

CITY OF PASADENA, TEXAS

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2014



**CITY OF PASADENA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**

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

**CITY OF PASADENA, TEXAS
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

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INTRODUCTORY SECTION



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CITY OF PASADENA

OFFICE OF THE CITY CONTROLLER

March 9, 2015

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, 2014, including the independent auditors' report, is presented to comply with both Article IX of the City's Charter and applicable state statutes. These statutes require all local governments to publish a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with *Generally Accepted Government Auditing Standards* (GAGAS) issued by the General Accounting Office (GAO) of the United States and the standards applicable to financial audits by a firm of licensed independent certified public accountants chosen by the Mayor and City Council members.

The CAFR is published to provide the City Council, City staff, our citizens, bondholders, and other interested parties with detailed information concerning the financial condition and activities of the City government. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To provide a reasonable basis for making these representations, management of the City has established a comprehensive internal control framework that is designed to both protect the City's assets from loss, theft, or misuse and compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

The City Charter requires an independent audit of the accounts of the City by an independent auditor. Belt Harris Pechacek, LLLP, Certified Public Accountants, have issued an unmodified ("clean") opinion on the City of Pasadena's financial statements for the year ended September 30, 2014. The independent auditors' reports is located at the front 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, 2014 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 19-30.

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 2014 population is estimated at 152,735 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. The Mayor is elected by voters of the entire City and serves four-year terms with a limit of two consecutive terms. In 2013, the citizens of Pasadena voted for four charter changes and they are: (1) that there will now be six single member districts and two at large Council members and these two will be elected citywide, (2) to have only two council meetings a month, which necessitates agenda items to be submitted to the City Secretary's office in a timely manner, (3) to allow the Mayor Pro-tem to be elected anytime there is a vacancy in the office, and (4) the requirement that each candidate show proof of living in a district for at least one year before running for office. Since the City has initiated the two council meetings a month, a couple of major effects include vendor checks are released only twice a month and ordinances take a longer time to be approved on the required two readings.

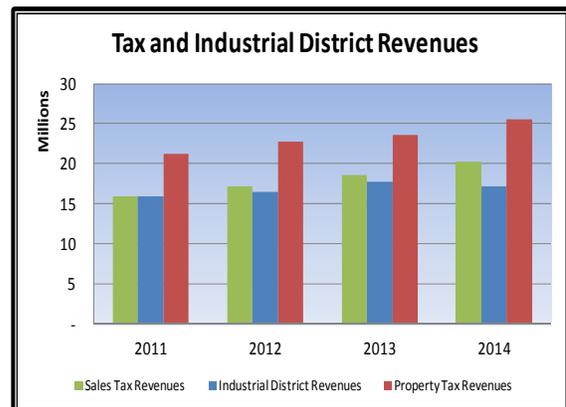


The City of Pasadena provides a full range of municipal services including: police and fire protection, traffic and municipal courts, sanitation services, construction and maintenance of streets and related infrastructure, water and sewer systems, recreational activities, (i.e. parks, swimming pools, 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 60 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 a 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



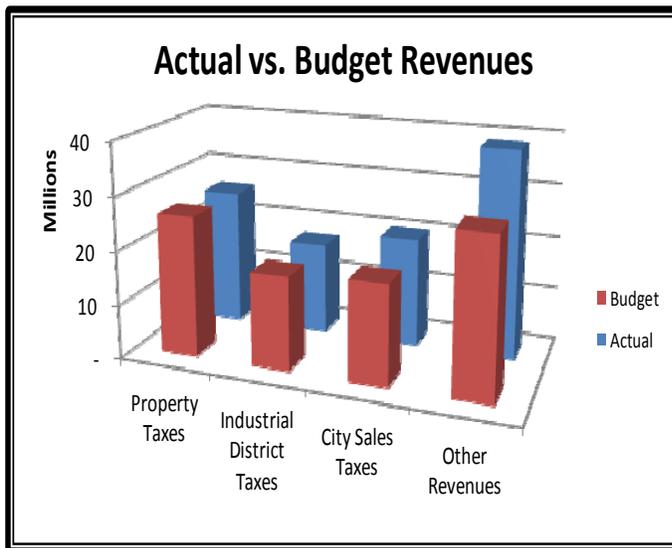
from its proximity which is a huge employment generator in the area. The Port has ranked first among all U.S. seaports in foreign waterborne tonnage for the last 17 consecutive years, first in U.S. imports, first in U.S. export tonnage, and second in the U.S. in total tonnage. Additionally, the operation of the Bayport cruise terminal located in the City of Pasadena is hosting Princess Cruises' Emerald Princess with 26 planned departures. Norwegian Cruise Lines has begun its seven-day Western Caribbean cruises on its 2,374-passenger Norwegian Jewel out of the terminal. This will bring an estimated 250,000 travelers through the Pasadena area.

The Houston metropolitan area is experiencing an economic upswing following the recession. This is proven by the migration data of the Houston area by 150 people coming to the area daily. People move to where the jobs are and the Pasadena area's growth is proof. This influx contributes to the demand for housing and retail goods and services. According to the State of Texas Comptroller's Office, sales tax for December 2014 increased by 7.2 percent. Property taxes also increased due to a rise in property values. The City's property tax rate decreased in fiscal year 2015 from 0.591593 to 0.5769, although there is a change in the allocation ratio between operations and debt service. Less of the property tax collections will be used for debt service. The City's industrial district fees decreased slightly from \$17,755,534 in 2013 to \$17,172,395 in 2014. The City is attracting new industry but new construction is slowing causing inventories of supplies to be down and many companies are receiving exemptions.

A significant indicator that impacts the economic condition are the employment and unemployment statistics. In December 2013, the City's unemployment rate was 6.7 percent. In December 2014, the Bureau of Labor Statistics reported a preliminary local unemployment rate at 5.8 percent, with the 2014 national average rate at 5.7 percent while Texas' unemployment rate decreased for the previous five consecutive months ending December 2014 at 4.6 percent.

The energy landscape is changing radically and oil exports from America continue to rise as our country gains energy independence. 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. The International Energy Agency predicts that crude prices will average about \$60 per barrel for the next two years as U.S. shale extraction continues to suppress prices. Currently, prices are fluctuating at \$45 to \$60 per barrel, but analysts predicted that lower demand and higher supplies would weigh down the price of crude oil. The International Energy Agency recently reported the fall in the oil price would cause a pause in the U.S. shale, or fracking, boom, but the U.S. will remain the top source of supply growth for the next five years. Bottom line, the Pasadena area is dependent on what happens in the oil and gas industry and watches it carefully. Natural gas prices, on the other hand, surged to their highest levels in 2014 in four years. Consumption of high volumes of natural gas to heat homes and businesses, storage levels are 23.9% above where they were a year ago and only 1.2% below the five-year average. In fact, consumption has been so high that, since 2005, the five highest days of natural gas consumption all occurred in January 2014.

The number of heating-degree days, a measure of gas demand, rises when temperatures are colder and, according to the U.S. Energy Information Administration, about half of all U.S. households use natural gas as their primary heating fuel.



The City's sales tax revenues, in the general fund only, for fiscal year 2014 increased 9.06 percent from \$18,625,390 in 2013 to \$20,314,683 in 2014, which creates a positive outlook that the local economy is improving. As seen in the chart to the left, most revenues came in above budgeted amounts. The City's property tax collection is anticipated to increase approximately 8.5 percent over the near term due to the increase in population and jobs in the Pasadena area.

Housing and real estate sales are another indicator of our local economic conditions and home sales are slowing slightly but home prices are remaining fairly steady. The average home price in Pasadena is \$108,790 with sales increasing slightly. Pricing leveling and foreclosures decreasing are good signs of a steady economy.

The trend of employees continuing to migrate closer to workplaces makes renting an attractive option. Occupancy rates are turning up from early 2013 and are forecast to continue through 2015. 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 2015 estimates. Though office vacancy rates have stabilized. Technology has continued to affect office size, as many have shrinking office space needs, law firms and other paper-heavy companies are 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 providing 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 51).



PSCC was developed for Economic Development and funds many of the City's capital improvement projects. For example, they funded utility improvements for the Gulfport Industrial District which brought in Silver Eagle Distributors. They are a \$25 million distribution center employing approximately 200 employees located at the northeast corner of Highway 225 and Beltway 8. The Board purchased a Skywatch tower to increase security

in the Beltway 8 and Fairmont area, which creates 70% of the City's tax base. It is mobile and has the advantage of being able to monitor parking lots from the air and will be utilized by the Police department in order to be proactive instead of reactive. At this time, due to economic factors and The Historical Society restrictions on the building, PSCC will be selling the Munger Street Museum site. Research on the \$4.9 million Convention Center improvement project is continuing. This is a project to create commercial, retail, and restaurant development around the Convention Center to attract more events to Pasadena by providing nearby lodging and creating amenities to entertain patrons. Also, the Board is still providing funding for an employee training program through San Jacinto College for companies like Oxiteno and Nestle.

Health insurance claims had a very slight decrease of about \$313,000 and the amount provided by the City on the flexible spending account to each employee remained at the 2014 contribution of \$500 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 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 OPEB cost as of the end of fiscal year 2014 is \$5,019,924, with the total actuarial accrued liability of \$59,382,006 as of December 31, 2013 down from the last actuarial report due to the long-term financial planning to reduce the liability.

Relevant Financial Policies

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 85% of principal retired in 10 years. The City's management financial operations such as budgeting practices, balancing the fiscal year 2015 budget with the use of a small amount of reserves (except for the appropriations for capital projects) and still adhering to a two-month reserve policy, as well as timely adjustments to revenue shortfalls. City policies have built character in this 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 2014 due to revenue gains and the implementation of cost-saving measures.

Major Initiatives

Pasadena endeavors to improve its City, especially in the North Pasadena areas. Programs through CDBG (Community Development Block Grants), HOME (Home Investment Partnership) and ESG (Emergency Solutions Grants) which are funded by Housing and Urban Development (HUD), are assisting the City in a joint effort in providing financial support, technical assistance and coordination to non-profit organizations and partners with the private sector to increase the number of accessible and affordable housing units and public service opportunities to qualified residents of the City of Pasadena. The use of CDBG and HOME funding is targeted to public facility and infrastructure improvements, code enforcement, public services, and home purchase and repair programs. The ESG funding is primarily directed to non-profit providers of services and shelter for homeless individuals and families.



These grants are the ultimate funding source for the programs and services provided by Community Development. The five year Consolidated Plan objectives for the City are:

- Developing and maintaining an adequate supply of safe, sanitary and decent housing that is affordable and accessible to residents with a range of income levels and household needs.
- Expanding sustainable homeownership opportunities for low- to moderate-income families.
- Reducing chronic and family homelessness by providing supportive services through local shelters.

- Ensuring full and fair access to housing for all residents.
- Reducing slum and blight in residential, commercial and industrial areas of the City by utilization of Code Enforcement.
- Meeting urgent needs of the community as critical situations arise.

Currently, the City has seven homes in the process of being demolished and reconstructed. More are waiting to be reviewed and processed for the upcoming grant funds.

A home (right) that qualified for reconstruction under the HOME grant program shows how inadequate some of the homes are. While on the next page, a completed reconstruction shows how the programs are improving the conditions of citizens' housing problems and helps in improving the City's "curb appeal".



Households, particularly extremely low income households, need a wide variety of assistance to help them meet emergency needs that occasionally arise. This assistance could include job training to help them transition into better paying professions, mortgage/rental assistance, medical clinics that provide low or no-cost care, rent subsidies and other services that can help absorb the costs that might redirect funds dedicated to housing. Income and housing problems are closely intertwined and, with the City's large minority population making up a disproportionate amount of extremely low and low income persons, they also experience a disproportionate amount of housing problems.

The City of Pasadena is committed to reducing poverty and its causes. The Pasadena Housing Agency's economic and family self-sufficiency programs combine Section 8 rental assistance with job training, education and other supportive services. The City of Pasadena has no public housing but administers the Housing Choice Voucher Program, which provides affordable housing for approximately 1,000 families.

Community Development Block Grant Disaster Recovery (CDBG-DR) is funded by the Consolidated Security, Disaster Assistance, and Continuing Appropriation Act (Public Law 110-329) enacted on September 30, 2008, to facilitate disaster recovery, restoration, economic revitalization, and affirmatively further fair housing, in accordance with Executive Order 12892, in areas affected by Hurricane Dolly and Ike, which are Presidentially-declared major disaster areas under Title IV of the Robert T. Stafford Disaster Relief and Emergency Assistance Act.

The U.S. Department of Housing and Urban Development (HUD), with the lead state managing agency, Texas General Land Office, has distributed disaster recovery grants in three main phases. The City of Pasadena has been granted a total of \$34,821,231, which consisted of Round (1) \$15,518,429, Round (2.1) \$4,710,307 and Round (2.2) \$14,592,495. All grant funds are utilized for City drainage, water and sewer system capital improvement projects.

Round (1) commenced on December 1, 2009 and consists of 15 capital improvement projects. These activities benefit 459,825 persons, of which 238,412, or 52%, are of low to moderate income. To date, all 15 capital improvement projects are completed in the amount of \$15,422,019 with \$96,410 administrative expenditures remaining for the close out process to be completed by December 31, 2015.

Round (2.1) commenced on October 17, 2011 and consists of 8 capital improvement projects. These activities benefit 160,673 persons, of which 85,060, or 53%, are of low to moderate income. To date, 3 projects are completed with 5 remaining projects in final phases of construction in the amount of \$4,070,817 with a remaining balance of \$639,490. All Round (2.1) projects are anticipated to be completed by December 31, 2015.

Round (2.2) commenced on June 13, 2012 and consists of 14 capital improvement projects. These activities benefit 434,197 persons, of which 232,628, or 54%, are of low to moderate income. To date, 2 projects are completed in the amount of \$3,948,224 with 12 remaining projects in various phases of construction in the amount of \$10,644,271. All Round (2.1) projects are anticipated to be completed by December 31, 2015.

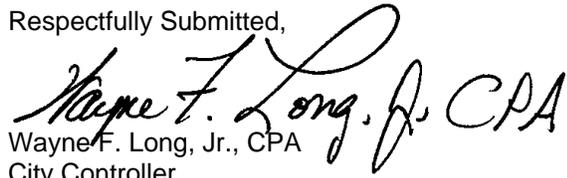
Awards and Acknowledgements

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, 2013. This was the twentieth 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,

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

Wayne F. Long, Jr., CPA
City Controller

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Government Finance Officers Association

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

Presented to

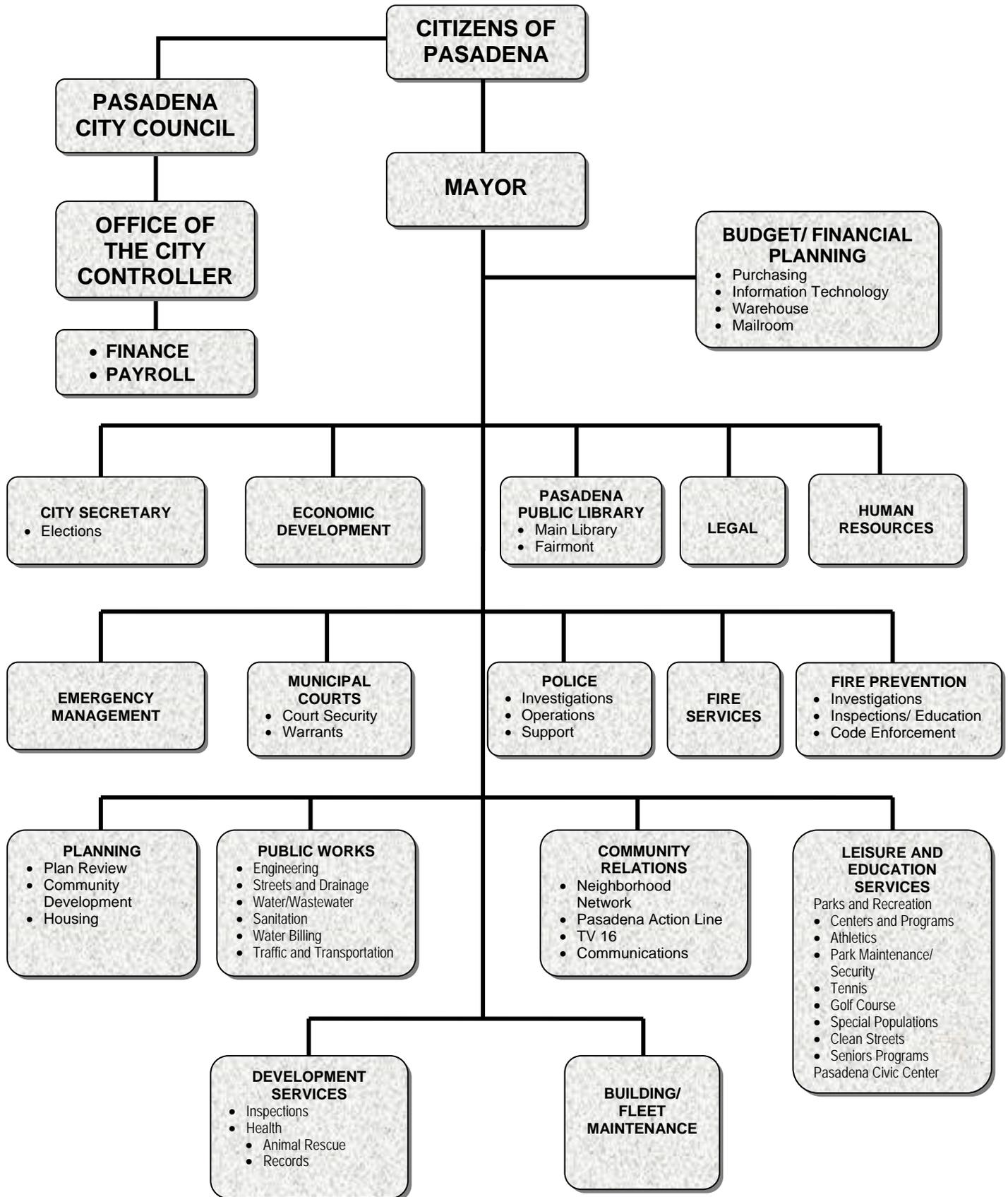
**City of Pasadena
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO

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
BRUCE LEAMON
DON HARRISON
PAT VAN HOUTE
CODY RAY WHEELER
PHIL CAYTEN (MAYOR PRO-TEM)
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

TERESA VASQUEZ-EVANS

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:

Report on the Financial Statements

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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Partners

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and certain grant management funds (major special revenue funds) – Federal Equitable Sharing of Forfeited Property Justice and Treasury Department Grant for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 9, 2015

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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, 2014. This discussion and analysis includes comparative data for fiscal year 2013. 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, 2014 are as follows:

Government-Wide Financial Statements

The City's assets exceeded its liabilities by \$777,579,822 (net position), showing an increase of \$27,705,131 (3.7%) compared to the prior fiscal year of \$749,874,691. Total net position of the City is comprised of the following:

Net investment in capital assets of \$658,283,102 (84.7%) includes 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 position of \$57,517,273 (7.4%) is restricted by constraints imposed from outside the City such as debt covenants, laws, and regulations.

Net position of \$61,779,447 (7.9%) represents 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 \$126,585,371. This compares to the prior fiscal year combined fund balances of \$109,020,356, showing an increase of \$17,565,015 (16.1%). Approximately 25.5% of the fund balances, \$32,240,843, is available for spending at the City's discretion (unassigned); 51.5% of the fund balance, \$65,238,024 is restricted for general government, public safety, public works, culture and recreation, housing and community development, capital improvements and debt service, and assigned is for purchases on order is \$503,375 (.4%), subsequent year's budget: appropriation fund balance of \$18,606,606 (14.7%) and the remaining assigned balance is \$4,805,790 (3.8%) for capital construction. The balance of \$5,190,733 (4%) is committed for general government capital construction.

At the end of fiscal year, the general fund had a total fund balance of \$61,347,347. The unassigned portion of the fund balance was \$32,240,843 or 37.5% of total general fund expenditures of \$85,849,612. The committed portion of the fund balance was \$5,190,733. The assigned portion of the fund balance was \$23,915,771. 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, 2014, the unassigned fund balance exceeded this required balance by \$17,932,574.

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

The second government-wide statement is the Statement of Activities, which reports how the City's net position 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 31-33 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 inflows and outflows 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 34-43 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 government-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 44-49 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 51-83.

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 85-111.

Government-Wide Financial Analysis

As noted earlier, net position may serve as a useful indicator of a government's financial position over time. The City's assets and deferred outflows of resources exceeded liabilities by \$777,579,822 at fiscal year ended September 30, 2014.

CITY OF PASADENA, TEXAS Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and other assets	\$ 163,711,466	\$ 144,166,682	\$ 41,430,887	\$ 43,184,710	\$ 205,142,353	\$ 187,351,392
Capital assets	556,167,169	563,444,883	259,866,852	249,210,876	816,034,021	812,655,759
Total assets	719,878,635	707,611,565	301,297,739	292,395,586	1,021,176,374	1,000,007,151
Deferred charges on refunding bonds	2,217,644	2,560,555	982,037	1,121,108	3,199,681	3,681,663
Total deferred outflows	2,217,644	2,560,555	982,037	1,121,108	3,199,681	3,681,663
Long-term liabilities, outstanding	136,570,037	142,363,169	88,069,111	92,182,328	224,639,148	234,545,497
Other liabilities	15,514,849	14,104,911	6,642,236	5,163,715	22,157,085	19,268,626
Total liabilities	152,084,886	156,468,080	94,711,347	97,346,043	246,796,233	253,814,123
Net position:						
Net investment in capital assets	481,756,248	483,252,803	176,526,854	163,652,579	658,283,102	646,905,382
Restricted	55,218,439	46,905,633	2,298,834	2,339,483	57,517,273	49,245,116
Unrestricted	33,036,706	23,545,604	28,742,741	30,178,589	61,779,447	53,724,193
Total net position	\$ 570,011,393	\$ 553,704,040	\$ 207,568,429	\$ 196,170,651	\$ 777,579,822	\$ 749,874,691

By far, the largest portion of the City's net position, \$658,283,102 (84.7%), reflects its net 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 position increased by \$11,377,720 (1.7%) compared to prior fiscal year of \$646,905,382. The increase was due in part to the reduction in noncurrent liabilities related to the principal payments to the bonds payable including amortization premiums on debt issuances and excluding other long-term debt in the amount of \$12,455,097, with \$8,182,215 for the governmental and \$4,272,882 for the business-type activities and an increase in capital assets net of accumulated depreciation in the amount of \$3,378,262 (.41%), which is the difference between FY 2014 capital assets in the amount of \$816,034,021 and FY 2013 in the amount of \$812,655,759, and the remaining amount of \$2,300,885 comprises the increase in net investment in capital assets.

The second largest portion of the City's net position, \$57,517,273 (7.9%), represents resources that are subject to external restrictions on how they may be used. This compared to the prior fiscal year of \$49,245,116, showing an increase of \$8,272,157 (16.8%) due primarily because the blended component unit, Pasadena Second Century Corporation restricted investments for capital projects increased by \$9,396,894 over last year. The amount of sales tax revenue increased from \$9,312,695 to \$10,157,341 or 9.1% again due to the improving economy.

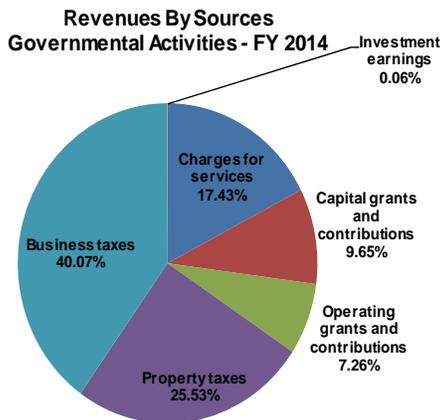
The third and final portion of the City's net position, \$61,779,447 (7.9%) represents unrestricted resources that can be used to meet the City's ongoing obligations to citizens and creditors. This portion of net position increased by \$8,055,254 (15%) compared to the prior fiscal year of \$53,724,193. 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 position.

**CITY OF PASADENA, TEXAS
Changes in Net Position**

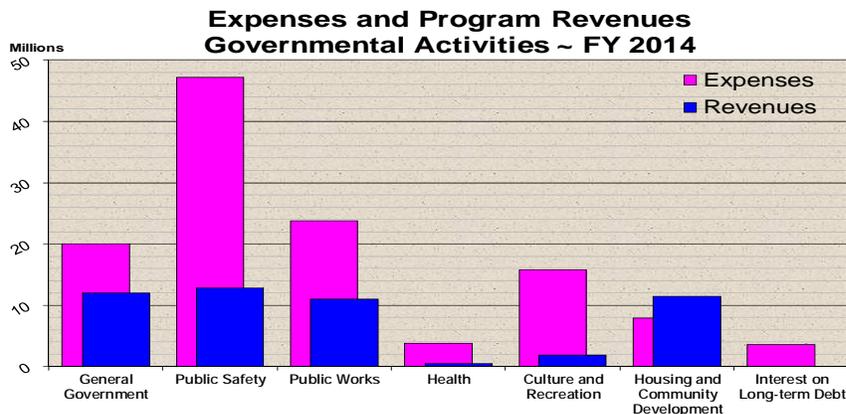
	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Revenues						
Program revenues:						
Charges for services	\$ 25,201,181	\$ 21,962,046	\$ 36,618,566	\$ 37,235,536	\$ 61,819,747	\$ 59,197,582
Operating grants and contributions	10,491,952	11,579,631	-	-	10,491,952	11,579,631
Capital grants and contributions	13,955,703	7,769,209	-	147,596	13,955,703	7,916,805
General revenues						
Property taxes	36,899,872	35,501,359	-	-	36,899,872	35,501,359
Business taxes	56,919,662	54,418,876	-	-	56,919,662	54,418,876
Other taxes/fees	1,000,102	716,284	-	-	1,000,102	716,284
Investment earnings	77,410	155,368	11,249	27,699	88,659	183,067
Gain on sale of capital assets	-	63,864	200,325	-	200,325	63,864
Total Revenues	144,545,882	132,166,637	36,830,140	37,410,831	181,376,022	169,577,468
Expenses:						
General government	20,070,338	17,825,589	-	-	20,070,338	17,825,589
Public safety	47,153,867	48,354,722	-	-	47,153,867	48,354,722
Public works	23,789,663	21,579,683	-	-	23,789,663	21,579,683
Health	3,873,409	3,493,148	-	-	3,873,409	3,493,148
Culture and recreation	15,853,285	15,492,340	-	-	15,853,285	15,492,340
Housing and community development	7,922,281	9,324,100	-	-	7,922,281	9,324,100
Interest on long-term debt	3,564,479	3,877,613	-	-	3,564,479	3,877,613
Water and sewer	-	-	31,443,569	30,765,422	31,443,569	30,765,422
Total Expenses	122,227,322	119,947,195	31,443,569	30,765,422	153,670,891	150,712,617
Increase in net position before transfers	22,318,560	12,219,442	5,386,571	6,645,409	27,705,131	18,864,851
Transfers	(6,011,207)	1,668,346	6,011,207	(1,668,346)	-	-
Increase in net position	16,307,353	13,887,788	11,397,778	4,977,063	27,705,131	18,864,851
Net position - beginning	553,704,040	539,816,252	196,170,651	191,193,588	749,874,691	731,009,840
Net position - ending	\$ 570,011,393	\$ 553,704,040	\$ 207,568,429	\$ 196,170,651	\$ 777,579,822	\$ 749,874,691

Governmental Activities.



