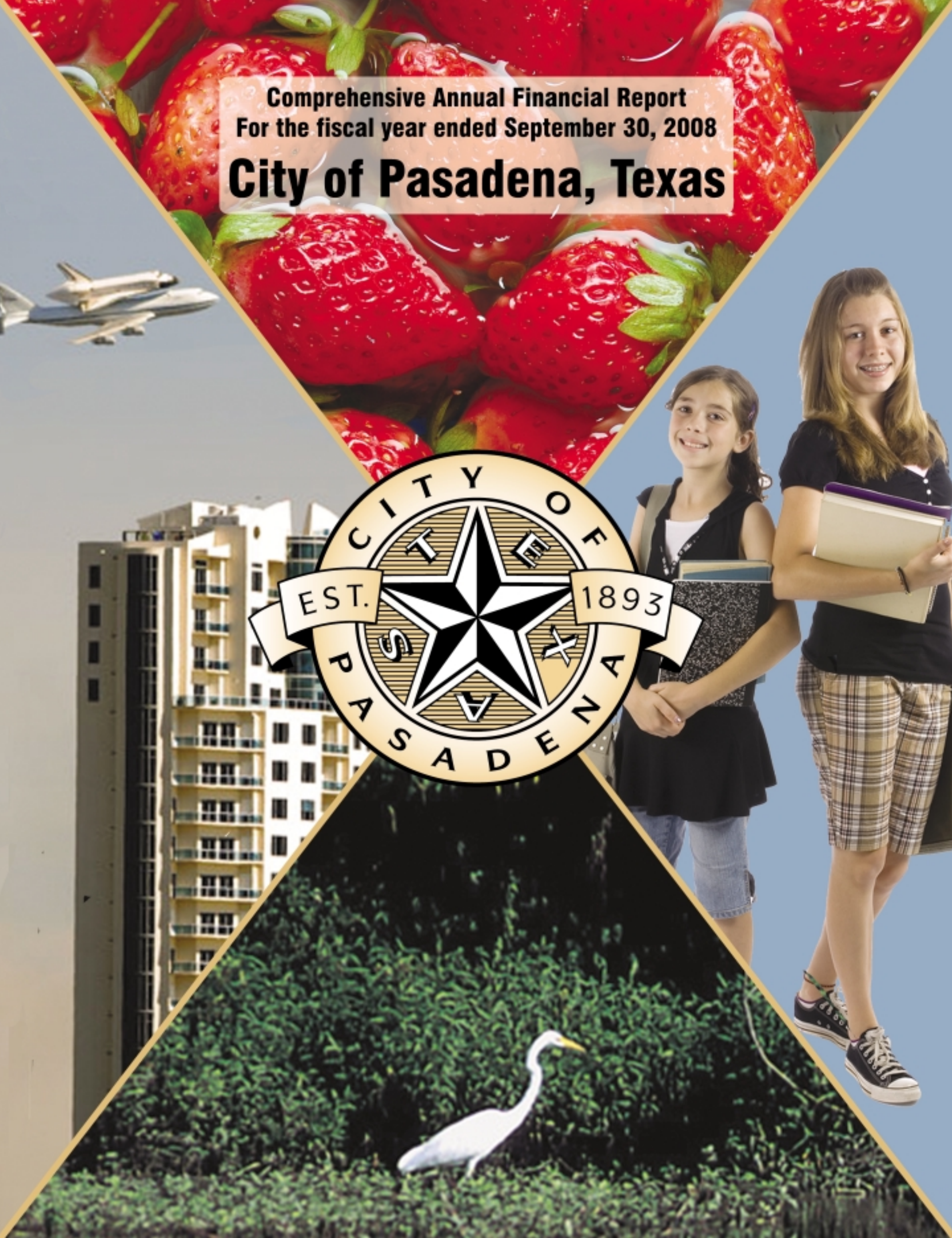


Comprehensive Annual Financial Report
For the fiscal year ended September 30, 2008
City of Pasadena, Texas



**CITY OF PASADENA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2008**

**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, 2008**

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INTRODUCTORY SECTION



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CITY OF PASADENA

OFFICE OF THE CITY CONTROLLER

April 9, 2009

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

The comprehensive annual financial report of the City of Pasadena, Texas, ("City") for the fiscal year ended September 30, 2008, including the independent auditor's report, is presented to comply with both local charter and state statutes.

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

Mosher, Seifert and Company, Certified Public Accountants, issued an unqualified (clean) opinion on the City of Pasadena, Texas' financial statements for the fiscal year ended September 30, 2008. The independent auditor's report is presented as the first component of the financial section of this report.

This letter of transmittal is designed to compliment management's discussion and analysis (MD&A) and should be read in conjunction with it. The City's MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The City's MD&A can be found immediately following the independent auditors report, on pages 15-26.

Profile of the Government

The City of Pasadena is located in the southeastern part of the state, along the Houston Ship Channel. It is the largest suburban city in the Houston metropolitan area and the fifteenth largest city in Texas. The City currently has a land area of 59.5 square miles, and is divided into 15 square miles of industrial area and 44.5 square miles of residential/commercial area, with an estimated population of 149,704 in 2008 (141,674 in the 2000 Census). It was first settled in 1893 and was incorporated December 28, 1928. The City adopted the "Home Rule Charter" on December 12, 1964, pursuant to the laws of the State of Texas.

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

enacting legislation, adopting budgets, determining the policies of the City, and ultimately providing services to the citizens as authorized by the City's Charter. In May, 2009 the City will conduct elections for Mayor and City Council. There are three council members that have reached their term limit bringing at least three new council members for next term. There are four council positions with two or more candidates including incumbents and only one member is running unopposed. Three candidates are campaigning for the Mayor position which includes the incumbent, so next term could experience significant changes in the City's administration.

The City of Pasadena provides a full range of municipal services including: police and fire protection, traffic and municipal courts, sanitation services, construction and maintenance of streets and related infrastructure, water and sewer systems, recreational activities, (i.e. parks, swimming pools, baseball diamonds, tennis courts, jogging 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 55, in the notes to financial statements.

Local Economy

The metropolitan area offers a variety of occupations to serve the citizens in their professions and amenities for their leisure time. The City's economy has strong connections to the energy sector, but aeronautics and medicine also play a primary role in the economic strength of the metropolitan area. All of these factors create a diversity that locally helps stabilize the up and down swings of the national economy.

The City also relies on the industrial and manufacturing sectors and, while much of it is related to energy, the City has strong connections to other industries such as petrochemicals and construction materials. The City of Pasadena borders on the Houston Ship Channel which influences international trade in the area. There is opportunity in the metropolitan area with proposed plans for new businesses and construction in its future. The Bay Area Houston Economic Partnership reports that there are twenty-six proposed business parks in the metropolitan area in various stages of construction, either planning, building, or ready to move in. Of the twenty-six businesses, nine are in the City of Pasadena.

A significant indicator that impacts the economic downturn or upturn is seen in the City's employment and unemployment statistics. In December 2007, the unemployment rate was 4.8 percent. In December 2008, the Texas Workforce Commission reported the unemployment rate increased to 5.6 percent, with the National average rate climbing to 7.6 percent. Jobs have been shrinking but Pasadena and surrounding areas have managed to maintain the lower rate due in part to the Port of Houston's Bayport Container Terminal located in the City of Pasadena. The Port is projecting that Bayport along with the new cruise terminal, will generate almost 12,000 jobs over the next 10 years with \$1 billion in new business revenues and more than \$40 million in new tax revenues each year.

The metropolitan area's growth advantage, oil and natural gas, is diminishing in the face of a global commodity bust. Prices on crude oil have fluctuated between \$34 and \$160 per barrel when oil companies have set their projections on at least \$50 per barrel to maintain operations profitably. Natural gas prices have remained steadier but are at the lowest level in more than six years. Led by the energy sector, Houston and its metropolitan area have consequently experienced some job losses.

In January, 2009 the world's third largest petrochemical company, LyondellBasell, filed to reorganize under Chapter 11 of the U.S. Bankruptcy Code in order to restructure the company's debts. This company has nine manufacturing facilities located in the metropolitan area, five within Pasadena, that employ 4,500 people from surrounding communities. As oil prices fell the widening recession undercut demand for chemical products, thus the company has suffered plunging demand from industries such as autos, housing, and electronics

along with the tightening of the credit markets making renegotiating their debt difficult. LyondellBasell has announced job cuts and plans to close some of its plants. Local employees are not only losing their jobs, but until the restructuring is complete, the City's cash flow will possibly be down about \$1.5 million in fiscal year 2009 and future revenues from delayed payments for Industrial District Agreement fees, property taxes, and water usage.

The State of Texas sales tax collections have declined as compared to the same time last year but the City of Pasadena's collections have increased. Over last year's sales tax revenues, the City's General Fund and Pasadena Second Century Corporation have increased \$497,812 and \$248,905 respectively. The Pasadena Crime Control and Prevention District had also increased \$135,280 from \$7,513,218 in fiscal year 2007 to \$7,648,498. It is believed that Hurricane Ike repairs are supporting the sales tax increases throughout the metropolitan area and a decline is expected as more homeowners and businesses recover from this disaster. The State Comptroller reports a 2.6 percent decline from the February 2008 state sales tax revenue, but sales tax revenue has grown 2.8 percent through the first half of fiscal year 2009 even though further declines are expected as the economy continues to weaken.

Housing and real estate sales are another indicator of our local economic conditions. Real estate sales and pricing for Houston and the metropolitan area has been sagging. Property sales fell 25.9 percent and sales of single-family homes declined by 24.6 percent. This is more promising than the 55 percent drop since 2005 in the national average. In this area the single-family home median price fell 8 percent from February 2008 and marked the fifth consecutive month of price declines. Sales of all property types in the area and total dollar volume for properties sold showed a 25.9 percent and 33.4 percent decline respectively. Nationally prices could continue falling because they are still too high compared to incomes and rents, but currently in Pasadena they have leveled out.

Demand for rental properties rose, because renting is cheaper than owning the same thing. Rental units are an attractive option for would-be home buyers who may be reluctant or unable to commit to purchasing a home at this time. For the property owners, renting is a cash business that reflects what people can really pay, not how much they can borrow. This is evident by the number of construction start-ups on apartment buildings in the local area. Several new complexes in Pasadena have been completed and more are in the early stage of construction. For example, a 300 plus unit complex is proposed to be built off one of Pasadena's main highways, also a new large complex is being constructed on property where a privately held golf course was located and another, for seniors only, was just completed last year.

Long-term Financial Planning

The City's long-term financial plan of a new police complex has come to fruition. Having the third largest police department in Harris County, the City is represented by an excellent police force, which provides protection and controls. The Pasadena Police and Emergency Management Services have moved into the new 85,000 square foot, \$25 million police complex which is located across from City Hall bounded by Strawberry, Dunhill, and Davis streets. The Crime Control and Prevention District and the City issued certificate of obligation bonds, which were the main sources of funding for this project. Tours of the multi-million dollar complex were offered to Pasadena citizens giving them the opportunity to see the spacious state-of-the-art facility. The weather-hardened design features an expanded and improved emergency operations center that can withstand up to Category 4 force winds. The new complex is designed with top-notch equipment to support our emergency management functions.

The Police Department is also equipped with a state-of-the-art crime lab located at 927 E. Shaw Avenue and a highly mobile fleet of 200 vehicles. It also actively recruits new officers and provides training through its own police academy.

The City's Fire Department consists of 200 volunteers, serving a population of approximately 150,000 citizens, providing fire protection with over 40 pieces of apparatus and operates from nine fire stations located throughout the City. The Pasadena Fire Department remains the largest single municipal volunteer fire department in the United States. The reconstruction of Fire Station #3, which was built in 1955, has begun and the City plans to replace Fire Stations #4 and #5 within the next four years. Funding of \$1.2 million for these stations is being anticipated from the Community Development Block Grant program. Additional funding

will be secured by the City issuing certificates of obligation bonds. The total cost of replacing these three fire stations will be approximately \$7 million spanning over a four year period.

The \$5 million renovation and expansion project of the Central Library, which is reopened, is almost complete, with just a few minor details remaining. Funding from a local private foundation and Community Development Block Grant program has provided the Central Library with funds to include an expanded children's section and a small theater for teaching events and to conduct meetings. It also houses a new conference room with access to a fully operational kitchen. The new coffee bar has been added with hopes to attract more citizens to visit the Central Library. Operations are progressing at both the Central Library and the Fairmont Branch.

Pasadena Second Century Corporation (PSCC), a legally separate entity, funds many of the City's capital improvement projects. Some of the funded street projects are in several phases of completion. The reconstruction cost for Vista totals over \$11.5 million, Pasadena Boulevard with approximately \$4.3 million, and Strawberry with \$3.6 million. Other projects funded by PSCC include the Convention Center improvements, hike and bike trails and many other improvements to promote the City's economy.

PSCC functions as a department of the City and therefore has been included as an integral part of the City of Pasadena's financial statements. The City also is financially accountable for the Pasadena Crime Control and Prevention District (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 helped fund a portion of the newly constructed police complex and other public safety projects in the City. Additional information on these two legally separate entities can be found in the notes to the financial statements. (See Note I.A on page 47).

Investing in infrastructure, its employees, and basic services at an affordable rate is always the City's policy direction. The City anticipates maintaining a level of work consistent with past years while scaling back the proposed sale of tax-supported bonds to ensure that projects underway are complete and important new projects – including the new fire stations and the rebuilding/replacing of the 901 Curtis building – are funded. The long term planned Capital Improvement Plan 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.

The 2009 budget includes a four percent across-the-board raise for City employees. Health insurance rates will remain steady through 2009. The City is self insured but contracts with UMR as the administrator of health insurance. Employees will benefit with a \$10/month discount by participating in the Health Awareness Program provided by the City in hopes to reduce health insurance costs by keeping employees aware of health issues. The City has also opened its own health clinic to assist employees and their families with medical needs from prescriptions to minor medical services. To further ease the costs of maintaining employees' health, the City has also provided each employee with a \$1,000 Benefits Benny Card to be used for co-pays, prescription drugs, and over-the-counter medications.

At its December 8, 2007 meeting, the Texas Municipal Retirement System (TMRS) Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR) which effects the City's financial plan.

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and annuity increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5 percent, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios: however, the funded ratio should show steady improvement over time. To assist in this transition to

higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5 percent each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$43,744,482 and the funded ratio would have been 75.5 percent.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7 percent would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7 percent IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

Relevant Financial Policies

The City's financial policies, old and new, will come into play due to the devastation caused by Hurricane Ike. On September 13, 2008, Galveston and the Houston metropolitan area suffered damages from the third most destructive hurricane to ever make landfall in the United States. Damages from Hurricane Ike to the coastal and inland areas are estimated at \$22.41 billion, with total damages including Cuba, the Bahamas, the Turks, and Caicos at \$26.67 billion, making it the fourth costliest U.S. hurricane of all time. The City sustained damages from Hurricane Ike throughout. Facilities that suffered the worst damages were at the 901 Curtis office building, Convention Center, several Parks and Recreation facilities, the City's warehouse, and several fire stations.

The City's 901 Curtis office building's roof caved in and suffered major damages along with the loss of rental income from other tenants. Financial policy will be the key factor as to whether this building, with the damages totaling over \$3 million, is going to be repaired or replaced. Several departments that were housed in this building had major losses of records, furniture, and equipment.

The City carries property insurance through TML and claimed a replacement cost of \$5.1 million and will be receiving an actual cost value (ACV), which is replacement cost minus depreciation, from insurance of \$4.32 million. Some of the larger property claims are 901 Curtis, Convention Center approximately \$600,000 ACV, police claims totaling over \$75,000 ACV including the academy, firing range, training facility, and offices, with fire department claims over \$20,000 ACV. The warehouse and fleet maintenance departments claimed over \$51,000 ACV in damages. Traffic signals and flashers claimed a replacement cost of \$178,041 with a depreciation of \$143,695 receiving \$34,345 ACV for damaged signals throughout the City. Various departments in the Public Works division and the Parks and Recreation division had numerous claims along with other miscellaneous citywide claims made up the remaining \$540,000.

Immediately after the hurricane the City's emergency services and debris clean-up crews were in place to clear roads and maintain safety for its citizens. Power outages and debris all over the City made transportation difficult. FEMA will reimburse most of the disaster relief expenditures of \$10.1 million which included regular and overtime work hours, equipment, generators, and debris removal, which were the majority of these expenditures. The City took advantage of FEMA's Pilot Program, a new option that is particularly useful in a large disaster and provides incentives for communities to develop a recycling plan. The Pilot Program is applicable to debris removal and to repair, restoration or replacement of damaged facilities and participation in the program is voluntary. The affected state determines whether it wants to use the program and the program limits, but applicants can decide for themselves if they want to participate. They may also use the Pilot Program for some projects, but not others. There are four principal elements to the Pilot Program: Grants can be provided on the basis of estimates. The federal cost-share of 75 percent can be increased to 80 percent to those agencies having a FEMA-approved debris management plan and at least two pre-qualified debris and wreckage removal contractors identified prior to a disaster. Applicants may retain any revenue from the sale of disaster debris for recycling. Regular time salaries can be reimbursed as well as overtime salaries for debris-related activities.

As of year end, September 30, 2008, the City carried a receivable for debris removal of \$4.3 million and an additional \$1.5 million of expenditures was accrued after year end. The City has received \$5.2 million from FEMA as of February 5, 2009. A portion of that, \$2.1 million, is held in a payable account due to reimbursements on insured items. There are continuing recovery efforts needed in the City but the citizens can be proud of how the administration, employees, and the City's ongoing policies handled the disaster.

Major Initiatives

The North Pasadena Redevelopment Plan is now in its second phase. This plan is to determine redevelopment options and implementation to enhance the appearance and increase investment in 23 square miles of northern Pasadena. The City and Pasadena Second Century Corporation have contracted Wilbur Smith Associates to develop this plan for improvements to the older area of Pasadena. North Pasadena is conveniently located in close proximity to major employers such as the Port of Houston, numerous refineries, the City of Houston, and the Johnson Space Center (NASA). Improvement to the area will make it more attractive to middle-income residents who will lure retailers and developers alike, increasing the sustainability of the City's tax base for North Pasadena. The City is encouraging the citizens to participate in this plan to redevelop the deteriorating northern side of Pasadena. Pasadena Second Century Corporation together with Harris County is developing a Metro park and ride service located in northern Pasadena to transport citizens to the medical center in Houston and surrounding areas. Expanding alternatives to the automobile for mobility to local shopping, medical, educational, and recreational destinations will enhance the appeal of North Pasadena. The North Pasadena Redevelopment Plan is a community program involving citizens' opinions on what they would like to see happen in this transformation of North Pasadena. The Plan has four phases and will take participants from the initial stage of base studies through final development and approval of the Plan which will make the area more vital. The Plan could be the most significant and wide-ranging rehabilitation of the City in its 114-year history and would transform the face of North Pasadena.

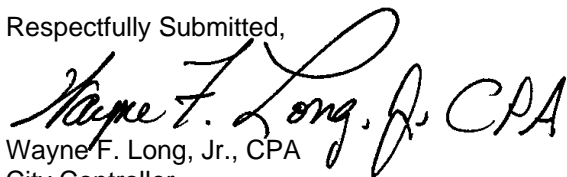
Awards and Acknowledgements

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, 2007. This was the fourteenth 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

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, 2007

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



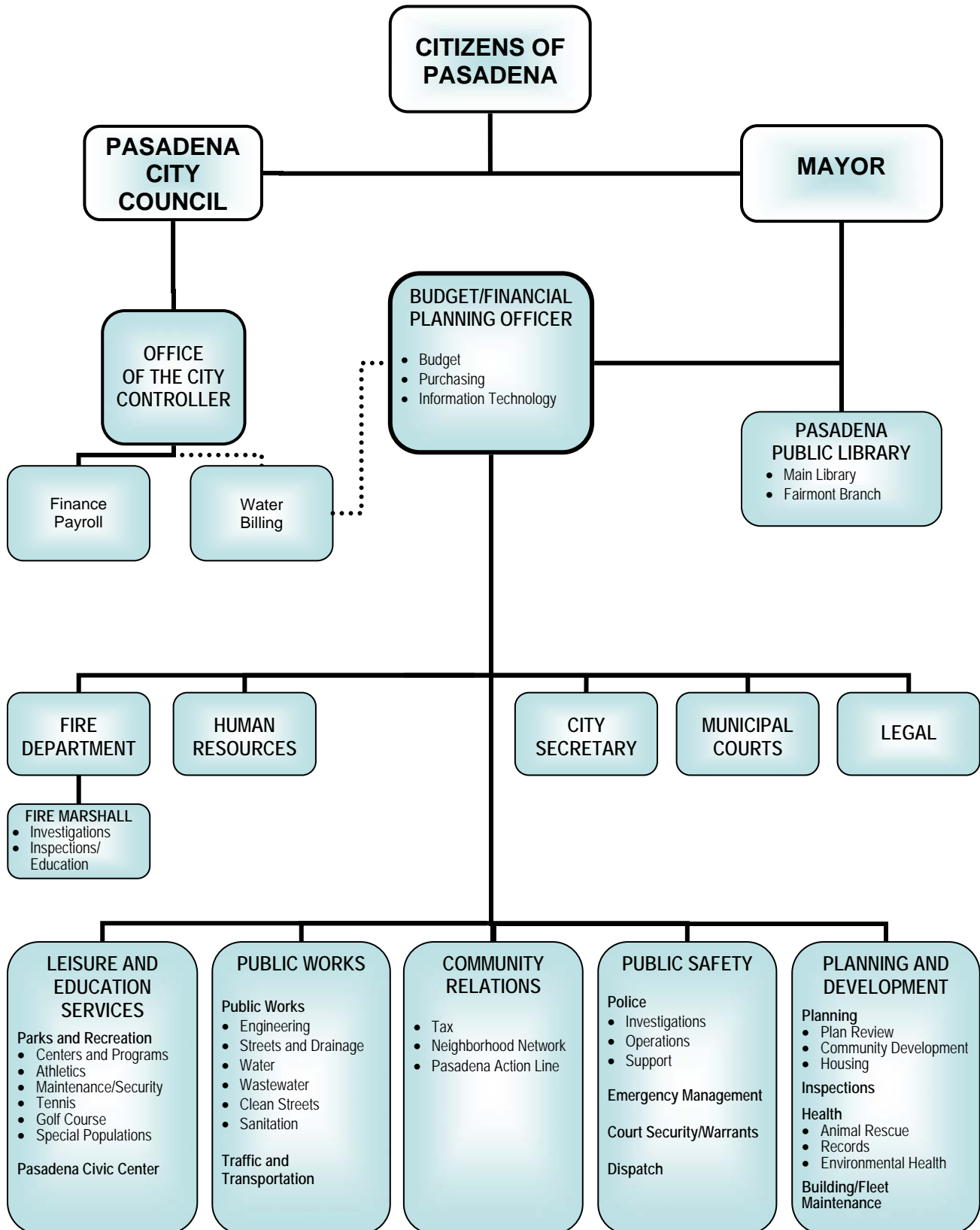
A handwritten signature in black ink, appearing to read "M. L. R. R. R.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emmer", positioned above the title "Executive Director".

Executive Director

CITY OF PASADENA, TEXAS ORGANIZATION CHART



**CITY OF PASADENA, TEXAS
PRINCIPAL OFFICIALS**

MAYOR

JOHNNY ISBELL

BUDGET & FINANCIAL PLANNING

ANDY HELMS

CITY COUNCIL

DISTRICT A	RALPH RIGGS (MAYOR PRO-TEM)
DISTRICT B	JACKIE WELCH
DISTRICT C	DON HARRISON
DISTRICT D	JACK DOUGLASS
DISTRICT E	ERV BRANNON
DISTRICT F	PHIL CAYTEN
DISTRICT G	DANA PHILIBERT
DISTRICT H	J. J. ISBELL

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 P. JACKSON,
Acting Chief

FIRE CHIEF

LANNY ARMSTRONG

FIRE MARSHALL

DAVID BRANNON

DIRECTOR OF COMMUNITY RELATIONS

RICHARD SCOTT

DIRECTOR OF PLANNING

MELVIN EMBRY

DIRECTOR OF HEALTH

THAD GINN

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 AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pasadena, Texas (the "City") as of and for the year ended September 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2008, and the respective changes in financial position and cash flows, where applicable, and the respective budgetary comparison for the General Fund and certain Grant Management (Major Special Revenue Funds) – Federal Equitable Sharing of Forfeited Property Justice and Treasury Department Grant for the year then ended in conformity with accounting principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 9, 2009, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit. In addition, we noted other matters involving internal control and its operation that we have reported to the management of the City in a separate letter dated April 30, 2009.

The management's discussion and analysis on pages 15 through 26 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mosher, Seifert and Company
Mosher, Seifert & Company
Certified Public Accountants
April 9, 2009

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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, 2008. This discussion and analysis includes comparative data for fiscal year 2007. 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, 2008 are as follows:

Government-Wide Financial Statements

The City's assets exceeded its liabilities by \$661,345,551 (net assets), showing an increase of \$23,410,891 (3.7%) compared to the prior fiscal year of \$637,934,660. Total net assets of the City are comprised of the following:

- Capital assets, net of related debt, of \$585,581,240 (88.5%) include land, improvements, construction in progress, and other capital assets, net of accumulated depreciation, and reduced by outstanding debt, and net unspent proceeds related to the construction of capital assets.
- Net assets of \$49,984,917 (7.6%) are restricted by constraints imposed from outside the City such as debt covenants, laws, and regulations.
- Net assets of \$25,779,394 (3.9%) represent the unrestricted portion available to meet the City's ongoing obligations to citizens and creditors.

Fund Financial Statements

- The City's governmental funds reported combined fund balances of \$93,818,732. This compares to the prior fiscal year combined fund balances of \$99,154,636, showing a decrease of \$5,335,904 (5.4%). Approximately 90.9% of the fund balances, \$85,247,502, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of fiscal year, general fund had a total fund balance of \$21,288,696. The unreserved and designated portion of the fund balance was \$4,365,137. The unreserved, undesignated portion of the fund balance was \$16,923,559 or 21.1% of total general fund expenditures of \$80,089,038. The City has a policy which requires the unreserved, undesignated portion of the fund balance to be equivalent of two months of regular general fund operating expenditures. At the end of September 30, 2008, the unreserved, undesignated fund balance exceeded this required balance by \$3,575,386.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Pasadena's basic financial statements. The City's basic financial statements are comprised of three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other information such as statistical data.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

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

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

The government-wide financial statements can be found on pages 27-29 of this report.

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 30-39 of this report.

