



City of Pasadena, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2012

**CITY OF PASADENA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2012**

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

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 COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION



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CITY OF PASADENA

OFFICE OF THE CITY CONTROLLER

March 6, 2013

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, 2012, 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 *Government Auditing Standards* (GAS) issued by the Comptroller General of the United States and the standards applicable to financial audits contained in 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, 2012 are prepared according to GAAP and audited in accordance with GAS. Belt Harris Pechacek, LLLP issued an unqualified (clean) opinion on the City of Pasadena, Texas' financial statements for the fiscal year ended September 30, 2012. 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, 2012 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 2012 population is estimated at 152,281 with the 2010 census population at 146,265. 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.

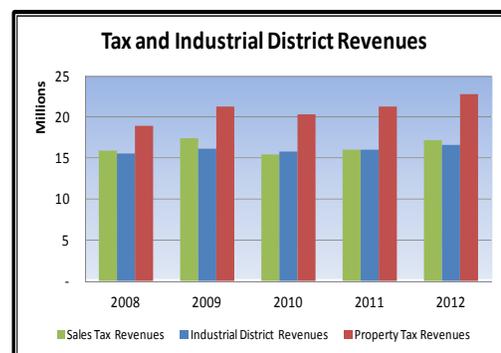
The City operates under a "Strong Mayor-Council" form of government. Together, the Mayor and the eight members of City Council are responsible for enacting legislation, adopting budgets, determining the policies of the City, and ultimately providing services to the citizens as authorized by the City's 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. Fiscal year 2013 is an election year for the City Council and Mayor. One Council member seat has reached term limit and the City will have a new Council member in that district. The other seven may run for re-election for another term. With this in mind, the City could be in for future changes.

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 that stabilizes 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. Additionally, the operation of the Bayport cruise terminal will start in November 2013 with Princess Cruises beginning a planned 26 departures and, in fall 2014, Norwegian Cruise Lines will begin 75 calls out of the terminal. This will bring an estimated 250,000 travelers through the Pasadena area.

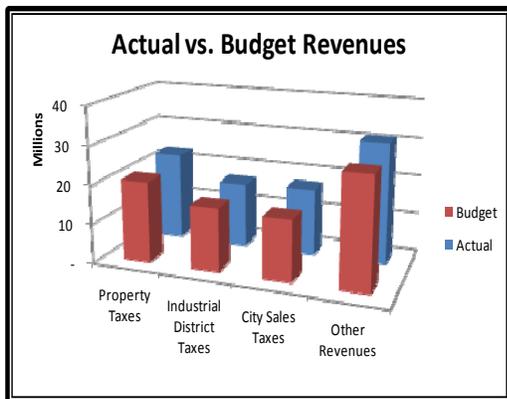


The Houston metropolitan area was slower to feel the effects of the nation's economic slowdown and is proving to recover quicker. This is proven by the migration data where the Houston metro area is placed fifth. People are moving to the metro area which increases population and spending. According to the State

Comptroller's Office, Texas' recovery has brought sales tax collections back to pre-recession levels. However, the near-term outlook remains clouded due to the uneven performance of the U.S. and global economies. The City of Pasadena is sustaining 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 increased along with property taxes due to property values increasing through the year. The City's property tax rate remained the same in fiscal year 2012 at 0.591593. The industrial district fees have also increased due to the increased property valuations in fiscal year 2012. The City is attracting new industry so the outlook of the industrial district looks good.

A significant indicator that impacts the economic condition is the employment and unemployment statistics. In December 2011, the City's unemployment rate was 8.1 percent. In December 2012, the Bureau of Labor Statistics reported the local unemployment rate at 6.8 percent, with the National average rate at 7.8 percent and Texas ranked at thirty-fourth ending the year at 6.1 percent. This means only sixteen states have a lower unemployment rate. People move to where the jobs are at and the Pasadena area's growth is proof.

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 prices have remained high at above \$90 per barrel since 2011 with an outlook of increasing to around \$100 per barrel. Currently, prices are fluctuating at \$95 to \$100 per barrel. The number of rigs engaged in oil 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 level. Natural gas prices, on the other hand, have remained low. Historically, natural gas has been ten times cheaper than crude oil, but now is approximately thirty-five times cheaper. The bulk of exploration has shifted to oil from natural gas now that crude prices have rebounded. New discoveries and innovative drilling techniques, along with recent mild weather, have led to a vast oversupply of natural gas. The shale gas revolution has cut the price of natural gas about 45% over the last year alone. According to the U.S. Energy Information Administration (EIA), national inventories of natural gas have risen 56% over the past year. Low natural gas prices have increased demand and this 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 fiscal year 2012 increased, which creates a more positive outlook compared to fiscal year 2011. As seen in the chart to the left, all revenues came in above budgeted amounts. The City's property tax collection is anticipated to increase over the near term due to the increase in population and jobs in the Pasadena area. The State Comptroller of Texas reported an increase in sales tax revenue by 9.4% in January 2013 when compared to January 2012. The amount of local sales tax the Comptroller's Office will be sending to Texas cities is up 7.3% when compared to distributions to local governments in January 2012. All indicating not only is retail trade up but also activity increased 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 faster 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 \$99,500 in 2011 to ending 2012 at \$110,000 and recently to \$115,000 as of February 2013. Home sales have increased slightly. Pricing is turning around and climbing and foreclosures are headed 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 turning up from early 2012 and are forecast to continue through 2013. Rents and occupancy rates in both residential and commercial properties are following the housing market and increasing with signs of continuing its increase early in the 2013 estimates. Though office vacancy rates have

quit declining, technology has continued to affect office size. Many have shrinking office space needs, for example, law firms and other paper-heavy companies shifting to electronic files.

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 new businesses along with several existing company expansions planned. Companies have relocated to Pasadena due to location and services provided choosing our community in part on benefits from prompt accessibility of location to international shipments as well as to gas companies on the Gulf Coast. Retailers and restaurants are also moving into the Pasadena area which will lead to increased sales tax revenues.

Long-term Financial Planning

The City's long-term plans are investing in infrastructure and 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 costs 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 over fiscal year 2012 and fiscal year 2013. Projects funded by PSCC are in various stages of completion including the \$4.9 million Convention Center improvement project. This is a project to create a commercial, retail, and restaurant development to attract more events to Pasadena by providing nearby lodging and creating amenities for entertainment to patrons. PSCC also is funding several waste water and road projects throughout Pasadena. These public works projects are intended to encourage residential, as well as industrial relocation, to Pasadena.

Health insurance rates will remain steady with a decrease in the amount provided by the City on the flexible spending account to each employee from \$500 in 2012 to \$250 in 2013 to be used for co-pays and prescription drugs. 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 had its third OPEB actuarial valuation performed as required by GASB. The City's annual required contribution for OPEB as of the end of fiscal year 2012 is \$5,385,164 with the total actuarial accrued liability of \$63,104,143 as of December 31, 2011, down from the last actuarial due to the long-term financial planning to reduce the liability.

Relevant Financial Policies

City policies have built character in this time of turmoil and provided guidance to continue on community improvements to attract industry, retail, and residents. Sound financial operations are evident in management's adherence to conservative practices and reserve policy. Reserves have increased through fiscal year 2012 due to revenue gains and the implementation of cost-saving measures. The City's management follows sound financial operations such as conservative budgeting practices, balancing the fiscal year 2013 budget without the use of reserves, except for the appropriations of \$12.5 million for capital projects, and still adhering to a two-month reserve policy as well as timely adjustments to revenue shortfalls. 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.

Major Initiatives

In October 2012, the City refunded \$22.5 million. The refunding is being used to refund a portion of the City's outstanding debt and to pay related costs of issuance. This refunding is saving the City \$1.5 million by taking advantage of current lower interest rates.

In February 2013, the City will be moving its water billing department to a new building with upgraded security and easier access for constituents to pay their water and sewer bills. This upgrade has been needed for a long time and the City took advantage of the opportunity of purchasing the building in fiscal year 2011 and renovated it to the needs of the growing department.

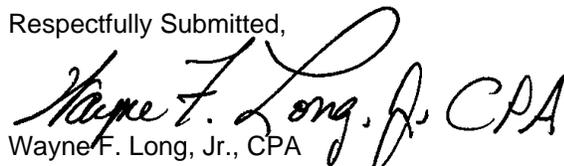
Awards and Acknowledgements

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, 2011. This was the eighteenth 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

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Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

City of Pasadena
Texas

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

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



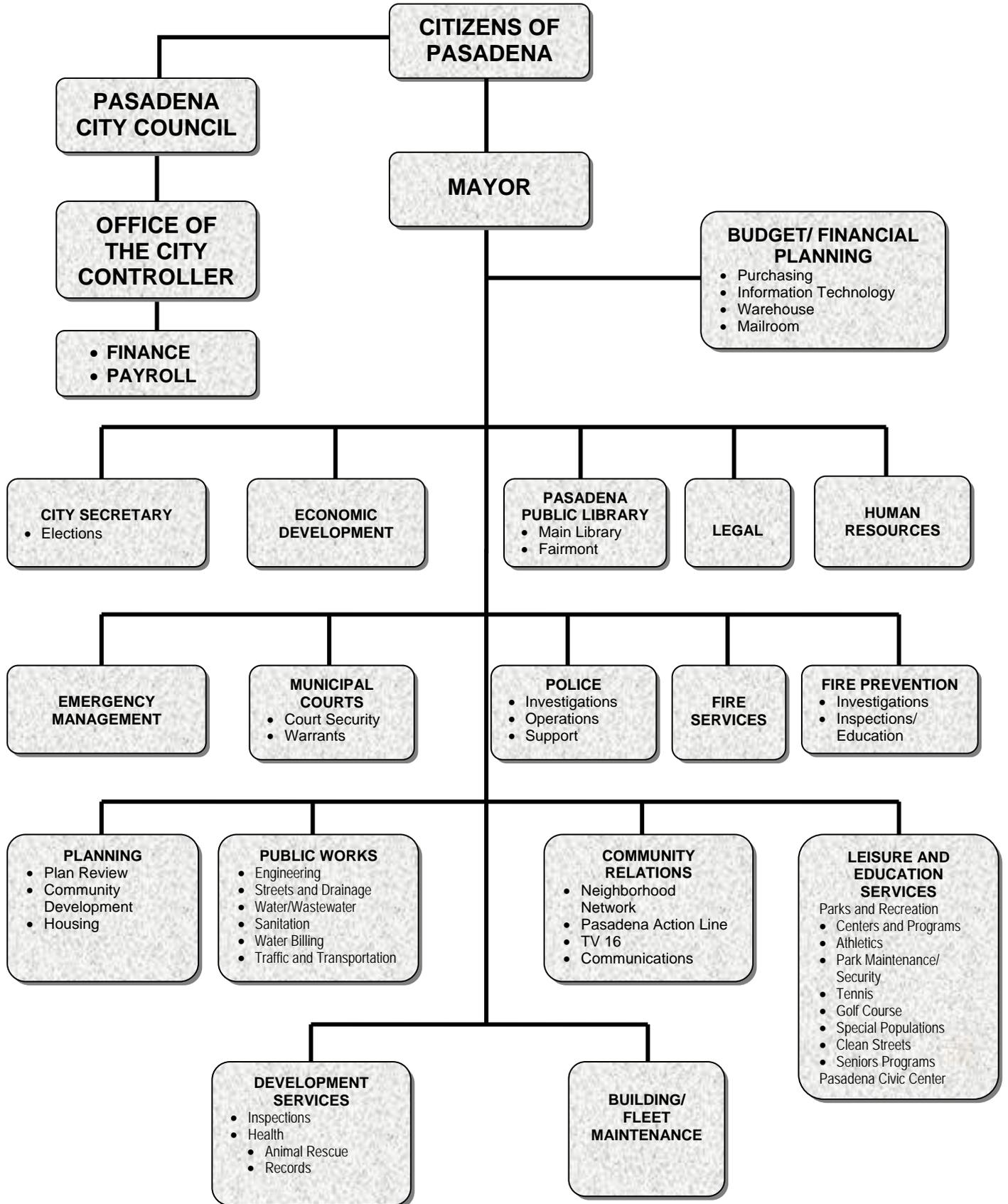
Christopher P. Morinell

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

ORNALDO YBARRA
JACKIE WELCH
DON HARRISON
PAT VAN HOUTE
LEROY STANLEY
PHIL CAYTEN
STEVE COTE
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

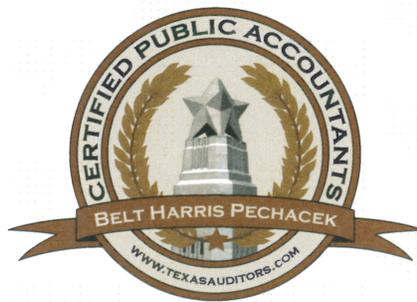
PAUL DAVIS

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, 2012, 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, 2012, 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 6, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.

Partners

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Stephanie E. Harris, CPA
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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 required parts 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 6, 2013

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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, 2012. This discussion and analysis includes comparative data for fiscal year 2011. 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, 2012 are as follows:

Government-Wide Financial Statements

The City's assets exceeded its liabilities by \$732,933,454 (net assets), showing an increase of \$31,091,787 (4.4%) compared to the prior fiscal year of \$701,841,667. Total net assets of the City are comprised of the following:

Capital assets, net of related debt, of \$639,202,747 (87.2%) 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 \$42,512,853 (5.8%) are restricted by constraints imposed from outside the City such as debt covenants, laws, and regulations.

Net assets of \$51,217,854 (7.0%) 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 \$98,498,328. This compares to the prior fiscal year combined fund balances of \$83,983,258, showing an increase of \$14,515,070 (17.3%). Approximately 28.8% of the fund balances, \$28,392,323, is available for spending at the City's discretion (unassigned); 56.6% of the fund balance, \$55,763,123 is restricted for general government, public safety, public works, culture and recreation, housing and community development, capital improvements and debt service, assigned for encumbrances and subsequent year's budget: appropriations of fund balance are \$1,454,260 (1.5%) and \$12,500,000 (12.7%), respectively, and the balance of \$388,622 (0.4%) is committed for general government special purposes.

At the end of fiscal year, the general fund had a total fund balance of \$42,735,205. The unassigned portion of the fund balance was \$28,392,323 or 37.4% of total general fund expenditures of \$75,868,070. The assigned portion of the fund balance was \$13,954,260. The committed portion of the fund balance was \$388,622. 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, 2012, the unassigned fund balance exceeded this required balance by \$15,747,645.

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: an 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 45-75.

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 \$732,933,454 at fiscal year ended September 30, 2012.

CITY OF PASADENA, TEXAS Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 132,791,340	\$ 124,922,901	\$ 43,193,037	\$ 33,188,593	\$ 175,984,377	\$ 158,111,494
Capital assets	562,622,901	563,682,979	248,890,171	249,211,645	811,513,072	812,894,624
Total assets	695,414,241	688,605,880	292,083,208	282,400,238	987,497,449	971,006,118
Long-term liabilities, outstanding	144,483,887	151,176,862	94,787,873	98,411,983	239,271,760	249,588,845
Other liabilities	9,956,761	14,798,728	5,335,474	4,776,878	15,292,235	19,575,606
Total liabilities	154,440,648	165,975,590	100,123,347	103,188,861	254,563,995	269,164,451
Net assets:						
Invested in capital assets, net of debt	478,211,050	472,614,231	160,991,697	159,525,608	639,202,747	632,139,839
Restricted	40,271,155	35,271,243	2,241,698	2,020,890	42,512,853	37,292,133
Unrestricted	22,491,388	14,744,816	28,726,466	17,664,879	51,217,854	32,409,695
Total net assets	\$ 540,973,593	\$ 522,630,290	\$ 191,959,861	\$ 179,211,377	\$ 732,933,454	\$ 701,841,667

By far the largest portion of the City's net assets, \$639,202,747 (87.2%), 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 \$7,062,908 (1.1%) compared to prior fiscal year of \$632,139,839. The increase was due in part to the reduction in noncurrent liabilities related to the principal payments to the bonds payable excluding other long-term debt in the amount of \$10,905,000, with \$7,250,000 for the governmental and \$3,655,000 for the business-type activities.

The second largest portion of the City's net assets, \$42,512,853 (5.8%), represents resources that are subject to external restrictions on how they may be used. This compared to the prior fiscal year of \$37,292,133, showing an increase of \$5,220,720 (14.0%) due primarily because the blended component unit, Pasadena Second Century Corporation restricted investments for capital projects increased by \$7,021,555 over last year. The amount of sales tax revenue increased slightly but the amount of projects paid for during the year decreased due to management's focus on grant capital projects causing an increase in restricted investments.

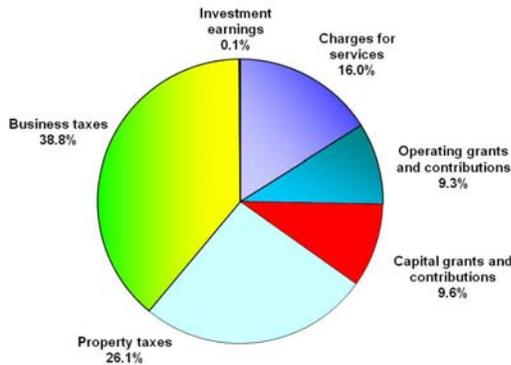
The third and final portion of the City's net assets, \$51,217,854 (7.0%) represents unrestricted resources that can be used to meet the City's ongoing obligations to citizens and creditors. This portion of net assets increased by \$18,808,159 (58.0%) compared to the prior fiscal year of \$32,409,695. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

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	
	2012	2011	2012	2011	2012	2011
Revenues						
Program revenues:						
Charges for services	\$ 21,442,179	\$ 21,323,580	\$ 36,790,596	\$ 36,894,886	\$ 58,232,775	\$ 58,218,466
Operating grants and contributions	12,370,427	12,087,315	-	-	12,370,427	12,087,315
Capital grants and contributions	12,799,735	8,610,718	212,675	-	13,012,410	8,610,718
General revenues						
Property taxes	34,997,328	33,224,390	-	-	34,997,328	33,224,390
Business taxes	51,267,368	48,485,624	-	-	51,267,368	48,485,624
Other taxes/fees	671,036	544,183	-	-	671,036	544,183
Investment earnings	182,177	174,210	35,172	33,408	217,349	207,618
Total Revenues	<u>133,730,250</u>	<u>124,450,020</u>	<u>37,038,443</u>	<u>36,928,294</u>	<u>170,768,693</u>	<u>161,378,314</u>
Expenses:						
General government	15,344,585	17,498,400	-	-	15,344,585	17,498,400
Public safety	44,094,055	45,242,538	-	-	44,094,055	45,242,538
Public works	19,734,083	21,049,209	-	-	19,734,083	21,049,209
Health	3,385,069	3,419,292	-	-	3,385,069	3,419,292
Culture and recreation	13,999,948	14,629,653	-	-	13,999,948	14,629,653
Housing and community development	9,976,482	10,672,024	-	-	9,976,482	10,672,024
Interest on long-term debt	4,123,021	4,832,227	-	-	4,123,021	4,832,227
Water and sewer	-	-	29,019,663	29,982,837	29,019,663	29,982,837
Total Expenses	<u>110,657,243</u>	<u>117,343,343</u>	<u>29,019,663</u>	<u>29,982,837</u>	<u>139,676,906</u>	<u>147,326,180</u>
Increase in net assets before transfers	23,073,007	7,106,677	8,018,780	6,945,457	31,091,787	14,052,134
Transfers	(4,729,704)	216,156	4,729,704	(216,156)	-	-
Increase in net assets	18,343,303	7,322,833	12,748,484	6,729,301	31,091,787	14,052,134
Net assets - beginning	522,630,290	515,307,457	179,211,377	172,482,076	701,841,667	687,789,533
Net assets - ending	<u>\$ 540,973,593</u>	<u>\$ 522,630,290</u>	<u>\$ 191,959,861</u>	<u>\$ 179,211,377</u>	<u>\$ 732,933,454</u>	<u>\$ 701,841,667</u>

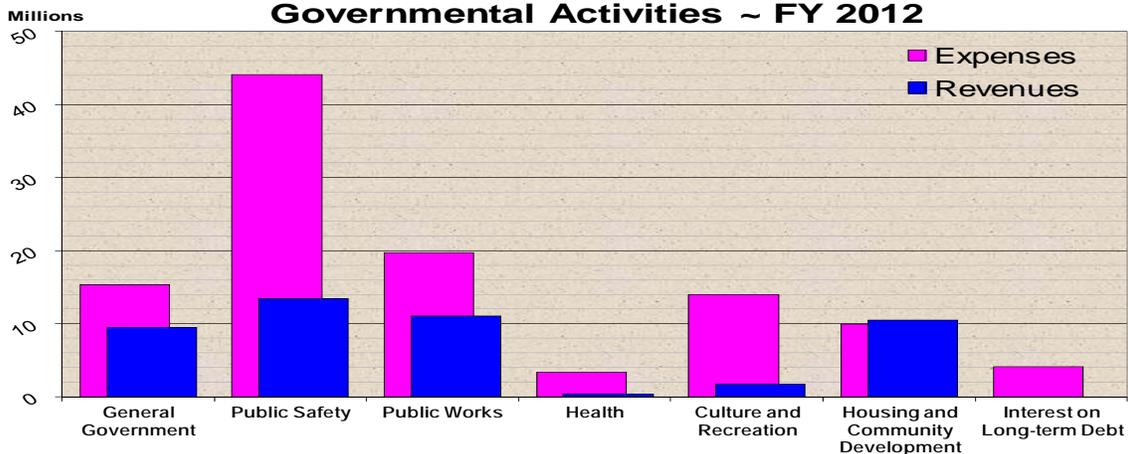
**Revenues by Source
Governmental Activities ~ FY 2012**



Governmental Activities. Governmental activities increased the City's net assets by \$18,343,303 (3.5%). This was impacted by the current economic conditions; the City has seen overall revenues increase by \$9,280,230 (7.5%) excluding transfers. Public works capital grants and contributions increased \$3,559,373 due to the Disaster Recovery Texas Community Development Block Grant program where the City has been granted all most \$15 million under Round I. Sales tax revenue is on the upswing with an increase of \$1,834,535 (7.7%) over last year, showing the economy is improving in our local area. General property tax collections increased by \$1,772,938 (5.3%) which is a good indication of the improving economy. Expenses were reduced by \$6,686,100 (5.7%) with every functions/programs decreasing. The general government function expenses decreased by (12.3%) over last year with the

compensated absences and other post employment benefits decreasing by \$735,462 because the City has taken steps to reduce those costs by limiting expenses through management decisions to decrease the cost to the City. The public works expenses were decreased by 6.3% from \$21,049,209 to \$19,734,083. There was a reduction in expenses within the general fund's sanitation department in the amount of \$583,589 due to the reduction of the purchase of paper garbage bags. The City went to a policy of plastic totes and store bought garbage bags reducing costs by 78%, excluding the one-time cost of the plastic totes. Citizens still have the option to purchase the paper garbage bags from the City. Public safety decreased 2.5% because of a \$763,187 reduction of other post employment benefits due to the changes stated above.