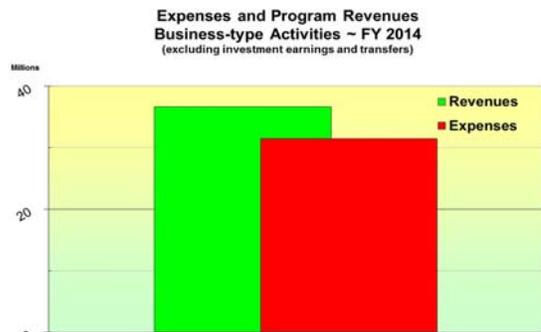
Governmental activities increased the City's net position by \$16,307,353 (2.9%). This was impacted by the current economic conditions. The City has seen overall revenues increased by \$12,379,245 (9.4%) excluding transfers. Public works capital grants and contributions increased by \$5,113,765 due to the Disaster Recovery Texas Community Development Block Grant program where the City has received almost \$7,670,522 under this current year. Charges for services increased by \$3,239,135 (14.7%) with general government charges increasing \$2,965,250 (32.8%) due to the recognition of insurance recovery in the amount of \$2,182,554 from Hurricane Ike which had been recorded in unearned revenue. Sales tax revenue is on the upswing with an increase of \$2,533,939 (8.3%) over last year, showing the economy is improved in our local area. General property tax collections increased by \$1,398,513 (3.9%), which is a good indication of the improved economy.

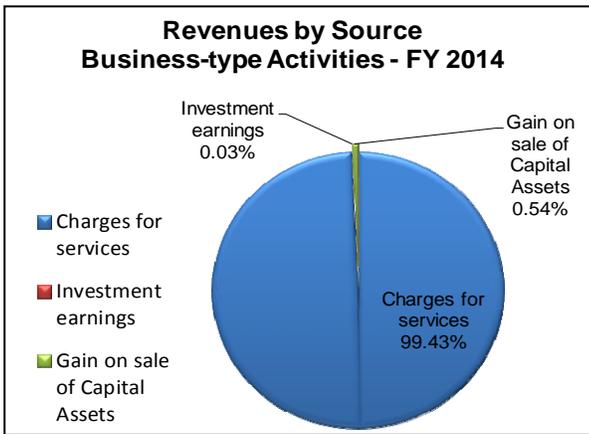
Expenses increased by \$2,280,127 (1.9%) with every function/program increasing except for public safety, Housing and Community Development, and interest on long-term debt which decreased by \$1,200,855 (2.5%), \$1,401,819 (15%), and \$313,134 (3.3%), respectively. This is due in part to the decrease of expenses spent in grant management for public safety, reduction of salary expense in the Community Development department because of several vacant positions, and the structure of long-term debt interest payments, respectively. The general government function expenses increased \$2,244,749 (12.6%) over last year with a loss on sales of capital assets in the amount of \$2,562,866, including the Corrigan Center. The public works expenses increased from \$21,579,683 to \$23,789,663, a \$2,209,980 change due to an increase in engineering services because of an increase of capital projects being administrated by the general fund fund balance.



Business-type Activities. Business-type activities increased the City's net position by \$11,397,778. The key elements of this increase include:

The business-type activities had seen a slight increase in expenses of \$678,147 (2.2%). Contractual services increased by \$1,433,138 (27.6%) with professional services specifically engineering services increasing by 4.3%. Last year, personnel services were 29% of total operating expenses and currently they are at 28%. The City's capital contribution from the grant management fund and Pasadena Second Century Corporation (PSCC)





capital projects fund was \$9,630,491 with the remaining coming from capital projects and general fees in the amount of \$530,716. This is reported on the Statement of Activities as a net of \$6,011,207 including \$10,161,207 capital contribution less \$4,150,000 transfer out. Capital assets purchased through the Disaster Recovery Texas Community Development Block Grant program (TXCDBG) and PSCC capital projects fund were capitalized in the water and sewer funds. The projects included Guthrie Storage Tank, wastewater system improvements at Shaw Avenue, Pasadena Terrace, South Houston, Bramley, and Spencer III, Pansy Water Plant, Martha Ditch Lining and Vista Truck Sewer.

Revenue including interest earnings had a decrease of \$580,691. Charges for services decrease by \$616,970 due to a small decrease in water sales because of a slightly wetter year. The Business-type activities have a gain in sale of capital assets in the amount of \$200,325.

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 \$126,585,371; approximately 25.5% of this amount or \$32,240,843 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 to show that it is not available for other spending:

1. restricted for grants and special purposes with external constraints through laws or regulation (\$8,652,946 or 6.8%)
2. restricted to pay debt service (\$6,272,408 or 4.9%)
3. restricted to pay for certain capital improvements (\$50,312,670 or 39.8%)
4. assigned to pay purchases on order (\$503,375 or .4%)
5. assigned to pay appropriation with fund balance (\$18,606,606 or 14.7%)
6. assigned to pay certain capital construction (\$4,805,790 or 3.8%)
7. committed to general government capital construction and recall, election, and charter revision (\$5,190,733 or 4.1%)

The general fund is the principal operating fund of the City of Pasadena. As of September 30, 2014, the general fund reported fund balance of \$61,347,347. This compared to the prior fiscal year of \$50,080,327, showing an increase of \$11,267,020 (22.5%).

The unassigned portion of the general fund balance was \$32,240,843. 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 of \$85,849,612 or 37.5%.

The City has emerged from the recession with general property tax collection increasing by 8.6%, Industrial district fees decreased by 3.3% due to the way the current contract is structured, which includes a shared increase or decrease in property values and the major indication being sales tax collection increasing by 9.1% over last year. Expenditures including transfers out increased by \$6,543,146 or 7.8%. The City purchased items that were put on hold during the past several years with the economy improving.

The debt service fund has a total fund balance of \$6,272,408, all of which is restricted for the payment of debt service. The increase in fund balance of \$1,052,829 compared to prior fiscal year of \$5,219,579 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 \$43,620,250, all of which is restricted for economic development capital projects. The increase in fund balance of \$6,885,200 or 18.7% compared to prior fiscal year of \$36,735,050 was attributed to a slight upturn in the economy, a slight increase in sales tax collections in the amount of \$844,646 and low 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 \$6,692,420, all of which is restricted for capital improvement projects. The decrease in fund balance amounted to \$2,042,698 or 23.4% compared to prior fiscal year of \$8,735,118. This downward trend will continue as the City has completed the issuance of the entire 2002 voters' authorization of \$102,000,000 in Public Improvement Bonds. The capital outlay expenditures in the amount of \$3,010,810 had decreased by \$2,923,940 or 49% compared to the prior fiscal year with the majority of expenditures concentrated on public works projects totaling \$2,642,654 down from \$3,407,929 in the prior year. Culture and recreation also decreased by 86% over the prior year.

The grant management fund has a total fund balance of \$3,846,495, all of which is restricted for specific grant purposes. The increase in fund balance of \$242,002 or 6.7% compared to the prior fiscal year in the amount of \$3,604,493. The increase was primarily due to City not spending HAP equity in the amount of \$242,708 in the Housing Department.

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 \$99,276,053, including transfers out, was \$4,420,198 (4.6%) more than the original budget of \$94,855,855.

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

- \$37,493 increase for General Government - included an increase of \$478,675 in property management and a decrease of \$305,807 in other charges, mainly a reduction of sick and vacation time not used.
- \$692,315 increase for Public Safety - included increased costs in various police salary accounts due to the unexpected overtime costs and an increase in capital outlay in fire fighting in the amount of \$170,865 for additional needed equipment.
- \$2,763,009 increase for Public Works - included two components: (1) an increase in the cost of street and bridge in the amount of \$2,639,488 mostly in capital outlay, and (2) an increase in engineering contractual service in the amount of \$128,872.
- \$10,963 increase in Health - included an increase in personnel services of \$15,000 in animal rescue and assistance.
- \$116,418 increase in Culture and Recreation – increases anticipated in parks contractual services which never materialized.

Even with the above mentioned amendments, total actual expenditures, including transfers out totaling \$90,264,236, were \$9,011,817 (9.1%) below the final budget. General government function had a variance of \$2,933,836, specifically in other charges, which includes unexpended sick and vacation budget and the culture and recreation function, in the amount of \$3,018,612. In the parks department projects had been budgeted but not completed this fiscal year.

Actual revenues, including the transfers in, insurance recovery, and sale of capital assets totaled \$101,531,256, which was over the final budgeted amount of \$91,959,112 by \$9,572,144 (10.4%). The largest favorable variances were in the other financing sources in sale of capital assets in the amount of \$4,781,652

and insurance recovery in the amount of \$2,182,554. As stated before, the City sold the Corrigan Center during the year for \$4,578,786 and the recognition of insurance recovery funds in the amount of \$2,182,554.

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, 2014 amounted to \$816,034,021 (net of accumulated depreciation). This investment includes land, buildings and building improvements, facilities and other improvements, machinery and equipment, infrastructure (streets, bridges, storm drains, water and sewer systems), automotive, and construction in progress.

The total increase in the City's investment in capital assets for the current fiscal year was \$3,378,262 (0.41%) compared to prior fiscal year of \$812,655,759, a \$7,277,714 (1.3%) decrease for governmental activities mainly due to the sale of the Corrigan Center and a \$10,655,976 (4.3%) increase for business-type activities.

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

- Continued with Vista Drainage: BW8 – Space Center (D023) - \$220,900 with \$267,450 in progress at the end of the fiscal year.
- Began 2014 On Call Storm Sewer Replacement (D027) - \$447,844 construction in progress at the end of the fiscal year.
- Continued with Cotton Patch Detention Pond/Pump Station (D050) - \$189,140 with \$299,721 in progress at the end of the fiscal year.
- Continued with Cotton Patch-Thomas St Outfall (D051) - \$5,255 with \$8,139 in progress at the end of the fiscal year.
- Continued with Martha Ditch Concrete Lining (D052) - \$333,487 with \$397,209 in progress at the end of the fiscal year.
- Continued with Drainage Study (D053) - \$39,006 with \$194,495 in progress at the end of the fiscal year.
- Continued with Rebuilding Station #5 (F004) - \$129,865 with \$131,765 in progress at the end of the fiscal year.
- Began Animal Adoption Center (M016) - \$63,000 in progress at the end of the fiscal year.
- Began 901 Curtis Administration Building (M124) - \$212,184 in progress at the end of the fiscal year.
- Began Police Evidence Building (P004) - \$12,102 in progress at the end of the fiscal year.
- Began Camera System Upgrade/Jail Door (P006) - \$1,421 in progress at the end of the fiscal year.
- Continued with Strawberry Park Swimming Pool Renovation (R022) - \$177,935 with \$243,524 in progress at the end of the fiscal year.
- Continued with Pinnacle Bridge/Hernandez (S025) - \$40,000 with \$57,500 in progress at the end of the fiscal year.
- Continued Finrock St: Harris to Southmore (S031) - \$88,956 with \$136,142 in progress at the end of the fiscal year.
- Continued Bearle St: SH225 to Thomas (S032) - \$64,094 with \$154,092 in progress at the end of the fiscal year.
- Began Finrock; Thomas - Harris (S037) - \$133,463 in progress at the end of the fiscal year.
- Began Leesa Lane Extension (S039) - \$417,318 in progress at the end of the fiscal year.
- Began W Ellaine; Richey – Cherokee Ave (S040) - \$338,089 in progress at the end of the fiscal year.
- Continued Preston; Beltway 8-Genoa Red Bluff (S049) - \$6,030 with \$326,518 design/engineering in progress at the end of the fiscal year.

- Continued Main: SH225-Southmore (S051) - \$103,996 with \$7,119,483 in progress at the end of the fiscal year.
- Continued Pasadena Blvd Overlay; Harris-225 (S057) - \$31,817 with \$61,199 in progress at the end of the fiscal year.
- Began Sidewalk Replacement (S067) - \$449,623 in progress at the end of the fiscal year.
- Began Randolph Rd; Pine - Spencer (S087) - \$50,468 in progress at the end of the fiscal year.
- Began 2013 Sidewalk Replacement (S091) - \$395,295 in progress at the end of the fiscal year.
- Continued Paving/Drainage Project Management (S095) - \$748,966 with \$768,559 in progress at the end of the fiscal year.
- Began Magnolia St Paving/Drainage (S096) - \$757,962 in progress at the end of the fiscal year.
- Began 2014 On Call Pavement Replacement (S097) - \$194,085 in progress at the end of the fiscal year.
- Continued Evacuation Traffic Signal Study (T001) - \$38,754 with \$193,789 in progress at the end of the fiscal year.
- Began Spencer Highway Traffic Signals (T005) - \$37,512 in progress at the end of the fiscal year.
- Continued SEWPP Metering Station Improvement (W011) - \$171,033 in progress at the end of the fiscal year.
- Continued Waterline Improvement Project (W021) - \$1,174,721 with \$1,382,918 in progress at the end of the fiscal year.
- Began Rodeo Grounds Pump Station (W022) - \$32,370 in progress at the end of the fiscal year.
- Began Bay Area Blvd/Port Rd Waterline (W027) - \$105,342 paid to Harris County for construction costs.
- Began Crenshaw Water Plant (South) (W028) - \$508,080 in progress at the end of the fiscal year.
- Continued with Guthrie Ground Storage Tank (W040) - \$3,037,034 in progress at the end of the fiscal year.
- Continued with Wafer Ground Storage Facility (W041) - \$45,649 with \$111,720 in progress at the end of the fiscal year.
- Continued with Garner Water Well & Booster Pump (W042) - \$44,901 with \$91,900 in progress at the end of the fiscal year.
- Continued with Pansy Water Plant (W043) - \$377,071 with \$480,632 in progress at the end of the fiscal year.
- Continued Deepwater Plant Improvements (W044) - \$25,084 with \$40,639 in progress at the end of the fiscal year.
- Continued Red Bluff Water Plant Improvements (W045) - \$24,317 with \$40,390 in progress at the end of the fiscal year.
- Began Winona Lift Station (WW012) - \$1,081,968 in progress at the end of the fiscal year.
- Continued Gulfport Industrial District Utility Imp (WW013) - \$768,269 with \$1,678,093 in progress at the end of the fiscal year.
- Continued Citywide WW Rehab (WW019) - \$501,249 with \$1,784,415 in progress at the end of the fiscal year.
- Continued Golden Acres Subdivision WW Rehab (WW020) - \$754,625 with \$767,140 in progress at the end of the fiscal year.
- Began Deepwater East Trunk SS (WW021) - \$917,204 in progress at the end of the fiscal year.

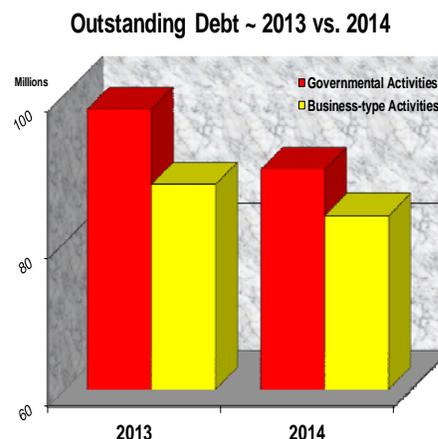
- Began Llano/Red Bluff/Ellaine/Wyatt Lift Station (WW022) - \$82,919 in progress at the end of the fiscal year.
- Continued Golden Acres WWTP Force Main (WW037) - \$164,429 with \$189,429 in progress at the end of the fiscal year.
- Continued SSR Shaw Ave (WW041) - \$328,104 with \$361,256 in progress at the end of the fiscal year.
- Continued SSR Pasadena Terrace (WW042) - \$33,650 with \$50,858 in progress at the end of the fiscal year.
- Continued with SSR South Houston (WW043) - \$397,408 with \$446,510 in progress at the end of the fiscal year.
- Continued SSR Bramley Subdivision (WW044) - \$118,574 with \$143,980 in progress at the end of the fiscal year.
- Continued with RTS III; Westside (WW051) - \$585,658 with \$643,272 in progress at the end of the fiscal year.
- Continued with RTS IV-Vince St SSR (WW052) - \$958,264 with \$998,367 in progress at the end of the fiscal year.
- Continued with RTS VI; Force Main (WW053) - \$574,071 with \$602,749 in progress at the end of the fiscal year.
- Continued with New Vince Bayou WWTP Generator (WW054) - \$130,281 with \$164,319 in progress at the end of the fiscal year.
- Continued Vista Lift Station (WW055) - \$18,685 with \$43,477 in progress at the end of the fiscal year.
- Continued with Vista Trunk Sewer Ph III (WW056) - \$1,133,502 with \$1,272,761 in progress at the end of the fiscal year.
- Continued with RTS V; West Pitts (WW057) - \$5,024 with \$9,944 in progress at the end of the fiscal year.
- Began Pineswept Subdivision WW Rehab (WW058) - \$496,752 in progress at the end of the fiscal year.
- Continued Post Office Building (Z001) - \$80,536 with \$296,655 in progress at the end of the fiscal year.

CAPITAL ASSETS
(net of depreciation)
September 30, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Land	\$ 138,641,068	\$ 136,555,351	\$ 1,619,352	\$ 1,385,078	\$ 140,260,420	\$ 137,940,429
Buildings and building improvements	55,567,090	60,272,809	1,833,727	1,069,877	57,400,817	61,342,686
Facilities and other improvements	6,743,171	5,592,323	4,210,273	4,323,313	10,953,444	9,915,636
Machinery and equipment	12,997,393	13,145,001	2,699,458	2,994,530	15,696,851	16,139,531
Infrastructure	301,443,055	307,857,179	223,393,860	218,171,160	524,836,915	526,028,339
Automotive equipment	11,728,940	10,422,726	43,128	41,535	11,772,068	10,464,261
Construction in progress	29,046,452	29,599,494	26,067,054	21,225,383	55,113,506	50,824,877
Totals	\$ 556,167,169	\$ 563,444,883	\$ 259,866,852	\$ 249,210,876	\$ 816,034,021	\$ 812,655,759

Additional information on the City of Pasadena's capital assets can be found in Note IV, D, pages 65-66 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 \$173,425,969. Of this amount, \$89,838,801 represents debt backed and paid for by the full faith and credit of the City and/or secured by the sales tax revenues from Pasadena Second Century Corporation, a blended component unit, and \$83,587,168 represents debt either secured by the net revenues of the City's water and sewer operations (\$64,962,630) or by the full faith and credit of the City, but be paid from the City's water and sewer operations (\$18,624,538).



The overall debt decreased by \$12,455,097 (6.7%), attributable to debt principal payments during the current fiscal year. Please refer to note IV, G, pages 70-73 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, 2014

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
General, certificate and other obligations including refunding	\$ 89,838,801	\$ 98,021,016	\$ 18,624,538	\$ 21,571,696	\$ 108,463,339	\$ 119,592,712
Revenue bonds including refunding	-	-	64,962,630	66,288,354	64,962,630	66,288,354
Total	\$ 89,838,801	\$ 98,021,016	\$ 83,587,168	\$ 87,860,050	\$ 173,425,969	\$ 185,881,066

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-"
Fitch Ratings – "AA"

Utility Supported Debt:

Standard & Poors – "AA-"
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 \$545,527,451 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 2014) was 5.8%, down from 6.7% for the previous December per the Bureau of Labor Statistics.
- Assessed value for property tax used for the fiscal year 2015 budget preparation is up approximately 6% from fiscal year 2014 and is expected to bring in an increase of \$1,201,748 in revenues due to the new property added to the tax rolls and despite a decrease in the tax rate from 0.591593 to 0.576904.

- The general fund revenue per the fiscal year 2015 adopted budget is expected to decrease by approximately 0.6%, excluding transfer in, insurance recovery, and sale of capital assets over fiscal year 2014 actual amounts due to the expectation of a very small decrease of \$540,012 in revenue.
- Sales tax revenue is expected to be slightly down with the national economy expected to remain the same. The City has experienced growth in the sales tax revenue over the prior years.
- The fiscal year 2015 adopted budget anticipates a slight increase in industrial revenue of 1.0%. This small increase can be traced to the industrial district assessed values.
- The 2015 budget under the modified accrual basis includes an increase in water and sewer operating revenues compared to the actual amount in fiscal year 2014. 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 2015. Revenues in the general fund are budgeted in the amount of \$90,762,970, excluding transfers and sales of capital assets, an increase of 2.3% over the final fiscal year 2014 budget of \$88,695,612 (excluding transfer in, insurance recovery, and sale of capital assets) mainly due to the revenue increase expected in property, industrial fees, and business taxes.

Expenditures are budgeted to increase by 12.4%, or \$12,333,523, in comparison to the final budgeted expenditures of fiscal year 2014. This increase is due to using fund balance for fiscal year 2015 for CIP projects, which included \$14.25 million for capital construction.

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 POSITION
SEPTEMBER 30, 2014

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pasadena Crime Control and Prevention District
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,301,629	\$ 2,306,739	\$ 4,608,368	\$ -
Investments	72,996,316	27,756,360	100,752,676	5,677,239
Receivables (net of allowances for uncollectible)	12,821,181	5,315,605	18,136,786	1,671,841
Due from component unit	98,642	-	98,642	-
Internal balances	5,057,002	(5,057,002)	-	-
Inventories	603,857	7,506	611,363	-
Prepaid items	504,387	404,615	909,002	-
Deposits	41,000	6,946,195	6,987,195	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	802,684	-	802,684	-
Investments	64,069,595	3,750,869	67,820,464	-
Intergovernmental receivables	4,415,173	-	4,415,173	-
Capital assets not being depreciated:				
Land	138,641,068	1,619,352	140,260,420	-
Construction in progress	29,046,452	26,067,054	55,113,506	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	55,567,090	1,833,727	57,400,817	-
Facilities and other improvements	6,743,171	4,210,273	10,953,444	-
Machinery and equipment	12,997,393	2,699,458	15,696,851	-
Infrastructure	301,443,055	223,393,860	524,836,915	-
Automotive	11,728,940	43,128	11,772,068	-
TOTAL ASSETS	719,878,635	301,297,739	1,021,176,374	7,349,080
<u>DEFERRED OUTFLOWS OF RESOURCES</u>				
Deferred charges on refunding bonds	2,217,644	982,037	3,199,681	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,217,644	982,037	3,199,681	-
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	9,427,492	499,598	9,927,090	95,862
Accrued payroll payable	2,916,464	316,175	3,232,639	277,776
Accrued interest payable	455,265	-	455,265	-
Due to primary government	-	-	-	98,642
Liabilities payable from restricted assets	2,671,621	2,186,902	4,858,523	-
Customer deposits	-	3,639,561	3,639,561	-
Unearned revenue	44,007	-	44,007	-
Noncurrent liabilities:				
Due within one year	11,582,433	4,326,407	15,908,840	-
Due in more than one year	124,987,604	83,742,704	208,730,308	-
TOTAL LIABILITIES	152,084,886	94,711,347	246,796,233	472,280
<u>NET POSITION</u>				
Net investment in capital assets	481,756,248	176,526,854	658,283,102	-
Restricted for:				
Debt service	6,497,524	2,298,834	8,796,358	-
Capital projects	39,952,298	-	39,952,298	-
Public safety	2,478,880	-	2,478,880	6,876,800
Housing and community development	2,957,948	-	2,957,948	-
Cultural and recreation	1,960,088	-	1,960,088	-
Other purpose	1,371,701	-	1,371,701	-
Unrestricted	33,036,706	28,742,741	61,779,447	-
TOTAL NET POSITION	\$ 570,011,393	\$ 207,568,429	\$ 777,579,822	\$ 6,876,800

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, 2014**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Pasadena Crime Control and Prevention District	
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental activities:								
General government	\$ 20,070,338	\$ 11,987,529	\$ -	\$ -	\$ (8,082,809)	\$ -	\$ (8,082,809)	\$ -
Public safety	47,153,867	8,355,481	2,054,739	2,394,372	(34,349,275)	-	(34,349,275)	-
Public works	23,789,663	2,488,653	474,174	8,067,528	(12,759,308)	-	(12,759,308)	-
Health	3,873,409	470,193	-	-	(3,403,216)	-	(3,403,216)	-
Culture and recreation	15,853,285	1,842,968	-	10,000	(14,000,317)	-	(14,000,317)	-
Housing and community development	7,922,281	56,357	7,963,039	3,483,803	3,580,918	-	3,580,918	-
Interest on long-term debt	3,564,479	-	-	3,564,479	(3,564,479)	-	(3,564,479)	-
Total governmental activities	122,227,322	25,201,181	10,491,952	13,955,703	(72,578,486)	-	(72,578,486)	-
Business-type activities:								
Water and sewer system	31,443,569	36,618,566	-	-	-	5,174,997	5,174,997	-
TOTAL PRIMARY GOVERNMENT	\$ 153,670,891	\$ 61,819,747	\$ 10,491,952	\$ 13,955,703	(72,578,486)	5,174,997	(67,403,489)	-
Component unit:								
Pasadena Crime Control and Prevention District	\$ 7,929,416	\$ -	\$ 17,729	\$ -	\$ -	\$ -	\$ -	\$ 7,911,687
General revenues:								
General property taxes					36,899,872		36,899,872	
Business taxes								
Industrial district fees					17,177,327		17,177,327	
Sales taxes					30,472,024		30,472,024	9,872,012
Utility taxes					9,270,311		9,270,311	
Other taxes					1,000,102		1,000,102	
Total business taxes					57,919,764		57,919,764	9,872,012
Investment earnings								
Unrestricted					46,788	9,763	56,551	
Restricted					30,622	1,486	32,108	1,691
Gain on sale of capital assets						200,325	200,325	
Transfers					(6,011,207)	6,011,207	-	
Total general revenues and transfers					88,885,839	6,222,781	95,108,620	9,873,703
CHANGE IN NET POSITION					16,307,353	11,397,778	27,705,131	1,962,016
NET POSITION - BEGINNING					553,704,040	196,170,651	749,874,691	4,914,784
NET POSITION - ENDING					\$ 570,011,393	\$ 207,568,429	\$ 777,579,822	\$ 6,876,800

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 2,301,629	\$ -	\$ -	\$ -
Investments	56,185,079	-	-	-
Receivables (net of allowance for uncollectible)	9,726,695	294,331	1,710,303	-
Due from other funds	5,306,027	29,573	-	-
Due from component unit	98,642	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	9,977	-
Investments	-	6,203,193	42,663,935	7,734,453
Receivables (net of allowance for uncollectible)	68,342	-	-	-
TOTAL ASSETS	\$ 73,686,414	\$ 6,527,097	\$ 44,384,215	\$ 7,734,453
LIABILITIES				
Accounts payable	\$ 8,803,239	\$ -	\$ -	\$ -
Accrued payroll payable	2,654,940	-	-	-
Due to other funds	432,627	-	119,981	126,501
Compensated absences payable	-	-	-	-
Unearned revenue - other	-	-	-	-
Liabilities payable from restricted assets	-	-	643,984	915,532
TOTAL LIABILITIES	11,890,806	-	763,965	1,042,033
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - property taxes	426,473	254,689	-	-
Unavailable revenue - industrial district fees	21,788	-	-	-
Unavailable revenue - notes grant management	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	448,261	254,689	-	-
FUND BALANCES				
Restricted	-	6,272,408	43,620,250	6,692,420
Committed	5,190,733	-	-	-
Assigned	23,915,771	-	-	-
Unassigned	32,240,843	-	-	-
TOTAL FUND BALANCES	61,347,347	6,272,408	43,620,250	6,692,420
TOTAL LIABILITIES DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 73,686,414	\$ 6,527,097	\$ 44,384,215	\$ 7,734,453

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

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

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 position.