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

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

The basic proprietary financial statements can be found on pages 40-45 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 47-77.

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 79-105.

Government-Wide Financial Analysis

As noted earlier, net assets may serve as a useful indicator of a government's financial position over time. The City's assets exceeded liabilities by \$661,345,551 at fiscal year ended September 30, 2008.

CITY OF PASADENA'S Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$ 141,499,782	\$ 141,649,420	\$ 36,675,133	\$ 25,524,339	\$ 178,174,915	\$ 167,173,759
Capital assets	513,128,481	477,695,580	238,599,635	195,160,872	751,728,116	672,856,452
Total assets	654,628,263	619,345,000	275,274,768	220,685,211	929,903,031	840,030,211
Long-term liabilities, outstanding	135,792,359	128,746,892	105,166,297	52,612,668	240,958,656	181,359,560
Other liabilities	19,519,364	15,171,361	8,079,460	5,564,630	27,598,824	20,735,991
Total liabilities	155,311,723	143,918,253	113,245,757	58,177,298	268,557,480	202,095,551
Net assets:						
Invested in capital assets, net of debt	431,100,171	412,109,172	154,481,069	154,799,229	585,581,240	566,908,401
Restricted	48,996,326	47,364,187	988,591	1,128,275	49,984,917	48,492,462
Unrestricted	19,220,043	15,953,388	6,559,351	6,580,409	25,779,394	22,533,797
Total net assets	\$ 499,316,540	\$ 475,426,747	\$ 162,029,011	\$ 162,507,913	\$ 661,345,551	\$ 637,934,660

By far the largest portion of the City's net assets, \$585,581,240 (88.5%), reflects its investment in capital assets (e.g., land, building, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are used to provide services to citizens; consequently, they are not available to be used for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

This portion of the City's net assets increased by \$18,672,839 (3.3%) compared to prior fiscal year of \$566,908,401. The increase was due to the starting and completion of numerous capital project activities and the net impact on the amount of new debt issued and the amount of debt paid off.

The second portion of the City's net assets, \$49,984,917 (7.6%), represents resources that are subject to external restrictions on how they may be used. This compared to the prior fiscal year of \$48,492,462, showing an increase of \$1,492,455 (3.1%).

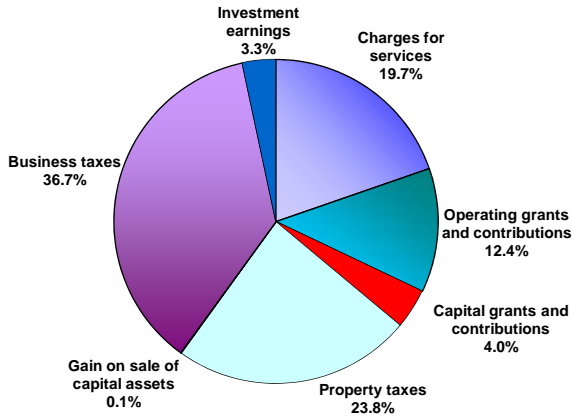
The third and final portion of the City's net assets, \$25,779,394 (3.9%) represents unrestricted resources that can be used to meet the City's ongoing obligations to citizens and creditors. This portion of net assets increased by \$3,245,597 (14.4%) compared to the prior fiscal year of \$22,533,797. This large increase can be traced to (1) general property taxes increased by \$2,216,009 (7.7%) due to the increase of property values and (2) governmental activities claims payable decrease by \$666,832 (22.9%) because of in part with the change to UMR as the City's health care administrator. UMR's policy is to expedite claims creating a lower payable balance, and (3) the business-type unrestricted net assets remain relatively the same.

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

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

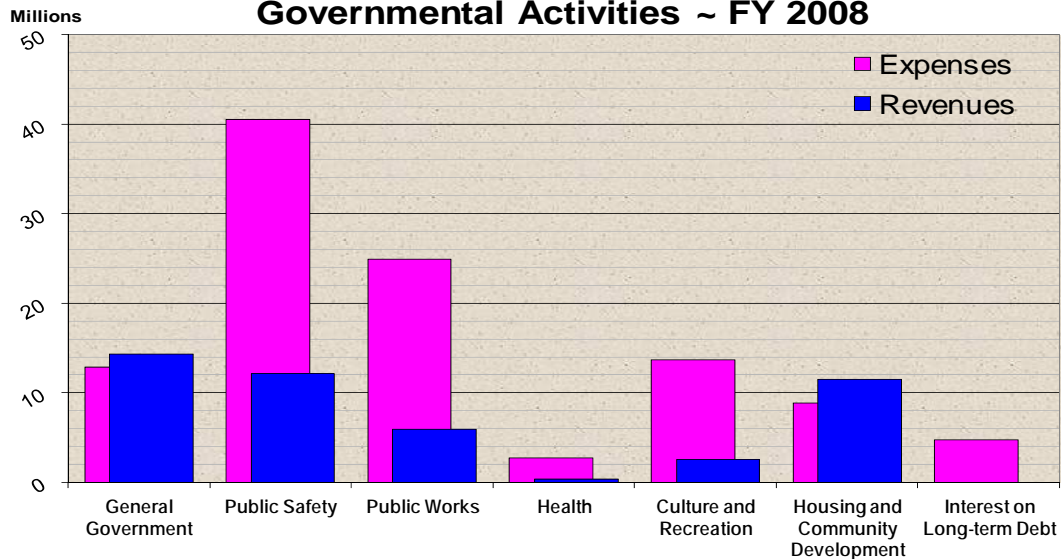
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues:						
Charges for services	\$ 25,636,536	\$ 21,585,430	\$ 30,489,659	\$ 30,744,928	\$ 56,126,195	\$ 52,330,358
Operating grants and contributions	16,100,040	9,499,817	-	-	16,100,040	9,499,817
Capital grants and contributions	5,215,499	15,711,854	-	-	5,215,499	15,711,854
General revenues						
Property taxes	31,071,723	28,855,714	-	-	31,071,723	28,855,714
Business taxes	47,030,888	45,824,738	-	-	47,030,888	45,824,738
Other taxes	691,263	604,342	-	-	691,263	604,342
Investment earnings	4,338,777	6,420,506	1,069,674	956,094	5,408,451	7,376,600
Gain on sale of capital assets	73,265	102,835	-	-	73,265	102,835
Total Revenues	<u>130,157,991</u>	<u>128,605,236</u>	<u>31,559,333</u>	<u>31,701,022</u>	<u>161,717,324</u>	<u>160,306,258</u>
Expenses:						
General government	12,819,859	11,200,559	-	-	12,819,859	11,200,559
Public safety	40,486,310	35,213,887	-	-	40,486,310	35,213,887
Public works	24,938,059	19,851,288	-	-	24,938,059	19,851,288
Health	2,711,459	2,340,163	-	-	2,711,459	2,340,163
Culture and recreation	13,647,614	12,687,318	-	-	13,647,614	12,687,318
Housing and community development	8,821,136	7,968,458	-	-	8,821,136	7,968,458
Interest on long-term debt	4,711,542	4,478,707	-	-	4,711,542	4,478,707
Water and sewer	-	-	30,170,454	25,729,728	30,170,454	25,729,728
Total Expenses	<u>108,135,979</u>	<u>93,740,380</u>	<u>30,170,454</u>	<u>25,729,728</u>	<u>138,306,433</u>	<u>119,470,108</u>
Increase in net assets before transfers	22,022,012	34,864,856	1,388,879	5,971,294	23,410,891	40,836,150
Transfers	1,867,781	1,180,894	(1,867,781)	(1,180,894)	-	-
Increase (decrease) in net assets	23,889,793	36,045,750	(478,902)	4,790,400	23,410,891	40,836,150
Net assets - beginning	475,426,747	439,380,997	162,507,913	157,717,513	637,934,660	597,098,510
Net assets - ending	<u>\$ 499,316,540</u>	<u>\$ 475,426,747</u>	<u>\$ 162,029,011</u>	<u>\$ 162,507,913</u>	<u>\$ 661,345,551</u>	<u>\$ 637,934,660</u>

**Revenues by Source
Governmental Activities ~ FY 2008**



Governmental Activities. Governmental activities increased the City's net assets by \$23,889,793 (5.0%) during this fiscal year. The increase is attributed to combination of (1) increase in general revenues by \$1,397,781 (1.7%) because of increase in property and other business taxes in the amount of \$3,509,080 but investment earnings decreased by \$2,081,729 due to the decline in earnings rates on investments, (2) monies from FEMA for Hurricane Ike, the City netted \$622,293 for reimbursement of equipment owned by the City and used in the emergency, (3) also, due to Hurricane Ike the City sustained damage on several buildings which caused the City to have an impairment gain and insurance recovery (additional information can be found in Note IV, D to the financial statement) in the amount of \$3,670,604, and (4) though expenses increased in the amount of \$14,395,599 (15.4%) revenue increased by \$1,552,755 (1.2%) without transfers. The change in net assets decreased by \$12,155,957 (33.7%) meaning the City did not increase net assets by as much from the prior year, but the City is providing services to the citizens without increased taxing.

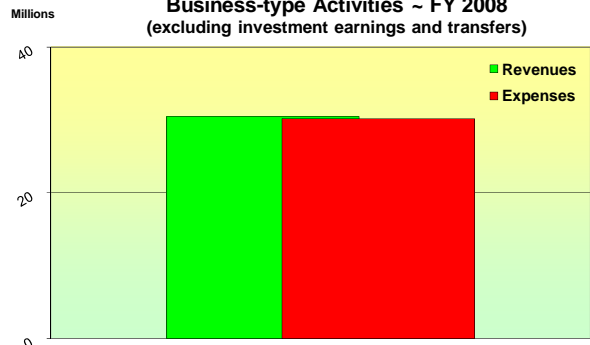
**Expenses and Program Revenues
Governmental Activities ~ FY 2008**



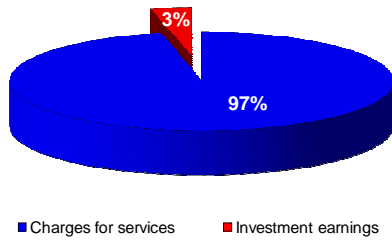
Business-type Activities. Business-type activities decreased the City's net assets by \$478,902. The key elements of this small decrease include:

- An increase in the amount transferred to the governmental activities in the amount of \$686,887 (58.2%). There was an increase in expenses in the amount of \$4,440,726 due in part to an increase in debt interest expense in the amount of \$1,255,825 (56.1%) because of the issuance of \$55,400,000 revenue bonds series 2008 to provide funding for the capital projects at the Southeast Water Plant, also, contractual services increased \$2,699,456 (49.1%) because of the maintenance performed on water meters during the year.

**Expenses and Program Revenues
Business-type Activities ~ FY 2008
(excluding investment earnings and transfers)**



Revenues by Source
Business-type Activities ~ FY 2008



- Revenue including interest earnings had a slight decrease of \$141,689. Charges for services decreased by \$255,269 (0.8%) while interest earnings had a small increase in the amount of \$113,580 (11.9%) due to the increase in balances of investments.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

As of the end of the current fiscal year, the City reported combined ending fund balances of \$93,818,732; approximately 90.9% of this amount (\$85,247,502) represents unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either reserved or designated to show that it is not available for other spending because it has already been committed to:

- 1) liquidate contracts and purchase orders from the prior fiscal year (\$4,148,713 or 4.4%)
- 2) pay debt service (\$2,607,222 or 2.8%)
- 3) pay for certain capital and technological improvements and recall, election, and charter revision (\$1,815,295 or 1.9%)

The general fund is the principal operating fund of the City of Pasadena. As of September 30, 2008, the general fund reported fund balance of \$21,288,696. This compared to the prior fiscal year of \$17,439,686, showing an increase of \$3,849,010 (22.1%).

The unreserved, undesignated portion of the general fund balance was \$16,923,559. As a measure of the general fund's liquidity, it is useful to compare this portion of the fund balance to the total general fund expenditures including transfers out of \$80,755,478 (21.0%) versus the total fund balance to the same amount (26.4%) compare to last year's (22.8%) and (23.6%), respectively.

The debt service fund has a total fund balance of \$2,607,222, all of which is reserved for the payment of debt service. An increase of \$1,111,298 (74.3%) in fund balance compared to prior fiscal year of \$1,495,924 was due to increase in property taxes collections correlated with increase in 2007 taxable assessed valuation.

The Pasadena Second Century Corporation fund has a total fund balance of \$22,399,524, all of which is restricted for economic development capital projects. The increase in fund balance during the current fiscal year was \$6,735,431 compared to prior fiscal year of \$15,664,093. The increase was in part due to the reduced transfer out from \$7,779,404 to only \$133,750 because there weren't any "new" capital projects funded by Pasadena Second Century Corporation during the current fiscal year.

The capital projects fund has a total fund balance of \$38,189,142, all of which is restricted for capital improvement projects. The net decrease in fund balance during the current fiscal year amounted to \$18,878,297 (33.1%) compared to prior fiscal year of \$57,067,439. The capital outlay expenditures had increased by \$12,790,519 (58.8%), \$14,175,000 was spent during the year on the City's new police complex, \$2,774,824 was spent for the library renovations, \$2,637,326 was spent on Vista Phase II, \$3,933,374 was spent on Pasadena Boulevard Phase II, the City spent \$2,344,045 on Pasadena Boulevard Phase III, and various other projects totaling \$8,468,577.

The grant management fund has a total fund balance of \$4,664,888, all of which is restricted for specific grant purposes. The net increase in fund balance during the fiscal year was \$995,607 (27.1%) compared to prior fiscal year of \$3,669,281. The increase was primarily due to ongoing grant revenues and the City's required match/transfers outpaced the grants expenditures.

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

General Fund Budgetary Highlights

The final amended expenditure budget of \$85,031,469, including transfers out, was \$6,963,547 (8.9%) more than the original budget of \$78,067,922.

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

- \$490,295 increase for General Government - included an increase of \$982,641 in property management.
- \$1,284,458 increase for Public Safety - included increased costs in various salary accounts, due in part to Hurricane Ike and Emergency Preparedness.
- \$5,029,681 increase for Public Works - included a large increase in sanitation in the amount of \$4,295,486 due to the removal of debris caused by Hurricane Ike.
- \$47,200 increase in Health - included an increase in animal rescue services in the amount of \$26,200 due to the evacuation of animals before Hurricane Ike.
- \$111,913 increase in Culture and Recreation - included an increase for the library in the amount of \$63,511 on renovation.

Even with the abovementioned amendments, total actual expenditures, including transfers out, of \$80,755,478 were \$4,275,991 (5.0%) below the final budget. Public Works had the largest variance with final budget in the amount of \$2,272,209 due to the budgeting for contractual services in sanitation, however, services were not completed until fiscal year 2009.

Actual revenues including the transfers in totaled to \$84,604,488, which was over the final budgeted amount of \$83,226,488 by \$1,378,000 (1.7%). The largest favorable variance was on the disaster grant in the amount of \$705,744 in inter-governmental.

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, 2008, amounted to \$751,728,116 (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 \$78,871,664 (11.7%) compared to prior fiscal year of \$672,856,452. A 7.4% increase for governmental activities and a 22.3% increase for business-type activities.

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

- Completed the Crenshaw Drainage (D005) – \$2,017,774 with the final capitalized project cost in the amount of \$3,265,108.
- Started the Regional Detention Pond (D011) – with \$142,178 pre evaluation/survey costs in progress at the end of fiscal year.
- Completed the Hays Street Drainage (D016) – \$348,272 with the final capitalized project cost in the amount of \$531,964.
- Continued with the Vista drainage improvements (D017) – \$2,821,985 with \$4,868,103 construction in progress at the end of fiscal year.

- Started The Thornwood Drainage (D018) - \$8200.00 pre evaluation/survey costs in progress at the end of fiscal year.
- Completed the Pine Street drainage (D021) - \$364,371 with the final capitalized project cost in the amount of \$4,430,921.
- Completed the 2007 storm sewer replacement project (D030) - \$475,586 with the final capitalized project cost in the amount of \$721,614.
- Started the 2008 storm sewer replacement project (D032) – \$363, 969 construction in progress at the end of fiscal year.
- Started the El Jardin Phase I (D041) - \$19,000 pre evaluation/survey costs in progress at the end of fiscal year.
- Started the preliminary phase Rebuild of Fire Station #4 (F005) – \$15,807 land acquisition costs in progress at the end of fiscal year.
- Started the preliminary phase Rebuild of Fire Station #3 (F006) – \$5,640 pre evaluation/survey costs in progress at the end of fiscal year.
- Continued and completed the traffic signal preemption installation (F008) - with the final capitalized project cost in the amount of \$91,768.
- Started and completed the purchase of Fire Department Breathing Air Cylinders (FZ003)– with the final capitalized project cost in the amount of \$17,570
- Started and completed the purchase of Fire Department Ferrara Pumper Truck (FZ004)– with the final capitalized project cost in the amount of \$467,488.
- Continued the central library renovation (L001) - \$4,004,948 with \$4,196,106 construction in progress at the end of fiscal year.
- Completed the remodeling of City Hall facilities (M001) – \$13,962 with the final capitalized project cost in the amount of \$67,903
- Started the preliminary phase Capitan Theater (M014) – \$72,052 design/engineering costs at the end of fiscal year.
- Started the Municipal Court Renovation (MZ002) – \$166,859 construction in progress at the end of fiscal year.
- Continued with the new police complex (P001) - \$14,228,651 with \$22,835,345 construction in progress at the end of fiscal year.
- Started the Strawberry Park Master Plan (R006) – \$82,798 design/engineering costs at the end of fiscal year.
- Continued with Memorial park renovation project (R007) - \$2,001 with \$3,143,863 construction in progress at the end of fiscal year.
- Continued with the preliminary phase of Preston/Crenshaw Park (R018) - \$1,185 with \$27,520 design/engineering costs at the end of fiscal year.
- Completed the Armand Bayou hike and bike trail project (R029) - \$170,568 with the final capitalized project cost in the amount of \$2,949,613.
- Continued with Vince Bayou hike and bike trail phase I (R031) - \$42,927 with \$102,452. construction in progress at the end of fiscal year.
- Completed the Holly Bay spur hike and bike trail (R033) - \$85,827 with the final capitalized project cost in the amount of \$353,710.
- Completed the Village Grove Pedi Bridge (R034) - \$257,098 with the final capitalized project cost in the amount of \$466,840.
- Started and completed General Park Renovation (R049) - with the final capitalized project cost in the amount of \$88,111.
- Completed the Memorial Park basketball pavilion (R058) - \$291,957 with the final capitalized project cost in the amount of \$478,974.
- Continued with the Pasadena Blvd, Phase II (S006) - \$4,192,559 with \$6,187,105 construction in progress at the end of fiscal year.
- Completed the Jana Street bridge extension (S009) – \$143,091 with the final capitalized project cost in the amount of \$259,602.
- Completed the 2007 annual sidewalk project (S013) – \$24,279 with the final capitalized project cost in the amount of \$337,330.
- Started the Crenshaw Extension Phase III (S016) - \$486,300 construction in progress at the end of fiscal year end.

- Continued with the Pasadena Blvd phase III (S027) – \$2,344,045 with \$5,266,038 construction in progress at the end of fiscal year.
- Completed the reconstruction of Strawberry phase III (S035) – \$4,332 with the final capitalized project cost in the amount of \$ 5,480,415.
- Continued with the preliminary phase of the Preston Street extension project (S049) – \$15,492 with \$89,836 design/engineering costs at the end of fiscal year.
- Continued the 2007 annual pavement replacement (S056) – \$377,748 with \$916,234 construction in progress at the end of fiscal year.
- Continued the Beverly Court paving project (S059) – \$1,297,466 with \$1,303,066 construction in progress at the end of fiscal year.
- Started the 2008 annual sidewalk project (S061) – with \$380,856 construction in progress at the end of fiscal year.
- Started the 2008 annual pavement replacement (S068) – with \$426,280 construction in progress at the end of fiscal year.
- Continued the land acquisitions for the West Harris Avenue bridge project (S078) – \$63,216 with \$78,871 land acquisitions in progress at the end of fiscal year.
- Started Fairmont Parkway Phase I (S079) – \$236,100 design/engineering costs at the end of fiscal year.
- Completed the intersection redesign (T002) – \$2,640 with the final capitalized project cost in the amount of \$880,232.
- Continued with the Beltway 8 Traffic Signal Modernization (T002A) – \$25,804 with \$29,190 completed and \$17,490 construction in progress at the end of fiscal year.
- Started and completed the land acquisitions for Turn Radius @ Beltway 8 (T002B) – with capitalized land acquisition cost in the amount of \$38,614.
- Continued the Computerized Traffic Control System (T003) – \$30,292 with \$667,372 construction in progress at the end of fiscal year.
- Started the purchase of Traffic Signal Cabinets (T003A) – \$43,500 incurred costs at the end of fiscal year.
- Completed Traffic signal Installation (T004) – \$16,040 with the final capitalized project cost in the amount of \$59,184.
- Started Intersection Redesign (T006) – \$232,884 with \$204,217 completed and \$28,667 construction in progress at the end of fiscal year.
- Started the Computerized Traffic Control System (T010) – \$47,132 incurred costs in progress at the end of fiscal year.
- Continued the thermo pavement marking (T05A and T05B) – \$117,308 with \$147,404 construction in progress at the end of fiscal year.
- Continued with the SE Water Pump Station (W012) – \$42,683 with \$193,432 design/engineering costs at the end of fiscal year.
- Continued with the loop completion of distribution system (W014) – \$126,089 with \$227,095 design/engineering costs at the end of fiscal year.
- Started the Waterline Improvements (W033) – with \$766,055 construction in progress at the end of fiscal year.
- Started the Water Meter Test and Inspections (WZ006) – with \$54,956 in progress at the end of fiscal year.
- Started and completed the 6” and 8” Water Line Project (WZ027) – with the final capitalized project cost in the amount of \$83,000.
- Continued with the lift station replacements: Pansy, Crenshaw and El Cary (WW002) – \$435,243 with \$1,124,178 construction in progress at the end of fiscal year.
- Continued with the Richey Trunkline (WW014) – \$30,767 with \$177,993 design/engineering costs at the end of fiscal year.
- Completed the Southmore wastewater line rehabilitation (WW018) – \$6,855 with the final capitalized project cost in the amount of \$137,359
- Continued with Golden Acres WWTP Improvements (WW033 and WWZ010) – \$105,772 with \$509,672 construction in progress at the end of fiscal year.
- Started and completed Nantucket Street paving (Z009) – with the final capitalized project cost in the amount of \$234,829.
- Continued the demolition of various properties (Z020) – \$27,213 with \$544,787 incurred costs in progress at the end of fiscal year.

**Capital Assets
(net of depreciation)
September 30, 2008**

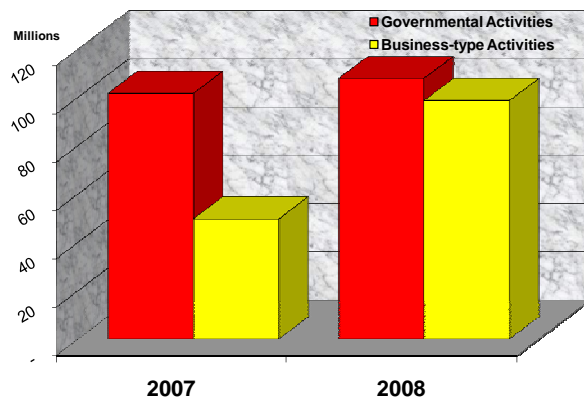
	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Land	\$ 127,486,440	\$ 126,987,778	\$ 1,970,647	\$ 1,970,647	\$ 129,457,087	\$ 128,958,425
Buildings and building improvements	33,176,598	34,310,063	2,306,178	2,432,899	35,482,776	36,742,962
Facilities and other improvements	3,031,104	3,037,046	3,967,041	4,062,561	6,998,145	7,099,607
Machinery and equipment	6,692,595	5,379,680	3,587,345	3,580,661	10,279,940	8,960,341
Infrastructure	271,185,194	255,486,641	176,185,352	179,490,232	447,370,546	434,976,873
Automotive equipment	10,332,623	6,894,519	130,004	217,794	10,462,627	7,112,313
Construction in progress	61,223,927	45,599,853	50,453,068	3,406,078	111,676,995	49,005,931
Totals	\$ 513,128,481	\$ 477,695,580	\$ 238,599,635	\$ 195,160,872	\$ 751,728,116	\$ 672,856,452

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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$209,161,681. Of this amount, \$132,500,000 represents debts backed by the full faith and credit of the City, \$2,772,711 represents debt secured by the sales tax revenues, \$73,605,000 represents debts secured solely by the net revenues of the City's water and sewer operations and \$283,970 unsecured debt.

During the fiscal year, the City issued two new debts – (1) General Obligation Bonds, Series 2007 in the amount of \$13,665,000, which provide funds for general government capital projects and (2) Waterworks and Sewer System Revenue Bonds, Series 2008 in the amount of \$55,400,000, which provide funds for various water production and sewerage treatment plant capital projects.

Outstanding Debt ~ 2007 vs. 2008



The overall debt increased by \$57,927,398 (38.30%). Please refer to note IV, G to the financial statements for further information on the City's long-term debt. In addition, the statistical section of this report has various schedules on the City's debt capacity to help citizens and investors to assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.

**City of Pasadena's Long Term Debt
September 30, 2008**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
General and certificate obligation bonds including refunding	\$ 104,980,000	\$ 97,835,000	\$ 27,520,000	\$ 27,645,000	\$ 132,500,000	\$ 125,480,000
Other long-term debt	2,772,711	3,737,371	-	-	2,772,711	3,737,371
Revenue bonds	-	-	71,775,000	17,120,000	71,775,000	17,120,000
Refunding revenue bonds	-	-	550,000	1,550,000	550,000	1,550,000
Tax and revenue certificate of obligation bonds	-	-	1,280,000	2,495,000	1,280,000	2,495,000
Deferred water charges debt	-	-	283,970	851,912	283,970	851,912
Total	\$ 107,752,711	\$ 101,572,371	\$ 101,408,970	\$ 49,661,912	\$ 209,161,681	\$ 151,234,283

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

Standard & Poors – "A+"
Moody's Investor Services – "Aa3"
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 \$542,588,346, 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 2008) was 5.6%, up from 4.8% for the previous December per the Texas Workforce Commission.
- Assessed value for property tax used for the fiscal year 2009 budget preparation is up approximately \$221 million (3.9%) from fiscal year 2008 and is expected to bring in an additional \$1,227,599 in revenues including new property added to the tax roll this year.
- The sales tax revenue per the fiscal year 2009 adopted budget is expected to grow by (5.5%) over fiscal year 2008, reflecting the growth in the region's energy base, and local economy district fee revenue. Sales tax revenue is expected to continue this upward trend even though the national economy is declining.
- The fiscal year 2009 adopted budget anticipates a slight increase in industrial revenue. This small increase can be traced to the industrial district agreement calculation.
- The 2009 budget includes an increase in water and sewer operating revenues of approximately \$2,227,682 (7.3%) compared to the actual fiscal year 2008. This should 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 2009. Revenues in the general fund are budgeted in the amount of \$81,350,255, a decrease of 2.3% over the final fiscal year 2008 budget of \$83,226,488 (including transfer in) mainly due to the revenue associated with Hurricane Ike for fiscal year 2008.