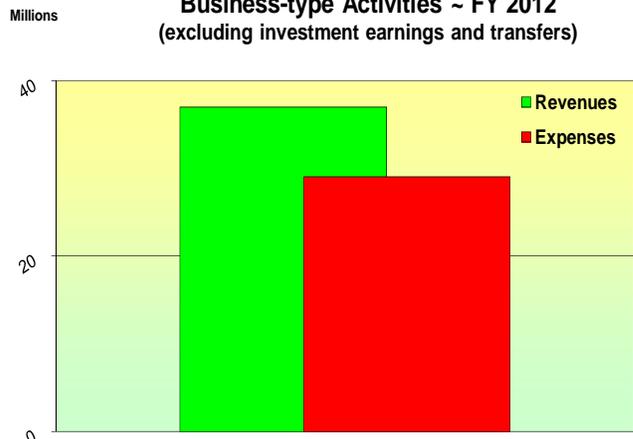
**Expenses and Program Revenues
Governmental Activities ~ FY 2012**



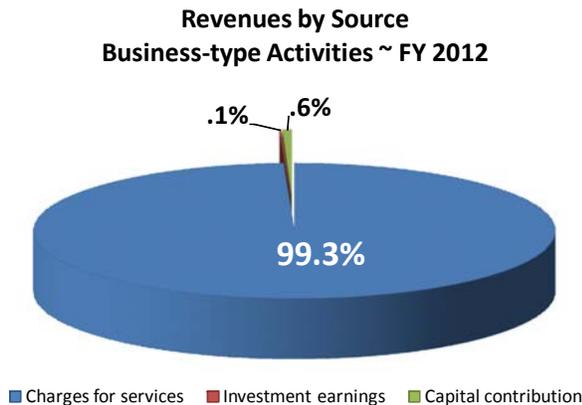
Business-type Activities. Business-type activities increased the City's net assets by \$12,748,484. The key elements of this increase include:

The business-type activities had seen an increase in net assets in fiscal year 2011 in the amount of \$6,729,301 which was almost doubled in fiscal year 2012 as shown with the net assets change above. The City's capital contribution from the grant management fund and Pasadena Second Century Corporation (PSCC) capital projects fund increased by \$6,599,292, \$1,516,962, and \$41,625 totaling \$8,157,879, respectively, which included capital assets purchased through the Disaster Recovery Texas Community Development Block Grant program (TXCDBG) and PSCC capital projects fund

**Expenses and Program Revenues
Business-type Activities ~ FY 2012
(excluding investment earnings and transfers)**



being capitalized in the water and sewer funds. The projects included Tulip, Cascade, and Westside waterwells, El Jardin ground storage, waterline improvements, lift station rehab and Rickey truckline.



Revenue including interest earnings had an increase by only \$110,149. The capital grants and contribution from TXCDBG were increased \$212,675 and charges for sales and services decreased by \$104,290 (.3%) compared to last fiscal year, primarily.

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 \$98,498,328; approximately 28.8% of this amount of \$28,392,323, 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 (\$8,612,664 or 8.7%)
2. restricted to pay debt service (\$4,097,226 or 4.2%)
3. restricted to pay for certain capital improvements (\$43,053,233 or 43.7%)
4. assigned to pay purchases on order (\$1,454,260 or 1.5%)
5. assigned to pay subsequent year's budget: appropriations of fund balance (\$12,500,000 or 12.7%)
6. committed to technological improvements and recall, election, and charter revision (\$388,622 or 0.4%)

The general fund is the principal operating fund of the City of Pasadena. As of September 30, 2012, the general fund reported fund balance of \$42,735,205. This compared to the prior fiscal year of \$31,817,908, showing an increase of \$10,917,297 (34.3%).

The unassigned (*unreserved, undesignated*) portion of the general fund balance was \$28,392,323. 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 \$75,868,070 or 37%. The City Council approved an appropriation of fund balance in the amount of \$12,500,000 which included \$2.5 million for building improvements and \$10 million for street improvements. This has been displayed as an assigned balance in the general fund fund balance.

The City is emerging from the recession with general property tax collection increasing by 7.2%, Industrial district fees increasing by 3.6% and the major indication being sales tax collection increasing by 7.7% over last year. Expenditures decreased by \$1,106,406 or 1.4% including transfers out over last year due to management's reduction measures during the recessions.

The debt service fund has a total fund balance of \$4,097,226, all of which is restricted for the payment of debt service. The increase in fund balance of \$1,221,640 or 42.5% compared to prior fiscal year of \$2,875,586 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 \$30,289,785, all of which is restricted for economic development capital projects. The increase in fund balance of \$7,236,268 or 31.4% compared to prior fiscal year of \$23,053,517 was attributed to a slight upturn in the economy, slight increase in sales tax collections and a large decrease in capital project expenditures due to management's focus on a grant capital project with TXCDBG.

The capital projects fund has a total fund balance of \$12,763,448, all of which is restricted for capital improvement projects. The decrease in fund balance amounted to \$5,653,829 or 30.7% compared to prior fiscal year of \$18,417,277. This downward trend will continue as the City has completed the issuance of the entire 2002 voters' authorization \$102,000,000 in Public Improvement Bonds. The capital outlay expenditures in the amount of \$3,982,284 had decreased by \$11,583,769 or 74.4% compared to the prior fiscal year with the majority of expenditures concentrated on public works projects totaling \$2,764,455 .

The grant management fund has a total fund balance of \$4,230,743, all of which is restricted for specific grant purposes. The decrease in fund balance of \$348,307 or 7.6% compared to the prior fiscal year in the amount of \$4,579,050. The decrease was primarily due to City spending fund balance in the amount of \$485,506 in the federal equitable sharing of forfeited property justice grant and paying for public safety overtime costs. The City's Housing Department used \$397,927 of the fund balance due to decreased HUD Section 8 Housing Choice Voucher funding in administrative and Housing Assistance Payments. It is HUD's intention to have the Housing department use their fund balance to absorb the shortages.

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 \$81,801,173, including transfers out, was \$1,155,319 (1.4%) more than the original budget of \$80,645,854.

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

- \$452,220 decrease for General Government - included a decrease of \$332,817 in property management, mainly a reduction measure by decreasing the capital outlay budget.
- \$825,328 increase for Public Safety - included increased costs in various police salary accounts due to the unexpected overtime costs.
- \$107,505 increase for Public Works - included two components: (1) an increase in the cost of street lighting and signal contractual services in the amount of \$84,000, and (2) an increase in traffic and transportation personnel services in the amount of \$10,600.
- \$188,816 increase in Health - included an increase in contractual services of \$70,000 in the health department for additional contract services and \$35,000 increase in personnel services in animal rescue services due to the increase of animals within the facilities.
- \$310,890 increase in Culture and Recreation – increases anticipated in the recreation department and library which never materialized.

Even with the above mentioned amendments, total actual expenditures, including transfers out totaling \$76,543,070, were \$5,258,103 (6.5%) below the final budget. Culture and recreation had the largest variance \$2,446,485, specifically in capital outlay due to several projects that were delayed or unfinished at the end of current fiscal year in parks totaling \$921,889.

Actual revenues, including the transfers in, totaled \$87,460,367, which was over the final budgeted amount of \$80,578,813 by \$6,881,554 (8.5%). The largest favorable variances were on business taxes/sales taxes in the amount of \$2,633,883 and general property taxes in the amount of \$2,105,267. 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, 2012 amounted to \$811,513,072 (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 decrease in the City's investment in capital assets for the current fiscal year was \$1,381,552 (0.17%) compared to prior fiscal year of \$812,894,624, a \$1,060,078 (.19%) decrease for governmental activities and a \$321,474 (.13%) decrease 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 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 with \$184,531 engineering and construction costs in progress at the end of the fiscal year.

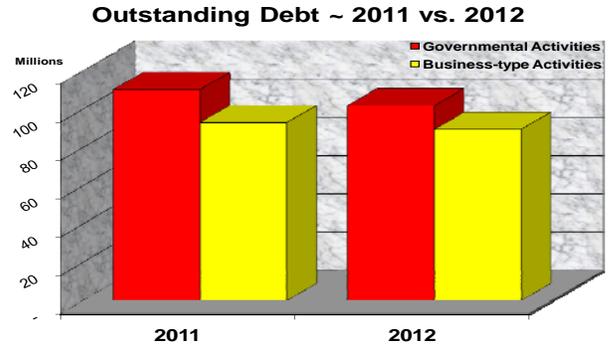
CAPITAL ASSETS
(net of depreciation)
September 30, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	\$ 136,655,096	\$ 136,198,102	\$ 2,276,074	\$ 2,276,074	\$ 138,931,170	\$ 138,474,176
Buildings and building improvements	61,668,312	61,970,790	1,204,544	1,707,688	62,872,856	63,678,478
Facilities and other improvements	4,585,565	3,768,993	4,424,433	3,686,615	9,009,998	7,455,608
Machinery and equipment	13,086,491	11,029,762	3,447,849	3,656,326	16,534,340	14,686,088
Infrastructure	301,530,764	305,309,032	219,562,404	169,865,800	521,093,168	475,174,832
Automotive equipment	10,274,626	10,787,562	11,799	15,963	10,286,425	10,803,525
Construction in progress	34,822,047	34,618,738	17,963,068	68,003,179	52,785,115	102,621,917
Totals	\$ 562,622,901	\$ 563,682,979	\$ 248,890,171	\$ 249,211,645	\$ 811,513,072	\$ 812,894,624

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 \$191,315,000. Of this amount, \$120,440,000 represents debt backed by the full faith and credit of the City, \$4,190,000 represents debt secured by the sales tax revenues, and \$66,685,000 represents debt secured solely by the net revenues of the City's water and sewer operations.

The overall debt decreased by \$12,045,000 (5.9%), attributable to the combination of principal payments 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, 2012

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General and certificate obligation bonds including refunding	\$ 97,730,000	\$ 105,350,000	\$ 22,710,000	\$ 24,255,000	\$ 120,440,000	\$ 129,605,000
Other long-term debt	4,190,000	4,960,000	-	-	4,190,000	4,960,000
Revenue bonds including refunding	-	-	66,685,000	68,795,000	66,685,000	68,795,000
Total	\$ 101,920,000	\$ 110,310,000	\$ 89,395,000	\$ 93,050,000	\$ 191,315,000	\$ 203,360,000

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 \$578,132,874 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 2012) was 6.8%, down from 8.1% for the previous December per the Texas Workforce Commission.
- Assessed value for property tax used for the fiscal year 2013 budget preparation is down approximately 1.35% from fiscal year 2012 and is expected to bring in a decrease of \$1,224,517 in general fund revenues due to the use of the same tax rate as fiscal year 2012 and not the effective rate this year.
- The general fund revenue per the fiscal year 2013 adopted budget is expected to increase by approximately 12.3% over fiscal year 2012 due to the improving economy conditions locally.
- Sales tax revenue is expected to be up with the national economy somewhat improving.
- The fiscal year 2013 adopted budget anticipates a slight decrease in industrial revenue of 2.5%. This small decrease can be traced to the industrial district decline assessed values.
- The 2013 budget under the modified accrual basis includes a decrease in water and sewer operating revenues of approximately \$1,115,869 (3.0%) compared to the actual estimated amount in fiscal year 2012. 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 2013. Revenues in the general fund are budgeted in the amount of \$80,441,520 excluding transfers, an increase of 3.9% over the final fiscal year 2012 budget of \$77,378,813 (excluding transfer in) mainly due to the revenue increase expected in business taxes.

Expenditures are budgeted to increase by 20%, or \$16,376,334, in comparison to the final budgeted expenditures of fiscal year 2012. This increase is due to the use of fund balance to complete CIP projects including \$2.5 million for building improvements and \$10 million for streets.

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, 2012**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Pasadena Crime Control and Prevention District</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 979,593	\$ 2,257,935	\$ 3,237,528	\$ -
Investments	60,154,442	21,683,757	81,838,199	3,103,740
Receivables (net of allowances for uncollectible)	8,611,162	6,153,311	14,764,473	1,455,626
Due from component unit	1,213	-	1,213	-
Internal balances	1,346,426	(1,346,426)	-	-
Inventories	563,364	-	563,364	-
Prepaid items	498,865	-	498,865	-
Deposits	150,000	6,946,195	7,096,195	-
Deferred charges	1,327,249	1,249,128	2,576,377	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	661,620	-	661,620	-
Investments	55,197,128	6,249,137	61,446,265	-
Intergovernmental receivables	3,300,278	-	3,300,278	-
Capital assets not being depreciated:				
Land	136,655,096	2,276,074	138,931,170	-
Construction in progress	34,822,047	17,963,068	52,785,115	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	61,668,312	1,204,544	62,872,856	-
Facilities and other improvements	4,585,565	4,424,433	9,009,998	-
Machinery and equipment	13,086,491	3,447,849	16,534,340	-
Infrastructure	301,530,764	219,562,404	521,093,168	-
Automotive	10,274,626	11,799	10,286,425	-
TOTAL ASSETS	695,414,241	292,083,208	987,497,449	4,559,366
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	5,399,024	660,389	6,059,413	43,692
Accrued payroll payable	2,181,992	247,588	2,429,580	237,417
Accrued interest payable	535,251	-	535,251	-
Due to primary government	-	-	-	1,213
Liabilities payable from restricted assets	1,840,494	1,253,760	3,094,254	-
Customer deposits	-	3,173,737	3,173,737	-
Noncurrent liabilities:				
Due within one year	11,178,829	4,016,024	15,194,853	-
Due in more than one year	133,305,058	90,771,849	224,076,907	-
TOTAL LIABILITIES	154,440,648	100,123,347	254,563,995	282,322
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	478,211,050	160,991,697	639,202,747	-
Restricted for:				
Debt service	4,297,475	2,241,698	6,539,173	-
Capital projects	25,259,666	-	25,259,666	-
Public safety	2,983,870	-	2,983,870	4,277,044
Housing and community development	3,408,739	-	3,408,739	-
Cultural and recreation	1,333,983	-	1,333,983	-
Other purpose	2,987,422	-	2,987,422	-
Unrestricted	22,491,388	28,726,466	51,217,854	-
TOTAL NET ASSETS	\$ 540,973,593	\$ 191,959,861	\$ 732,933,454	\$ 4,277,044

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, 2012**

FUNCTIONS/PROGRAMS	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			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 15,344,585	\$ 9,411,401	\$ -	\$ 49,469	\$ (5,883,715)	\$ -	\$ (5,883,715)	\$ -
Public safety	44,094,055	7,891,097	2,261,907	3,258,274	(30,682,777)	-	(30,682,777)	-
Public works	19,734,083	1,967,028	299,333	8,797,942	(8,669,780)	-	(8,669,780)	-
Health	3,385,069	376,043	-	-	(3,009,026)	-	(3,009,026)	-
Culture and recreation	13,999,948	1,743,376	950	17,720	(12,237,902)	-	(12,237,902)	-
Housing and community development	9,976,482	53,234	9,808,237	676,330	561,319	-	561,319	-
Interest on long-term debt	4,123,021	-	-	-	(4,123,021)	-	(4,123,021)	-
Total governmental activities	110,657,243	21,442,179	12,370,427	12,799,735	(64,044,902)	-	(64,044,902)	-
Business-type activities:								
Water and sewer system	29,019,663	36,790,596	-	212,675	-	7,983,608	7,983,608	-
TOTAL PRIMARY GOVERNMENT	\$ 139,676,906	\$ 58,232,775	\$ 12,370,427	\$ 13,012,410	(64,044,902)	7,983,608	(56,061,294)	-
Component unit:								
Pasadena Crime Control and Prevention District	\$ 7,712,204	\$ -	\$ -	\$ -				7,712,204
General revenues:								
General property taxes					34,997,328	-	34,997,328	-
Business taxes								
Industrial district fees					16,773,145	-	16,773,145	-
Sales taxes					25,789,345	-	25,789,345	8,199,038
Utility taxes					8,704,878	-	8,704,878	-
Other taxes					671,036	-	671,036	-
Total business taxes					51,938,404	-	51,938,404	8,199,038
Investment earnings								
Unrestricted					96,098	25,510	121,608	-
Restricted					86,079	9,662	95,741	3,771
Transfers					(4,729,704)	4,729,704	-	-
Total general revenues and transfers					82,388,205	4,764,876	87,153,081	8,202,809
CHANGE IN NET ASSETS					18,343,303	12,748,484	31,091,787	490,605
NET ASSETS - BEGINNING					522,630,290	179,211,377	701,841,667	3,786,439
NET ASSETS - ENDING					\$ 540,973,593	\$ 191,959,861	\$ 732,933,454	\$ 4,277,044

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
<u>ASSETS</u>				
Cash and cash equivalents	\$ 979,593	\$ -	\$ -	\$ -
Investments	43,843,181	-	-	-
Receivables (net of allowance for uncollectible)	5,600,681	335,805	1,517,951	-
Due from other funds	3,282,417	73,418	2,801	-
Due from component unit	1,213	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	10,030	-
Investments	-	3,961,670	29,007,875	14,348,228
Receivables (net of allowance for uncollectible)	83,683	-	-	-
TOTAL ASSETS	\$ 53,790,768	\$ 4,370,893	\$ 30,538,657	\$ 14,348,228
<u>LIABILITIES</u>				
Accounts payable	\$ 4,948,613	\$ -	\$ -	\$ -
Accrued payroll payable	2,016,061	-	-	-
Due to other funds	1,547,566	-	-	991,926
Compensated absences payable	-	-	-	-
Deferred revenue	2,543,323	273,667	-	-
Liabilities payable from restricted assets	-	-	248,872	592,854
TOTAL LIABILITIES	11,055,563	273,667	248,872	1,584,780
<u>FUND BALANCES</u>				
Restricted	-	4,097,226	30,289,785	12,763,448
Committed	388,622	-	-	-
Assigned	13,954,260	-	-	-
Unassigned	28,392,323	-	-	-
TOTAL FUND BALANCES	42,735,205	4,097,226	30,289,785	12,763,448
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,790,768	\$ 4,370,893	\$ 30,538,657	\$ 14,348,228

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>
\$ -	\$ -	\$ 979,593
-	-	43,843,181
-	-	7,454,437
-	262,528	3,621,164
-	-	1,213
598,623	52,967	661,620
3,897,890	3,981,465	55,197,128
3,016,175	200,420	3,300,278
\$ 7,512,688	\$ 4,497,380	\$ 115,058,614

\$ -	\$ -	\$ 4,948,613
-	-	2,016,061
2,270,756	9,439	4,819,687
118,441	-	118,441
-	-	2,816,990
892,748	106,020	1,840,494
3,281,945	115,459	16,560,286

4,230,743	4,381,921	55,763,123
-	-	388,622
-	-	13,954,260
-	-	28,392,323
4,230,743	4,381,921	98,498,328

\$ 7,512,688 **\$ 4,497,380**

550,312,422

3,909,753

28,434,492

(140,181,402)

