

**CITY OF PASADENA, TEXAS**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FOR THE FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2004**

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



## **INTRODUCTORY SECTION**



**City of Pasadena, Texas  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended September 30, 2004**

**TABLE OF CONTENTS**

	<u>Page</u>
<b>I. INTRODUCTORY SECTION</b>	
Letter of Transmittal .....	1-4
GFOA Certificate of Achievement .....	5
Organization Chart .....	6
Principal Officials.....	7
 <b>II. FINANCIAL SECTION</b>	
Independent Auditor's Report.....	9-11
<b>Management's Discussion and Analysis</b> .....	13-23
 <b>Basic Financial Statements</b>	
<b>Government-Wide Financial Statements</b>	
Statement of Net Assets.....	25
Statement of Activities .....	26
<b>Fund Financial Statements</b>	
<b>Governmental Fund Financial Statements</b>	
Balance Sheet .....	27
Statement of Revenues, Expenditures, and Changes in Fund Balance .....	28
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	29
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund.....	30-31
<b>Proprietary Fund Financial Statements</b>	
Statement of Net Assets .....	32-33
Statement of Revenues, Expenses, and Changes in Net Assets .....	35
Statement of Cash Flows .....	36-37
<b>Notes to Financial Statements</b> .....	39-70
 <b>Combining and Individual Fund Statements and Schedules</b>	
<b>General Fund</b>	
Balance Sheet .....	71
Statements of Revenues, Expenditures, and Changes in Fund Balance .....	73
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual .....	74-83

**II. FINANCIAL SECTION (Continued)****Debt Service Fund**

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual .....	85
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**Non-Major Governmental Funds**

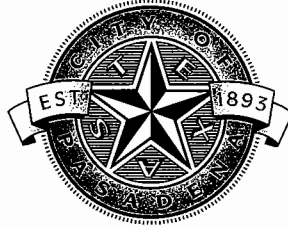
Combining Balance Sheet .....	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance .....	88
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual	
Special Charge Allocation Special Revenue Fund.....	89
State Forfeited Property Special Revenue Fund.....	90
Hotel and Motel Tax Special Revenue Fund.....	91
Abandoned Motor Vehicle and Property Special Revenue Fund .....	92

**Internal Service Funds**

Combining Statement of Net Assets .....	93
Combining Statement of Revenues, Expenses, and Changes in Net Assets .....	95
Combining Statement of Cash Flows .....	96-97

**III. STATISTICAL SECTION**

General Governmental Expenditures by Function.....	99
General Governmental Revenues by Source.....	100
Property Tax Levies and Collections.....	101
Assessed and Estimated Actual Value of Taxable Property .....	102
Computation of Legal Debt Margin .....	103
Tax Base Distribution.....	104
Principal Taxpayers/Water and Sewer Customers.....	105
Debt Service Requirements to Maturity – Revenue Bonds and Combination Tax and Revenue Certificates of Obligation .....	106
Debt Service Requirements to Maturity – Other Long-Term Notes, Certificate of Obligation Bonds and General Obligation Bonds .....	107
Debt Service Requirements to Maturity .....	108
Direct and Estimated Overlapping Debt.....	109
Property Tax Rate – Direct and Overlapping Governments.....	110
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita .....	111
Ratio of Annual Debt Service for General Bonded Debt to Total General Government Expenditures .....	112
Revenue Bond Coverage – Water and Sewer System .....	113
Demographic Statistics.....	114
Real Property Value and Construction.....	115
General Demographic Information .....	116-117



John Manlove, Mayor

February 28, 2005

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, 2004, 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 & Company, Certified Public Accountants, issued an unqualified ("clean") opinion on the City of Pasadena, Texas' financial statements for the fiscal year ended September 30, 2004. 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 13-23.

### ***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 157,042 in 2004 (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. The City of Pasadena provides a full range of municipal services including; police and fire protection, traffic and municipal courts, sanitation services, construction and maintenance of streets and related infrastructure, water and

sewer systems, recreational activities, (i.e. parks, swimming pools, baseball diamonds, tennis courts, jogging trails, golf course and libraries), and cultural event facilities, including a convention center, a senior citizen center, and an athletic/recreational center for those who are physically and mentally challenged.

Certain capital improvements are provided through a legally separate entity, Pasadena Second Century Corporation, which functions, in essence, as a department of the City and therefore, has been included as an integral part of the City of Pasadena's financial statements. The City also is financially accountable for the Pasadena Crime Control and Prevention District, another legally separate entity, which is reported separately, within the City of Pasadena's financial statements. Additional information on these two legally separate entities can be found in the notes to the financial statements. (See Note I.A on page 39).

