culture and Recreation, Continued				
Clean Streets				
Personnel services	\$ 1,489,214	\$ 1,350,914	\$ 1,342,463	\$ 8,451
Contractual services	175,250	175,250	120,606	54,644
Materials and supplies	236,900	107,400	76,728	30,672
Maintenance charges	179,850	179,850	174,736	5,114
Capital outlay	223,000	164,000	122,457	41,543
	2,304,214	1,977,414	1,836,990	140,424
Golf Course				
Personnel services	459,397	462,497	462,496	1
Contractual services	63,900	71,800	55,272	16,528
Materials and supplies	101,195	111,195	75,524	35,671
Maintenance charges	25,566	25,566	24,090	1,476
Capital outlay	49,000	28,000	-	28,000
	699,058	699,058	617,382	81,676
Multi-Purpose Center				
Personnel services	398,561	398,561	282,251	116,310
Contractual services	38,200	38,200	24,891	13,309
Materials and supplies	36,000	36,000	10,546	25,454
Maintenance charges	43,686	45,886	45,866	20
Other charges	10,000	10,000	7,460	2,540
Capital outlay	192,000	192,000	-	192,000
	718,447	720,647	371,014	349,633
Civic Center				
Personnel services	507,115	475,115	341,163	133,952
Contractual services	135,600	153,469	124,840	28,629
Materials and supplies	5,000	9,200	9,175	25
Maintenance charges	152,632	125,667	97,615	28,052
Capital outlay	-	66,130	66,130	-
	800,347	829,581	638,923	190,658
Senior Center - Madison Jobe				
Personnel services	256,776	256,776	240,654	16,122
Contractual services	39,550	39,550	29,279	10,271
Materials and supplies	15,450	35,450	20,530	14,920
Maintenance charges	59,484	59,484	57,514	1,970
Other charges	20,000	20,000	10,321	9,679
Capital outlay	25,000	5,000	-	5,000
	\$ 416,260	\$ 416,260	\$ 358,298	\$ 57,962

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Library				
Personnel services	\$ 2,369,266	\$ 2,419,266	\$ 2,273,734	\$ 145,532
Contractual services	320,210	301,010	270,071	30,939
Materials and supplies	196,109	237,187	228,734	8,453
Maintenance charges	272,075	286,195	286,128	67
Capital outlay	133,687	133,667	133,579	88
	3,291,347	3,377,325	3,192,246	185,079
Total Culture and Recreation	14,586,196	15,272,142	12,158,984	3,113,158
TOTAL EXPENDITURES	83,604,589	82,979,722	77,170,216	5,809,506
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(8,855,374)	(8,942,207)	3,458,650	12,400,857
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Water and sewer system fund	2,000,000	2,000,000	2,000,000	-
Library grant fund	-	-	765	765
General liability insurance fund	(500,000)	(479,260)	(479,260)	-
Health insurance fund	1,000,000	1,000,000	1,000,000	-
Pasadena second century corporation fund	-	700,000	700,000	-
Insurance recovery	1,300,911	-	408,955	408,955
Sale of capital assets	52,124	52,124	43,495	(8,629)
	3,853,035	3,272,864	3,673,955	401,091
TOTAL OTHER FINANCING SOURCES	3,853,035	3,272,864	3,673,955	401,091
NET CHANGE IN FUND BALANCES	(5,002,339)	(5,669,343)	7,132,605	12,801,948
FUND BALANCE - BEGINNING	17,564,752	24,685,303	24,685,303	-
FUND BALANCE - ENDING	\$ 12,562,413	\$ 19,015,960	\$ 31,817,908	\$ 12,801,948

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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, 2011**

	<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	\$ 11,679,447	\$ 11,679,447	\$ 11,947,573	\$ 268,126
Investment income	5,000	5,000	3,929	(1,071)
TOTAL REVENUES	<u>11,684,447</u>	<u>11,684,447</u>	<u>11,951,502</u>	<u>267,055</u>
EXPENDITURES				
Debt service				
Principal	6,675,000	6,675,000	6,675,000	-
Interest	4,690,073	4,690,073	4,690,070	3
Fiscal charges	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>11,370,073</u>	<u>11,370,073</u>	<u>11,365,070</u>	<u>5,003</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>314,374</u>	<u>314,374</u>	<u>586,432</u>	<u>272,058</u>
OTHER FINANCING SOURCES				
Transfers in - capital projects fund	-	-	4,547	4,547
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>-</u>	<u>4,547</u>	<u>4,547</u>
NET CHANGE IN FUND BALANCE	314,374	314,374	590,979	276,605
FUND BALANCES - BEGINNING	<u>2,224,074</u>	<u>2,284,607</u>	<u>2,284,607</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,538,448</u>	<u>\$ 2,598,981</u>	<u>\$ 2,875,586</u>	<u>\$ 276,605</u>

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NONMAJOR GOVERNMENTAL 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:

Juvenile case manager fee not to exceed \$5.00 is imposed whenever a defendant is convicted of a misdemeanor offense. The funds generated from the fee may be used only to finance the salary and benefits of a juvenile case manager.

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. The funds are 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.

Preservation of vital statistics fees collected in addition to the standard fees by the Health Department at the City, which collects an additional \$1.00 for the preservation of vital statistic records under Texas Health and Safety Code 191.001(h).

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 enhancement and promotion of tourism, the convention and hotel industry of the City and its vicinity.

Abandoned Motor Vehicle 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, 2011**

	<u>Special Revenue</u>				<u>Totals</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>	
<u>ASSETS</u>					
Due from other funds	\$ 5,605	\$ 2,370	\$ -	\$ -	\$ 7,975
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,246,352	785,183	1,054,653	91,279	3,177,467
Receivables (net of allowances of uncollectibles)					
Intergovernmental	14,684	-	-	-	14,684
Accounts	-	-	76,272	-	76,272
TOTAL ASSETS	<u>\$ 1,266,641</u>	<u>\$ 840,520</u>	<u>\$ 1,130,925</u>	<u>\$ 91,279</u>	<u>\$ 3,329,365</u>
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ 6,724	\$ 4,243	\$ 369	\$ 11,336
Liabilities payable from restricted assets					
Accounts payable	37,828	704	3,698	15,327	57,557
Accrued payroll payable	16,063	-	4,489	-	20,552
	<u>53,891</u>	<u>704</u>	<u>8,187</u>	<u>15,327</u>	<u>78,109</u>
TOTAL LIABILITIES	<u>53,891</u>	<u>7,428</u>	<u>12,430</u>	<u>15,696</u>	<u>89,445</u>
<u>FUND BALANCES</u>					
Restricted	1,212,750	833,092	1,118,495	75,583	3,239,920
TOTAL FUND BALANCES	<u>1,212,750</u>	<u>833,092</u>	<u>1,118,495</u>	<u>75,583</u>	<u>3,239,920</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,266,641</u>	<u>\$ 840,520</u>	<u>\$ 1,130,925</u>	<u>\$ 91,279</u>	<u>\$ 3,329,365</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, 2011**

	<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	\$ -	\$ -	\$ 354,917	\$ -	\$ 354,917
Licenses and permits	3,589	-	-	-	3,589
Municipal court fines	459,996	-	-	-	459,996
Intergovernmental	275,933	321,043	-	-	596,976
Miscellaneous	5,300	-	1,000	294,568	300,868
Investment income	1,576	836	1,683	72	4,167
TOTAL REVENUES	<u>746,394</u>	<u>321,879</u>	<u>357,600</u>	<u>294,640</u>	<u>1,720,513</u>
EXPENDITURES					
Current					
General government					
Personnel services	222,247	-	-	-	222,247
Contractual services	178,956	-	-	-	178,956
Materials and supplies	31,428	-	-	-	31,428
Maintenance charges	84,120	-	-	-	84,120
Public safety					
Personnel services	155,107	-	-	-	155,107
Contractual services	62,872	110,828	-	184,465	358,165
Materials and supplies	25,407	49,166	-	36,212	110,785
Other charges	-	-	-	21,867	21,867
Capital outlay	5,904	-	-	-	5,904
Culture and recreation					
Personnel services	-	-	115,990	-	115,990
Contractual services	-	-	104,472	-	104,472
Materials and supplies	-	-	44,589	-	44,589
Other charges	-	-	4,947	-	4,947
TOTAL EXPENDITURES	<u>766,041</u>	<u>159,994</u>	<u>269,998</u>	<u>242,544</u>	<u>1,438,577</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(19,647)	161,885	87,602	52,096	281,936
FUND BALANCES - BEGINNING	<u>1,232,397</u>	<u>671,207</u>	<u>1,030,893</u>	<u>23,487</u>	<u>2,957,984</u>
FUND BALANCES - ENDING	<u>\$ 1,212,750</u>	<u>\$ 833,092</u>	<u>\$ 1,118,495</u>	<u>\$ 75,583</u>	<u>\$ 3,239,920</u>

**CITY OF PASADENA, TEXAS
SPECIAL CHARGE ALLOCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 2,800	\$ 2,800	\$ 3,589	\$ 789
Municipal court fines	437,000	437,000	459,996	22,996
Intergovernmental	282,000	282,000	275,933	(6,067)
Miscellaneous	10,000	10,000	5,300	(4,700)
Investment income	2,445	2,445	1,576	(869)
TOTAL REVENUES	<u>734,245</u>	<u>734,245</u>	<u>746,394</u>	<u>12,149</u>
EXPENDITURES				
Current				
General government				
Personnel services	268,227	263,727	222,248	41,479
Contractual services	175,643	239,093	178,956	60,137
Materials and supplies	91,863	121,330	31,427	89,903
Maintenance charges	84,117	84,120	84,120	-
Capital outlay	50,000	50,000	-	50,000
Public safety				
Personnel services	166,464	166,464	155,106	11,358
Contractual services	139,000	133,000	62,872	70,128
Materials and supplies	25,500	31,500	25,408	6,092
Capital outlay	25,000	25,000	5,904	19,096
TOTAL EXPENDITURES	<u>1,025,814</u>	<u>1,114,234</u>	<u>766,041</u>	<u>348,193</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(291,569)	(379,989)	(19,647)	360,342
FUND BALANCES - BEGINNING	<u>1,045,525</u>	<u>1,232,397</u>	<u>1,232,397</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 753,956</u>	<u>\$ 852,408</u>	<u>\$ 1,212,750</u>	<u>\$ 360,342</u>