Expenditures are budgeted to decrease by 1.1%, or \$928,047, in comparison to the final budgeted expenditures of fiscal year 2008. Again, due to less expenditures associated with Hurricane Ike.

Contacting the City's Financial Management

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

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BASIC FINANCIAL STATEMENTS

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Pasadena Crime Control and Prevention District
ASSETS				
Cash and cash equivalents	\$ 1,634,610	\$ 245,924	\$ 1,880,534	\$ -
Investments	44,359,189	10,693,522	55,052,711	2,097,911
Receivables (net of allowances for uncollectible)	14,845,883	5,525,297	20,371,180	1,243,544
Due from component unit	1,463	-	1,463	-
Internal balances	474,785	(474,785)	-	-
Inventories	545,743	-	545,743	-
Deposits	297,000	-	297,000	-
Deferred charges	1,226,945	1,594,526	2,821,471	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,614,843	-	1,614,843	-
Investments	74,744,625	19,090,649	93,835,274	-
Intergovernmental receivables	1,754,696	-	1,754,696	-
Capital assets not being depreciated:				
Land	127,486,440	1,970,647	129,457,087	-
Construction in progress	61,223,927	50,453,068	111,676,995	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	33,176,598	2,306,178	35,482,776	-
Facilities and other improvements	3,031,104	3,967,041	6,998,145	-
Machinery and equipment	6,692,595	3,587,345	10,279,940	-
Infrastructure	271,185,194	176,185,352	447,370,546	-
Automotive	10,332,623	130,004	10,462,627	-
TOTAL ASSETS	654,628,263	275,274,768	929,903,031	3,341,455
LIABILITIES				
Accounts payable and other current liabilities	11,536,718	3,364,565	14,901,283	202,043
Accrued payroll payable	1,671,297	192,052	1,863,349	131,302
Accrued interest payable	576,552	170,916	747,468	-
Due to primary government	-	-	-	1,463
Liabilities payable from restricted assets	5,499,671	1,433,300	6,932,971	-
Customer deposits	-	2,918,627	2,918,627	-
Unearned revenue	235,126	-	235,126	-
Noncurrent liabilities:				
Due within one year	11,069,771	3,420,130	14,489,900	82,800
Due in more than one year	124,722,588	101,746,167	226,468,756	69,000
TOTAL LIABILITIES	155,311,723	113,245,757	268,557,480	486,608
NET ASSETS				
Invested in capital assets, net of related debt	431,100,171	154,481,069	585,581,240	-
Restricted for:				
Capital projects	34,978,322	-	34,978,322	-
Grant and special revenue activities	11,177,865	-	11,177,865	-
Public safety	-	-	-	2,854,847
Debt service	2,840,139	988,591	3,828,730	-
Unrestricted	19,220,043	6,559,351	25,779,394	-
TOTAL NET ASSETS	\$ 499,316,540	\$ 162,029,011	\$ 661,345,551	\$ 2,854,847

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, 2008**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit	
	Primary Government			Primary Government				Pasadena Crime Control and Prevention District
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities		
Governmental activities:								
General government	\$ 12,819,859	\$ 13,444,472	\$ 394,659	\$ 530,432	\$ 1,549,704	\$ -	\$ 1,549,704	
Public safety	40,486,310	7,769,911	3,047,640	1,328,855	(28,339,904)	-	(28,339,904)	
Public works	24,938,059	2,275,044	3,228,030	467,488	(18,967,497)	-	(18,967,497)	
Health	2,711,459	398,843	-	-	(2,312,616)	-	(2,312,616)	
Culture and recreation	13,647,614	1,702,211	64,215	758,750	(11,122,438)	-	(11,122,438)	
Housing and community development	8,821,136	46,055	9,365,496	2,129,974	2,720,389	-	2,720,389	
Interest on long-term debt	4,711,542	-	-	-	(4,711,542)	-	(4,711,542)	
Total governmental activities	108,135,979	25,636,536	16,100,040	5,215,499	(61,183,904)	-	(61,183,904)	
Business-type activities:								
Water and sewer system	30,170,454	30,489,659	-	-	-	319,205	319,205	
TOTAL PRIMARY GOVERNMENT	\$ 138,306,433	\$ 56,126,195	\$ 16,100,040	\$ 5,215,499	(61,183,904)	319,205	(60,864,699)	
Component unit:	\$ 7,685,779	\$ -	\$ -	\$ -	\$ -	\$ -	7,685,779	
Pasadena Crime Control District								
General revenues:								
General property taxes					31,071,723		31,071,723	
Business taxes								
Industrial district fees					15,551,252		15,551,252	
Sales taxes					23,835,369		23,835,369	
Utility taxes					7,644,267		7,644,267	
Other taxes					691,263		691,263	
Total business taxes					47,722,151		47,722,151	
Investment earnings								
Unrestricted					1,590,544	363,757	1,954,301	
Restricted					2,748,233	705,917	3,454,150	
Gain on sale of capital assets					73,265	-	73,265	
Transfers					1,867,781	(1,867,781)	-	
Total general revenues and transfers					85,073,697	(798,107)	84,275,590	
CHANGE IN NET ASSETS					23,889,793	(478,902)	23,410,891	
NET ASSETS - BEGINNING					475,426,747	162,507,913	637,934,660	
NET ASSETS - ENDING					\$ 499,316,540	\$ 162,029,011	\$ 661,345,551	

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 1,634,610	\$ -	\$ -	\$ -
Investments	23,105,898	-	-	-
Receivables (net of allowance for uncollectible)	12,120,559	385,983	1,292,789	-
Due from other funds	1,439,948	61,138	-	171,083
Due from component unit	1,463	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	9,770	-
Investments	-	2,454,156	21,467,657	42,840,964
Receivables (net of allowance for uncollectible)	124,582	-	-	-
TOTAL ASSETS	\$ 38,427,060	\$ 2,901,277	\$ 22,770,216	\$ 43,012,047
LIABILITIES				
Accounts payable	\$ 10,583,011	\$ -	\$ -	\$ -
Accrued payroll payable	1,519,743	-	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	842,527	-	269,362	-
Compensated absences payable	-	-	-	-
Deferred revenue	4,193,083	294,055	-	-
Liabilities payable from restricted assets	-	-	101,330	4,822,905
TOTAL LIABILITIES	17,138,364	294,055	370,692	4,822,905
FUND BALANCES				
Reserved for:				
Debt service	-	2,607,222	-	-
Total reserved	-	2,607,222	-	-
Unreserved, designated for, reported in:				
Encumbrances	2,549,842	-	-	325,336
Encumbrances for special revenue funds	-	-	-	-
General fund				
Capital and technology improvements	1,800,295	-	-	-
Recall, election, and charter revisions	15,000	-	-	-
Total unreserved and designated	4,365,137	-	-	325,336
Unreserved, undesignated for, reported in:				
General fund	16,923,559	-	-	-
Pasadena Second Century Corporation fund	-	-	22,399,524	-
Capital projects fund	-	-	-	37,863,806
Grant management fund	-	-	-	-
Special revenue funds	-	-	-	-
Total unreserved, undesignated	16,923,559	-	22,399,524	37,863,806
TOTAL FUND BALANCES	21,288,696	2,607,222	22,399,524	38,189,142
TOTAL LIABILITIES AND FUND BALANCES	\$ 38,427,060	\$ 2,901,277	\$ 22,770,216	\$ 43,012,047

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

- Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.
- Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.
- Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mail room, risk management - in regards to workers' compensation claims, general liabilities, and health care benefits to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.
- Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

NET ASSETS OF GOVERNMENTAL ACTIVITIES

Grant Management	Nonmajor Governmental	Total Governmental Funds
\$ -	\$ -	\$ 1,634,610
-	-	23,105,898
-	-	13,799,331
-	255,764	1,927,933
-	-	1,463
1,552,106	52,967	1,614,843
3,631,327	4,350,521	74,744,625
1,503,711	126,403	1,754,696
\$ 6,687,144	\$ 4,785,655	\$ 118,583,399

\$ -	\$ -	\$ 10,583,011
-	-	1,519,743
28,063	-	28,063
1,026,799	2,714	2,141,402
298,190	-	298,190
209,541	-	4,696,679
459,663	113,681	5,497,579
2,022,256	116,395	24,764,667

-	-	2,607,222
-	-	2,607,222

893,901	-	3,769,079
-	379,634	379,634
-	-	1,800,295
-	-	15,000
893,901	379,634	5,964,008

-	-	16,923,559
-	-	22,399,524
-	-	37,863,806
3,770,987	-	3,770,987
-	4,289,626	4,289,626
3,770,987	4,289,626	85,247,502
4,664,888	4,669,260	93,818,732

\$ 6,687,144	\$ 4,785,655
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500,662,988

5,458,109

30,268,931

(130,892,220)

\$ 499,316,540

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, 2008

	<u>General</u>	<u>Debt Service</u>	<u>Pasadena Second Century Corporation</u>	<u>Capital Projects</u>
REVENUES				
General property taxes	\$ 18,973,018	\$ 12,128,530	\$ -	\$ -
Business taxes				
Industrial district fees	15,551,252	-	-	-
Sales taxes	15,890,246	-	7,945,123	-
Utility taxes	7,644,267	-	-	-
Other taxes	178,148	-	-	-
Total business taxes	<u>39,263,913</u>	<u>-</u>	<u>7,945,123</u>	<u>-</u>
Licenses and permits	2,373,619	-	-	-
Municipal court fines	5,868,562	-	-	-
Charges for services	9,516,526	-	-	-
Intergovernmental	4,854,842	-	-	-
Program income	-	-	-	-
Miscellaneous	901,437	-	-	-
Investment income	846,465	69,731	554,848	1,851,008
TOTAL REVENUES	<u>82,598,382</u>	<u>12,198,261</u>	<u>8,499,971</u>	<u>1,851,008</u>
EXPENDITURES				
Current:				
General government	11,605,336	-	-	-
Public safety	35,051,380	-	-	-
Public works	18,693,485	-	316,197	28,938
Health	2,612,142	-	-	-
Culture and recreation	12,126,695	-	-	-
Housing and community development	-	-	-	-
Debt Service:				
Principal	-	6,686,440	798,220	-
Interest	-	4,561,037	105,564	-
Fiscal charges	-	5,926	-	-
Bond issuance cost	-	-	-	165,971
Capital Outlay:				
General government	-	-	-	110,776
Public safety	-	-	-	14,685,780
Public works	-	-	410,809	15,638,699
Culture and recreation	-	-	-	3,897,891
TOTAL EXPENDITURES	<u>80,089,038</u>	<u>11,253,403</u>	<u>1,630,790</u>	<u>34,528,055</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>2,509,344</u>	<u>944,858</u>	<u>6,869,181</u>	<u>(32,677,047)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,000	166,440	-	133,750
Transfers out	(666,440)	-	(133,750)	-
Bonds issued	-	-	-	13,665,000
Insurance recovery	506,106	-	-	-
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>1,339,666</u>	<u>166,440</u>	<u>(133,750)</u>	<u>13,798,750</u>
NET CHANGE IN FUND BALANCES	<u>3,849,010</u>	<u>1,111,298</u>	<u>6,735,431</u>	<u>(18,878,297)</u>
FUND BALANCES, BEGINNING	<u>17,439,686</u>	<u>1,495,924</u>	<u>15,664,093</u>	<u>57,067,439</u>
FUND BALANCES, ENDING	<u>\$ 21,288,696</u>	<u>\$ 2,607,222</u>	<u>\$ 22,399,524</u>	<u>\$ 38,189,142</u>

<u>Grant Management</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 31,101,548
-	-	15,551,252
-	-	23,835,369
-	-	7,644,267
-	513,115	691,263
-	513,115	47,722,151
-	3,570	2,377,189
-	450,419	6,318,981
-	-	9,516,526
14,053,538	979,754	19,888,134
172,494	-	172,494
-	441,068	1,342,505
136,351	136,295	3,594,698
14,362,383	2,524,221	122,034,226
301,167	555,490	12,461,993
1,277,623	646,767	36,975,770
-	-	19,038,620
-	-	2,612,142
844,126	470,917	13,441,738
10,943,860	-	10,943,860
-	-	7,484,660
-	-	4,666,601
-	-	5,926
-	-	165,971
-	-	110,776
-	-	14,685,780
-	-	16,049,508
-	-	3,897,891
13,366,776	1,673,174	142,541,236
995,607	851,047	(20,507,010)
-	-	1,800,190
-	-	(800,190)
-	-	13,665,000
-	-	506,106
-	-	15,171,106
995,607	851,047	(5,335,904)
3,669,281	3,818,213	99,154,636
\$ 4,664,888	\$ 4,669,260	\$ 93,818,732

The accompanying notes are an integral part of the financial statements

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**CITY OF PASADENA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

Amounts reported for governmental activities in the statement of activities (page 29) are different because:

Net change in fund balances - total governmental funds (page 33)	\$ (5,335,904)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	31,959,094
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfer and donations) is a decrease to net assets	(331,749)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	3,134,673
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(6,040,339)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,547,662)
Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mailroom, risk managements in regards to workers' compensation claims, general liabilities and health care benefits to individual funds. The net revenue (expense) of certain activities of internal service fund is reported with governmental activities.	2,051,680
Change in net assets of governmental activities (page 29)	<u>\$ 23,889,793</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 18,264,000	\$ 18,764,000	\$ 18,973,018	\$ 209,018
Business taxes				
Industrial district fees	15,100,000	15,577,245	15,551,252	(25,993)
Sales taxes	15,600,000	15,600,000	15,890,246	290,246
Utility taxes	7,669,970	7,676,870	7,644,267	(32,603)
Other taxes	213,000	213,000	178,148	(34,852)
Total business taxes	<u>38,582,970</u>	<u>39,067,115</u>	<u>39,263,913</u>	<u>196,798</u>
Licenses and permits	2,164,175	2,176,975	2,373,619	196,644
Municipal court fines	5,701,150	5,713,850	5,868,562	154,712
Charges for services	9,152,800	9,368,000	9,516,526	148,526
Intergovernmental	340,500	3,993,119	4,854,842	861,723
Miscellaneous	350,000	854,256	901,437	47,181
Investment income	1,416,000	1,450,673	846,465	(604,208)
TOTAL REVENUES	<u>75,971,595</u>	<u>81,387,988</u>	<u>82,598,382</u>	<u>1,210,394</u>
EXPENDITURES				
Current				
General Government				
City council	184,495	184,495	123,311	61,184
Mayor	305,537	354,354	348,834	5,520
Budget and financial planning	276,156	276,156	248,471	27,685
Municipal court	1,789,624	1,844,112	1,809,295	34,817
City controller	1,462,717	1,462,717	1,435,850	26,867
Tax	363,050	447,228	447,663	(435)
Purchasing	320,638	251,539	249,007	2,532
Legal	961,402	917,352	832,056	85,296
City secretary	296,433	284,031	280,925	3,106
Elections	-	82,502	80,688	1,814
Human resources	648,190	651,640	635,417	16,223
City marshal	609,218	578,396	575,864	2,532
Community relations	619,100	701,622	679,308	22,314
Pasadena action line	286,271	292,301	287,552	4,749
Planning	420,912	370,367	264,213	106,154
Planning/development administration	141,655	142,856	140,390	2,466
Economic development liaison	-	90,377	89,191	1,186
Neighborhood network	224,027	222,192	167,457	54,735
Inspections	1,583,916	1,627,250	1,571,227	56,023
Property management	706,745	1,689,386	1,153,519	535,867
Technology	24,838	24,838	2,137	22,701
Other charges	1,032,300	251,808	182,961	68,847
Total General Government	<u>12,257,224</u>	<u>12,747,519</u>	<u>11,605,336</u>	<u>1,142,183</u>
Public Safety				
Emergency preparedness	324,155	439,453	460,356	(20,903)
Fire fighting	3,452,264	3,378,889	3,298,400	80,489
Fire prevention	1,053,624	983,646	962,721	20,925
Police	29,121,484	30,433,997	30,329,903	104,094
Total Public Safety	<u>33,951,527</u>	<u>35,235,985</u>	<u>35,051,380</u>	<u>184,605</u>
Public Works				
Public works administration	230,218	379,568	296,178	83,390
Engineering	1,710,205	1,643,589	1,588,548	55,041
Street lighting and signals	1,500,000	1,465,934	1,465,934	-
Sanitation	7,587,963	11,883,449	10,032,158	1,851,291
Street and bridge	3,434,772	4,000,607	3,787,650	212,957
Traffic and transportation	1,155,357	1,264,929	1,238,099	26,830
Environment services	317,498	327,618	284,918	42,700
Total Public Works	<u>\$ 15,936,013</u>	<u>\$ 20,965,694</u>	<u>\$ 18,693,485</u>	<u>\$ 2,272,209</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health	\$ 1,654,066	\$ 1,675,066	\$ 1,615,423	\$ 59,643
Animal rescue and assistance	1,030,109	1,056,309	996,719	59,590
Total Health	2,684,175	2,731,375	2,612,142	119,233
Culture and Recreation				
Leisure services administration	237,087	206,118	193,447	12,671
Parks	3,456,971	3,353,145	3,158,800	194,345
Recreation	2,316,635	2,383,432	2,247,559	135,873
Clean streets	1,012,942	1,115,191	1,075,540	39,651
Golf course	641,286	639,785	568,937	70,848
Multi-purpose center	535,109	520,009	405,255	114,754
Civic center	726,254	753,561	779,688	(26,127)
Senior center - Madison Jobe	407,839	411,284	356,963	54,321
Library	3,404,860	3,468,371	3,340,506	127,865
Total Culture and Recreation	12,738,983	12,850,896	12,126,695	724,201
TOTAL EXPENDITURES	77,567,922	84,531,469	80,089,038	4,442,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,596,327)	(3,143,481)	2,509,344	5,652,825
OTHER FINANCING SOURCES (USES)				
Transfers in	1,500,000	1,500,000	1,500,000	-
Transfers out	(500,000)	(500,000)	(666,440)	(166,440)
Insurance recovery	-	328,500	506,106	177,606
Sale of capital assets	10,000	10,000	-	(10,000)
TOTAL OTHER FINANCING SOURCES (USES)	1,010,000	1,338,500	1,339,666	1,166
NET CHANGE IN FUND BALANCES	(586,327)	(1,804,981)	3,849,010	5,653,991
FUND BALANCES - BEGINNING	15,208,916	17,439,686	17,439,686	-
FUND BALANCES - ENDING	\$ 14,622,589	\$ 15,634,705	\$ 21,288,696	\$ 5,653,991

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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 400,000	\$ 400,000	\$ 570,351	\$ 170,351
Program Income	50,000	50,000	34,369	(15,631)
TOTAL REVENUES	450,000	450,000	604,720	154,720
EXPENDITURES				
Current				
Public safety				
Contractual services	115,000	115,000	95,410	19,590
Materials and supplies	263,416	894,791	313,857	580,934
Intergovernmental	130,000	210,000	168,500	41,500
Capital outlay	86,563	362,253	86,004	276,249
TOTAL EXPENDITURES	594,979	1,582,044	663,771	918,273
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(144,979)	(1,132,044)	(59,051)	1,072,993
FUND (PROGRAM) BALANCE - BEGINNING	1,049,366	983,005	983,005	-
FUND (PROGRAM) BALANCE - ENDING	\$ 904,387	\$ (149,039)	\$ 923,954	\$ 1,072,993

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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 10,000	\$ 248,699	\$ 403,107	\$ 154,408
Program income	8,900	8,900	7,407	(1,493)
TOTAL REVENUES	18,900	257,599	410,514	152,915
EXPENDITURES				
Current				
Public safety				
Contractual services	27,000	30,320	25,228	5,092
Materials and supplies	30,000	91,800	20,310	71,490
Capital outlay	-	64,635	-	64,635
TOTAL EXPENDITURES	57,000	186,755	45,538	141,217
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(38,100)	70,844	364,976	294,132
FUND (PROGRAM) BALANCE - BEGINNING	183,682	219,476	219,476	-
FUND (PROGRAM) BALANCE - ENDING	\$ 145,582	\$ 290,320	\$ 584,452	\$ 294,132

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2008**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
<u>ASSETS</u>	<u>Water and Sewer System</u>	<u>Water and Sewer System</u>
Current Assets		
Cash and cash equivalents	\$ 245,924	\$ -
Investments		
TexPool	10,650,179	21,253,291
CLASS	43,343	-
Receivables (net of allowances for uncollectible)	5,525,297	49,996
Due from other funds	280,756	73,786
Inventory, at cost	-	545,743
Restricted assets		
Investments		
Texpool	988,591	-
CLASS	18,102,058	-
Total Current Assets	<u>35,836,148</u>	<u>21,922,816</u>
Noncurrent Assets		
Deposits	-	<u>297,000</u>
Deferred charges - revenue bond issuance costs, bond insurance premium and administrative cost recovery fees	<u>1,594,526</u>	-
Capital assets		
Land	1,970,647	602
Buildings and building improvements	7,065,761	2,086,911
Accumulated depreciation - buildings and building improvements	(4,759,583)	(1,652,955)
Facilities and other improvements	6,121,635	175,754
Accumulated depreciation - facilities and other improvements	(2,154,594)	(43,888)
Machinery and equipment	10,096,433	5,425,152
Accumulated depreciation - machinery and equipment	(6,509,088)	(3,892,962)
Infrastructure	251,866,830	41,746
Accumulated depreciation - Infrastructure	(75,681,478)	(7,490)
Automotive	600,428	31,592,109
Accumulated depreciation - automotive	(470,424)	(21,259,486)
Construction in progress	50,453,068	-
Net capital assets	<u>238,599,635</u>	<u>12,465,493</u>
Total Noncurrent Assets	<u>240,194,161</u>	<u>12,762,493</u>
TOTAL ASSETS	<u>\$ 276,030,309</u>	<u>\$ 34,685,309</u>

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 3,364,565	\$ 953,707
Accrued payroll payable	192,052	151,554
Accrued interest payable	170,916	-
Revenue bonds payable - current	1,881,409	-
Deferred water charges payable - City of Houston	283,970	-
Due to other funds	-	141,073
Claims payable	-	1,349,285
Compensated absences payable	250,048	167,678
Customer deposits	2,918,627	-
Liabilities payable from restricted assets		
Accounts payable	1,387,666	-
Arbitrage payable	16,112	-
Retainage payable	45,634	-
Revenue bonds payable	988,591	-
Total Current Liabilities	11,499,590	2,763,297
Noncurrent Liabilities		
Revenue and general obligation bonds payable (including the unamortized discounts/premium and deferred amount on refunding \$1,119,478)	99,374,476	-
Claims payable	-	899,522
Arbitrage payable	121,262	-
Compensated absences payable	2,250,429	1,509,100
Total Noncurrent Liabilities	101,746,167	2,408,622
TOTAL LIABILITIES	113,245,757	5,171,919
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	154,481,069	12,465,493
Restricted for debt service	988,591	-
Unrestricted	7,314,892	17,047,897
TOTAL NET ASSETS	162,784,552	\$ 29,513,390
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	(755,541)	
Net assets of business-type activities (page 27)	\$ 162,029,011	

The accompanying notes are an integral part of the financial statements

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CITY OF PASADENA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
OPERATING REVENUES		
Charges for sales and services	<u>\$ 30,489,659</u>	<u>\$ 24,852,858</u>
OPERATING EXPENSES		
Personnel services	7,409,298	5,210,097
Contractual services	8,199,251	1,190,190
Material and supplies	1,473,092	4,794,094
Maintenance charges	855,232	608,320
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	82,174	-
Operating, maintenance and water charges - Southeast Water Purification Plant	4,303,046	-
Insurance/reinsurance premiums	-	3,119,823
Claims and legal expenses	-	9,283,611
Administration fees	-	512,764
Miscellaneous	44,865	206,944
Depreciation	4,129,986	1,726,767
TOTAL OPERATING EXPENSES	<u>26,496,944</u>	<u>26,652,610</u>
OPERATING INCOME (LOSS)	<u>3,992,715</u>	<u>(1,799,752)</u>
NONOPERATING REVENUES (EXPENSES)		
Gain on sale and retirement of capital assets	-	243,249
Investment income	1,069,674	744,079
Interest expense on bonds	(3,496,105)	-
Amortization	(59,268)	-
Fiscal agent fees	(2,039)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>(2,487,738)</u>	<u>987,328</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	<u>1,504,977</u>	<u>(812,424)</u>
CAPITAL CONTRIBUTIONS	<u>774,549</u>	<u>2,059,406</u>
TRANSFERS IN	<u>-</u>	<u>1,000,000</u>
TRANSFERS (OUT)	<u>(2,642,330)</u>	<u>(311,400)</u>
CHANGES IN NET ASSETS	<u>(362,804)</u>	<u>1,935,582</u>
TOTAL NET ASSETS - BEGINNING		<u>27,577,808</u>
TOTAL NET ASSETS - ENDING		<u><u>\$ 29,513,390</u></u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(116,098)</u>	
Change in net assets of business-type activities (page 29)	<u><u>\$ (478,902)</u></u>	

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers and users	\$ 31,395,539	\$ 25,180,269
Cash payments to suppliers for goods and services	(11,908,983)	(6,265,556)
Cash payments to employees for services	(7,094,161)	(5,049,062)
Cash payments for insurance premiums, liability claims and administration	-	(14,040,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>12,392,395</u>	<u>(174,883)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers (to)/from other funds		
General fund	(1,500,000)	500,000
Water and sewer system fund	-	300,000
Workers' compensation fund	-	200,000
General liability insurance fund	(300,000)	(200,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(1,800,000)</u>	<u>800,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of capital assets	-	522,541
Proceeds from bond issued	55,243,214	-
Acquisition and construction of capital assets	(47,636,530)	(4,488,681)
Principal paid on revenue bonds	(3,085,000)	-
Principal paid on deferred loan from City of Houston	(567,942)	-
Interest and fiscal agent fees paid on revenue bonds	(3,670,842)	-
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>282,900</u>	<u>(3,966,140)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(76,685,507)	(17,195,927)
Proceeds from sale and maturities of investments	64,891,705	19,792,871
Investment income received	1,069,674	744,079
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(10,724,128)</u>	<u>3,341,023</u>
NET INCREASE IN CASH AND CASH EQUIVALENT	151,167	-
CASH AND CASH EQUIVALENTS - BEGINNING	<u>94,757</u>	-
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 245,924</u>	<u>\$ -</u>

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATION ACTIVITIES		
Operating income (loss)	\$ 3,992,715	\$ (1,799,752)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	4,129,986	1,726,767
Changes in assets and liabilities		
Decrease (increase) in accounts receivables	584,341	(49,996)
Decrease in due from other funds	969,379	350,122
Decrease in due from component unit	-	11,695
(Increase) in inventory	-	(38,558)
(Increase) in deposits	-	(256,000)
Increase (decrease) in accounts and claims payable	2,129,075	(264,804)
Increase in accrued payroll liabilities	64,724	60,527
Increase in compensated absences payable	250,413	100,508
(Decrease) in due to other funds	(55,745)	(15,392)
Increase in arbitrage payable	5,968	-
Increase in customer deposits	321,539	-
Total Adjustments	8,399,680	1,624,869
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 12,392,395	\$ (174,883)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from the government	\$ 774,549	\$ 744,176
Capital assets donated from outside source	-	1,315,230

The accompanying notes are an integral part of the financial statements

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NOTES TO FINANCIAL STATEMENTS

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

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**CITY OF PASADENA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2008**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

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

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

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

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental Funds

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

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

Proprietary Funds

The proprietary funds are reported in the same way that all activities are reported in the government-wide financial statements. It measures economic resources using the full accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The proprietary fund category includes enterprise and internal service fund types.