The City Charter requires the adoption of the City budget no later than September 27<sup>th</sup>. 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 the City Council and an amendment to the budget. For additional information on the City's budgetary practices, see Note III.A on page 47, in the financial statement notes.

### **Local Economy**

Energy comprises slightly over fifty percent of the metropolitan economic base and affects the general financial health of the entire Houston metropolitan area including the City of Pasadena. The City's economy has strong connections to the energy sector, including upstream or exploration activities, and downstream or refining activities. The economy also relies on the industrial and manufacturing sectors and, while much of it is related to energy, the City has strong connections to other industries such as paper, petrochemicals, and construction materials. In addition, with the close proximity of the Houston Ship Channel, the Port of Houston, and Galveston Bay, international trade also influences the City's economy significantly.

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

The City of Pasadena's economy was sluggish throughout the 2004 fiscal year. A significant indicator of the impact of the economic downturn is seen in the City's employment and unemployment statistics. During the past five years, the unemployment rate rose from the 2000 low of 4.6%, to a peak of 7.5% in 2003. For the year 2004, the unemployment rate fell to 6.7%, which indicates a .8% growth in the local employment rate. This coincides with the Texas State Comptroller's position that the state's economy is finally rebounding after the sharp decline that began during 2001. From September 2003 through August 2004, the Texas job count increased by 122,100 or 1.3%.

Major indicators point to perhaps even stronger growth in the coming months. These are seen at the City level with increasing sales tax revenues, new home construction and sales, and the underlying trend in local employment growth. These combining factors offer encouraging signs that the City's economy is improving along with the state's economy.

### **Long-term financial planning**

In 1996, the Mayor and City Council accepted the Pasadena Plan – *The Blueprint for a Better Pasadena*, formulated with input from more than 500 Pasadena citizens. Among the plan specific recommendation was a call for long-range planning in the area of infrastructure construction and maintenance. In August 2002, six years after the Pasadena Plan's completion, the City adopted the



first-ever Capital Improvement Plan (CIP). The citizens of Pasadena passed a bond referendum in September 2002 that provided the financing vehicle to carry out the plan. The City has since updated the CIP on an annual basis and in September 2004, City Council approved the update for FY 2005 to FY 2009.

The financing of the CIP is being implemented in a fiscally responsible manner by using the City's current property tax rate, taking into account the current economic conditions, and the projected impact of the planned freeze on property taxes for homeowners over 65 years of age. The CIP is using more conservative growth rates in regards to assessed property valuations increases as opposed to those experienced in recent years. Accordingly, the FY 2005 to FY 2009 CIP was planned to slow the rate at which tax supported debt is being issued to reflect the reduced level of financing available. The CIP is intended to meet high priority capital needs without unduly burdening the community and its elected officials in the future.

In fiscal year 2004, the City put in place a declining debt structure to take advantage of low interest rates and to reduce the aggregated debt service payments to obtain the economic gain needed to carry the momentum of the CIP forward. In an on-going effort to further take advantage of low interest rates, the City is looking into refinancing additional current outstanding debt issues in fiscal year 2005.

The funding of the CIP is planned to come from a variety of sources including:

- Excess fund balances,
- Funds from future planned but unsold bonds (bond payments to be paid from property tax and water and sewer system fund revenues),
- Funds remaining from previously sold bonds,
- Intergovernmental sources from federal, state and county,
- Other city and local funds from the Pasadena Second Century Corporation and the Pasadena Crime Control and Prevention District.

Upon completion, some capital projects will affect the operating budget. In some cases, there will be an increase in operating expenditures to fund personnel, supplies, and utilities associated with the completion of a facility or with the purchase or installation of major equipment. On the other hand, many projects will not affect the operating budget, as they are not additional or new improvements but represent an upgrade, renovation, or reconstruction of an existing project or facility.