**CITY OF PASADENA, TEXAS
STATE FORFEITED PROPERTY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 265,000	\$ 265,000	\$ 321,043	\$ 56,043
Investment income	1,600	1,600	836	(764)
TOTAL REVENUES	<u>266,600</u>	<u>266,600</u>	<u>321,879</u>	<u>55,279</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	82,000	110,900	110,828	72
Materials and supplies	118,970	115,070	49,166	65,904
Other charges	20,000	20,000	-	20,000
TOTAL EXPENDITURES	<u>220,970</u>	<u>245,970</u>	<u>159,994</u>	<u>85,976</u>
EXCESS OF REVENUES OVER EXPENDITURES	45,630	20,630	161,885	141,255
FUND BALANCES - BEGINNING	<u>277,534</u>	<u>671,207</u>	<u>671,207</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 323,164</u>	<u>\$ 691,837</u>	<u>\$ 833,092</u>	<u>\$ 141,255</u>

**CITY OF PASADENA, TEXAS
HOTEL AND MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Business taxes	\$ 240,000	\$ 240,000	\$ 354,917	\$ 114,917
Intergovernmental	6,500	6,500	-	(6,500)
Miscellaneous	-	-	1,000	1,000
Investment income	1,700	1,700	1,683	(17)
TOTAL REVENUES	<u>248,200</u>	<u>248,200</u>	<u>357,600</u>	<u>109,400</u>
EXPENDITURES				
Current				
Culture and recreation				
Personnel services	108,747	116,047	115,990	57
Contractual services	142,700	135,400	104,472	30,928
Materials and supplies	166,439	166,439	44,589	121,850
Other charges	29,500	29,500	4,947	24,553
Capital outlay	10,000	10,000	-	10,000
TOTAL EXPENDITURES	<u>457,386</u>	<u>457,386</u>	<u>269,998</u>	<u>187,388</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(209,186)	(209,186)	87,602	296,788
FUND BALANCES - BEGINNING	<u>869,689</u>	<u>1,030,893</u>	<u>1,030,893</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 660,503</u>	<u>\$ 821,707</u>	<u>\$ 1,118,495</u>	<u>\$ 296,788</u>

**CITY OF PASADENA, TEXAS
 ABANDONED MOTOR VEHICLE AND PROPERTY SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 200,000	\$ 294,246	\$ 294,568	\$ 322
Investment income	375	375	72	(303)
TOTAL REVENUES	<u>200,375</u>	<u>294,621</u>	<u>294,640</u>	<u>19</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	124,657	204,657	184,465	20,192
Materials and supplies	44,716	49,716	36,212	13,504
Other charges	10,000	25,000	21,867	3,133
TOTAL EXPENDITURES	<u>179,373</u>	<u>279,373</u>	<u>242,544</u>	<u>36,829</u>
EXCESS OF REVENUES OVER EXPENDITURES	21,002	15,248	52,096	36,848
FUND BALANCES - BEGINNING	<u>53,377</u>	<u>23,487</u>	<u>23,487</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 74,379</u>	<u>\$ 38,735</u>	<u>\$ 75,583</u>	<u>\$ 36,848</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, 2011**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
<u>ASSETS</u>					
Current Assets					
Investments - Texpool	\$ 1,288,255	\$ 2,189,810	\$ 5,810,678	\$ 8,879,661	\$ 18,168,404
Accounts receivable	61	-	-	55,816	55,877
Due from other funds					
General	-	6	-	1,690	1,696
Inventory, at cost	452,763	-	-	-	452,763
Prepaid items	-	-	431,375	43,009	474,384
Total Current Assets	1,741,079	2,189,816	6,242,053	8,980,176	19,153,124
Noncurrent Assets					
Deposits	-	12,000	-	250,000	262,000
Capital Assets					
Land	602	-	-	-	602
Buildings and building improvements	2,097,496	-	-	-	2,097,496
Accumulated depreciation - buildings and building improvements	(1,686,145)	-	-	-	(1,686,145)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(53,906)	-	-	-	(53,906)
Machinery and equipment	6,032,963	-	-	-	6,032,963
Accumulated depreciation - machinery and equipment	(4,463,247)	-	-	-	(4,463,247)
Infrastructure	41,746	-	-	-	41,746
Accumulated depreciation - infrastructure	(12,665)	-	-	-	(12,665)
Automotive equipment	33,625,687	-	-	-	33,625,687
Accumulated depreciation - automotive equipment	(22,838,125)	-	-	-	(22,838,125)
Net Capital Assets	12,920,160	-	-	-	12,920,160
Total Noncurrent Assets	12,920,160	12,000	-	250,000	13,182,160
TOTAL ASSETS	14,661,239	2,201,816	6,242,053	9,230,176	32,335,284
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	229,505	2,201	54,101	14,964	300,771
Accrued payroll payable	161,749	3,834	-	4,779	170,362
Due to other funds					
General	344	-	21,260	-	21,604
Claims payable	-	186,131	-	1,521,007	1,707,138
Compensated absences payable	111,053	-	-	-	111,053
Total Current Liabilities	502,651	192,166	75,361	1,540,750	2,310,928
Noncurrent Liabilities					
Claims payable	-	124,088	-	1,014,004	1,138,092
Compensated absences payable	999,473	-	-	-	999,473
Other post employment benefits	29,166	-	-	-	29,166
Total Noncurrent Liabilities	1,028,639	124,088	-	1,014,004	2,166,731
TOTAL LIABILITIES	1,531,290	316,254	75,361	2,554,754	4,477,659
<u>NET ASSETS</u>					
Invested in capital assets	12,920,160	-	-	-	12,920,160
Unrestricted	209,789	1,885,562	6,166,692	6,675,422	14,937,465
TOTAL NET ASSETS	\$ 13,129,949	\$ 1,885,562	\$ 6,166,692	\$ 6,675,422	\$ 27,857,625

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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, 2011**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
OPERATING REVENUES					
Charges for sales and services	\$ 10,543,316	\$ 1,195,799	\$ 430,904	\$ 12,434,333	\$ 24,604,352
OPERATING EXPENSES					
Personnel services	4,313,920	99,534	-	-	4,413,454
Contractual services	1,046,207	17,231	-	78,308	1,141,746
Materials and supplies	4,258,772	-	-	-	4,258,772
Maintenance charges	901,936	-	-	-	901,936
Insurance/reinsurance premiums	-	483,913	1,100,196	2,531,064	4,115,173
Claim and legal expenses	-	100,852	70,821	11,217,049	11,388,722
Administration fees	-	-	-	601,606	601,606
Miscellaneous	-	1,133	-	777,034	778,167
Depreciation	2,911,351	-	-	-	2,911,351
TOTAL OPERATING EXPENSES	13,432,186	702,663	1,171,017	15,205,061	30,510,927
OPERATING INCOME (LOSS)	(2,888,870)	493,136	(740,113)	(2,770,728)	(5,906,575)
NONOPERATING REVENUES					
Gain on sale of capital assets	88,044	-	-	-	88,044
Investment income	1,647	1,951	7,817	13,530	24,945
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,799,179)	495,087	(732,296)	(2,757,198)	(5,793,586)
Capital contributions	1,946,194	-	-	-	1,946,194
Transfers in	99,875	-	1,479,260	-	1,579,135
Transfers out	-	-	-	(1,000,000)	(1,000,000)
CHANGES IN NET ASSETS	(753,110)	495,087	746,964	(3,757,198)	(3,268,257)
TOTAL NET ASSETS - BEGINNING	13,883,059	1,390,475	5,419,728	10,432,620	31,125,882
TOTAL NET ASSETS - ENDING	\$ 13,129,949	\$ 1,885,562	\$ 6,166,692	\$ 6,675,422	\$ 27,857,625

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2011**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers and users	\$ 10,563,390	\$ 1,195,797	\$ 123,265	\$ 12,452,726	\$ 24,335,178
Cash payments to suppliers for goods and services	(6,369,596)	-	-	-	(6,369,596)
Cash payments to employees for services	(4,348,044)	(100,288)	-	1,879	(4,446,453)
Cash payments for insurance premiums, liability claims and administration	-	(573,288)	(1,593,122)	(14,323,494)	(16,489,904)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(154,250)	522,221	(1,469,857)	(1,868,889)	(2,970,775)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers from other funds					
General	-	-	479,260	(1,000,000)	(520,740)
Water and sewer system	99,875	-	1,000,000	-	1,099,875
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	99,875	-	1,479,260	(1,000,000)	579,135
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from sale of capital assets	190,203	-	-	-	190,203
Acquisition and construction of capital assets	(114,543)	-	-	-	(114,543)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	75,660	-	-	-	75,660
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of investments	(2,020,240)	(1,090,860)	(1,471,466)	(11,888,830)	(16,471,396)
Proceeds from sale and maturities of investments	1,997,308	566,688	1,454,246	14,744,189	18,762,431
Investment income received	1,647	1,951	7,817	13,530	24,945
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(21,285)	(522,221)	(9,403)	2,868,889	2,315,980
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>\$ (2,888,870)</u>	<u>\$ 493,136</u>	<u>\$ (740,113)</u>	<u>\$ (2,770,728)</u>	<u>\$ (5,906,575)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	2,911,351	-	-	-	2,911,351
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	(61)	23,106	-	(15,845)	7,200
(Increase) in prepaid items	-	-	(431,375)	(43,009)	(474,384)
Decrease (increase) in due from other funds	20,074	(2)	-	34,238	54,310
(Increase) in inventory	(38,906)	-	-	-	(38,906)
Decrease in deposits	-	4,000	-	-	4,000
(Decrease) increase in accounts and claims payable	(124,058)	1,602	(280,696)	924,576	521,424
(Decrease) increase in accrued payroll payable	(193,321)	379	-	1,879	(191,063)
Increase in compensated absences payable	177,964	-	-	-	177,964
(Decrease) in other post employment benefits	(18,767)	-	-	-	(18,767)
Increase (decrease) in due to other funds	344	-	(17,673)	-	(17,329)
Total Adjustments	<u>2,734,620</u>	<u>29,085</u>	<u>(729,744)</u>	<u>901,839</u>	<u>2,935,800</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (154,250)</u>	<u>\$ 522,221</u>	<u>\$ (1,469,857)</u>	<u>\$ (1,868,889)</u>	<u>\$ (2,970,775)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contribution of capital assets from the government	\$ 1,946,194	\$ -	\$ -	\$ -	\$ 1,946,194

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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.