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

Focus on Major Funds

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

The City reports the following major funds:

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Additionally, the City also reports the following fund type:

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Cash, Cash Equivalents and Investments

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

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

- 1) Obligations of the United States or its agencies and instrumentalities
- 2) Direct obligations of the State of Texas or its agencies

- 3) Other obligations, the principal of, and interest on, which are unconditionally guaranteed or insured by the State of Texas or the United States
- 4) Obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent
- 5) Certificates of deposit issued by state and national banks domiciled in this state
- 6) Fully collateralized direct repurchase agreements
- 7) Certificates of deposit issued by savings and loan associations domiciled in this state

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

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

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" or "advances to/from other funds". All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property taxes receivable are shown net of an allowance for uncollectible. The property tax receivable allowance is approximately equal to 70% of outstanding property taxes at September 30, 2008.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Capital assets which include land, buildings and building improvements, facilities and other improvements (recreation area and athletic fields, swimming pools, tennis courts, golf courses, pavilions, path and trails, fencing and landscaping), machinery and equipment, infrastructure (roads, sidewalks, fire hydrants, bridges, traffic light systems, water and sewer lines and plants), automotive equipment, and construction in progress, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements.

Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

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

6. Compensated Absences

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

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

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

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

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

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

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

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

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

8. Fund Equity

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$130,892,220 difference are as follows:

Bonds Payable	\$ 104,980,000
Other long-term debt	2,772,711
Add: bond premiums	1,306,149
Less: deferred gain/loss on refunded bonds	(117,546)
Less: issuance costs	(1,226,945)
Rebatable arbitrage payable	327,705
Accrued interest payable	576,552
Compensated absences	22,273,594
	<hr/>
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 130,892,220
	<hr/> <hr/>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the technical services, warehouse, fleet, facilities operations, mail room, risk management in regards to workers’ compensation claims, general liabilities and health care benefits to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.” The details of this \$30,268,931 difference are as follows:

Net assets of the internal service funds	\$ 29,513,390
Add: Internal receivable representing charges less the cost to business-type activities - prior years	639,443
Add: Internal receivable representing charges less the cost to business-type activities - current year	116,098
	<hr/>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	\$ 30,268,931
	<hr/> <hr/>

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

The governmental fund *statement of revenues, expenditures, and changes in fund balances* includes reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide *statement of activities*. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense”. The detail of this \$31,959,094 difference is as follows:

Capital outlay	\$ 39,231,276
Depreciation expense	<u>(7,272,182)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 31,959,094</u>

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations and transfers) is to decrease net assets." The detail of this \$331,749 difference is as follows:

In the statement of activities, only the loss and note received on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold less the note received.	\$ (242,751)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	475,997
Transfer of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial uses.	953,730
Transfer of capital assets decrease net assets in the statement of activities, but appear in the governmental funds as capital outlay but capitalize in proprietary funds.	<u>(1,518,725)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental	<u>\$ (331,749)</u>

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The detail of this \$6,040,339 difference is as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	
Principal	\$ 13,665,000
Issuance costs	(140,000)
Less: principal repayments	<u>(7,484,661)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,040,339</u>

Another element of that reconciliation states that "Some expenses reported in the *statement of activities* do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The detail of this \$1,547,662 difference is as follows:

Compensated absences	\$ 1,528,691
Arbitrage	(21,562)
Accrued interest	37,176
Amortization of bond issuance costs	108,709
Amortization of bond premiums	(180,267)
Amortization of deferred amounts on refunding	<u>74,915</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,547,662</u>

Another element of that reconciliation states that "Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mail room, risk management in regards to workers' compensation claims, general liabilities, health care benefits to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities." The detail of this \$2,051,680 difference is as follows:

Change in net assets of the internal service funds	\$ 1,935,582
Add: Loss from charges from business-type activities	<u>116,098</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 2,051,680</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

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

During the current fiscal year, general fund expenditure budget increased in the amount of \$6,963,547. A majority of the budget amendments were due to Hurricane Ike. Public work's budget increased \$5,029,681 due to in part to a contract with AshBritt Inc. to remove debris produced from the hurricane in the amount of \$3,902,825. Not the entire contract amount was spent in fiscal year 2008 and the difference was encumbered for fiscal year 2009. Public safety's budget increased \$1,284,458 because of an increase in police personnel services in the amount of \$1,155,128 due to termination pay because of retirements and/or resignations and overtime

due to Hurricane Ike. Under the other financing sources (uses), the City budgeted for the recovery of insurance from the City's provider for damage incurred during Hurricane Ike in the amount of \$328,500.

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

The following provides actual fiscal year 2008 results for both budgeted and non-budgeted grant programs under the grant management fund:

	<u>Revenues</u>	<u>Expenditures</u>
Budgeted grant programs:		
Federal equitable sharing of forfeited property:		
Justice Department	\$ 604,720	\$ 663,771
Treasury Department	410,514	45,538
Nonbudgeted grant programs:		
Various grants	1,695,986	1,713,607
HUD section 8 rental voucher program	7,124,945	6,862,974
FEMA DHAP program	861,235	415,903
HUD CDBG entitlement program	3,149,204	3,149,204
HUD HOME investment partnerships program	431,098	431,098
HUD emergency shelter program	84,681	84,681
Total grant management fund - actual	<u>\$ 14,362,383</u>	<u>\$ 13,366,776</u>

C. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2008 expenditures exceeded the budget at the object level as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
General government			
Municipal Court			
Contractual services	\$ 100,000	\$ 101,937	\$ (1,937)
Tax			
Contractual services	410,473	411,247	(774)
Maintenance charges	675	1,182	(507)
Purchasing			
Personnel services	214,481	214,484	(3)
Property Management			
Contractual services	414,206	417,486	(3,280)
Public Safety			
Emergency Preparedness			
Contractual services	108,478	131,183	(22,705)
Maintenance charges	38,063	38,066	(3)
Police			
Capital outlay	2,358,455	2,365,192	(6,737)
Public Works			
Traffic and Transportation			
Contractual services	117,578	120,739	(3,161)
Cultural and Recreation			
Civic Center			
Contractual services	154,664	185,037	(30,373)
Materials and supplies	11,428	14,500	(3,072)
<u>Other Financing Sources (Uses)</u>			
Operating transfers in (out)			
Debt service fund	-	166,440	(166,440)
<u>Debt Service Fund</u>			
Debt service			
Principal	6,561,000	6,686,440	(125,440)

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

In the Grant Management (Major Special Revenue Fund) Federal Equitable sharing of Forfeited Property Justice Department, the final budget had a deficit in the ending fund (program) balance. This deficit will be made up with next year's revenues.

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, 2008, the carrying amount of the City's deposits with financial institutions was \$3,407,086. The City's bank balance is the sum of all accounts, which totals \$2,049,992 and the market values of pledged securities were \$5,789,598. The pledged securities are held by a third party custodian in the City's name.

Investments

As of September 30, 2008 the city has the following investments:

Investment Type	Fair Value			Weighted Average Maturity (Years)
	Primary Government	Discretely Presented Component Unit		
		Pasadena Second Century Corporation	Pasadena Crime Control and Prevention District	
Texpool Local Government Investment Pools	\$ 50,520,619	\$ 19,303,442	\$ 2,097,911	0.00
Logic Local Government Investment Pools	1,177,207	-	-	0.00
Class Local Government Investment Pools	75,722,502	2,164,215	-	0.00
Total Fair Value	\$ 127,420,328	\$ 21,467,657	\$ 2,097,911	
Portfolio Weighted Average Maturity				0.00

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 funds compliance with its rating requirements.

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

GASB Statement No. 31 provides an exception to the fair value reporting for investments in an external pool if the pool operates as a "2a7-like" pool. TexPool, LOGIC, and CLASS 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 market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool, LOGIC and CLASS is the same as the value of their shares.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for on going operations, thereby avoiding the need to sell securities on the open market prior to maturity; and by investing operating funds primarily in short-term securities.

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

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

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

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

B. Property Tax Calendar and Receivables

1. Property Tax Calendar

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

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 2007 taxable assessed valuation of the City's property in the amount of \$5,425,883,459 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	\$ 0.3461
Debt service	0.2209
	<u>\$ 0.5670</u>

2. Receivables

Receivables as of September 30, 2008, 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	Grant Management	Nonmajor Governmental Funds	Water and Sewer System	Internal Service Funds		Total
							Maintenance	Health Insurance	
Receivables									
Property taxes	\$ 1,608,236	\$ 1,287,983	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,896,219
Sales taxes	2,585,577	-	1,292,789	-	-	-	-	-	3,878,366
Accounts	9,124,996	-	-	-	-	5,950,678	2,678	47,318	15,125,670
Less: allowance for for uncollectible	(1,198,250)	(902,000)	-	-	-	(425,381)	-	-	(2,525,631)
	12,120,559	385,983	1,292,789	-	-	5,525,297	2,678	47,318	19,374,624
Intergovernmental - restricted	98,997	-	-	1,484,929	11,288	-	-	-	1,595,214
Accounts restricted	25,585	-	-	18,782	115,115	-	-	-	159,482
Net total receivables	<u>\$ 12,245,141</u>	<u>\$ 385,983</u>	<u>\$ 1,292,789</u>	<u>\$ 1,503,711</u>	<u>\$ 126,403</u>	<u>\$ 5,525,297</u>	<u>\$ 2,678</u>	<u>\$ 47,318</u>	<u>\$ 21,129,320</u>

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

	Unavailable	Unearned
Delinquent property taxes receivable (General fund)	\$ 344,600	\$ -
Delinquent property taxes receivable (Debt service fund)	294,055	-
Notes receivable (Grant management)	996,556	-
Insurance proceeds-Hurricane Ike (General fund)	3,822,898	-
Loss revenue -Hurricane Ike (General fund)	-	25,585
Grant received prior to meeting all eligibility requirements	-	209,541
Total deferred/unearned revenue for governmental funds	<u>\$ 5,458,109</u>	<u>\$ 235,126</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 interlocal agreement.

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Water and Sewer Enterprise
Cash and cash equivalents	\$ -	\$ -	\$ 9,770	\$ -	\$ 1,552,106	\$ 52,967	\$ -
Investments	-	2,454,156	21,467,657	42,840,964	3,631,327	4,350,521	19,090,649
Intergovernmental receivables	98,997	-	-	-	1,484,929	11,288	-
Accounts receivables	25,585	-	-	-	18,782	115,115	-
	<u>\$ 124,582</u>	<u>\$ 2,454,156</u>	<u>\$ 21,477,427</u>	<u>\$ 42,840,964</u>	<u>\$ 6,687,144</u>	<u>\$ 4,529,891</u>	<u>\$ 19,090,649</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, 2008 was as follows:

1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 126,987,778	\$ 498,662	\$ -	\$ 127,486,440
Construction in progress	45,599,853	32,798,552	(17,174,478)	61,223,927
Total capital assets, not being depreciated	<u>172,587,631</u>	<u>33,297,214</u>	<u>(17,174,478)</u>	<u>188,710,367</u>
Capital assets, being depreciated:				
Buildings and building improvements	49,896,284	365,624	-	50,261,908
Facilities and other improvements	4,732,726	82,644	-	4,815,370
Machinery and equipment	19,735,272	2,296,119	(1,044,045)	20,987,346
Infrastructure	383,069,716	21,445,818	-	404,515,534
Automotive equipment	29,730,347	5,312,247	(3,450,485)	31,592,109
Total capital assets being depreciated:	<u>487,164,345</u>	<u>29,502,452</u>	<u>(4,494,530)</u>	<u>512,172,267</u>
Less accumulated depreciation for:				
Building and building improvements	(15,586,221)	(1,499,089) *	-	(17,085,310)
Facilities and other improvements	(1,695,680)	(88,586)	-	(1,784,266)
Machinery and equipment	(14,355,592)	(743,542)	804,383	(14,294,751)
Infrastructure	(127,583,075)	(5,747,265)	-	(133,330,340)
Automotive equipment	(22,835,828)	(1,578,867)	3,155,209	(21,259,486)
Total accumulated depreciation	<u>(182,056,396)</u>	<u>(9,657,349)</u>	<u>3,959,592</u>	<u>(187,754,153)</u>
Total capital assets, being depreciated, net	<u>305,107,949</u>	<u>19,845,103</u>	<u>(534,938)</u>	<u>324,418,114</u>
Governmental activities capital assets, net	<u>\$ 477,695,580</u>	<u>\$ 53,142,317</u>	<u>\$ (17,709,416)</u>	<u>\$ 513,128,481</u>

* Includes \$658,400 of impairment loss before insurance recovery.

2. Impairment of Governmental Capital Assets

GASB 42 establishes accounting and financial reporting standards for impairment of capital assets. Governments are required to evaluate events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The following assets are considered impaired:

Type of Asset	Amount of Impairment Loss before Insurance Recovery	Indication of Impairment	Insurance Recovery in the same fiscal year related to capital asset	Net Gain from Impairment Loss due to Insurance Recoveries
Buildings	\$ 658,400	Physical Damage	\$ 2,454,781	\$ 1,796,381

The reason for the impairment of capital assets was due to damages sustained from Hurricane Ike.

3. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,970,647	\$ -	\$ -	\$ 1,970,647
Construction in progress	3,406,078	48,110,557	(1,063,567)	50,453,068
Total capital assets, not being depreciated	5,376,725	48,110,557	(1,063,567)	52,423,715
Capital assets, being depreciated:				
Buildings and building improvements	7,065,761	-	-	7,065,761
Facilities and other improvements	6,121,635	-	-	6,121,635
Machinery and equipment	9,801,033	295,400	-	10,096,433
Infrastructure	251,640,471	226,359	-	251,866,830
Automotive equipment	600,428	-	-	600,428
Total capital assets being depreciated:	275,229,328	521,759	-	275,751,087
Less accumulated depreciation for:				
Building and building improvements	(4,632,862)	(126,721)	-	(4,759,583)
Facilities and other improvements	(2,059,074)	(95,520)	-	(2,154,594)
Machinery and equipment	(6,220,372)	(288,716)	-	(6,509,088)
Infrastructure	(72,150,239)	(3,531,239)	-	(75,681,478)
Automotive equipment	(382,634)	(87,790)	-	(470,424)
Total accumulated depreciation	(85,445,181)	(4,129,986)	-	(89,575,167)
Total capital assets, being depreciated, net	189,784,147	(3,608,227)	-	186,175,920
Business-type activities capital assets, net	\$ 195,160,872	\$ 44,502,330	\$ (1,063,567)	\$ 238,599,635

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

Governmental activities:

General Government	\$ 304,337
Public Safety	885,479
Public Works	5,470,523
Health	32,936
Culture and Recreation	578,907
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	1,726,767
	<u>\$ 8,998,949</u>

Business-type activities

Water and Sewer System	<u>\$ 4,129,986</u>
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E. Construction Commitments

The City's commitments with contractors are as follows as of September 30, 2008:

Projects	Project Appropriation	Spent-to-Date
<u>Drainage</u>		
D005 Crenshaw Drainage: Allen Genoa to Vince Bayou	\$ 3,284,111	\$ 3,265,108
D007 Fairdale Drainage Improvements	22,780	22,339
D011 Regional Detention near Genoa-Red Bluff	300,000	142,178
D017 Vista Improvements Phase II: Strawberry to Watters	4,342,000	4,158,272
D021 Pine St Drainage Phase I: Preston to Beltway 8	4,634,499	4,426,171
D030 2007 Storm Sewer Replacement	1,255,873	1,190,512
D032 2008 Storm Sewer Replacement	686,410	363,969
D041 El Jardin Phase I	20,000	19,000
DZ014 Regional Detention Pond Facility	372,720	225
	<u>\$ 14,918,393</u>	<u>\$ 13,587,774</u>
<u>Fire</u>		
F005 Rebuild Station #4	\$ 25,000	\$ 15,807
F006 Rebuild Station #3	7,411	5,640
F008 Traffic Signal Pre-emption	620,339	619,920
F009 Traffic Signal Pre-emption	126,084	-
	<u>\$ 778,834</u>	<u>\$ 641,367</u>
<u>Library</u>		
L001 Renovate Central Library	\$ 4,887,543	\$ 4,235,726
	<u>\$ 4,887,543</u>	<u>\$ 4,235,726</u>
<u>Municipal Facilities</u>		
M013 Civic Center Electronic Sign	\$ 124,500	-
M014 Capitan Theater	105,000	72,052
MZ002 Municipal Court Renovation	175,941	143,997
	<u>\$ 405,441</u>	<u>\$ 216,049</u>
<u>Police</u>		
P001 Design and Construction of New Police Complex	\$ 25,193,582	\$ 22,821,277
	<u>\$ 25,193,582</u>	<u>\$ 22,821,277</u>
<u>Parks</u>		
R004 Museum at Memorial Park	\$ 52,657	\$ 39,857
R006 Strawberry Park Master Plan and Related Improvements	188,795	82,798
R007 Memorial Park Renovation	3,208,171	3,126,488
R014 Park Land Acquisition	202,386	198,903
R018 Preston/Crenshaw Nature Park Phase I	30,400	27,520
R031 Vince Bayou Trail: Phase I	758,600	102,452
R052 Aquatic Facility	46,670	33,082
	<u>\$ 4,487,679</u>	<u>\$ 3,611,100</u>

Projects		Project Appropriation	Spent-to-Date
<u>Streets</u>			
S006	Pasadena Blvd Phase II: Pansy-Burke and Beltway 8 - Red Bluff	\$ 10,963,721	\$ 5,479,831
S019	Pasadena Blvd Phase VI: Southmore to Strawberry	212,806	-
S024	Garner: Judy to Pasadena Blvd	372,205	174,953
S027	Pasadena Blvd Phase III: Strawberry to East of Burke	5,639,159	5,266,038
S041	Southmore Phase I: Richey to Johnson	12,911	-
S049	Preston: Beltway 8 to Genoa Red Bluff	242,638	89,836
S052	Pansy: Old Vista to Crenshaw	372,498	276,348
S056	2007 Paving Improvements	2,094,809	1,950,350
S058	Shaver: SH 225 to Southmore	5,846,884	-
S059	Beverly Court Subdivision Paving	1,420,641	1,303,066
S061	2008 Sidewalk Construction	463,018	380,856
S068	2008 Annual Paving Replacements	1,049,528	426,280
S078	West Harris Avenue Bridge Reconstruction	113,018	78,871
S079	Fairmont Parkway Phase I: Pansy/Beltway 8	386,100	236,100
		<u>\$ 29,189,936</u>	<u>\$ 15,662,529</u>
<u>Traffic</u>			
T002/6	Intersection Redesign	\$ 403,474	\$ 279,565
T003/10	Installation of Computerized Traffic Control System	743,589	714,504
T05A/B	Thermo Pavement Markers	245,665	147,404
		<u>\$ 1,392,728</u>	<u>\$ 1,141,473</u>
<u>Water</u>			
W004	New Transmission Line	1,267,436	1,033,055
W005	Red Bluff Pump Station - Phase I	403,000	377,477
W006	El Jardin Waterline	505,500	233,941
W012	Southeast Water Plant Pump Station Improvement	594,050	193,432
W014	Loop Completion of Distribution System	364,600	227,095
W033	Waterline Improvements	1,032,323	766,055
WZ006	Water Meter Test and Inspection	84,604	54,956
WZ031	Repair Thomas Water Well	217,660	-
		<u>\$ 4,469,173</u>	<u>\$ 2,886,011</u>
<u>Wastewater</u>			
WW002	Lift Station Replacement - Pansy/Crenshaw/El Cary	\$ 3,675,851	\$ 3,316,817
WW006	Richey Trunkline Phase I	18,529,370	17,821,332
WW014	Richey Trunkline Phase I	400,000	177,993
WW033	Golden Acres WWTP	185,000	21,390
WWZ010	Golden Acres Treatment Plant Improvements	539,532	488,282
WWZ022	WW Rehab-Southmore	1,127,831	-
		<u>\$ 24,457,584</u>	<u>\$ 21,825,814</u>
<u>Others</u>			
Z010	Design Phase Assistance	\$ 70,000	\$ 44,120
Z028	Industrial Pretreatment Program	25,000	2,660
		<u>\$ 95,000</u>	<u>\$ 46,780</u>

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

<u>Projects</u>		<u>Project Appropriation</u>	<u>Spent-to-Date</u>
<u>Drainage</u>			
D017	Vista Improvements Phase II: Strawberry to Watters	\$ 998,000	\$ 709,831
		<u>\$ 998,000</u>	<u>\$ 709,831</u>
<u>Parks</u>			
R018	Preston/Crenshaw Nature Park Phase I	\$ 1,250,000	-
R019	Sports Complex	4,230,000	-
R020	Preston/Crenshaw Nature Park Phase II	1,000,000	-
R027	Parks Spray Grounds	600,000	-
R035	Vince Bayou Trail: Phase II	1,530,000	-
		<u>\$ 8,610,000</u>	<u>\$ -</u>
<u>Streets</u>			
S006	Pasadena Blvd Phase II: Pansy-Burke and BW8 - Red Bluff	\$ 1,788,846	\$ 707,274
S060	Pasadena Blvd Overlay: Red Bluff to Strawberry	245,260	30,700
		<u>\$ 2,034,106</u>	<u>\$ 737,974</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, 2008, is as follows:

1. Due to/from Other Funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Amount</u>
General	Pasadena second century corporation	\$ 269,362	
	Grant management	1,026,799	
	** Hotel and motel tax	2,714	
	* Workers' compensation	12,912	
	* General liability insurance	80,027	
	* Health insurance	48,134	\$ 1,439,948
			<u>48,134</u>
Debt service	General		61,138
Capital Projects	General		171,083
** Special charge allocation	General	3,497	
** State forfeited property	General	52,300	
** Abandoned motor vehicles and property	General	199,967	255,764
Water and sewer system	General		280,756
* Maintenance	General		73,786
	Total		<u>\$ 2,282,475</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	\$ 1,463

3. Interfund Transfers:

Fund Financial Statements

Interfund Transfers:

Transfer out:	Transfer In:			
	General	Debt Service	Capital Projects	* General Liability Insurance
General	\$ -	\$ 166,440	\$ -	\$ 500,000
* Workers' Compensation Insurance	-	-	-	200,000
Water and Sewer System	1,500,000	-	-	300,000
Pasadena Second Century Corporation	-	-	133,750	-
Total	\$ 1,500,000	\$ 166,440	\$ 133,750	\$ 1,000,000

* Internal service funds

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

During the fiscal year, the Board of Directors for the Pasadena Second Century Corporation (City's blended component unit) authorized a transfer of \$133,750 to the City for the Pasadena Boulevard phase II. The Board opted to transfer the entire amount authorized and have the City handle the administration and payments of the contracts.

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

- Capital assets in the amount of \$111,400 and \$842,330 were transferred out from the internal service/maintenance and water and sewer system fund to capital assets - governmental activities, respectively.
- Transfer/donations of capital assets in the amount of \$774,549 and \$2,059,406 were recorded as transfer out and capital contribution in the water and sewer system and internal service/maintenance fund, respectively.

Government-Wide Financial Statements

During the fiscal year, the transfer activities summarized between the governmental and business activities totaled \$ 1,867,781 and it can be summaries as follows:

- Transfers in the amount of \$1,800,000 were transferred out to the government from the business type activities.
- Capital assets in the amount of \$842,330 were transferred out to the government from the business activities.
- Capital assets in the amount of \$774,549 were transferred in to the water and sewer system from the government 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 infrastructures (i.e. streets, drainage, water and sewer

systems, public safety, recreation, and culture facilities). In the past, the City has also refunded certain issues of general obligation bonds to take advantage of lower interest rates and even out debt payments. The original amount of general obligation bonds and certificates of obligation issued in prior years was \$94,005,000. The original amount of general obligation refunding bonds was \$23,390,000.

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
\$15,125,000 COB, 2001	4.00 - 5.50	2/15/2021	Governmental type	\$625,000 to \$ 805,000	8,755,000
\$16,350,000 GOB, 2002	3.50 - 5.00	2/15/2022	Governmental type	\$50,000 to \$ 1,195,000	14,875,000
\$17,500,000 GOB, 2003	3.25 - 5.25	2/15/2023	Governmental type	\$880,000 to \$ 1,375,000	16,620,000
\$18,640,000 GOB Refunding, 2004	2.00 - 5.00	2/15/2009	Both	\$2,515,000 to \$ 6,700,000	2,515,000
\$13,200,000 GOB, 2004	3.00 - 4.50	2/15/2024	Governmental type	\$615,000 to \$ 980,000	12,565,000
\$1,925,000 GOB Refunding, 2005	3.00 - 5.00	2/15/2020	Governmental type	\$120,000 to \$ 3,730,000	1,925,000
\$19,380,000 GO and Refunding, 2005A	3.25 - 5.00	2/15/2025	Governmental type	\$60,000 to \$ 4,140,000	19,320,000
\$8,915,000 GO and Refunding, 2006	3.50 - 4.00	2/15/2026	Both	\$100,000 to \$1,540,000	8,845,000
\$5,950,000 COB, 2007	4.00 - 4.875	2/15/2007	Governmental type	\$55,000 to \$390,000	5,895,000
\$13,665,000 GOB, 2007	4.00 - 5.625	2/15/2027	Governmental type	\$675,000 to \$840,000	13,665,000
					\$ 104,980,000

During the current fiscal year, the City issued general obligation bonds, series 2007 in the amount of \$13,665,000 to provide funds for capital projects in construction and renovation of a fire station, parks, streets and drainage improvements of the City.