### ***Relevant financial policies***

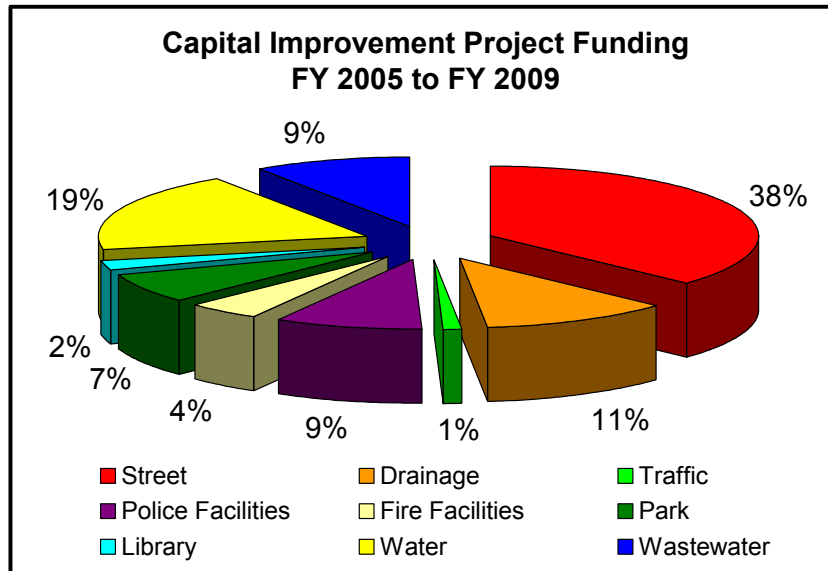
The significant fund balances built up in the 1990's were the result of conservative fiscal practice and management, and a booming economy. In recent years, the fund balance has been systematically drawn down to a level that is more appropriate for municipal operations. Tax dollars are being put back to work to make things better for the community. The fund balance has been used for one-time investments to: launch major infrastructure improvement projects that have been neglected for years and to invest in major new technologies and systems to improve the management of the City and the quality of life for Pasadena citizens.

The fund balance is also being used for its intended purpose, to help accommodate contingencies such as unexpected expenditures or revenue shortfalls. The City is currently using its fund balance to cushion the City employees and their families against the fast rising cost of health care and to compensate for the decrease in interfund transfers from the water and sewer system fund due to unexpected wet weather and the loss of a major industrial water customer.

### ***Major Initiatives***

The FY 2005 to FY 2009 CIP includes a total of \$265.4 million in funding for improvements divided

into categories as follows: Street, Drainage, Traffic, Police Facilities, Fire Facilities, Park Improvements, Library Improvements, Municipal Facilities Improvements, Water and Wastewater System Improvements. Sixty-four projects related to the above mentioned categories are currently in some stage of design, acquisition, or construction. Streets, drainage, traffic, water, and wastewater projects add up to 84% of the total CIP. Accordingly, the CIP reflects the priorities of the City of Pasadena's citizens.



**Awards and Acknowledgements**

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2003. This was the tenth year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized CAFR that satisfied both generally accepted accounting principles and applicable legal requirements.

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

In addition, the government also received the GFOA's Distinguished Budget Presentation Award for its annual budget document dated October 1, 2003. In order to receive this award, the City's budget document had to be judged proficient as a policy document, a financial plan, an operations guide, and a communications device.

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

Respectfully Submitted,

*Wayne F. Long, Jr., CPA*  
 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, 2003

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.