\$ 540,973,593

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, 2012

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
REVENUES				
General property taxes	\$ 22,747,769	\$ 12,447,352	\$ -	\$ -
Business taxes and fees				
Industrial district fees	16,549,164	-	-	-
Sales taxes	17,192,897	-	8,596,448	-
Franchise taxes	8,427,425	-	-	-
Other taxes	167,007	-	-	-
Total business taxes and fees	42,336,493	-	8,596,448	-
Licenses and permits	2,072,100	-	-	-
Municipal court fines	5,898,780	-	-	-
Charges for services	9,595,662	-	-	-
Intergovernmental	376,554	-	-	-
Program income	-	-	-	-
Contribution from outside sources	-	-	-	18,621
Miscellaneous	491,949	4,295	-	47,198
Investment income	76,251	4,925	36,038	34,333
TOTAL REVENUES	83,595,558	12,456,572	8,632,486	100,152
EXPENDITURES				
Current:				
General government	12,859,843	-	-	-
Public safety	35,616,794	-	-	-
Public works	12,443,945	-	318,456	-
Health	3,168,772	-	-	-
Culture and recreation	11,778,716	-	-	-
Housing and community development	-	-	-	-
Debt Service:				
Principal	-	7,250,000	770,000	-
Interest	-	3,990,760	144,688	-
Bond issuance cost	-	299,426	-	-
Capital Outlay:				
Public safety	-	-	-	471,754
Public works	-	-	1,847,781	2,764,455
Culture and recreation	-	-	86,975	746,075
TOTAL EXPENDITURES	75,868,070	11,540,186	3,167,900	3,982,284
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	7,727,488	916,386	5,464,586	(3,882,132)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,200,000	15	1,771,682	-
Transfers out	(675,000)	-	-	(1,771,697)
Refunding bonds issued	-	20,030,000	-	-
Premiums on bonds issued	-	1,631,546	-	-
Payment to refunded bond escrow agent	-	(21,356,307)	-	-
Insurance recovery	424,934	-	-	-
Sale of capital assets	239,875	-	-	-
TOTAL OTHER FINANCING SOURCES AND (USES)	3,189,809	305,254	1,771,682	(1,771,697)
NET CHANGE IN FUND BALANCES	10,917,297	1,221,640	7,236,268	(5,653,829)
FUND BALANCES, BEGINNING	31,817,908	2,875,586	23,053,517	18,417,277
FUND BALANCES, ENDING	\$ 42,735,205	\$ 4,097,226	\$ 30,289,785	\$ 12,763,448

Grant Management	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ -	\$ 35,195,121
-	-	16,549,164
-	-	25,789,345
-	324,337	8,751,762
-	521,749	688,756
-	846,086	51,779,027
-	2,920	2,075,020
-	413,815	6,312,595
-	-	9,595,662
22,452,110	1,046,417	23,875,081
176,537	-	176,537
-	-	18,621
-	367,220	910,662
6,177	4,606	162,330
22,634,824	2,681,064	130,100,656
2,585	501,658	13,364,086
3,890,494	721,015	40,228,303
8,592,410	-	21,354,811
-	-	3,168,772
950	316,390	12,096,056
10,496,692	-	10,496,692
-	-	8,020,000
-	-	4,135,448
-	-	299,426
-	-	471,754
-	-	4,612,236
-	-	833,050
22,983,131	1,539,063	119,080,634
(348,307)	1,142,001	11,020,022
-	-	4,971,697
-	-	(2,446,697)
-	-	20,030,000
-	-	1,631,546
-	-	(21,356,307)
-	-	424,934
-	-	239,875
-	-	3,495,048
(348,307)	1,142,001	14,515,070
4,579,050	3,239,920	83,983,258
\$ 4,230,743	\$ 4,381,921	\$ 98,498,328

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, 2012**

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)	\$ 14,515,070
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 depreciation exceed capital outlay in the current period.	(378,634)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfer and donations) is a decrease to net assets.	(81,943)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(398,746)
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.	7,714,761
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.	(1,688,976)
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.	<u>(1,338,229)</u>
Change in net assets of governmental activities (page 27)	<u>\$ 18,343,303</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 20,109,244	\$ 20,642,502	\$ 22,747,769	\$ 2,105,267
Business taxes				
Industrial district fees	15,690,000	16,130,000	16,549,164	419,164
Sales taxes	15,500,000	15,500,000	17,192,897	1,692,897
Utility taxes	7,970,110	7,970,110	8,427,425	457,315
Other taxes	102,500	102,500	167,007	64,507
Total business taxes	<u>39,262,610</u>	<u>39,702,610</u>	<u>42,336,493</u>	<u>2,633,883</u>
Licenses and permits	1,756,290	1,756,290	2,072,100	315,810
Municipal court fines	5,335,000	5,335,000	5,898,780	563,780
Charges for services	8,881,585	8,881,585	9,595,662	714,077
Intergovernmental	282,500	292,500	376,554	84,054
Miscellaneous	448,850	531,826	491,949	(39,877)
Investment income	46,500	46,500	76,251	29,751
TOTAL REVENUES	<u>76,122,579</u>	<u>77,188,813</u>	<u>83,595,558</u>	<u>6,406,745</u>
EXPENDITURES				
Current				
General Government				
City council	171,324	175,624	150,412	25,212
Mayor	347,732	364,682	361,870	2,812
Budget and financial planning	290,363	292,663	288,486	4,177
Municipal court	1,808,468	1,820,168	1,787,467	32,701
City controller	1,623,005	1,635,505	1,598,614	36,891
Tax	437,940	437,940	417,659	20,281
Purchasing	325,710	330,210	327,285	2,925
Legal	962,655	1,178,650	1,173,732	4,918
City secretary	331,943	337,343	289,871	47,472
Elections	1,500	1,500	1	1,499
Human resources	727,349	727,349	667,846	59,503
City marshal	616,205	620,855	615,494	5,361
Community relations	817,728	820,628	799,444	21,184
Pasadena action line	310,191	312,491	307,284	5,207
Planning	548,915	557,215	514,434	42,781
Planning/development administration	152,953	154,753	153,706	1,047
Economic development liaison	162,578	163,528	158,218	5,310
Neighborhood network	145,005	136,155	108,949	27,206
Inspections	1,319,703	1,336,703	1,257,518	79,185
Property management	1,529,226	1,196,409	847,923	348,486
Landscape/beautification	680,801	683,701	512,479	171,222
Impound/storage	346,686	346,688	306,581	40,107
Technology	10,554	10,554	10,554	-
Other charges	717,530	292,530	204,016	88,514
Total General Government	<u>14,386,064</u>	<u>13,933,844</u>	<u>12,859,843</u>	<u>1,074,001</u>
Public Safety				
Emergency preparedness	410,680	423,450	404,836	18,614
Fire fighting	3,205,339	3,314,430	3,052,469	261,961
Fire prevention	964,633	985,433	975,464	9,969
Police	31,000,881	31,683,548	31,184,025	499,523
Total Public Safety	<u>35,581,533</u>	<u>36,406,861</u>	<u>35,616,794</u>	<u>790,067</u>
Public Works				
Engineering	1,475,443	1,476,648	1,304,102	172,546
Street lighting and signals	1,335,000	1,419,000	1,418,482	518
Sanitation	6,409,042	6,413,742	6,042,212	371,530
Street and bridge	2,884,724	2,891,724	2,617,497	274,227
Traffic and transportation	1,079,835	1,090,435	1,061,652	28,783
Total Public Works	<u>\$ 13,184,044</u>	<u>\$ 13,291,549</u>	<u>\$ 12,443,945</u>	<u>\$ 847,604</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health	\$ 1,482,386	\$ 1,553,852	\$ 1,455,008	\$ 98,844
Animal rescue and assistance	1,597,516	1,714,866	1,713,764	1,102
Total Health	3,079,902	3,268,718	3,168,772	99,946
Culture and Recreation				
Parks	4,348,264	4,348,363	2,834,558	1,513,805
Recreation	2,578,543	2,766,862	2,378,165	388,697
Clean streets	1,563,204	1,566,204	1,463,868	102,336
Golf course	711,205	694,880	624,191	70,689
Multi-purpose center	496,947	501,847	423,664	78,183
Civic center	686,019	758,838	627,787	131,051
Senior center - Madison Jobe	347,721	351,321	296,854	54,467
Library	3,182,408	3,236,886	3,129,629	107,257
Total Culture and Recreation	13,914,311	14,225,201	11,778,716	2,446,485
TOTAL EXPENDITURES	80,145,854	81,126,173	75,868,070	5,258,103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,023,275)	(3,937,360)	7,727,488	11,664,848
OTHER FINANCING SOURCES (USES)				
Transfers in	3,200,000	3,200,000	3,200,000	-
Transfers out	(500,000)	(675,000)	(675,000)	-
Insurance recovery	150,000	150,000	424,934	274,934
Sale of capital assets	40,000	40,000	239,875	199,875
TOTAL OTHER FINANCING SOURCES	2,890,000	2,715,000	3,189,809	474,809
NET CHANGE IN FUND BALANCES	(1,133,275)	(1,222,360)	10,917,297	12,139,657
FUND BALANCES - BEGINNING	21,956,499	31,817,908	31,817,908	-
FUND BALANCES - ENDING	\$ 20,823,224	\$ 30,595,548	\$ 42,735,205	\$ 12,139,657

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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ 287,000	\$ 593,795	\$ 306,795
Program income	1,000	1,000	1,517	517
TOTAL REVENUES	<u>1,000</u>	<u>288,000</u>	<u>595,312</u>	<u>307,312</u>
EXPENDITURES				
Current				
Public Safety				
Personnel services	309,031	372,031	371,765	266
Contractual services	313,300	393,569	315,942	77,627
Materials and supplies	190,000	280,227	221,784	58,443
Intergovernmental	50,000	139,000	138,827	173
Capital outlay	50,000	82,500	32,500	50,000
TOTAL EXPENDITURES	<u>912,331</u>	<u>1,267,327</u>	<u>1,080,818</u>	<u>186,509</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(911,331)	(979,327)	(485,506)	493,821
FUND (PROGRAM) BALANCE - BEGINNING	<u>1,324,351</u>	<u>1,410,469</u>	<u>1,410,469</u>	<u>-</u>
FUND (PROGRAM) BALANCE - ENDING	<u>\$ 413,020</u>	<u>\$ 431,142</u>	<u>\$ 924,963</u>	<u>\$ 493,821</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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 198,799	\$ 198,799
Program income	600	600	422	(178)
TOTAL REVENUES	600	600	199,221	198,621
EXPENDITURES				
Current				
Public Safety				
Contractual services	85,997	85,997	81,038	4,959
Materials and supplies	33,900	33,900	30,150	3,750
Capital outlay	10,000	10,000	-	10,000
TOTAL EXPENDITURES	129,897	129,897	111,188	18,709
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(129,297)	(129,297)	88,033	217,330
FUND (PROGRAM) BALANCE - BEGINNING	142,820	296,882	296,882	-
FUND (PROGRAM) BALANCE - ENDING	\$ 13,523	\$ 167,585	\$ 384,915	\$ 217,330

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2012**

	Business-type Activities - Enterprise Fund	
	Water and Sewer System	Governmental Activities - Internal Service Funds
<u>ASSETS</u>		
Current Assets		
Cash and cash equivalents	\$ 2,257,935	\$ -
Investments		
TexPool	21,639,760	16,311,261
CLASS	43,997	-
Receivables (net of allowances for uncollectible)	6,153,311	63,962
Due from other funds	963,457	247,974
Inventory, at cost	-	563,364
Prepaid items	-	498,865
Restricted assets		
Investments		
Texpool	2,382,777	-
CLASS	3,866,360	-
Total Current Assets	37,307,597	17,685,426
Noncurrent Assets		
Deposits	6,946,195	150,000
Deferred charges - revenue bond issuance costs, bond insurance premium and administrative cost recovery fees	1,249,128	-
Capital assets		
Land	2,276,074	602
Buildings and building improvements	4,644,458	2,134,116
Accumulated depreciation - buildings and building improvements	(3,439,914)	(1,698,049)
Facilities and other improvements	6,964,026	175,754
Accumulated depreciation - facilities and other improvements	(2,539,593)	(57,246)
Machinery and equipment	11,284,460	6,106,290
Accumulated depreciation - machinery and equipment	(7,836,611)	(4,652,970)
Infrastructure	307,238,289	41,746
Accumulated depreciation - Infrastructure	(87,675,885)	(14,390)
Automotive	457,159	34,903,452
Accumulated depreciation - automotive	(445,360)	(24,628,826)
Construction in progress	17,963,068	-
Net capital assets	248,890,171	12,310,479
Total Noncurrent Assets	257,085,494	12,460,479
TOTAL ASSETS	\$ 294,393,091	\$ 30,145,905

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 660,389	\$ 450,411
Accrued payroll payable	247,588	165,931
Revenue bonds payable - current	1,588,750	-
Due to other funds	2,612	10,296
Claims payable	-	1,423,057
Compensated absences payable	186,024	101,622
Customer deposits	3,173,737	-
Liabilities payable from restricted assets		
Accounts payable	999,665	-
Retainage payable	113,016	-
Accrued interest payable	141,079	-
Revenue bonds payable	2,241,250	-
Total Current Liabilities	9,354,110	2,151,317
Noncurrent Liabilities		
Revenue and general obligation bonds payable (including the unamortized discounts/premium and deferred amount on refunding of \$1,257,153)	86,822,153	-
Claims payable	-	948,705
Compensated absences payable	1,674,215	914,593
Other post-employment benefits	2,275,481	4,069
Total Noncurrent Liabilities	90,771,849	1,867,367
TOTAL LIABILITIES	100,125,959	4,018,684
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	160,991,697	12,310,479
Restricted for debt service	2,241,698	-
Unrestricted	31,033,737	13,816,742
TOTAL NET ASSETS	194,267,132	\$ 26,127,221
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	(2,307,271)	
Net assets of business-type activities (page 25)	\$ 191,959,861	

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, 2012

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
OPERATING REVENUES		
Charges for sales and services	<u>\$ 36,790,596</u>	<u>\$ 25,187,264</u>
OPERATING EXPENSES		
Personnel services	6,932,746	4,149,461
Contractual services	5,483,617	1,180,357
Material and supplies	1,139,142	4,570,767
Maintenance charges	1,040,441	1,225,479
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	153,932	-
Operating, maintenance and water charges - Southeast Water Purification Plant	4,808,279	-
Insurance/reinsurance premiums	-	4,407,439
Claims and legal expenses	-	10,080,155
Administration fees	-	627,287
Miscellaneous	21,218	788,177
Depreciation	4,217,855	3,053,618
TOTAL OPERATING EXPENSES	<u>23,797,230</u>	<u>30,082,740</u>
OPERATING INCOME (LOSS)	<u>12,993,366</u>	<u>(4,895,476)</u>
NONOPERATING REVENUES (EXPENSES)		
(Loss) gain on sale and retirement of capital assets	(672,432)	85,931
Investment income	35,172	19,847
Interest expense on bonds	(4,157,826)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(4,795,086)</u>	<u>105,778</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	8,198,280	(4,789,698)
CAPITAL CONTRIBUTIONS	8,157,879	2,368,794
TRANSFERS IN	-	1,690,500
TRANSFERS (OUT)	<u>(3,215,500)</u>	<u>(1,000,000)</u>
CHANGES IN NET ASSETS	13,140,659	(1,730,404)
TOTAL NET ASSETS - BEGINNING	<u>181,126,473</u>	<u>27,857,625</u>
TOTAL NET ASSETS - ENDING	<u><u>\$ 194,267,132</u></u>	<u><u>\$ 26,127,221</u></u>
 CHANGES IN NET ASSETS	 \$ 13,140,659	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(392,175)</u>	
Change in net assets of business-type activities (page 27)	<u><u>\$ 12,748,484</u></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, 2012**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 37,380,327	\$ 24,932,840
Cash payments to suppliers for goods and services	(12,079,274)	(6,855,624)
Cash payments to employees for services	(6,827,443)	(4,288,978)
Cash payments for insurance premiums, liability claims and administration	-	(16,366,516)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>18,473,610</u>	<u>(2,578,278)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers (to)/from other funds		
General fund	(2,200,000)	(1,000,000)
General fund	-	675,000
Water and sewer system fund	-	1,015,500
Maintenance fund	(15,500)	-
General liability insurance fund	(1,000,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(3,215,500)</u>	<u>690,500</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of capital assets	-	219,312
Acquisition and construction of capital assets	(3,357,129)	(208,524)
Principal paid on revenue bonds	(3,655,000)	-
Interest and fiscal agent fees paid on revenue bonds	(4,180,479)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(11,192,608)</u>	<u>10,788</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(22,365,622)	(15,602,459)
Proceeds from sale and maturities of investments	19,921,104	17,459,602
Investment income received	35,172	19,847
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,409,346)</u>	<u>1,876,990</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	1,656,156	-
CASH AND CASH EQUIVALENTS - BEGINNING	<u>601,779</u>	-
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,257,935</u>	<u>\$ -</u>

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	Service Funds
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating income (loss)	\$ 12,993,366	\$ (4,895,476)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	4,217,855	3,053,618
Changes in assets and liabilities		
Decrease (increase) in accounts receivables	312,743	(8,085)
Decrease (increase) in due from other funds	232,116	(246,278)
(Increase) in prepaid items	-	(24,481)
(Increase) in inventory	-	(110,601)
Decrease in deposits	-	112,000
Increase (decrease) in accounts and claims payable	332,627	(323,828)
(Decrease) in accrued payroll liabilities	(41,363)	(4,431)
(Decrease) in compensated absences payable	(59,140)	(94,311)
Increase (decrease) in due to other funds	2,612	(11,308)
Increase (decrease) in other post employment benefits	205,806	(25,097)
Increase in customer deposits	276,988	-
Total Adjustments	5,480,244	2,317,198
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 18,473,610	\$ (2,578,278)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from the government	\$ 8,157,879	\$ 2,368,794

The accompanying notes are an integral part of the financial statements

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

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**CITY OF PASADENA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012**

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 but 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 and 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 the 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, 2012.

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 employment 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.
- 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 incurs 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, 2012 is as follows:

	Governmental Fund Balances									Total
	General	Debt Service	Pasadena Second Century	Capital Projects	Grant Management	Public Safety	Culture and Recreation	Other	Non-major Special Revenue	
Fund balances:										
Restricted for:										
General government	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 745,225	\$ 745,225	\$ 745,225
Public safety	-	-	-	-	1,309,878	1,590,987	-	578,735	2,169,722	3,479,600
Public works	-	-	-	-	-	-	-	75,427	75,427	75,427
Culture and recreation	-	-	-	-	-	-	1,326,901	64,646	1,391,547	1,391,547
Housing and community development	-	-	-	-	2,920,865	-	-	-	-	2,920,865
Capital outlay	-	-	30,289,785	12,763,448	-	-	-	-	-	43,053,233
Debt service	-	4,097,226	-	-	-	-	-	-	-	4,097,226
Total restricted	-	4,097,226	30,289,785	12,763,448	4,230,743	1,590,987	1,326,901	1,464,033	4,381,921	55,763,123
Committed to:										
General government	388,622	-	-	-	-	-	-	-	-	388,622
Assigned to:										
Purchases on order	1,454,260	-	-	-	-	-	-	-	-	1,454,260
Budget appropriation - subsequent year	12,500,000	-	-	-	-	-	-	-	-	12,500,000
Total assigned	13,954,260	-	-	-	-	-	-	-	-	13,954,260
Unassigned	28,392,323	-	-	-	-	-	-	-	-	28,392,323
Total	\$42,735,205	\$4,097,226	\$30,289,785	\$12,763,448	\$4,230,743	\$1,590,987	\$1,326,901	\$1,464,033	\$4,381,921	\$98,498,328

The amount restricted by enabling legislation was \$4,381,921.

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 \$140,181,402 difference are as follows:

Bonds payable	\$	101,920,000
Other long-term debt		
Add: bond premiums		2,602,506
Less: deferred gain/loss on refunded bonds		(1,327,963)
Less: issuance costs		(1,327,249)
Accrued interest payable		535,251
Compensated absences		22,223,064
Other post employment benefits		15,555,793
		<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities.	\$	<u>140,181,402</u>

Another element of that reconciliation explains that “internal service funds are used by management to charge the technical services, warehouse, fleet, facilities operations, mail room, 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 \$28,434,492 difference are as follows:

Net assets of the internal service funds	\$	26,127,221
Add: Internal receivable representing charges less the cost to business-type activities - prior year		1,915,096
Add: Internal receivable representing charges less the cost to business-type activities - current year		392,175
		<hr/>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities.	\$	<u>28,434,492</u>

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

The governmental fund *statement of revenues, expenditures, and changes in fund balances* includes 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 \$378,634 difference is as follows:

Capital outlay	\$	9,745,079
Depreciation expense		(10,123,713)
		<hr/>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	\$	<u>(378,634)</u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations and transfers) is to decrease net assets.” The detail of this \$81,943 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.	\$ (711,690)
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>629,747</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (81,943)</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 \$7,714,761 difference is as follows:

Debt issued or incurred:	
General obligation bonds (Refunding bonds issued)	\$ 20,030,000
Plus premium	1,631,546
Principal repayments:	
General obligation debt	(7,250,000)
Sales tax revenue bonds	(770,000)
Payment to escrow agent for refunding	<u>(21,356,307)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (7,714,761)</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 \$1,688,976 difference is as follows:

Compensated absences	\$ 303,667
Other post employment benefits	(2,304,496)
Accrued interest	53,836
Amortization of bond issuance costs	159,621
Amortization of bond premiums	250,377
Amortization of deferred amounts on refunding	<u>(151,981)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (1,688,976)</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 \$1,338,229 difference is as follows:

Change in net assets of the internal service funds	\$ (1,730,404)
Add: Loss from charges from business-type activities	<u>392,175</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ (1,338,229)</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 or purchases on order 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 increased in the amount of \$980,319 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 \$452,220 or 3.1% due to reduction of capital outlay in property management in the amount of \$384,230 or 56% with those projects put on hold until the economy improves. There was a small increase in public safety in the amount of \$825,328 or 2.3% with an increase in personnel services in the police department to cover overtime. Public works original budget was increased by \$107,505 or .8% with the increase in the street lighting and signals by an increase in the contractual services.

The health expenditures increased by \$188,816 or 6.1% due to the personnel services increase in the animal rescue and assistance department. The cultural and recreation function increased the original budget by \$310,890 of which \$188,319 was under the recreation department for capital outlay, including \$117,354 for improvements at the Ruck Center, and \$7,574 for alarm improvements at the City museum.