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

NET POSITION OF GOVERNMENTAL ACTIVITIES

Grant Management	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ -	\$ 2,301,629
-	-	56,185,079
-	-	11,731,329
-	403,054	5,738,654
-	-	98,642
739,740	52,967	802,684
3,290,932	4,177,082	64,069,595
5,027,184	311,119	5,406,645
\$ 9,057,856	\$ 4,944,222	\$ 146,334,257
\$ -	\$ -	\$ 8,803,239
-	-	2,654,940
3,031,153	22,612	3,732,874
147,783	-	147,783
27,711	16,296	44,007
1,013,241	98,863	2,671,620
4,219,888	137,771	18,054,463
-	-	681,162
-	-	21,788
991,473	-	991,473
991,473	-	1,694,423
3,846,495	4,806,451	65,238,024
-	-	5,190,733
-	-	23,915,771
-	-	32,240,843
3,846,495	4,806,451	126,585,371
\$ 9,057,856	\$ 4,944,222	
		541,423,478
		1,694,423
		31,803,718
		(131,495,597)
		\$ 570,011,393

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, 2014

	<u>General</u>	<u>Debt Service</u>	<u>Pasadena Second Century Corporation</u>	<u>Capital Projects</u>
REVENUES				
General property taxes	\$ 25,573,707	\$ 11,570,894	\$ -	\$ -
Business taxes and fees				
Industrial district fees	17,172,395	-	-	-
Sales taxes	20,314,683	-	10,157,341	-
Franchise taxes	8,968,863	-	-	-
Other taxes	262,174	-	-	-
Total business taxes and fees	<u>46,718,115</u>	<u>-</u>	<u>10,157,341</u>	<u>-</u>
Licenses and permits	2,425,676	-	-	-
Municipal court fines	6,092,658	-	-	-
Charges for services	9,586,071	-	-	-
Intergovernmental	219,355	-	-	90,000
Program income	-	-	-	-
Contribution from outside sources	-	-	-	871,137
Miscellaneous	646,517	-	30	42
Investment income	40,883	1,983	17,235	7,294
TOTAL REVENUES	<u>91,302,982</u>	<u>11,572,877</u>	<u>10,174,606</u>	<u>968,473</u>
EXPENDITURES				
Current:				
General government	14,763,252	-	-	-
Public safety	37,764,158	-	-	-
Public works	16,743,664	-	672,499	-
Health	3,520,728	-	-	-
Culture and recreation	13,057,810	-	-	-
Housing and community development	-	-	-	-
Debt Service:				
Principal	-	6,840,000	810,000	-
Interest	-	3,680,409	105,213	-
Capital Outlay:				
General government	-	-	80,537	-
Public safety	-	-	-	14,869
Public works	-	-	1,621,157	2,642,654
Culture and recreation	-	-	-	353,287
TOTAL EXPENDITURES	<u>85,849,612</u>	<u>10,520,409</u>	<u>3,289,406</u>	<u>3,010,810</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>5,453,370</u>	<u>1,052,468</u>	<u>6,885,200</u>	<u>(2,042,337)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,200,568	361	-	-
Transfers out	(4,414,624)	-	-	(361)
Insurance recovery	2,182,554	-	-	-
Sale of capital assets	5,845,152	-	-	-
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>5,813,650</u>	<u>361</u>	<u>-</u>	<u>(361)</u>
NET CHANGE IN FUND BALANCES	<u>11,267,020</u>	<u>1,052,829</u>	<u>6,885,200</u>	<u>(2,042,698)</u>
FUND BALANCES, BEGINNING	<u>50,080,327</u>	<u>5,219,579</u>	<u>36,735,050</u>	<u>8,735,118</u>
FUND BALANCES, ENDING	<u>\$ 61,347,347</u>	<u>\$ 6,272,408</u>	<u>\$ 43,620,250</u>	<u>\$ 6,692,420</u>

The accompanying notes are an integral part of the financial statements

Grant Management	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ -	\$ 37,144,601
-	-	17,172,395
-	-	30,472,024
-	301,448	9,270,311
-	737,928	1,000,102
-	1,039,376	57,914,832
-	3,050	2,428,726
-	412,758	6,505,416
-	-	9,586,071
21,415,248	793,515	22,518,118
327,540	-	327,540
-	-	871,137
-	256,102	902,691
1,864	2,246	71,505
21,744,652	2,507,047	138,270,637
-	622,952	15,386,204
2,632,455	1,323,244	41,719,857
7,670,523	-	25,086,686
-	-	3,520,728
10,000	400,189	13,467,999
11,247,201	-	11,247,201
-	-	7,650,000
-	-	3,785,622
-	-	80,537
-	-	14,869
-	-	4,263,811
-	-	353,287
21,560,179	2,346,385	126,576,801
184,473	160,662	11,693,836
58,097	-	2,259,026
(568)	-	(4,415,553)
-	-	2,182,554
-	-	5,845,152
57,529	-	5,871,179
242,002	160,662	17,565,015
3,604,493	4,645,789	109,020,356
\$ 3,846,495	\$ 4,806,451	\$ 126,585,371

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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, 2014**

Amounts reported for governmental activities in the statement of activities (page 33) are different because:

Net change in fund balances - total governmental funds (page 37)	\$ 17,565,015
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 exceeded capital outlay in the current period.	(272,546)
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfer and donations) is a decrease to net position.	(8,685,046)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(239,797)
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 position. 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.	7,650,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(2,895,921)
Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mailroom, 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.	3,185,648
Change in net position of governmental activities (page 33)	\$ 16,307,353

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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 26,017,000	\$ 26,017,000	\$ 25,573,707	\$ (443,293)
Business taxes				
Industrial district fees	17,340,000	17,340,000	17,172,395	(167,605)
Sales taxes	18,400,000	18,400,000	20,314,683	1,914,683
Utility taxes	8,560,210	8,560,210	8,968,863	408,653
Other taxes	150,000	150,000	262,174	112,174
Total business taxes	<u>44,450,210</u>	<u>44,450,210</u>	<u>46,718,115</u>	<u>2,267,905</u>
Licenses and permits	2,005,440	2,020,340	2,425,676	405,336
Municipal court fines	5,825,000	5,825,000	6,092,658	267,658
Charges for services	9,548,515	9,548,515	9,586,071	37,556
Intergovernmental	318,705	305,547	219,355	(86,192)
Miscellaneous	462,200	462,200	646,517	184,317
Investment income	66,800	66,800	40,883	(25,917)
TOTAL REVENUES	<u>88,693,870</u>	<u>88,695,612</u>	<u>91,302,982</u>	<u>2,607,370</u>
EXPENDITURES				
Current				
General Government				
City council	209,499	211,099	156,474	54,625
Mayor	382,978	384,578	312,416	72,162
Budget and financial planning	530,683	567,783	551,649	16,134
Municipal court	1,996,789	1,966,889	1,931,352	35,537
City controller	1,805,100	1,805,500	1,626,106	179,394
Tax	443,020	443,020	420,221	22,799
Purchasing	362,151	391,151	388,768	2,383
Legal	1,238,850	1,208,850	1,021,757	187,093
City secretary	392,568	396,068	357,853	38,215
Elections	122,200	122,200	27,786	94,414
Human resources	747,582	747,582	661,821	85,761
Civil service	74,400	72,200	14,584	57,616
City marshal	745,705	749,205	743,737	5,468
Community relations	995,645	1,001,445	903,151	98,294
Pasadena action line	409,049	410,949	406,187	4,762
Planning	552,269	431,269	341,336	89,933
Planning/development administration	171,408	121,408	117,086	4,322
Economic development liaison	286,691	296,691	281,327	15,364
Neighborhood network	388,291	388,291	173,592	214,699
Inspections	1,555,342	1,513,642	1,431,053	82,589
Property management	2,090,878	2,569,553	2,173,386	396,167
Impound/storage	365,252	410,277	406,891	3,386
Other charges	1,793,245	1,487,438	314,719	1,172,719
Total General Government	<u>17,659,595</u>	<u>17,697,088</u>	<u>14,763,252</u>	<u>2,933,836</u>
Public Safety				
Emergency preparedness	535,905	573,378	559,323	14,055
Fire fighting	3,081,488	3,433,953	3,021,127	412,826
Fire prevention	1,176,459	1,316,695	1,311,035	5,660
Police	33,898,597	34,060,738	32,872,673	1,188,065
Total Public Safety	<u>38,692,449</u>	<u>39,384,764</u>	<u>37,764,158</u>	<u>1,620,606</u>
Public Works				
Engineering	2,434,126	2,562,998	2,237,593	325,405
Street lighting and signals	1,453,800	1,453,800	1,357,271	96,529
Sanitation	6,726,241	6,740,790	6,616,559	124,231
Street and bridge	2,861,375	5,500,863	5,233,987	266,876
Traffic and transportation	1,570,670	1,550,770	1,298,254	252,516
Total Public Works	<u>\$ 15,046,212</u>	<u>\$ 17,809,221</u>	<u>\$ 16,743,664</u>	<u>\$ 1,065,557</u>

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Health				
Health	\$ 1,644,404	\$ 1,610,837	\$ 1,431,486	\$ 179,351
Animal rescue and assistance	2,238,567	2,283,097	2,089,242	193,855
Total Health	3,882,971	3,893,934	3,520,728	373,206
Culture and Recreation				
Parks	5,019,209	5,202,482	3,300,996	1,901,486
Recreation	2,887,358	2,836,498	2,395,985	440,513
Clean streets	1,620,167	1,612,467	1,544,176	68,291
Golf course	874,584	879,119	623,756	255,363
Multi-purpose center	559,458	560,008	458,397	101,611
Civic center	733,240	707,240	632,010	75,230
Senior center - Madison Jobe	406,856	436,856	377,744	59,112
Museum	67,271	37,431	25,082	12,349
Library	3,791,861	3,804,321	3,699,664	104,657
Total Culture and Recreation	15,960,004	16,076,422	13,057,810	3,018,612
TOTAL EXPENDITURES	91,241,231	94,861,429	85,849,612	9,011,817
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,547,361)	(6,165,817)	5,453,370	11,619,187
OTHER FINANCING SOURCES (USES)				
Transfers in	2,200,000	2,200,000	2,200,568	568
Transfers out	(3,614,624)	(4,414,624)	(4,414,624)	-
Insurance recovery	-	-	2,182,554	2,182,554
Sale of capital assets	40,000	1,063,500	5,845,152	4,781,652
TOTAL OTHER FINANCING SOURCES (USES)	(1,374,624)	(1,151,124)	5,813,650	6,964,774
NET CHANGE IN FUND BALANCES	(3,921,985)	(7,316,941)	11,267,020	18,583,961
FUND BALANCES - BEGINNING	49,881,188	50,080,327	50,080,327	-
FUND BALANCES - ENDING	\$ 45,959,203	\$ 42,763,386	\$ 61,347,347	\$ 18,583,961

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 308,044	\$ 308,044
Program income	1,000	1,000	210	(790)
TOTAL REVENUES	<u>1,000</u>	<u>1,000</u>	<u>308,254</u>	<u>307,254</u>
EXPENDITURES				
Current				
Public Safety				
Contractual services	338,269	338,269	286,960	51,309
Materials and supplies	281,953	281,953	263,684	18,269
Intergovernmental	45,000	45,000	-	45,000
Capital outlay	25,000	25,000	25,000	-
TOTAL EXPENDITURES	<u>690,222</u>	<u>690,222</u>	<u>575,644</u>	<u>114,578</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(689,222)	(689,222)	(267,390)	421,832
FUND (PROGRAM) BALANCE - BEGINNING	<u>695,824</u>	<u>721,280</u>	<u>721,280</u>	<u>-</u>
FUND (PROGRAM) BALANCE - ENDING	<u>\$ 6,602</u>	<u>\$ 32,058</u>	<u>\$ 453,890</u>	<u>\$ 421,832</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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 348,145	\$ 348,145
Program income	350	350	178	(172)
TOTAL REVENUES	350	350	348,323	347,973
EXPENDITURES				
Current				
Public Safety				
Contractual services	80,997	90,997	56,380	34,617
Materials and supplies	46,914	46,914	40,257	6,657
Capital outlay	81,710	81,710	13,710	68,000
TOTAL EXPENDITURES	209,621	219,621	110,347	109,274
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(209,271)	(219,271)	237,976	457,247
FUND (PROGRAM) BALANCE - BEGINNING	336,959	436,780	436,780	-
FUND (PROGRAM) BALANCE - ENDING	\$ 127,688	\$ 217,510	\$ 674,756	\$ 457,247

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Funds
	Water and Sewer System		
ASSETS			
Current Assets			
Cash and cash equivalents	\$ 2,306,739		\$ -
Investments			
TexPool	27,712,251		16,811,237
CLASS	44,109		-
Receivables (net of allowances for uncollectible)	5,315,605		98,380
Inventory, at cost	7,506		603,857
Prepaid items	-		486,085
Restricted assets			
Investments			
Texpool	2,403,394		-
CLASS	1,347,475		-
Total Current Assets	39,137,079		17,999,559
Noncurrent Assets			
Deposits	6,946,195		41,000
Prepaid items	404,615		-
Capital assets			
Land	1,619,352		602
Buildings and building improvements	4,636,550		2,143,366
Accumulated depreciation - buildings and building improvements	(2,802,823)		(1,724,063)
Facilities and other improvements	6,977,604		175,754
Accumulated depreciation - facilities and other improvements	(2,767,331)		(63,924)
Machinery and equipment	11,185,463		6,614,390
Accumulated depreciation - machinery and equipment	(8,486,005)		(4,155,280)
Infrastructure	318,888,368		41,746
Accumulated depreciation - Infrastructure	(95,494,508)		(17,840)
Automotive	310,904		37,618,790
Accumulated depreciation - automotive	(267,776)		(25,889,850)
Construction in progress	26,067,054		-
Net capital assets	259,866,852		14,743,691
Total Noncurrent Assets	267,217,662		14,784,691
TOTAL ASSETS	\$ 306,354,741		\$ 32,784,250
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding bonds	982,037		-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 982,037		\$ -

	Business-type Activities - Enterprise Fund		Governmental Activities - Internal Service Funds
	Water and Sewer System		
<u>LIABILITIES</u>			
Current Liabilities			
Accounts payable	\$ 499,598		\$ 624,253
Accrued payroll payable	316,175		261,524
Bonds payable - current	1,375,000		-
Due to other funds	966,754		1,039,026
Claims payable	-		1,207,348
Compensated absences payable	196,407		109,680
Customer deposits	3,639,561		-
Liabilities payable from restricted assets			
Accounts payable	1,726,656		-
Retainage payable	355,686		-
Accrued interest payable	104,560		-
Bonds payable	2,755,000		-
Total Current Liabilities	11,935,397		3,241,831
Noncurrent Liabilities			
Bonds payable (including unamortized premiums)	79,457,168		-
Claims payable	-		804,898
Compensated absences payable	1,767,665		987,120
Other post-employment benefits	2,517,871		36,931
Total Noncurrent Liabilities	83,742,704		1,828,949
TOTAL LIABILITIES	95,678,101		5,070,780
<u>NET POSITION</u>			
Net investment in capital assets	176,526,854		14,743,691
Restricted for debt service	2,298,834		-
Unrestricted	32,832,989		12,969,779
TOTAL NET POSITION	211,658,677		\$ 27,713,470
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	(4,090,248)		
Net position of business-type activities (page 31)	\$ 207,568,429		

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 POSITION
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
OPERATING REVENUES		
Charges for sales and services	<u>\$ 36,618,566</u>	<u>\$ 28,889,160</u>
OPERATING EXPENSES		
Personnel services	7,517,461	5,335,322
Contractual services	6,616,049	1,366,929
Material and supplies	1,468,554	4,881,633
Maintenance charges	1,199,642	1,544,982
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	102,191	-
Operating, maintenance and water charges - Southeast Water Purification Plant	4,495,277	-
Insurance/reinsurance premiums	-	4,456,348
Claims and legal expenses	-	12,931,476
Administration fees	-	531,428
Miscellaneous	35,734	937,965
Depreciation	5,216,857	2,711,132
TOTAL OPERATING EXPENSES	<u>26,651,765</u>	<u>34,697,215</u>
OPERATING INCOME (LOSS)	<u>9,966,801</u>	<u>(5,808,055)</u>
NONOPERATING REVENUES (EXPENSES)		
Gain on sale and retirement of capital assets	200,325	366,555
Investment income	11,249	5,905
Interest expense on bonds	(3,828,613)	-
Amortization	117,971	-
Fiscal agent fees	(78,987)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(3,578,055)</u>	<u>372,460</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	<u>6,388,746</u>	<u>(5,435,595)</u>
CAPITAL CONTRIBUTIONS	<u>10,161,207</u>	<u>1,312,541</u>
TRANSFERS IN	<u>-</u>	<u>6,364,624</u>
TRANSFERS (OUT)	<u>(4,150,000)</u>	<u>(58,097)</u>
CHANGES IN NET POSITION	<u>12,399,953</u>	<u>2,183,473</u>
TOTAL NET POSITION - BEGINNING	<u>199,258,724</u>	<u>25,529,997</u>
TOTAL NET POSITION - ENDING	<u>\$ 211,658,677</u>	<u>\$ 27,713,470</u>
 CHANGES IN NET POSITION	 \$ 12,399,953	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(1,002,175)</u>	
Change in net position of business-type activities (page 33)	<u>\$ 11,397,778</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, 2014**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	Service Funds
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 37,744,309	\$ 30,175,564
Cash payments to suppliers for goods and services	(12,002,929)	(7,268,592)
Cash payments to employees for services	(7,343,284)	(5,212,179)
Cash payments for insurance premiums, liability claims and administration	-	(19,293,298)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>18,398,096</u>	<u>(1,598,505)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers (to)/from other funds		
General fund	(2,200,000)	-
General fund	-	4,414,624
Water and sewer system fund	-	1,950,000
Maintenance fund	(950,000)	(58,097)
General liability insurance fund	(1,000,000)	-
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(4,150,000)</u>	<u>6,306,527</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of capital assets	208,100	527,175
Acquisition and construction of capital assets	(5,719,401)	(3,190,432)
Principal paid on capital debt	(3,990,000)	-
Refunding of capital debt	(78,987)	-
Interest and fiscal agent fees paid on capital debt	(3,845,830)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(13,426,118)</u>	<u>(2,663,257)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(24,286,568)	(20,744,825)
Proceeds from sale and maturities of investments	22,861,976	18,694,155
Investment income received	11,249	5,905
NET CASH (USED) BY INVESTING ACTIVITIES	<u>(1,413,343)</u>	<u>(2,044,765)</u>
NET (DECREASE) IN CASH AND CASH EQUIVALENT	<u>(591,365)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>2,898,104</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 2,306,739</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)	\$ 9,966,801	\$ (5,808,055)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	5,216,857	2,711,132
Changes in assets and liabilities		
Decrease (increase) in accounts receivables	872,758	(63,535)
Decrease in due from other funds	43,973	1,298,959
Decrease in prepaid items	-	19,982
(Increase) decrease in inventory	(7,506)	26,668
(Increase) in deposits	-	(1,000)
Increase (decrease) in accounts and claims payable	1,228,243	(892,652)
Increase in accrued payroll liabilities	14,512	37,694
Increase in compensated absences payable	11,331	83,268
Increase in due to other funds	649,808	968,594
Increase in other post employment benefits	148,334	20,440
Increase in customer deposits	252,985	-
Total Adjustments	8,431,295	4,209,550
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 18,398,096	\$ (1,598,505)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from the government	\$ 10,161,207	\$ 1,279,041
Capital assets donated from the outside source	\$ -	\$ 33,500

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, 2014**

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 in 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 the 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 citizenries 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 Position* and the *Statement of Activities*.

The *Statement of Net Position* is used 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 relationships.

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 and it also includes user fees for culture and recreational facilities, charges for licenses and permits, and fines and forfeitures; and (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 revenue 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 funds 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 revenues 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 types), 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, and the 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.

D. Assets, Liabilities and Net Position 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, 2014.

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. Deferred outflows/inflows of resources

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

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has only one type of item, which arises only under a modified accrual basis of accounting, which qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from three sources: property taxes, industrial district fees, and notes grant management. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

6. Compensated Absences

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

Employees must take a minimum of 1 week of vacation per calendar year.

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.

7. 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. Gains or losses are reported as deferred inflows or outflows and are amortized over the term of the lessor of the new bonds or the refunded bonds using the effective interest method. Debt issuance costs are recognized as expenses when incurred excluding the portion related to bond insurance which is treated as a prepaid and expensed when consumed rather than when purchased.

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

8. Fund Balance (Equity)

1. Fund Balance Descriptions

- a) **Non-spendable** – indicates the portion of a fund balance that cannot be spent because it is (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 is 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 and/or by department directors to which the City Council delegated the authority through approval of budget appropriation. Assignments can be made at any time.
- e) **Unassigned** – represents amounts that are available for any purpose; residual net resources. The general fund is the only fund that reports a positive unassigned fund balance.

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.

2. Fund Balance Summary

A summary of the nature and purpose of fund balances at September 30, 2014 is as follows:

	Governmental Fund Balances									
	General	Debt Service	Pasadena Second Century	Capital Projects	Grant Management	Public Safety	Culture and Recreation	Other	Non-major Special Revenue	Total
Fund balances:										
Restricted for:										
Court and other purposes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 895,762	\$ 895,762	\$ 895,762
Law enforcement	-	-	-	-	1,128,646	1,887,094	-	-	1,887,094	3,015,740
Economic development and other purposes	-	-	-	-	-	-	2,023,595	-	2,023,595	2,023,595
Housing services	-	-	-	-	2,717,849	-	-	-	-	2,717,849
Capital construction	-	-	43,620,250	6,692,420	-	-	-	-	-	50,312,670
Debt service	-	6,272,408	-	-	-	-	-	-	-	6,272,408
Total restricted	-	6,272,408	43,620,250	6,692,420	3,846,495	1,887,094	2,023,595	895,762	4,806,451	65,238,024
Committed to:										
Capital construction	5,190,733	-	-	-	-	-	-	-	-	5,190,733
Assigned to:										
Capital construction	4,805,790	-	-	-	-	-	-	-	-	4,805,790
Purchases on order	503,375	-	-	-	-	-	-	-	-	503,375
Subsequent year's budget appropriation of fund balance	18,606,606	-	-	-	-	-	-	-	-	18,606,606
Unassigned	32,240,843	-	-	-	-	-	-	-	-	32,240,843
Total	\$61,347,347	\$6,272,408	\$43,620,250	\$6,692,420	\$3,846,495	\$1,887,094	\$2,023,595	\$895,762	\$4,806,451	\$126,585,371

The amount restricted by enabling legislation was \$4,806,451.

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 Position

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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 \$131,495,597 difference are as follows:

Bonds and other payables	\$ 86,150,000
Other long-term debt	
Add: bond premiums	3,688,801
Less: deferred gain/loss on refunded bonds	(2,217,644)
Less: issuance costs	(18,301)
Accrued interest payable	455,265
Compensated absences	23,706,265
Other post employment benefits	19,731,211
Net adjustment to reduce fund balance - total governmental funds to arrive at net position - governmental activities.	<u>\$ 131,495,597</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 position.” The details of this \$31,803,718 difference are as follows:

Net position of the internal service funds	\$ 27,713,470
Add: Internal receivable representing charges less the cost to business-type activities - prior year	3,088,073
Add: Internal receivable representing charges less the cost to business-type activities - current year	<u>1,002,175</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net position - governmental activities.	<u><u>\$ 31,803,718</u></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 position 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 \$272,546 difference is as follows:

Capital outlay	\$ 10,578,947
Depreciation expense	<u>(10,851,493)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$ (272,546)</u></u>

Another element of that reconciliation states that “the net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations and transfers) is to decrease net position.” The detail of this \$8,685,046 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 position differs from the change in fund balance by the cost of the capital assets sold less the note received.	\$ (8,865,023)
Donations of capital assets increase net position in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	<u>179,977</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$ (8,685,046)</u></u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. 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 \$7,650,000 difference is as follows:

Principal repayments:	
General obligation debt	\$ (6,840,000)
Sales tax revenue bonds	<u>(810,000)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u><u>\$ (7,650,000)</u></u>

Another element of that reconciliation states that “some expenses reported in the *statement of activities* do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The detail of this \$2,895,921 difference is as follows:

Compensated absences	\$ (969,426)
Other post employment benefits	(2,147,638)
Accrued interest	35,876
Amortization of bond issuance costs	(4,036)
Amortization of bond premiums	532,214
Amortization of deferred amounts on refunding	(342,911)
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$ (2,895,921)</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 \$3,185,648 difference is as follows:

Change in net position of the internal service funds	\$ 2,183,473
Add: Loss from charges from business-type activities	1,002,175
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net position of governmental activities.	<u>\$ 3,185,648</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 \$3,620,198. There was a small increase in public safety in the amount of \$692,315 or 1.8% with an increase in personnel services in the police department in the amount of \$171,197, an increase in capital outlay in the fire fighting department in the amount of \$170,865 for additional work on Fire Station #5, and an increase in the fire prevention department in the amount of \$140,236 to set-up a new code enforcement division. Public works original budget was increased by \$2,763,009 or 18.4% with the increase in the street and bridge department in the amount of \$2,639,488 for capital outlay and an increase of \$128,872 in the engineering department with that increase in environmental contractual services.