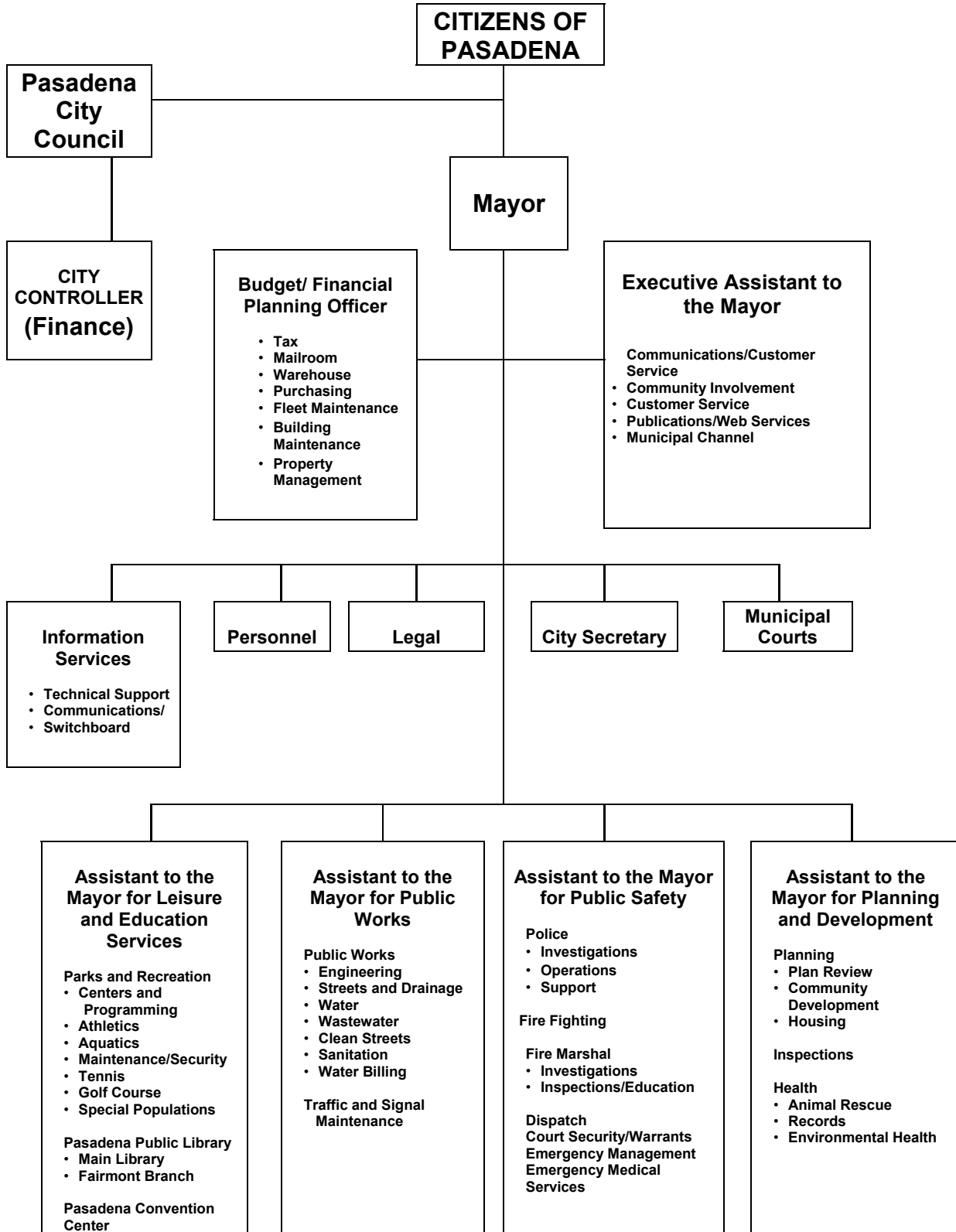
*Nancy L. Ziehl*

President

*Jeffrey R. Emmer*

Executive Director

# CITY OF PASADENA, TEXAS ORGANIZATION CHART



**CITY OF PASADENA, TEXAS  
PRINCIPAL OFFICIALS**

**MAYOR**

JOHN MANLOVE

**BUDGET/FINANCIAL PLANNING**

MICHAEL W. LOFTIN

**ASSISTANT TO MAYOR  
FOR PLANNING & DEVELOPMENT**

MELVIN EMBRY

**ASSISTANT TO MAYOR  
PUBLIC SAFETY**

MICHAEL MASSEY

**EXECUTIVE ASSISTANT  
TO MAYOR**

DAVID BENSON

**ASSISTANT TO MAYOR  
FOR PUBLIC WORKS**

ROBIN GREEN

**ASSISTANT TO MAYOR  
LEISURE & EDUCATIONAL SERVICES**

MICHAEL ISERMANN

**CITY COUNCIL**

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

JERRI NEELY  
BILL WELCH (MAYOR PRO TEM)  
DON HARRISON  
JACK DOUGLASS  
JIM BARKER  
JAMES GUTHRIE  
DANA PHILIBERT  
J. J. ISBELL

**CITY CONTROLLER**

WAYNE F. LONG, JR., CPA

**CITY SECRETARY**

LINDA RORICK

**TAX ASSESSOR/COLLECTOR**

BOB ALLEN

**DIRECTOR OF PERSONNEL**

RICHARD NELSON

**DIRECTOR OF COMMUNICATION  
INFORMATION SERVICES**

LOIS KRAFT

**FIRE MARSHAL**

BILL R. YEAROUT – retired 1/31/05

**LIBRARY DIRECTOR**

SHEILA HENDERSON

**DIRECTOR OF PLANNING**

TIM TIETJENS

**DIRECTOR OF HEALTH**

THAD GINN

**FIRE CHIEF**

J. D. GARDNER

**PRESIDING JUDGE,  
MUNICIPAL COURTS**

LESTER RORICK

**CITY ATTORNEY**

LEE CLARK

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**FINANCIAL SECTION**







# MOSHER, SEIFERT & COMPANY

Certified Public Accountants

Members American Institute of Certified Public Accountants

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Pasadena, Texas 77505-2050  
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## INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and the City Council members  
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 City of Pasadena, Texas, as of and for the fiscal year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Pasadena, Texas', management. Our responsibility is to express an opinion 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 opinion.