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
2009	6,280,000	4,389,638	10,669,638
2010	5,770,000	4,150,595	9,920,595
2011	5,735,000	3,927,951	9,662,951
2012	5,845,000	3,700,916	9,545,916
2013	6,055,000	3,466,113	9,521,113
2014-2018	32,520,000	13,175,313	45,695,313
2019-2023	32,665,000	5,719,907	38,384,907
2024-2028	10,110,000	677,729	10,787,729
	\$ 104,980,000	\$ 39,208,162	\$ 144,188,162

Other Long-Term Debt

- a) \$5,000,000 Sales Tax Revenue Bonds, Series 2004 dated October 20, 2004, interest at 3.95%, due in installments of \$625,000 to \$805,000 through February 15, 2011 were issued by the City’s blended component unit – Pasadena Second Century Corporation (“PSCC”) to fund the cost of certain capital improvement projects. The notes are payable and secured solely from one-half of one percent sales and use tax collected by the PSCC.
- b) A sales tax audit was conducted by the City in fiscal year 2006. The audit concluded that the Texas State Comptroller’s office (Comptroller) had overpaid the City and its blended component unit, Pasadena Second Century Corporation in the amount of \$666,043 and \$333,021 respectively. The Comptroller’s office has agreed to a four year repayment plan with no interest charge.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2009	989,660	76,827	1,066,487
2010	978,051	47,005	1,025,056
2011	805,000	15,899	820,899
	<u>\$ 2,772,711</u>	<u>\$ 139,731</u>	<u>\$ 2,912,442</u>

2. Business-Type Activities

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

The City also issues bonds and obligations where the City pledges net revenues derived from the City's water and sewer system. During the current fiscal year, the City issued waterworks and sewer system revenue bonds, series 2008 in the amount of \$55,400,000 to provide funds for capital projects in Southeast Water Production Plant line, loop completion of distribution system, improvements to Golden Acres Treatment Plant and new transmission line/Shaver water line/Southeast Plant pump.

In summary, the debts outstanding at the fiscal year end are as follows:

	Interest %	Maturity	Purpose	Installments	Amount
\$ 7,105,000 Refunding, 1998	5.875 - 6.00	4/1/2009	Water and sewer Vince Bayou	\$365,000 to \$1,050,000	\$ 550,000
\$ 31,370,000 Revenue bonds, 1998A	2.00 - 3.40	4/1/2019	WWTP	\$5,000 to \$2,355,000	16,375,000
\$ 17,720,000 Revenue COB, 1999	5.00 - 6.50	10/1/2009	Water and sewer	\$780,000 to \$1,690,000	1,280,000
\$17,675,000 GO Refunding, 2005	3.25 - 5.00	2/15/2020	Water and sewer	\$120,000 to \$2,755,000	17,550,000
\$9,970,000 GO Refunding, 2005A	3.25 - 5.00	2/15/2022	Water and sewer	\$440,000 to \$2,860,000	9,970,000
\$55,400,000 Revenue bonds, 2008	4.625 - 5.00	10/1/2031	Water and sewer	\$395,000 to \$4,750,000	55,400,000
					<u>\$101,125,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2009	2,870,000	4,660,119	7,530,119
2010	1,960,000	4,515,741	6,475,741
2011	3,455,000	4,392,561	7,847,561
2012	3,600,000	4,240,001	7,840,001
2013	3,785,000	4,078,331	7,863,331
2014-2018	21,415,000	17,793,075	39,208,075
2019-2023	21,595,000	12,828,491	34,423,491
2024-2028	18,645,000	8,154,313	26,799,313
2029-2033	23,800,000	2,943,956	26,743,956
	<u>\$ 101,125,000</u>	<u>\$ 63,606,588</u>	<u>\$ 164,731,588</u>

Deferred Debt

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

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

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

Following year three of the contract, the City of Pasadena is required to pay the deferred payment amount over a period of not more than five years at no interest. In April 2004, the City started to make a monthly payment of \$47,328 towards this deferred debt. As of September 30, 2008, the deferred debt amount was \$283,970.

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

Fiscal Year Ending September 30,	Principal
2009	\$ 283,970

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, 2008, \$550,000 of general obligation bonds and \$935,000 of waterworks and sewer system revenue bonds (business-type activities) were considered defeased.

4. Voter Authorized Obligations

On September 14, 2002, the voters of the City authorized the issuance of \$102,000,000 in Public Improvement Bonds. At September 30, 2008, the remaining authorized but unissued bonds was \$21,635,000.

5. Legal Debt Margin

At September 30, 2008, the City's legal debt margin was 10% of assessed property valuation totaling \$5,425,883,459, reduced by the amount of bonded debt outstanding of \$102,372,778 which was netted with the amount available in the debt service fund, the City's legal debt margin was \$440,215,568.

6. Rebtable Arbitrage

The City is taking the approach of treating rebatable arbitrage as a claim. For the interim computation period through September 30, 2008, the City has an estimated cumulative rebate liability of \$491,050, with \$42,083 become due and payable soon after the fiscal year end.

7. Changes in Long-Term Liabilities

Governmental Activities:

Long-term liability activity for the year ended September 30, 2008 was as follows:

	Beginning Balance	Additions/ Reclassification	Refunding/ Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
General obligation and refunding bonds	\$ 82,280,000	\$ 13,665,000	\$ (5,615,000)	\$ 90,330,000	\$ 5,355,000
Certificate of obligation bonds	15,555,000	-	(905,000)	14,650,000	925,000
	97,835,000	13,665,000	(6,520,000)	104,980,000	6,280,000
Less deferred amounts:					
For issuance premium	299,429	-	(19,075)	280,354	-
On Refunding	994,525	-	(86,276)	908,249	-
Total bonds payable	99,128,954	13,665,000	(6,625,351)	106,168,603	6,280,000
Rebatable arbitrage	396,464	25,971	(68,759)	353,676	25,971
Other long-term notes	3,737,371	-	(964,660)	2,772,711	989,660
Claims	2,915,639	7,123,222	(7,790,054)	2,248,807	1,349,285
Compensated absences	22,568,464	7,112,805	(5,432,707)	24,248,562	2,424,855
Governmental activity Long-term liabilities	<u>\$ 128,746,892</u>	<u>\$ 27,926,998</u>	<u>\$ (20,881,531)</u>	<u>\$ 135,792,359</u>	<u>\$ 11,069,771</u>

Internal service funds predominantly serve the governmental funds. Accordingly, long-term liabilities of internal service funds are included as part of the above totals for governmental activities. As of September 30, 2008, \$1,676,778 of internal service funds' compensated absences is included in the above amounts.

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

Business-Type Activities:

	Beginning Balance	Additions/ Reclassification	Refunding/ Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 17,120,000	\$ 55,400,000	\$ (745,000)	\$ 71,775,000	\$ 920,000
Revenue refunding bonds	1,550,000	-	(1,000,000)	550,000	550,000
Tax and revenue certificate of obligation	2,495,000	-	(1,215,000)	1,280,000	1,280,000
General obligation refunding bonds	27,645,000	-	(125,000)	27,520,000	120,000
Less deferred amounts:					
For premiums on issuance	1,675,349	579,236	(136,270)	2,118,315	-
On refunding					
For deferred loss on early retirement	(1,095,537)	-	100,207	(995,330)	-
For issuance discount	(10,526)	-	7,017	(3,509)	-
Rebatable arbitrage	131,406	5,968	-	137,374	16,112
Deferred water charges payable	851,912	-	(567,942)	283,970	283,970
Compensated absences	2,250,064	666,032	(415,619)	2,500,477	250,048
Business-type activity Long-term liabilities	<u>\$ 52,612,668</u>	<u>\$ 56,651,236</u>	<u>\$ (4,097,607)</u>	<u>\$ 105,166,297</u>	<u>\$ 3,420,130</u>

V. OTHER INFORMATION

A. Risk Management

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

Liabilities/Property

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

Workers' Compensation

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

Unemployment Insurance

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

Health and Dental Insurance

The City is self insured in health coverage and purchases stop loss insurance from a commercial carrier. Texas Municipal League (TML) is the third party administrator until January 1, 2008, when the City hired United Healthcare Service, Inc. (UMR) as the administrator. TML continued to process "run-out" claims. The City has two health insurance plans and two dental insurance plans. The health insurance, plan A or B, offers a wide range of medical care, services, and supplies depending on the needs of the employees. One of the two dental insurance plans is a fully insured plan provided through CGLIC - Phoenix and the other is self insured with UMR as the third party administrator.

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

style plan (e.g., health spending and dependent care) is available at the employee's election.

Unpaid Claims Liability

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

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

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liabilities</u> <u>Insurance</u>	<u>Health/Dental</u> <u>Insurance</u>
<u>Current Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the current fiscal year	\$ 448,710	\$ 564,861	\$ 1,902,068
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	-	7,683,134
Increase (decrease) in provision for insured events prior years	13,095	88,223	(661,230)
Total incurred claims and claim adjustment expenses	<u>13,095</u>	<u>88,223</u>	<u>7,021,904</u>
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	-	6,547,737
Prior fiscal years	172,284	59,308	1,010,725
Total payments	<u>172,284</u>	<u>59,308</u>	<u>7,558,462</u>
Total unpaid claims and claim adjustment expenses at end of current fiscal year	<u>\$ 289,521</u>	<u>\$ 593,776</u>	<u>\$ 1,365,510</u>
<u>Prior Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the prior fiscal year	\$ 678,179	\$ 974,045	\$ 2,688,676
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	-	6,231,242
Increase (decrease) in provision for insured events prior years	154,032	(193,419)	(1,514,913)
Total incurred claims and claim adjustment expenses	<u>154,032</u>	<u>(193,419)</u>	<u>4,716,329</u>
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	-	4,329,175
Prior fiscal years	383,501	215,765	1,173,762
Total payments	<u>383,501</u>	<u>215,765</u>	<u>5,502,937</u>
Total unpaid claims and claim adjustment expenses at end of prior fiscal year	<u>\$ 448,710</u>	<u>\$ 564,861</u>	<u>\$ 1,902,068</u>

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

B. Commitments and Contingent Liabilities

1. Commitments

Construction commitments are discussed in note IV. E.

2. Litigation

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

3. Federal and State Grants

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

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

The City has offered health benefits to its retirees for many years. In fiscal year 2002, the City passed an ordinance that significantly reduced the retirees' contribution to their health benefit plan. Substantially all of the City's employees become eligible for the health benefits including dental if they reach normal retirement age while working for the City. The City is currently following a pay-as-you-go approach, paying an amount each year equal to the claims paid. For the fiscal year ended September 30, 2008, two hundred and twenty-two retirees participated and received OPEB.

In fiscal year 2008, retirees made contributions totaling \$535,792, while the City paid \$1,560,587 in claims on behalf of retirees, their spouses, and dependents. Effective January 1, 2004, retirees and their spouses age 65 or older, whom are no longer eligible for the City's health plan, were enrolled in a Medicare Supplement plan. For which the City paid \$295.59 from October to December 2007 and \$302.25 from January to September 2008 per person, per month, at a cost of \$442,383 for fiscal year 2008.

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

D. Employee Retirement Systems and Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City provides pension benefits for all of its full-time employees, other than volunteer firemen, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 827 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the City-financed monetary credits, with interest. At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are a percent

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/4/07):

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

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

Contribution

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 30-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e. December 31, 2007 valuation is effective for rates beginning January 2009).

The City of Pasadena is one of 827 municipalities having the benefit plan administered by TMRS. Each of the 827 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-07 valuations are contained in the 2007 TMRS Comprehensive Annual Financial Report, a copy of which may be obtained by writing to P.O. Box 149153, Austin, Texas 78714-9153.

Trend Information - Schedule of Actuarial Liabilities and Funding Progress

Actuarial Valuation Date	12/31/2005	12/31/2006	12/31/2007
Actuarial Value of Assets	\$ 130,886,748	\$ 131,242,404	\$ 135,115,802
Actuarial Accrued Liability	169,844,348	173,298,075	192,637,872
Percentage Funded	77.10%	75.73%	70.14%
Unfunded Actuarial Accrued Liability (UAAL)	38,957,600	42,055,671	57,522,070
Annual Covered Payroll	42,297,739	42,637,154	44,805,836
UAAL as a Percentage of Covered Payroll	92.10%	98.64%	128.40%
Net Pension Obligation at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 6,422,590	\$ 6,298,021	\$ 6,829,065
Contributions Made	6,422,590	6,298,021	6,829,065
Net Pension Obligation at the end of the period	\$ -	\$ -	\$ -

Actuarial Assumptions

Actuarial Cost Method -	Projected Unit Credit
Amortization Method -	Level Percent of Payroll
Remaining Amortization Period -	30 Years - Closed Period
Asset Valuation Method -	Amortized Cost
Investment Rate of Return -	7%
Projected Salary Increase -	varies by age and service
Includes Inflation At -	3.00%
Cost-of-Living Adjustments -	1.2% (3.0% CPI)
Payroll growth assumption	3.00%
Withdrawal rates for Male/Female	Mid/Mid-Low

At its December 8, 2007 meeting, the TMRS Board of Trustees adopted actuarial assumptions to be used in the actuarial valuation for the year ended December 31, 2007. A summary of actuarial assumptions and definitions can be found in the December 31, 2007 TMRS Comprehensive Annual Financial Report (CAFR).

Since its inception, TMRS has used the Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date, but does not project the potential future liability of provisions adopted by a city. Two-thirds of the cities participating in TMRS have adopted the Updated Service Credit and annuity Increases provisions on an annually repeating basis. For the December 31, 2007 valuation, the TMRS Board determined that the Projected Unit Credit (PUC) funding method should be used, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. In addition, the Board also adopted a change in the amortization period from a 25-year "open" to a 25-year "closed" period. TMRS Board of Trustee rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period will be increased to 30 years, unless a city requests that the period remain at 25 years. For cities with repeating features, these changes would likely result initially in higher required contributions and lower funded ratios: however, the funded ratio should show steady improvement over time. To assist in this transition to higher rates, the Board also approved an eight-year phase-in period, which will allow cities the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate).

If the changes in actuarial funding method and assumptions had not been adopted for the 2007 valuation, the city's unfunded actuarial accrued liability would have been \$43,744,482 and the funded ratio would have been 75.5%.

In addition, TMRS is currently working on its legislative package for 2009. There is a possibility that the investment rate of return (IRR) assumption of 7% would need to be lowered if desired legislation for the 2009 session is unsuccessful. Maintaining a 7% IRR assumption is contingent in part on the continued diversification of the TMRS portfolio, from an almost exclusive bond portfolio to a portfolio that includes equities as well. If state legislation needed to facilitate the continued diversification is not enacted, TMRS may have to revisit the continued diversification of the portfolio and consider reducing the assumed IRR. A reduction in the IRR would result in increased actuarial accrued liabilities, thus causing further increases in city contribution rates, following the December 31, 2009 actuarial valuation.

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

Plan Description

The Fire Fighters' Pension Commission is the administrator of the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple employer pension system established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is considered a component unit of the State of Texas financial reporting entity and is included in the State's financial reports as a pension trust fund. A report may be obtained by contacting the Texas Comptroller (Post Office Box 13528, Capitol Station, Austin, Texas 78711-3528). At August 31, 2008 there were 186 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, 2008, TESRS membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,939
Terminated members entitled to benefits but not yet receiving them	1,975
Current active members (vested and nonvested)	4,340
	<u>8,254</u>

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

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

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

Funding policy

Contribution provisions were established by S.B. 411, 65th Legislature, Regular Session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month for each active member and may contribute more. The City's contributions to the fund for the fiscal years ended September 30, 2008, 2007 and 2006 were \$386,664, \$332,660, and \$349,537 respectively, and have met the required contributions each year. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The City's additional contributions to the fund for the fiscal year ended September 30, 2008, 2007 and 2006 were \$0, \$61,812 and \$61,812 respectively. The State may also be required to make annual contributions up a limited amount to make TESRS actuarially sound.

Annual Required Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule. For the fiscal year ending August 31, 2008 total contributions (dues and prior service) of \$2,439,339 were paid into TESRS by the political subdivisions served by the member volunteer emergency services personnel. In addition, the state appropriated \$8,800,000 for the fiscal year ending August 31, 2008. Total contributions made were equal to the contributions required by the state statute and were equal to the contributions required based on the revised August 31, 2006 actuarial valuation.

The purpose of the biennial actuarial valuation is to test the adequacy of the financing arrangement to determine if it is adequate to pay the benefits that are promised. The actuarial valuation as of August 31, 2008 revealed the adequacy of the expected contributions from the political subdivisions (dues and prior service contributions) together with the actual state appropriations for the fiscal year ending August 31, 2009 (\$415,405 to help pay for the System's administrative expenses) and with the assumed continuation of legislative appropriations of (1) the maximum state contributions amount in future years for up to 30 years as is necessary for the System to have a 30-year amortization period, and (2) approximately \$425,000 each year to help pay for the System's administrative expenses. Expected contributions for the fiscal year ending August 31, 2009 are equal to the contributions required.

3. Deferred Compensation Plan

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

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

E. Hurricane Ike

The City incurred substantial expenditures, planning and preparing for Hurricane Ike which hit landfall September 13, 2008 in Galveston, Texas. The City provided refuge and assistance to citizens of the area, managed emergency operations, and cleaned-up debris. Many of these expenditures incurred by the City are expected to be reimbursed by the Federal Emergency

Management Agency (FEMA). The City has estimated the amount it anticipates to recover from FEMA for the portion of the expenditures incurred. However, FEMA's policies have and will likely change; therefore, the actual reimbursement could differ from the amount estimated based on the City's current understanding and interpretation of FEMA's policies.

F. Restatement

The recording of notes receivable has been restated in the governmental activities. The restatement of the beginning net assets for the activity is as follows:

<u>Government-wide financial statements - governmental activities</u>	
Prior year ending net assets balance as reported	\$ 475,075,541
Change in recorded notes receivable	<u>351,206</u>
Restated beginning net assets	<u><u>\$ 475,426,747</u></u>

G. Subsequent Events

On October 8, 2008, the City issued a General Obligation Bonds, Series 2008 in the amount of \$21,635,000. The purposes of the issuance for financing the purchase, acquisition, construction, repair and improvement of land, facilities and equipment for (1) streets and drainage, (2) parks, (3) a new fire station, and (4) to pay costs related to the issuance of the bonds.

The City is also in the process of issuing the General Obligation Refunding Bonds, Series 2009 in the amount of \$6,725,000. The purpose of the issuance is to refund a portion of the City's outstanding debt and realize a reduction in debt service.

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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, 2008**

ASSETS

Cash and cash equivalents	\$	1,634,610
Investments		
TexPool		7,533,007
LOGIC CLASS A		517,356
CLASS		15,055,535
		23,105,898
Receivables (net, where applicable, of allowances for uncollectible)		
General Property Taxes		483,236
Accounts receivable		11,637,323
		12,120,559
Due from other funds		1,439,948
Due from component unit		1,463
Restricted assets		
Receivables (net, where applicable, of allowances for uncollectible)		124,582
TOTAL ASSETS	\$	38,427,060

LIABILITIES

Accounts payable	\$	10,583,011
Accrued payroll payable		1,519,743
Due to other funds		842,527
Deferred revenue		4,193,083
TOTAL LIABILITIES		17,138,364

FUND BALANCES

Unreserved, designated for, reported in:		
Encumbrances		2,549,842
Capital improvements		1,800,295
Election, recall and charter revision		15,000
Unreserved, undesignated		16,923,559
TOTAL FUND BALANCES		21,288,696
TOTAL LIABILITIES AND FUND BALANCES	\$	38,427,060

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**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
FOR YEAR ENDED SEPTEMBER 30, 2008**

REVENUES	
General property taxes	\$ 18,973,018
Business taxes	
Industrial district fees	15,551,252
Sales taxes	15,890,246
Utility taxes	7,644,267
Other taxes	178,148
Total business taxes	<u>39,263,913</u>
Licenses and permits	2,373,619
Municipal court fines	5,868,562
Charges for services	9,516,526
Intergovernmental	4,854,842
Miscellaneous	901,437
Investment income	<u>846,465</u>
TOTAL REVENUES	<u>82,598,382</u>
EXPENDITURES	
Current	
General government	11,605,336
Public safety	35,051,380
Public works	18,693,485
Health	2,612,142
Culture and recreation	<u>12,126,695</u>
TOTAL EXPENDITURES	<u>80,089,038</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,509,344</u>
OTHER FINANCING SOURCES (USES)	
Operating transfers in (out)	
Health insurance fund	(500,000)
Water and sewer system	1,500,000
Debt service fund	(166,440)
Insurance recovery	<u>506,106</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,339,666</u>
NET CHANGE IN FUND BALANCES	3,849,010
FUND BALANCES - BEGINNING	<u>17,439,686</u>
FUND BALANCES - ENDING	<u>\$ 21,288,696</u>

**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, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
General Property Taxes				
Ad valorem taxes	\$ 17,775,000	\$ 18,275,000	\$ 18,607,340	\$ 332,340
Penalty and interest	489,000	489,000	365,678	(123,322)
Total General Property Taxes	18,264,000	18,764,000	18,973,018	209,018
Business Taxes				
Industrial district fees	15,100,000	15,577,245	15,551,252	(25,993)
Sales tax	15,600,000	15,600,000	15,890,246	290,246
Utility taxes	7,669,970	7,676,870	7,644,267	(32,603)
Other taxes				
Mixed drink tax	160,000	160,000	157,576	(2,424)
Bingo tax	53,000	53,000	20,572	(32,428)
Total Business Taxes	38,582,970	39,067,115	39,263,913	196,798
Licenses and Permits				
Business types	1,981,000	1,993,800	2,193,755	199,955
Occupational types	96,275	96,275	88,281	(7,994)
Non-business types	86,900	86,900	91,583	4,683
Total Licenses and Permits	2,164,175	2,176,975	2,373,619	196,644
Municipal Court Fines and Fees				
	5,701,150	5,713,850	5,868,562	154,712
Charges for Services				
Ellington municipal golf course	556,700	556,700	623,218	66,518
Recreational activities	205,500	205,500	196,979	(8,521)
Swimming pool	69,000	69,000	66,403	(2,597)
Tennis court	5,000	5,000	4,111	(889)
Civic center	313,000	313,000	316,386	3,386
Other centers	82,300	85,300	68,060	(17,240)
Miscellaneous	677,300	889,500	878,655	(10,845)
Solid waste collection	6,561,600	6,561,600	6,647,913	86,313
Health services	344,600	344,600	341,675	(2,925)
Library services	77,000	77,000	60,644	(16,356)
Property management	260,800	260,800	312,482	51,682
Total Charges for Services	9,152,800	9,368,000	9,516,526	148,526
Intergovernmental				
Fire protection	59,400	59,400	60,328	928
Katrina - Disaster Grant	125,000	-	-	-
Ike - Disaster Grant	-	3,777,619	4,483,363	705,744
Reimbursement from other agency	73,100	73,100	186,102	113,002
TxDOT - traffic signal maintenance	-	-	30,409	30,409
Emergency management performance grant	80,000	80,000	89,501	9,501
Restitution - Harris County	3,000	3,000	5,139	2,139
Total Intergovernmental	340,500	3,993,119	4,854,842	861,723
Miscellaneous				
	350,000	854,256	901,437	47,181
Investment Income				
	1,416,000	1,450,673	846,465	(604,208)
TOTAL REVENUES	\$ 75,971,595	\$ 81,387,988	\$ 82,598,382	\$ 1,210,394

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current				
General Government				
City Council				
Personnel services	\$ 110,776	\$ 110,776	\$ 74,595	\$ 36,181
Contractual services	38,200	38,200	15,390	22,810
Materials and supplies	3,550	3,550	2,097	1,453
Maintenance charges	31,969	31,969	31,229	740
	184,495	184,495	123,311	61,184
Mayor				
Personnel services	263,017	289,797	287,292	2,505
Contractual services	17,900	20,700	17,877	2,823
Materials and supplies	2,625	6,425	6,236	189
Maintenance charges	21,995	37,432	37,429	3
	305,537	354,354	348,834	5,520
Budget and Financial Planning				
Personnel services	251,177	251,177	231,196	19,981
Contractual services	9,700	9,100	2,071	7,029
Materials and supplies	950	1,550	876	674
Maintenance charges	14,329	14,329	14,328	1
	276,156	276,156	248,471	27,685
Municipal Court				
Personnel services	1,605,179	1,537,715	1,537,437	278
Contractual services	54,000	100,000	101,937	(1,937)
Materials and supplies	32,325	64,325	28,039	36,286
Maintenance charges	98,120	142,072	141,882	190
	1,789,624	1,844,112	1,809,295	34,817
City Controller				
Personnel services	1,247,001	1,259,145	1,259,047	98
Contractual services	154,800	142,656	118,440	24,216
Materials and supplies	18,000	18,000	16,191	1,809
Maintenance charges	42,916	42,916	42,172	744
	\$ 1,462,717	\$ 1,462,717	\$ 1,435,850	\$ 26,867

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, 2008**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Tax				
Personnel services	\$ -	\$ 35,580	\$ 34,975	\$ 605
Contractual services	363,050	410,473	411,247	(774)
Materials and supplies	-	500	259	241
Maintenance charges	-	675	1,182	(507)
	363,050	447,228	447,663	(435)
Purchasing				
Personnel services	281,680	214,481	214,484	(3)
Contractual services	13,300	13,300	12,510	790
Materials and supplies	2,920	2,920	1,877	1,043
Maintenance charges	22,738	20,838	20,136	702
	320,638	251,539	249,007	2,532
Legal				
Personnel services	810,059	767,059	697,331	69,728
Contractual services	85,275	85,275	76,270	9,005
Materials and supplies	26,975	26,975	20,641	6,334
Maintenance charges	39,093	38,043	37,814	229
	961,402	917,352	832,056	85,296
City Secretary				
Personnel services	209,984	212,783	212,783	-
Contractual services	51,942	38,441	36,215	2,226
Materials and supplies	5,000	5,000	4,166	834
Maintenance charges	29,507	27,807	27,761	46
	296,433	284,031	280,925	3,106
Elections				
Personnel services	-	9,600	8,912	688
Contractual services	-	68,702	67,877	825
Materials and supplies	-	4,200	3,899	301
	-	82,502	80,688	1,814
Human Resources				
Personnel services	498,336	454,251	441,584	12,667
Contractual services	84,900	135,385	135,384	1
Materials and supplies	26,530	26,530	23,628	2,902
Maintenance charges	38,424	35,474	34,821	653
	\$ 648,190	\$ 651,640	\$ 635,417	\$ 16,223