Management asked each department to keep expenditures low while providing the best services to the citizens through-out the year.

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

The following provides actual fiscal year 2014 results for both budgeted and non-budgeted grant programs under the grant management fund:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Transfer in</u>	<u>Transfer out</u>
Budgeted grant programs:				
Federal equitable sharing of forfeited property:				
Justice Department	\$ 308,254	\$ 575,644	\$ -	\$ -
Treasury Department	348,323	110,347	-	-
Nonbudgeted grant programs:				
Various grants	9,569,457	9,626,987	58,097	(568)
HUD Section 8 housing choice vouchers	6,962,173	6,691,130	-	-
FEMA DHAP program	117	-	-	-
FEMA DHAP IKE	257	-	-	-
HUD CDBG entitlement program	3,701,569	3,701,569	-	-
HUD HOME investment partnerships program	721,017	721,017	-	-
HUD emergency shelter program	133,485	133,485	-	-
Total grant management fund - actual	<u>\$ 21,744,652</u>	<u>\$ 21,560,179</u>	<u>\$ 58,097</u>	<u>\$ (568)</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2014, 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, 2014, the carrying amount of the City's deposits with financial institution, including blended component units, is \$5,313,653, excluding \$97,399 for petty cash and tax holding. The City's bank balance is the sum of all accounts which totals \$5,816,805 and the market values of pledged securities, excluding FDIC, were \$6,746,635. The pledged securities are held by a third party custodian in the City's name.

Investments

As of September 30, 2014 the City had the following investments:

Investment Type	Fair Value			Weighted Average Maturity (Years)
	Primary Government	Blended Component Unit	Discretely Presented	
		Pasadena Second Century Corporation	Component Unit Pasadena Crime Control and Prevention District	
Texpool Local Government Investment Pools	\$ 89,984,595	\$ 35,822,177	\$ 5,677,239	0.13
Logic Local Government Investment Pools	1,200,739	-	-	0.15
Class Local Government Investment Pools	34,723,871	6,841,758	-	0.11
Total Fair Value	<u>\$ 125,909,205</u>	<u>\$ 42,663,935</u>	<u>\$ 5,677,239</u>	
Portfolio Weighted Average Maturity				0.13

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 2013 taxable assessed valuation of the City's property in the amount of \$6,264,988,439 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	\$ 0.407323
Debt service	0.184270
	<u>\$ 0.591593</u>

2. Receivables

Receivables as of September 30, 2014, 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	Maintenance	General Liability Insurance	Health Insurance	Total
Receivables											
Property taxes	\$ 1,675,762	\$ 974,331	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,650,093
Sales taxes	3,420,606	-	1,710,303	-	-	-	-	-	-	-	5,130,909
Accounts	7,017,892	-	-	8,974	-	-	5,662,845	53,304	1,000	44,076	12,788,091
Less: allowance for uncollectible	(2,387,565)	(680,000)	-	(8,974)	-	-	(347,240)	-	-	-	(3,423,779)
	<u>9,726,695</u>	<u>294,331</u>	<u>1,710,303</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,315,605</u>	<u>53,304</u>	<u>1,000</u>	<u>44,076</u>	<u>17,145,314</u>
Intergovernmental - restricted	68,342	-	-	-	4,012,904	90,829	-	-	-	-	4,172,075
Accounts restricted	-	-	-	-	1,014,280	220,290	-	-	-	-	1,234,570
Net total receivables	<u>\$ 9,795,037</u>	<u>\$ 294,331</u>	<u>\$ 1,710,303</u>	<u>\$ -</u>	<u>\$ 5,027,184</u>	<u>\$ 311,119</u>	<u>\$ 5,315,605</u>	<u>\$ 53,304</u>	<u>\$ 1,000</u>	<u>\$ 44,076</u>	<u>\$ 22,551,959</u>

Governmental funds report unearned 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 unearned revenue reported in the governmental funds were as follows:

	Unearned
Unearned revenue (Grant management)	\$ 27,711
Unearned revenue (Nonmajor governmental)	16,296
Total unearned revenue for governmental funds	<u>\$ 44,007</u>

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	\$ -	\$ -	\$ 9,977	\$ -	\$ 739,740	\$ 52,967	\$ -
Investments	-	6,203,193	42,663,935	7,734,453	3,290,932	4,177,082	3,750,869
Intergovernmental receivables	68,342	-	-	-	4,012,904	90,829	-
Accounts receivables	-	-	-	-	1,014,280	220,290	-
	<u>\$ 68,342</u>	<u>\$ 6,203,193</u>	<u>\$ 42,673,912</u>	<u>\$ 7,734,453</u>	<u>\$ 9,057,856</u>	<u>\$ 4,541,168</u>	<u>\$ 3,750,869</u>
	(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, 2014 was as follows:

1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 136,555,351	\$ 2,124,118	\$ (38,401)	\$ 138,641,068
Construction in progress	29,599,494	9,915,246	(10,468,288)	29,046,452
Total capital assets, not being depreciated	166,154,845	12,039,364	(10,506,689)	167,687,520
Capital assets, being depreciated:				
Buildings and building improvements	83,939,163	1,635,796	(7,026,353)	78,548,606
Facilities and other improvements	7,835,969	1,635,899	(292,341)	9,179,527
Machinery and equipment	34,374,273	2,123,987	(1,249,549)	35,248,711
Infrastructure	474,167,527	3,928,209	(4,017,365)	474,078,371
Automotive equipment	36,312,487	3,799,063	(2,492,760)	37,618,790
Total capital assets being depreciated	636,629,419	13,122,954	(15,078,368)	634,674,005
Less accumulated depreciation for:				
Building and building improvements	(23,666,354)	(1,512,638)	2,197,476	(22,981,516)
Facilities and other improvements	(2,243,646)	(260,357)	67,647	(2,436,356)
Machinery and equipment	(21,229,272)	(2,008,265)	986,219	(22,251,318)
Infrastructure	(166,310,348)	(7,380,374)	1,055,406	(172,635,316)
Automotive equipment	(25,889,761)	(2,400,991)	2,400,902	(25,889,850)
Total accumulated depreciation	(239,339,381)	(13,562,625)	6,707,650	(246,194,356)
Total capital assets, being depreciated, net	397,290,038	(439,671)	(8,370,718)	388,479,649
Governmental activities capital assets, net	\$ 563,444,883	\$ 11,599,693	\$ (18,877,407)	\$ 556,167,169

2. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,385,078	\$ 234,274	\$ -	\$ 1,619,352
Construction in progress	21,225,383	16,876,278	(12,034,607)	26,067,054
Total capital assets, not being depreciated	<u>22,610,461</u>	<u>17,110,552</u>	<u>(12,034,607)</u>	<u>27,686,406</u>
Capital assets, being depreciated:				
Buildings and building improvements	3,808,047	838,492	(9,989)	4,636,550
Facilities and other improvements	6,976,731	873	-	6,977,604
Machinery and equipment	11,112,774	72,689	-	11,185,463
Infrastructure	309,007,859	9,880,509	-	318,888,368
Automotive equipment	326,189	12,100	(27,385)	310,904
Total capital assets being depreciated	<u>331,231,600</u>	<u>10,804,663</u>	<u>(37,374)</u>	<u>341,998,889</u>
Less accumulated depreciation for:				
Building and building improvements	(2,738,170)	(66,867)	2,214	(2,802,823)
Facilities and other improvements	(2,653,418)	(113,913)	-	(2,767,331)
Machinery and equipment	(8,118,244)	(367,761)	-	(8,486,005)
Infrastructure	(90,836,699)	(4,657,809)	-	(95,494,508)
Automotive equipment	(284,654)	(10,507)	27,385	(267,776)
Total accumulated depreciation	<u>(104,631,185)</u>	<u>(5,216,857)</u>	<u>29,599</u>	<u>(109,818,443)</u>
Total capital assets, being depreciated, net	<u>226,600,415</u>	<u>5,587,806</u>	<u>(7,775)</u>	<u>232,180,446</u>
Business-type activities capital assets, net	<u>\$ 249,210,876</u>	<u>\$ 22,698,358</u>	<u>\$ (12,042,382)</u>	<u>\$ 259,866,852</u>

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

Governmental activities:

General Government	\$ 456,542
Public Safety	2,123,576
Public Works	6,952,466
Health	43,438
Culture and Recreation	1,275,471
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	<u>2,711,132</u>
	<u>\$ 13,562,625</u>

Business-type activities

Water and Sewer System	<u>\$ 5,216,857</u>
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E. Construction Commitments

The City's commitments with contractors as of September 30, 2014 are as follows:

Projects	Project Appropriation	Spent-to-Date	
<u>Drainage</u>			
D009	Thomas Street Outfall Planning Study	\$ 64,541	\$ 63,842
D023	Vista Drainage; Beltway 8 - Space Center	326,000	267,450
D027	On Call Storm Sewer Replacement	1,202,565	447,845
D040	Red Bluff Terrace Planning Study	207,966	207,083
D050	Cotton Patch Detention Pond	3,257,004	299,722
D051	Cotton Patch-Thomas Street Outfall	1,335,748	8,140
D052	Martha Ditch Concrete Lining	1,371,193	397,210
D053	Drainage Study	199,995	194,495
	<u>\$ 7,965,012</u>	<u>\$ 1,885,787</u>	
<u>Fire Services</u>			
F004	Rebuild Station #5	\$ 224,765	\$ 131,765
<u>Municipal Facilities</u>			
M008	North Pasadena Redevelopment	\$ 1,307,624	\$ 6,724
M015	Convention Center Infrastructure Improvement	444,200	149,529
M016	Animal Adoption Center	179,500	63,000
M124	901 Curtis Administration	250,000	212,184
	<u>\$ 2,181,324</u>	<u>\$ 431,437</u>	
<u>Police</u>			
P004	Police Evidence Building	\$ 279,967	\$ 12,102
P006	Upgrade Jail Camera System	99,787	1,421
	<u>\$ 379,754</u>	<u>\$ 13,523</u>	
<u>Parks</u>			
R022	Strawberry Park Swimming Pool Renovation	\$ 248,674	\$ 243,524
R025	Strawberry Park-Resurface Tennis Courts	125,895	-
	<u>\$ 374,569</u>	<u>\$ 243,524</u>	
<u>Streets</u>			
S025	Pinnacle Bridge	\$ 240,000	\$ 57,500
S031	Finfrook St; Harris to Southmore	256,200	136,142
S032	Bearle St; SH225 to Thomas	211,000	154,093
S034	EGR-Shaw II; Winona LS; Construction Shaw II	678,897	691,768
S037	Finfrook; Thomas to Harris	796,544	133,463
S039	Leesa Lane Extension	1,292,217	417,319
S040	2013 CDBG W Ellaine; Richey-Cherokee	424,767	338,089
S041	Southmore PH I; Richey to Johnson	1,933,422	1,696,840
S042	Strawberry Improvement; Fairmont-Parry Sound	1,895,634	-
S045	Pansy Street; Spencer - Old Vista	30,000	-
S046	El Cary Subdivision Road Rehab	15,000	-
S048	Lafferty St; Fresa - Spencer	60,000	-
S049	Preston; Beltway 8 to Genoa-Red Bluff	332,328	326,518
S051	Main Street; 225 to Southmore	7,366,808	7,119,483
S052	Pansy; Old Vista to Crenshaw	4,342,710	3,652,710
S055	Southmore Phase II; Johnson to Strawberry	1,017,480	998,392
S057	Pasadena Blvd Overlay; Harris-Jackson	168,020	61,199
S067	2012 CDBG Sidewalk Replacement	591,771	449,623
S082	Fairmont Pkwy; Beltway 8-Space Center	922,400	865,392
S083	Fairmont Pkwy; Space Center to Red Bluff	1,151,650	-
S087	Randolph; Pine - Spencer	2,420,561	50,468
S091	2013 Sidewalk Replacement	569,842	395,296
S095	Paving & Drainage Program Management	1,000,000	768,559
S096	CDBG Magnolia St Paving & Drainage Improvement	892,338	757,963
S097	2014 On Call Pavement Replacement	1,743,315	194,086
	<u>\$ 30,352,904</u>	<u>\$ 19,264,903</u>	

	Projects	Project Appropriation	Spent-to-Date
<u>Traffic</u>			
T001	Evacuation Route Traffic Signal Study	\$ 194,995	\$ 193,789
T005	Spencer Highway Traffic Signals	50,016	37,512
		<u>\$ 245,011</u>	<u>\$ 231,301</u>
<u>Water</u>			
W011	SEWPP Meter Station	\$ 540,012	\$ 322,637
W021	Waterline Improvement Project	2,355,628	1,382,919
W022	Rodeo Grounds Pump Station	1,101,309	32,370
W026	SEWPP Interconnect to Crenshaw Plant	1,025,093	-
W027	Bay Area Blvd/Port Road Inter Improv	188,401	105,342
W028	Crenshaw Water Plant	6,654,164	508,080
W029	225 Waterline; Burke - Beltway 8	152,250	-
W040	Guthrie Ground Storage	4,794,202	3,285,106
W041	Wafer Ground Storage	1,062,238	111,720
W042	Garner Water Well & Booster	852,401	91,900
W043	Pansy Water Plant	1,956,725	480,633
W044	Deepwater Water Plant	259,319	40,640
W045	Red Bluff Water Plant	425,682	40,390
		<u>\$ 21,367,424</u>	<u>\$ 6,401,737</u>
<u>Wastewater</u>			
WW012	Winona Lift Station Construction	\$ 1,470,785	\$ 1,081,968
WW013	Gulfport Industrial District Utility	2,089,671	1,678,094
WW019	Citywide WW Rehab 2012-2017	2,099,354	1,784,416
WW020	Golden Acres Subdivision WW Rehab	1,005,380	767,141
WW021	Deepwater East Trunk Sanitary Sewer	1,614,900	917,204
WW022	Llano/Red Bluff/Elaine/Wyatt/LA/Pasa Lift Station	500,005	82,920
WW037	Golden Acres WWTP Force Main	408,900	189,429
WW040	TCEQ Sanitary Sewer Overflow Action Plan	40,000	29,795
WW041	SSR Shaw Ave	412,486	361,256
WW042	SSR Pasadena Terrace	137,014	50,858
WW043	SSR South Houston	540,668	446,510
WW044	SSR Bramley Subdivision	149,540	143,981
WW051	SSR RTS; Spencer - Skylark	786,204	643,272
WW052	Vince St SSR	1,148,063	998,367
WW053	RTS IV; Force Main W Pitts LS	1,004,997	602,750
WW054	Vince WWTP Generator	1,082,190	164,319
WW055	Vista Lift Station	315,274	43,478
WW056	Vista Trunk Sewer Phase III	2,547,363	1,272,761
WW057	RTS V; West Pitts (Randall-Winona)	404,440	9,944
WW058	Pineswept Subdivison WW Rehab	530,801	496,752
		<u>\$ 18,288,035</u>	<u>\$ 11,765,215</u>
<u>Others</u>			
Z001	Post Office Building	\$ 1,085,000	\$ 296,655
Z003	AT&T Building	400,000	63,347
Z004	Chase Building	1,030,767	1,030,767
		<u>\$ 2,515,767</u>	<u>\$ 1,390,769</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, 2014 is as follows:

1. Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Pasadena Second Century	\$ 119,981
	Capital projects	126,501
	Grant management	3,031,153
	** State forfeited project	5,988
	** Hotel and motel tax	10,580
	** Abandoned motor vehicles/property	6,044
	Water and sewer system	966,754
	* Maintenance	553,852
	* Workers' compensation insurance	3,354
	* General liability insurance	188,424
	* Health Insurance	<u>293,396</u>
		\$ 5,306,027
Debt Service	General	29,573
** Special charge allocation	General	<u>403,054</u>
	Total	<u>\$ 5,738,654</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>\$ 98,642</u>

3. Interfund Transfers:

Fund Financial Statements

	<u>Transfer In:</u>						<u>Total</u>
	<u>General</u>	<u>Debt Service</u>	<u>Grant Management</u>	<u>* Maintenance</u>	<u>* General Liability Insurance</u>	<u>* Health Insurance</u>	
Transfer out:							
General	\$ -	\$ -	\$ -	\$ 1,534,500	\$ 500,000	\$ 2,380,124	\$ 4,414,624
Capital Projects	-	361	-	-	-	-	361
Grant Management	568	-	-	-	-	-	568
Water and Sewer System	2,200,000	-	-	950,000	1,000,000	-	4,150,000
* Maintenance	-	-	58,097	-	-	-	58,097
Total	<u>\$ 2,200,568</u>	<u>\$ 361</u>	<u>\$ 58,097</u>	<u>\$ 2,484,500</u>	<u>\$ 1,500,000</u>	<u>\$ 2,380,124</u>	<u>\$ 8,623,650</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.

Government-Wide Financial Statements

During the fiscal year, the transfer activities between the governmental and business-type activities totaled \$6,011,207 and can be summarized as follows:

- The amount of \$4,150,000 was transferred out to the governmental activities from the business-type activities.
- Capital assets in the amount of \$10,161,207 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 \$80,330,000. The original amount of general obligation refunding bonds was \$47,695,000.

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
\$19,380,000 GO and Refunding, 2005A	5.00	2/15/2025	Governmental type	\$60,000 to \$1,565,000	\$ 5,570,000
\$8,915,000 GO and Refunding, 2006	4.00	2/15/2026	Both	\$100,000 to \$1,540,000	7,075,000
\$5,950,000 COB, 2007	4.88	2/15/2027	Governmental type	\$55,000 to \$390,000	4,430,000
\$13,665,000 GOB, 2007	5.63	2/15/2027	Governmental type	\$675,000 to \$840,000	10,190,000
\$21,635,000 GOB, 2008	4.75	2/15/2028	Governmental type	\$735,000 to \$1,720,000	17,645,000
\$6,725,000 GO and Refunding, 2009	4.00	2/15/2017	Governmental type	\$125,000 to \$2,240,000	4,805,000
\$20,030,000 GOB Refunding, 2012	4.00	2/15/2023	Governmental type	\$435,000 to \$2,385,000	17,295,000
\$16,690,000 GOB Refunding, 2012A	3.08	2/15/2025	Governmental type	\$145,000 to \$1,840,000	16,545,000
					\$ 83,555,000

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2015	\$ 7,045,000	\$ 3,416,598	\$ 10,461,598
2016	7,635,000	3,128,006	10,763,006
2017	6,980,000	2,822,867	9,802,867
2018	6,795,000	2,528,154	9,323,154
2019	6,955,000	2,240,676	9,195,676
2020-2024	35,805,000	6,333,622	42,138,622
2025-2028	12,340,000	922,773	13,262,773
	\$ 83,555,000	\$ 21,392,696	\$ 104,947,696

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
2015	\$ 835,000	\$ 78,450	\$ 913,450
2016	865,000	48,700	913,700
2017	895,000	16,781	911,781
	<u>\$ 2,595,000</u>	<u>\$ 143,931</u>	<u>\$ 2,738,931</u>

2. Business-Type Activities

Revenue Bonds, Revenue Refunding Bonds and General Obligation Refunding Bonds

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

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

		Interest %	Maturity	Purpose	Installments	Amount
\$ 17,675,000	GOB Refunding, 2005	3.00 - 5.00	2/15/2020	Water and sewer	\$120,000 to \$2,755,000	\$ 7,375,000
\$ 9,970,000	GOB Refunding, 2005A	3.25 - 5.00	2/15/2022	Water and sewer	\$440,000 to \$2,860,000	3,900,000
\$ 55,400,000	Revenue Bonds, 2008	4.00 - 5.00	4/1/2033	SEWPP expansion	\$35,000 to \$5,235,000	53,265,000
\$ 15,285,000	Revenue Refunding Bonds, 2010	2.00 - 3.00	4/1/2019	Refunding	\$780,000 to \$2,355,000	10,965,000
\$ 5,885,000	GOB Refunding Bonds, 2012A	2.00 - 5.00	2/15/2022	Refunding	\$275,000 to \$1,840,000	5,885,000
						<u>\$ 81,390,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2015	\$ 4,130,000	\$ 3,683,841	\$ 7,813,841
2016	4,285,000	3,520,675	7,805,675
2017	4,455,000	3,349,475	7,804,475
2018	4,630,000	3,170,625	7,800,625
2019	4,610,000	2,988,950	7,598,950
2020-2024	20,210,000	11,811,469	32,021,469
2025-2029	19,575,000	7,198,813	26,773,813
2030-2033	19,495,000	1,904,944	21,399,944
	<u>\$ 81,390,000</u>	<u>\$ 37,628,792</u>	<u>\$ 119,018,792</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, 2014, \$9,520,000 of general obligation bonds and \$3,590,000 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 \$18,275,000 and \$13,665,000 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, 2014, the City's legal debt margin was 10% of assessed property valuation totaling \$626,498,844 reduced by the amount of bonded debt outstanding of \$87,243,801 and netted with the amount available in the debt service fund. The City's legal debt margin was \$545,527,451.

6. Rebatable Arbitrage

The City is taking the approach of treating rebatable arbitrage as a claim. For the interim computation period through September 30, 2014, 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, 2014 was as follows:

	Beginning	Additions/ Reclassification	Refunding/ Reductions	Ending	Due Within One Year
<u>Governmental Activities:</u>					
Bonds payable supported by property taxes:					
General obligation and refunding					
bonds	\$ 85,675,000	\$ -	\$ (6,550,000)	\$ 79,125,000	\$ 6,745,000
Certificate of obligation bonds	4,720,000	-	(290,000)	4,430,000	300,000
	90,395,000	-	(6,840,000)	83,555,000	7,045,000
Add: Premiums on debt issuances	4,221,016	-	(532,215)	3,688,801	-
	94,616,016	-	(7,372,215)	87,243,801	7,045,000
Other Long-Term Debt					
Sales taxes revenue bonds payable	3,405,000	-	(810,000)	2,595,000	835,000
Total Bonds Payable	98,021,016	-	(8,182,215)	89,838,801	7,880,000
Claims	2,866,867	7,923,128	(8,777,749)	2,012,246	1,207,348
Compensated absences	23,875,222	7,823,918	(6,748,292)	24,950,848	2,495,085
Other post employment benefits	17,600,064	4,443,842	(2,275,764)	19,768,142	-
Governmental activity					
Long-term liabilities	\$ 142,363,169	\$ 20,190,888	\$ (25,984,020)	\$ 136,570,037	\$ 11,582,433

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, 2014, \$1,096,800 of internal service funds' compensated absences and \$36,931 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:

Long-term liability activity for the year ended September 30, 2014 was as follows:

	Beginning	Additions/ Reclassification	Refunding/ Reductions	Ending	Due Within One Year
Business-type activities:					
Bonds payable					
Revenue bonds	\$ 53,395,000	\$ -	\$ (130,000)	\$ 53,265,000	\$ 225,000
Revenue refunding bonds	12,070,000	-	(1,105,000)	10,965,000	1,870,000
General obligation refunding bonds	19,915,000	-	(2,755,000)	17,160,000	2,035,000
Add: Premiums on debt issuances	2,480,050	-	(282,882)	2,197,168	-
Total bonds payable	87,860,050	-	(4,272,882)	83,587,168	4,130,000
Compensated absences	1,952,741	499,729	(488,398)	1,964,072	196,407
Other post employment benefits	2,369,537	576,082	(427,748)	2,517,871	-
Business-type activity					
Long-term liabilities	<u>\$ 92,182,328</u>	<u>\$ 1,075,811</u>	<u>\$ (5,189,028)</u>	<u>\$ 88,069,111</u>	<u>\$ 4,326,407</u>

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City established the workers' compensation insurance fund, health insurance fund and the general liability insurance fund to account for and finance its uninsured risks and losses.

Liabilities/Property

The City has been fully insured for its liability and property risk since December 1, 2004. 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 limits 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. Allegiance is the third party administrator as of January 1, 2012. 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 CHLIC – Chicago 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 remainder, 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:

	<u>Workers' Compensation</u>	<u>Health/Dental Insurance</u>
<u>Current Fiscal Year</u>		
Unpaid claims and claim adjustment expenses at the beginning of the current fiscal year	\$ 147,211	\$ 2,719,656
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current fiscal year	-	11,594,101
Increase (Decrease) in provision for insured events-prior years	101,019	(3,771,992)
Total incurred claims and claim adjustment expenses	101,019	7,822,109
Payments:		
Claims and claim adjustment expenses attributable to insured events-		
Current fiscal year	-	9,778,794
Prior fiscal years	51,291	(1,052,336)
Total payments	51,291	8,726,458
Total unpaid claims and claim adjustment expenses at end of current fiscal year	\$ 196,939	\$ 1,815,307
<u>Prior Fiscal Year</u>		
Unpaid claims and claim adjustment expenses at the beginning of the prior fiscal year	\$ 267,294	\$ 2,104,468
Incurred claims and claim adjustment expenses:		
Provisions for insured events of the current fiscal year	-	12,517,510
(Decrease) in provision for insured events-prior years	(18,171)	(3,970,628)
Total incurred claims and claim adjustment expenses	(18,171)	8,546,882
Payments:		
Claims and claim adjustment expenses attributable to insured events-		
Current fiscal year	-	9,797,854
Prior fiscal years	101,912	(1,866,160)
Total payments	101,912	7,931,694
Total unpaid claims and claim adjustment expenses at end of prior fiscal year	\$ 147,211	\$ 2,719,656

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, 2014, one hundred and twenty-six retirees, excluding spouses, participated and received OPEB.