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 of Pasadena, Texas, as of September 30, 2004, the respective changes in financial position and cash flows where applicable, and the respective budgetary comparison for the General Fund, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2005 on our consideration of the City of Pasadena, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 23, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United State 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 of Pasadena, Texas basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, 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 non-major fund financial statements, and statistical tables that have not been marked "unaudited" have been subjected to the 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 section and the statistical tables (marked "unaudited") have not been subjected to the auditing procedures applied in the audit of the basic financials statements and, accordingly, we express no opinion on them.

*Mosher, Liefert and Company*  
Pasadena, Texas  
January 31, 2005

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**MANAGEMENT'S DISCUSSION  
AND ANALYSIS**



## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pasadena's (City) annual financial report presents our discussion and analysis of the financial performance of the City for the fiscal year ended September 30, 2004. This discussion and analysis includes comparative data for fiscal year 2003. Please read it in conjunction with the accompanying transmittal letter on pages 1-4, which precedes this section, and the financial statements that follow this section.

### FINANCIAL HIGHLIGHTS

Some of the City's financial highlights for the fiscal year ended September 30, 2004 are as follows:

- The City's assets exceeded its liabilities by \$570,182,563 (net assets). Of this amount, \$7,995,329 (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$22,584 during the year.
- The City's governmental funds reported combined ending fund balances of \$62,739,947, an increase of \$2,899,622 (4.8%) in comparison with the prior fiscal year. Approximately 96% of this total amount, \$60,163,537, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- Unreserved, undesignated fund balance of the general fund was \$12,209,225 or 17% of total general fund expenditures.
- The City's total debt increased by \$4,091,391 (2.6%) during the current fiscal year. This was due to a combination of: (1) a \$17,500,000 issuance of general obligation bonds, (2) a \$18,640,000 issuance of general obligation bonds to refund \$18,750,000 of general obligation bonds, (3) a \$125,289 increase in deferred water charges, and (4) total debt principal payments made in the amount of \$13,423,898.

### 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 information in addition to the basic financial statements.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of the City's financial position and changes in financial position, similar to consolidated financial statements in private-sector business.

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

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

Both government-wide financial statements distinguish governmental activities of the City that are principally supported by taxes and intergovernmental revenues, such as grants, from business-type activities that are

intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government, public safety, public works, health, culture and recreation, housing and community development. Business-type activities include water and sewer operations.

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

The government-wide financial statements can be found on pages 25-26 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 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 contained 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, and four non-major governmental funds. The budgetary comparison schedules for these funds can be found 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 27-31 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 contained in the Combining and Individual Fund Statements and Schedules section of this report.

The basic proprietary financial statements can be found on pages 32-37 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 39-70.

**Other information.** The combining and individual fund statements and schedules referred to earlier in connection with budgetary schedules, non-major governmental funds, and internal service funds can be found on pages 71-97.

### 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 \$570,182,563 on September 30, 2004.

CITY OF PASADENA'S Net Assets						
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Current and other assets	\$ 90,629,314	\$ 91,161,513	\$ 55,968,600	\$ 70,476,801	\$ 146,597,914	\$ 161,638,314
Capital assets	429,042,467	414,695,557	194,631,021	192,430,774	623,673,488	607,126,331
<b>Total assets</b>	<b>519,671,781</b>	<b>505,857,070</b>	<b>250,599,621</b>	<b>262,907,575</b>	<b>770,271,402</b>	<b>768,764,645</b>
Long-term liabilities, outstanding	82,876,974	85,335,247	86,721,912	95,895,105	169,598,886	181,230,352
Other liabilities	21,713,947	11,110,070	8,776,006	6,264,244	30,489,953	17,374,314
<b>Total liabilities</b>	<b>104,590,921</b>	<b>96,445,317</b>	<b>95,497,918</b>	<b>102,159,349</b>	<b>200,088,839</b>	<b>198,604,666</b>
Net assets:						
Invested in capital assets, net of debt	387,778,628	378,334,323	154,149,232	156,229,230	541,927,860	534,563,553
Restricted	18,624,939	16,176,151	1,634,435	1,561,254	20,259,374	17,737,405
Unrestricted (deficit)	8,677,293	14,901,279	(681,964)	2,957,742	7,995,329	17,859,021
<b>Total net assets</b>	<b>\$ 415,080,860</b>	<b>\$ 409,411,753</b>	<b>\$ 155,101,703</b>	<b>\$ 160,748,226</b>	<b>\$ 570,182,563</b>	<b>\$ 570,159,979</b>

By far the largest portion of the City's net assets, \$541,927,860 (95%), 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.