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I. Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

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Fund Balances of Governmental Funds	112
Changes in Fund Balances of Governmental Funds	114
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II. Revenue Capacity

These schedules contain trend information to help the reader assess the government's most significant local revenue source, which are water and sewer system charges for services and the property tax.

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Property Tax Rates - Direct and Overlapping Governments	124
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III. Debt Capacity

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.

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Direct and Overlapping Governmental Activities Debt.....	131
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IV. Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

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Principal Employers 136

V. Operating Information

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.

City Government Employees by Function 137
Operating Indicators by Function 138
Capital Asset Statistics by Function 140

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 Nine 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	\$ 403,974,440
Restricted	16,176,151	18,624,939	22,888,815	30,687,355
Unrestricted	14,901,279	9,571,244	3,579,793	4,719,202
Total governmental activities net assets	<u>\$ 409,411,753</u>	<u>\$ 415,974,811</u>	<u>\$ 396,939,524</u>	<u>\$ 439,380,997</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)	2,092,369
Total business-type activities net assets	<u>\$ 160,748,226</u>	<u>\$ 155,101,703</u>	<u>\$ 183,892,424</u>	<u>\$ 157,717,513</u>
Primary government				
Invested in capital assets, net of related debt	\$ 534,563,553	\$ 541,927,860	\$ 555,109,348	\$ 558,327,307
Restricted	17,737,405	20,259,374	23,372,674	31,959,632
Unrestricted	17,859,021	8,889,280	2,349,926	6,811,571
Total primary government net assets	<u>\$ 570,159,979</u>	<u>\$ 571,076,514</u>	<u>\$ 580,831,948</u>	<u>\$ 597,098,510</u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 412,109,172	\$ 431,100,171	\$ 451,397,477	\$ 463,105,305	\$ 472,614,231
47,364,187	48,856,439	40,253,459	36,063,307	35,271,243
15,953,388	19,220,043	15,209,325	16,138,845	14,744,816
<u>\$ 475,426,747</u>	<u>\$ 499,176,653</u>	<u>\$ 506,860,261</u>	<u>\$ 515,307,457</u>	<u>\$ 522,630,290</u>
\$ 154,799,229	\$ 155,671,798	\$ 154,942,535	\$ 157,245,239	\$ 159,525,608
1,128,275	988,591	2,255,328	1,929,345	2,020,890
6,580,409	6,559,351	11,385,007	13,307,492	17,664,879
<u>\$ 162,507,913</u>	<u>\$ 163,219,740</u>	<u>\$ 168,582,870</u>	<u>\$ 172,482,076</u>	<u>\$ 179,211,377</u>
\$ 566,908,401	\$ 586,771,969	\$ 606,340,012	\$ 620,350,544	\$ 632,139,839
48,492,462	49,845,030	42,508,787	37,992,652	37,292,133
22,533,797	25,779,394	26,594,332	29,446,337	32,409,695
<u>\$ 637,934,660</u>	<u>\$ 662,396,393</u>	<u>\$ 675,443,131</u>	<u>\$ 687,789,533</u>	<u>\$ 701,841,667</u>

CITY OF PASADENA, TEXAS
CHANGES IN NET ASSETS
Last Nine 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	\$ 11,958,225
Public safety	34,547,829	35,031,295	35,897,408	36,671,473
Public works	24,354,816	21,881,082	19,516,410	20,305,363
Health	2,237,933	2,300,482	2,481,836	2,322,840
Culture and recreation	12,584,629	12,277,865	12,676,655	13,022,789
Housing and community development	7,495,941	7,989,705	8,433,494	8,720,771
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>97,233,230</u>
Business-type activities				
Water and sewer	31,368,154	30,641,552	29,491,431	29,117,047
Total business-type activities expenses	<u>31,368,154</u>	<u>30,641,552</u>	<u>29,491,431</u>	<u>29,117,047</u>
Total primary government expenses	<u>\$ 128,911,821</u>	<u>\$ 125,200,597</u>	<u>\$ 127,510,055</u>	<u>\$ 126,350,277</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	11,135,131
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>33,629,126</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>\$ 64,908,663</u>
Net (Expense)/Revenue				
Governmental activities	\$ (66,336,430)	\$ (63,148,000)	\$ (60,272,942)	\$ (63,604,104)
Business-type activities	(1,953,234)	(5,466,142)	(1,914,335)	2,162,490
Total primary government net expense	<u>\$ (68,289,664)</u>	<u>\$ (68,614,142)</u>	<u>\$ (62,187,277)</u>	<u>\$ (61,441,614)</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/fees	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)	\$ 42,273,733
Business-type activities	(2,558,708)	(5,646,523)	28,790,721	(26,174,911)
Total primary government	<u>\$ (358,299)</u>	<u>\$ 916,535</u>	<u>\$ 9,755,434</u>	<u>\$ 16,098,822</u>

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

		Fiscal Year							
		2007	2008	2009	2010	2011			
\$	11,200,559	\$	12,819,859	\$	16,735,291	\$	16,369,013	\$	17,498,400
	35,213,887		40,486,310		44,930,012		46,743,243		45,242,538
	19,851,288		24,938,059		28,489,685		22,194,436		21,049,209
	2,340,163		2,711,459		3,170,468		3,543,536		3,419,292
	12,687,318		13,647,614		16,082,335		15,533,525		14,629,653
	7,968,458		8,821,136		9,615,124		10,102,166		10,672,024
	4,478,707		4,711,542		4,990,590		5,002,086		4,832,227
	<u>93,740,380</u>		<u>108,135,979</u>		<u>124,013,505</u>		<u>119,488,005</u>		<u>117,343,343</u>
	25,729,728		28,593,719		28,622,955		29,274,247		29,982,837
	<u>25,729,728</u>		<u>28,593,719</u>		<u>28,622,955</u>		<u>29,274,247</u>		<u>29,982,837</u>
\$	<u>119,470,108</u>	\$	<u>136,729,698</u>	\$	<u>152,636,460</u>	\$	<u>148,762,252</u>	\$	<u>147,326,180</u>
\$	9,077,366	\$	13,444,472	\$	9,881,296	\$	11,802,432	\$	9,431,596
	7,845,825		7,769,911		8,236,156		7,685,606		7,757,395
	4,662,239		4,422,153		5,116,673		4,220,825		4,134,589
	9,499,817		15,960,153		16,102,417		13,576,536		12,087,315
	15,711,854		5,215,499		5,578,582		4,999,237		8,610,718
	<u>46,797,101</u>		<u>46,812,188</u>		<u>44,915,124</u>		<u>42,284,636</u>		<u>42,021,613</u>
	30,744,928		30,489,659		35,096,384		33,419,961		36,894,886
	-		-		35,000		-		-
	<u>30,744,928</u>		<u>30,489,659</u>		<u>35,131,384</u>		<u>33,419,961</u>		<u>36,894,886</u>
\$	<u>77,542,029</u>	\$	<u>77,301,847</u>	\$	<u>80,046,508</u>	\$	<u>75,704,597</u>	\$	<u>78,916,499</u>
\$	(47,294,485)	\$	(61,323,791)	\$	(79,098,381)	\$	(77,203,369)	\$	(75,321,730)
	5,015,200		1,895,940		6,508,429		4,145,714		6,912,049
\$	<u>(42,279,285)</u>	\$	<u>(59,427,851)</u>	\$	<u>(72,589,952)</u>	\$	<u>(73,057,655)</u>	\$	<u>(68,409,681)</u>
\$	28,855,714	\$	31,071,723	\$	33,728,265	\$	32,609,811	\$	33,224,390
	15,153,643		15,551,252		16,100,049		15,777,475		15,980,044
	23,088,652		23,835,369		26,084,712		23,213,061		23,954,810
	7,582,443		7,644,267		7,817,369		7,948,433		8,550,770
	604,342		691,263		698,023		5,523,330		544,183
	2,580,560		1,590,544		363,528		125,652		84,799
	3,839,946		2,748,233		685,824		154,475		89,411
	102,835		73,265		-		-		-
	1,180,894		1,867,781		1,304,219		298,328		216,156
	<u>82,989,029</u>		<u>85,073,697</u>		<u>86,781,989</u>		<u>85,650,565</u>		<u>82,644,563</u>
	386,097		363,757		95,551		26,823		22,636
	569,997		319,911		63,369		24,997		10,772
	(1,180,894)		(1,867,781)		(1,304,219)		(298,328)		(216,156)
	<u>(224,800)</u>		<u>(1,184,113)</u>		<u>(1,145,299)</u>		<u>(246,508)</u>		<u>(182,748)</u>
\$	<u>82,764,229</u>	\$	<u>83,889,584</u>	\$	<u>85,636,690</u>	\$	<u>85,404,057</u>	\$	<u>82,461,815</u>
\$	36,045,750	\$	23,749,906	\$	7,683,608	\$	8,447,196	\$	7,322,833
	4,790,400		711,827		5,363,130		3,899,206		6,729,301
\$	<u>40,836,150</u>	\$	<u>24,461,733</u>	\$	<u>13,046,738</u>	\$	<u>12,346,402</u>	\$	<u>14,052,134</u>

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

<u>Source</u>	<u>Fiscal Year</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/fees	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 nine fiscal years are available at this time.
- (2) Sales tax is reduced by \$957,031. This represents collections overpaid to the City by the State Comptroller's office.
- (3) The City received a one-time payment from the Port of Houston.
- (4) The City is currently reporting Commercial Services in this category causing an increase from prior years.