In fiscal year 2014, retirees made contributions totaling \$625,321, while the City paid \$2,366,343 in claims and \$670,030 in stop-loss premiums and administrative fees on behalf of retirees, their spouses and dependents. The City did recover \$269,641 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 fifty-one at September 30, 2014. For these retirees, the City paid up to \$300 from October to December 2013 and up to \$300 from January to September 2014 per person, per month, at a cost of \$562,101 for fiscal year 2014.

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 a level of accrual that, if paid on an ongoing basis, is projected to cover the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The City's annual OPEB cost for the fiscal year ending September 30, 2014 is as follows:

	<u>OPEB</u>
Annual required contribution	\$ 4,953,865
Interest on OPEB obligation	898,632
Adjustment to ARC	<u>(832,573)</u>
Annual OPEB cost (expense) end of year	5,019,924
Net estimated employer contributions	<u>(2,703,512)</u>
Increase in net OPEB obligation	2,316,412
Net OPEB obligation - beginning	<u>19,969,601</u>
Net OPEB obligation - end of year	<u><u>\$ 22,286,013</u></u>

The City's annual OPEB cost, the amount contributed by the employer, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2014 and the preceding two fiscal years are as follows:

Fiscal Year	Annual OPEB Costs	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2012	\$ 5,435,942	\$ 2,950,737	54.3%	\$ 17,835,343
2013	\$ 5,605,717	\$ 3,471,459	61.9%	\$ 19,969,601
2014	\$ 5,019,924	\$ 2,703,512	53.9%	\$ 22,286,013

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, 2013 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%	\$ 42,970,265	147%
2013	\$ -	\$ 59,382,006	\$ 59,382,006	0%	\$ 45,683,739	130%

Under the reporting parameters, the City's retiree health care plan is 0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$59,382,006 at December 31, 2013. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 130%.

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 funding for 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 assets. Significant methods and assumptions were as follows:

Investment rate of return -	4.5% per annum, net of expenses
Actuarial cost method -	Projected Unit Credit Cost Method
Amortization method -	Level as a percentage of employee payroll
Amortization Period -	30 year open amortization
Inflation Rate -	3.0% per annum
Salary Growth Rate-	3.0% per annum
Medical and Rx Trend -	Initial rate of 7.5% declining to an ultimate rate of 5.25% after 9 years

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 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)×4.5%	ARC Adjustment (9)/(6)	Amortization Factor (6)	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
September 30, 2013	\$ 5,546,719	\$ 3,471,459	\$ 802,590	\$ 743,592	23.9854	\$5,605,717	\$ 2,134,258	\$19,969,601
September 30, 2014	\$ 4,953,865	\$ 2,703,512	\$ 898,632	\$ 832,573	23.9854	\$5,019,924	\$ 2,316,412	\$22,286,013

The percentage contributed and schedule of funding progress is required to present the current and the four 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 was \$104,253 net costs associated under this program to the City.

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.

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 is available on TMRS' website at www.TMRS.com.

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 Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2013 valuation: previously, the Projected Unit Credit actuarial cost method had been used). 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 for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. 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, 2013 valuation is effective for rates beginning January 1, 2015).

Funding Status and Funding Progress

In October 2013, the TMRS Board approved actuarial changes in (a) the funding method from Projected Unit Credit to Entry Age Normal, (b) the post-retirement mortality assumptions used in calculating liabilities and contribution rates and in the development of the Annuity Purchase Rate factors, and (c) the amortization policy. These actuarial changes were effective with the December 31, 2013 actuarial valuation. For a complete description of the new actuarial cost method and assumptions, see the December 31, 2013 *TMRS Comprehensive Annual Financial Report (CAFR)* at the website stated above.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

Trend Information – Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	<u>12/31/2011</u>	<u>12/31/2012</u>	<u>12/31/2013</u>
Actuarial Value of Assets	\$ 297,846,995	\$ 315,127,856	\$ 334,036,915
Actuarial Accrued Liability	324,359,878	334,283,261	368,305,883
Percentage Funded	91.83%	94.27%	90.70%
Unfunded Actuarial Accrued Liability (UAAL)	26,512,883	19,155,405	34,268,968 (2)
Annual Covered Payroll	47,658,550	49,508,417	51,936,610
UAAL as a Percentage of Covered Payroll	<u>55.60%</u>	<u>38.70%</u>	<u>66.00%</u>
Net Pension Obligation at the Beginning of Period	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 9,200,068	\$ 7,216,237	\$ 7,655,816
Contributions Made (1)	<u>9,200,068</u>	<u>7,216,237</u>	<u>7,655,816</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 -	Entry Age Normal
Amortization Method -	Level Percent of Payroll
GASB 25 Equivalent Single	18.0 Years - Closed
Amortization Period -	Period
Amortization Period for new	
Gains/Losses -	30 years
	10-year Smoothed
Asset Valuation Method -	Market
Investment Rate of Return -	7.0%
	Varies by age and
Projected Salary Increase -	service
Includes Inflation At -	3.00%
Cost-of-Living Adjustments -	1.20%

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 2014, 2013 and 2012 are \$113,764, \$115,626, and \$107,583, 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 Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as a pension trust funds. Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. A report may be obtained by contacting the Texas Comptroller (Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528). At August 31, 2014, there were 198 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, 2014, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	3,073
Terminated members entitled to benefits but not yet receiving them	2,161
Current active members (vested and nonvested)	4,036
	<u>9,270</u>

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS, and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified 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. There is no provision for automatic postretirement benefit increases.

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 make contributions for each month a member performs emergency services for a department. This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2014, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed the System to have an adequate contribution arrangement without any Part Two contributions.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

A small subset of participating departments has a different contribution arrangement which is being phased out over time. In the arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments by the System.

The City’s contributions to the fund for the fiscal years ended September 30, 2014, 2013 and 2012 were \$367,949, \$372,356, and \$402,185, respectively, and have met the required contributions each year.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2014, total contributions (dues, prior service, and interest on prior service financing) of \$4,176,659 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriate \$1,530,343 for the fiscal years ending August 31, 2014.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised.

The actuarial valuation as of August 31, 2014 states that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the State. The expected contributions from the State are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$625,000 each year to pay for part of the System's administrative expenses. On August 31, 2014, the actuarial liabilities exceeded the actuarial assets by \$26,093,761.

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.75% per year, net of investment expenses
Projected salary increases	N/A
Included inflation at	3.5%
Cost-of-living adjustments	None

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.

E. Implementation of New Cash Management Requirements for the Housing Choice Voucher Program

U.S. Department of Housing and Urban Development (HUD) issued Notice PIH 2011-67, which is to mitigate Public Housing Agencies (PHA) accumulation of Net Restricted Assets (NRA) funds and reduce Treasury outlays by timing the disbursements based on actual needs. The process of disbursing only the funds required for current Housing Assistance Payment (HAP) costs will result in the re-establishment of HUD-held program reserves, where excess HAP funds will remain obligated but undisbursed at the HUD level rather than held by the PHAs.

The new requirements will not change the amount of funding to which each PHA is entitled each year, nor does the transition from PHA-held NRA to the PHA reserve being maintained by HUD reduce the PHA's available HAP resources. Funding allocation will continue to be calculated in accordance with the requirements of each year's Appropriation Act. The only change that will occur is that NRA accounts will no longer be maintained by PHAs, and all excess budget authority will be held on behalf of the individual PHAs by HUD in the program reserve. PHAs will be able to access their program reserve for eligible HAP needs whenever it is necessary.

As of September 30, 2014, the program reserve in the amount of \$629,813 is held by HUD on behalf of City of Pasadena Housing Authority.

F. Restatement

As a result of implementing GASB Statement No. 65, net position was restated as of October 1, 2013. With the adoption of GASB Statement No. 65, the City is reporting the deferred loss on bond refunding as a deferred outflow. Bond issuance costs (excluding the portion related to bond insurance) are expensed and no longer amortized annually as other assets.

	Statement of Net Position Primary Government		Statement of Net Position Proprietary Funds
	Governmental Activities	Business-type Activities	Water and Sewer System
Net position, previously reported October 1, 2013	\$ 554,861,381	\$ 196,936,924	\$ 200,024,997
Adjustment for GASB 65	(1,157,341)	(766,273)	(766,273)
Net position, restated October 1, 2013	<u>\$ 553,704,040</u>	<u>\$ 196,170,651</u>	<u>\$ 199,258,724</u>

G. Subsequent Event

Current Refunding

On November 15, 2014, the City issued \$9,185,000 General Obligation Refunding Bonds, Series 2014 plus the additional City's contribution in the amount of \$4,420,000 to current refund the following:

- Water and sewer system enterprise fund debt portion of the General Obligation Refunding Bonds, Series 2005 in the amount of \$6,290,000 consisting of principal amount due on February 15, 2016 through 2020.
- Governmental fund debt portion of General Obligation Refunding Bonds, Series 2005A in the amount of \$4,460,000 consisting of principal amount due on February 15, 2016 through 2025.
- Water and sewer system enterprise fund debt portion of the General Obligation Refunding Bonds, Series 2005A in the amount of \$3,115,000 consisting of Principal amount due on February 15, 2016 through 2022.

The refunding is to take advantage of lower interest rates and reduce total future debt service payments. This current refunding resulted in approximate \$1,985,328 or 14.32% net present value savings.

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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, 2014**

ASSETS

Cash and cash equivalents	\$	2,301,629
Investments		
TexPool		30,056,017
LOGIC CLASS A		547,085
CLASS		25,581,977
		56,185,079
Receivables (net, where applicable, of allowances for uncollectible)		
General property taxes		505,762
Accounts receivable		9,220,933
		9,726,695
Due from other funds		5,306,027
Due from component unit		98,642
Restricted assets		
Receivables (net, where applicable, of allowances for uncollectible)		68,342
TOTAL ASSETS	\$	73,686,414

LIABILITIES

Accounts payable	\$	8,803,239
Accrued payroll payable		2,654,940
Due to other funds		432,627
TOTAL LIABILITIES		11,890,806

DEFERRED INFLOWS OF RESOURCES

Unavailable revenue - property taxes		426,473
Unavailable revenue - industrial district fees		21,788
TOTAL DEFERRED INFLOWS OF RESOURCES		448,261

FUND BALANCES

Committed		5,190,733
Assigned		23,915,771
Unassigned		32,240,843
TOTAL FUND BALANCES		61,347,347

TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$	73,686,414
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**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR YEAR ENDED SEPTEMBER 30, 2014**

REVENUES

General property taxes	\$ 25,573,707
Business taxes and fees	
Industrial district fees	17,172,395
Sales taxes	20,314,683
Utility taxes	8,968,863
Other taxes and fees	262,174
Total business taxes and fees	46,718,115
Licenses and permits	2,425,676
Municipal court fines	6,092,658
Charges for services	9,586,071
Intergovernmental	219,355
Miscellaneous	646,517
Investment income	40,883
TOTAL REVENUES	91,302,982

EXPENDITURES

Current	
General government	14,763,252
Public safety	37,764,158
Public works	16,743,664
Health	3,520,728
Culture and recreation	13,057,810
TOTAL EXPENDITURES	85,849,612

**EXCESS OF REVENUES OVER
EXPENDITURES**

5,453,370

OTHER FINANCING SOURCES (USES)

Operating transfers in (out)	
Maintenance fund	(1,534,500)
Water and sewer system	2,200,000
General liability insurance fund	(500,000)
Health insurance fund	(2,380,124)
Grant management fund	568
Insurance recovery	2,182,554
Sale of capital assets	5,845,152
TOTAL OTHER FINANCING SOURCES	5,813,650

NET CHANGE IN FUND BALANCE

11,267,020

FUND BALANCE - BEGINNING

50,080,327

FUND BALANCE - ENDING

\$ 61,347,347

**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, 2014**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
General Property Taxes				
Ad valorem taxes	\$ 25,630,000	\$ 25,630,000	\$ 25,156,605	\$ (473,395)
Penalty and interest	387,000	387,000	417,102	30,102
Total General Property Taxes	26,017,000	26,017,000	25,573,707	(443,293)
Business Taxes				
Industrial district fees	17,340,000	17,340,000	17,172,395	(167,605)
Sales tax	18,400,000	18,400,000	20,314,683	1,914,683
Utility taxes	8,560,210	8,560,210	8,968,863	408,653
Other taxes and fees				
Mixed drink tax	150,000	150,000	262,129	112,129
Bingo tax	-	-	45	45
Total Business Taxes	44,450,210	44,450,210	46,718,115	2,267,905
Licenses and Permits				
Business types	1,830,190	1,845,090	2,232,381	387,291
Occupational types	98,750	98,750	114,346	15,596
Non-business types	76,500	76,500	78,949	2,449
Total Licenses and Permits	2,005,440	2,020,340	2,425,676	405,336
Municipal Court Fines and Fees	5,825,000	5,825,000	6,092,658	267,658
Charges for Services				
Ellington municipal golf course	606,515	606,515	539,051	(67,464)
Recreational activities	216,700	216,700	163,899	(52,801)
Swimming pool	65,000	65,000	41,743	(23,257)
Tennis court	2,500	2,500	3,505	1,005
Civic center	349,000	349,000	389,082	40,082
Other centers	75,750	75,750	88,726	12,976
Miscellaneous	717,000	717,000	735,762	18,762
Solid waste collection	6,827,200	6,827,200	6,856,507	29,307
Health services	300,050	300,050	342,195	42,145
Library services	41,000	41,000	58,442	17,442
Property management	347,800	347,800	367,159	19,359
Total Charges for Services	9,548,515	9,548,515	9,586,071	37,556
Intergovernmental				
Fire protection	112,000	112,000	75,494	(36,506)
Reimbursement from other agencies	95,000	95,000	49,108	(45,892)
TxDOT - traffic signal maintenance	29,205	29,205	21,904	(7,301)
Emergency management performance grant	81,500	68,342	68,342	-
Restitution - Harris County	1,000	1,000	4,507	3,507
Total Intergovernmental	318,705	305,547	219,355	(86,192)
Miscellaneous	462,200	462,200	646,517	184,317
Investment Income	66,800	66,800	40,883	(25,917)
TOTAL REVENUES	\$ 88,693,870	\$ 88,695,612	\$ 91,302,982	\$ 2,607,370

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current				
General Government				
City Council				
Personnel services	\$ 96,869	\$ 96,869	\$ 83,366	\$ 13,503
Contractual services	43,106	43,106	20,881	22,225
Materials and supplies	24,500	29,500	10,651	18,849
Maintenance charges	45,024	41,624	41,576	48
	209,499	211,099	156,474	54,625
Mayor				
Personnel services	323,856	323,856	267,737	56,119
Contractual services	19,700	19,700	9,155	10,545
Materials and supplies	7,250	13,250	7,840	5,410
Maintenance charges	32,172	27,772	27,684	88
	382,978	384,578	312,416	72,162
Budget and Financial Planning				
Personnel services	501,702	511,602	511,560	42
Contractual services	15,580	42,780	30,059	12,721
Materials and supplies	4,150	4,150	1,102	3,048
Maintenance charges	9,251	9,251	8,928	323
	530,683	567,783	551,649	16,134
Municipal Court				
Personnel services	1,706,360	1,698,860	1,679,391	19,469
Contractual services	71,630	79,130	74,979	4,151
Materials and supplies	50,980	50,980	39,149	11,831
Maintenance charges	167,819	137,919	137,833	86
	1,996,789	1,966,889	1,931,352	35,537
City Controller				
Personnel services	1,606,039	1,606,039	1,436,345	169,694
Contractual services	111,300	111,300	106,002	5,298
Materials and supplies	22,955	22,955	18,629	4,326
Maintenance charges	64,806	65,206	65,130	76
	\$ 1,805,100	\$ 1,805,500	\$ 1,626,106	\$ 179,394

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, 2014**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Tax				
Contractual services	\$ 443,000	\$ 443,000	\$ 420,221	\$ 22,779
Materials and supplies	20	20	-	20
	443,020	443,020	420,221	22,799
Purchasing				
Personnel services	309,828	338,828	338,635	193
Contractual services	11,290	11,290	11,244	46
Materials and supplies	4,900	4,900	4,015	885
Maintenance charges	36,133	36,133	34,874	1,259
	362,151	391,151	388,768	2,383
Legal				
Personnel services	854,120	854,120	797,910	56,210
Contractual services	211,675	187,875	66,555	121,320
Materials and supplies	34,053	34,053	25,721	8,332
Maintenance charges	57,427	57,427	56,287	1,140
Other charges	81,575	75,375	75,284	91
	1,238,850	1,208,850	1,021,757	187,093
City Secretary				
Personnel services	261,144	261,144	243,927	17,217
Contractual services	69,800	69,800	48,954	20,846
Materials and supplies	5,450	5,450	5,388	62
Maintenance charges	56,174	59,674	59,584	90
	392,568	396,068	357,853	38,215
Elections				
Contractual services	117,000	117,000	27,738	89,262
Materials and supplies	5,200	5,200	48	5,152
	122,200	122,200	27,786	94,414
Human Resources				
Personnel services	535,304	535,304	481,484	53,820
Contractual services	95,750	95,750	79,578	16,172
Materials and supplies	49,450	49,450	37,762	11,688
Maintenance charges	67,078	67,078	62,997	4,081
	\$ 747,582	\$ 747,582	\$ 661,821	\$ 85,761
Civil Service				
Contractual services	64,400	64,400	13,544	50,856
Materials and supplies	10,000	7,800	1,040	6,760
	\$ 74,400	\$ 72,200	\$ 14,584	\$ 57,616

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City Marshall				
Personnel services	\$ 602,985	\$ 604,785	\$ 604,764	\$ 21
Contractual services	10,300	10,300	6,998	3,302
Materials and supplies	15,076	15,076	13,007	2,069
Maintenance charges	117,344	119,044	118,968	76
	745,705	749,205	743,737	5,468
Community Relations				
Personnel services	825,013	825,013	735,394	89,619
Contractual services	58,238	62,473	62,470	3
Materials and supplies	35,918	37,483	30,738	6,745
Maintenance charges	76,476	76,476	74,549	1,927
	995,645	1,001,445	903,151	98,294
Pasadena Action Line				
Personnel services	375,307	377,207	377,126	81
Contractual services	2,550	2,550	-	2,550
Materials and supplies	2,400	2,400	513	1,887
Maintenance charges	28,792	28,792	28,548	244
	409,049	410,949	406,187	4,762
Planning				
Personnel services	286,273	226,273	145,769	80,504
Contractual services	67,700	117,700	117,175	525
Materials and supplies	14,000	14,000	5,151	8,849
Maintenance charges	84,296	73,296	73,241	55
Capital outlay	100,000	-	-	-
	552,269	431,269	341,336	89,933
Planning/Development Administration				
Personnel services	168,733	118,733	116,767	1,966
Contractual services	1,675	1,675	219	1,456
Materials and supplies	1,000	1,000	100	900
	171,408	121,408	117,086	4,322
Economic Development Liaison				
Personnel services	255,632	255,632	252,191	3,441
Contractual services	14,200	24,200	17,076	7,124
Materials and supplies	6,200	6,200	1,455	4,745
Maintenance charges	10,659	10,659	10,605	54
	\$ 286,691	\$ 296,691	\$ 281,327	\$ 15,364

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, 2014**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Neighborhood Network				
Personnel services	\$ 101,116	\$ 101,116	\$ 89,907	\$ 11,209
Contractual services	239,211	239,211	51,947	187,264
Materials and supplies	22,500	22,500	8,098	14,402
Maintenance charges	25,464	25,464	23,640	1,824
	388,291	388,291	173,592	214,699
Inspections				
Personnel services	1,251,517	1,251,517	1,211,860	39,657
Contractual services	90,800	65,800	28,456	37,344
Materials and supplies	17,191	17,191	11,764	5,427
Maintenance charges	195,834	179,134	178,973	161
	1,555,342	1,513,642	1,431,053	82,589
Property Management				
Personnel services	139,022	139,022	138,870	152
Contractual services	390,374	770,181	452,074	318,107
Materials and supplies	171,268	175,268	133,104	42,164
Maintenance charges	420,466	594,666	593,865	801
Capital outlay	969,748	890,416	855,473	34,943
	2,090,878	2,569,553	2,173,386	396,167
Impound/Storage				
Personnel services	346,818	391,818	391,333	485
Contractual services	4,900	4,900	3,252	1,648
Materials and supplies	3,500	3,500	2,250	1,250
Other charges	10,034	10,059	10,056	3
	365,252	410,277	406,891	3,386
Other Charges				
Personnel services	1,458,745	1,081,148	-	1,081,148
Contractual services	167,500	138,300	55,373	82,927
Materials and supplies	-	15,305	7,630	7,675
Other charges	102,000	166,685	166,587	98
Other uses	65,000	86,000	85,129	871
	1,793,245	1,487,438	314,719	1,172,719
Total General Government	\$ 17,659,595	\$ 17,697,088	\$ 14,763,252	\$ 2,933,836

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Emergency Preparedness				
Personnel services	\$ 284,464	\$ 320,464	\$ 319,683	\$ 781
Contractual services	51,500	51,500	41,865	9,635
Materials and supplies	10,946	17,119	13,547	3,572
Maintenance charges	188,995	184,295	184,228	67
	535,905	573,378	559,323	14,055
Fire Fighting				
Personnel services	519,938	520,738	520,668	70
Contractual services	1,185,046	1,235,246	1,025,971	209,275
Materials and supplies	548,829	688,829	486,420	202,409
Maintenance charges	765,655	756,255	756,175	80
Capital outlay	62,020	232,885	231,893	992
	3,081,488	3,433,953	3,021,127	412,826
Fire Prevention				
Personnel services	888,907	939,907	939,372	535
Contractual services	47,200	66,900	66,845	55
Materials and supplies	38,250	112,450	107,415	5,035
Maintenance charges	197,102	192,402	192,368	34
Capital outlay	5,000	5,036	5,035	1
	1,176,459	1,316,695	1,311,035	5,660
Police				
Personnel services	29,752,066	29,923,263	28,891,056	1,032,207
Contractual services	572,890	575,010	484,770	90,240
Materials and supplies	324,466	322,346	276,543	45,803
Maintenance charges	3,249,175	3,240,119	3,220,304	19,815
	33,898,597	34,060,738	32,872,673	1,188,065
Total Public Safety	\$ 38,692,449	\$ 39,384,764	\$ 37,764,158	\$ 1,620,606

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, 2014**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works				
Engineering				
Personnel services	\$ 1,789,226	\$ 1,789,226	\$ 1,515,061	\$ 274,165
Contractual services	375,145	513,145	479,121	34,024
Materials and supplies	45,900	28,672	16,513	12,159
Maintenance charges	223,855	206,955	206,898	57
Capital outlay	-	25,000	20,000	5,000
	2,434,126	2,562,998	2,237,593	325,405
Street Lighting and Signals				
Contractual services	1,453,800	1,453,800	1,357,271	96,529
	1,453,800	1,453,800	1,357,271	96,529
Sanitation				
Personnel services	2,306,805	2,317,805	2,317,560	245
Contractual services	3,792,365	3,780,365	3,690,248	90,117
Materials and supplies	379,680	391,680	357,877	33,803
Maintenance charges	247,391	242,991	242,925	66
Capital outlay	-	7,949	7,949	-
	6,726,241	6,740,790	6,616,559	124,231
Street and Bridge				
Personnel services	1,975,713	1,975,713	1,942,913	32,800
Contractual services	58,650	58,650	25,745	32,905
Materials and supplies	405,744	475,744	275,894	199,850
Maintenance charges	406,268	408,568	408,527	41
Capital outlay	15,000	2,582,188	2,580,908	1,280
	2,861,375	5,500,863	5,233,987	266,876
Traffic and Transportation				
Personnel services	789,077	789,077	673,942	115,135
Contractual services	383,050	357,188	246,301	110,887
Materials and supplies	253,400	253,400	227,837	25,563
Maintenance charges	145,143	150,243	150,174	69
Capital outlay	-	862	-	862
	1,570,670	1,550,770	1,298,254	252,516
Total Public Works	\$ 15,046,212	\$ 17,809,221	\$ 16,743,664	\$ 1,065,557

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health				
Personnel services	\$ 715,662	\$ 715,662	\$ 715,388	\$ 274
Contractual services	816,060	736,360	572,592	163,768
Materials and supplies	17,650	63,783	50,425	13,358
Maintenance charges	95,032	95,032	93,081	1,951
	1,644,404	1,610,837	1,431,486	179,351
Animal Rescue and Assistance				
Personnel services	1,449,480	1,464,480	1,417,337	47,143
Contractual services	269,650	314,650	253,968	60,682
Materials and supplies	283,500	273,500	220,467	53,033
Maintenance charges	221,681	216,211	197,470	18,741
Capital outlay	14,256	14,256	-	14,256
	2,238,567	2,283,097	2,089,242	193,855
Total Health	3,882,971	3,893,934	3,520,728	373,206
Culture and Recreation				
Parks				
Personnel services	1,832,342	1,832,342	1,730,763	101,579
Contractual services	970,483	1,088,624	355,823	732,801
Materials and supplies	252,818	340,399	253,593	86,806
Maintenance charges	755,242	735,242	735,128	114
Capital outlay	1,208,324	1,205,875	225,689	980,186
	5,019,209	5,202,482	3,300,996	1,901,486
Recreation				
Personnel services	1,770,014	1,810,554	1,558,199	252,355
Contractual services	346,300	345,800	230,517	115,283
Materials and supplies	292,712	293,212	251,954	41,258
Maintenance charges	318,832	279,932	279,103	829
Other charges	83,000	83,000	58,212	24,788
Capital outlay	76,500	24,000	18,000	6,000
	\$ 2,887,358	\$ 2,836,498	\$ 2,395,985	\$ 440,513