The second portion of the City's net assets, \$20,259,374 (3.6%), represents resources that are subject to external restrictions on how they may be used.

The third and final portion of the City's net assets, \$7,995,329 (1.4%) represents unrestricted resources that can be used to meet the City's ongoing obligations to citizens and creditors. This portion of net assets decreased by \$9,863,692 (55%) compared to the prior fiscal year due to a combination of the slow economy, increased expenses, specifically in employee termination pay and health benefits, and reduced water sales resulting from unseasonable wet weather and the loss of a major commercial water customer.

At the end of the current fiscal year, the City was able to report positive balances in all three categories of net assets. However, while the business activities reported a positive balance in total net assets, a deficit of \$681,964 was reported in the unrestricted portion.

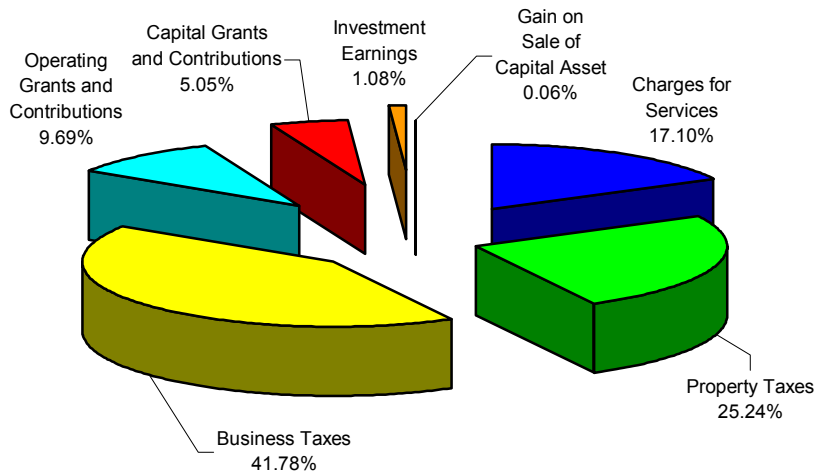
**CITY OF PASADENA'S  
Changes in Net Assets**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 16,864,927	\$ 16,660,205	\$ 25,175,410	\$ 26,266,529	\$ 42,040,337	\$ 42,926,734
Operating grants and contributions	9,555,552	9,455,830	-	-	9,555,552	9,455,830
Capital grants and contributions	4,984,476	5,091,202	-	-	4,984,476	5,091,202
General revenues						
Property taxes	24,889,552	23,147,891	-	-	24,889,552	23,147,891
Business taxes	41,210,971	42,032,529	-	-	41,210,971	42,032,529
Investment earnings	1,065,425	1,228,592	566,111	701,394	1,631,536	1,929,986
Gain on sale of capital assets	58,456	820,959	-	-	58,456	820,959
<b>Total Revenues</b>	<b>98,629,359</b>	<b>98,437,208</b>	<b>25,741,521</b>	<b>26,967,923</b>	<b>124,370,880</b>	<b>125,405,131</b>
<b>Expenses:</b>						
General government	12,499,970	12,990,439	-	-	12,499,970	12,990,439
Public safety	35,031,295	34,547,829	-	-	35,031,295	34,547,829
Public works	21,028,781	21,206,425	-	-	21,028,781	21,206,425
Health	2,300,482	2,237,933	-	-	2,300,482	2,237,933
Culture and recreation	12,277,865	12,584,629	-	-	12,277,865	12,584,629
Housing and community development	7,989,705	7,495,941	-	-	7,989,705	7,495,941
Interest on long-term debt	2,578,646	3,332,080	-	-	2,578,646	3,332,080
Water and sewer	-	-	30,641,552	31,368,154	30,641,552	31,368,154
<b>Total expenses</b>	<b>93,706,744</b>	<b>94,395,276</b>	<b>30,641,552</b>	<b>31,368,154</b>	<b>124,348,296</b>	<b>125,763,430</b>
<b>Increase (decrease) in net assets before transfers</b>	<b>4,922,615</b>	<b>4,041,932</b>	<b>(4,900,031)</b>	<b>(4,400,231)</b>	<b>22,584</b>	<b>(358,299)</b>
<b>Transfers</b>	<b>746,492</b>	<b>(1,841,523)</b>	<b>(746,492)</b>	<b>1,841,523</b>	<b>-</b>	<b>-</b>
<b>Increase (decrease) in net assets</b>	<b>5,669,107</b>	<b>2,200,409</b>	<b>(5,646,523)</b>	<b>(2,558,708)</b>	<b>22,584</b>	<b>(358,299)</b>
<b>Net assets - beginning</b>	<b>409,411,753</b>	<b>407,211,344</b>	<b>160,748,226</b>	<b>163,306,934</b>	<b>570,159,979</b>	<b>570,518,278</b>
<b>Net assets - ending</b>	<b>\$ 415,080,860</b>	<b>\$ 409,411,753</b>	<b>\$ 155,101,703</b>	<b>\$ 160,748,226</b>	<b>\$ 570,182,563</b>	<b>\$ 570,159,979</b>