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

The following provides actual fiscal year 2012 results for both budgeted and non-budgeted grant programs under the grant management fund:

	<u>Revenues</u>	<u>Expenditures</u>
Budgeted grant programs:		
Federal equitable sharing of forfeited property:		
Justice Department	\$ 595,312	\$ 1,080,818
Treasury Department	199,221	111,188
Nonbudgeted grant programs:		
Various grants	11,765,221	11,765,221
HUD Section 8 housing choice vouchers	7,469,061	7,866,988
FEMA DHAP program	421	15
FEMA DHAP IKE	562,962	116,275
HUD CDBG entitlement program	1,171,523	1,171,523
HUD HOME investment partnerships program	785,876	785,876
HUD emergency shelter program	85,227	85,227
Total grant management fund - actual	<u>\$ 22,634,824</u>	<u>\$ 22,983,131</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2012, 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, 2012, the carrying amount of the City's deposits with financial institutions was \$3,677,234, excluding \$221,914 for petty cash and tax holding account. The City's bank balance, the sum of all accounts, is \$4,306,591 and \$17,160 of that amount was exposed to custodial credit risk because it was uninsured and uncollateralized. The remaining balance of \$4,289,431 was insured by FDIC or pledged with securities held by a third party custodian in the City's name.

Investments

As of September 30, 2012 the City had the following investments:

Investment Type	Fair Value			Weighted Average Maturity (Years)
	Primary Government	Blended Component Unit	Discretely Presented Component Unit	
		Pasadena Second Century Corporation	Pasadena Crime Control and Prevention District	
Texpool Local Government Investment Pools	\$ 66,030,100	\$ 21,902,272	\$ 3,103,740	0.10
Logic Local Government Investment Pools	1,197,842	-	-	0.12
Class Local Government Investment Pools	47,048,647	7,105,603	-	0.11
Total Fair Value	<u>\$ 114,276,589</u>	<u>\$ 29,007,875</u>	<u>\$ 3,103,740</u>	
Portfolio Weighted Average Maturity				0.11

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 2011 taxable assessed valuation of the City's property in the amount of \$5,781,328,736 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	\$ 0.382196
Debt service	0.209397
	<u>\$ 0.591593</u>

2. Receivables

Receivables as of September 30, 2012, 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 Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Water and Sewer System	Health Insurance	Total
Receivables									
Property taxes	\$ 1,724,016	\$ 1,112,805	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,836,821
Sales taxes	3,035,902	-	1,517,951	-	-	-	-	-	4,553,853
Accounts	3,260,031	-	-	8,974	-	-	6,714,388	63,962	10,047,355
Less: allowance for uncollectible	(2,419,268)	(777,000)	-	(8,974)	-	-	(561,077)	-	(3,766,319)
	5,600,681	335,805	1,517,951	-	-	-	6,153,311	63,962	13,671,710
Intergovernmental - restricted	83,683	-	-	-	3,004,515	12,854	-	-	3,101,052
Accounts restricted	-	-	-	-	11,660	187,566	-	-	199,226
Net total receivables	\$ 5,684,364	\$ 335,805	\$ 1,517,951	\$ -	\$ 3,016,175	\$ 200,420	\$ 6,153,311	\$ 63,962	\$ 16,971,988

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 unavailable reported in the governmental funds were as follows:

	Unavailable
Delinquent property taxes receivable (General fund)	\$ 413,409
Delinquent Industrial fee receivable (General fund)	223,981
Delinquent property taxes receivable (Debt service fund)	273,667
Notes receivable (Grant management fund)	1,092,763
Insurance proceeds-Hurricane Ike (General fund)	1,905,933
Total deferred/unavailable revenue for governmental funds	\$ 3,909,753

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 Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Water and Sewer Enterprise
Cash and cash equivalents	\$ -	\$ -	\$ 10,030	\$ -	\$ 598,623	\$ 52,967	\$ -
Investments	-	3,961,670	29,007,875	14,348,228	3,897,890	3,981,465	6,249,137
Intergovernmental receivables	83,683	-	-	-	3,004,515	12,854	-
Accounts receivables	-	-	-	-	11,660	187,566	-
	\$ 83,683	\$ 3,961,670	\$ 29,017,905	\$ 14,348,228	\$ 7,512,688	\$ 4,234,852	\$ 6,249,137
	(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, 2012 was as follows:

1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 136,198,102	\$ 486,244	\$ (29,250)	\$ 136,655,096
Construction in progress	34,618,738	6,412,798	(6,209,489)	34,822,047
Total capital assets, not being depreciated	170,816,840	6,899,042	(6,238,739)	171,477,143
Capital assets, being depreciated:				
Buildings and building improvements	82,691,051	1,250,764	(118,916)	83,822,899
Facilities and other improvements	5,652,150	973,835	-	6,625,985
Machinery and equipment	28,808,269	3,844,678	(161,025)	32,491,922
Infrastructure	457,437,335	3,277,925	(9,135)	460,706,125
Automotive equipment	33,625,688	2,351,370	(1,073,606)	34,903,452
Total capital assets being depreciated	608,214,493	11,698,572	(1,362,682)	618,550,383
Less accumulated depreciation for:				
Building and building improvements	(20,720,261)	(1,487,889)	53,563	(22,154,587)
Facilities and other improvements	(1,883,157)	(157,263)	-	(2,040,420)
Machinery and equipment	(17,778,507)	(1,663,816)	36,892	(19,405,431)
Infrastructure	(152,128,303)	(7,051,534)	4,476	(159,175,361)
Automotive equipment	(22,838,126)	(2,816,829)	1,026,129	(24,628,826)
Total accumulated depreciation	(215,348,354)	(13,177,331)	1,121,060	(227,404,625)
Total capital assets, being depreciated, net	392,866,139	(1,478,759)	(241,622)	391,145,758
Governmental activities capital assets, net	\$ 563,682,979	\$ 5,420,283	\$ (6,480,361)	\$ 562,622,901

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	68,003,179	11,502,253	(61,542,364)	17,963,068
Total capital assets, not being depreciated	70,279,253	11,502,253	(61,542,364)	20,239,142
Capital assets, being depreciated:				
Buildings and building improvements	6,024,998	-	(1,380,540)	4,644,458
Facilities and other improvements	6,128,514	835,512	-	6,964,026
Machinery and equipment	11,166,007	251,316	(132,863)	11,284,460
Infrastructure	253,937,180	53,332,849	(31,740)	307,238,289
Automotive equipment	457,159	-	-	457,159
Total capital assets being depreciated	277,713,858	54,419,677	(1,545,143)	330,588,392
Less accumulated depreciation for:				
Building and building improvements	(4,317,310)	(110,571)	987,967	(3,439,914)
Facilities and other improvements	(2,441,899)	(97,694)	-	(2,539,593)
Machinery and equipment	(7,509,681)	(391,516)	64,586	(7,836,611)
Infrastructure	(84,071,380)	(3,613,910)	9,405	(87,675,885)
Automotive equipment	(441,196)	(4,164)	-	(445,360)
Total accumulated depreciation	(98,781,466)	(4,217,855)	1,061,958	(101,937,363)
Total capital assets, being depreciated, net	178,932,392	50,201,822	(483,185)	228,651,029
Business-type activities capital assets, net	\$ 249,211,645	\$ 61,704,075	\$ (62,025,549)	\$ 248,890,171

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

Governmental activities:

General Government	\$ 384,962
Public Safety	1,970,902
Public Works	6,615,686
Health	40,634
Culture and Recreation	1,111,529
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	3,053,618
	<u>\$ 13,177,331</u>

Business-type activities

Water and Sewer System	<u>\$ 4,217,855</u>
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E. Construction Commitments

The City's commitments with contractors as of September 30, 2012 are as follows:

Projects	Project Appropriation	Spent-to-Date
<u>Drainage</u>		
D009 Thomas St Outfall Planning Study	\$ 64,541	\$ 28,854
D010 Cotton Patch Drainage Improvements PH I	768,382	715,899
D014 Beltway 8 Feeder Drainage Improvements	1,194,014	1,145,721
D029 2011 Annual Drainage	853,440	577,194
D040 Red Bluff Terrace Planning Study	207,966	83,600
D050 Cotton Patch Detention Pond	3,177,685	8,900
D051 Cotton Patch-Thomas St Outfall	1,312,748	656
D052 Martha Ditch Concrete Lining	981,440	17,536
D053 Drainage Study	199,995	2,892
	<u>\$ 8,760,211</u>	<u>\$ 2,581,252</u>
<u>Municipal Facilities</u>		
M003 Convention Center Renovation	\$ 1,151,891	\$ 925,062
M015 Armand Bayou Tributary Development	444,200	145,518
	<u>\$ 1,596,091</u>	<u>\$ 1,070,580</u>
<u>Parks</u>		
R016 South St Soccer Field	\$ 56,500	\$ -
	<u>\$ 56,500</u>	<u>\$ -</u>
<u>Streets</u>		
S023 Fairmont Pkwy Electrical Landscaping	\$ 250,000	\$ 52,860
S025 Pinnacle Bridge	200,000	8,750
S029 Scarborough; 225 to Southmore	410,560	318,685
S034 Shaw PH II; Richey to Shaver	2,200,000	437,133
S036 Genoa-Red Bluff PH III	1,495,152	1,309,534
S041 Southmore PH I; Richey to Johnson	1,933,422	1,696,840
S049 Preston; Beltway 8 to Genoa-Red Bluff	332,328	320,487

Projects	Project Appropriation	Spent-to-Date
<u>Streets continued</u>		
S051 Main St; 225 to Southmore	\$ 7,366,808	\$ 6,535,453
S052 Pansy; Old Vista to Crenshaw	4,342,710	3,652,710
S055 Southmore PH II; Johnson to Strawberry	1,017,480	991,236
S057 Pasadena Blvd Overlay; Harris-Jackson	84,039	29,382
S058 Shaver; 225 to Southmore	5,846,884	5,710,545
S065 2012 Annual Sidewalk Replacement	553,245	85,726
S071 2011 Annual Pavement	1,173,165	612,683
S081 Southmore PH III; Strawberry to Red Bluff	3,132,157	2,893,511
S082 Fairmont Pkwy; BW8-Space Center	922,400	865,392
S083 Fairmont Pkwy; Space Center to Red Bluff	1,151,650	-
	<u>\$32,412,000</u>	<u>\$25,520,927</u>
<u>Traffic</u>		
T001 Evacuation Route Traffic Signal Study	\$ 199,992	\$ 17,690
	<u>\$ 199,992</u>	<u>\$ 17,690</u>
<u>Water</u>		
W004 New Transmission Line	\$ 1,267,436	\$ 1,033,055
W007 Tulip Waterwell and Ground Storage	2,718,358	2,301,616
W011 SEWPP Meter Station	351,542	25,554
W012 SE Water Plant/Pump Station Improvements	594,050	406,296
W014 Loop Completion of Distribution System	4,910,310	3,511,871
W018 CDBG Waterline Improvements	3,903	-
W020 Westside Air Gap System	316,612	6,583
W040 Guthrie Ground Storage	1,476,279	62,203
W041 Wafer Ground Storage	1,128,910	5,766
W042 Garner Water Well & Booster	834,222	3,822
W043 Pansy Water Plant	1,572,560	9,664
W044 Deepwater Water Plant	219,052	2,055
W045 Red Bluff Water Plant	224,646	1,944
	<u>\$15,617,880</u>	<u>\$ 7,370,429</u>
<u>Wastewater</u>		
WW013 Gulfport Ind District Utility	\$ 600,000	\$ -
WW015 CDBG WW Replace/Rehab	6,777	-
WW037 Golden Acres WWTP Force Main	25,000	-
WW040 TCEQ Sanitary Sewer Overflow Action Plan	40,000	29,795
WW041 SSR Shaw Ave	542,272	15,800
WW042 SSR Pasadena Terrace	166,090	11,440
WW043 SSR South Houston	777,096	24,680
WW044 SSR Bramley Subdivision	287,483	14,080
WW050 RTS; Skylark - West	2,453,269	1,489,210
WW051 SSR RTS; Spencer - Skylark	1,055,709	21,068
WW052 Vince St SSR	989,276	2,000
WW053 RTS IV; Force Main W Pitts LS	653,302	1,408
WW054 Vince WWTP Generator	625,985	3,737
WW055 Vista Lift Sta	302,785	2,498
WW056 Vista Trunk Sewer PH III	2,525,520	4,772
WWZ026 Golden Acres WWTP Blower	273,500	155,358
	<u>\$11,324,064</u>	<u>\$ 1,775,846</u>
<u>Others</u>		
Z001 Post Office Building	\$ 1,085,000	\$ 157,927
Z003 AT&T Building	400,000	63,347
Z004 Chase Building	750,000	604,158
Z005 Deepwater WWTP Demo	120,000	-
	<u>\$ 2,355,000</u>	<u>\$ 825,432</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, 2012 is as follows:

1. Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Amount</u>
General	Grant management	\$ 2,270,756	
	** State forfeited project	2,317	
	** Hotel and motel tax	7,082	
	** Abandoned motor vehicles and property	40	
	Capital project	991,926	
	* General liability insurance	<u>10,296</u>	\$ 3,282,417
Debt Service	General		73,418
Pasadena Second Century Corporation	General		2,801
** Special charge allocation	General		262,528
* Health Insurance	General		215,154
* Maintenance	General	30,208	
	Water and sewer system	<u>2,612</u>	32,820
Water and sewer system	General		<u>963,457</u>
	Total		<u>\$ 4,832,595</u>

* Internal service funds
** Nonmajor governmental

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

<u>Receiving Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government- General fund	Pasadena Crime Control and Prevention District	<u>\$ 1,213</u>

3. Interfund Transfers:

Fund Financial Statements

	<u>Transfer In:</u>				
	<u>General</u>	<u>Debt Service</u>	<u>Pasadena Second Century</u>	<u>* Maintenance</u>	<u>* General Liability Insurance</u>
Transfer out:					
General	\$ -	\$ -	\$ -	\$ -	\$ 675,000
Capital Projects	-	15	1,771,682	-	-
Water and Sewer System	2,200,000	-	-	15,500	1,000,000
* Workers' Compensation Insurance	500,000	-	-	-	-
* Health Insurance	500,000	-	-	-	-
Total	<u>\$ 3,200,000</u>	<u>\$ 15</u>	<u>\$ 1,771,682</u>	<u>\$ 15,500</u>	<u>\$ 1,675,000</u>

* Internal service funds

Transfers are used to move unrestricted and restricted funds from the general, debt, capital projects, 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 capital projects fund transferred \$1,771,682 to the Pasadena Second Century Corporation (the City's blended component unit) to reimburse unspent funds on completed or cancelled projects which had been initial authorized by the Board of Directors. The Board had 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 \$4,729,704 and it can be summarized as follows:

- The amount of \$3,215,500 was transferred out to the governmental activities from the business-type activities.
- Capital assets in the amount of \$7,945,204 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 \$91,330,000. The original amount of general obligation refunding bonds was \$37,505,000.

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
\$17,500,000 GOB, 2003	4.50	2/15/2023	Governmental type	\$880,000 to \$1,375,000	\$ 1,015,000
\$13,200,000 GOB, 2004	4.50	2/15/2024	Governmental type	\$615,000 to \$980,000	9,995,000
\$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	16,285,000
\$8,915,000 GO and Refunding, 2006	4.00	2/15/2026	Both	\$100,000 to \$1,540,000	7,795,000
\$5,950,000 COB, 2007	4.88	2/15/2027	Governmental type	\$55,000 to \$390,000	5,010,000
\$13,665,000 GOB, 2007	5.63	2/15/2027	Governmental type	\$675,000 to \$840,000	11,610,000
\$21,635,000 GOB, 2008	4.75	2/15/2028	Governmental type	\$735,000 to \$1,720,000	19,340,000
\$6,725,000 GO and Refunding, 2009	4.00	2/15/2017	Governmental type	\$125,000 to \$2,240,000	5,160,000
\$20,030,000 GOB Refunding, 2012	4.00	2/15/2023	Governmental type	\$435,000 to \$2,385,000	19,595,000
					<u>\$ 97,730,000</u>

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2013	\$ 6,635,000	\$ 4,017,693	\$ 10,652,693
2014	6,840,000	3,759,010	10,599,010
2015	7,070,000	3,487,374	10,557,374
2016	7,665,000	3,182,757	10,847,757
2017	7,030,000	2,863,531	9,893,531
2018-2022	37,975,000	9,594,971	47,569,971
2023-2027	22,795,000	2,543,708	25,338,708
2028	1,720,000	40,850	1,760,850
	<u>\$ 97,730,000</u>	<u>\$ 29,489,894</u>	<u>\$ 127,219,894</u>

Current and Advance Refunding

During the fiscal year, the City issued \$20,030,000 General Obligation Refunding Bonds, Series 2012 for current refunding of \$8,425,000 General Obligation Bonds, Series 2002 and advance refunding of \$11,975,000 General Obligation Bonds, Series 2003. 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 \$1,071,317. This amount is being netted against the new debt and amortized over the new debt's life, which is the same as the old debt. The transaction also resulted in an economic gain of \$1,436,896 and a reduction of \$1,505,170 in future debt service payments.

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
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
	<u>\$ 4,190,000</u>	<u>\$ 376,319</u>	<u>\$ 4,566,319</u>

2. Business-Type Activities

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

The City also issues bonds and obligations where the City pledges net revenues derived from the City's water and sewer system.

In summary, the debt outstanding at the fiscal year end is as follows:

	Interest %	Maturity	Purpose	Installments	Amount
\$ 17,675,000	3.25 - 5.00	2/15/2020	Water and sewer	\$120,000 to \$2,755,000	\$ 12,740,000
\$ 9,970,000	3.25 - 5.00	2/15/2022	Water and sewer	\$440,000 to \$2,860,000	9,970,000
\$ 55,400,000	4.75 - 5.00	4/1/2033	SEWPP expansion	\$35,000 to \$5,235,000	53,430,000
\$ 15,285,000	2.00 - 3.00	4/1/2019	Refunding	\$780,000 to \$2,355,000	13,255,000
					<u>\$ 89,395,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
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	4,465,000	3,366,100	7,831,100
2018-2022	23,025,000	13,847,469	36,872,469
2023-2027	17,760,000	9,064,438	26,824,438
2028-2032	22,665,000	4,068,763	26,733,763
2033	5,235,000	124,331	5,359,331
	<u>\$ 89,395,000</u>	<u>\$ 45,620,679</u>	<u>\$ 135,015,679</u>

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, 2012, \$920,000 of general obligation bonds and \$2,105,000 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 \$23,465,000 and \$14,490,000 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, 2012, the City's legal debt margin was 10% of assessed property valuation totaling \$5,781,328,736, reduced by the amount of bonded debt outstanding of \$97,730,000 and netted with the amount available in the debt service fund. The City's legal debt margin was \$484,500,100.

6. Rebatable Arbitrage

The City is taking the approach of treating rebatable arbitrage as a claim. For the interim computation period through September 30, 2012, 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, 2012 was as follows:

	Beginning	Additions/ Reclassification	Refunding/ Reductions	Ending	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable:					
General obligation and refunding bonds	\$ 100,060,000	\$ 20,030,000	\$ (27,370,000)	\$ 92,720,000	\$ 6,345,000
Certificate of obligation bonds	5,290,000	-	(280,000)	5,010,000	290,000
	105,350,000	20,030,000	(27,650,000)	97,730,000	6,635,000
Less deferred amounts:					
For issuance premium	387,134	-	(159,964)	227,170	-
On refunding	544,863	560,229	(57,719)	1,047,373	-
Total bonds payable	106,281,997	20,590,229	(27,867,683)	99,004,543	6,635,000
Other long-term notes	4,960,000	-	(770,000)	4,190,000	785,000
Claims	2,845,230	5,978,653	(6,452,121)	2,371,762	1,423,057
Compensated absences	23,809,172	5,501,086	(5,952,538)	23,357,720	2,335,772
Other post employment benefits	13,280,463	4,758,018	(2,478,619)	15,559,862	-
Governmental activity					
Long-term liabilities	\$ 151,176,862	\$ 36,827,986	\$ (43,520,961)	\$ 144,483,887	\$ 11,178,829

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, 2012, \$1,016,215 of internal service funds' compensated absences and \$4,069 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:

	<u>Beginning</u>	<u>Additions/ Reclassification</u>	<u>Refunding/ Reductions</u>	<u>Ending</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable					
Revenue bonds	\$ 54,290,000	\$ -	\$ (860,000)	\$ 53,430,000	\$ 35,000
Revenue refunding bonds	14,505,000	-	(1,250,000)	13,255,000	1,185,000
General obligation refunding bonds	24,255,000	-	(1,545,000)	22,710,000	2,610,000
Less deferred amounts:					
For premiums on issuance	2,188,569	-	(211,829)	1,976,740	-
On refunding					
For deferred loss on early retirement	(815,640)	-	96,053	(719,587)	-
Compensated absences	1,919,379	390,546	(449,686)	1,860,239	186,024
Other post employment benefits	2,069,675	677,924	(472,118)	2,275,481	-
	<u>\$ 98,411,983</u>	<u>\$ 1,068,470</u>	<u>\$ (4,692,580)</u>	<u>\$ 94,787,873</u>	<u>\$ 4,016,024</u>
Business-type activity					
Long-term liabilities					

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 until January 1, 2012, when the City hired Allegiance as the administrator. UMR continued to process "run-out" claims. The City has two health insurance plans and two dental insurance plans. The health insurance plans 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 Allegiance as the third party administrator.