Continued

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Culture and Recreation, Continued				
Clean Streets				
Personnel services	\$ 1,069,312	\$ 1,069,312	\$ 1,056,988	\$ 12,324
Contractual services	194,405	194,405	167,402	27,003
Materials and supplies	73,367	73,367	44,419	28,948
Maintenance charges	283,083	275,383	275,367	16
	1,620,167	1,612,467	1,544,176	68,291
Golf Course				
Personnel services	477,867	477,867	351,781	126,086
Contractual services	98,900	123,900	93,033	30,867
Materials and supplies	114,195	169,195	100,839	68,356
Maintenance charges	73,622	78,157	78,103	54
Capital outlay	110,000	30,000	-	30,000
	874,584	879,119	623,756	255,363
Multi-Purpose Center				
Personnel services	360,233	360,233	303,387	56,846
Contractual services	36,850	86,850	53,949	32,901
Materials and supplies	38,450	40,950	31,007	9,943
Maintenance charges	53,925	53,894	51,976	1,918
Other charges	10,000	18,081	18,078	3
Capital outlay	60,000	-	-	-
	559,458	560,008	458,397	101,611
Civic Center				
Personnel services	359,427	359,427	333,707	25,720
Contractual services	159,500	159,500	114,964	44,536
Materials and supplies	11,675	11,675	7,416	4,259
Maintenance charges	202,638	176,638	175,923	715
	733,240	707,240	632,010	75,230
Senior Center - Madison Jobe				
Personnel services	213,918	214,718	188,836	25,882
Contractual services	48,409	47,609	31,335	16,274
Materials and supplies	24,750	43,100	30,598	12,502
Maintenance charges	72,779	102,829	102,758	71
Other charges	20,000	20,000	15,685	4,315
Capital outlay	27,000	8,600	8,532	68
	\$ 406,856	\$ 436,856	\$ 377,744	\$ 59,112
Museum				
Personnel services	43,714	23,174	18,255	4,919
Contractual services	2,100	2,100	640	1,460
Materials and supplies	7,000	7,000	1,765	5,235
Maintenance charges	13,657	4,357	4,285	72
Other charges	800	800	137	663
	\$ 67,271	\$ 37,431	\$ 25,082	\$ 12,349

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Library				
Personnel services	\$ 2,530,876	\$ 2,530,876	\$ 2,510,174	\$ 20,702
Contractual services	326,688	313,688	258,862	54,826
Materials and supplies	239,980	229,940	206,068	23,872
Maintenance charges	376,622	377,122	376,979	143
Capital outlay	317,695	352,695	347,581	5,114
	3,791,861	3,804,321	3,699,664	104,657
Total Culture and Recreation	15,960,004	16,076,422	13,057,810	3,018,612
TOTAL EXPENDITURES	91,241,231	94,861,429	85,849,612	9,011,817
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(2,547,361)	(6,165,817)	5,453,370	11,619,187
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Maintenance fund	(1,534,500)	(1,534,500)	(1,534,500)	-
Water and sewer system fund	2,200,000	2,200,000	2,200,000	-
Insurance fund	(500,000)	(500,000)	(500,000)	-
Health insurance fund	(1,580,124)	(2,380,124)	(2,380,124)	-
Grant management fund	-	-	568	568
Insurance recovery	-	-	2,182,554	2,182,554
Sale of capital assets	40,000	1,063,500	5,845,152	4,781,652
TOTAL OTHER FINANCING SOURCES (USES)	(1,374,624)	(1,151,124)	5,813,650	6,964,774
NET CHANGE IN FUND BALANCES	(3,921,985)	(7,316,941)	11,267,020	18,583,961
FUND BALANCE - BEGINNING	49,881,188	50,080,327	50,080,327	-
FUND BALANCE - ENDING	\$ 45,959,203	\$ 42,763,386	\$ 61,347,347	\$ 18,583,961

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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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes				
Ad valorem taxes	\$ 10,830,409	\$ 10,830,409	\$ 11,570,894	\$ 740,485
Investment income	3,500	3,500	1,983	(1,517)
TOTAL REVENUES	<u>10,833,909</u>	<u>10,833,909</u>	<u>11,572,877</u>	<u>738,968</u>
EXPENDITURES				
Debt service				
Principal	6,840,000	6,840,000	6,840,000	-
Interest	3,680,409	3,680,409	3,680,409	-
Fiscal charges	5,000	5,000	-	5,000
TOTAL EXPENDITURES	<u>10,525,409</u>	<u>10,525,409</u>	<u>10,520,409</u>	<u>5,000</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>308,500</u>	<u>308,500</u>	<u>1,052,468</u>	<u>743,968</u>
OTHER FINANCING SOURCES				
Transfers in - capital projects fund	-	361	361	-
TOTAL OTHER FINANCING SOURCES	<u>-</u>	<u>361</u>	<u>361</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	308,500	308,861	1,052,829	743,968
FUND BALANCES - BEGINNING	<u>5,270,184</u>	<u>5,219,579</u>	<u>5,219,579</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 5,578,684</u>	<u>\$ 5,528,440</u>	<u>\$ 6,272,408</u>	<u>\$ 743,968</u>

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NONMAJOR GOVERNMENTAL FUNDS Special Revenue Funds

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

Special Charge Allocation Fund – Established to account for the following:

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

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

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

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

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

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

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

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, 2014**

	<u>Special Revenue</u>				<u>Total Funds</u>
	<u>Special Charge Allocation Fund</u>	<u>State Forfeited Property</u>	<u>Hotel and Motel Tax</u>	<u>Abandoned Motor Vehicles and Property</u>	
<u>ASSETS</u>					
Due from other funds	\$ 403,054	\$ -	\$ -	\$ -	\$ 403,054
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,373,503	941,958	1,755,882	105,739	4,177,082
Receivables (net of allowances of uncollectibles)					
Intergovernmental	90,829	-	-	-	90,829
Accounts	-	-	220,290	-	220,290
TOTAL ASSETS	<u>\$1,867,386</u>	<u>\$ 994,925</u>	<u>\$1,976,172</u>	<u>\$ 105,739</u>	<u>\$4,944,222</u>
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ 5,988	\$ 10,580	\$ 6,044	\$ 22,612
Liabilities payable from restricted assets					
Accounts payable	24,110	30,024	10,268	14,747	79,149
Accrued payroll payable	13,898	-	5,816	-	19,714
Unearned revenue	16,296	-	-	-	16,296
	<u>54,304</u>	<u>30,024</u>	<u>16,084</u>	<u>14,747</u>	<u>115,159</u>
TOTAL LIABILITIES	<u>54,304</u>	<u>36,012</u>	<u>26,664</u>	<u>20,791</u>	<u>137,771</u>
<u>FUND BALANCES</u>					
Restricted	<u>1,813,082</u>	<u>958,913</u>	<u>1,949,508</u>	<u>84,948</u>	<u>4,806,451</u>
TOTAL FUND BALANCES	<u>1,813,082</u>	<u>958,913</u>	<u>1,949,508</u>	<u>84,948</u>	<u>4,806,451</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$1,867,386</u>	<u>\$ 994,925</u>	<u>\$1,976,172</u>	<u>\$ 105,739</u>	<u>\$4,944,222</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, 2014**

	<u>Special Revenue</u>				
	<u>Special Charge Allocation Fund</u>	<u>State Forfeited Property</u>	<u>Hotel and Motel Tax</u>	<u>Abandoned Motor Vehicles and Property</u>	<u>Total Funds</u>
REVENUES					
Business taxes					
Franchise taxes	\$ 301,448	\$ -	\$ -	\$ -	\$ 301,448
Other taxes	-	-	737,928	-	737,928
Licenses and permits	3,050	-	-	-	3,050
Municipal court fines	412,758	-	-	-	412,758
Intergovernmental	293,170	500,345	-	-	793,515
Miscellaneous	4,771	-	6,000	245,331	256,102
Investment income	439	369	1,397	41	2,246
TOTAL REVENUES	<u>1,015,636</u>	<u>500,714</u>	<u>745,325</u>	<u>245,372</u>	<u>2,507,047</u>
EXPENDITURES					
Current					
General government					
Personnel services	203,567	-	-	-	203,567
Contractual services	176,454	-	-	-	176,454
Materials and supplies	106,778	-	-	-	106,778
Capital outlay	136,153	-	-	-	136,153
Public safety					
Personnel services	106,575	384,101	-	-	490,676
Contractual services	84,706	132,554	-	172,359	389,619
Materials and supplies	44,622	209,951	-	65,793	320,366
Other charges	-	72,864	-	17,744	90,608
Capital outlay	-	7,611	-	24,364	31,975
Culture and recreation					
Personnel services	-	-	129,534	-	129,534
Contractual services	-	-	71,476	-	71,476
Materials and supplies	-	-	73,449	-	73,449
Other charges	-	-	50,048	-	50,048
Capital outlay	-	-	75,682	-	75,682
TOTAL EXPENDITURES	<u>858,855</u>	<u>807,081</u>	<u>400,189</u>	<u>280,260</u>	<u>2,346,385</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	156,781	(306,367)	345,136	(34,888)	160,662
FUND BALANCES - BEGINNING	<u>1,656,301</u>	<u>1,265,280</u>	<u>1,604,372</u>	<u>119,836</u>	<u>4,645,789</u>
FUND BALANCES - ENDING	<u>\$1,813,082</u>	<u>\$ 958,913</u>	<u>\$1,949,508</u>	<u>\$ 84,948</u>	<u>\$4,806,451</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Franchise taxes	\$ 280,000	\$ 280,000	\$ 301,448	\$ 21,448
Licenses and permits	3,000	3,000	3,050	50
Municipal court fines	400,000	400,000	412,758	12,758
Intergovernmental	244,000	244,000	293,170	49,170
Miscellaneous	6,000	6,000	4,771	(1,229)
Investment income	1,095	1,095	439	(656)
TOTAL REVENUES	<u>934,095</u>	<u>934,095</u>	<u>1,015,636</u>	<u>81,541</u>
EXPENDITURES				
Current				
General government				
Personnel services	194,701	213,701	203,567	10,134
Contractual services	250,965	259,565	176,454	83,111
Materials and supplies	143,400	172,000	106,778	65,222
Capital outlay	80,000	212,432	136,153	76,279
Public safety				
Personnel services	146,399	147,299	106,575	40,724
Contractual services	103,482	103,482	84,706	18,776
Materials and supplies	78,100	77,200	44,622	32,578
Capital outlay	65,000	65,000	-	65,000
TOTAL EXPENDITURES	<u>1,062,047</u>	<u>1,250,679</u>	<u>858,855</u>	<u>391,824</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(127,952)</u>	<u>(316,584)</u>	<u>156,781</u>	<u>473,365</u>
FUND BALANCES - BEGINNING	<u>1,511,151</u>	<u>1,656,301</u>	<u>1,656,301</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$1,383,199</u>	<u>\$ 1,339,717</u>	<u>\$1,813,082</u>	<u>\$ 473,365</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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 500,345	\$ 500,345
Investment income	1,000	1,000	369	(631)
TOTAL REVENUES	1,000	1,000	500,714	499,714
EXPENDITURES				
Current				
Public safety				
Personnel services	336,037	385,037	384,101	936
Contractual services	191,930	162,930	132,554	30,376
Materials and supplies	274,502	324,502	209,951	114,551
Other charges	20,000	90,000	72,864	17,136
Capital outlay	80,029	80,029	7,611	72,418
TOTAL EXPENDITURES	902,498	1,042,498	807,081	235,417
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(901,498)	(1,041,498)	(306,367)	735,131
FUND BALANCES - BEGINNING	1,187,220	1,265,280	1,265,280	-
FUND BALANCES - ENDING	\$ 285,722	\$ 223,782	\$ 958,913	\$ 735,131

**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, 2014**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Other taxes	\$ 650,000	\$ 650,000	\$ 737,928	\$ 87,928
Miscellaneous	-	-	6,000	6,000
Investment income	1,350	1,350	1,397	47
TOTAL REVENUES	651,350	651,350	745,325	93,975
EXPENDITURES				
Current				
Culture and recreation				
Personnel services	129,905	129,905	129,534	371
Contractual services	99,250	113,053	71,476	41,577
Materials and supplies	72,360	122,360	73,449	48,911
Other charges	35,000	60,000	50,048	9,952
Capital outlay	282,682	193,879	75,682	118,197
TOTAL EXPENDITURES	619,197	619,197	400,189	219,008
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	32,153	32,153	345,136	312,983
FUND BALANCES - BEGINNING	1,615,069	1,604,372	1,604,372	-
FUND BALANCES - ENDING	\$1,647,222	\$1,636,525	\$1,949,508	\$ 312,983

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 250,000	\$ 290,000	\$ 245,331	\$ (44,669)
Investment income	110	110	41	(69)
TOTAL REVENUES	<u>250,110</u>	<u>290,110</u>	<u>245,372</u>	<u>(44,738)</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	243,200	243,200	172,359	70,841
Materials and supplies	41,387	81,387	65,793	15,594
Other charges	25,000	25,000	17,744	7,256
Capital outlay	-	24,365	24,364	1
TOTAL EXPENDITURES	<u>309,587</u>	<u>373,952</u>	<u>280,260</u>	<u>93,692</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(59,477)</u>	<u>(83,842)</u>	<u>(34,888)</u>	<u>48,954</u>
FUND BALANCES - BEGINNING	<u>75,556</u>	<u>119,836</u>	<u>119,836</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 16,079</u>	<u>\$ 35,994</u>	<u>\$ 84,948</u>	<u>\$ 48,954</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 plan 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 POSITION
SEPTEMBER 30, 2014**

	<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	\$ 4,598,325	\$ 1,950,825	\$ 5,882,884	\$ 4,379,203	\$ 16,811,237
Accounts receivable	53,304	-	1,000	44,076	98,380
Inventory, at cost	603,857	-	-	-	603,857
Prepaid items	-	-	486,085	-	486,085
Total Current Assets	5,255,486	1,950,825	6,369,969	4,423,279	17,999,559
Noncurrent Assets					
Deposits	-	16,000	-	25,000	41,000
Capital Assets					
Land	602	-	-	-	602
Buildings and building improvements	2,143,366	-	-	-	2,143,366
Accumulated depreciation - buildings and building improvements	(1,724,063)	-	-	-	(1,724,063)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(63,924)	-	-	-	(63,924)
Machinery and equipment	6,614,390	-	-	-	6,614,390
Accumulated depreciation - machinery and equipment	(4,155,280)	-	-	-	(4,155,280)
Infrastructure	41,746	-	-	-	41,746
Accumulated depreciation - infrastructure	(17,840)	-	-	-	(17,840)
Automotive equipment	37,618,790	-	-	-	37,618,790
Accumulated depreciation - automotive equipment	(25,889,850)	-	-	-	(25,889,850)
Net Capital Assets	14,743,691	-	-	-	14,743,691
Total Noncurrent Assets	14,743,691	16,000	-	25,000	14,784,691
TOTAL ASSETS	19,999,177	1,966,825	6,369,969	4,448,279	32,784,250
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	549,404	2,140	44,903	27,806	624,253
Accrued payroll payable	244,430	4,977	-	12,117	261,524
Due to other funds					
General	553,852	3,354	188,424	293,396	1,039,026
Claims payable	-	118,163	-	1,089,185	1,207,348
Compensated absences payable	109,680	-	-	-	109,680
Total Current Liabilities	1,457,366	128,634	233,327	1,422,504	3,241,831
Noncurrent Liabilities					
Claims payable	-	78,776	-	726,122	804,898
Compensated absences payable	987,120	-	-	-	987,120
Other post employment benefits	36,931	-	-	-	36,931
Total Noncurrent Liabilities	1,024,051	78,776	-	726,122	1,828,949
TOTAL LIABILITIES	2,481,417	207,410	233,327	2,148,626	5,070,780
<u>NET POSITION</u>					
Net investment in capital assets	14,743,691	-	-	-	14,743,691
Unrestricted	2,774,069	1,759,415	6,136,642	2,299,653	12,969,779
TOTAL NET POSITION	\$ 17,517,760	\$ 1,759,415	\$ 6,136,642	\$ 2,299,653	\$ 27,713,470

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**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total Funds
OPERATING REVENUES					
Charges for sales and services	\$ 13,453,480	\$ 933,626	\$ 130,730	\$ 14,371,324	\$ 28,889,160
OPERATING EXPENSES					
Personnel services	5,229,663	105,659	-	-	5,335,322
Contractual services	1,297,700	28,950	-	40,279	1,366,929
Materials and supplies	4,881,633	-	-	-	4,881,633
Maintenance charges	1,544,982	-	-	-	1,544,982
Insurance/reinsurance premiums	-	543,327	1,305,071	2,607,950	4,456,348
Claim and legal expenses	-	101,019	608,820	12,221,637	12,931,476
Administration fees	-	-	-	531,428	531,428
Miscellaneous	-	18,259	-	919,706	937,965
Depreciation	2,711,132	-	-	-	2,711,132
TOTAL OPERATING EXPENSES	15,665,110	797,214	1,913,891	16,321,000	34,697,215
OPERATING INCOME (LOSS)	(2,211,630)	136,412	(1,783,161)	(1,949,676)	(5,808,055)
NONOPERATING REVENUES					
Gain on sale of capital assets	366,555	-	-	-	366,555
Investment income	1,330	530	2,109	1,936	5,905
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(1,843,745)	136,942	(1,781,052)	(1,947,740)	(5,435,595)
Capital contributions	1,312,541	-	-	-	1,312,541
Transfers in	2,484,500	-	1,500,000	2,380,124	6,364,624
Transfers out	(58,097)	-	-	-	(58,097)
CHANGES IN NET POSITION	1,895,199	136,942	(281,052)	432,384	2,183,473
TOTAL NET POSITION - BEGINNING	15,622,561	1,622,473	6,417,694	1,867,269	25,529,997
TOTAL NET POSITION - ENDING	\$ 17,517,760	\$ 1,759,415	\$ 6,136,642	\$ 2,299,653	\$ 27,713,470

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total Funds</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers and users	\$ 14,701,744	\$ 937,022	\$ 130,730	\$ 14,406,068	\$ 30,175,564
Cash payments to suppliers for goods and services	(7,268,592)	-	-	-	(7,268,592)
Cash payments to employees for services	(5,092,577)	(123,356)	-	3,754	(5,212,179)
Cash payments for insurance premiums, liability claims and administration	-	(625,976)	(1,739,884)	(16,927,438)	(19,293,298)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>2,340,575</u>	<u>187,690</u>	<u>(1,609,154)</u>	<u>(2,517,616)</u>	<u>(1,598,505)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers (to)/from other funds					
General	1,534,500	-	500,000	2,380,124	4,414,624
Water and sewer system	950,000	-	1,000,000	-	1,950,000
Grant management	(58,097)	-	-	-	(58,097)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>2,426,403</u>	<u>-</u>	<u>1,500,000</u>	<u>2,380,124</u>	<u>6,306,527</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from sale of capital assets	527,175	-	-	-	527,175
Acquisition and construction of capital assets	(3,190,432)	-	-	-	(3,190,432)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(2,663,257)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,663,257)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of investments	(5,221,213)	(842,723)	(1,490,075)	(13,190,814)	(20,744,825)
Proceeds from sale and maturities of investments	3,116,162	654,503	1,597,120	13,326,370	18,694,155
Investment income received	1,330	530	2,109	1,936	5,905
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(2,103,721)</u>	<u>(187,690)</u>	<u>109,154</u>	<u>137,492</u>	<u>(2,044,765)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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)	\$ (2,211,630)	\$ 136,412	\$ (1,783,161)	\$ (1,949,676)	\$ (5,808,055)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities					
Depreciation	2,711,132	-	-	-	2,711,132
Changes in assets and liabilities					
(Increase) decrease in accounts receivable	(53,304)	20	5,658	(15,909)	(63,535)
Decrease in prepaid items	-	-	19,982	-	19,982
Decrease in due from other funds	1,248,264	42	-	50,653	1,298,959
Decrease in inventory	26,668	-	-	-	26,668
(Increase) in deposits	-	(1,000)	-	-	(1,000)
(Decrease) increase in accounts and claims payable	(34,955)	48,300	(6,163)	(899,834)	(892,652)
Increase in accrued payroll payable	33,378	562	-	3,754	37,694
Increase in compensated absences payable	83,268	-	-	-	83,268
Increase in other post employment benefits	20,440	-	-	-	20,440
Increase in due to other funds	517,314	3,354	154,530	293,396	968,594
Total Adjustments	4,552,205	51,278	174,007	(567,940)	4,209,550
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 2,340,575	\$ 187,690	\$ (1,609,154)	\$ (2,517,616)	\$ (1,598,505)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contribution of capital assets from the government	\$ 1,279,041	\$ -	\$ -	\$ -	\$ 1,279,041
Capital assets donated from outside source	\$ 33,500	\$ -	\$ -	\$ -	\$ 33,500

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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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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.....	139
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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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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 145
Operating Indicators by Function 146
Capital Asset Statistics by Function 148

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 POSITION BY COMPONENT
Last Ten Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Governmental activities				
Net investment in capital assets	\$ 370,470,916	\$ 403,974,440	\$ 412,109,172	\$ 431,100,171
Restricted	22,888,815	30,687,355	47,364,187	48,856,439
Unrestricted	3,579,793	4,719,202	15,953,388	19,220,043
Total governmental activities net position	<u>\$ 396,939,524</u>	<u>\$ 439,380,997</u>	<u>\$ 475,426,747</u>	<u>\$ 499,176,653</u>
Business-type activities				
Net investment in capital assets	\$ 184,638,432	\$ 154,352,867	\$ 154,799,229	\$ 155,671,798
Restricted	483,859	1,272,277	1,128,275	988,591
Unrestricted (deficit)	(1,229,867)	2,092,369	6,580,409	6,559,351
Total business-type activities net position	<u>\$ 183,892,424</u>	<u>\$ 157,717,513</u>	<u>\$ 162,507,913</u>	<u>\$ 163,219,740</u>
Primary government				
Net investment in capital assets	\$ 555,109,348	\$ 558,327,307	\$ 566,908,401	\$ 586,771,969
Restricted	23,372,674	31,959,632	48,492,462	49,845,030
Unrestricted	2,349,926	6,811,571	22,533,797	25,779,394
Total primary government net position	<u>\$ 580,831,948</u>	<u>\$ 597,098,510</u>	<u>\$ 637,934,660</u>	<u>\$ 662,396,393</u>

(1) As a result of implementing GASB Statement No. 65, net position was restated as of October 1, 2013. The City chose not to restate 2005 to 2012.

Fiscal Year

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$ 451,397,477	\$ 463,105,305	\$ 472,614,231	\$ 478,211,050	\$ 483,252,803	\$ 481,756,248
40,253,459	36,063,307	35,271,243	40,271,155	46,905,633	55,218,439
15,209,325	16,138,845	14,744,816	22,491,388	23,545,604	33,036,706
<u>\$ 506,860,261</u>	<u>\$ 515,307,457</u>	<u>\$ 522,630,290</u>	<u>\$ 540,973,593</u>	<u>\$ 553,704,040</u>	<u>\$ 570,011,393</u>
\$ 154,942,535	\$ 157,245,239	\$ 159,525,608	\$ 160,991,697	\$ 163,652,579	\$ 176,526,854
2,255,328	1,929,345	2,020,890	2,241,698	2,339,483	2,298,834
11,385,007	13,307,492	17,664,879	28,726,466	30,178,589	28,742,741
<u>\$ 168,582,870</u>	<u>\$ 172,482,076</u>	<u>\$ 179,211,377</u>	<u>\$ 191,959,861</u>	<u>\$ 196,170,651</u>	<u>\$ 207,568,429</u>
\$ 606,340,012	\$ 620,350,544	\$ 632,139,839	\$ 639,202,747	\$ 646,905,382	\$ 658,283,102
42,508,787	37,992,652	37,292,133	42,512,853	49,245,116	57,517,273
26,594,332	29,446,337	32,409,695	51,217,854	53,724,193	61,779,447
<u>\$ 675,443,131</u>	<u>\$ 687,789,533</u>	<u>\$ 701,841,667</u>	<u>\$ 732,933,454</u>	<u>\$ 749,874,691</u>	<u>\$ 777,579,822</u>

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

Last Ten Fiscal Years (1)
(accrual basis of accounting)

	Fiscal Year			
	2005	2006	2007	2008
Expenses				
Governmental activities				
General government	\$ 14,760,376	\$ 11,958,225	\$ 11,200,559	\$ 12,819,859
Public safety	35,897,408	36,671,473	35,213,887	40,486,310
Public works	19,516,410	20,305,363	19,851,288	24,938,059
Health	2,481,836	2,322,840	2,340,163	2,711,459
Culture and recreation	12,676,655	13,022,789	12,687,318	13,647,614
Housing and community development	8,433,494	8,720,771	7,968,458	8,821,136
Interest and fiscal agent fees on long-term debt	4,252,445	4,231,769	4,478,707	4,711,542
Total governmental activities expenses	<u>98,018,624</u>	<u>97,233,230</u>	<u>93,740,380</u>	<u>108,135,979</u>
Business-type activities				
Water and sewer	29,491,431	29,117,047	25,729,728	28,593,719
Total business-type activities expenses	<u>29,491,431</u>	<u>29,117,047</u>	<u>25,729,728</u>	<u>28,593,719</u>
Total primary government expenses	<u>\$ 127,510,055</u>	<u>\$ 126,350,277</u>	<u>\$ 119,470,108</u>	<u>\$ 136,729,698</u>
Program Revenues				
Governmental activities:				
Charges for service				
General government	\$ 7,348,053	\$ 8,704,860	\$ 9,077,366	\$ 13,444,472
Public safety	6,312,465	6,936,436	7,845,825	7,769,911
Other activities	3,794,530	4,586,379	4,662,239	4,422,153
Operating grants and contributions	10,377,127	11,135,131	9,499,817	15,960,153
Capital grants and contributions	9,913,507	2,266,320	15,711,854	5,215,499
Total governmental activities program revenues	<u>37,745,682</u>	<u>33,629,126</u>	<u>46,797,101</u>	<u>46,812,188</u>
Business-type activities:				
Charges for services:				
Water and sewer	26,261,124	31,279,537	30,744,928	30,489,659
Capital grants and contributions	1,315,972	-	-	-
Total business-type activities program revenues	<u>27,577,096</u>	<u>31,279,537</u>	<u>30,744,928</u>	<u>30,489,659</u>
Total primary government program revenues	<u>\$ 65,322,778</u>	<u>\$ 64,908,663</u>	<u>\$ 77,542,029</u>	<u>\$ 77,301,847</u>
Net (Expense)/Revenue				
Governmental activities	\$ (60,272,942)	\$ (63,604,104)	\$ (46,943,279)	\$ (61,323,791)
Business-type activities	(1,914,335)	2,162,490	5,015,200	1,895,940
Total primary government net expense	<u>\$ (62,187,277)</u>	<u>\$ (61,441,614)</u>	<u>\$ (41,928,079)</u>	<u>\$ (59,427,851)</u>
General Revenues and Other Changes in Net Position				
Governmental activities:				
Taxes				
General property taxes	\$ 26,630,894	\$ 27,210,647	\$ 28,855,714	\$ 31,071,723
Industrial district fees	15,064,575	14,971,745	15,153,643	15,551,252
Sales taxes	18,771,552	20,576,013	23,088,652	23,835,369
Utility taxes	7,132,803	7,148,517	7,582,443	7,644,267
Other taxes/fees	478,159	579,428	604,342	691,263
Investment earnings				
Unrestricted	898,174	1,765,482	2,580,560	1,590,544
Restricted	1,656,818	3,201,891	3,839,946	2,748,233
Gain on sale of capital assets	-	-	102,835	73,265
Transfers	(29,395,320)	30,424,114	1,180,894	1,867,781
Total governmental activities	<u>41,237,655</u>	<u>105,877,837</u>	<u>82,989,029</u>	<u>85,073,697</u>
Business-type activities:				
Investment earnings				
Unrestricted	24,737	74,873	386,097	363,757
Restricted	1,284,999	2,011,840	569,997	319,911
Gain on sale of capital assets	-	-	-	-
Transfers	29,395,320	(30,424,114)	(1,180,894)	(1,867,781)
Total business-type activities	<u>30,705,056</u>	<u>(28,337,401)</u>	<u>(224,800)</u>	<u>(1,184,113)</u>
Total primary government	<u>\$ 71,942,711</u>	<u>\$ 77,540,436</u>	<u>\$ 82,764,229</u>	<u>\$ 83,889,584</u>
Change in Net Position				
Governmental activities	\$ (19,035,287)	\$ 42,273,733	\$ 36,045,750	\$ 23,749,906
Business-type activities	28,790,721	(26,174,911)	4,790,400	711,827
Total primary government	<u>\$ 9,755,434</u>	<u>\$ 16,098,822</u>	<u>\$ 40,836,150</u>	<u>\$ 24,461,733</u>

(1) As a result of implementing GASB Statement No. 65, net position was restated as of October 1, 2013. The City chose not to restate 2005 to 2012.