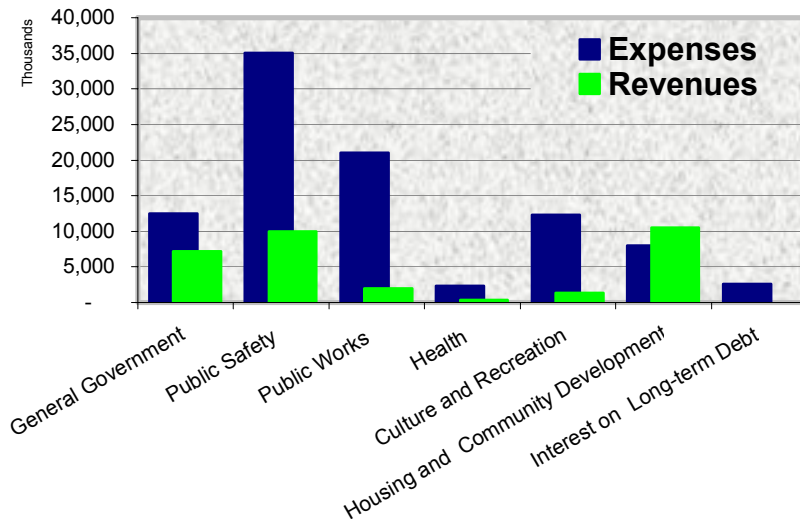
**Governmental Activities.** Governmental activities increased the City's net assets by \$5,669,107 (1.4%) during this fiscal year. Key elements of this increase are as follows:

- Property taxes increased by \$1,741,661 (7.5%), due mainly to the increase in the assessed property valuation by \$304,105,937 (7.5%).
- Large interfund transfers were received from the water and sewer system fund of \$1,950,000 to assist with the governmental activities' operations.
- The City took advantage of low interest rates by issuing a new debt to refinance several existing old debts. As a result, interest expense on long-term debt decreased by \$753,434 (22.6%).

### Revenues by Source Governmental Activities ~ FY 2004



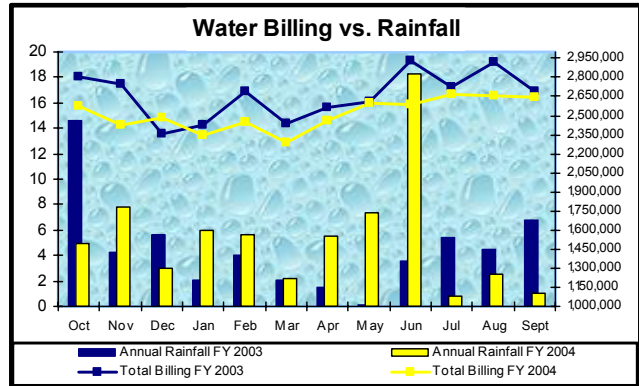
### Expenses and Program Revenues Governmental Activities ~ FY 2004



**Business-type Activities.** Business-type activities decreased the City's net assets by \$5,646,523. Key elements of this decrease are:

- Charges for services for business-type activities decreased by \$1,091,119 (4.1%). This was due to several events, and two major factors stand out – above average rainfall and the decrease of water consumption by a major commercial customer.

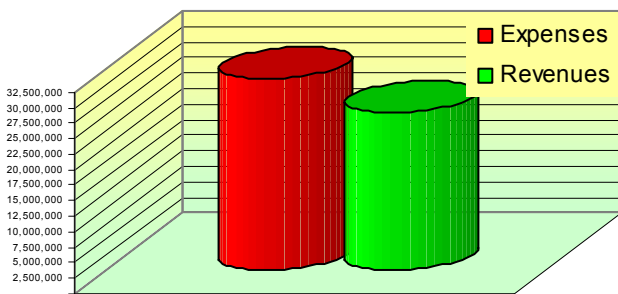
Rainfall is a major factor in the amount of water that customers consume, especially during the summer months. The annual rainfall increased 19.5% with 10.65 inches more than the previous fiscal year.