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City Marshal				
Personnel services	\$ 508,216	\$ 477,394	\$ 477,393	\$ 1
Contractual services	5,750	5,750	4,626	1,124
Materials and supplies	7,100	7,100	6,568	532
Maintenance charges	88,152	88,152	87,277	875
	609,218	578,396	575,864	2,532
Community Relations				
Personnel services	412,261	497,986	497,986	-
Contractual services	90,000	76,730	66,230	10,500
Materials and supplies	63,701	58,056	46,738	11,318
Maintenance charges	53,138	59,351	58,855	496
Capital outlay	-	9,499	9,499	-
	619,100	701,622	679,308	22,314
Pasadena Action Line				
Personnel services	255,337	260,982	260,982	-
Contractual services	4,465	4,465	806	3,659
Materials and supplies	2,300	2,300	1,213	1,087
Maintenance charges	24,169	24,554	24,551	3
	286,271	292,301	287,552	4,749
Planning				
Personnel services	344,229	288,078	186,019	102,059
Contractual services	13,025	13,025	9,897	3,128
Materials and supplies	4,300	4,300	3,333	967
Maintenance charges	59,358	64,964	64,964	-
	420,912	370,367	264,213	106,154
Planning/Development Administration				
Personnel services	138,153	138,354	138,233	121
Contractual services	500	500	38	462
Materials and supplies	2,350	3,350	1,471	1,879
Maintenance charges	652	652	648	4
	141,655	142,856	140,390	2,466
Economic Development Liaison				
Personnel services	-	85,345	85,337	8
Contractual services	-	1,900	1,538	362
Materials and supplies	-	1,900	1,085	815
Maintenance charges	-	1,232	1,231	1
	\$ -	\$ 90,377	\$ 89,191	\$ 1,186

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, 2008**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
General Government, Continued				
Neighborhood Network				
Personnel services	\$ 70,221	\$ 71,613	\$ 71,089	\$ 524
Contractual services	119,900	106,558	63,730	42,828
Materials and supplies	19,300	29,300	17,920	11,380
Maintenance charges	14,606	14,721	14,718	3
	224,027	222,192	167,457	54,735
Inspections				
Personnel services	1,408,613	1,441,471	1,393,106	48,365
Contractual services	35,100	48,600	45,963	2,637
Materials and supplies	18,450	18,450	13,508	4,942
Maintenance charges	121,753	118,729	118,650	79
	1,583,916	1,627,250	1,571,227	56,023
Property Management				
Contractual services	217,250	414,206	417,486	(3,280)
Materials and supplies	21,075	49,674	44,553	5,121
Maintenance charges	235,683	245,508	245,482	26
Other charges	-	534,000	-	534,000
Capital outlay	232,737	445,998	445,998	-
	706,745	1,689,386	1,153,519	535,867
Technology				
Contractual services	19,338	19,338	2,137	17,201
Materials and supplies	5,500	5,500	-	5,500
	24,838	24,838	2,137	22,701
Other Charges				
Personnel services	800,000	19,508	9,310	10,198
Contractual services	97,000	74,000	53,229	20,771
Materials and supplies	300	300	-	300
Other charges	33,500	56,500	41,257	15,243
Other uses	101,500	101,500	79,165	22,335
	1,032,300	251,808	182,961	68,847
Total General Government	\$ 12,257,224	\$ 12,747,519	\$ 11,605,336	\$ 1,142,183

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Emergency Preparedness				
Personnel services	\$ 247,425	\$ 254,175	\$ 254,172	\$ 3
Contractual services	36,990	108,478	131,183	(22,705)
Materials and supplies	10,225	38,737	36,935	1,802
Maintenance charges	29,515	38,063	38,066	(3)
	324,155	439,453	460,356	(20,903)
Fire Fighting				
Personnel services	258,027	251,277	244,931	6,346
Contractual services	1,129,229	1,073,229	1,059,635	13,594
Materials and supplies	394,503	400,503	341,793	58,710
Maintenance charges	1,620,505	1,603,880	1,603,476	404
Capital outlay	50,000	50,000	48,565	1,435
	3,452,264	3,378,889	3,298,400	80,489
Fire Prevention				
Personnel services	881,516	804,316	792,719	11,597
Contractual services	34,715	37,915	32,282	5,633
Materials and supplies	23,900	23,900	20,358	3,542
Maintenance charges	113,493	117,515	117,362	153
	1,053,624	983,646	962,721	20,925
Police				
Personnel services	25,687,165	26,842,293	26,757,340	84,953
Contractual services	761,084	931,584	926,846	4,738
Materials and supplies	281,165	301,665	280,525	21,140
Maintenance charges	2,387,246	2,353,631	2,360,368	(6,737)
Capital outlay	4,824	4,824	4,824	-
	29,121,484	30,433,997	30,329,903	104,094
Total Public Safety	\$ 33,951,527	\$ 35,235,985	\$ 35,051,380	\$ 184,605

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, 2008**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works				
Public Works Administration				
Personnel services	\$ 206,917	\$ 301,917	\$ 271,367	\$ 30,550
Contractual services	3,892	8,242	5,591	2,651
Materials and supplies	400	400	211	189
Maintenance charges	19,009	19,009	19,009	-
Other charges	-	50,000	-	50,000
	230,218	379,568	296,178	83,390
Engineering				
Personnel services	1,485,062	1,411,477	1,373,866	37,611
Contractual services	80,350	90,350	77,272	13,078
Materials and supplies	35,439	35,438	31,665	3,773
Maintenance charges	109,354	106,324	105,745	579
	1,710,205	1,643,589	1,588,548	55,041
Street Lighting and Signals				
Contractual services	1,500,000	1,465,934	1,465,934	-
	1,500,000	1,465,934	1,465,934	-
Sanitation				
Personnel services	2,385,130	2,532,457	2,520,076	12,381
Contractual services	3,434,275	7,587,857	6,032,501	1,555,356
Materials and supplies	1,319,076	1,320,700	1,043,611	277,089
Maintenance charges	449,482	419,816	413,351	6,465
Capital Outlay	-	22,619	22,619	-
	7,587,963	11,883,449	10,032,158	1,851,291
Street and Bridge				
Personnel services	2,293,692	2,232,855	2,217,731	15,124
Contractual services	79,175	214,425	181,343	33,082
Materials and supplies	530,558	546,715	482,754	63,961
Maintenance charges	531,347	531,347	530,557	790
Other charges	-	100,000	-	100,000
Capital Outlay	-	375,265	375,265	-
	3,434,772	4,000,607	3,787,650	212,957
Traffic and Transportation				
Personnel services	811,577	841,149	840,150	999
Contractual services	112,578	117,578	120,739	(3,161)
Materials and supplies	152,075	227,075	198,390	28,685
Maintenance charges	79,127	79,127	78,820	307
	1,155,357	1,264,929	1,238,099	26,830
Environmental Services				
Personnel services	286,498	286,498	256,004	30,494
Contractual services	19,600	21,600	16,338	5,262
Materials and supplies	11,400	19,400	12,458	6,942
Maintenance charges	-	120	118	2
	317,498	327,618	284,918	42,700
Total Public Works	\$ 15,936,013	\$ 20,965,694	\$ 18,693,485	\$ 2,272,209

EXPENDITURES**Health****Health**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Personnel services	\$ 742,783	\$ 742,783	\$ 721,955	\$ 20,828
Contractual services	839,366	859,366	823,971	35,395
Materials and supplies	11,100	12,100	9,201	2,899
Maintenance charges	60,817	60,817	60,296	521
	1,654,066	1,675,066	1,615,423	59,643

Animal Rescue and Assistance

Personnel services	739,852	768,152	767,975	177
Contractual services	167,773	164,473	123,887	40,586
Materials and supplies	75,600	75,600	56,849	18,751
Maintenance charges	46,884	48,084	48,008	76
	1,030,109	1,056,309	996,719	59,590

Total Health

	2,684,175	2,731,375	2,612,142	119,233
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Culture and Recreation**Leisure Services Administration**

Personnel services	226,720	200,751	188,930	11,821
Contractual services	5,450	450	30	420
Materials and supplies	1,820	1,820	1,391	429
Maintenance charges	3,097	3,097	3,096	1
	237,087	206,118	193,447	12,671

Parks

Personnel services	2,194,483	2,108,302	1,978,970	129,332
Contractual services	682,900	662,750	643,946	18,804
Materials and supplies	182,613	202,224	184,226	17,998
Maintenance charges	330,475	333,330	333,314	16
Other charges	-	9,962	-	9,962
Capital outlay	66,500	36,577	18,344	18,233
	3,456,971	3,353,145	3,158,800	194,345

Recreation

Personnel services	1,473,077	1,527,420	1,511,991	15,429
Contractual services	327,767	345,558	310,685	34,873
Materials and supplies	270,048	280,463	217,038	63,425
Maintenance charges	142,764	142,427	140,021	2,406
Other charges	69,000	69,000	52,247	16,753
Capital outlay	33,979	18,564	15,577	2,987
	\$ 2,316,635	\$ 2,383,432	\$ 2,247,559	\$ 135,873

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, 2008**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Culture and Recreation, Continued				
Clean Streets				
Personnel services	\$ 805,032	\$ 917,222	\$ 916,456	\$ 766
Contractual services	16,850	19,750	16,890	2,860
Materials and supplies	37,300	44,900	33,679	11,221
Maintenance charges	153,760	133,319	108,515	24,804
	1,012,942	1,115,191	1,075,540	39,651
Golf Course				
Personnel services	487,186	481,186	464,971	16,215
Contractual services	49,542	54,041	45,123	8,918
Materials and supplies	84,514	84,514	43,563	40,951
Maintenance charges	20,044	20,044	15,280	4,764
	641,286	639,785	568,937	70,848
Multi-Purpose Center				
Personnel services	430,752	408,152	307,637	100,515
Contractual services	38,501	43,601	42,453	1,148
Materials and supplies	30,736	33,136	22,892	10,244
Maintenance charges	25,120	25,120	24,813	307
Other charges	10,000	10,000	7,460	2,540
	535,109	520,009	405,255	114,754
Civic Center				
Personnel services	461,748	461,748	454,867	6,881
Contractual services	147,800	154,664	185,037	(30,373)
Materials and supplies	1,692	11,428	14,500	(3,072)
Maintenance charges	115,014	125,721	125,284	437
	726,254	753,561	779,688	(26,127)
Senior Center - Madison Jobe				
Personnel services	293,260	293,260	249,183	44,077
Contractual services	42,184	42,184	36,569	5,615
Materials and supplies	15,948	15,948	12,945	3,003
Maintenance charges	40,547	43,992	43,983	9
Other charges	15,900	15,900	14,283	1,617
	\$ 407,839	\$ 411,284	\$ 356,963	\$ 54,321

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Library				
Personnel services	\$ 2,528,285	\$ 2,543,397	\$ 2,506,662	\$ 36,735
Contractual services	306,182	353,682	282,140	71,542
Materials and supplies	111,398	111,397	100,291	11,106
Maintenance charges	288,815	288,815	284,096	4,719
Capital outlay	170,180	171,080	167,317	3,763
	3,404,860	3,468,371	3,340,506	127,865
Total Culture and Recreation	12,738,983	12,850,896	12,126,695	724,201
TOTAL EXPENDITURES	77,567,922	84,531,469	80,089,038	4,442,431
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(1,596,327)	(3,143,481)	2,509,344	5,652,825
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Water and sewer system fund	1,500,000	1,500,000	1,500,000	-
General liability insurance fund	(500,000)	(500,000)	(500,000)	-
Debt service fund	-	-	(166,440)	(166,440)
Insurance recovery	-	328,500	506,106	177,606
Sale of capital assets	10,000	10,000	-	(10,000)
TOTAL OTHER FINANCING SOURCES AND (USES)	1,010,000	1,338,500	1,339,666	1,166
NET CHANGE IN FUND BALANCES	(586,327)	(1,804,981)	3,849,010	5,653,991
FUND BALANCE - BEGINNING	15,208,916	17,439,686	17,439,686	-
FUND BALANCE - ENDING	\$ 14,622,589	\$ 15,634,705	\$ 21,288,696	\$ 5,653,991

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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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes				
Ad valorem taxes	\$ 11,699,000	\$ 12,099,000	\$ 12,128,530	\$ 29,530
Investment income	75,000	75,000	69,731	(5,269)
TOTAL REVENUES	11,774,000	12,174,000	12,198,261	24,261
EXPENDITURES				
Debt service				
Principal	6,561,000	6,561,000	6,686,440	(125,440)
Interest	4,685,000	4,685,000	4,561,037	123,963
Fiscal charges	9,500	9,500	5,926	3,574
TOTAL EXPENDITURES	11,255,500	11,255,500	11,253,403	2,097
EXCESS OF REVENUES OVER EXPENDITURES	518,500	918,500	944,858	26,358
OTHER FINANCING SOURCES (USES)				
Transfers in - general fund	-	-	166,440	166,440
TOTAL OTHER FINANCING SOURCES (USES)	-	-	166,440	166,440
NET CHANGE IN FUND BALANCE	518,500	918,500	1,111,298	192,798
FUND BALANCES - BEGINNING	1,630,219	1,495,924	1,495,924	-
FUND BALANCES - ENDING	\$ 2,148,719	\$ 2,414,424	\$ 2,607,222	\$ 192,798

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NONMAJOR GOVERNMENTAL FUNDS Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

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

**CITY OF PASADENA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2008**

	Special Revenue				Totals
	Special Charge Allocation Fund	State Forfeited Property	Hotel and Motel Tax	Abandoned Motor Vehicles and Property	
<u>ASSETS</u>					
Due from other funds	\$ 3,497	\$ 52,300	\$ -	\$ 199,967	\$ 255,764
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,922,448	1,087,284	1,088,749	252,040	4,350,521
Receivables (net of allowances of uncollectibles)					
Intergovernmental	11,288	-	-	-	11,288
Accounts	-	-	115,115	-	115,115
TOTAL ASSETS	<u>\$ 1,937,233</u>	<u>\$ 1,192,551</u>	<u>\$ 1,203,864</u>	<u>\$ 452,007</u>	<u>\$ 4,785,655</u>
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ -	\$ 2,714	\$ -	\$ 2,714
Liabilities payable from restricted assets					
Accounts payable	15,022	8,665	62,080	12,368	98,135
Accrued payroll payable	12,902	-	2,644	-	15,546
	<u>27,924</u>	<u>8,665</u>	<u>64,724</u>	<u>12,368</u>	<u>113,681</u>
TOTAL LIABILITIES	<u>27,924</u>	<u>8,665</u>	<u>67,438</u>	<u>12,368</u>	<u>116,395</u>
<u>FUND BALANCES</u>					
Unreserved, designated for encumbrances	123,691	238,867	17,076	-	379,634
Unreserved, undesignated	1,785,618	945,019	1,119,350	439,639	4,289,626
TOTAL FUND BALANCES	<u>1,909,309</u>	<u>1,183,886</u>	<u>1,136,426</u>	<u>439,639</u>	<u>4,669,260</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,937,233</u>	<u>\$ 1,192,551</u>	<u>\$ 1,203,864</u>	<u>\$ 452,007</u>	<u>\$ 4,785,655</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, 2008**

	<u>Special Revenue</u>				<u>Total</u>
	<u>Special Charge Allocation Fund</u>	<u>State Forfeited Property</u>	<u>Hotel and Motel Tax</u>	<u>Abandoned Motor Vehicles and Property</u>	
REVENUES					
Business taxes					
Other taxes					
Hotel and motel taxes	\$ -	\$ -	\$ 513,115	\$ -	\$ 513,115
Licenses and permits	3,570	-	-	-	3,570
Municipal court fines	450,419	-	-	-	450,419
Intergovernmental	274,208	697,437	8,109	-	979,754
Miscellaneous	13,779	78,950	22,000	326,339	441,068
Investment income	63,744	26,450	34,029	12,072	136,295
TOTAL REVENUES	<u>805,720</u>	<u>802,837</u>	<u>577,253</u>	<u>338,411</u>	<u>2,524,221</u>
EXPENDITURES					
Current					
General government					
Personnel services	200,095	-	-	-	200,095
Contractual services	172,561	-	-	-	172,561
Materials and supplies	46,270	-	-	-	46,270
Maintenance charges	68,856	-	-	-	68,856
Capital outlay	67,708	-	-	-	67,708
Public safety					
Personnel services	229,271	-	-	-	229,271
Contractual services	30,644	29,843	-	125,482	185,969
Materials and supplies	6,447	36,720	-	155,097	198,264
Other charges	-	-	-	32,020	32,020
Capital outlay	-	-	-	1,243	1,243
Culture and recreation					
Personnel services	-	-	94,693	-	94,693
Contractual services	-	-	142,824	-	142,824
Materials and supplies	-	-	163,762	-	163,762
Other charges	-	-	34,047	-	34,047
Capital outlay	-	-	35,591	-	35,591
TOTAL EXPENDITURES	<u>821,852</u>	<u>66,563</u>	<u>470,917</u>	<u>313,842</u>	<u>1,673,174</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(16,132)	736,274	106,336	24,569	851,047
FUND BALANCES - BEGINNING	<u>1,925,441</u>	<u>447,612</u>	<u>1,030,090</u>	<u>415,070</u>	<u>3,818,213</u>
FUND BALANCES - ENDING	<u>\$ 1,909,309</u>	<u>\$ 1,183,886</u>	<u>\$ 1,136,426</u>	<u>\$ 439,639</u>	<u>\$ 4,669,260</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 3,000	\$ 3,000	\$ 3,570	\$ 570
Municipal court fines	459,400	459,400	450,419	(8,981)
Intergovernmental	206,050	206,050	274,208	68,158
Miscellaneous	-	-	13,779	13,779
Investment income	90,325	90,325	63,744	(26,581)
TOTAL REVENUES	<u>758,775</u>	<u>758,775</u>	<u>805,720</u>	<u>46,945</u>
EXPENDITURES				
Current				
General government				
Personnel services	241,084	236,084	200,095	35,989
Contractual services	186,500	210,696	172,561	38,135
Materials and supplies	78,535	89,869	46,270	43,599
Maintenance charges	68,861	68,861	68,856	5
Other charges	-	226,365	67,708	158,657
Capital outlay	85,000	-	-	-
Public safety				
Personnel services	169,519	229,519	229,271	248
Contractual services	64,000	67,000	30,644	36,356
Materials and supplies	6,800	31,800	6,447	25,353
TOTAL EXPENDITURES	<u>900,299</u>	<u>1,160,194</u>	<u>821,852</u>	<u>338,342</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(141,524)	(401,419)	(16,132)	385,287
FUND BALANCE - BEGINNING	<u>1,681,282</u>	<u>1,925,441</u>	<u>1,925,441</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 1,539,758</u>	<u>\$ 1,524,022</u>	<u>\$ 1,909,309</u>	<u>\$ 385,287</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, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 45,000	\$ 632,655	\$ 697,437	\$ 64,782
Miscellaneous	-	78,950	78,950	-
Investment income	15,000	15,000	26,450	11,450
TOTAL REVENUES	<u>60,000</u>	<u>726,605</u>	<u>802,837</u>	<u>76,232</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	42,002	42,002	29,843	12,159
Materials and supplies	18,069	97,019	36,720	60,299
TOTAL EXPENDITURES	<u>60,071</u>	<u>139,021</u>	<u>66,563</u>	<u>72,458</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(71)	587,584	736,274	148,690
FUND BALANCE - BEGINNING	<u>455,953</u>	<u>447,612</u>	<u>447,612</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 455,882</u>	<u>\$ 1,035,196</u>	<u>\$ 1,183,886</u>	<u>\$ 148,690</u>

**CITY OF PASADENA, TEXAS
HOTEL AND MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Business taxes	\$ 275,000	\$ 275,000	\$ 513,115	\$ 238,115
Intergovernmental	48,500	48,500	8,109	(40,391)
Miscellaneous	-	22,000	22,000	-
Investment income	42,500	42,500	34,029	(8,471)
TOTAL REVENUES	<u>366,000</u>	<u>388,000</u>	<u>577,253</u>	<u>189,253</u>
EXPENDITURES				
Current				
Culture and recreation				
Personnel services	94,075	95,075	94,693	382
Contractual services	148,541	157,366	142,824	14,542
Materials and supplies	63,400	168,247	163,762	4,485
Other charges	39,047	39,047	34,047	5,000
Capital outlay	80,000	160,198	35,591	124,607
TOTAL EXPENDITURES	<u>425,063</u>	<u>619,933</u>	<u>470,917</u>	<u>149,016</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(59,063)</u>	<u>(231,933)</u>	<u>106,336</u>	<u>338,269</u>
FUND BALANCE - BEGINNING	<u>822,070</u>	<u>1,030,090</u>	<u>1,030,090</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 763,007</u>	<u>\$ 798,157</u>	<u>\$ 1,136,426</u>	<u>\$ 338,269</u>

**CITY OF PASADENA, TEXAS
 ABANDONED MOTOR VEHICLE AND PROPERTY SPECIAL REVENUE FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 232,300	\$ 232,300	\$ 326,339	\$ 94,039
Investment income	20,000	20,000	12,072	(7,928)
TOTAL REVENUES	<u>252,300</u>	<u>252,300</u>	<u>338,411</u>	<u>86,111</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	123,000	133,000	125,482	7,518
Materials and supplies	130,511	158,211	155,097	3,114
Other charges	10,000	32,300	32,020	280
Capital outlay	1,243	1,243	1,243	-
TOTAL EXPENDITURES	<u>264,754</u>	<u>324,754</u>	<u>313,842</u>	<u>10,912</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(12,454)	(72,454)	24,569	97,023
FUND BALANCE - BEGINNING	<u>265,728</u>	<u>415,070</u>	<u>415,070</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 253,274</u></u>	<u><u>\$ 342,616</u></u>	<u><u>\$ 439,639</u></u>	<u><u>\$ 97,023</u></u>

INTERNAL SERVICE FUNDS

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

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

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

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

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

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2008**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
ASSETS					
Current Assets					
Investments - Texpool	\$ 3,968,730	\$ 1,350,505	\$ 1,358,878	\$ 14,575,178	\$ 21,253,291
Accounts Receivable	2,678	-	-	47,318	49,996
Due from other funds					
General	73,786	-	-	-	73,786
Inventory, at cost	545,743	-	-	-	545,743
Total Current Assets	4,590,937	1,350,505	1,358,878	14,622,496	21,922,816
Noncurrent Assets					
Deposits					
	-	47,000	-	250,000	297,000
Capital Assets					
Land	602	-	-	-	602
Buildings and building improvements	2,086,911	-	-	-	2,086,911
Accumulated depreciation - buildings and building improvements	(1,652,955)	-	-	-	(1,652,955)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(43,888)	-	-	-	(43,888)
Machinery and equipment	5,425,152	-	-	-	5,425,152
Accumulated depreciation - machinery and equipment	(3,892,962)	-	-	-	(3,892,962)
Infrastructure	41,746	-	-	-	41,746
Accumulated depreciation - infrastructure	(7,490)	-	-	-	(7,490)
Automotive equipment	31,592,109	-	-	-	31,592,109
Accumulated depreciation - automotive equipment	(21,259,486)	-	-	-	(21,259,486)
Net Capital Assets	12,465,493	-	-	-	12,465,493
Total Noncurrent Assets	12,465,493	47,000	-	250,000	12,762,493
TOTAL ASSETS	17,056,430	1,397,505	1,358,878	14,872,496	34,685,309
LIABILITIES					
Current Liabilities					
Accounts payable	750,980	2,204	70,498	130,025	953,707
Accrued payroll payable	143,734	2,463	-	5,357	151,554
Due to other funds					
General	-	12,912	80,027	48,134	141,073
Claims payable	-	173,713	356,266	819,306	1,349,285
Compensated absences payable	167,678	-	-	-	167,678
Total Current Liabilities	1,062,392	191,292	506,791	1,002,822	2,763,297
Noncurrent Liabilities					
Claims payable	-	115,808	237,510	546,204	899,522
Compensated absences payable	1,509,100	-	-	-	1,509,100
Total Noncurrent Liabilities	1,509,100	115,808	237,510	546,204	2,408,622
TOTAL LIABILITIES	2,571,492	307,100	744,301	1,549,026	5,171,919
NET ASSETS					
Invested in capital assets	12,465,493	-	-	-	12,465,493
Unrestricted	2,019,445	1,090,405	614,577	13,323,470	17,047,897
TOTAL NET ASSETS	\$ 14,484,938	\$ 1,090,405	\$ 614,577	\$ 13,323,470	\$ 29,513,390

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**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
OPERATING REVENUES					
Charges for sales and services	\$ 10,344,194	\$ 1,110,980	\$ 182,714	\$ 13,214,970	\$ 24,852,858
OPERATING EXPENSES					
Personnel services	5,121,903	88,194	-	-	5,210,097
Contractual services	1,128,842	14,846	-	46,502	1,190,190
Material and supplies	4,787,803	5,737	-	554	4,794,094
Maintenance charges	608,320	-	-	-	608,320
Insurance/reinsurance premiums	-	611,849	963,824	1,544,150	3,119,823
Claim and legal expenses	-	13,095	178,642	9,091,874	9,283,611
Administration fees	-	453	-	512,311	512,764
Miscellaneous	-	774	-	206,170	206,944
Depreciation	1,726,767	-	-	-	1,726,767
TOTAL OPERATING EXPENSES	13,373,635	734,948	1,142,466	11,401,561	26,652,610
OPERATING INCOME (LOSS)	(3,029,441)	376,032	(959,752)	1,813,409	(1,799,752)
NONOPERATING REVENUES					
Gain on sale of capital assets	243,249	-	-	-	243,249
Investment income	223,782	34,734	32,469	453,094	744,079
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(2,562,410)	410,766	(927,283)	2,266,503	(812,424)
CAPITAL CONTRIBUTIONS	2,059,406	-	-	-	2,059,406
TRANSFERS IN	-	-	1,000,000	-	1,000,000
TRANSFERS OUT	(111,400)	(200,000)	-	-	(311,400)
CHANGES IN NET ASSETS	(614,404)	210,766	72,717	2,266,503	1,935,582
TOTAL NET ASSETS - BEGINNING	15,099,342	879,639	541,860	11,056,967	27,577,808
TOTAL NET ASSETS - ENDING	\$ 14,484,938	\$ 1,090,405	\$ 614,577	\$ 13,323,470	\$ 29,513,390

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2008**

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from customers and users	\$ 10,364,363	\$ 1,454,483	\$ 193,771	\$ 13,167,652	\$ 25,180,269
Cash payments to suppliers for goods and services	(6,265,556)	-	-	-	(6,265,556)
Cash payments to employees for services	(4,965,292)	(87,424)	-	3,654	(5,049,062)
Cash payments for insurance premiums, liability claims and administration	-	(811,720)	(1,192,618)	(12,036,196)	(14,040,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(866,485)</u>	<u>555,339</u>	<u>(998,847)</u>	<u>1,135,110</u>	<u>(174,883)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
Transfers from other funds					
General	-	-	500,000	-	500,000
Water and sewer system	-	-	300,000	-	300,000
Workers' compensation fund	-	-	200,000	-	200,000
General liability insurance fund	-	(200,000)	-	-	(200,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>-</u>	<u>(200,000)</u>	<u>1,000,000</u>	<u>-</u>	<u>800,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from sale of capital assets	522,541	-	-	-	522,541
Acquisition and construction of capital assets	(4,488,681)	-	-	-	(4,488,681)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(3,966,140)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,966,140)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of investments	(1,363,594)	(1,355,535)	(1,676,483)	(12,800,315)	(17,195,927)
Proceeds from sale and maturities of investments	5,972,437	965,462	1,642,861	11,212,111	19,792,871
Investment income received	223,782	34,734	32,469	453,094	744,079
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>4,832,625</u>	<u>(355,339)</u>	<u>(1,153)</u>	<u>(1,135,110)</u>	<u>3,341,023</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</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	<u>\$ (3,029,441)</u>	<u>\$ 376,032</u>	<u>\$ (959,752)</u>	<u>\$ 1,813,409</u>	<u>\$ (1,799,752)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	1,726,767	-	-	-	1,726,767
Changes in assets and liabilities					
(Increase) in accounts receivable	(2,678)	-	-	(47,318)	(49,996)
Decrease in due from other funds	20,169	318,896	11,057	-	350,122
Decrease in due from component unit	-	11,695	-	-	11,695
(Increase) in inventory	(38,558)	-	-	-	(38,558)
(Increase) in deposits	-	(6,000)	-	(250,000)	(256,000)
Increase (decrease) in accounts and claims payable	317,233	(158,966)	(16,538)	(406,533)	(264,804)
Increase in accrued payroll payable	56,103	770	-	3,654	60,527
Increase in compensated absences payable	100,508	-	-	-	100,508
Increase (decrease) in due to other funds	(16,588)	12,912	(33,614)	21,898	(15,392)
Total Adjustments	<u>2,162,956</u>	<u>179,307</u>	<u>(39,095)</u>	<u>(678,299)</u>	<u>1,624,869</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ (866,485)</u>	<u>\$ 555,339</u>	<u>\$ (998,847)</u>	<u>\$ 1,135,110</u>	<u>\$ (174,883)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contribution of capital assets from the government	\$ 744,176	\$ -	\$ -	\$ -	\$ 744,176
Capital assets donated from outside source	1,315,230	-	-	-	1,315,230

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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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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.