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ 16,735,291	\$ 16,369,013	\$ 17,498,400	\$ 15,344,585	\$ 17,825,589	\$ 20,070,338	
44,930,012	46,743,243	45,242,538	44,094,055	48,354,722	47,153,867	
28,489,685	22,194,436	21,049,209	19,734,083	21,579,683	23,789,663	
3,170,468	3,543,536	3,419,292	3,385,069	3,493,148	3,873,409	
16,082,335	15,533,525	14,629,653	13,999,948	15,492,340	15,853,285	
9,615,124	10,102,166	10,672,024	9,976,482	9,324,100	7,922,281	
4,990,590	5,002,086	4,832,227	4,123,021	3,877,613	3,564,479	
<u>124,013,505</u>	<u>119,488,005</u>	<u>117,343,343</u>	<u>110,657,243</u>	<u>119,947,195</u>	<u>122,227,322</u>	
28,622,955	29,274,247	29,982,837	29,019,663	30,765,422	31,443,569	
<u>28,622,955</u>	<u>29,274,247</u>	<u>29,982,837</u>	<u>29,019,663</u>	<u>30,765,422</u>	<u>31,443,569</u>	
<u>\$ 152,636,460</u>	<u>\$ 148,762,252</u>	<u>\$ 147,326,180</u>	<u>\$ 139,676,906</u>	<u>\$ 150,712,617</u>	<u>\$ 153,670,891</u>	
\$ 9,881,296	\$ 11,802,432	\$ 9,431,596	\$ 9,411,401	\$ 9,022,279	\$ 11,987,529	
8,236,156	7,685,606	7,757,395	7,891,097	7,880,922	8,355,481	
5,116,673	4,220,825	4,134,589	4,139,681	5,058,845	4,858,171	
16,102,417	13,576,536	12,087,315	12,370,427	11,579,631	10,491,952	
5,578,582	4,999,237	8,610,718	12,799,735	7,769,209	13,955,703	
<u>44,915,124</u>	<u>42,284,636</u>	<u>42,021,613</u>	<u>46,612,341</u>	<u>41,310,886</u>	<u>49,648,836</u>	
35,096,384	33,419,961	36,894,886	36,790,596	37,235,536	36,618,566	
35,000	-	-	212,675	147,596	-	
<u>35,131,384</u>	<u>33,419,961</u>	<u>36,894,886</u>	<u>37,003,271</u>	<u>37,383,132</u>	<u>36,618,566</u>	
<u>\$ 80,046,508</u>	<u>\$ 75,704,597</u>	<u>\$ 78,916,499</u>	<u>\$ 83,615,612</u>	<u>\$ 78,694,018</u>	<u>\$ 86,267,402</u>	
\$ (79,098,381)	\$ (77,203,369)	\$ (75,321,730)	\$ (64,044,902)	\$ (78,636,309)	\$ (72,578,486)	
6,508,429	4,145,714	6,912,049	7,983,608	6,617,710	5,174,997	
<u>\$ (72,589,952)</u>	<u>\$ (73,057,655)</u>	<u>\$ (68,409,681)</u>	<u>\$ (56,061,294)</u>	<u>\$ (72,018,599)</u>	<u>\$ (67,403,489)</u>	
\$ 33,728,265	\$ 32,609,811	\$ 33,224,390	\$ 34,997,328	\$ 35,501,359	\$ 36,899,872	
16,100,049	15,777,475	15,980,044	16,773,145	17,548,408	17,177,327	
26,084,712	23,213,061	23,954,810	25,789,345	27,938,085	30,472,024	
7,817,369	7,948,433	8,550,770	8,704,878	8,932,383	9,270,311	
698,023	5,523,330	544,183	671,036	716,284	1,000,102	
363,528	125,652	84,799	96,098	89,748	46,788	
685,824	154,475	89,411	86,079	65,620	30,622	
-	-	-	-	63,864	-	
<u>1,304,219</u>	<u>298,328</u>	<u>216,156</u>	<u>(4,729,704)</u>	<u>1,668,346</u>	<u>(6,011,207)</u>	
<u>86,781,989</u>	<u>85,650,565</u>	<u>82,644,563</u>	<u>82,388,205</u>	<u>92,524,097</u>	<u>88,885,839</u>	
95,551	26,823	22,636	25,510	23,752	9,763	
63,369	24,997	10,772	9,662	3,947	1,486	
-	-	-	-	-	200,325	
<u>(1,304,219)</u>	<u>(298,328)</u>	<u>(216,156)</u>	<u>4,729,704</u>	<u>(1,668,346)</u>	<u>6,011,207</u>	
<u>(1,145,299)</u>	<u>(246,508)</u>	<u>(182,748)</u>	<u>4,764,876</u>	<u>(1,640,647)</u>	<u>6,222,781</u>	
<u>\$ 85,636,690</u>	<u>\$ 85,404,057</u>	<u>\$ 82,461,815</u>	<u>\$ 87,153,081</u>	<u>\$ 90,883,450</u>	<u>\$ 95,108,620</u>	
\$ 7,683,608	\$ 8,447,196	\$ 7,322,833	\$ 18,343,303	\$ 13,887,788	\$ 16,307,353	
5,363,130	3,899,206	6,729,301	12,748,484	4,977,063	11,397,778	
<u>\$ 13,046,738</u>	<u>\$ 12,346,402</u>	<u>\$ 14,052,134</u>	<u>\$ 31,091,787</u>	<u>\$ 18,864,851</u>	<u>\$ 27,705,131</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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General property taxes	\$ 26,630,894	\$ 27,210,647	\$ 28,855,714	\$ 31,071,723
Industrial district fees	15,064,575	14,971,745	15,153,643	15,551,252
Sales taxes	18,771,552 (1)	20,576,013	23,088,652	23,835,369
Franchise taxes	7,132,803	7,148,517	7,582,443	7,644,267
Other taxes/fees	478,159	579,428	604,342	691,263
	<u>\$ 68,077,983</u>	<u>\$ 70,486,350</u>	<u>\$ 75,284,794</u>	<u>\$ 78,793,874</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					
2009	2010	2011	2012	2013	2014
\$ 33,728,265	\$ 32,609,811	\$ 33,224,390	\$ 34,997,328	\$ 35,501,359	\$ 36,899,872
16,100,049	15,777,475	15,980,044	16,773,145	17,548,408	17,177,327
26,084,712	23,213,061	23,954,810	25,789,345	27,938,085	30,472,024
7,817,369	7,948,433	8,550,770 (3)	8,704,878	8,932,383	9,270,311
698,023	5,523,330 (2)	544,183	671,036	716,284	1,000,102
<u>\$ 84,428,418</u>	<u>\$ 85,072,110</u>	<u>\$ 82,254,197</u>	<u>\$ 86,935,732</u>	<u>\$ 90,636,519</u>	<u>\$ 94,819,636</u>

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

	Fiscal Year			
	2005	2006	2007	2008
General Fund				
Unreserved, designated for:				
Encumbrances	\$ 69,987	\$ 601,074	\$ 492,441	\$ 2,549,842
Capital and technology improvements	569,031	350,876	63,181	1,800,295
Recall, election, and charter revisions	15,000	15,000	15,000	15,000
Unreserved	11,549,567	13,605,764	16,869,064	16,923,559
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total general fund	<u>\$ 12,203,585</u>	<u>\$ 14,572,714</u>	<u>\$ 17,439,686</u>	<u>\$ 21,288,696</u>
All Other Governmental Funds				
Reserved	\$ 1,009,129	\$ 1,020,164	\$ 1,495,924	\$ 2,607,222
Unreserved, designated for:				
Encumbrances	93,979	114,054	147,250	1,219,237
Encumbrances for special revenue funds	125	119,060	46,048	379,634
Unreserved, reported in:				
Pasadena Second Century Corp fund	19,792,426	16,304,452	15,664,093	22,399,524
Capital project fund	49,254,465	44,028,810	57,023,939	37,863,806
Grant management fund	2,179,870	3,294,231	3,565,531	3,631,100
Special revenue funds	2,962,092	3,341,554	3,772,165	4,289,626
Restricted	-	-	-	-
Total all other governmental funds	<u>\$ 75,292,086</u>	<u>\$ 68,222,325</u>	<u>\$ 81,714,950</u>	<u>\$ 72,390,149</u>

(1) GASB Statement No. 54 requirement for statistical data is ten years with retroactive implementation encouraged; only four fiscal years are available at this time. The City chose not to restate 2005 to 2010.

Fiscal Year					
2009	2010	2011	2012	2013	2014
\$ 404,551	\$ 1,567,841	\$ -	\$ -	\$ -	\$ -
2,578,002	1,591,361	-	-	-	-
15,000	15,000	-	-	-	-
22,557,426	21,511,101	-	-	-	-
-	-	257,462	388,622	1,733,497	5,190,733
-	-	1,430,771	13,954,260	605,417	23,915,771
-	-	30,129,675	28,392,323	47,741,413	32,240,843
<u>\$ 25,554,979</u>	<u>\$ 24,685,303</u>	<u>\$ 31,817,908</u>	<u>\$ 42,735,205</u>	<u>\$ 50,080,327</u>	<u>\$ 61,347,347</u>
\$ 1,631,459	\$ 2,284,607	\$ -	\$ -	\$ -	\$ -
66,671	1,414,244	-	-	-	-
368,961	18,712	-	-	-	-
27,151,207	13,421,401	-	-	-	-
36,959,612	32,358,730	-	-	-	-
3,478,625	5,330,596	-	-	-	-
3,846,713	2,939,272	-	-	-	-
-	-	52,165,350	55,763,123	58,940,029	65,238,024
<u>\$ 73,503,248</u>	<u>\$ 57,767,562</u>	<u>\$ 52,165,350</u>	<u>\$ 55,763,123</u>	<u>\$ 58,940,029</u>	<u>\$ 65,238,024</u>

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

	Fiscal Year			
	2005	2006	2007	2008
Revenues				
Taxes	\$ 68,147,386	\$ 71,417,369	\$ 75,298,799	\$ 78,823,699
Licenses and permits	1,987,726	2,325,452	2,614,522	2,377,189
Municipal court fines	5,475,669	5,843,318	6,478,333	6,318,981
Charges for services	7,592,005	9,071,205	9,143,891	9,516,526
Intergovernmental	13,179,191	13,183,434	12,963,551	19,748,247
Investment earnings	2,153,484	4,239,860	5,354,084	3,594,698
Contribution from outside sources	-	-	-	-
Program income	-	-	-	-
Miscellaneous	1,060,031	1,454,507	12,762,352	1,514,999
Total revenues	99,595,492	107,535,145	124,615,532	121,894,339
Expenditures				
General government	11,377,181	11,541,363	13,063,869	12,461,993
Public safety	34,095,458	32,789,587	34,797,520	36,975,770
Public works	14,264,010	14,368,742	14,826,289	19,038,620
Health	2,247,029	2,229,275	2,396,944	2,612,142
Culture and recreation	11,734,161	13,155,164	13,011,143	13,441,738
Housing and community development	10,350,263	9,240,567	9,166,267	10,943,860
Capital outlay	18,226,315	17,498,647	21,539,329	34,743,955
Debt service				
Principal	8,085,000	7,665,000	6,212,535	7,484,660
Interest	3,446,897	3,961,007	5,953,074	4,666,601
Other charges	1,112,801	4,771	346,639	171,897
Total expenditures	114,939,115	112,454,123	121,313,609	142,541,236
Excess (deficiency) of revenues over (under) expenditures	(15,343,623)	(4,918,978)	3,301,923	(20,646,897)
Other Financing Sources (Uses)				
Refunding bonds issued	29,570,000	-	2,415,000	-
Payment to refunded bond escrow agent	(31,465,435)	-	(2,364,119)	-
Bonds issued	37,580,000	-	12,450,000	13,665,000
Premiums on bonds issued	3,254,647	-	56,793	-
Transfers in	3,623,734	10,015,507	8,976,878	1,800,190
Transfers out	(3,688,734)	(9,964,901)	(8,476,878)	(800,190)
Sale of capital assets	10,000	-	-	-
Insurance recovery	-	-	-	506,106
Total other financing sources (uses)	38,884,212	50,606	13,057,674	15,171,106
Net change in fund balances	\$ 23,540,589	\$ (4,868,372)	\$ 16,359,597	\$ (5,475,791)
Debt service as a percentage of noncapital expenditures	12.47%	12.57%	12.68%	11.76%

Fiscal Year						
2009	2010	2011	2012	2013	2014	
\$ 84,285,891	\$ 85,021,762	\$ 82,200,858	\$ 86,974,148	\$ 90,787,936	\$ 95,059,433	
2,384,655	2,048,459	2,144,525	2,075,020	2,317,936	2,428,726	
6,072,604	6,083,691	6,459,457	6,312,595	5,992,141	6,505,416	
9,547,090	9,241,590	9,680,697	9,595,662	9,507,936	9,586,071	
20,601,837	15,940,787	20,202,246	23,875,081	16,291,635	22,518,118	
895,156	249,214	149,265	162,330	137,918	71,505	
-	-	-	18,621	1,362,099	871,137	
-	-	165,174	176,537	145,534	327,540	
1,057,115	2,973,015	808,983	910,662	1,375,816	902,691	
<u>124,844,348</u>	<u>121,558,518</u>	<u>121,811,205</u>	<u>130,100,656</u>	<u>127,918,951</u>	<u>138,270,637</u>	
14,144,783	13,876,473	14,325,552	13,364,086	15,001,760	15,386,204	
40,633,853	40,670,046	38,619,020	40,228,303	42,780,930	41,719,857	
21,178,029	17,217,317	18,912,137	21,354,811	15,081,752	25,086,686	
2,880,092	3,343,040	3,446,535	3,168,772	3,109,669	3,520,728	
14,690,854	14,336,405	12,611,085	12,096,056	12,632,871	13,467,999	
11,477,417	10,544,584	11,208,701	10,496,692	9,699,937	11,247,201	
25,765,715	23,824,715	16,876,471	5,917,040	7,265,134	4,712,504	
7,394,661	7,653,050	7,480,000	8,020,000	7,565,000	7,650,000	
5,035,933	5,114,584	4,774,501	4,135,448	3,952,598	3,785,622	
397,929	5,016	143,075	299,426	242,921	-	
<u>143,599,266</u>	<u>136,585,230</u>	<u>128,397,077</u>	<u>119,080,634</u>	<u>117,332,572</u>	<u>126,576,801</u>	
(18,754,918)	(15,026,712)	(6,585,872)	11,020,022	10,586,379	11,693,836	
6,725,000	-	-	20,030,000	16,690,000	-	
(8,709,369)	-	-	(21,356,307)	(18,931,383)	-	
21,635,000	-	4,960,000	-	-	-	
180,403	-	183,075	1,631,546	2,493,667	-	
3,741,587	16,564,533	3,870,996	4,971,697	2,942,518	2,259,026	
(1,254,610)	(19,636,533)	(1,350,256)	(2,446,697)	(4,622,319)	(4,415,553)	
6,868	390,749	43,495	239,875	139,788	5,845,152	
1,809,421	1,102,601	408,955	424,934	1,223,378	2,182,554	
<u>24,134,300</u>	<u>(1,578,650)</u>	<u>8,116,265</u>	<u>3,495,048</u>	<u>(64,351)</u>	<u>5,871,179</u>	
<u>\$ 5,379,382</u>	<u>\$ (16,605,362)</u>	<u>\$ 1,530,393</u>	<u>\$ 14,515,070</u>	<u>\$ 10,522,028</u>	<u>\$ 17,565,015</u>	
11.11%	11.54%	11.49%	11.12%	10.78%	9.86%	

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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
General property taxes	\$ 26,639,546	\$ 27,184,635	\$ 28,869,719	\$ 31,101,548
Industrial district fees	15,064,576	14,971,745	15,153,643	15,551,252
Sales taxes	18,771,552	21,533,044	23,088,652	23,835,369
Franchise taxes	7,181,942	7,148,517	7,582,443	7,644,267
Other taxes	489,770	579,428	604,342	691,263
	<u>\$ 68,147,386</u>	<u>\$ 71,417,369</u>	<u>\$ 75,298,799</u>	<u>\$ 78,823,699</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

	2009	2010	2011	2012	2013	2014
\$	33,585,738	\$ 32,559,463	\$ 33,171,051	\$ 35,195,121	\$ 35,262,542	\$ 37,144,601
	16,100,049	15,777,475	15,980,044	16,549,164	17,755,534	17,172,395
	26,084,712	23,213,061	23,954,810	25,789,345	27,938,085	30,472,024
	7,817,369	7,948,433	8,550,770 (2)	8,751,762	9,030,691	9,270,311
	698,023	5,523,330 (1)	544,183	688,756	801,084	1,000,102
\$	84,285,891	\$ 85,021,762	\$ 82,200,858	\$ 86,974,148	\$ 90,787,936	\$ 95,059,433

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

2014						
Consumers	Consumption (per month)	Annualized Consumption	Billed Amount	Rank	% of Water/Sewer Revenues	% of All System Fund Revenues
City of Seabrook (2)	47,962.6	575,550.6	\$ 437,496	1	1.19%	1.19%
Nestle Waters North America	8,408.1	100,897.5	850,196	2	2.31%	2.31%
Pasadena Independent School District	7,381.8	88,581.0	301,598	3	0.82%	0.82%
Focus Apartments	5,327.5	63,930.2	456,338	4	1.24%	1.24%
Lyondell	5,256.3	63,075.6	355,924	5	0.97%	0.97%
CCI-B Genoa	4,897.4	58,768.4	531,008	6	1.44%	1.44%
Mbmi Apartments	4,341.6	52,098.7	336,005	7	0.91%	0.91%
Brighton Hill Apartments	4,327.3	51,927.6	392,164	8	1.06%	1.06%
Columbia Bayshore Hospital	3,197.9	38,374.6	347,287	9	0.94%	0.94%
Minh Food Company	3,039.3	36,472.0	586,244	10	1.59%	1.59%
Brandywood Housing Corporation	-	-	-	-	-	-
Sandstone	-	-	-	-	-	-
Phillips Chemical	-	-	-	-	-	-
San Jacinto College	-	-	-	-	-	-
Air Products	-	-	-	-	-	-
Total	94,139.8	1,129,676.2	\$ 4,594,260		12.47%	12.47%

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 seven 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 gallons 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%
3,853.7	46,243.9	525,157	5	1.82%	1.69%
1,322.3	15,867.8	173,722	9	0.34%	0.32%
4,147.7	49,772.6	432,057	3	1.50%	1.39%
2,208.9	26,506.8	217,462	6	0.75%	0.70%
1,804.2	21,650.7	118,761	7	0.41%	0.38%
1,522.8	18,273.6	236,243	8	0.82%	0.76%
1,253.2	15,038.8	99,000	10	0.60%	0.56%
<u>63,851.2</u>	<u>766,215.1</u>	<u>\$ 3,246,046</u>		<u>11.86%</u>	<u>11.01%</u>

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

	Cumulative Blocks (Gallons)	Usage Blocks (per 1,000 gallons)	Fiscal Year Ended September 30,					
			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
	8,000	next 6.0	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
	5,000	next 3.0	2.75	2.75	2.75	2.75	2.75	2.75
	10,000	next 5.0	3.00	3.25	3.00	3.25	3.00	3.25
	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
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 nine years are available at this time.

Fiscal Year Ended September 30,

2009		2010		2011		2012		2013		2014	
Water Rates	Sewer Rates										
\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 5.50	\$ 8.00	\$ 10.50	\$ 8.00	\$ 10.50	\$ 8.00	\$ 10.50	\$ 8.00
2.75	2.75	2.75	2.75	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	3.00	3.00	3.00	3.00
3.25	3.50	3.25	3.50	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	4.00	3.50	4.00	3.50
4.50	3.50	4.50	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	6.59	4.99	6.59	4.99
2.16	1.37	2.16	1.37	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	3.25	3.00	3.25	3.00
4.00	3.50	4.00	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	4.50	3.50	4.50	3.50
5.59	8.00	5.59	8.00	5.59	8.00	8.59	8.00	8.59	8.00	8.59	8.00
2.75	3.00	2.75	3.00	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	3.00	3.25	3.00	3.25
3.25	3.50	3.25	3.50	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	4.00	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	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	8.50	8.00	8.50	8.00
2.75	2.75	2.75	2.75	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	3.00	3.25	3.00	3.25
3.25	3.50	3.25	3.50	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	4.00	3.50	4.00	3.50
4.50	3.50	4.50	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	-	9.59	-	9.59	-
3.25	-	3.25	-	3.25	-	3.25	-	3.25	-	3.25	-
4.00	-	4.00	-	4.00	-	4.00	-	4.00	-	4.00	-
4.50	-	4.50	-	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

Assessed Value of Taxable Property	Fiscal Year Ended September 30,			
	2005	2006	2007	2008
	2004 Tax Year	2005 Tax Year	2006 Tax Year	2007 Tax Year
Real Property				
Real Residential	\$ 3,440,020,230	\$ 3,610,874,137	\$ 3,779,716,024	\$ 3,999,177,768
Real Commercial	810,536,290	869,515,809	922,067,090	1,076,316,825
Real Industrial	123,296,580	118,187,838	131,759,087	134,299,360
Real Agriculture	930,250	634,834	624,222	668,106
Real Vacant	66,377,580	73,973,512	100,398,134	93,398,249
Real Acreage Undeveloped	51,182,580	50,408,184	45,515,120	36,458,789
Real Farm & Ranch Improved	-	-	-	-
Total Real Property	4,492,343,510	4,723,594,314	4,980,079,677	5,340,319,097
Less: Exemptions	(741,233,200)	(765,632,990)	(797,405,237)	(819,227,558)
Net Total Real Property	3,751,110,310	3,957,961,324	4,182,674,440	4,521,091,539
Other Property				
Oil Gas and Mineral Reserves	1,546,720	1,603,070	8,334,609	10,807,745
Real and Tangible Personal - Utility	464,650	252,591	363,865	371,338
Gas Companies	8,118,090	8,022,960	8,434,840	8,145,690
Electric Companies	61,042,420	61,266,427	60,799,352	58,450,652
Telephone Companies	23,967,470	23,452,876	23,570,812	23,762,316
Railroad	310,450	308,280	308,110	318,730
Pipelines	25,554,840	27,800,375	28,640,460	29,088,230
Inventory	-	5,554,061	20,656,653	28,715,903
Major Cable TV Systems	5,135,200	5,063,930	5,960,690	11,926,584
Tangible Personal Commercial	446,662,770	458,136,790	446,580,327	458,779,115
Tangible Personal Industrial	302,988,360	407,988,270	515,099,420	555,453,193
Tangible Personal Other - Mobile Homes	18,725,010	18,363,900	18,514,607	17,697,725
Residential Inventory - Vacant	8,765,750	-	-	-
Governmental Exemption	665,870	312,682,653	373,205,856	356,709,579
Charitable Exemption	14,700	27,158,235	27,948,364	30,959,147
Religious Exemption	681,920	101,908,422	114,620,604	108,956,786
Private School Exempt	-	17,011,007	17,331,096	17,364,543
Miscellaneous Exempt	-	387,520	387,520	408,198
Agricultural	-	-	-	-
Low-Moderate Income Housing	-	19,746	-	72,341
Unknown	139,750	-	-	-
Improving Prop-Housing w/ Volunteer Labor	-	-	-	-
Economic Devel Svcs to Local Community	-	-	-	-
Other Exempt	-	-	-	-
Total Other Property	904,783,970	1,476,981,113	1,670,757,185	1,717,987,815
Less: Exemptions	(127,855,460)	(669,872,733)	(820,663,243)	(813,195,895)
Net Total Other Property	776,928,510	807,108,380	850,093,942	904,791,920
Total Property	5,397,127,480	6,200,575,427	6,650,836,862	7,058,306,912
Less: Total Exemptions	(869,088,660)	(1,435,505,723)	(1,618,068,480)	(1,632,423,453)
Total Assessed Value of Taxable Property	\$ 4,528,038,820	\$ 4,765,069,704	\$ 5,032,768,382	\$ 5,425,883,459
Total Actual Value of Taxable Property	\$ 4,528,038,820	\$ 4,765,069,704	\$ 5,032,768,382	\$ 5,425,883,459
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,