2007	2008	2009	2010	2011
\$ 28,855,714	\$ 31,071,723	\$ 33,728,265	\$ 32,609,811	\$ 33,224,390
15,153,643	15,551,252	16,100,049	15,777,475	15,980,044
23,088,652	23,835,369	26,084,712	23,213,061	23,954,810
7,582,443	7,644,267	7,817,369	7,948,433	8,550,770 (4)
604,342	691,263	698,023	5,523,330 (3)	544,183
<u>\$ 75,284,794</u>	<u>\$ 78,793,874</u>	<u>\$ 84,428,418</u>	<u>\$ 85,072,110</u>	<u>\$ 82,254,197</u>

CITY OF PASADENA, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Nine Fiscal Years (1) (3)
(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
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
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	194,606	123,091	93,979	114,054
Encumbrances for special revenue funds	22,854	161,441	125	119,060
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	3,294,231
Special revenue funds	3,084,330	2,798,734	2,962,092	3,341,554
Restricted	-	-	-	-
Total all other governmental funds	<u>\$ 43,321,333</u>	<u>\$ 49,117,115</u>	<u>\$ 75,292,086</u>	<u>\$ 68,222,325</u>

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

(2) First year amounts reported in these items.

(3) GASB Statement No. 54 requirement for statistical data is ten years with retroactive implementation encouraged; only one fiscal year is available at this time. The City chose not to restate 2003 to 2010.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 492,441	\$ 2,549,842	\$ 404,551	\$ 1,567,841	\$ -
63,181	1,800,295	2,578,002	1,591,361	-
15,000	15,000	15,000	15,000	-
16,869,064	16,923,559	22,557,426	21,511,101	-
-	-	-	-	257,462
-	-	-	-	1,430,771
-	-	-	-	30,129,675
<u>\$ 17,439,686</u>	<u>\$ 21,288,696</u>	<u>\$ 25,554,979</u>	<u>\$ 24,685,303</u>	<u>\$ 31,817,908</u>
\$ 1,495,924	\$ 2,607,222	\$ 1,631,459	\$ 2,284,607	\$ -
147,250	1,219,237	66,671	1,414,244	-
46,048	379,634	368,961	18,712	-
15,664,093	22,399,524	27,151,207	13,421,401	-
57,023,939	37,863,806	36,959,612	32,358,730	-
3,565,531	3,631,100	3,478,625	5,330,596	-
3,772,165	4,289,626	3,846,713	2,939,272	-
-	-	-	-	52,165,350
<u>\$ 81,714,950</u>	<u>\$ 72,390,149</u>	<u>\$ 73,503,248</u>	<u>\$ 57,767,562</u>	<u>\$ 52,165,350</u>

CITY OF PASADENA, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Nine 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	13,183,434
Investment earnings	986,450	857,257	2,153,484	4,239,860
Program income	-	-	-	-
Miscellaneous	610,486	700,514	1,060,031	1,454,507
Total revenues	<u>94,025,609</u>	<u>99,624,378</u>	<u>99,595,492</u>	<u>107,535,145</u>
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	<u>116,075,975</u>	<u>114,575,836</u>	<u>114,939,115</u>	<u>112,454,123</u>
Excess (deficiency) of revenues over (under) expenditures	(22,050,366)	(14,951,458)	(15,343,623)	(4,918,978)
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	-
Insurance recovery	-	-	-	-
Total other financing sources (uses)	<u>18,147,400</u>	<u>19,066,215</u>	<u>38,884,212</u>	<u>50,606</u>
Net change in fund balances	<u>\$ (3,902,966)</u>	<u>\$ 4,114,757</u>	<u>\$ 23,540,589</u>	<u>\$ (4,868,372)</u>
Debt service as a percentage of noncapital expenditures	13.04%	13.30%	12.47%	12.57%

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

Fiscal Year					
	2007	2008	2009	2010	2011
\$	75,298,799	\$ 78,823,699	\$ 84,285,891	\$ 85,021,762	\$ 82,200,858
	2,614,522	2,377,189	2,384,655	2,048,459	2,144,525
	6,478,333	6,318,981	6,072,604	6,083,691	6,459,457
	9,143,891	9,516,526	9,547,090	9,241,590	9,680,697
	12,963,551	19,748,247	20,601,837	15,940,787	20,202,246
	5,354,084	3,594,698	895,156	249,214	149,265
	-	-	-	-	165,174
	12,762,352	1,514,999	1,057,115	2,973,015	808,983
	<u>124,615,532</u>	<u>121,894,339</u>	<u>124,844,348</u>	<u>121,558,518</u>	<u>121,811,205</u>
	13,063,869	12,461,993	14,144,783	13,876,473	14,325,552
	34,797,520	36,975,770	40,633,853	40,670,046	38,619,020
	14,826,289	19,038,620	21,178,029	17,217,317	18,912,137
	2,396,944	2,612,142	2,880,092	3,343,040	3,446,535
	13,011,143	13,441,738	14,690,854	14,336,405	12,611,085
	9,166,267	10,943,860	11,477,417	10,544,584	11,208,701
	21,539,329	34,743,955	25,765,715	23,824,715	16,876,471
	6,212,535	7,484,660	7,394,661	7,653,050	7,480,000
	5,953,074	4,666,601	5,035,933	5,114,584	4,774,501
	346,639	171,897	397,929	5,016	143,075
	<u>121,313,609</u>	<u>142,541,236</u>	<u>143,599,266</u>	<u>136,585,230</u>	<u>128,397,077</u>
	3,301,923	(20,646,897)	(18,754,918)	(15,026,712)	(6,585,872)
	2,415,000	-	6,725,000	-	-
	(2,364,119)	-	(8,709,369)	-	-
	12,450,000	13,665,000	21,635,000	-	4,960,000
	56,793	-	180,403	-	183,075
	8,976,878	1,800,190	3,741,587	16,564,533	3,870,996
	(8,476,878)	(800,190)	(1,254,610)	(19,636,533)	(1,350,256)
	-	-	6,868	390,749	43,495
	-	506,106	1,809,421	1,102,601	408,955
	<u>13,057,674</u>	<u>15,171,106</u>	<u>24,134,300</u>	<u>(1,578,650)</u>	<u>8,116,265</u>
\$	<u>16,359,597</u>	<u>\$ (5,475,791)</u>	<u>\$ 5,379,382</u>	<u>\$ (16,605,362)</u>	<u>\$ 1,530,393</u>
	12.68%	11.76%	11.11%	11.54%	11.49%

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

<u>Source</u>	<u>Fiscal Year</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 nine fiscal years are available at this time.
(2) The City received a one-time payment from the Port of Houston.
(3) The City is currently reporting Commercial Services in this category causing an increase from prior years.

2007	2008	2009	2010	2011
\$ 28,869,719	\$ 31,101,548	\$ 33,585,738	\$ 32,559,463	\$ 33,171,051
15,153,643	15,551,252	16,100,049	15,777,475	15,980,044
23,088,652	23,835,369	26,084,712	23,213,061	23,954,810
7,582,443	7,644,267	7,817,369	7,948,433	8,550,770 (3)
604,342	691,263	698,023	5,523,330 (2)	544,183
<u>\$ 75,298,799</u>	<u>\$ 78,823,699</u>	<u>\$ 84,285,891</u>	<u>\$ 85,021,762</u>	<u>\$ 82,200,858</u>

CITY OF PASADENA, TEXAS
WATER AND SEWER SYSTEM PRINCIPAL CUSTOMERS
 Current Fiscal Year and Four Fiscal Years Ago (1)

2011						
Consumers	Consumption (per 1,000 gallon)	Annualized Consumption	Billed Amount	Rank	% of Water/Sewer Revenues	% of All System Fund Revenues
City of Seabrook (2)	62,064.6	744,775.0	\$ 354,621	1	0.96%	0.96%
Pasadena Independent School District	6,933.3	83,199.4	590,515.0	2	1.60%	1.60%
San Jacinto College	6,154.6	73,855.7	604,551	3	1.64%	1.64%
Brighton Hill Apartments	4,026.7	48,320.0	243,071	4	0.66%	0.66%
Brandywood Housing Corporation	4,094.1	49,129.5	777,708	5	2.11%	2.11%
Columbia Bayshore Hospital	3,276.8	39,321.8	265,089	6	0.72%	0.72%
Minh Food Company	2,769.2	33,230.1	368,265	7	1.00%	1.00%
Sandstone	2,454.4	29,452.4	151,717	8	0.41%	0.41%
Phillips Chemical	1,843.9	22,126.3	95,577	9	0.26%	0.26%
Air Products	1,694.5	20,334.2	140,523	10	0.38%	0.38%
Total	95,312.1	1,143,744.4	\$ 3,591,637		9.74%	9.74%

Source: Prepared by the City's Water Department.