Being self insured, the City deposits \$960 each month for each employee, for 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 plan cost 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	\$ 310,219	\$ -	\$ 2,535,011
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	-	9,456,487
Increase (decrease) in provision for insured events-prior years	32,528	-	(3,510,362)
Total incurred claims and claim adjustment expenses	32,528	-	5,946,125
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	-	7,352,019
Prior fiscal years	75,453	-	(975,351)
Total payments	75,453	-	6,376,668
Total unpaid claims and claim adjustment expenses at end of current fiscal year	\$ 267,294	\$ -	\$ 2,104,468
<u>Prior Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the prior 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 prior fiscal year	\$ 310,219	\$ -	\$ 2,535,011

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, 2012, one hundred and seventy-two retirees, excluding spouses, participated and received OPEB.

In fiscal year 2012, retirees made contributions totaling \$628,366, while the City paid \$2,975,765 in claims and \$373,309 in stop-loss premiums and administrative fees on behalf of retirees, their spouses and dependents. The City did recover \$264,056 in stop loss insurance revenue associated with the retirees during this fiscal year. Effective January 1, 2004, revised January 1, 2011 and again January 1, 2012 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, 2012. For these retirees, the City paid \$341.34 from October to December 2011 and up to \$300 from January to September 2012 per person, per month, at a cost of \$494,085 for fiscal year 2012.

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, 2012, as required by GASB.

The City's annual OPEB cost for the fiscal year ending September 30, 2012 is as follows:

	<u>OPEB</u>
Annual required contribution	\$ 5,385,164
Interest on OPEB obligation	690,756
Adjustment to ARC	<u>(639,978)</u>
Annual OPEB cost (expense) end of year	5,435,942
Net estimated employer contributions	<u>(2,950,737)</u>
Increase in net OPEB obligation	2,485,205
Net OPEB obligation - beginning	<u>15,350,138</u>
Net OPEB obligation - end of year	<u>\$ 17,835,343</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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
2010	\$ 6,334,322	\$ 1,017,589	16.1%	\$ 11,106,083
2011	\$ 6,541,365	\$ 2,297,310	35.1%	\$ 15,350,138
2012	\$ 5,435,942	\$ 2,950,737	54.3%	\$ 17,835,343

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, 2011 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%
2011	\$ -	\$ 63,104,143	\$ 63,104,143	0%	\$ 43,324,962	146%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$63,104,143 at December 31, 2011.

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 -	8.5% per year in 2012 decreasing by .5% per year to a rate of 4.5% for 2020 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, 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
September 30, 2012	\$ 5,385,164	\$ 2,950,737	\$ 690,756	\$ 639,978	23.9854	\$ 5,435,942	\$ 2,485,205	\$ 17,835,343

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, 2011 valuation is effective for rates beginning January 2012).

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>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Value of Assets	\$ 154,782,882	\$ 280,321,666	\$ 297,846,995
Actuarial Accrued Liability	217,148,053	311,835,392	324,359,878
Percentage Funded	71.28%	89.89%	91.83%
Unfunded Actuarial Accrued Liability (UAAL)	62,365,171	31,513,726	26,512,883 (2)
Annual Covered Payroll	53,321,738	54,105,275	51,230,032
UAAL as a Percentage of Covered Payroll	<u>118.00%</u>	<u>59.10%</u>	<u>55.60%</u>
Net Pension Obligation at the Beginning of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 9,857,955	\$ 10,378,750	\$ 9,200,068
Contributions Made (1)	<u>9,857,955</u>	<u>10,378,750</u>	<u>9,200,068</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 -	25.9 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 2012, 2011 and 2010 are \$107,583, \$140,674, and \$127,972, respectively, which 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, (Later reports are unavailable at the date of issuing these financial statements.) 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, 2012, 2011 and 2010 were \$402,185, \$479,831, and \$403,853, 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 to 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 October, 2012 the City of Pasadena, Texas issued a \$22,575,000 General Obligation Refunding Bonds, Series 2012A to advance refund \$8,555,000 General Obligation Bonds, Series 2004 and \$14,760,000 General Obligation Bonds, 2005A, respectively. The refunding was undertaken to take advantage of lower interest rates, resulted in an economic gain of \$1,326,865 and a reduction of \$1,514,115 in future debt service payments.

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**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, 2012**

ASSETS

Cash and cash equivalents	\$ 979,593
Investments	
TexPool	15,499,317
LOGIC CLASS A	545,764
CLASS	27,798,100
	43,843,181
Receivables (net, where applicable, of allowances for uncollectible)	
General property taxes	524,016
Accounts receivable	5,076,665
	5,600,681
Due from other funds	3,282,417
Due from component unit	1,213
Restricted assets	
Receivables (net, where applicable, of allowances for uncollectible)	83,683
TOTAL ASSETS	\$ 53,790,768

LIABILITIES

Accounts payable	\$ 4,948,613
Accrued payroll payable	2,016,061
Due to other funds	1,547,566
Deferred revenue	2,543,323
	11,055,563
TOTAL LIABILITIES	11,055,563

FUND BALANCES

Committed	388,622
Assigned	13,954,260
Unassigned	28,392,323
	42,735,205
TOTAL FUND BALANCES	42,735,205
TOTAL LIABILITIES AND FUND BALANCES	\$ 53,790,768

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**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR YEAR ENDED SEPTEMBER 30, 2012**

REVENUES

General property taxes	\$ 22,747,769
Business taxes and fees	
Industrial district fees	16,549,164
Sales taxes	17,192,897
Utility taxes	8,427,425
Other taxes and fees	167,007
Total business taxes and fees	42,336,493
Licenses and permits	2,072,100
Municipal court fines	5,898,780
Charges for services	9,595,662
Intergovernmental	376,554
Miscellaneous	491,949
Investment income	76,251
TOTAL REVENUES	83,595,558

EXPENDITURES

Current	
General government	12,859,843
Public safety	35,616,794
Public works	12,443,945
Health	3,168,772
Culture and recreation	11,778,716
TOTAL EXPENDITURES	75,868,070

**EXCESS OF REVENUES OVER
EXPENDITURES**

7,727,488

OTHER FINANCING SOURCES (USES)

Operating transfers in (out)	
Water and sewer system fund	2,200,000
General liability insurance fund	(675,000)
Workers' compensation fund	500,000
Health insurance fund	500,000
Insurance recovery	424,934
Sale of capital assets	239,875
TOTAL OTHER FINANCING SOURCES	3,189,809

NET CHANGE IN FUND BALANCE

10,917,297

FUND BALANCE - BEGINNING

31,817,908

FUND BALANCE - ENDING

\$ 42,735,205

**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, 2012**

	<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	\$ 19,825,244	\$ 20,358,502	\$ 22,169,163	\$ 1,810,661
Penalty and interest	284,000	284,000	578,606	294,606
Total General Property Taxes	20,109,244	20,642,502	22,747,769	2,105,267
Business Taxes				
Industrial district fees	15,690,000	16,130,000	16,549,164	419,164
Sales tax	15,500,000	15,500,000	17,192,897	1,692,897
Utility taxes	7,970,110	7,970,110	8,427,425	457,315
Other taxes and fees				
Mixed drink tax	100,000	100,000	167,007	67,007
Bingo tax	2,500	2,500	-	(2,500)
Total Business Taxes	39,262,610	39,702,610	42,336,493	2,633,883
Licenses and Permits				
Business types	1,582,740	1,582,740	1,888,149	305,409
Occupational types	94,350	94,350	105,774	11,424
Non-business types	79,200	79,200	78,177	(1,023)
Total Licenses and Permits	1,756,290	1,756,290	2,072,100	315,810
Municipal Court Fines and Fees				
	5,335,000	5,335,000	5,898,780	563,780
Charges for Services				
Ellington municipal golf course	494,015	494,015	584,196	90,181
Recreational activities	179,000	179,000	271,513	92,513
Swimming pool	13,500	13,500	75,372	61,872
Tennis court	2,500	2,500	2,860	360
Civic center	293,050	293,050	366,963	73,913
Other centers	74,470	74,470	73,221	(1,249)
Miscellaneous	647,000	647,000	692,516	45,516
Solid waste collection	6,587,700	6,587,700	6,809,366	221,666
Health services	284,050	284,050	307,894	23,844
Library services	41,500	41,500	51,789	10,289
Property management	264,800	264,800	359,972	95,172
Total Charges for Services	8,881,585	8,881,585	9,595,662	714,077
Intergovernmental				
Fire protection	95,000	105,000	114,839	9,839
Reimbursement from other agencies	75,000	75,000	143,109	68,109
TxDOT - traffic signal maintenance	30,000	30,000	29,205	(795)
Emergency management performance grant	81,500	81,500	83,683	2,183
Restitution - Harris County	1,000	1,000	5,718	4,718
Total Intergovernmental	282,500	292,500	376,554	84,054
Miscellaneous	448,850	531,826	491,949	(39,877)
Investment Income	46,500	46,500	76,251	29,751
TOTAL REVENUES	\$ 76,122,579	\$ 77,188,813	\$ 83,595,558	\$ 6,406,745

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current				
<u>General Government</u>				
City Council				
Personnel services	\$ 98,051	\$ 98,051	\$ 97,526	\$ 525
Contractual services	38,900	38,900	15,825	23,075
Materials and supplies	5,900	5,900	4,300	1,600
Maintenance charges	28,473	32,773	32,761	12
	171,324	175,624	150,412	25,212
Mayor				
Personnel services	298,459	307,959	307,951	8
Contractual services	14,400	14,850	14,829	21
Materials and supplies	7,250	7,250	4,517	2,733
Maintenance charges	27,623	34,623	34,573	50
	347,732	364,682	361,870	2,812
Budget and Financial Planning				
Personnel services	272,850	275,150	275,112	38
Contractual services	6,280	6,280	3,762	2,518
Materials and supplies	1,650	1,650	336	1,314
Maintenance charges	9,583	9,583	9,276	307
	290,363	292,663	288,486	4,177
Municipal Court				
Personnel services	1,578,511	1,580,211	1,580,203	8
Contractual services	67,430	67,430	52,917	14,513
Materials and supplies	30,120	40,120	39,115	1,005
Maintenance charges	132,407	132,407	115,232	17,175
	1,808,468	1,820,168	1,787,467	32,701
City Controller				
Personnel services	1,463,850	1,463,850	1,430,908	32,942
Contractual services	87,350	99,850	99,376	474
Materials and supplies	19,131	19,131	17,769	1,362
Maintenance charges	52,674	52,674	50,561	2,113
	\$ 1,623,005	\$ 1,635,505	\$ 1,598,614	\$ 36,891

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, 2012**

EXPENDITURES General Government, Continued	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Tax				
Contractual services	\$ 437,940	\$ 437,940	\$ 417,659	\$ 20,281
	437,940	437,940	417,659	20,281
Purchasing				
Personnel services	289,607	291,307	291,286	21
Contractual services	11,490	11,490	8,883	2,607
Materials and supplies	2,650	2,650	2,391	259
Maintenance charges	21,963	24,763	24,725	38
	325,710	330,210	327,285	2,925
Legal				
Personnel services	795,137	799,237	799,176	61
Contractual services	98,675	220,175	219,898	277
Materials and supplies	27,253	27,253	23,050	4,203
Maintenance charges	41,590	41,590	41,213	377
Other charges	-	90,395	90,395	-
	962,655	1,178,650	1,173,732	4,918
City Secretary				
Personnel services	241,240	241,240	215,838	25,402
Contractual services	48,950	48,950	30,168	18,782
Materials and supplies	5,350	5,350	2,125	3,225
Maintenance charges	36,403	41,803	41,740	63
	331,943	337,343	289,871	47,472
Elections				
Contractual services	1,000	1,000	-	1,000
Materials and supplies	500	500	1	499
	1,500	1,500	1	1,499
Human Resources				
Personnel services	586,393	586,393	534,409	51,984
Contractual services	68,650	68,650	65,666	2,984
Materials and supplies	25,500	25,500	21,964	3,536
Maintenance charges	46,806	46,806	45,807	999
	\$ 727,349	\$ 727,349	\$ 667,846	\$ 59,503

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City Marshal				
Personnel services	\$ 492,508	\$ 494,258	\$ 494,216	\$ 42
Contractual services	11,500	11,500	6,269	5,231
Materials and supplies	8,200	8,500	8,450	50
Maintenance charges	103,997	106,597	106,559	38
	616,205	620,855	615,494	5,361
Community Relations				
Personnel services	596,752	599,652	599,618	34
Contractual services	58,770	58,770	58,756	14
Materials and supplies	48,848	48,848	33,262	15,586
Maintenance charges	113,358	113,358	107,808	5,550
	817,728	820,628	799,444	21,184
Pasadena Action Line				
Personnel services	285,669	287,969	287,894	75
Contractual services	2,550	2,550	60	2,490
Materials and supplies	2,300	2,300	754	1,546
Maintenance charges	19,672	19,672	18,576	1,096
	310,191	312,491	307,284	5,207
Planning				
Personnel services	408,978	408,978	390,452	18,526
Contractual services	72,860	78,260	58,699	19,561
Materials and supplies	8,000	8,000	3,381	4,619
Maintenance charges	59,077	61,977	61,902	75
	548,915	557,215	514,434	42,781
Planning/Development Administration				
Personnel services	151,103	152,403	152,394	9
Contractual services	800	1,300	1,284	16
Materials and supplies	1,050	1,050	28	1,022
	152,953	154,753	153,706	1,047
Economic Development Liaison				
Personnel services	142,445	143,395	143,352	43
Contractual services	6,650	6,650	2,624	4,026
Materials and supplies	3,150	3,150	2,046	1,104
Maintenance charges	10,333	10,333	10,196	137
	\$ 162,578	\$ 163,528	\$ 158,218	\$ 5,310

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, 2012**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Neighborhood Network				
Personnel services	\$ 73,668	\$ 74,068	\$ 73,978	\$ 90
Contractual services	35,040	25,040	4,631	20,409
Materials and supplies	11,650	11,650	4,947	6,703
Maintenance charges	24,647	25,397	25,393	4
	145,005	136,155	108,949	27,206
Inspections				
Personnel services	1,120,106	1,120,106	1,056,060	64,046
Contractual services	36,300	36,300	23,618	12,682
Materials and supplies	18,571	18,571	16,550	2,021
Maintenance charges	144,726	161,726	161,290	436
	1,319,703	1,336,703	1,257,518	79,185
Property Management				
Personnel services	78,134	79,234	79,215	19
Contractual services	282,050	312,050	183,929	128,121
Materials and supplies	89,275	109,588	71,709	37,879
Maintenance charges	397,914	397,914	246,634	151,280
Capital outlay	681,853	297,623	266,436	31,187
	1,529,226	1,196,409	847,923	348,486
Landscape/Beautification Service				
Personnel services	433,575	433,575	375,029	58,546
Contractual services	21,600	21,600	16,628	4,972
Materials and supplies	139,400	144,400	82,833	61,567
Other charges	31,726	34,626	34,528	98
Capital outlay	54,500	49,500	3,461	46,039
	680,801	683,701	512,479	171,222
Impound/Storage				
Personnel services	336,728	336,728	299,608	37,120
Contractual services	2,400	1,800	467	1,333
Materials and supplies	3,000	3,600	1,946	1,654
Other charges	4,558	4,560	4,560	-
	346,686	346,688	306,581	40,107
Technology				
Materials and supplies	10,554	10,554	10,554	-
	10,554	10,554	10,554	-
Other Charges				
Personnel services	425,000	-	-	-
Contractual services	163,030	163,030	120,468	42,562
Other charges	28,000	28,000	25,459	2,541
Other uses	101,500	101,500	58,089	43,411
	717,530	292,530	204,016	88,514
Total General Government	\$ 14,386,064	\$ 13,933,844	\$ 12,859,843	\$ 1,074,001

EXPENDITURES**Public Safety****Emergency Preparedness**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Personnel services	\$ 265,657	\$ 267,457	\$ 267,436	\$ 21
Contractual services	41,500	52,000	41,776	10,224
Materials and supplies	10,081	10,551	7,123	3,428
Maintenance charges	93,442	93,442	88,501	4,941
	410,680	423,450	404,836	18,614

Fire Fighting

Personnel services	431,594	476,594	475,787	807
Contractual services	1,145,910	1,144,125	1,061,803	82,322
Materials and supplies	332,285	348,097	247,300	100,797
Maintenance charges	570,050	570,850	570,795	55
Capital outlay	725,500	774,764	696,784	77,980
	3,205,339	3,314,430	3,052,469	261,961

Fire Prevention

Personnel services	754,820	754,820	753,659	1,161
Contractual services	29,500	50,300	50,263	37
Materials and supplies	20,826	20,826	15,604	5,222
Maintenance charges	149,487	149,487	145,938	3,549
Capital outlay	10,000	10,000	10,000	-
	964,633	985,433	975,464	9,969

Police

Personnel services	27,038,841	27,568,241	27,167,830	400,411
Contractual services	593,803	653,603	640,580	13,023
Materials and supplies	312,866	314,166	261,488	52,678
Maintenance charges	3,055,371	3,116,486	3,099,075	17,411
Capital outlay	-	31,052	15,052	16,000
	31,000,881	31,683,548	31,184,025	499,523

Total Public Safety

	\$ 35,581,533	\$ 36,406,861	\$ 35,616,794	\$ 790,067
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**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, 2012**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works				
Engineering				
Personnel services	\$ 1,146,853	\$ 1,146,853	\$ 997,808	\$ 149,045
Contractual services	90,900	91,100	91,089	11
Materials and supplies	43,800	44,805	24,765	20,040
Maintenance charges	193,890	193,890	190,440	3,450
	1,475,443	1,476,648	1,304,102	172,546
Street Lighting and Signals				
Contractual services	1,335,000	1,419,000	1,418,482	518
	1,335,000	1,419,000	1,418,482	518
Sanitation				
Personnel services	2,175,455	2,175,455	2,051,097	124,358
Contractual services	3,487,400	3,512,400	3,387,737	124,663
Materials and supplies	228,693	243,693	234,558	9,135
Maintenance charges	217,494	222,194	222,142	52
Capital outlay	300,000	260,000	146,678	113,322
	6,409,042	6,413,742	6,042,212	371,530
Street and Bridge				
Personnel services	1,684,058	1,691,058	1,691,056	2
Contractual services	90,850	90,850	12,460	78,390
Materials and supplies	352,770	352,770	247,310	105,460
Maintenance charges	355,046	355,046	352,761	2,285
Capital Outlay	402,000	402,000	313,910	88,090
	2,884,724	2,891,724	2,617,497	274,227
Traffic and Transportation				
Personnel services	646,095	656,695	656,606	89
Contractual services	103,050	153,050	135,885	17,165
Materials and supplies	191,300	141,300	133,024	8,276
Maintenance charges	123,890	123,890	120,637	3,253
Capital outlay	15,500	15,500	15,500	-
	1,079,835	1,090,435	1,061,652	28,783
Total Public Works	\$ 13,184,044	\$ 13,291,549	\$ 12,443,945	\$ 847,604

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health				
Personnel services	\$ 672,854	\$ 657,608	\$ 572,884	\$ 84,724
Contractual services	696,060	766,060	754,415	11,645
Materials and supplies	12,650	26,762	24,372	2,390
Maintenance charges	85,322	87,922	87,837	85
Capital outlay	15,500	15,500	15,500	-
	1,482,386	1,553,852	1,455,008	98,844
Animal Rescue and Assistance				
Personnel services	1,137,932	1,172,932	1,172,061	871
Contractual services	183,400	241,360	241,341	19
Materials and supplies	107,400	174,290	174,217	73
Maintenance charges	118,784	126,284	126,145	139
Capital outlay	50,000	-	-	-
	1,597,516	1,714,866	1,713,764	1,102
Total Health	3,079,902	3,268,718	3,168,772	99,946
Culture and Recreation				
Parks				
Personnel services	1,694,271	1,694,271	1,655,870	38,401
Contractual services	503,450	853,450	391,508	461,942
Materials and supplies	199,968	265,067	173,550	91,517
Maintenance charges	583,821	586,521	586,465	56
Capital outlay	1,366,754	949,054	27,165	921,889
	4,348,264	4,348,363	2,834,558	1,513,805
Recreation				
Personnel services	1,718,553	1,727,553	1,519,927	207,626
Contractual services	274,455	301,255	219,495	81,760
Materials and supplies	241,083	304,183	253,293	50,890
Maintenance charges	226,535	229,600	203,548	26,052
Other charges	63,844	63,844	56,974	6,870
Capital outlay	54,073	140,427	124,928	15,499
	\$ 2,578,543	\$ 2,766,862	\$ 2,378,165	\$ 388,697