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

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
Governmental activities						
Invested in capital assets, net of related debt	\$ 378,334,323	\$ 387,778,628	\$ 370,470,916	\$ 403,974,440	\$ 412,109,172	\$ 431,100,171
Restricted	16,176,151	18,624,939	22,888,815	30,687,355	47,364,187	48,996,326
Unrestricted	14,901,279	9,571,244	3,579,793	4,719,202	15,953,388	19,220,043
Total governmental activities net assets	\$ 409,411,753	\$ 415,974,811	\$ 396,939,524	\$ 439,380,997	\$ 475,426,747	\$ 499,316,540
Business-type activities						
Invested in capital assets, net of related debt	\$ 156,229,230	\$ 154,149,232	\$ 184,638,432	\$ 154,352,867	\$ 154,799,229	\$ 154,481,069
Restricted	1,561,254	1,634,435	483,859	1,272,277	1,128,275	988,591
Unrestricted (deficit)	2,957,742	(681,964)	(1,229,867)	2,092,369	6,580,409	6,559,351
Total business-type activities net assets	\$ 160,748,226	\$ 155,101,703	\$ 183,892,424	\$ 157,717,513	\$ 162,507,913	\$ 162,029,011
Primary government						
Invested in capital assets, net of related debt	\$ 534,563,553	\$ 541,927,860	\$ 555,109,348	\$ 558,327,307	\$ 566,908,401	\$ 585,581,240
Restricted	17,737,405	20,259,374	23,372,674	31,959,632	48,492,462	49,984,917
Unrestricted	17,859,021	8,889,280	2,349,926	6,811,571	22,533,797	25,779,394
Total primary government net assets	\$ 570,159,979	\$ 571,076,514	\$ 580,831,948	\$ 597,098,510	\$ 637,934,660	\$ 661,345,551

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

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

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 12,990,439	\$ 12,499,970	\$ 14,760,376	\$ 11,958,225
Public safety	34,547,829	35,031,295	35,897,408	36,671,473
Public works	24,354,816	21,881,082	19,516,410	20,305,363
Health	2,237,933	2,300,482	2,481,836	2,322,840
Culture and recreation	12,584,629	12,277,865	12,676,655	13,022,789
Housing and community development	7,495,941	7,989,705	8,433,494	8,720,771
Interest and fiscal agent fees on long-term debt	3,332,080	2,578,646	4,252,445	4,231,769
Total governmental activities expenses	<u>97,543,667</u>	<u>94,559,045</u>	<u>98,018,624</u>	<u>97,233,230</u>
Business-type activities				
Water and sewer	31,368,154	30,641,552	29,491,431	29,117,047
Total business-type activities expenses	<u>31,368,154</u>	<u>30,641,552</u>	<u>29,491,431</u>	<u>29,117,047</u>
Total primary government expenses	<u>\$ 128,911,821</u>	<u>\$ 125,200,597</u>	<u>\$ 127,510,055</u>	<u>\$ 126,350,277</u>
Program Revenues				
Governmental activities:				
Charges for service				
General government	\$ 6,565,663	\$ 7,134,722	\$ 7,348,053	\$ 8,704,860
Public safety	6,506,737	6,106,518	6,312,465	6,936,436
Other activities	3,587,805	3,629,777	3,794,530	4,586,379
Operating grants and contributions	9,455,830	9,555,552	10,377,127	11,135,131
Capital grants and contributions	5,091,202	4,984,476	9,913,507	2,266,320
Total governmental activities program revenues	<u>31,207,237</u>	<u>31,411,045</u>	<u>37,745,682</u>	<u>33,629,126</u>
Business-type activities:				
Charges for services:				
Water and sewer	26,266,529	25,175,410	26,261,124	31,279,537
Capital grants and contributions	3,148,391	-	1,315,972	-
Total business-type activities program revenues	<u>29,414,920</u>	<u>25,175,410</u>	<u>27,577,096</u>	<u>31,279,537</u>
Total primary government program revenues	<u>\$ 60,622,157</u>	<u>\$ 56,586,455</u>	<u>\$ 65,322,778</u>	<u>\$ 64,908,663</u>
Net (Expense)/Revenue				
Governmental activities	\$ (66,336,430)	\$ (63,148,000)	\$ (60,272,942)	\$ (63,604,104)
Business-type activities	(1,953,234)	(5,466,142)	(1,914,335)	2,162,490
Total primary government net expense	<u>\$ (68,289,664)</u>	<u>\$ (68,614,142)</u>	<u>\$ (62,187,277)</u>	<u>\$ (61,441,614)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities:				
Taxes				
General property taxes	\$ 23,147,891	\$ 24,889,552	\$ 26,630,894	\$ 27,210,647
Industrial district fees	15,516,488	15,175,399	15,064,575	14,971,745
Sales taxes	18,325,403	20,308,039	18,771,552	20,576,013
Utility taxes	7,712,646	6,938,968	7,132,803	7,148,517
Other taxes	477,992	528,727	478,159	579,428
Investment earnings				
Unrestricted	353,699	457,598	898,174	1,765,482
Restricted	874,893	607,827	1,656,818	3,201,891
Gain on sale of capital assets	820,959	58,456	-	-
Transfers	1,306,868	746,492	(29,395,320)	30,424,114
Total governmental activities	<u>68,536,839</u>	<u>69,711,058</u>	<u>41,237,655</u>	<u>105,877,837</u>
Business-type activities:				
Investment earnings				
Unrestricted	155,200	96,440	24,737	74,873
Restricted	546,194	469,671	1,284,999	2,011,840
Transfers	(1,306,868)	(746,492)	29,395,320	(30,424,114)
Total business-type activities	<u>(605,474)</u>	<u>(180,381)</u>	<u>30,705,056</u>	<u>(28,337,401)</u>
Total primary government	<u>\$ 67,931,365</u>	<u>\$ 69,530,677</u>	<u>\$ 71,942,711</u>	<u>\$ 77,540,436</u>
Change in Net Assets				
Governmental activities	\$ 2,200,409	\$ 6,563,058	\$ (19,035,287)	\$ 42,273,733
Business-type activities	(2,558,708)	(5,646,523)	28,790,721	(26,174,911)
Total primary government	<u>\$ (358,299)</u>	<u>\$ 916,535</u>	<u>\$ 9,755,434</u>	<u>\$ 16,098,822</u>

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

	<u>2007</u>	<u>2008</u>
\$	11,200,559	\$ 12,819,859
	35,213,887	40,486,310
	19,851,288	24,938,059
	2,340,163	2,711,459
	12,687,318	13,647,614
	7,968,458	8,821,136
	4,478,707	4,711,542
	<u>93,740,380</u>	<u>108,135,979</u>
	<u>25,729,728</u>	<u>30,170,454</u>
	<u>25,729,728</u>	<u>30,170,454</u>
\$	<u>119,470,108</u>	<u>\$ 138,306,433</u>
\$	9,077,366	\$ 13,444,472
	7,845,825	7,769,911
	4,662,239	4,422,153
	9,499,817	16,100,040
	15,711,854	5,215,499
	<u>46,797,101</u>	<u>46,952,075</u>
	 30,744,928	 30,489,659
	<u>30,744,928</u>	<u>30,489,659</u>
\$	<u>77,542,029</u>	<u>\$ 77,441,734</u>
\$	(47,294,485)	\$ (61,183,904)
	5,015,200	319,205
\$	<u>(42,279,285)</u>	<u>\$ (60,864,699)</u>
\$	28,855,714	\$ 31,071,723
	15,153,643	15,551,252
	23,088,652	23,835,369
	7,582,443	7,644,267
	604,342	691,263
	 2,580,560	 1,590,544
	3,839,946	2,748,233
	102,835	73,265
	1,180,894	1,867,781
	<u>82,989,029</u>	<u>85,073,697</u>
	 386,097	 363,757
	569,997	705,917
	(1,180,894)	(1,867,781)
	<u>(224,800)</u>	<u>(798,107)</u>
\$	<u>82,764,229</u>	<u>\$ 84,275,590</u>
\$	36,045,750	\$ 23,889,793
	4,790,400	(478,902)
\$	<u>40,836,150</u>	<u>\$ 23,410,891</u>

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

Source	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General property taxes	\$ 23,147,891	\$ 24,889,552	\$ 26,630,894	\$ 27,210,647	\$ 28,855,714	\$ 31,071,723
Industrial district fees	15,516,488	15,175,399	15,064,575	14,971,745	15,153,643	15,551,252
Sales taxes	18,325,403	20,308,039	18,771,552	20,576,013 (2)	23,088,652	23,835,369
Utility taxes	7,712,646	6,938,968	7,132,803	7,148,517	7,582,443	7,644,267
Other taxes	477,992	528,727	478,159	579,428	604,342	691,263
	<u>\$ 65,180,420</u>	<u>\$ 67,840,685</u>	<u>\$ 68,077,983</u>	<u>\$ 70,486,350</u>	<u>\$ 75,284,794</u>	<u>\$ 78,793,874</u>

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

(2) Sales tax is reduced by \$957,031. This represents collections overpaid to the City by the State Comptroller's office.

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

	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General Fund						
Unreserved, designated for:						
Encumbrances	\$ 523,489	\$ 385,344	\$ 69,987	\$ 601,074	\$ 492,441	\$ 2,549,842
Capital and technology improvements	-	788,251 (2)	569,031	350,876	63,181	1,800,295
Recall, election, and charter revisions	-	15,000 (2)	15,000	15,000	15,000	15,000
Unreserved	15,995,503	13,649,372	11,549,567	13,605,764	16,869,064	16,923,559
Total general fund	<u>\$ 16,518,992</u>	<u>\$ 14,837,967</u>	<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	\$ 854,090	\$ 1,150,518	\$ 1,009,129	\$ 1,020,164	\$ 1,495,924	\$ 2,607,222
Unreserved, designated for:						
Encumbrances	194,606	123,091	93,979	114,054	147,250	1,219,237
Encumbrances for special revenue funds	22,854	161,441	125	119,060	46,048	379,634
Unreserved, reported in:						
Pasadena Second Century Corp fund	-	13,661,448 (2)	19,792,426	16,304,452	15,664,093	22,399,524
Capital project fund	36,422,758	28,809,896	49,254,465	44,028,810	57,023,939	37,863,806
Grant management fund	2,742,695	2,411,987	2,179,870	3,294,231	3,565,531	3,770,987
Special revenue funds	3,084,330	2,798,734	2,962,092	3,341,554	3,772,165	4,289,626
Total all other governmental funds	<u>\$ 43,321,333</u>	<u>\$ 49,117,115</u>	<u>\$ 75,292,086</u>	<u>\$ 68,222,325</u>	<u>\$ 81,714,950</u>	<u>\$ 72,530,036</u>

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

(2) First year amounts reported in these items.

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

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 65,001,344	\$ 69,644,124	\$ 68,147,386	\$ 71,417,369
Licenses and permits	1,925,525	2,023,198	1,987,726	2,325,452
Municipal court fines	5,522,614	5,314,119	5,475,669	5,843,318
Charges for services	7,203,857	7,270,872	7,592,005	9,071,205
Intergovernmental	12,775,333	13,814,294	13,179,191	13,183,434
Investment earnings	986,450	857,257	2,153,484	4,239,860
Miscellaneous	610,486	700,514	1,060,031	1,454,507
Total revenues	<u>94,025,609</u>	<u>99,624,378</u>	<u>99,595,492</u>	<u>107,535,145</u>
Expenditures				
General government	11,536,552	10,816,187	11,377,181	11,541,363
Public Safety	31,559,299	34,596,834	34,095,458	32,789,587
Public works	15,980,154	15,104,816	14,264,010	14,368,742
Health	1,998,562	2,132,286	2,247,029	2,229,275
Culture and recreation	11,421,975	11,365,582	11,734,161	13,155,164
Housing and community development	9,261,335	10,620,479	10,350,263	9,240,567
Capital outlay	22,562,217	17,800,469	18,226,315	17,498,647
Debt service				
Principal	8,570,000	9,000,000	8,085,000	7,665,000
Interest	3,058,548	2,571,574	3,446,897	3,961,007
Other charges	127,333	567,609	1,112,801	4,771
Total expenditures	<u>116,075,975</u>	<u>114,575,836</u>	<u>114,939,115</u>	<u>112,454,123</u>
Excess (deficiency) of revenues over (under) expenditures	(22,050,366)	(14,951,458)	(15,343,623)	(4,918,978)
Other Financing Sources (Uses)				
Refunding bonds issued	-	18,640,000	29,570,000	-
Payment to refunded bond escrow agent	-	(19,433,731)	(31,465,435)	-
Bonds issued	16,350,000	17,500,000	37,580,000	-
Premiums on bonds issued	1,046	1,259,946	3,254,647	-
Transfers in	1,193,932	4,582,177	3,623,734	10,015,507
Transfers out	(687,064)	(3,482,177)	(3,688,734)	(9,964,901)
Sale of capital assets	1,289,486	-	10,000	-
Insurance recovery	-	-	-	-
Total other financing sources (uses)	<u>18,147,400</u>	<u>19,066,215</u>	<u>38,884,212</u>	<u>50,606</u>
Net change in fund balances	<u>\$ (3,902,966)</u>	<u>\$ 4,114,757</u>	<u>\$ 23,540,589</u>	<u>\$ (4,868,372)</u>
Debt service as a percentage of noncapital expenditures	13.04%	13.30%	13.67%	12.59%

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

	<u>2007</u>	<u>2008</u>
\$	75,298,799	\$ 78,823,699
	2,614,522	2,377,189
	6,478,333	6,318,981
	9,143,891	9,516,526
	12,963,551	19,888,134
	5,354,084	3,594,698
	12,762,352	1,514,999
	<u>124,615,532</u>	<u>122,034,226</u>
	13,063,869	12,461,993
	34,797,520	36,975,770
	14,826,289	19,038,620
	2,396,944	2,612,142
	13,011,143	13,441,738
	9,166,267	10,943,860
	21,539,329	34,743,955
	6,212,535	7,484,660
	5,953,074	4,666,601
	346,639	171,897
	<u>121,313,609</u>	<u>142,541,236</u>
	3,301,923	(20,507,010)
	2,415,000	-
	(2,364,119)	-
	12,450,000	13,665,000
	56,793	-
	8,976,878	1,800,190
	(8,476,878)	(800,190)
	-	-
	-	506,106
	<u>13,057,674</u>	<u>15,171,106</u>
\$	<u>16,359,597</u>	\$ <u>(5,335,904)</u>
	13.06%	11.93%

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

Source	Fiscal Year					
	2003	2004	2005	2006	2007	2008
General property taxes	\$ 23,065,814	\$ 25,099,303	\$ 26,639,546	\$ 27,184,635	\$ 28,869,719	\$ 31,101,548
Industrial district fees	15,329,998	15,175,399	15,064,576	14,971,745	15,153,643	15,551,252
Sales taxes	18,325,403	20,308,039	18,771,552	21,533,044	23,088,652	23,835,369
Utility taxes	7,777,466	8,528,068	7,181,942	7,148,517	7,582,443	7,644,267
Other taxes	502,663	533,315	489,770	579,428	604,342	691,263
	<u>\$ 65,001,344</u>	<u>\$ 69,644,124</u>	<u>\$ 68,147,386</u>	<u>\$ 71,417,369</u>	<u>\$ 75,298,799</u>	<u>\$ 78,823,699</u>

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

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

2008						
Consumers	Consumption (per 1,000 gallon)	Annualized Consumption	Billed Amount	Rank	% of Water/Sewer Revenues	% of All System Fund Revenues
Minh Food Company	5,395.0	64,739.9	\$ 1,200,541	1	3.89%	3.80%
Pasadena Independent School District	7,752.2	93,026.2	718,649	2	2.33%	2.28%
Brandywood Housing Corporation	5,739.3	68,871.4	461,277	3	1.50%	1.46%
Brighton Hill Apartments	4,945.7	59,348.4	410,341	4	1.33%	1.30%
Columbia Bayshore Hospital	3,165.6	37,987.1	341,209	5	1.11%	1.08%
City of Seabrook	12,124.7	145,496.5	269,487	6	0.87%	0.85%
Sandstone	2,727.3	32,727.5	221,797	7	0.72%	0.70%
San Jacinto College	1,839.6	22,075.6	209,350	8	0.68%	0.66%
Air Products	646.1	7,753.6	99,813	9	0.32%	0.32%
Phillips Chemical	920.0	11,040.4	54,051	10	0.18%	0.17%
Total	45,255.5	543,066.6	\$ 3,986,515		12.92%	12.63%

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 one year ago is available at this time.

2007

Consumption (per 1,000 gallon)	Annualized Consumption	Billed Amount	Rank	% of Water/Sewer Revenues	% of All System Fund Revenues
1,683.8	20,206.0	\$ 173,722	9	0.60%	0.56%
10,586.3	127,035.5	628,756	1	2.18%	2.02%
5,664.6	67,975.6	432,057	3	1.50%	1.39%
5,558.0	66,696.5	418,897	4	1.45%	1.35%
4,858.9	58,307.1	525,157	5	1.82%	1.69%
7,837.5	94,050.5	573,885	2	1.99%	1.84%
3,552.6	42,631.6	217,462	6	0.75%	0.70%
2,184.2	26,210.0	236,243	7	0.82%	0.76%
1,567.9	18,814.8	99,000	10	0.34%	0.32%
2,157.3	25,887.9	118,761	8	0.41%	0.38%
<u>45,651.1</u>	<u>547,815.5</u>	<u>\$ 3,423,940</u>		<u>11.85%</u>	<u>11.00%</u>

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

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

Source: Prepared by the City's Water Department.

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

2006

Water Rates		Sewer Rates	
\$	5.50	\$	8.00
	2.75		2.75
	3.00		3.00
	3.25		3.50
	4.00		3.50
	4.50		3.50
	3.59		4.99
	2.16		1.37
	2.16		3.00
	3.25		3.50
	4.00		3.50
	4.50		3.50
	5.59		8.00
	2.75		3.00
	3.00		3.25
	3.25		3.50
	4.50		4.00
	4.50		4.15
	4.50		4.15
	4.59		8.00
	2.75		2.75
	3.00		3.25
	3.25		3.50
	4.00		3.50
	4.50		3.50
	4.59		-
	3.25		-
	4.00		-
	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,			
	2008	2007	2006	2005
	2007 Tax Year	2006 Tax Year	2005 Tax Year	2004 Tax Year
Real Property				
Real Residential	\$ 3,999,177,768	\$ 3,779,716,024	\$ 3,610,874,137	\$ 3,440,020,230
Real Commercial	1,076,316,825	922,067,090	869,515,809	810,536,290
Real Industrial	134,299,360	131,759,087	118,187,838	123,296,580
Real Agriculture	668,106	624,222	634,834	930,250
Real Vacant	93,398,249	100,398,134	73,973,512	66,377,580
Real Acreage Undeveloped	36,458,789	45,515,120	50,408,184	51,182,580
Total Real Property	5,340,319,097	4,980,079,677	4,723,594,314	4,492,343,510
Less: Exemptions	(819,227,558)	(797,405,237)	(765,632,990)	(741,233,200)
Net Total Real Property	4,521,091,539	4,182,674,440	3,957,961,324	3,751,110,310
Other Property				
Oil Gas and Mineral Reserves	10,807,745	8,334,609	1,603,070	1,546,720
Real and Tangible Personal - Utility	371,338	363,865	252,591	464,650
Gas Companies	8,145,690	8,434,840	8,022,960	8,118,090
Electric Companies	58,450,652	60,799,352	61,266,427	61,042,420
Telephone Companies	23,762,316	23,570,812	23,452,876	23,967,470
Railroad	318,730	308,110	308,280	310,450
Pipelines	29,088,230	28,640,460	27,800,375	25,554,840
Inventory	28,715,903	20,656,653	5,554,061	-
Major Cable TV Systems	11,926,584	5,960,690	5,063,930	5,135,200
Tangible Personal Commercial	458,779,115	446,580,327	458,136,790	446,662,770
Tangible Personal Industrial	555,453,193	515,099,420	407,988,270	302,988,360
Tangible Personal Other - Mobile Homes	17,697,725	18,514,607	18,363,900	18,725,010
Residential Inventory - Vacant	-	-	-	8,765,750
Governmental Exemption	356,709,579	373,205,856	312,682,653	665,870
Charitable Exemption	30,959,147	27,948,364	27,158,235	14,700
Religious Exemption	108,956,786	114,620,604	101,908,422	681,920
Private School Exempt	17,364,543	17,331,096	17,011,007	-
Miscellaneous Exempt	408,198	387,520	387,520	-
Agricultural	-	-	-	-
Low-Moderate Income Housing	72,341	-	19,746	-
Unknown	-	-	-	139,750
Total Other Property	1,717,987,815	1,670,757,185	1,476,981,113	904,783,970
Less: Exemptions	(813,195,895)	(820,663,243)	(669,872,733)	(127,855,460)
Net Total Other Property	904,791,920	850,093,942	807,108,380	776,928,510
Total Property	7,058,306,912	6,650,836,862	6,200,575,427	5,397,127,480
Less: Total Exemptions	(1,632,423,453)	(1,618,068,480)	(1,435,505,723)	(869,088,660)
Total Assessed Value of Taxable Property	\$ 5,425,883,459	\$ 5,032,768,382	\$ 4,765,069,704	\$ 4,528,038,820
Total Actual Value of Taxable Property	\$ 5,425,883,459	\$ 5,032,768,382	\$ 4,765,069,704	\$ 4,528,038,820
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.