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

(2) Per ordinances, this water customer was charged \$0.6429 per 1,000 gallons in 2007 and \$0.7297 per 1,000 gallon effective August 2011.

2007

Consumption (per 1,000 gallon)	Annualized Consumption	Billed Amount	Rank	% of Water/Sewer Revenues	% of All System Fund Revenues
35,068.8	420,825.0	\$ 573,885	1	1.99%	1.84%
8,553.4	102,641.2	628,756	2	2.18%	2.02%
1,522.8	18,273.6	236,243	8	0.82%	0.76%
4,116.2	49,394.7	418,897	4	1.45%	1.35%
4,147.7	49,772.6	432,057	3	1.50%	1.39%
3,853.7	46,243.9	525,157	5	1.82%	1.69%
1,322.3	15,867.8	173,722	9	0.60%	0.56%
2,208.9	26,506.8	217,462	6	0.75%	0.70%
1,804.2	21,650.7	118,761	7	0.41%	0.38%
1,253.2	15,038.8	99,000	10	0.34%	0.32%
63,851.3	766,215.1	\$ 3,423,940		11.86%	11.01%

**CITY OF PASADENA, TEXAS
WATER AND SEWER RATES
Last Six Fiscal Years (1)**

	Cumulative Blocks (Gallons)	Usage Blocks (per 1,000 gallons)	2011		2010	
			Water Rates	Sewer Rates	Water Rates	Sewer Rates
Residential	2,000	up to 2.0	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00
	7,500	next 5.5	2.75	2.75	2.75	2.75
	10,000	next 2.5	3.00	3.00	3.00	3.00
	12,000	next 2.0	3.25	3.50	3.25	3.50
	30,000	next 18.0	4.00	3.50	4.00	3.50
	30,001	over 30.0	4.50	3.50	4.50	3.50
Residential => 65	2,000	up to 2.0	3.59	4.99	3.59	4.99
	7,500	next 5.5	2.16	1.37	2.16	1.37
	10,000	next 2.5	2.16	3.00	2.16	3.00
	12,000	next 2.0	3.25	3.50	3.25	3.50
	30,000	next 18.0	4.00	3.50	4.00	3.50
	30,001	over 30.0	4.50	3.50	4.50	3.50
Commercial	2,000	up to 2.0	5.59	8.00	5.59	8.00
	10,000	next 8.0	2.75	3.00	2.75	3.00
	20,000	next 10.0	3.00	3.25	3.00	3.25
	30,000	next 10.0	3.25	3.50	3.25	3.50
	40,000	next 10.0	4.50	4.00	4.50	4.00
	50,000	next 10.0	4.50	4.15	4.50	4.15
50,001	over 50.0	4.50	4.15	4.50	4.15	
Apartments	2,000	up to 2.0	5.50	8.00	5.50	8.00
	4,500	next 2.5	2.75	2.75	2.75	2.75
	9,500	next 5.0	3.00	3.25	3.00	3.25
	11,500	next 2.0	3.25	3.50	3.25	3.50
	29,500	next 18.0	4.00	3.50	4.00	3.50
	29,501	over 29.5	4.50	3.50	4.50	3.50
Sprinklers	2,000	up to 2.0	4.59	-	4.59	-
	10,000	next 8.0	3.25	-	3.25	-
	28,000	next 18.0	4.00	-	4.00	-
	28,001	over 28.0	4.50	-	4.50	-

Source: Prepared by the City's Water Department.

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

2009		2008		2007		2006	
Water Rates	Sewer Rates						
\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00
2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
3.00	3.00	3.00	3.00	3.00	3.00	3.00	3.00
3.25	3.50	3.25	3.50	3.25	3.50	3.25	3.50
4.00	3.50	4.00	3.50	4.00	3.50	4.00	3.50
4.50	3.50	4.50	3.50	4.50	3.50	4.50	3.50
3.59	4.99	3.59	4.99	3.59	4.99	3.59	4.99
2.16	1.37	2.16	1.37	2.16	1.37	2.16	1.37
2.16	3.00	2.16	3.00	2.16	3.00	2.16	3.00
3.25	3.50	3.25	3.50	3.25	3.50	3.25	3.50
4.00	3.50	4.00	3.50	4.00	3.50	4.00	3.50
4.50	3.50	4.50	3.50	4.50	3.50	4.50	3.50
5.59	8.00	5.59	8.00	5.59	8.00	5.59	8.00
2.75	3.00	2.75	3.00	2.75	3.00	2.75	3.00
3.00	3.25	3.00	3.25	3.00	3.25	3.00	3.25
3.25	3.50	3.25	3.50	3.25	3.50	3.25	3.50
4.50	4.00	4.50	4.00	4.50	4.00	4.50	4.00
4.50	4.15	4.50	4.15	4.50	4.15	4.50	4.15
4.50	4.15	4.50	4.15	4.50	4.15	4.50	4.15
5.50	8.00	5.50	8.00	4.59	8.00	4.59	8.00
2.75	2.75	2.75	2.75	2.75	2.75	2.75	2.75
3.00	3.25	3.00	3.25	3.00	3.25	3.00	3.25
3.25	3.50	3.25	3.50	3.25	3.50	3.25	3.50
4.00	3.50	4.00	3.50	4.00	3.50	4.00	3.50
4.50	3.50	4.50	3.50	4.50	3.50	4.50	3.50
4.59	-	4.59	-	4.59	-	4.59	-
3.25	-	3.25	-	3.25	-	3.25	-
4.00	-	4.00	-	4.00	-	4.00	-
4.50	-	4.50	-	4.50	-	4.50	-

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

	Fiscal Year Ended September 30,			
	2011 2010 Tax Year	2010 2009 Tax Year	2009 2008 Tax Year	2008 2007 Tax Year
Assessed Value of Taxable Property				
Real Property				
Real Residential	\$ 4,052,171,721	\$ 4,129,237,231	\$ 4,232,641,041	\$ 3,999,177,768
Real Commercial	1,164,598,370	1,249,370,402	1,198,814,394	1,076,316,825
Real Industrial	158,854,677	154,349,049	147,127,450	134,299,360
Real Agriculture	221,790	215,563	229,086	668,106
Real Vacant	117,984,092	123,659,890	107,109,632	93,398,249
Real Acreage Undeveloped	36,725,841	36,659,482	34,480,311	36,458,789
Total Real Property	5,530,556,491	5,693,491,617	5,720,401,914	5,340,319,097
Less: Exemptions	(836,075,493)	(839,474,827)	(841,604,642)	(819,227,558)
Net Total Real Property	4,694,480,998	4,854,016,790	4,878,797,272	4,521,091,539
Other Property				
Oil Gas and Mineral Reserves	7,854,851	6,764,074	9,270,819	10,807,745
Real and Tangible Personal - Utility	272,549	330,068	331,940	371,338
Gas Companies	7,692,460	8,286,315	7,961,540	8,145,690
Electric Companies	52,300,077	53,755,344	54,628,038	58,450,652
Telephone Companies	17,917,042	19,731,446	20,113,792	23,762,316
Railroad	428,700	392,796	347,390	318,730
Pipelines	28,491,661	24,795,395	29,628,470	29,088,230
Inventory	28,064,363	26,415,373	30,451,933	28,715,903
Major Cable TV Systems	14,286,631	7,984,017	10,181,107	11,926,584
Tangible Personal Commercial	532,372,461	553,633,704	532,377,581	458,779,115
Tangible Personal Industrial	668,423,788	648,801,280	675,428,776	555,453,193
Tangible Personal Other - Mobile Homes	15,915,686	17,046,042	18,689,409	17,697,725
Residential Inventory - Vacant	-	-	-	-
Governmental Exemption	531,014,416	519,756,039	496,046,506	356,709,579
Charitable Exemption	25,685,661	33,317,985	32,977,016	30,959,147
Religious Exemption	115,848,852	119,839,982	113,848,612	108,956,786
Private School Exempt	17,061,755	16,771,140	16,771,140	17,364,543
Miscellaneous Exempt	826,251	486,462	494,967	408,198
Agricultural	-	-	-	-
Low-Moderate Income Housing	209,748	-	184,120	72,341
Unknown	-	-	-	-
Total Other Property	2,064,666,952	2,058,107,462	2,049,733,156	1,717,987,815
Less: Exemptions	(1,142,444,955)	(1,117,092,435)	(918,569,343)	(813,195,895)
Net Total Other Property	922,221,997	941,015,027	1,131,163,813	904,791,920
Total Property	7,595,223,443	7,751,599,079	7,770,135,070	7,058,306,912
Less: Total Exemptions	(1,978,520,448)	(1,956,567,262)	(1,760,173,985)	(1,632,423,453)
Total Assessed Value of Taxable Property	\$ 5,616,702,995	\$ 5,795,031,817	\$ 6,009,961,085	\$ 5,425,883,459
Total Actual Value of Taxable Property	\$ 5,616,702,995	\$ 5,795,031,817	\$ 6,009,961,085	\$ 5,425,883,459
Total Direct Tax Rate Per \$ 100	\$ 0.591593	\$ 0.562	\$ 0.562	\$ 0.567