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, 2012**

EXPENDITURES Culture and Recreation, Continued	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Clean Streets				
Personnel services	\$ 1,018,133	\$ 1,048,133	\$ 1,047,844	\$ 289
Contractual services	154,650	154,650	85,164	69,486
Materials and supplies	96,500	72,500	40,091	32,409
Maintenance charges	267,921	273,821	273,755	66
Capital outlay	26,000	17,100	17,014	86
	1,563,204	1,566,204	1,463,868	102,336
Golf Course				
Personnel services	427,795	431,395	431,353	42
Contractual services	98,900	98,900	72,236	26,664
Materials and supplies	101,195	101,195	67,292	33,903
Maintenance charges	53,315	53,390	53,310	80
Capital outlay	30,000	10,000	-	10,000
	711,205	694,880	624,191	70,689
Multi-Purpose Center				
Personnel services	356,688	356,688	330,967	25,721
Contractual services	38,200	38,200	28,034	10,166
Materials and supplies	35,500	40,500	18,268	22,232
Maintenance charges	31,559	34,159	34,132	27
Other charges	10,000	12,300	12,263	37
Capital outlay	25,000	20,000	-	20,000
	496,947	501,847	423,664	78,183
Civic Center				
Personnel services	366,263	366,263	325,557	40,706
Contractual services	144,600	156,100	113,557	42,543
Materials and supplies	5,000	24,000	13,481	10,519
Maintenance charges	170,156	170,156	135,961	34,195
Capital outlay	-	42,319	39,231	3,088
	686,019	758,838	627,787	131,051
Senior Center - Madison Jobe				
Personnel services	192,390	194,590	194,496	94
Contractual services	39,550	43,050	27,304	15,746
Materials and supplies	24,250	20,700	9,123	11,577
Maintenance charges	46,531	47,981	47,968	13
Other charges	20,000	20,000	11,871	8,129
Capital outlay	25,000	25,000	6,092	18,908
	\$ 347,721	\$ 351,321	\$ 296,854	\$ 54,467

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Library				
Personnel services	\$ 2,203,068	\$ 2,246,068	\$ 2,224,072	\$ 21,996
Contractual services	320,210	314,210	278,969	35,241
Materials and supplies	200,040	216,717	194,963	21,754
Maintenance charges	238,403	239,204	239,158	46
Capital outlay	220,687	220,687	192,467	28,220
	3,182,408	3,236,886	3,129,629	107,257
Total Culture and Recreation	13,914,311	14,225,201	11,778,716	2,446,485
TOTAL EXPENDITURES	80,145,854	81,126,173	75,868,070	5,258,103
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(4,023,275)	(3,937,360)	7,727,488	11,664,848
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Water and sewer system fund	2,200,000	2,200,000	2,200,000	-
General liability insurance fund	(500,000)	(675,000)	(675,000)	-
Workers' compensation fund	500,000	500,000	500,000	-
Health insurance fund	500,000	500,000	500,000	-
Insurance recovery	150,000	150,000	424,934	274,934
Sale of capital assets	40,000	40,000	239,875	199,875
	2,890,000	2,715,000	3,189,809	474,809
TOTAL OTHER FINANCING SOURCES	2,890,000	2,715,000	3,189,809	474,809
NET CHANGE IN FUND BALANCES	(1,133,275)	(1,222,360)	10,917,297	12,139,657
FUND BALANCE - BEGINNING	21,956,499	31,817,908	31,817,908	-
FUND BALANCE - ENDING	\$ 20,823,224	\$ 30,595,548	\$ 42,735,205	\$ 12,139,657

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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, 2012**

	<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	\$ 11,547,201	\$ 11,976,388	\$ 12,447,352	\$ 470,964
Miscellaneous	-	-	4,295	4,295
Investment income	3,500	3,500	4,925	1,425
TOTAL REVENUES	11,550,701	11,979,888	12,456,572	476,684
EXPENDITURES				
Debt service				
Principal	6,815,000	7,250,000	7,250,000	-
Interest	4,432,201	4,432,201	3,990,760	441,441
Fiscal charges	5,000	5,000	-	5,000
Underwriter/issuance costs	-	299,426	299,426	-
TOTAL EXPENDITURES	11,252,201	11,986,627	11,540,186	446,441
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	298,500	(6,739)	916,386	923,125
OTHER FINANCING SOURCES (USES)				
Transfers in - capital projects fund	-	-	15	15
Premiums on bonds	-	1,631,546	1,631,546	-
Refunding bonds issued	-	20,030,000	20,030,000	-
Payment to refunded bond escrow agent	-	(21,356,307)	(21,356,307)	-
TOTAL OTHER FINANCING SOURCES	-	305,239	305,254	15
NET CHANGE IN FUND BALANCE	298,500	298,500	1,221,640	923,140
FUND BALANCES - BEGINNING	2,569,327	2,875,586	2,875,586	-
FUND BALANCES - ENDING	\$ 2,867,827	\$ 3,174,086	\$ 4,097,226	\$ 923,140

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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).

1% Public, Educational and Governmental Access Channel fee (PEG Fee) (Sec 66.006) collected to be spent on capital cost items for PEG Channel Access facilities.

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, 2012**

	Special Revenue				Total Funds
	Special Charge Allocation Fund	State Forfeited Property	Hotel and Motel Tax	Abandoned Motor Vehicles and Property	
<u>ASSETS</u>					
Due from other funds	\$ 262,528	\$ -	\$ -	\$ -	\$ 262,528
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,234,285	1,387,318	1,162,413	197,449	3,981,465
Receivables (net of allowances of uncollectibles)					
Intergovernmental	12,854	-	-	-	12,854
Accounts	-	-	187,566	-	187,566
TOTAL ASSETS	<u>\$ 1,509,667</u>	<u>\$ 1,440,285</u>	<u>\$ 1,349,979</u>	<u>\$ 197,449</u>	<u>\$ 4,497,380</u>
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ 2,317	\$ 7,082	\$ 40	\$ 9,439
Liabilities payable from restricted assets					
Accounts payable	32,618	11,251	11,579	21,663	77,111
Accrued payroll payable	13,016	11,476	4,417	-	28,909
	<u>45,634</u>	<u>22,727</u>	<u>15,996</u>	<u>21,663</u>	<u>106,020</u>
TOTAL LIABILITIES	<u>45,634</u>	<u>25,044</u>	<u>23,078</u>	<u>21,703</u>	<u>115,459</u>
<u>FUND BALANCES</u>					
Restricted	1,464,033	1,415,241	1,326,901	175,746	4,381,921
TOTAL FUND BALANCES	<u>1,464,033</u>	<u>1,415,241</u>	<u>1,326,901</u>	<u>175,746</u>	<u>4,381,921</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,509,667</u>	<u>\$ 1,440,285</u>	<u>\$ 1,349,979</u>	<u>\$ 197,449</u>	<u>\$ 4,497,380</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, 2012**

	<u>Special Revenue</u>				
	Special Charge Allocation Fund	State Forfeited Property	Hotel and Motel Tax	Abandoned Motor Vehicles and Property	Total Funds
REVENUES					
Business taxes					
Franchise taxes	\$ 324,337	\$ -	\$ -	\$ -	\$ 324,337
Other taxes	-	-	521,749	-	521,749
Licenses and permits	2,920	-	-	-	2,920
Municipal court fines	413,815	-	-	-	413,815
Intergovernmental	249,892	796,525	-	-	1,046,417
Miscellaneous	4,629	-	1,000	361,591	367,220
Investment income	1,400	1,047	2,047	112	4,606
TOTAL REVENUES	<u>996,993</u>	<u>797,572</u>	<u>524,796</u>	<u>361,703</u>	<u>2,681,064</u>
EXPENDITURES					
Current					
General government					
Personnel services	205,927	-	-	-	205,927
Contractual services	182,033	-	-	-	182,033
Materials and supplies	66,814	-	-	-	66,814
Capital outlay	46,884	-	-	-	46,884
Public safety					
Personnel services	149,841	11,476	-	-	161,317
Contractual services	70,749	112,164	-	188,650	371,563
Materials and supplies	23,462	79,483	-	45,806	148,751
Other charges	-	12,300	-	19,584	31,884
Capital outlay	-	-	-	7,500	7,500
Culture and recreation					
Personnel services	-	-	119,817	-	119,817
Contractual services	-	-	98,244	-	98,244
Materials and supplies	-	-	80,047	-	80,047
Other charges	-	-	562	-	562
Capital outlay	-	-	17,720	-	17,720
TOTAL EXPENDITURES	<u>745,710</u>	<u>215,423</u>	<u>316,390</u>	<u>261,540</u>	<u>1,539,063</u>
EXCESS OF REVENUES OVER EXPENDITURES	251,283	582,149	208,406	100,163	1,142,001
FUND BALANCES - BEGINNING	<u>1,212,750</u>	<u>833,092</u>	<u>1,118,495</u>	<u>75,583</u>	<u>3,239,920</u>
FUND BALANCES - ENDING	<u>\$1,464,033</u>	<u>\$1,415,241</u>	<u>\$1,326,901</u>	<u>\$ 175,746</u>	<u>\$4,381,921</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Franchise taxes	\$ -	\$ 117,000	\$ 324,337	\$ 207,337
Licenses and permits	2,800	2,800	2,920	120
Municipal court fines	415,000	425,000	413,815	(11,185)
Intergovernmental	257,000	257,000	249,892	(7,108)
Miscellaneous	6,000	6,000	4,629	(1,371)
Investment income	1,335	1,335	1,400	65
TOTAL REVENUES	<u>682,135</u>	<u>809,135</u>	<u>996,993</u>	<u>187,858</u>
EXPENDITURES				
Current				
General government				
Personnel services	199,023	219,523	205,927	13,596
Contractual services	252,540	247,040	182,033	65,007
Materials and supplies	91,600	148,600	66,814	81,786
Capital outlay	35,000	187,000	46,884	140,116
Public safety				
Personnel services	174,611	174,611	149,841	24,770
Contractual services	142,700	142,700	70,749	71,951
Materials and supplies	40,000	40,000	23,462	16,538
Capital outlay	25,000	25,000	-	25,000
TOTAL EXPENDITURES	<u>960,474</u>	<u>1,184,474</u>	<u>745,710</u>	<u>438,764</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(278,339)</u>	<u>(375,339)</u>	<u>251,283</u>	<u>626,622</u>
FUND BALANCES - BEGINNING	<u>938,129</u>	<u>1,212,750</u>	<u>1,212,750</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 659,790</u>	<u>\$ 837,411</u>	<u>\$1,464,033</u>	<u>\$ 626,622</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 796,525	\$ 796,525
Investment income	650	650	1,047	397
TOTAL REVENUES	650	650	797,572	796,922
EXPENDITURES				
Current				
Public safety				
Personnel services	-	11,500	11,476	24
Contractual services	130,500	144,000	112,164	31,836
Materials and supplies	169,000	194,000	79,483	114,517
Other charges	20,000	20,000	12,300	7,700
Capital outlay	25,000	25,000	-	25,000
TOTAL EXPENDITURES	344,500	394,500	215,423	179,077
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(343,850)	(393,850)	582,149	975,999
FUND BALANCES - BEGINNING	726,547	833,092	833,092	-
FUND BALANCES - ENDING	\$ 382,697	\$ 439,242	\$ 1,415,241	\$ 975,999

**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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other taxes	\$ 215,000	\$ 215,000	\$ 521,749	\$ 306,749
Intergovernmental	6,500	6,500	-	(6,500)
Miscellaneous	-	-	1,000	1,000
Investment income	1,350	1,350	2,047	697
TOTAL REVENUES	<u>222,850</u>	<u>222,850</u>	<u>524,796</u>	<u>301,946</u>
EXPENDITURES				
Current				
Culture and recreation				
Personnel services	119,114	119,864	119,817	47
Contractual services	112,600	119,700	98,244	21,456
Materials and supplies	57,960	92,960	80,047	12,913
Other charges	30,000	30,000	562	29,438
Capital outlay	25,000	18,000	17,720	280
TOTAL EXPENDITURES	<u>344,674</u>	<u>380,524</u>	<u>316,390</u>	<u>64,134</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(121,824)	(157,674)	208,406	366,080
FUND BALANCES - BEGINNING	<u>997,309</u>	<u>1,118,495</u>	<u>1,118,495</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 875,485</u>	<u>\$ 960,821</u>	<u>\$ 1,326,901</u>	<u>\$ 366,080</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 250,000	\$ 250,000	\$ 361,591	\$ 111,591
Investment income	50	50	112	62
TOTAL REVENUES	<u>250,050</u>	<u>250,050</u>	<u>361,703</u>	<u>111,653</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	190,700	190,700	188,650	2,050
Materials and supplies	49,716	45,849	45,806	43
Other charges	25,000	22,150	19,584	2,566
Capital outlay	-	7,500	7,500	-
TOTAL EXPENDITURES	<u>265,416</u>	<u>266,199</u>	<u>261,540</u>	<u>4,659</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(15,366)	(16,149)	100,163	116,312
FUND BALANCES - BEGINNING	<u>93,643</u>	<u>75,583</u>	<u>75,583</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 78,277</u>	<u>\$ 59,434</u>	<u>\$ 175,746</u>	<u>\$ 116,312</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 workers' 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, 2012

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total Funds</u>
<u>ASSETS</u>					
Current Assets					
Investments - Texpool	\$ 1,522,133	\$ 1,772,244	\$ 5,927,500	\$ 7,089,384	\$ 16,311,261
Accounts receivable	-	-	-	63,962	63,962
Due from other funds					
General	30,208	-	-	215,154	245,362
Water and sewer system	2,612	-	-	-	2,612
Inventory, at cost	563,364	-	-	-	563,364
Prepaid items	-	-	498,865	-	498,865
Total Current Assets	2,118,317	1,772,244	6,426,365	7,368,500	17,685,426
Noncurrent Assets					
Deposits	-	15,000	-	135,000	150,000
Capital Assets					
Land	602	-	-	-	602
Buildings and building improvements	2,134,116	-	-	-	2,134,116
Accumulated depreciation - buildings and building improvements	(1,698,049)	-	-	-	(1,698,049)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(57,246)	-	-	-	(57,246)
Machinery and equipment	6,106,290	-	-	-	6,106,290
Accumulated depreciation - machinery and equipment	(4,652,970)	-	-	-	(4,652,970)
Infrastructure	41,746	-	-	-	41,746
Accumulated depreciation - infrastructure	(14,390)	-	-	-	(14,390)
Automotive equipment	34,903,452	-	-	-	34,903,452
Accumulated depreciation - automotive equipment	(24,628,826)	-	-	-	(24,628,826)
Net Capital Assets	12,310,479	-	-	-	12,310,479
Total Noncurrent Assets	12,310,479	15,000	-	135,000	12,460,479
TOTAL ASSETS	14,428,796	1,787,244	6,426,365	7,503,500	30,145,905
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	403,981	1,417	31,725	13,288	450,411
Accrued payroll payable	158,851	3,773	-	3,307	165,931
Due to other funds					
General	-	-	10,296	-	10,296
Claims payable	-	160,376	-	1,262,681	1,423,057
Compensated absences payable	101,622	-	-	-	101,622
Total Current Liabilities	664,454	165,566	42,021	1,279,276	2,151,317
Noncurrent Liabilities					
Claims payable	-	106,918	-	841,787	948,705
Compensated absences payable	914,593	-	-	-	914,593
Other post employment benefits	4,069	-	-	-	4,069
Total Noncurrent Liabilities	918,662	106,918	-	841,787	1,867,367
TOTAL LIABILITIES	1,583,116	272,484	42,021	2,121,063	4,018,684
<u>NET ASSETS</u>					
Invested in capital assets	12,310,479	-	-	-	12,310,479
Unrestricted	535,201	1,514,760	6,384,344	5,382,437	13,816,742
TOTAL NET ASSETS	\$ 12,845,680	\$ 1,514,760	\$ 6,384,344	\$ 5,382,437	\$ 26,127,221

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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, 2012**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total Funds
OPERATING REVENUES					
Charges for sales and services	\$ 11,268,710	\$ 880,329	\$ 101,265	\$ 12,936,960	\$ 25,187,264
OPERATING EXPENSES					
Personnel services	4,052,047	97,414	-	-	4,149,461
Contractual services	1,123,869	14,202	-	42,286	1,180,357
Materials and supplies	4,569,868	899	-	-	4,570,767
Maintenance charges	1,225,479	-	-	-	1,225,479
Insurance/reinsurance premiums	-	591,722	1,228,987	2,586,730	4,407,439
Claim and legal expenses	-	32,829	336,938	9,710,388	10,080,155
Administration fees	-	-	-	627,287	627,287
Miscellaneous	-	15,678	-	772,499	788,177
Depreciation	3,053,618	-	-	-	3,053,618
TOTAL OPERATING EXPENSES	14,024,881	752,744	1,565,925	13,739,190	30,082,740
OPERATING INCOME (LOSS)	(2,756,171)	127,585	(1,464,660)	(802,230)	(4,895,476)
NONOPERATING REVENUES					
Gain on sale of capital assets	85,931	-	-	-	85,931
Investment income	1,677	1,613	7,312	9,245	19,847
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(2,668,563)	129,198	(1,457,348)	(792,985)	(4,789,698)
Capital contributions	2,368,794	-	-	-	2,368,794
Transfers in	15,500	-	1,675,000	-	1,690,500
Transfers out	-	(500,000)	-	(500,000)	(1,000,000)
CHANGES IN NET ASSETS	(284,269)	(370,802)	217,652	(1,292,985)	(1,730,404)
TOTAL NET ASSETS - BEGINNING	13,129,949	1,885,562	6,166,692	6,675,422	27,857,625
TOTAL NET ASSETS - ENDING	\$ 12,845,680	\$ 1,514,760	\$ 6,384,344	\$ 5,382,437	\$ 26,127,221

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2012**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers and users	\$ 11,235,890	\$ 880,335	\$ 101,265	\$ 12,715,350	\$ 24,932,840
Cash payments to suppliers for goods and services	(6,855,624)	-	-	-	(6,855,624)
Cash payments to employees for services	(4,174,353)	(113,153)	-	(1,472)	(4,288,978)
Cash payments for insurance premiums, liability claims and administration	-	(686,361)	(1,666,755)	(14,013,400)	(16,366,516)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>205,913</u>	<u>80,821</u>	<u>(1,565,490)</u>	<u>(1,299,522)</u>	<u>(2,578,278)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers (to)/from other funds					
General	-	(500,000)	675,000	(500,000)	(325,000)
Water and sewer system	15,500	-	1,000,000	-	1,015,500
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>15,500</u>	<u>(500,000)</u>	<u>1,675,000</u>	<u>(500,000)</u>	<u>690,500</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from sale of capital assets	219,312	-	-	-	219,312
Acquisition and construction of capital assets	(208,524)	-	-	-	(208,524)
NET CASH PROVIDED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>10,788</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,788</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of investments	(1,561,690)	(794,922)	(1,197,711)	(12,048,136)	(15,602,459)
Proceeds from sale and maturities of investments	1,327,812	1,212,488	1,080,889	13,838,413	17,459,602
Investment income received	1,677	1,613	7,312	9,245	19,847
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(232,201)</u>	<u>419,179</u>	<u>(109,510)</u>	<u>1,799,522</u>	<u>1,876,990</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	-	-	-	-	-
CASH AND CASH EQUIVALENTS - BEGINNING	-	-	-	-	-
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total Funds</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	<u>\$ (2,756,171)</u>	<u>\$ 127,585</u>	<u>\$ (1,464,660)</u>	<u>\$ (802,230)</u>	<u>\$ (4,895,476)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	3,053,618	-	-	-	3,053,618
Changes in assets and liabilities					
Decrease (increase) in accounts receivable	61	-	-	(8,146)	(8,085)
Decrease (increase) in prepaid items	-	-	(67,490)	43,009	(24,481)
Decrease (increase) in due from other funds	(32,820)	6	-	(213,464)	(246,278)
(Increase) in inventory	(110,601)	-	-	-	(110,601)
(Increase) decrease in deposits	-	(3,000)	-	115,000	112,000
(Decrease) increase in accounts and claims payable	174,476	(43,709)	(22,376)	(432,219)	(323,828)
(Decrease) in accrued payroll payable	(2,898)	(61)	-	(1,472)	(4,431)
(Decrease) in compensated absences payable	(94,311)	-	-	-	(94,311)
(Decrease) in other post employment benefits	(25,097)	-	-	-	(25,097)
(Decrease) in due to other funds	(344)	-	(10,964)	-	(11,308)
Total Adjustments	<u>2,962,084</u>	<u>(46,764)</u>	<u>(100,830)</u>	<u>(497,292)</u>	<u>2,317,198</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 205,913</u>	<u>\$ 80,821</u>	<u>\$ (1,565,490)</u>	<u>\$ (1,299,522)</u>	<u>\$ (2,578,278)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contribution of capital assets from the government	\$ 2,368,794	\$ -	\$ -	\$ -	\$ 2,368,794

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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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II. Revenue Capacity

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

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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
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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 Ten Fiscal Years
(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>

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 412,109,172	\$ 431,100,171	\$ 451,397,477	\$ 463,105,305	\$ 472,614,231	\$ 478,211,050
47,364,187	48,856,439	40,253,459	36,063,307	35,271,243	40,271,155
15,953,388	19,220,043	15,209,325	16,138,845	14,744,816	22,491,388
<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>	<u>\$ 540,973,593</u>
\$ 154,799,229	\$ 155,671,798	\$ 154,942,535	\$ 157,245,239	\$ 159,525,608	\$ 160,991,697
1,128,275	988,591	2,255,328	1,929,345	2,020,890	2,241,698
6,580,409	6,559,351	11,385,007	13,307,492	17,664,879	28,726,466
<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>	<u>\$ 191,959,861</u>
\$ 566,908,401	\$ 586,771,969	\$ 606,340,012	\$ 620,350,544	\$ 632,139,839	\$ 639,202,747
48,492,462	49,845,030	42,508,787	37,992,652	37,292,133	42,512,853
22,533,797	25,779,394	26,594,332	29,446,337	32,409,695	51,217,854
<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>	<u>\$ 732,933,454</u>