	2004	2003	2002	2001	2000	1999
	2003 Tax Year	2002 Tax Year	2001 Tax Year	2000 Tax Year	1999 Tax Year	1998 Tax Year
\$	3,266,300,400	\$ 3,020,674,720	\$ 2,795,295,314	\$ 2,487,071,955	\$ 2,244,033,222	\$ 2,083,934,824
	788,524,850	783,413,430	742,959,700	668,640,790	618,811,650	558,756,330
	127,572,470	148,983,490	167,075,240	101,709,310	91,098,900	89,033,960
	219,820	1,164,750	1,446,380	1,195,670	809,170	815,300
	68,388,720	223,850	125,470	67,220,490	60,806,650	57,828,940
	54,660,110	50,581,620	53,123,640	54,821,910	48,992,820	49,358,740
	4,305,666,370	4,005,041,860	3,760,025,744	3,380,660,125	3,064,552,412	2,839,728,094
	(718,866,840)	(675,272,370)	(635,160,980)	(585,940,770)	(530,756,910)	(286,889,030)
	3,586,799,530	3,329,769,490	3,124,864,764	2,794,719,355	2,533,795,502	2,552,839,064
	3,468,740	2,989,570	4,273,360	2,823,660	2,944,490	20,385,800
	513,290	522,490	482,080	10,630	473,620	471,840
	8,255,430	8,215,010	8,171,670	8,099,210	8,090,720	8,081,350
	59,291,710	55,211,110	53,815,990	50,937,690	45,690,140	47,193,300
	22,956,210	30,924,600	28,223,330	29,886,370	34,988,100	37,979,320
	262,600	227,060	191,960	177,960	118,520	146,950
	24,829,790	24,646,050	24,761,010	25,360,930	25,485,780	24,659,590
	-	-	-	-	-	-
	12,036,930	12,052,890	10,703,550	8,941,790	6,271,090	4,824,010
	435,964,970	424,731,170	411,480,130	379,196,750	347,492,600	339,390,970
	285,370,390	211,614,770	134,520,780	157,443,170	121,127,060	123,517,890
	18,001,500	19,262,240	19,860,610	19,646,900	17,544,030	12,864,350
	4,153,050	8,449,970	10,930,910	4,128,910	1,570,910	1,889,260
	5,715,590	53,260	1,903,050	158,840	475,170	2,923,830
	455,900	182,790	83,100	-	1,305,500	51,260
	4,962,650	3,265,120	308,550	940,350	3,614,770	2,206,400
	-	-	-	-	-	-
	-	-	-	-	-	-
	17,598,310	18,212,120	19,559,300	20,242,400	-	-
	104,400	-	-	-	-	-
	-	-	-	-	-	2,720,410
	903,941,460	820,560,220	729,269,380	707,995,560	617,192,500	629,306,530
	(144,102,394)	(107,797,050)	(65,411,040)	(60,216,650)	(37,824,000)	(58,675,250)
	759,839,066	712,763,170	663,858,340	647,778,910	579,368,500	570,631,280
	5,209,607,830	4,825,602,080	4,489,295,124	4,088,655,685	3,681,744,912	3,469,034,624
	(862,969,234)	(783,069,420)	(700,572,020)	(646,157,420)	(568,580,910)	(345,564,280)
\$	4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344
\$	4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344
\$	0.567	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.579	\$ 0.643

**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			Clear Lake	Clear
		General Fund	Debt Service Fund	Total Direct	City Water Authority	Creek Creek ISD
1999	1998	\$ 0.3650	\$ 0.2780	\$ 0.6430	\$ 0.3300	\$ 1.6420
2000	1999	0.3110	0.2680	0.5790	0.3300	1.6415
2001	2000	0.3088	0.2582	0.5670	0.3300	1.6415
2002	2001	0.3060	0.2610	0.5670	0.3300	1.7250
2003	2002	0.3060	0.2610	0.5670	0.3100	1.7400
2004	2003	0.3170	0.2500	0.5670	0.2900	1.7300
2005	2004	0.3333	0.2337	0.5670	0.2900	1.7450
2006	2005	0.3426	0.2244	0.5670	0.2900	1.7750
2007	2006	0.3414	0.2256	0.5670	0.2800	1.6300
2008	2007	0.3461	0.2209	0.5670	0.2800	1.3200

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)

Deer Park ISD	La Porte ISD	Pasadena ISD	(2) Harris County	Harris County Department of Education	San Jacinto College District	Total Direct and Overlapping Rates
\$ 1.5800	\$ 1.6100	\$ 1.5500	\$ 0.6417	\$ 0.0063	\$ 0.1100	\$ 8.1130
1.6700	1.6500	1.5200	0.6417	0.0063	0.1100	8.1485
1.6900	1.6300	1.5200	0.6417	0.0063	0.1100	8.1365
1.6898	1.6300	1.6649	0.6399	0.0063	0.1260	8.3789
1.8035	1.6800	1.6875	0.6399	0.0063	0.1307	8.5649
1.8071	1.6800	1.7750	0.6399	0.0063	0.1307	8.6260
1.8055	1.7335	1.7750	0.6400	0.0063	0.1391	8.7014
1.8055	1.7335	1.8050	0.6400	0.0063	0.1454	8.7676
1.6623	1.6350	1.6900	0.6463	0.0063	0.1454	8.2623
1.3177	1.3050	1.3500	0.6358	0.0059	0.1454	6.9268

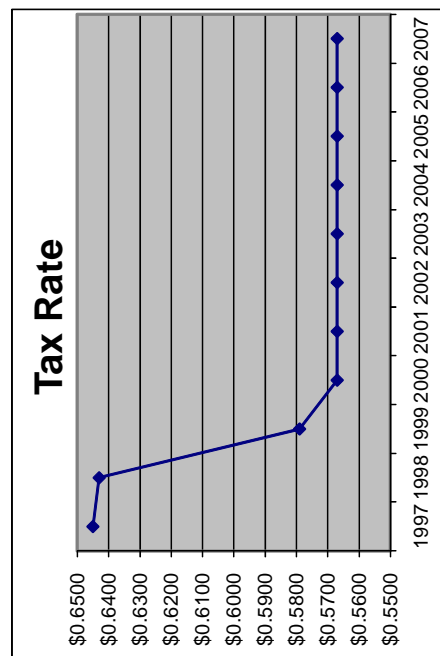
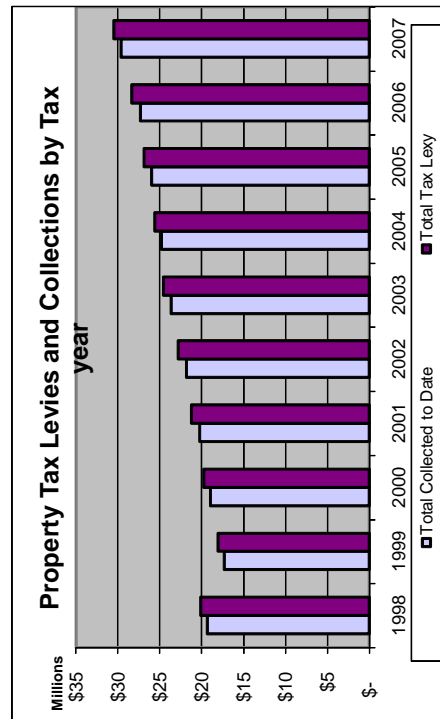
CITY OF PASADENA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2008

Property Taxpayer	Fiscal Year Ended September 30, 2008			Fiscal Year Ended September 30, 1999		
	2007 Tax Year		% of Taxable Assessed Value	1998 Tax Year		% of Taxable Assessed Value
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Coral Energy Resources	\$ 135,294,878	1	2.49%	\$ -	-	-
CenterPoint Energy, Inc	66,657,599	2	1.23%	-	-	-
Shell Oil Co.	53,284,168	3	0.98%	-	-	-
KIR Pasadena II, LP	50,866,584	4	0.94%	-	-	-
The Boeing Co.	43,869,697	5	0.81%	-	-	-
Wal Mart	39,529,853	6	0.73%	-	-	-
Tejas Gas	38,592,454	7	0.71%	-	-	-
GATX Terminals % Kinder	36,187,976	8	0.67%	-	-	-
CHCA Bayshore LP	32,786,677	9	0.60%	-	-	-
CP Pasadena Property LTD	23,372,547	10	0.43%	-	-	-
Phillips 66 Company	-	-	-	48,958,640	1	1.57%
Houston Lighting & Power	-	-	-	47,418,200	2	1.52%
Southwestern Bell Telephone	-	-	-	37,868,420	3	1.21%
Crown Central Petroleum	-	-	-	32,281,580	4	1.03%
Pasadena Bayshore Hospital	-	-	-	30,759,030	5	0.98%
Exxon Corp.	-	-	-	23,432,077	6	0.75%
General American Transport	-	-	-	23,108,050	7	0.74%
Stevens Creek Assoc.	-	-	-	19,100,890	8	0.61%
Clark Armand Bayou LTD.	-	-	-	16,505,750	9	0.53%
Global Natural Resource	-	-	-	14,850,949	10	0.48%
Subtotal	\$ 520,442,433		9.59%	\$ 294,283,586		9.42%
Other Taxpayers	4,905,441,026		90.41%	2,829,186,758		90.58%
Total	\$ 5,425,883,459		100.00%	\$ 3,123,470,344		100.00%

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

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

Fiscal Year Ended September 30,	Collected within the Fiscal Year of the Levy			Total Collections to Date				
	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Amount	Percentage of Levy	Collections in Subsequent Years	Amount	Percentage of Levy
1999	1998	\$0.6430/\$100	\$ 20,132,468	\$ 19,326,412	96.00%	\$ 749,651	\$ 20,076,063	99.72%
2000	1999	\$0.5790/\$100	18,022,004	17,328,875	96.15%	634,207	17,963,082	99.67%
2001	2000	\$0.5670/\$100	19,777,070	18,940,979	95.77%	754,461	19,695,440	99.59%
2002	2001	\$0.5670/\$100	21,226,102	20,271,340	95.50%	814,615	21,085,955	99.34%
2003	2002	\$0.5670/\$100	22,792,639	21,830,521	95.78%	768,948	22,599,469	99.15%
2004	2003	\$0.5670/\$100	24,593,035	23,677,426	96.28%	693,492	24,370,918	99.10%
2005	2004	\$0.5670/\$100	25,613,477	24,842,437	96.99%	524,307	25,366,744	99.04%
2006	2005	\$0.5670/\$100	26,911,461	25,952,683	96.44%	621,379	26,574,062	98.75%
2007	2006	\$0.5670/\$100	28,331,890	27,297,253	96.35%	592,254	27,889,507	98.44%
2008	2007	\$0.5670/\$100	30,486,057	29,614,437	97.14%	-	29,614,437	97.14%



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

Fiscal Year Ended September 30,	2008	2007	2006
Governmental Activities			
General Obligation Bonds	\$ 57,725,000	\$ 46,750,000	\$ 46,800,000
General Obligation Refunding Bonds	4,440,000	7,255,000	11,422,875
General Obligation and Refunding Bonds	28,165,000	28,275,000	19,380,000
Certificates of Obligation	5,895,000	5,950,000	-
Combination Tax and Revenue Certificates of Obligation	8,755,000	9,605,000	11,910,000
Other Long-Term Debt			
Volunteer Fireman Prior Service Costs Note	-	-	59,233
Tax Notes, 2000	-	-	1,005,000
Long term notes	-	-	-
Overpaid Sales Tax Note	305,140	471,581	638,020
Blended Component Unit - Pasadena Second Century Corporation			
Sales Tax Notes,	-	-	-
Sales Tax Revenue Bonds	2,315,000	3,030,000	3,715,000
Overpaid Sales Tax Note	152,571	235,790	319,011
	107,752,711	101,572,371	95,249,139
Business Activities			
Waterworks and Sewer System Revenue Bonds	71,775,000	17,120,000	18,625,000
Waterworks and Sewer System Revenue Refunding Bonds	550,000	1,550,000	2,565,000
Combination Tax and Revenue Certificates of Obligation	1,280,000	2,495,000	3,405,000
General Obligation Refunding Bonds	17,550,000	17,675,000	17,675,000
General Obligation and Refunding Bonds	9,970,000	9,970,000	9,970,000
Deferred Water Charges Debt	283,970	851,912	1,419,854
	101,408,970	49,661,912	53,659,854
Total Primary Government	\$ 209,161,681	\$ 151,234,283	\$ 148,908,993
(1) Percentage of Personal Income	7.29%	5.55%	6.41%
(1) Per Capita	\$ 1,397	\$ 1,030	\$ 1,045
Personal Income (amount expressed in thousands)	\$ 2,869,426	\$ 2,723,739	\$ 2,323,319
Population	149,704	146,769	142,526

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

(1) See the Schedule of Demographic and Economic Statistics on page 133 for personal income and population data

	2005	2004	2003	2002	2001	2000	1999
\$	46,850,000	\$ 34,175,000	\$ 18,750,000	\$ 2,925,000	\$ 4,325,000	\$ 4,700,000	\$ 9,100,000
	35,797,875	22,807,875	26,787,875	32,977,875	37,862,875	42,472,875	42,650,000
	29,350,000	-	-	-	-	-	-
	-	-	-	-	-	-	-
	11,945,000	13,885,000	13,915,000	13,945,000	-	-	-
	115,185	168,038	217,965	265,127	309,677	351,761	391,513
	1,225,000	1,515,000	3,445,000	4,225,000	4,950,000	5,295,000	-
	-	-	-	-	-	1,330,000	2,585,000
	-	-	-	-	-	-	-
	-	-	1,095,000	2,140,000	3,135,000	4,090,000	5,000,000
	4,375,000	-	-	-	-	-	-
	-	-	-	-	-	-	-
	129,658,060	72,550,913	64,210,840	56,478,002	50,582,552	58,239,636	59,726,513
	18,625,000	28,265,000	29,730,000	31,150,000	32,535,000	32,615,000	32,695,000
	3,590,000	4,630,000	5,680,000	6,740,000	7,480,000	9,470,000	11,350,000
	33,665,000	54,400,000	55,975,000	57,460,000	16,115,000	16,940,000	-
	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
	1,987,795	2,555,736	2,714,418	2,210,058	1,056,817	-	-
	57,867,795	89,850,736	94,099,418	97,560,058	57,186,817	59,025,000	44,045,000
	\$ 187,525,855	\$ 162,401,649	\$ 158,310,258	\$ 154,038,060	\$ 107,769,369	\$ 117,264,636	\$ 103,771,513
	7.31%	6.40%	7.03%	8.03%	5.64%	5.08%	5.74%
\$	1,317	\$ 1,142	\$ 1,114	\$ 1,085	\$ 760	\$ 828	\$ 769
\$	2,564,090	\$ 2,536,167	\$ 2,253,129	\$ 1,919,123	\$ 1,911,533	\$ 2,309,428	\$ 1,806,435
	142,384	142,242	142,099	141,957	141,816	141,674	135,000

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
1999	\$ 54,335,000	\$ (1,458,996)	\$ 52,876,004	\$ 3,123,470,344	1.69%	135,000	\$ 392
2000	53,797,875	(1,392,559)	52,405,316	3,113,164,002	1.68%	141,674	370
2001	47,137,875	(1,171,532)	45,966,343	3,442,498,265	1.34%	141,816	324
2002	54,072,875	(470,871)	53,602,004	3,788,723,104	1.41%	141,957	378
2003	62,897,875	(603,760)	62,294,115	4,042,532,660	1.54%	142,099	438
2004	72,382,875	(1,103,283)	71,279,592	4,346,638,596	1.64%	142,242	501
2005	125,167,875	(1,009,129)	124,158,746	4,528,038,820	2.74%	142,384	872
2006	118,162,875	(1,020,164)	117,142,711	4,765,069,704	2.46%	142,526	822
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%	149,704	868

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

(1) Includes all general obligation bonds, regardless of the specific financing sources used by the City and other long-term debt to be paid from ad valorem taxes levied on taxable property located within the City.

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

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

CITY OF PASADENA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended September 30, 2008

<u>Government Unit</u>	<u>Outstanding Debt</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Harris County	\$ 2,097,428,643	2.14%	\$ 44,884,973
Harris County Flood Control District	111,929,698	2.14%	2,395,296
Port of Houston Authority	343,965,000	2.14%	7,360,851
Clear Lake City Water Authority	67,875,000	17.76%	12,054,600
Clear Creek ISD	626,400,000	6.91%	43,284,240
Deer Park Independent School District	124,660,000	18.81%	23,448,546
La Porte Independent School District	186,870,000	5.83%	10,894,521
Pasadena Independent School District	467,285,831	38.85%	181,540,545
San Jacinto College District	65,950,000	18.51%	12,207,345
Harris County WC & ID #156	4,640,000	44.26%	2,053,664
Subtotal, overlapping debt			340,124,581
Add - City direct debt (2)			104,980,000
Total direct and overlapping debt			\$ 445,104,581

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

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

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

(2) Excludes portions of the General Obligation Bonds, Series 2005 and 2005A and Combination Tax and Revenue Certificates of Obligation, Series, 1999, that 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>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Debt limit				
Assessed value based on tax year	2007	2006	2005	2004
	\$ 5,425,883,459	\$ 5,032,768,382	\$ 4,765,069,704	\$ 4,528,038,820
10% of assessed value	<u>542,588,346</u>	<u>503,276,838</u>	<u>476,506,970</u>	<u>452,803,882</u>
Less: net debt applicable to limit				
Debt to be repaid from ad valorem tax	104,980,000	97,835,000	90,517,875	125,167,875
Less: amount available in debt service fund	<u>(2,607,222)</u>	<u>(1,495,924)</u>	<u>(1,020,164)</u>	<u>(1,009,129)</u>
	<u>102,372,778</u>	<u>96,339,076</u>	<u>89,497,711</u>	<u>124,158,746</u>
Legal Debt Margin	<u>\$ 440,215,568</u>	<u>\$ 406,937,762</u>	<u>\$ 387,009,259</u>	<u>\$ 328,645,136</u>
Total net debt applicable to the limit as a percentage of debt limit	18.87%	19.14%	18.78%	27.42%

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

<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
2003	2002	2001	2000	1999	1998
\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344
434,663,860	404,253,266	378,872,310	344,249,827	311,316,400	312,347,034
72,382,875	62,897,875	54,072,875	47,137,875	53,797,875	54,335,000
(1,103,283)	(603,760)	(470,871)	(1,171,532)	(1,392,559)	(1,458,996)
71,279,592	62,294,115	53,602,004	45,966,343	52,405,316	52,876,004
\$ 363,384,268	\$ 341,959,151	\$ 325,270,306	\$ 298,283,484	\$ 258,911,084	\$ 259,471,030
16.40%	15.41%	14.15%	13.35%	16.83%	16.93%

CITY OF PASADENA, TEXAS
PLEGDED-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	
1999	\$ 22,045,466	\$ 14,661,469	\$ 7,383,997	\$ 1,860,000	\$ 1,658,552	2.10
2000	25,492,939	15,188,159	10,304,780	2,740,000	2,394,232	2.01
2001	23,495,100	17,362,099	6,133,001	2,895,000	2,483,310	1.14
2002	27,126,094	19,723,404	7,402,690	3,000,000	3,294,487	1.18
2003	26,746,577	20,746,358	6,000,219	3,965,000	4,350,940	0.72
2004	25,741,521	20,111,558	5,629,963	4,373,971	4,163,660	0.66
2005	27,570,860	19,826,965	7,743,895	3,752,941	3,309,641	1.10
2006	33,366,250	19,651,324	13,714,926	1,722,941	4,053,927	2.37
2007	31,701,022	19,949,788	11,751,234	3,430,000	2,240,280	2.07
2008	31,559,333	22,366,958	9,192,375	3,085,000	3,496,105	1.40

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

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

Fiscal Year Ended September 30,	Population(1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income(2)	Median Age (2)	School Enrollment(3)	Unemployment Rate(4)
1999	135,000	\$ 1,806,435	\$ 13,381	29.6	41,500	4.5%
2000	141,674	2,309,428	16,301	29.0	40,935	4.6%
2001	141,816	1,911,533	13,479	29.1	43,414	5.0%
2002	141,957	1,919,123	13,519	29.3	44,420	6.2%
2003	142,099	2,253,129	15,856	29.9	50,374	7.5%
2004	142,242	2,536,167	17,830	28.9	46,100	5.9%
2005	142,384	2,564,090	18,008	29.0	45,038	5.3%
2006	142,526	2,323,319	16,301	29.1	43,976	4.7%
2007	146,769 *	2,723,739	18,558	31.1	43,713	4.8%
2008	149,704	2,869,426	19,167	29.2	45,038	5.6%

Data sources:

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

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

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

<u>Employer</u>	<u>2008</u>			<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pasadena Independent School District	5,800	1	4.49%	4,946	1	4.10%
The Boeing Company	2,300	2	1.78%	2,300	2	1.91%
Shell - Deer Park	1,750	3	1.36%	1,058	4	0.88%
Mundy Company	1,500	4	1.16%	1,047	6	0.87%
San Jacinto College District	1,058	5	0.82%	-	-	-
Bayshore Medical Center	947	6	0.73%	1,058	5	0.88%
Lyondell Houston Refinery (2)	900	7	0.70%	850	7	0.70%
City of Pasadena	807	8	0.63%	-	-	-
Chevron Phillips - Pasadena Plastics	693	9	0.54%	693	8	0.57%
University of Houston-Clear Lake	660	10	0.51%	590	9	0.49%
Lyondell-Citgo, Refining LP (2)	-	-	-	1,080	3	0.90%
Albemarle	-	-	-	280	10	0.23%
	<u>16,415</u>		<u>12.72%</u>	<u>13,902</u>		<u>11.53%</u>

Source: Pasadena Chamber of Commerce

- (1) The requirement for statistical data is current year and nine years ago; only current and three years ago are available at this time.
(2) In 2005 Lyondell Chemical and Lyondell Houston Refinery were one company, Lyondell-Citgo, Refining LP.

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

Function	Number of Employees as of September 30,								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Government									
City Council	9	9	8	8	8	8	8	8	8
Mayor	3	4	4	4	4	4	3	3	3
Budget and Financial Planning	2	2	2	2	2	2	2	2	2
Municipal Court	32	31	31	33	32	31	31	33	29
City Controller	13	12	14	15	15	12	13	15	16
Tax	5	5	4	5	5	4	1	-	1
Purchasing	2	2	3	2	3	3	3	3	4
Legal	9	9	8	11	9	8	8	8	8
City Secretary	3	3	4	3	3	3	3	4	4
Human Resources	9	11	11	8	9	9	8	8	8
City Marshal	6	6	4	6	6	6	6	7	5
Community Relation	5	4	6	6	7	6	6	6	7
Pasadena Action Line	3	3	3	3	5	4	3	5	5
Planning	3	3	5	4	4	5	4	3	3
Planning/Development Administration	-	-	1	1	1	2	2	1	1
Neighborhood Network	-	-	-	2	1	1	1	1	1
Inspections	18	20	26	27	24	23	21	21	21
Property Management	-	-	-	2	2	2	1	-	-
Economic Development Liaison	-	-	-	-	-	-	-	-	1
Public Safety									
Emergency Preparedness	2	2	2	3	3	2	2	2	3
Fire Fighting	11	9	11	12	10	4	4	3	3
Fire Prevention	9	10	12	12	11	9	11	10	11
Police	319	330	324	329	329	330	327	337	338
Public Works									
Public Works Administration	-	1	3	3	3	1	2	2	3
Engineering	12	14	18	21	20	20	19	20	19
Sanitation	57	50	48	54	48	49	44	43	44
Street and Bridge	41	39	48	54	51	49	44	36	37
Traffic and Transportation	13	14	16	14	11	13	11	11	12
Environmental Services	-	-	-	-	-	-	-	-	4
Health									
Health	14	11	13	15	14	13	12	12	11
Animal Rescue and Assistance	7	9	13	16	14	14	14	15	14
Culture and Recreation									
Leisure Services Administration	-	1	2	3	2	2	2	2	-
Parks	46	47	50	47	42	42	42	42	34
Recreation	36	41	34	40	43	51	33	32	40
Clean Streets	8	7	8	9	11	12	12	12	17
Golf Course	9	7	8	10	10	9	10	10	11
Multi-Purpose Center	9	6	7	7	7	14	7	7	8
Civic Center	8	6	7	9	9	9	9	7	8
Senior Center - Madison Jobe	8	7	9	8	8	6	5	4	6
Library	44	46	53	51	50	50	46	47	44
Water and Sewer System	121	120	129	139	136	125	114	111	121
Maintenance	80	89	90	98	87	81	74	75	74
Health Insurance	-	-	-	-	4	-	3	-	2
Grant Management	12	12	16	19	17	18	18	20	20
Nonmajor Special Revenue Funds	-	1	4	1	2	2	2	2	3
TOTAL CITY POSITIONS	988	1,003	1,059	1,116	1,082	1,058	991	990	1,014

Source: City's Payroll department.

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

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

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

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

Function	Fiscal Year Ended September 30,				
	1999	2000	2001	2002	2003
Public Safety					
Police					
Arrests	10,971	10,040	11,625	12,883	12,913
Accident reports	4,375	4,296	4,439	3,685	3,681
Citations issued	71,611	92,166	86,354	88,562	88,650
Calls for service	39,226	78,985	80,511	80,726	78,800
Public Works					
Refuse collection					
Refuse collected Type 1 (tons/day)	(1)	(1)	(1)	(1)	(1)
Refuse collected Type 2 (cubic yards/day)	(1)	(1)	(1)	(1)	(1)
Mulching collected (cubic yards/day)	(1)	(1)	(1)	(1)	(1)
Recyclables collected (tons/day)	(1)	(1)	(1)	(1)	(1)
Health					
Number of food permits issued	860	1,053	799	1,003	943
Number of health inspections	1,929	733	2,275	2,390	2,458
Culture and Recreation					
Convention Center					
Number of Events	(1)	(1)	(1)	(1)	(1)
Library					
Visitors	(1)	(1)	(1)	(1)	(1)
Water and Sewer System					
Average daily consumption (millions of gallons)	21.57	22.47	21.26	20.84	18.65
Total Consumption (millions of gallons)	7,871.60	8,202.24	7,760.88	6,960.36	6,806.97
Average daily Waste Water Plant Flow (millions of gallons)	16.95	8.13	16.64	16.20	16.15
Total Waste Water Plant Flow (millions of gallons)	6,188.10	2,968.13	6,075.24	5,911.65	5,895.33

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.

2004	2005	2006	2007	2008
12,073	13,768	13,197	14,142	12,853
4,056	3,827	3,812	4,139	3,549
76,448	76,132	83,967	79,708	78,789
85,119	88,770	85,492	83,599	82,603
107	97	120	123	136
236	195	273	202	251
68	71	91	64	146
1.26	1.57	2.84	2.65	2.29
1,004	1,132	1,135	893	1,081
2,626	2,184	1,925	2,604	2,180
137	133	157	169	145
673,081	762,135	710,297	812,357	324,983 (2)
17.49	18.92	18.51	17.50	17.60
6,384.79	6,906.26	6,754.82	6,500.00	6,800.00
14.36	11.54	10.38	14.54	12.39
5,239.80	4,213.41	3,786.63	5,110.09	4,500.66

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

Function / Program	Fiscal Year Ended September 30,			
	2005	2006	2007	2008
Public Safety				
Police				
Stations	2	2	2	2
Patrol units	152	145	153	167
Fire stations	10	10	10	10
Public Works				
Streets (miles)	534	539	520	524
Streetlights	7,027	7,092	7,426	7,504
Traffic signals	185	195	196	194
Sanitation				
Collection trucks	37	33	24	28
Culture and Recreation				
Parks	48	47	47	47
Parks acreage	768	819	1,084	1,084
Swimming pools	5	5	5	5
Tennis courts	15	15	15	15
Community centers	8	8	8	8
Water and Sewer System				
Water				
Water mains (miles)	463	465	465	481
Fire hydrants	2,150	2,190	2,150	2,154
Maximum daily capacity (millions of gallons)	27	22	26	24
Sewer				
Sanitary sewers (miles)	386	386	387	388
Storm sewers (miles)	216	217	217	217
Max daily treatment capacity (millions of gallons)	18.5	24.0	24.0	24.0

Source: Various City departments

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

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



City of Pasadena

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