Source: Harris County Appraisal District Certified Tax Roll

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

Fiscal Year Ended September 30,

2007	2006	2005	2004	2003	2002
2006 Tax Year	2005 Tax Year	2004 Tax Year	2003 Tax Year	2002 Tax Year	2001 Tax Year
\$ 3,779,716,024	\$ 3,610,874,137	\$ 3,440,020,230	\$ 3,266,300,400	\$ 3,020,674,720	\$ 2,795,295,314
922,067,090	869,515,809	810,536,290	788,524,850	783,413,430	742,959,700
131,759,087	118,187,838	123,296,580	127,572,470	148,983,490	167,075,240
624,222	634,834	930,250	219,820	1,164,750	1,446,380
100,398,134	73,973,512	66,377,580	68,388,720	223,850	125,470
45,515,120	50,408,184	51,182,580	54,660,110	50,581,620	53,123,640
4,980,079,677	4,723,594,314	4,492,343,510	4,305,666,370	4,005,041,860	3,760,025,744
(797,405,237)	(765,632,990)	(741,233,200)	(718,866,840)	(675,272,370)	(635,160,980)
4,182,674,440	3,957,961,324	3,751,110,310	3,586,799,530	3,329,769,490	3,124,864,764
8,334,609	1,603,070	1,546,720	3,468,740	2,989,570	4,273,360
363,865	252,591	464,650	513,290	522,490	482,080
8,434,840	8,022,960	8,118,090	8,255,430	8,215,010	8,171,670
60,799,352	61,266,427	61,042,420	59,291,710	55,211,110	53,815,990
23,570,812	23,452,876	23,967,470	22,956,210	30,924,600	28,223,330
308,110	308,280	310,450	262,600	227,060	191,960
28,640,460	27,800,375	25,554,840	24,829,790	24,646,050	24,761,010
20,656,653	5,554,061	-	-	-	-
5,960,690	5,063,930	5,135,200	12,036,930	12,052,890	10,703,550
446,580,327	458,136,790	446,662,770	435,964,970	424,731,170	411,480,130
515,099,420	407,988,270	302,988,360	285,370,390	211,614,770	134,520,780
18,514,607	18,363,900	18,725,010	18,001,500	19,262,240	19,860,610
-	-	8,765,750	4,153,050	8,449,970	10,930,910
373,205,856	312,682,653	665,870	5,715,590	53,260	1,903,050
27,948,364	27,158,235	14,700	455,900	182,790	83,100
114,620,604	101,908,422	681,920	4,962,650	3,265,120	308,550
17,331,096	17,011,007	-	-	-	-
387,520	387,520	-	-	-	-
-	-	-	17,598,310	18,212,120	19,559,300
-	19,746	-	104,400	-	-
-	-	139,750	-	-	-
1,670,757,185	1,476,981,113	904,783,970	903,941,460	820,560,220	729,269,380
(820,663,243)	(669,872,733)	(127,855,460)	(144,102,394)	(107,797,050)	(65,411,040)
850,093,942	807,108,380	776,928,510	759,839,066	712,763,170	663,858,340
6,650,836,862	6,200,575,427	5,397,127,480	5,209,607,830	4,825,602,080	4,489,295,124
(1,618,068,480)	(1,435,505,723)	(869,088,660)	(862,969,234)	(783,069,420)	(700,572,020)
\$ 5,032,768,382	\$ 4,765,069,704	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104
\$ 5,032,768,382	\$ 4,765,069,704	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104
\$ 0.567					

**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,	Tax Year	City Direct Rates			Overlapping Rates (1)		
		General Fund	Debt Service Fund	Total Direct	Clear Lake City Water Authority	Clear Creek ISD	Deer Park ISD
2002	2001	\$ 0.3060	\$ 0.2610	\$ 0.5670	\$ 0.3300	\$ 1.7250	\$ 1.6898
2003	2002	0.3060	0.2610	0.5670	0.3100	1.7400	1.8035
2004	2003	0.3170	0.2500	0.5670	0.2900	1.7300	1.8071
2005	2004	0.3333	0.2337	0.5670	0.2900	1.7450	1.8055
2006	2005	0.3426	0.2244	0.5670	0.2900	1.7750	1.8055
2007	2006	0.3414	0.2256	0.5670	0.2800	1.6300	1.6623
2008	2007	0.3461	0.2209	0.5670	0.2800	1.3200	1.3177
2009	2008	0.3553	0.2067	0.5620	0.2800	1.3600	1.3367
2010	2009	0.3500	0.2120	0.5620	0.2800	1.3600	1.3367
2011	2010	0.3782	0.2134	0.5916	0.2800	1.3600	1.3967

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.

Overlapping Rates (1)

La Porte ISD	Pasadena ISD	(2) Harris County	Harris County Department of Education	San Jacinto College District	Total Direct and Overlapping Rates
\$ 1.6300	\$ 1.6649	\$ 0.6399	\$ 0.0063	\$ 0.1260	\$ 8.3789
1.6800	1.6875	0.6399	0.0063	0.1307	8.5649
1.6800	1.7750	0.6399	0.0063	0.1307	8.6260
1.7335	1.7750	0.6400	0.0063	0.1391	8.7014
1.7335	1.8050	0.6400	0.0063	0.1454	8.7676
1.6350	1.6900	0.6463	0.0063	0.1454	8.2623
1.3050	1.3500	0.6358	0.0059	0.1454	6.9268
1.3250	1.3500	0.6358	0.0058	0.1634	7.0187
1.3250	1.3500	0.6360	0.0061	0.1708	7.0266
1.3250	1.3500	0.6366	0.0066	0.1763	7.1227

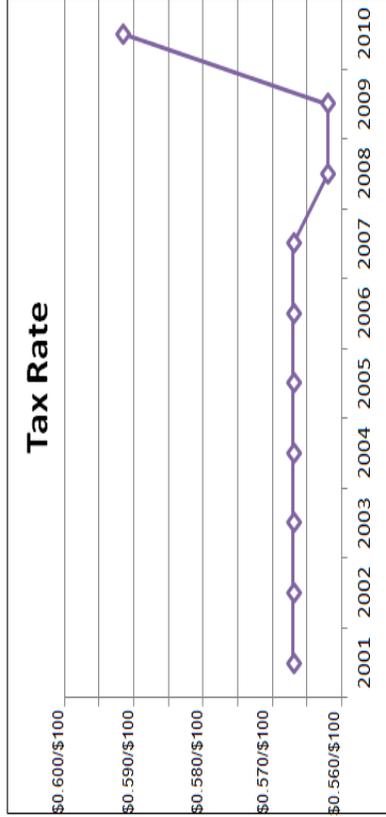
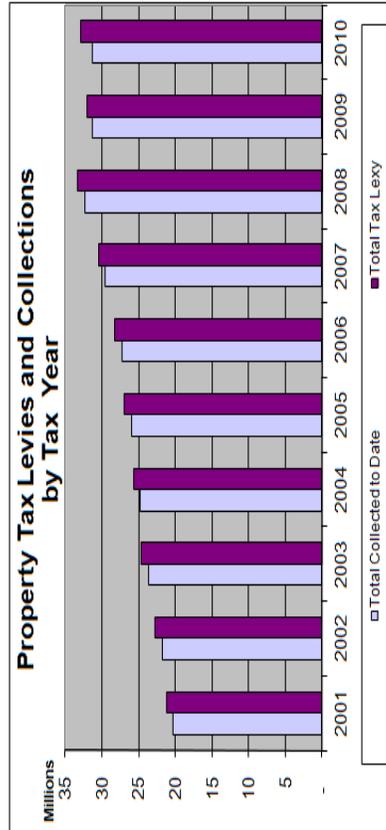
**CITY OF PASADENA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Fiscal Year and Ten Fiscal Years Ago**

<u>Property Taxpayer</u>	<u>Fiscal Year Ended September 30, 2011</u>			<u>Fiscal Year Ended September 30, 2001</u>		
	<u>2010 Tax Year</u>		<u>% of Taxable Assessed Value</u>	<u>2000 Tax Year</u>		<u>% of Taxable Assessed Value</u>
	<u>Taxable Assessed Value</u>	<u>Rank</u>		<u>Taxable Assessed Value</u>	<u>Rank</u>	
Shell Oil Co.	\$ 151,282,586	1	2.69%			
Calpine Operating Services Co. Inc.	88,596,020	2	1.58%			
CenterPoint Energy, Inc.	59,566,122	3	1.06%			
KIR Pasadena, LP	45,989,914	4	0.82%			
The Boeing Co.	41,583,586	5	0.74%			
GATX Terminals % Kinder	41,049,724	6	0.73%			
Pasadena Refining System Inc.	40,352,465	7	0.72%			
Wal Mart	39,670,618	8	0.71%			
Valero Energy Corp	36,107,819	9	0.64%			
Bay Bluff LP	34,230,214	10	0.61%			
Reliant Energy HL&P	-		-	\$ 39,441,740	1	1.15%
Tejas Gas Marketing	-		-	33,229,020	2	0.97%
CHCA Bayshore LP	-		-	30,909,340	3	0.90%
Southwestern Bell Telephone	-		-	26,059,040	4	0.76%
Stevens Creek Assoc.	-		-	25,999,990	5	0.76%
Crown Central Petroleum	-		-	24,025,630	6	0.70%
General American Transport	-		-	23,719,870	7	0.69%
SSE Manufacturing, Inc.	-		-	18,049,150	8	0.52%
Village on the Lake LTD	-		-	17,189,190	9	0.50%
Park at Fairmont Apts LP	-		-	15,000,000	10	0.44%
Subtotal	\$ 578,429,068		10.30%	\$ 253,622,970		7.39%
Other Taxpayers	5,038,273,927		89.70%	3,188,875,295		92.61%
Total	\$ 5,616,702,995		100.00%	\$ 3,442,498,265		100.00%

Source: Prepared by Harris County Tax Office using values provided by Harris County Appraisal District