**CITY OF PASADENA, TEXAS
CHANGES IN NET ASSETS**

Last Ten Fiscal Years
(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>

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 11,200,559	\$ 12,819,859	\$ 16,735,291	\$ 16,369,013	\$ 17,498,400	\$ 15,344,585	
35,213,887	40,486,310	44,930,012	46,743,243	45,242,538	44,094,055	
19,851,288	24,938,059	28,489,685	22,194,436	21,049,209	19,734,083	
2,340,163	2,711,459	3,170,468	3,543,536	3,419,292	3,385,069	
12,687,318	13,647,614	16,082,335	15,533,525	14,629,653	13,999,948	
7,968,458	8,821,136	9,615,124	10,102,166	10,672,024	9,976,482	
4,478,707	4,711,542	4,990,590	5,002,086	4,832,227	4,123,021	
<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>	<u>110,657,243</u>	
25,729,728	28,593,719	28,622,955	29,274,247	29,982,837	29,019,663	
<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>29,019,663</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>	<u>\$ 139,676,906</u>	
\$ 9,077,366	\$ 13,444,472	\$ 9,881,296	\$ 11,802,432	\$ 9,431,596	\$ 9,411,401	
7,845,825	7,769,911	8,236,156	7,685,606	7,757,395	7,891,097	
4,662,239	4,422,153	5,116,673	4,220,825	4,134,589	4,139,681	
9,499,817	15,960,153	16,102,417	13,576,536	12,087,315	12,370,427	
15,711,854	5,215,499	5,578,582	4,999,237	8,610,718	12,799,735	
<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>	<u>46,612,341</u>	
30,744,928	30,489,659	35,096,384	33,419,961	36,894,886	36,790,596	
-	-	35,000	-	-	212,675	
<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>37,003,271</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>	<u>\$ 83,615,612</u>	
\$ (47,294,485)	\$ (61,323,791)	\$ (79,098,381)	\$ (77,203,369)	\$ (75,321,730)	\$ (64,044,902)	
5,015,200	1,895,940	6,508,429	4,145,714	6,912,049	7,983,608	
<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>	<u>\$ (56,061,294)</u>	
\$ 28,855,714	\$ 31,071,723	\$ 33,728,265	\$ 32,609,811	\$ 33,224,390	\$ 34,997,328	
15,153,643	15,551,252	16,100,049	15,777,475	15,980,044	16,773,145	
23,088,652	23,835,369	26,084,712	23,213,061	23,954,810	25,789,345	
7,582,443	7,644,267	7,817,369	7,948,433	8,550,770	8,704,878	
604,342	691,263	698,023	5,523,330	544,183	671,036	
2,580,560	1,590,544	363,528	125,652	84,799	96,098	
3,839,946	2,748,233	685,824	154,475	89,411	86,079	
102,835	73,265	-	-	-	-	
1,180,894	1,867,781	1,304,219	298,328	216,156	(4,729,704)	
<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>	<u>82,388,205</u>	
386,097	363,757	95,551	26,823	22,636	25,510	
569,997	319,911	63,369	24,997	10,772	9,662	
(1,180,894)	(1,867,781)	(1,304,219)	(298,328)	(216,156)	4,729,704	
<u>(224,800)</u>	<u>(1,184,113)</u>	<u>(1,145,299)</u>	<u>(246,508)</u>	<u>(182,748)</u>	<u>4,764,876</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>	<u>\$ 87,153,081</u>	
\$ 36,045,750	\$ 23,749,906	\$ 7,683,608	\$ 8,447,196	\$ 7,322,833	\$ 18,343,303	
4,790,400	711,827	5,363,130	3,899,206	6,729,301	12,748,484	
<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>	<u>\$ 31,091,787</u>	

CITY OF PASADENA, TEXAS
GOVERNMENTAL ACTIVITIES TAX REVENUES BY SOURCE
 Last Ten Fiscal Years
 (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 (1)
Franchise 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) Sales tax is reduced by \$957,031. This represents collections overpaid to the City by the State Comptroller's office.
- (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.

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 28,855,714	\$ 31,071,723	\$ 33,728,265	\$ 32,609,811	\$ 33,224,390	\$ 34,997,328	
15,153,643	15,551,252	16,100,049	15,777,475	15,980,044	16,773,145	
23,088,652	23,835,369	26,084,712	23,213,061	23,954,810	25,789,345	
7,582,443	7,644,267	7,817,369	7,948,433	8,550,770	8,704,878	(3)
604,342	691,263	698,023	5,523,330	544,183	671,036	(2)
<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>	<u>\$ 86,935,732</u>	

CITY OF PASADENA, TEXAS
FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years (2)
(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 (1)	569,031	350,876
Recall, election, and charter revisions	-	15,000 (1)	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 (1)	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) First year amounts reported in these items.

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

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 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	388,622
-	-	-	-	1,430,771	13,954,260
-	-	-	-	30,129,675	28,392,323
<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>	<u>\$ 42,735,205</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	55,763,123
<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>	<u>\$ 55,763,123</u>

CITY OF PASADENA, TEXAS
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
Last Ten Fiscal Years
(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
Contribution from outside sources	-	-	-	-
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%

Fiscal Year						
2007	2008	2009	2010	2011	2012	
\$ 75,298,799	\$ 78,823,699	\$ 84,285,891	\$ 85,021,762	\$ 82,200,858	\$ 86,974,148	
2,614,522	2,377,189	2,384,655	2,048,459	2,144,525	2,075,020	
6,478,333	6,318,981	6,072,604	6,083,691	6,459,457	6,312,595	
9,143,891	9,516,526	9,547,090	9,241,590	9,680,697	9,595,662	
12,963,551	19,748,247	20,601,837	15,940,787	20,202,246	23,875,081	
5,354,084	3,594,698	895,156	249,214	149,265	162,330	
-	-	-	-	-	18,621	
-	-	-	-	165,174	176,537	
<u>12,762,352</u>	<u>1,514,999</u>	<u>1,057,115</u>	<u>2,973,015</u>	<u>808,983</u>	<u>910,662</u>	
<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>	<u>130,100,656</u>	
13,063,869	12,461,993	14,144,783	13,876,473	14,325,552	13,364,086	
34,797,520	36,975,770	40,633,853	40,670,046	38,619,020	40,228,303	
14,826,289	19,038,620	21,178,029	17,217,317	18,912,137	21,354,811	
2,396,944	2,612,142	2,880,092	3,343,040	3,446,535	3,168,772	
13,011,143	13,441,738	14,690,854	14,336,405	12,611,085	12,096,056	
9,166,267	10,943,860	11,477,417	10,544,584	11,208,701	10,496,692	
21,539,329	34,743,955	25,765,715	23,824,715	16,876,471	5,917,040	
6,212,535	7,484,660	7,394,661	7,653,050	7,480,000	8,020,000	
5,953,074	4,666,601	5,035,933	5,114,584	4,774,501	4,135,448	
346,639	171,897	397,929	5,016	143,075	299,426	
<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>	<u>119,080,634</u>	
3,301,923	(20,646,897)	(18,754,918)	(15,026,712)	(6,585,872)	11,020,022	
2,415,000	-	6,725,000	-	-	20,030,000	
(2,364,119)	-	(8,709,369)	-	-	(21,356,307)	
12,450,000	13,665,000	21,635,000	-	4,960,000	-	
56,793	-	180,403	-	183,075	1,631,546	
8,976,878	1,800,190	3,741,587	16,564,533	3,870,996	4,971,697	
(8,476,878)	(800,190)	(1,254,610)	(19,636,533)	(1,350,256)	(2,446,697)	
-	-	6,868	390,749	43,495	239,875	
-	506,106	1,809,421	1,102,601	408,955	424,934	
<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>3,495,048</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>	<u>\$ 14,515,070</u>	
12.68%	11.76%	11.11%	11.54%	11.49%	11.12%	

CITY OF PASADENA, TEXAS
GENERAL GOVERNMENTAL TAX REVENUES BY SOURCE
 Last Ten Fiscal Years
 (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
Franchise 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 City received a one-time payment from the Port of Houston.
 (2) The City is currently reporting Commercial Services in this category causing an increase from prior years.

Fiscal Year					
2007	2008	2009	2010	2011	2012
\$ 28,869,719	\$ 31,101,548	\$ 33,585,738	\$ 32,559,463	\$ 33,171,051	\$ 35,195,121
15,153,643	15,551,252	16,100,049	15,777,475	15,980,044	16,549,164
23,088,652	23,835,369	26,084,712	23,213,061	23,954,810	25,789,345
7,582,443	7,644,267	7,817,369	7,948,433	8,550,770 (2)	8,751,762
604,342	691,263	698,023	5,523,330 (1)	544,183	688,756
<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>	<u>\$ 86,974,148</u>

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

2012						
Consumers	Consumption (per month)	Annualized Consumption	Billed Amount	Rank	% of Water/Sewer Revenues	% of All System Fund Revenues
City of Seabrook (2)	55,968.3	671,620.0	\$ 486,627	1	1.32%	1.32%
Pasadena Independent School District	8,382.7	100,592.8	981,197	2	2.66%	2.66%
Nestle Waters North America	6,924.4	83,092.5	244,551	3	0.66%	0.66%
Mbmi Apartments	6,821.0	81,851.8	436,331	4	1.18%	1.18%
CCI-B Genoa Red Bluff	4,780.3	57,363.5	272,688	5	0.74%	0.74%
Brighton Hill Apartments	4,365.2	52,382.7	361,299	6	0.98%	0.98%
San Jacinto College	4,224.7	50,696.1	502,132	7	1.36%	1.36%
Columbia Bayshore Hospital	3,157.8	37,893.1	338,382	8	0.92%	0.92%
Clear Lake Water Authority	2,818.7	33,824.6	67,586	9	0.18%	0.18%
Sandstone	2,448.5	29,381.7	220,022	10	0.60%	0.60%
Brandywood Housing Corporation	-	-	-	-	-	-
Phillips Chemical	-	-	-	-	-	-
Minh Food Company	-	-	-	-	-	-
Air Products	-	-	-	-	-	-
Total	99,891.6	1,198,698.8	\$ 3,910,816		10.60%	10.60%

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 five 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

<u>Consumption (per month)</u>	<u>Annualized Consumption</u>	<u>Billed Amount</u>	<u>Rank</u>	<u>% of Water/Sewer Revenues</u>	<u>% of All System Fund Revenues</u>
35,068.8	420,825.0	\$ 395,991	1	1.99%	1.84%
8,553.4	102,641.2	628,756	2	2.18%	2.02%
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,116.2	49,394.7	418,897	4	1.45%	1.35%
1,522.8	18,273.6	236,243	8	0.82%	0.76%
3,853.7	46,243.9	525,157	5	1.82%	1.69%
-	-	-	-	-	-
2,208.9	26,506.8	217,462	6	0.75%	0.70%
4,147.7	49,772.6	432,057	3	1.50%	1.39%
1,804.2	21,650.7	118,761	7	0.41%	0.38%
1,322.3	15,867.8	173,722	9	0.34%	0.32%
1,253.2	15,038.8	99,000	10	0.60%	0.56%
63,851.2	766,215.1	\$ 3,246,046		11.86%	11.01%

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

	Cumulative Blocks (Gallons)	Usage Blocks (per 1,000 gallons)	2006		2007		2008	
			Water Rates	Sewer Rates	Water Rates	Sewer Rates	Water Rates	Sewer Rates
Residential	2,000	up to 2.0	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00
	7,500	next 5.5	2.75	2.75	2.75	2.75	2.75	2.75
	10,000	next 2.5	3.00	3.00	3.00	3.00	3.00	3.00
	12,000	next 2.0	3.25	3.50	3.25	3.50	3.25	3.50
	30,000	next 18.0	4.00	3.50	4.00	3.50	4.00	3.50
	30,001	over 30.0	4.50	3.50	4.50	3.50	4.50	3.50
Residential => 65	2,000	up to 2.0	3.59	4.99	3.59	4.99	3.59	4.99
	10,000	next 8.0	2.16	1.37	2.16	1.37	2.16	1.37
	12,000	next 2.0	3.25	3.50	3.25	3.50	3.25	3.50
	30,000	next 18.0	4.00	3.50	4.00	3.50	4.00	3.50
	30,001	over 30.0	4.50	3.50	4.50	3.50	4.50	3.50
Commercial	2,000	up to 2.0	5.59	8.00	5.59	8.00	5.59	8.00
	10,000	next 8.0	2.75	3.00	2.75	3.00	2.75	3.00
	20,000	next 10.0	3.00	3.25	3.00	3.25	3.00	3.25
	30,000	next 10.0	3.25	3.50	3.25	3.50	3.25	3.50
	40,000	next 10.0	4.50	4.00	4.50	4.00	4.50	4.00
	50,000	next 10.0	4.50	4.15	4.50	4.15	4.50	4.15
	50,001	over 50.0	4.50	4.15	4.50	4.15	4.50	4.15
Apartments	2,000	up to 2.0	4.59	8.00	4.59	8.00	5.50	8.00
	4,500	next 2.5	2.75	2.75	2.75	2.75	2.75	2.75
	9,500	next 5.0	3.00	3.25	3.00	3.25	3.00	3.25
	11,500	next 2.0	3.25	3.50	3.25	3.50	3.25	3.50
	29,500	next 18.0	4.00	3.50	4.00	3.50	4.00	3.50
	29,501	over 29.5	4.50	3.50	4.50	3.50	4.50	3.50
Sprinklers	2,000	up to 2.0	4.59	-	4.59	-	4.59	-
	10,000	next 8.0	3.25	-	3.25	-	3.25	-
	28,000	next 18.0	4.00	-	4.00	-	4.00	-
	28,001	over 28.0	4.50	-	4.50	-	4.50	-

Source: Prepared by the City's Water Department.

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

2009		2010		2011		2012	
Water Rates	Sewer Rates						
\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 10.50	\$ 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	6.59	4.99
2.16	1.37	2.16	1.37	2.16	1.37	2.16	1.37
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	8.59	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	5.50	8.00	8.50	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	-	9.59	-
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,			
	2003	2004	2005	2006
	2002 Tax Year	2003 Tax Year	2004 Tax Year	2005 Tax Year
Assessed Value of Taxable Property				
Real Property				
Real Residential	\$ 3,020,674,720	\$ 3,266,300,400	\$ 3,440,020,230	\$ 3,610,874,137
Real Commercial	783,413,430	788,524,850	810,536,290	869,515,809
Real Industrial	148,983,490	127,572,470	123,296,580	118,187,838
Real Agriculture	1,164,750	219,820	930,250	634,834
Real Vacant	223,850	68,388,720	66,377,580	73,973,512
Real Acreage Undeveloped	50,581,620	54,660,110	51,182,580	50,408,184
Total Real Property	4,005,041,860	4,305,666,370	4,492,343,510	4,723,594,314
Less: Exemptions	(675,272,370)	(718,866,840)	(741,233,200)	(765,632,990)
Net Total Real Property	3,329,769,490	3,586,799,530	3,751,110,310	3,957,961,324
Other Property				
Oil Gas and Mineral Reserves	2,989,570	3,468,740	1,546,720	1,603,070
Real and Tangible Personal - Utility	522,490	513,290	464,650	252,591
Gas Companies	8,215,010	8,255,430	8,118,090	8,022,960
Electric Companies	55,211,110	59,291,710	61,042,420	61,266,427
Telephone Companies	30,924,600	22,956,210	23,967,470	23,452,876
Railroad	227,060	262,600	310,450	308,280
Pipelines	24,646,050	24,829,790	25,554,840	27,800,375
Inventory	-	-	-	5,554,061
Major Cable TV Systems	12,052,890	12,036,930	5,135,200	5,063,930
Tangible Personal Commercial	424,731,170	435,964,970	446,662,770	458,136,790
Tangible Personal Industrial	211,614,770	285,370,390	302,988,360	407,988,270
Tangible Personal Other - Mobile Homes	19,262,240	18,001,500	18,725,010	18,363,900
Residential Inventory - Vacant	8,449,970	4,153,050	8,765,750	-
Governmental Exemption	53,260	5,715,590	665,870	312,682,653
Charitable Exemption	182,790	455,900	14,700	27,158,235
Religious Exemption	3,265,120	4,962,650	681,920	101,908,422
Private School Exempt	-	-	-	17,011,007
Miscellaneous Exempt	-	-	-	387,520
Agricultural	18,212,120	17,598,310	-	-
Low-Moderate Income Housing	-	104,400	-	19,746
Unknown	-	-	139,750	-
Total Other Property	820,560,220	903,941,460	904,783,970	1,476,981,113
Less: Exemptions	(107,797,050)	(144,102,394)	(127,855,460)	(669,872,733)
Net Total Other Property	712,763,170	759,839,066	776,928,510	807,108,380
Total Property	4,825,602,080	5,209,607,830	5,397,127,480	6,200,575,427
Less: Total Exemptions	(783,069,420)	(862,969,234)	(869,088,660)	(1,435,505,723)
Total Assessed Value of Taxable Property	\$ 4,042,532,660	\$ 4,346,638,596	\$ 4,528,038,820	\$ 4,765,069,704
Total Actual Value of Taxable Property	\$ 4,042,532,660	\$ 4,346,638,596	\$ 4,528,038,820	\$ 4,765,069,704
Total Direct Tax Rate Per \$ 100	\$ 0.567	\$ 0.567	\$ 0.567	\$ 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	2008	2009	2010	2011	2012
2006 Tax Year	2007 Tax Year	2008 Tax Year	2009 Tax Year	2010 Tax Year	2011 Tax Year
\$ 3,779,716,024	\$ 3,999,177,768	\$ 4,232,641,041	\$ 4,129,237,231	\$ 4,052,171,721	\$ 3,966,049,464
922,067,090	1,076,316,825	1,198,814,394	1,249,370,402	1,164,598,370	1,237,888,449
131,759,087	134,299,360	147,127,450	154,349,049	158,854,677	165,773,388
624,222	668,106	229,086	215,563	221,790	241,507
100,398,134	93,398,249	107,109,632	123,659,890	117,984,092	120,572,974
45,515,120	36,458,789	34,480,311	36,659,482	36,725,841	42,021,873
4,980,079,677	5,340,319,097	5,720,401,914	5,693,491,617	5,530,556,491	5,532,547,655
(797,405,237)	(819,227,558)	(841,604,642)	(839,474,827)	(836,075,493)	(813,327,025)
4,182,674,440	4,521,091,539	4,878,797,272	4,854,016,790	4,694,480,998	4,719,220,630
8,334,609	10,807,745	9,270,819	6,764,074	7,854,851	241,610
363,865	371,338	331,940	330,068	272,549	272,549
8,434,840	8,145,690	7,961,540	8,286,315	7,692,460	7,515,900
60,799,352	58,450,652	54,628,038	53,755,344	52,300,077	52,011,882
23,570,812	23,762,316	20,113,792	19,731,446	17,917,042	16,078,872
308,110	318,730	347,390	392,796	428,700	495,520
28,640,460	29,088,230	29,628,470	24,795,395	28,491,661	30,614,337
20,656,653	28,715,903	30,451,933	26,415,373	28,064,363	26,438,731
5,960,690	11,926,584	10,181,107	7,984,017	14,286,631	13,783,892
446,580,327	458,779,115	532,377,581	553,633,704	532,372,461	525,877,003
515,099,420	555,453,193	675,428,776	648,801,280	668,423,788	1,053,499,087
18,514,607	17,697,725	18,689,409	17,046,042	15,915,686	16,357,302
-	-	-	-	-	-
373,205,856	356,709,579	496,046,506	519,756,039	531,014,416	558,111,018
27,948,364	30,959,147	32,977,016	33,317,985	25,685,661	26,110,291
114,620,604	108,956,786	113,848,612	119,839,982	115,848,852	119,018,125
17,331,096	17,364,543	16,771,140	16,771,140	17,061,755	17,595,212
387,520	408,198	494,967	486,462	826,251	844,407
-	-	-	-	-	-
-	72,341	184,120	-	209,748	216,978
-	-	-	-	-	-
1,670,757,185	1,717,987,815	2,049,733,156	2,058,107,462	2,064,666,952	2,465,082,716
(820,663,243)	(813,195,895)	(918,569,343)	(1,117,092,435)	(1,142,444,955)	(1,402,974,610)
850,093,942	904,791,920	1,131,163,813	941,015,027	922,221,997	1,062,108,106
6,650,836,862	7,058,306,912	7,770,135,070	7,751,599,079	7,595,223,443	7,997,630,371
(1,618,068,480)	(1,632,423,453)	(1,760,173,985)	(1,956,567,262)	(1,978,520,448)	(2,216,301,635)
\$ 5,032,768,382	\$ 5,425,883,459	\$ 6,009,961,085	\$ 5,795,031,817	\$ 5,616,702,995	\$ 5,781,328,736
\$ 5,032,768,382	\$ 5,425,883,459	\$ 6,009,961,085	\$ 5,795,031,817	\$ 5,616,702,995	\$ 5,781,328,736
\$ 0.567	\$ 0.567	\$ 0.562	\$ 0.562	\$ 0.591593	\$ 0.591593

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
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
2012	2011	0.3822	0.2094	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
\$ 1.6800	\$ 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
1.3550	1.3500	0.6366	0.0066	0.1856	7.1620