2009		2010		2011		2012		2013		2014	
2008 Tax Year		2009 Tax Year		2010 Tax Year		2011 Tax Year		2012 Tax Year		2013 Tax Year	
\$	4,232,641,041	\$	4,129,237,231	\$	4,052,171,721	\$	3,966,049,464	\$	3,852,056,577	\$	3,872,765,988
	1,198,814,394		1,249,370,402		1,164,598,370		1,237,888,449		1,328,287,594		1,534,186,202
	147,127,450		154,349,049		158,854,677		165,773,388		170,231,894		162,926,484
	229,086		215,563		221,790		241,507		227,549		188,270
	107,109,632		123,659,890		117,984,092		120,572,974		127,123,041		143,130,709
	34,480,311		36,659,482		36,725,841		42,021,873		37,424,971		41,471,437
	-		-		-		-		248,262		252,079
	5,720,401,914		5,693,491,617		5,530,556,491		5,532,547,655		5,515,599,888		5,754,921,169
	(841,604,642)		(839,474,827)		(836,075,493)		(813,327,025)		(792,375,980)		(798,795,765)
	4,878,797,272		4,854,016,790		4,694,480,998		4,719,220,630		4,723,223,908		4,956,125,404
	9,270,819		6,764,074		7,854,851		241,610		1,100		-
	331,940		330,068		272,549		272,549		234,003		234,003
	7,961,540		8,286,315		7,692,460		7,515,900		7,635,305		9,007,545
	54,628,038		53,755,344		52,300,077		52,011,882		54,036,712		61,544,486
	20,113,792		19,731,446		17,917,042		16,078,872		12,681,172		12,137,483
	347,390		392,796		428,700		495,520		1,474,440		1,639,650
	29,628,470		24,795,395		28,491,661		30,614,337		35,354,411		37,023,276
	30,451,933		26,415,373		28,064,363		26,438,731		28,837,389		24,752,105
	10,181,107		7,984,017		14,286,631		13,783,892		12,539,470		13,071,100
	532,377,581		553,633,704		532,372,461		525,877,003		541,207,611		551,411,132
	675,428,776		648,801,280		668,423,788		1,053,499,087		1,182,300,519		1,176,456,318
	18,689,409		17,046,042		15,915,686		16,357,302		15,604,926		15,146,856
	-		-		-		-		-		-
	496,046,506		519,756,039		531,014,416		558,111,018		598,471,214		-
	32,977,016		33,317,985		25,685,661		26,110,291		28,122,328		2,033,915
	113,848,612		119,839,982		115,848,852		119,018,125		121,779,281		-
	16,771,140		16,771,140		17,061,755		17,595,212		17,427,256		17,839,420
	494,967		486,462		826,251		844,407		879,116		705,880
	-		-		-		-		-		-
	184,120		-		209,748		216,978		338,200		-
	-		-		-		-		-		-
	-		-		-		-		-		262,987
	-		-		-		-		-		301,508
	-		-		-		-		-		787,048,320
	2,049,733,156		2,058,107,462		2,064,666,952		2,465,082,716		2,658,924,453		2,710,615,984
	(918,569,343)		(1,117,092,435)		(1,142,444,955)		(1,402,974,610)		(1,356,134,366)		(1,401,752,949)
	1,131,163,813		941,015,027		922,221,997		1,062,108,106		1,302,790,087		1,308,863,035
	7,770,135,070		7,751,599,079		7,595,223,443		7,997,630,371		8,174,524,341		8,465,537,153
	(1,760,173,985)		(1,956,567,262)		(1,978,520,448)		(2,216,301,635)		(2,148,510,346)		(2,200,548,714)
\$	6,009,961,085	\$	5,795,031,817	\$	5,616,702,995	\$	5,781,328,736	\$	6,026,013,995	\$	6,264,988,439
\$	6,009,961,085	\$	5,795,031,817	\$	5,616,702,995	\$	5,781,328,736	\$	6,026,013,995	\$	6,264,988,439
\$	0.562	\$	0.562	\$	0.591593	\$	0.591593	\$	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
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
2013	2012	0.3948	0.1968	0.5916	0.2800	1.3600	1.5267
2014	2013	0.4073	0.1843	0.5916	0.2800	1.4000	1.5567

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
1.7335	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
1.3300	1.3500	0.6366	0.0066	0.1856	7.2671
1.3300	1.3500	0.6300	0.0064	0.1856	7.3303

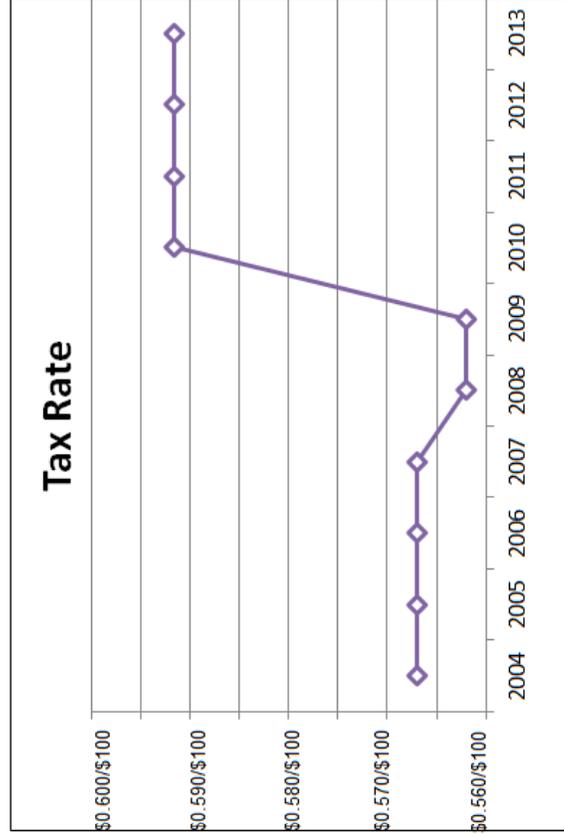
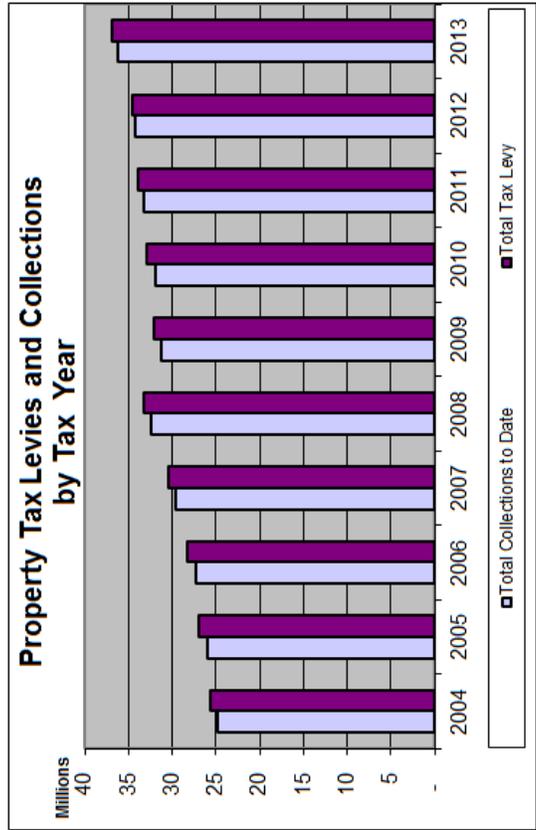
**CITY OF PASADENA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Last Ten Fiscal Years**

Property Taxpayer	Fiscal Year Ended September 30, 2014			Fiscal Year Ended September 30, 2005		
	2013 Tax Year		% of Taxable Assessed Value	2004 Tax Year		% of Taxable Assessed Value
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Calpine Operating	\$ 125,636,030	1	2.01%	\$ -	-	-
CenterPoint Energy, Inc.	73,991,991	2	1.18%	47,498,420	2	1.05%
PRSI Trading	69,549,070	3	1.11%	-	-	-
Shell Oil Co.	56,314,763	4	0.90%	-	-	-
Phillips 66 Co.	56,099,199	5	0.90%	-	-	-
Boeing Co.	48,101,707	6	0.77%	24,738,480	8	0.55%
KIR Pasadena LP.	48,099,578	7	0.77%	23,471,500	9	0.52%
Bay Bluff LP	42,855,106	8	0.68%	-	-	-
Walmart	42,255,270	9	0.67%	-	-	-
GATX Terminals / Kinder	40,184,690	10	0.64%	28,591,010	4	0.63%
Coral Energy Resources	-	-	-	91,087,110	1	2.01%
CHCA Bayshore LP	-	-	-	35,354,850	3	0.78%
Crown Central Petroleum	-	-	-	28,166,040	5	0.62%
Village on the Lake LTD	-	-	-	25,063,470	6	0.55%
Pasadena Bayshore Hospital	-	-	-	24,822,680	7	0.55%
Tejas Gas Pipeline Partnership	-	-	-	21,883,350	10	0.48%
Subtotal	\$ 603,087,404		9.63%	\$ 350,676,910		7.74%
Other Taxpayers	5,661,901,035		90.37%	4,177,361,910		92.26%
Total	\$ 6,264,988,439		100.00%	\$ 4,528,038,820		100.00%

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

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

Fiscal Year Ended September 30,	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections/(Refunds) in Subsequent Years		Total Collections to Date
				Amount	Percentage of Levy	Amount	Percentage of Levy	
2005	2004	\$0.5670/\$100	\$ 25,601,572	24,842,437	97.03%	\$ 606,419	25,448,856	99.40%
2006	2005	\$0.5670/\$100	26,891,544	25,952,683	96.51%	790,175	26,742,858	99.45%
2007	2006	\$0.5670/\$100	28,342,044	27,297,253	96.31%	927,504	28,224,757	99.59%
2008	2007	\$0.5670/\$100	30,441,624	29,614,437	97.28%	720,346	30,334,783	99.65%
2009	2008	\$0.5620/\$100	33,289,003	32,386,497	97.29%	757,167	33,143,664	99.56%
2010	2009	\$0.5620/\$100	32,120,864	31,296,353	97.43%	644,042	31,940,395	99.44%
2011	2010	\$0.591593/\$100	32,826,403	31,967,660	97.38%	663,459	32,631,119	99.41%
2012	2011	\$0.591593/\$100	33,919,798	33,262,827	98.06%	424,162	33,686,989	99.31%
2013	2012	\$0.591593/\$100	34,468,791	34,147,313	99.07%	(30,510)	34,116,803	98.98%
2014	2013	\$0.591593/\$100	36,921,496	36,231,129	98.13%	-	36,231,129	98.13%



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

Fiscal Year Ended September 30,	2005	2006	2007	2008
Governmental Activities				
General Obligation Bonds	\$ 46,850,000	\$ 46,800,000	\$ 46,750,000	\$ 57,725,000
General Obligation Refunding Bonds	35,797,875	11,422,875	7,255,000	4,440,000
General Obligation and Refunding Bonds	29,350,000	19,380,000	28,275,000	28,165,000
Certificates of Obligation	-	-	5,950,000	5,895,000
Combination Tax and Revenue				
Certificates of Obligation	11,945,000	11,910,000	9,605,000	8,755,000
Other Long-Term Debt				
Volunteer Fireman Prior Service Costs Note	115,185	59,233	-	-
Tax Notes, 2000	1,225,000	1,005,000	-	-
Overpaid Sales Tax Note	-	638,020	471,581	305,140
Blended Component Unit - Pasadena Second Century Corporation				
Sales Tax Notes	-	-	-	-
Sales Tax Revenue Bonds	4,375,000	3,715,000	3,030,000	2,315,000
Overpaid Sales Tax Note	-	319,011	235,790	152,571
	129,658,060	95,249,139	101,572,371	107,752,711
Business-Type Activities				
Waterworks and Sewer System Revenue Bonds	18,625,000	18,625,000	17,120,000	71,775,000
Waterworks and Sewer System Revenue Refunding Bonds	3,590,000	2,565,000	1,550,000	550,000
Combination Tax and Revenue				
Certificates of Obligation	33,665,000	3,405,000	2,495,000	1,280,000
General Obligation Refunding Bonds	-	17,675,000	17,675,000	17,550,000
General Obligation and Refunding Bonds	-	9,970,000	9,970,000	9,970,000
Deferred Water Charges Debt	1,987,795	1,419,854	851,912	283,970
	57,867,795	53,659,854	49,661,912	101,408,970
Total Primary Government	\$ 187,525,855	\$ 148,908,993	\$ 151,234,283	\$ 209,161,681
Percentage of Personal Income	7.31%	6.41%	5.55%	7.45%
Per Capita	\$ 1,317	\$ 1,045	\$ 1,030	\$ 1,428
(1) Population	142,384	142,526	146,769	146,523
(1) Per Capita Personal Income	\$ 18,008	\$ 16,301	\$ 18,558	\$ 19,167
(1) Personal Income (amount expressed in thousands)	\$ 2,564,096	\$ 2,323,324	\$ 2,723,739	\$ 2,808,455

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

The debt amounts presented from 2005 to 2012 were not including the related premiums, discounts and adjustments.

(1) See the Schedule of Demographic and Economic Statistics on page 143 for personal income and population data.

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
\$	74,535,000	\$ 70,500,000	\$ 66,485,000	\$ 41,960,000	\$ 30,152,196	\$ 27,835,000
	8,525,000	8,355,000	8,180,000	26,680,000	45,303,868	42,009,458
	28,020,000	26,700,000	25,395,000	24,080,000	14,336,973	12,896,876
	5,840,000	5,570,000	5,290,000	5,010,000	4,720,000	4,430,000
	1,780,000	900,000	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	138,700	-	-	-	-	-
	-	-	-	-	-	-
	1,575,000	805,000	4,960,000	4,190,000	3,507,979	2,667,467
	69,350	-	-	-	-	-
	120,483,050	112,830,000	110,310,000	101,920,000	98,021,016	89,838,801
	70,855,000	70,430,000	54,290,000	53,430,000	53,846,804	53,693,635
	-	-	14,505,000	13,255,000	12,441,550	11,268,996
	-	-	-	-	-	-
	17,430,000	15,895,000	14,285,000	12,740,000	17,459,587	14,539,259
	9,970,000	9,970,000	9,970,000	9,970,000	4,112,109	4,085,278
	-	-	-	-	-	-
	98,255,000	96,295,000	93,050,000	89,395,000	87,860,050	83,587,168
\$	218,738,050	209,125,000	203,360,000	191,315,000	185,881,066	173,425,969
	7.75%	7.15%	7.19%	6.16%	6.01%	5.64%
\$	1,500	\$ 1,430	\$ 1,364	\$ 1,256	\$ 1,221	\$ 1,135
	145,789	146,265	149,043	152,281	152,272	152,735
\$	19,359	\$ 19,992	\$ 18,967	\$ 20,383	\$ 20,305	\$ 20,146
\$	2,822,330	\$ 2,924,130	\$ 2,826,899	\$ 3,103,944	\$ 3,091,883	\$ 3,076,999

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
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%	149,043	910
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
2013	116,084,733	(5,219,579)	110,865,154	6,026,013,995	1.84%	152,272	728
2014	105,795,871	(6,272,408)	99,523,463	6,264,988,439	1.59%	152,735	652

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.

The debt amounts presented from 2005 to 2012 were not including related premiums, discounts and adjustments.

(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, 2014

Government Unit	Taxing Body (as of)	Outstanding Principal Debt	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes				
Harris County	8/31/2014	\$2,503,553,204	1.91%	\$ 47,817,866
Harris County Flood Control District	8/31/2014	89,990,000	1.97%	1,772,803
Port of Houston Authority	8/31/2014	717,624,397	1.97%	14,137,201
Clear Lake City Water Authority	8/31/2014	86,020,000	17.76%	15,277,152
Clear Creek Independent School District	8/31/2014	857,880,000	6.91%	59,279,508
Deer Park Independent School District	8/31/2014	257,065,000	18.81%	48,353,927
La Porte Independent School District	8/31/2014	192,380,000	5.83%	11,215,754
Pasadena Independent School District	8/31/2014	590,315,000	38.85%	229,337,378
San Jacinto College District	8/31/2014	288,044,848	18.51%	53,317,101
Harris County WC & ID #156	8/31/2014	2,570,000	44.26%	1,137,482
Harris County Dept. of Education	8/31/2014	7,410,000	1.92%	142,272
Subtotal, overlapping debt				481,788,444
Add - City direct debt (2)				87,243,801
Total direct and overlapping debt				\$ 569,032,245

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, 2005A and 2012A 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>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>
Debt limit				
Assessed value based on tax year	2004	2005	2006	2007
	\$ 4,528,038,820	\$ 4,765,069,704	\$ 5,032,768,382	\$ 5,425,883,459
10% of assessed value	452,803,882	476,506,970	503,276,838	542,588,346
Less: net debt applicable to limit				
Debt to be repaid from ad valorem tax	125,167,875	90,517,875	97,835,000	104,980,000
Less: amount available in debt service fund	(1,009,129)	(1,020,164)	(1,495,924)	(2,607,222)
	124,158,746	89,497,711	96,339,076	102,372,778
Legal Debt Margin	\$ 328,645,136	\$ 387,009,259	\$ 406,937,762	\$ 440,215,568
Total net debt applicable to the limit as a percentage of debt limit	27.42%	18.78%	19.14%	18.87%

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

<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
2008	2009	2010	2011	2012	2013
\$ 6,009,961,085	\$ 5,795,031,817	\$ 5,616,702,995	\$ 5,781,328,736	\$ 6,026,013,995	\$ 6,264,988,439
600,996,109	579,503,182	561,670,300	578,132,874	602,601,400	626,498,844
118,700,000	112,025,000	105,350,000	97,730,000	91,952,482	87,243,801
(1,631,459)	(2,284,607)	(2,875,586)	(4,097,226)	(5,219,578)	(6,272,408)
117,068,541	109,740,393	102,474,414	93,632,774	86,732,904	80,971,393
\$ 483,927,568	\$ 469,762,789	\$ 459,195,886	\$ 484,500,100	\$ 515,868,496	\$ 545,527,451
19.48%	18.94%	18.24%	16.20%	14.39%	12.92%

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	
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
2013	37,263,235	20,309,713	16,953,522	3,830,000	3,943,694	2.18
2014	36,629,815	21,434,908	15,194,907	3,990,000	3,828,613	1.94

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)
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%
2013	152,272	3,091,883	20,305	29.6	54,525	6.7% (P)
2014	152,735	3,076,999	20,146	32.0	54,382	5.8%

Data sources:

(1) Bureau of the Census

(2) Pasadena Independent School District

(3) Bureau of Labor Statistics

(P) - Preliminary

(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
Last Ten Fiscal Years**

<u>Employer</u>	<u>2014</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pasadena ISD	5,800	1	6.20%	1,058	4	0.88%
Dorsett Brothers Concrete Supply Inc	3,400	2	3.63%	-	-	0.00%
San Jacinto College	2,924	3	3.12%	-	-	-
The Boeing Company	2,300	4	2.46%	2,300	2	1.91%
Mundy Company	1,500	5	1.60%	-	-	-
Shell - Deer Park	1,400	6	1.50%	-	-	-
Zachry Holdings Inc.	1,400	7	1.50%	4,946	1	4.10%
SGS Petroleum Service Corp.	1,127	8	1.20%	-	-	-
Silver Eagle Distributors, L.P.	1,100	9	1.18%	-	-	-
City of Pasadena	1,040	10	1.11%	1,058	5	0.88%
Lyondell-Citgo, Refining LP (1)	-	-	-	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>21,991</u>		<u>23.50%</u>	<u>13,902</u>		<u>11.53%</u>

Source: Pasadena Chamber of Commerce

(1) 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	Fiscal Year Ended September 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Government										
City Council	8	8	8	8	8	8	8	8	7	7
Mayor	4	3	3	3	3	3	1	3	2	2
Budget and Financial Planning	2	2	2	2	2	2	2	2	2	4
Municipal Court	31	31	33	35	33	33	34	34	34	32
City Controller	12	13	15	16	16	15	16	15	15	15
Purchasing	3	3	3	4	4	4	4	4	4	3
Legal	8	8	8	8	8	8	8	8	7	7
City Secretary	3	3	4	4	4	4	4	4	4	4
Human Resources	9	8	7	8	7	7	9	11	7	7
City Marshal	6	6	7	7	6	6	6	6	7	7
Community Relations	6	6	6	7	7	7	7	7	8	9
Pasadena Action Line	4	3	5	5	4	4	4	6	6	6
Planning	5	4	3	3	4	5	6	4	5	2
Planning/Development Administration	2	2	1	1	1	1	1	1	1	-
Neighborhood Network	1	1	1	1	1	1	1	1	1	2
Inspections	23	21	21	20	21	19	16	15	15	18
Property Management	2	1	-	-	-	1	8	1	3	2
Impound/Storage	-	-	-	-	-	6	7	5	6	6
Economic Development Liaison	-	-	-	1	1	1	1	1	2	2
Public Safety										
Emergency Preparedness	2	2	2	3	3	3	3	3	3	3
Fire Fighting	4	4	3	3	3	3	3	7	10	6
Fire Prevention	9	11	10	11	11	10	9	10	10	11
Police	330	327	362	340	369	358	344	349	335	349
Public Works										
Engineering	20	19	20	19	17	14	15	15	17	24
Sanitation	49	44	43	44	43	43	38	37	39	40
Street and Bridge	49	44	36	36	34	31	30	30	32	31
Traffic and Transportation	13	11	11	12	12	12	11	10	9	10
Health										
Health	13	12	12	11	11	11	10	10	11	11
Animal Rescue and Assistance	14	14	15	13	17	19	19	18	22	23
Culture and Recreation										
Leisure Services Administration	2	2	1	-	-	-	6	4	4	3
Parks	42	42	41	33	35	37	33	38	42	39
Recreation	51	33	36	38	55	75	57	60	64	62
Clean Streets	12	12	12	17	21	21	17	14	19	20
Golf Course	9	10	10	10	16	10	9	9	6	6
Multi-Purpose Center	14	7	9	5	13	9	8	9	8	8
Civic Center	9	9	7	8	9	10	6	6	7	9
Senior Center - Madison Jobe	6	5	4	6	5	5	4	4	4	4
Library	50	46	47	47	45	49	41	45	53	54
Water and Sewer System										
Maintenance	81	74	75	76	82	72	69	75	78	82
Health Insurance	-	3	1	1	1	3	2	4	1	1
Grant Management	18	18	20	20	19	21	25	21	16	18
TOTAL CITY POSITIONS	1,051	986	1,014	1,005	1,074	1,071	1,014	1,030	1,045	1,063

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,			
	2005	2006	2007	2008
Function				
Public Safety				
Police				
Arrests	13,768	13,197	14,142	12,853
Accident reports	3,827	3,812	4,139	3,549
Citations issued	76,132	83,967	79,708	78,789
Calls for service	88,770	85,492	83,599	82,603
Public Works				
Refuse collection				
Refuse collected Type 1 (tons/day)	97	120	123	136
Refuse collected Type 2 (cubic yards/day)	195	273	202	251
Mulching collected (cubic yards/day)	71	91	64	146
Recyclables collected (tons/day)	1.57	2.84	2.65	2.29
Health				
Number of food permits issued	1,132	1,135	893	1,081
Number of health inspections	2,184	1,925	2,604	2,180
Culture and Recreation				
Convention Center				
Number of Events	133	157	169	145
Library				
Visitors	762,135	710,297	812,357	324,983
Water and Sewer System				
Average daily consumption (millions of gallons)	18.92	18.51	17.50	17.60
Total Consumption (billions of gallons)	6,906.26	6,754.82	6,500.00	6,800.00
Average daily Waste Water Plant Flow (millions of gallons)	11.54	10.38	14.54	12.39
Total Waste Water Plant Flow (millions of gallons)	4,213.41	3,786.63	5,110.09	4,500.66

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,

2009	2010	2011	2012	2013	2014
12,552	12,119	11,926	10,747	11,185	10,970
3,635	3,376	3,335	3,474	3,520	3,693
82,153	82,576	84,551	69,209	69,888	73,062
82,949	81,633	61,625	75,869	84,146	63,488
120	170	110	103	105	107
492	267	145	166	179	178
104	102	124	107	83	72
1.13	3.75	3.53	4.35	7.31	6.23
1,120	1,125	1,215	1,229	1,219	1,373
2,344	2,223	2,511	2,529	2,675	2,719
138	143	178	165	158	172
241,891 (2)	424,568	303,074	342,628	(1)	(1)
19.30	17.97	21.17	20.37	18.90	17.80
7,043.30	6,871.37	7,749.38	7,435.00	7,100.00	6,900.00
11.22	13.90	10.40	12.41	11.57	12.60
4,095.21	5,084.80	3,796.45	4,542.14	4,212.54	4,573.59

CITY OF PASADENA, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
 Last Ten Fiscal Years

Function / Program	Fiscal Year Ended September 30,									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Safety										
Police										
Stations	2	2	2	2	2	2	2	2	2	2
Patrol units	152	145	153	167	199	181	198	198	181	181
Fire stations	10	10	10	10	10	10	10	10	10	10
Public Works										
Streets (miles)	534	539	520	524	526	527	541	542	522	522
Streetlights	7,027	7,092	7,426	7,504	7,493	7,548	7,550	7,541	7,590	7,584
Traffic signals	185	195	196	194	192	184	189	191	195	194
Sanitation										
Collection trucks	37	33	24	28	28	28	28	26	25	27
Culture and Recreation										
Parks	48	47	47	47	47	47	47	47	47	48
Parks acreage	768	819	1,084	1,084	1,084	1,084	1,104	1,104	1,120	1,180
Swimming pools	5	5	5	5	5	5	4	4	4	4
Tennis courts	15	15	15	15	15	15	15	15	15	15
Community centers	8	8	8	8	9	9	8	8	8	8
Water and Sewer System										
Water										
Water mains (miles)	463	465	465	481	471	473	473	474	476	479
Fire hydrants	2,150	2,190	2,150	2,154	2,203	2,247	2,259	2,283	2,327	2,327
Maximum daily capacity (millions of gallons)	27	22	26	24	25	23	32 (1)	26	26	24
Sewer										
Sanitary sewers (miles)	386	386	387	388	392	396	397	402	404	405
Storm sewers (miles)	216	217	217	217	228	231	233	259	340	406
Maximum daily treatment capacity (millions of gallons)	19	24	24	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 southern region of Texas experienced a severe drought increasing the maximum daily capacity as compared to previous years.



City of Pasadena

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