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

Fiscal Year Ended September 30,	Collected within the Fiscal Year of the Levy				Total Collections to Date			
	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
2002	2001	\$0.5670/\$100	\$ 21,221,909	\$ 20,271,340	95.52%	\$ 829,749	\$ 21,101,089	99.43%
2003	2002	\$0.5670/\$100	22,787,182	21,830,521	95.80%	791,537	22,622,058	99.28%
2004	2003	\$0.5670/\$100	24,590,317	23,677,426	96.29%	731,017	24,408,443	99.26%
2005	2004	\$0.5670/\$100	25,615,458	24,842,437	96.98%	581,038	25,423,475	99.25%
2006	2005	\$0.5670/\$100	26,901,772	25,952,683	96.47%	728,616	26,681,299	99.18%
2007	2006	\$0.5670/\$100	28,343,798	27,297,253	96.31%	837,159	28,134,412	99.26%
2008	2007	\$0.5670/\$100	30,421,972	29,614,437	97.35%	591,446	30,205,883	99.29%
2009	2008	\$0.5620/\$100	33,270,709	32,386,497	97.34%	570,985	32,957,482	99.06%
2010	2009	\$0.5620/\$100	32,106,250	31,296,353	97.48%	312,399	31,608,752	98.45%
2011	2010	\$0.591593/\$100	32,950,937	31,967,660	97.02%	-	31,967,660	97.02%



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

Fiscal Year Ended September 30,	2011	2010	2009	2008
Governmental Activities				
General Obligation Bonds	\$ 66,485,000	\$ 70,500,000	\$ 74,535,000	\$ 57,725,000
General Obligation Refunding Bonds	8,180,000	8,355,000	8,525,000	4,440,000
General Obligation and Refunding Bonds	25,395,000	26,700,000	28,020,000	28,165,000
Certificates of Obligation	5,290,000	5,570,000	5,840,000	5,895,000
Combination Tax and Revenue				
Certificates of Obligation	-	900,000	1,780,000	8,755,000
Other Long-Term Debt				
Volunteer Fireman Prior Service Costs Note	-	-	-	-
Tax Notes, 2000	-	-	-	-
Overpaid Sales Tax Note	-	-	138,700	305,140
Blended Component Unit - Pasadena Second Century Corporation				
Sales Tax Notes	-	-	-	-
Sales Tax Revenue Bonds	4,960,000	805,000	1,575,000	2,315,000
Overpaid Sales Tax Note	-	-	69,350	152,571
	110,310,000	112,830,000	120,483,050	107,752,711
Business Activities				
Waterworks and Sewer System Revenue Bonds	54,290,000	70,430,000	70,855,000	71,775,000
Waterworks and Sewer System Revenue				
Refunding Bonds	14,505,000	-	-	550,000
Combination Tax and Revenue				
Certificates of Obligation	-	-	-	1,280,000
General Obligation Refunding Bonds	14,285,000	15,895,000	17,430,000	17,550,000
General Obligation and Refunding Bonds	9,970,000	9,970,000	9,970,000	9,970,000
Deferred Water Charges Debt	-	-	-	283,970
	93,050,000	96,295,000	98,255,000	101,408,970
Total Primary Government	\$ 203,360,000	\$ 209,125,000	\$ 218,738,050	\$ 209,161,681
Percentage of Personal Income	7.19%	7.15%	7.75%	7.45%
Per Capita	\$ 1,364	\$ 1,430	\$ 1,500	\$ 1,428
(1) Population	149,043	146,265	145,789	146,523
(1) Per Capita Personal Income	\$ 18,967	\$ 19,992	\$ 19,359	\$ 19,167
(1) Personal Income (amount expressed in thousands)	\$ 2,826,899	\$ 2,924,130	\$ 2,822,330	\$ 2,808,455

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 135 for personal income and population data

2007	2006	2005	2004	2003	2002
\$ 46,750,000	\$ 46,800,000	\$ 46,850,000	\$ 34,175,000	\$ 18,750,000	\$ 2,925,000
7,255,000	11,422,875	35,797,875	22,807,875	26,787,875	32,977,875
28,275,000	19,380,000	29,350,000	-	-	-
5,950,000	-	-	-	-	-
9,605,000	11,910,000	11,945,000	13,885,000	13,915,000	13,945,000
-	59,233	115,185	168,038	217,965	265,127
-	1,005,000	1,225,000	1,515,000	3,445,000	4,225,000
471,581	638,020	-	-	-	-
-	-	-	-	1,095,000	2,140,000
3,030,000	3,715,000	4,375,000	-	-	-
235,790	319,011	-	-	-	-
101,572,371	95,249,139	129,658,060	72,550,913	64,210,840	56,478,002
17,120,000	18,625,000	18,625,000	28,265,000	29,730,000	31,150,000
1,550,000	2,565,000	3,590,000	4,630,000	5,680,000	6,740,000
2,495,000	3,405,000	33,665,000	54,400,000	55,975,000	57,460,000
17,675,000	17,675,000	-	-	-	-
9,970,000	9,970,000	-	-	-	-
851,912	1,419,854	1,987,795	2,555,736	2,714,418	2,210,058
49,661,912	53,659,854	57,867,795	89,850,736	94,099,418	97,560,058
\$ 151,234,283	\$ 148,908,993	\$ 187,525,855	\$ 162,401,649	\$ 158,310,258	\$ 154,038,060
5.55%	6.41%	7.31%	6.40%	7.03%	8.03%
\$ 1,030	\$ 1,045	\$ 1,317	\$ 1,142	\$ 1,114	\$ 1,085
146,769	142,526	142,384	142,242	142,100	141,958
\$ 18,558	\$ 16,301	\$ 18,008	\$ 17,830	\$ 15,856	\$ 13,519
\$ 2,723,739	\$ 2,323,324	\$ 2,564,096	\$ 2,536,173	\$ 2,253,134	\$ 1,919,128

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
2002	\$ 54,072,875	\$ (470,871)	\$ 53,602,004	\$3,788,723,104	1.41%	141,958	378
2003	62,897,875	(603,760)	62,294,115	4,042,532,660	1.54%	142,100	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
2007	125,480,000	(1,495,924)	123,984,076	5,032,768,382	2.46%	146,769	845
2008	132,500,000	(2,607,222)	129,892,778	5,425,883,459	2.39%	146,523	887
2009	146,100,000	(1,631,459)	144,468,541	6,009,961,085	2.40%	145,789	991
2010	137,890,000	(2,284,607)	135,605,393	5,795,031,817	2.34%	146,265	927
2011	129,605,000	(2,875,586)	126,729,414	5,616,702,995	2.26%	149,043	850

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

(1) Includes all general obligation bonds, regardless of the specific financing sources used by the City and 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, 2011

<u>Government Unit</u>	<u>Taxing Body (as of)</u>	<u>Outstanding Principal Debt</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes				
Harris County	2/28/2010	\$2,235,736,628	2.07%	\$ 46,279,748
Harris County Flood Control District	2/28/2010	94,092,820	2.07%	1,947,721
Port of Houston Authority	12/31/2009	739,197,397	2.07%	15,301,386
Clear Lake City Water Authority	3/31/2010	53,069,020	17.76%	9,425,058
Clear Creek Independent School District	4/30/2011	654,505,000	6.91%	45,226,296
Deer Park Independent School District	4/30/2011	193,900,000	18.81%	36,472,590
La Porte Independent School District	6/30/2009	217,037,987	5.83%	12,653,315
Pasadena Independent School District	8/31/2009	414,425,836	38.85%	161,004,437
San Jacinto College District	4/30/2011	257,105,000	18.51%	47,590,136
Harris County WC & ID #156	4/30/2011	3,465,000	44.26%	1,533,609
Harris County Dept. of Education	4/30/2011	7,980,000	2.07%	165,186
Subtotal, overlapping debt				377,599,482
Add - City direct debt (2)				105,350,000
Total direct and overlapping debt				\$ 482,949,482

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

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 governments 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, is responsible for repaying the debt of each overlapping government.

(1) The percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages 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.

(2) Excludes portions of the General Obligation Bonds, Series 2005 and 2005A where the debt service payments are being paid from enterprise fund (water and sewer) revenues.

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

<u>Fiscal Year Ended September 30,</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Debt limit				
Assessed value based on tax year	2010	2009	2008	2007
	\$5,616,702,995	\$5,795,031,817	\$6,009,961,085	\$5,425,883,459
10% of assessed value	561,670,300	579,503,182	600,996,109	542,588,346
Less: net debt applicable to limit				
Debt to be repaid from ad valorem tax	105,350,000	112,025,000	118,700,000	104,980,000
Less: amount available in debt service fund	(2,875,586)	(2,284,607)	(1,631,459)	(2,607,222)
	102,474,414	109,740,393	117,068,541	102,372,778
Legal Debt Margin	\$ 459,195,886	\$ 469,762,789	\$ 483,927,568	\$ 440,215,568
Total net debt applicable to the limit as a percentage of debt limit	18.24%	18.94%	19.48%	18.87%

Note: Under Article IX, Section 14 of the City Home Rule Charter, 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.

<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
2006	2005	2004	2003	2002	2001
\$5,032,768,382	\$4,765,069,704	\$4,528,038,820	\$4,346,638,596	\$4,042,532,660	\$3,788,723,104
503,276,838	476,506,970	452,803,882	434,663,860	404,253,266	378,872,310
97,835,000	90,517,875	125,167,875	72,382,875	62,897,875	54,072,875
(1,495,924)	(1,020,164)	(1,009,129)	(1,103,283)	(603,760)	(470,871)
96,339,076	89,497,711	124,158,746	71,279,592	62,294,115	53,602,004
\$ 406,937,762	\$ 387,009,259	\$ 328,645,136	\$ 363,384,268	\$ 341,959,151	\$ 325,270,306
19.14%	18.78%	27.42%	16.40%	15.41%	14.15%

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	
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
2007	31,701,022	19,949,788	11,751,234	3,430,000	2,240,280	2.07
2008	31,173,327	22,366,958	8,806,369	3,085,000	3,496,105	1.34
2009	35,255,304	21,439,741	13,815,563	2,870,000	4,660,119	1.83
2010	33,471,781	20,459,887	13,011,894	1,960,000	4,483,121	2.02
2011	36,938,654	20,802,695	16,135,959	3,105,000	4,242,051	2.20

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.
Gross revenues include 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(1)	Median Age (1)	School Enrollment(2)	Unemployment Rate (3)
2002	141,958	\$ 1,919,130	\$ 13,519	29.3	44,420	6.2%
2003	142,100	2,253,138	15,856	29.9	50,374	7.5%
2004	142,242	2,536,175	17,830	28.9	46,100	5.9%
2005	142,384	2,564,094	18,008	29.0	45,038	5.3%
2006	142,526	2,323,316	16,301	29.1	43,976	4.7%
2007	146,769 (4)	2,723,739	18,558	31.1	43,713	4.8%
2008	146,523	2,808,455	19,167	29.2	45,038	5.6%
2009	145,789	2,822,330	19,359	31.6	46,434	8.1%
2010	146,265	2,924,130	19,992	29.2	45,038	10.5%
2011	149,043	2,826,899	18,967	30.5	52,919	8.1%

Data sources:

(1) Bureau of the Census

(2) Pasadena Independent School District

(3) Bureau of Labor Statistics

(4) Population increase is due to resettlement of evacuees from Hurricane Katrina and the impact of new additional jobs from the recent opening of the Bayport Container Terminal - Phase 1, a major marine terminal complex being developed by The Port of Houston Authority.