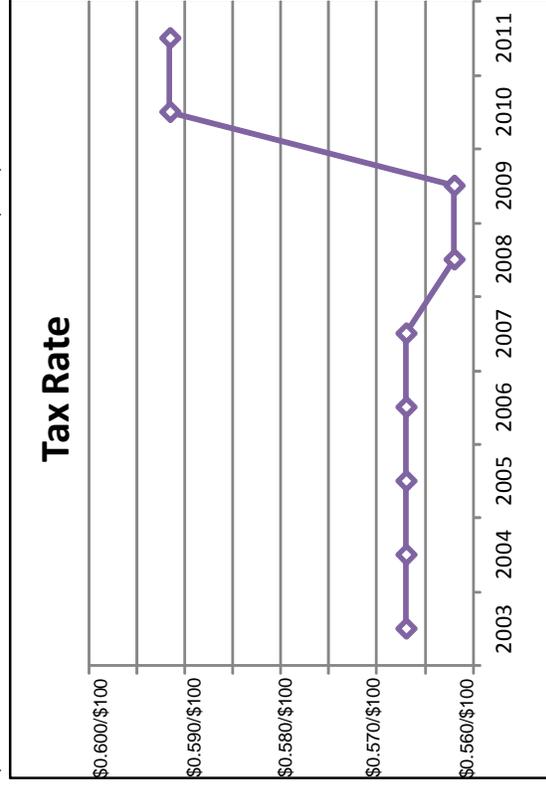
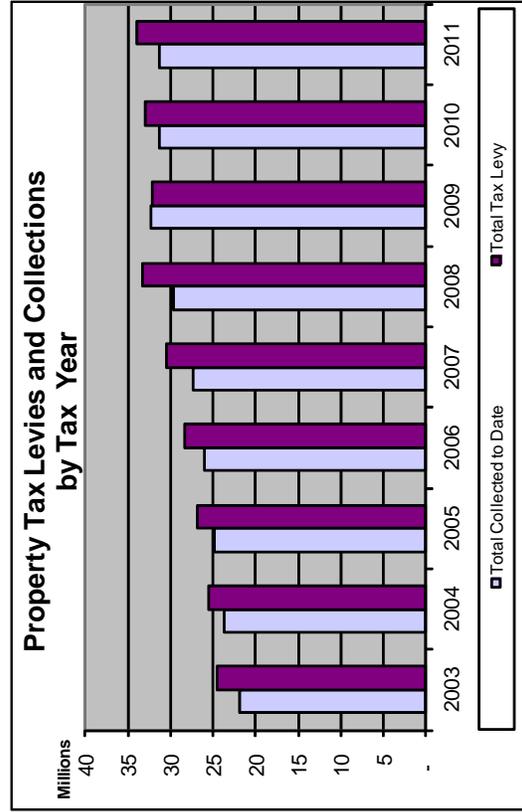
CITY OF PASADENA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Fiscal Year and Ten Fiscal Years Ago

<u>Property Taxpayer</u>	<u>Fiscal Year Ended September 30, 2012</u>			<u>Fiscal Year Ended September 30, 2002</u>		
	<u>2011 Tax Year</u>		<u>% of Taxable Assessed Value</u>	<u>2001 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	2.62%	\$ -	-	-
Calpine Operating Services Co. Inc.	88,596,020	2	1.53%	-	-	-
CenterPoint Energy, Inc.	59,566,122	3	1.03%	-	-	-
KIR Pasadena, LP	45,989,914	4	0.80%	-	-	-
The Boeing Co.	41,583,586	5	0.72%	-	-	-
GATX Terminals / Kinder	41,049,724	6	0.71%	-	-	-
Pasadena Refining System	40,352,465	7	0.70%	-	-	-
Wal Mart	39,670,618	8	0.69%	-	-	-
Valero Energy Corp	36,107,819	9	0.62%	-	-	-
Bay Bluff LP	34,230,214	10	0.59%	-	-	-
Reliant Energy HL&P	-	-	-	42,311,390	1	1.12%
CHCA Bayshore LP	-	-	-	35,646,600	2	0.94%
Celenese LTD	-	-	-	28,813,760	3	0.76%
Crown Central Petroleum	-	-	-	27,250,610	4	0.72%
Trizechahn Office Properties	-	-	-	27,099,970	5	0.72%
Southwestern Bell Telephone	-	-	-	24,320,550	6	0.64%
Village on the Lake LTD	-	-	-	24,029,480	7	0.63%
General American Transport	-	-	-	23,719,870	8	0.63%
Tejas Gas Marketing	-	-	-	20,314,280	9	0.54%
SSE Manufacturing, Inc.	-	-	-	17,672,470	10	0.47%
Subtotal	<u>\$ 578,429,068</u>		<u>10.01%</u>	<u>\$ 271,178,980</u>		<u>7.18%</u>
Other Taxpayers	<u>5,202,899,668</u>		<u>89.99%</u>	<u>3,517,544,124</u>		<u>92.82%</u>
Total	<u>\$ 5,781,328,736</u>		<u>100.00%</u>	<u>\$ 3,788,723,104</u>		<u>100.00%</u>

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
2003	2002	\$0.5670/\$100	\$ 22,784,621	\$ 21,830,521	95.81%	\$ 811,306	\$ 22,641,827	99.37%
2004	2003	\$0.5670/\$100	24,587,143	23,677,426	96.30%	756,741	24,434,167	99.38%
2005	2004	\$0.5670/\$100	25,605,441	24,842,437	97.02%	598,668	25,441,105	99.36%
2006	2005	\$0.5670/\$100	26,897,681	25,952,683	96.49%	779,817	26,732,500	99.39%
2007	2006	\$0.5670/\$100	28,346,315	27,297,253	96.30%	908,625	28,205,878	99.50%
2008	2007	\$0.5670/\$100	30,435,686	29,614,437	97.30%	679,027	30,293,464	99.53%
2009	2008	\$0.5620/\$100	33,270,720	32,386,497	97.34%	676,738	33,063,235	99.38%
2010	2009	\$0.5620/\$100	32,096,939	31,296,353	97.51%	520,330	31,816,683	99.13%
2011	2010	\$0.591593/\$100	32,877,738	31,967,660	97.23%	457,929	32,425,589	98.62%
2012	2011	\$0.591593/\$100	33,977,854	33,262,827	97.90%	-	33,262,827	97.90%



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

Fiscal Year Ended September 30,	2003	2004	2005	2006
Governmental Activities				
General Obligation Bonds	\$ 18,750,000	\$ 34,175,000	\$ 46,850,000	\$ 46,800,000
General Obligation Refunding Bonds	26,787,875	22,807,875	35,797,875	11,422,875
General Obligation and Refunding Bonds	-	-	29,350,000	19,380,000
Certificates of Obligation	-	-	-	-
Combination Tax and Revenue				
Certificates of Obligation	13,915,000	13,885,000	11,945,000	11,910,000
Other Long-Term Debt				
Volunteer Fireman Prior Service Costs Note	217,965	168,038	115,185	59,233
Tax Notes, 2000	3,445,000	1,515,000	1,225,000	1,005,000
Overpaid Sales Tax Note	-	-	-	638,020
Blended Component Unit - Pasadena Second Century Corporation				
Sales Tax Notes	1,095,000	-	-	-
Sales Tax Revenue Bonds	-	-	4,375,000	3,715,000
Overpaid Sales Tax Note	-	-	-	319,011
	64,210,840	72,550,913	129,658,060	95,249,139
Business Activities				
Waterworks and Sewer System Revenue Bonds	29,730,000	28,265,000	18,625,000	18,625,000
Waterworks and Sewer System Revenue Refunding Bonds	5,680,000	4,630,000	3,590,000	2,565,000
Combination Tax and Revenue				
Certificates of Obligation	55,975,000	54,400,000	33,665,000	3,405,000
General Obligation Refunding Bonds	-	-	-	17,675,000
General Obligation and Refunding Bonds	-	-	-	9,970,000
Deferred Water Charges Debt	2,714,418	2,555,736	1,987,795	1,419,854
	94,099,418	89,850,736	57,867,795	53,659,854
Total Primary Government	\$ 158,310,258	\$ 162,401,649	\$ 187,525,855	\$ 148,908,993
Percentage of Personal Income	7.03%	6.40%	7.31%	6.41%
Per Capita	\$ 1,114	\$ 1,142	\$ 1,317	\$ 1,045
(1) Population	142,100	142,242	142,384	142,526
(1) Per Capita Personal Income	\$ 15,856	\$ 17,830	\$ 18,008	\$ 16,301
(1) Personal Income (amount expressed in thousands)	\$ 2,253,134	\$ 2,536,173	\$ 2,564,096	\$ 2,323,324

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	2008	2009	2010	2011	2012
\$	46,750,000	\$ 57,725,000	\$ 74,535,000	\$ 70,500,000	\$ 66,485,000	\$ 41,960,000
	7,255,000	4,440,000	8,525,000	8,355,000	8,180,000	26,680,000
	28,275,000	28,165,000	28,020,000	26,700,000	25,395,000	24,080,000
	5,950,000	5,895,000	5,840,000	5,570,000	5,290,000	5,010,000
	9,605,000	8,755,000	1,780,000	900,000	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	471,581	305,140	138,700	-	-	-
	-	-	-	-	-	-
	3,030,000	2,315,000	1,575,000	805,000	4,960,000	4,190,000
	235,790	152,571	69,350	-	-	-
	101,572,371	107,752,711	120,483,050	112,830,000	110,310,000	101,920,000
	17,120,000	71,775,000	70,855,000	70,430,000	54,290,000	53,430,000
	1,550,000	550,000	-	-	14,505,000	13,255,000
	2,495,000	1,280,000	-	-	-	-
	17,675,000	17,550,000	17,430,000	15,895,000	14,285,000	12,740,000
	9,970,000	9,970,000	9,970,000	9,970,000	9,970,000	9,970,000
	851,912	283,970	-	-	-	-
	49,661,912	101,408,970	98,255,000	96,295,000	93,050,000	89,395,000
	\$ 151,234,283	\$ 209,161,681	\$ 218,738,050	\$ 209,125,000	\$ 203,360,000	\$ 191,315,000
	5.55%	7.45%	7.75%	7.15%	7.19%	6.16%
\$	1,030	\$ 1,428	\$ 1,500	\$ 1,430	\$ 1,364	\$ 1,256
	146,769	146,523	145,789	146,265	149,043	152,281
\$	18,558	\$ 19,167	\$ 19,359	\$ 19,992	\$ 18,967	\$ 20,383
\$	2,723,739	\$ 2,808,455	\$ 2,822,330	\$ 2,924,130	\$ 2,826,899	\$ 3,103,944

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
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
2012	120,440,000	(4,097,226)	116,342,774	5,781,328,736	2.01%	152,281	764

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, 2012

<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	2/28/2011	\$2,330,652,485	1.97%	\$ 44,748,528
Harris County Flood Control District	2/28/2011	93,645,830	1.91%	1,788,635
Port of Houston Authority	12/31/2010	714,526,397	1.92%	13,718,907
Clear Lake City Water Authority	5/31/2011	60,338,989	17.76%	10,716,204
Clear Creek Independent School District	2/29/2012	634,010,000	6.91%	43,810,091
Deer Park Independent School District	2/29/2012	183,505,000	18.81%	34,517,291
La Porte Independent School District	6/30/2011	210,078,567	5.83%	12,247,580
Pasadena Independent School District	8/31/2011	454,535,079	38.85%	176,586,878
San Jacinto College District	2/29/2012	309,215,568	18.51%	57,235,802
Harris County WC & ID #156	2/29/2012	3,465,000	44.26%	1,533,609
Harris County Dept. of Education	2/29/2012	7,795,000	1.92%	149,664
Subtotal, overlapping debt				397,053,189
Add - City direct debt (2)				97,730,000
Total direct and overlapping debt				\$ 494,783,189

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

Note: Overlapping governments 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>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Debt limit				
Assessed value based on tax year	2002	2003	2004	2005
	\$ 4,042,532,660	\$ 4,346,638,596	\$ 4,528,038,820	\$ 4,765,069,704
10% of assessed value	404,253,266	434,663,860	452,803,882	476,506,970
Less: net debt applicable to limit				
Debt to be repaid from ad valorem tax	62,897,875	72,382,875	125,167,875	90,517,875
Less: amount available in debt service fund	(603,760)	(1,103,283)	(1,009,129)	(1,020,164)
	62,294,115	71,279,592	124,158,746	89,497,711
Legal Debt Margin	\$ 341,959,151	\$ 363,384,268	\$ 328,645,136	\$ 387,009,259
Total net debt applicable to the limit as a percentage of debt limit	15.41%	16.40%	27.42%	18.78%

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>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
2006	2007	2008	2009	2010	2011
<u>\$ 5,032,768,382</u>	<u>\$ 5,425,883,459</u>	<u>\$ 6,009,961,085</u>	<u>\$ 5,795,031,817</u>	<u>\$ 5,616,702,995</u>	<u>\$ 5,781,328,736</u>
503,276,838	542,588,346	600,996,109	579,503,182	561,670,300	578,132,874
97,835,000	104,980,000	118,700,000	112,025,000	105,350,000	97,730,000
<u>(1,495,924)</u>	<u>(2,607,222)</u>	<u>(1,631,459)</u>	<u>(2,284,607)</u>	<u>(2,875,586)</u>	<u>(4,097,226)</u>
96,339,076	102,372,778	117,068,541	109,740,393	102,474,414	93,632,774
<u>\$ 406,937,762</u>	<u>\$ 440,215,568</u>	<u>\$ 483,927,568</u>	<u>\$ 469,762,789</u>	<u>\$ 459,195,886</u>	<u>\$ 484,500,100</u>
19.14%	18.87%	19.48%	18.94%	18.24%	16.20%

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	
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
2012	36,790,596	19,579,375	17,211,221	3,655,000	4,170,825	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)
2003	142,100	\$ 2,253,134	\$ 15,856	29.9	50,374	7.5%
2004	142,242	2,536,173	17,830	28.9	46,100	5.9%
2005	142,384	2,564,096	18,008	29.0	45,038	5.3%
2006	142,526	2,323,324	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%
2012	152,281	3,103,944	20,383	30.7	53,677	6.8%

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 Seven Years Ago (1)

<u>Employer</u>	<u>2012</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pasadena Independent School District	5,800	1	6.25%	4,946	1	4.10%
Dorsett Brothers Concrete Supply, Inc.	3,400	2	3.67%	-	-	-
San Jacinto College District	2,924	3	3.15%	1,058	4	0.88%
The Boeing Company	2,300	4	2.48%	2,300	2	1.91%
Mundy Company	1,500	5	1.62%	-	-	-
Zachry Holdings Inc.	1,400	6	1.51%	-	-	-
Shell - Deer Park	1,400	7	1.51%	-	-	-
SGS Petroleum Service Corp.	1,127	8	1.21%	-	-	-
Silver Eagle Distributors, L.P.	1,100	9	1.19%	-	-	-
City of Pasadena	1,030	10	1.11%	1,058	5	0.88%
Lyondell-Citgo, Refining LP (2)	-	-	-	1,080	3	0.90%
Bayshore Medical Center	-	-	-	1,047	6	0.87%
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>21,981</u>		<u>23.71%</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 seven 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 Fiscal Years

Function	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
City Council	8	8	8	8	8	8	8	8	8	8
Mayor	4	4	4	3	3	3	3	3	1	3
Budget and Financial Planning	2	2	2	2	2	2	2	2	2	2
Municipal Court	33	32	31	31	33	35	33	33	34	34
City Controller	15	15	12	13	15	16	16	15	16	15
Purchasing	2	3	3	3	3	4	4	4	4	4
Legal	11	9	8	8	8	8	8	8	8	8
City Secretary	3	3	3	3	4	4	4	4	4	4
Human Resources	8	9	9	8	7	8	7	7	9	11
City Marshal	6	6	6	6	7	7	6	6	6	6
Community Relations	6	7	6	6	6	7	7	7	7	7
Pasadena Action Line	3	5	4	3	5	5	4	4	4	6
Planning	4	4	5	4	3	3	4	5	6	4
Planning/Development Administration	1	1	2	2	1	1	1	1	1	1
Neighborhood Network	2	1	1	1	1	1	1	1	1	1
Inspections	27	24	23	21	21	20	21	19	16	15
Property Management	2	2	2	1	-	-	-	1	8	1
Impound/Storage	-	-	-	-	-	-	-	6	7	5
Economic Development Liaison	-	-	-	-	-	1	1	1	1	1
Public Safety										
Emergency Preparedness	3	3	2	2	2	3	3	3	3	3
Fire Fighting	12	10	4	4	3	3	3	3	3	7
Fire Prevention	12	11	9	11	10	11	11	10	9	10
Police	329	329	330	327	362	340	369	358	344	349
Public Works										
Engineering	21	20	20	19	20	19	17	14	15	15
Sanitation	54	48	49	44	43	44	43	43	38	37
Street and Bridge	54	51	49	44	36	36	34	31	30	30
Traffic and Transportation	14	11	13	11	11	12	12	12	11	10
Health										
Health	15	14	13	12	12	11	11	11	10	10
Animal Rescue and Assistance	16	14	14	14	15	13	17	19	19	18
Culture and Recreation										
Leisure Services Administration	3	2	2	2	1	-	-	-	6	4
Parks	47	42	42	42	41	33	35	37	33	38
Recreation	40	43	51	33	36	38	55	75	57	60
Clean Streets	9	11	12	12	12	17	21	21	17	14
Golf Course	10	10	9	10	10	10	16	10	9	9
Multi-Purpose Center	7	7	14	7	9	5	13	9	8	9
Civic Center	9	9	9	9	7	8	9	10	6	6
Senior Center - Madison Jobe	8	8	6	5	4	6	5	5	4	4
Library	51	50	50	46	47	47	45	49	41	45
Water and Sewer System	139	136	125	114	110	119	123	120	112	116
Maintenance	98	87	81	74	75	76	82	72	69	75
Health Insurance	-	4	-	3	1	1	1	3	2	4
Grant Management	19	17	18	18	20	20	19	21	25	21
TOTAL CITY POSITIONS	1,107	1,072	1,051	986	1,014	1,005	1,074	1,071	1,014	1,030

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,			
	2003	2004	2005	2006
Function				
Public Safety				
Police				
Arrests	12,913	12,073	13,768	13,197
Accident reports	3,681	4,056	3,827	3,812
Citations issued	88,650	76,448	76,132	83,967
Calls for service	78,800	85,119	88,770	85,492
Public Works				
Refuse collection				
Refuse collected Type 1 (tons/day)	(1)	107	97	120
Refuse collected Type 2 (cubic yards/day)	(1)	236	195	273
Mulching collected (cubic yards/day)	(1)	68	71	91
Recyclables collected (tons/day)	(1)	1.26	1.57	2.84
Health				
Number of food permits issued	943	1,004	1,132	1,135
Number of health inspections	2,458	2,626	2,184	1,925
Culture and Recreation				
Convention Center				
Number of Events	(1)	137	133	157
Library				
Visitors	(1)	673,081	762,135	710,297
Water and Sewer System				
Average daily consumption (millions of gallons)	18.65	17.49	18.92	18.51
Total Consumption (billions of gallons)	6,806.97	6,384.79	6,906.26	6,754.82
Average daily Waste Water Plant Flow (millions of gallons)	16.15	14.36	11.54	10.38
Total Waste Water Plant Flow (millions of gallons)	5,895.33	5,239.80	4,213.41	3,786.63

Source: Various City departments.

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

(1) Information unavailable.

(2) Library was under renovation during this year.

Fiscal Year Ended September 30,

2007	2008	2009	2010	2011	2012
14,142	12,853	12,552	12,119	11,926	10,747
4,139	3,549	3,635	3,376	3,335	3,474
79,708	78,789	82,153	82,576	84,551	69,209
83,599	82,603	82,949	81,633	61,625	75,869
123	136	120	170	110	103
202	251	492	267	145	166
64	146	104	102	124	107
2.65	2.29	1.13	3.75	3.53	4.35
893	1,081	1,120	1,125	1,215	1,229
2,604	2,180	2,344	2,223	2,511	2,529
169	145	138	143	178	165
812,357	324,983	241,891	424,568	303,074	342,628
17.50	17.60	19.30	17.97	21.17	20.37
6,500.00	6,800.00	7,043.30	6,871.37	7,749.38	7,435.00
14.54	12.39	11.22	13.90	10.40	12.41
5,110.09	4,500.66	4,095.21	5,084.80	3,796.45	4,542.14

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

Function / Program	2005	2006	2007	2008	2009	2010	2011	2012
Public Safety								
Police								
Stations	2	2	2	2	2	2	2	2
Patrol units	152	145	153	167	199	181	198	198
Fire stations	10	10	10	10	10	10	10	10
Public Works								
Streets (miles)	534	539	520	524	526	527	541	542
Streetlights	7,027	7,092	7,426	7,504	7,493	7,548	7,550	7,541
Traffic signals	185	195	196	194	192	184	189	191
Sanitation								
Collection trucks	37	33	24	28	28	28	28	26
Culture and Recreation								
Parks	48	47	47	47	47	47	47	47
Parks acreage	768	819	1,084	1,084	1,084	1,084	1,104	1,104
Swimming pools	5	5	5	5	5	5	4	4
Tennis courts	15	15	15	15	15	15	15	15
Community centers	8	8	8	8	9	9	8	8
Water and Sewer System								
Water								
Water mains (miles)	463	465	465	481	471	473	473	474
Fire hydrants	2,150	2,190	2,150	2,154	2,203	2,247	2,259	2,283
Maximum daily capacity (millions of gallons)	27	22	26	24	25	23	32 (2)	26
Sewer								
Sanitary sewers (miles)	386	386	387	388	392	396	397	402
Storm sewers (miles)	216	217	217	217	228	231	233	259
Maximum daily treatment capacity (millions of gallons)	19	24	24	24	24	24	24	24

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 eight fiscal years are available at this time.

(2) The southern region of Texas experienced a severe drought increasing the maximum daily capacity as compared to previous years.



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Cover photos by Stanley White, Project Coordinator Parks and Recreation Department