**CITY OF PASADENA, TEXAS
PRINCIPAL EMPLOYERS
Current and Six Years Ago (1)**

<u>Employer</u>	<u>2011</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	6.25%	4,946	1	4.10%
The Boeing Company	2,300	2	2.48%	2,300	2	1.91%
Shell - Deer Park	1,750	3	1.89%	-	-	-
Mundy Company	1,500	4	1.62%	-	-	-
Zachry Industry Inc.	1,400	5	1.51%	-	-	-
SGS Petroleum Service Corp.	1,150	6	1.24%	-	-	-
Silver Eagle Distributors, L.P.	1,100	7	1.19%	-	-	-
San Jacinto College District	1,058	8	1.14%	1,058	4	0.88%
City of Pasadena	1,014	9	1.09%	1,058	5	0.88%
Bayshore Medical Center	947	10	1.02%	1,047	6	0.87%
Lyondell-Citgo, Refining LP (2)	-	-	-	1,080	3	0.90%
Wal-Mart	-	-	-	850	7	0.70%
Chevron Phillips - Pasadena Plastics	-	-	-	693	8	0.57%
Celanese Chemicals - Pasadena	-	-	-	590	9	0.49%
Albemarle	-	-	-	280	10	0.23%
	<u>18,019</u>		<u>19.43%</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 six years ago 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 Ten Years

Function	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government										
City Council	8	8	8	8	8	8	8	8	8	8
Mayor	4	4	4	4	3	3	3	3	3	1
Budget and Financial Planning	2	2	2	2	2	2	2	2	2	2
Municipal Court	31	33	32	31	31	33	35	33	33	34
City Controller	14	15	15	12	13	15	16	16	15	16
Tax	4	5	5	4	1	-	1	1	1	-
Purchasing	3	2	3	3	3	3	4	4	4	4
Legal	8	11	9	8	8	8	8	8	8	8
City Secretary	4	3	3	3	3	4	4	4	4	4
Human Resources	11	8	9	9	8	7	8	7	7	9
City Marshal	4	6	6	6	6	7	7	6	6	6
Community Relations	6	6	7	6	6	6	7	7	7	7
Pasadena Action Line	3	3	5	4	3	5	5	4	4	4
Planning	5	4	4	5	4	3	3	4	5	6
Planning/Development Administration	1	1	1	2	2	1	1	1	1	1
Neighborhood Network	-	2	1	1	1	1	1	1	1	1
Inspections	26	27	24	23	21	21	20	21	19	16
Property Management	-	2	2	2	1	-	-	-	1	8
Impound/Storage	-	-	-	-	-	-	-	-	6	7
Economic Development Liaison	-	-	-	-	-	-	1	1	1	1
Public Safety										
Emergency Preparedness	2	3	3	2	2	2	3	3	3	3
Fire Fighting	11	12	10	4	4	3	3	3	3	3
Fire Prevention	12	12	11	9	11	10	11	11	10	9
Police	324	329	329	330	327	362	340	369	358	344
Public Works										
Public Works Administration	3	3	3	1	2	2	3	4	3	-
Engineering	18	21	20	20	19	20	19	17	14	15
Sanitation	48	54	48	49	44	43	44	43	43	38
Street and Bridge	48	54	51	49	44	36	36	34	31	30
Traffic and Transportation	16	14	11	13	11	11	12	12	12	11
Environmental Services	-	-	-	-	-	-	5	6	4	-
Health										
Health	13	15	14	13	12	12	11	11	11	10
Animal Rescue and Assistance	13	16	14	14	14	15	13	17	19	19
Culture and Recreation										
Leisure Services Administration	2	3	2	2	2	1	-	-	-	6
Parks	50	47	42	42	42	41	33	35	37	33
Recreation	34	40	43	51	33	36	38	55	75	57
Clean Streets	8	9	11	12	12	12	17	21	21	17
Golf Course	8	10	10	9	10	10	10	16	10	9
Multi-Purpose Center	7	7	7	14	7	9	5	13	9	8
Civic Center	7	9	9	9	9	7	8	9	10	6
Senior Center - Madison Jobe	9	8	8	6	5	4	6	5	5	4
Library	53	51	50	50	46	47	47	45	49	41
Water and Sewer System	129	139	136	125	114	110	119	123	120	112
Maintenance	90	98	87	81	74	75	76	82	72	69
Health Insurance	-	-	4	-	3	1	1	1	3	2
Grant Management	16	19	17	18	18	20	20	19	21	25
Nonmajor Special Revenue Funds	4	1	2	2	2	2	3	3	3	-
TOTAL CITY POSITIONS	1,059	1,116	1,082	1,058	991	1,018	1,017	1,088	1,082	1,014

Source: City's Payroll department.

Note: This schedule is prepared based on City Employees Home Organization report.

(1) Based on the payroll records as of the last month of the fiscal year.

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

	Fiscal Year Ended September 30,			
	2002	2003	2004	2005
Function				
Public Safety				
Police				
Arrests	12,883	12,913	12,073	13,768
Accident reports	3,685	3,681	4,056	3,827
Citations issued	88,562	88,650	76,448	76,132
Calls for service	80,726	78,800	85,119	88,770
Public Works				
Refuse collection				
Refuse collected Type 1 (tons/day)	(1)	(1)	107	97
Refuse collected Type 2 (cubic yards/day)	(1)	(1)	236	195
Mulching collected (cubic yards/day)	(1)	(1)	68	71
Recyclables collected (tons/day)	(1)	(1)	1.26	1.57
Health				
Number of food permits issued	1,003	943	1,004	1,132
Number of health inspections	2,390	2,458	2,626	2,184
Culture and Recreation				
Convention Center				
Number of Events	(1)	(1)	137	133
Library				
Visitors	(1)	(1)	673,081	762,135
Water and Sewer System				
Average daily consumption (millions of gallons)	20.84	18.65	17.49	18.92
Total Consumption (billions of gallons)	6,960.36	6,806.97	6,384.79	6,906.26
Average daily Waste Water Plant Flow (millions of gallons)	16.20	16.15	14.36	11.54
Total Waste Water Plant Flow (millions of gallons)	5,911.65	5,895.33	5,239.80	4,213.41

Source: Various City departments.

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

(1) Information unavailable.

(2) Library was under renovation during this year.

Fiscal Year Ended September 30,

2006	2007	2008	2009	2010	2011
13,197	14,142	12,853	12,552	12,119	11,926
3,812	4,139	3,549	3,635	3,376	3,335
83,967	79,708	78,789	82,153	82,576	84,551
85,492	83,599	82,603	82,949	81,633	61,625
120	123	136	120	170	110
273	202	251	492	267	145
91	64	146	104	102	124
2.84	2.65	2.29	1.13	3.75	3.53
1,135	893	1,081	1,120	1,125	1,215
1,925	2,604	2,180	2,344	2,223	2,511
157	169	145	138	143	178
710,297	812,357	324,983	241,891 (2)	424,568	303,074
18.51	17.50	17.60	19.30	17.97	21.17
6,754.82	6,500.00	6,800.00	7,043.30	6,871.37	7,749.38
10.38	14.54	12.39	11.22	13.90	10.40
3,786.63	5,110.09	4,500.66	4,095.21	5,084.80	3,796.45

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

Function / Program	2005	2006	2007	2008	2009	2010	2011
Public Safety							
Police							
Stations	2	2	2	2	2	2	2
Patrol units	152	145	153	167	199	181	198
Fire stations	10	10	10	10	10	10	10
Public Works							
Streets (miles)	534	539	520	524	526	527	541
Streetlights	7,027	7,092	7,426	7,504	7,493	7,548	7,550
Traffic signals	185	195	196	194	192	184	189
Sanitation							
Collection trucks	37	33	24	28	28	28	28
Culture and Recreation							
Parks	48	47	47	47	47	47	47
Parks acreage	768	819	1,084	1,084	1,084	1,084	1,104
Swimming pools	5	5	5	5	5	5	4
Tennis courts	15	15	15	15	15	15	15
Community centers	8	8	8	8	9	9	8
Water and Sewer System							
Water							
Water mains (miles)	463	465	465	481	471	473	473
Fire hydrants	2,150	2,190	2,150	2,154	2,203	2,247	2,259
Maximum daily capacity (millions of gallons)	27	22	26	24	25	23	32
Sewer							
Sanitary sewers (miles)	386	386	387	388	392	396	397
Storm sewers (miles)	216	217	217	217	228	231	233
Maximum daily treatment capacity (millions of gallons)	18.5	24.0	24.0	24.0	24.0	24.0	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 seven fiscal years are available at this time.



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