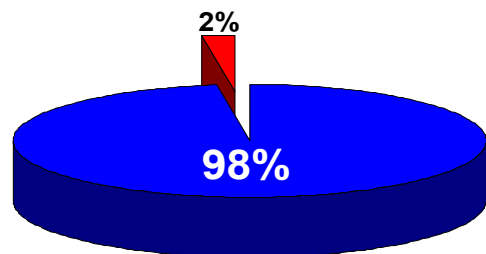
Air Products, Inc. was the City's top customer during prior fiscal years. However, at the end of the last fiscal year, it began purchasing water from another source because it no longer needed treated water for its operations thus drastically reducing its consumption of water from the City.

- Increase in annual maintenance contract expenditures with an outside contractor for wastewater treatment plants by \$277,545 (7.7%)
- Transfer of \$1,950,000 to governmental funds to assist with the governmental activities' operations
- Interest expense payment on debt of \$3,326,664

**Expenses and Program Revenues  
Business-type Activities ~ FY 2004**



**Revenues by Source  
Business-type Activities ~ FY 2004**



■ Charges for Services     ■ Investment Earnings

**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 \$62,739,947; approximately 96% of this total amount (\$60,163,537) 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:

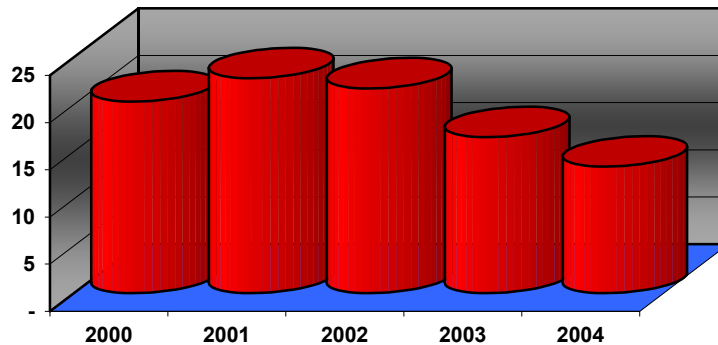
- 1) liquidate contracts and purchase orders from the prior fiscal year (\$669,876 or 1.1%)
- 2) pay debt service (\$1,103,283 or 1.8%)
- 3) pay for certain capital and technological improvements and election recall (\$803,251 or 1.3%)

The general fund is the principal operating fund of the City of Pasadena. At the end of the current fiscal year, the total fund balance reached \$13,397,820, while the unreserved, undesignated fund balance was \$12,209,225. As a measure of the general fund's liquidity, it may be useful to compare both undesignated fund balance and total fund balance to total fund expenditures. Unreserved, undesignated fund balance represents 17.5% of total general fund expenditures, while total fund balance represents 19.3% of the same amount.

During the current fiscal year, the general fund's total fund balance decreased by \$3,121,172 (19%). This decrease is due in part to increased expenditures in Public Safety for personnel services (salary increases and termination pay) and for the construction of the new police crime lab.

### General Fund Balance Trend for the Last Five Fiscal Years

(in millions)



The debt service fund has a total fund balance of \$1,103,283, all of which is reserved for the payment of debt service. The net increase of \$499,523 (82.7%) in fund balance for the current fiscal year is attributable to the increase in the assessed valuation of property and subsequent increase in property tax revenues.

The Pasadena Second Century Corporation fund has a total fund balance of \$13,081,394, all of which is for economic development, capital projects. The net increase in fund balance during the current fiscal year was \$1,587,107 (13.8%). Out of the total fund balance, 81% (\$10,650,000) is for specific capital projects that are currently under construction.

The capital projects fund's total fund balance is \$29,715,974, all of which is for capital improvement projects. The net increase in fund balance during the fiscal year was \$4,370,548 (17.2%). The issuance of \$17,500,000 of General Obligation Bonds, Series 2004, partially contributed to the fund balance's net

increase. Out of the total fund balance, 26% (\$7,864,161) is for specific capital projects that are currently under construction.

The grant management fund has a total fund balance of \$2,481,301, all of which is for specific grant purposes. The net decrease in fund balance during the fiscal year was \$289,375 (10.4%). The decrease was mainly due to increased spending on police equipment and the construction of the police crime lab using the Equitable Sharing of Federally Forfeited Property grants from the U.S. Departments of Treasury and Justice.

**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 \$72,075,118 was \$3,100,418 more than the original budget. The difference can be briefly summarized by function as follows:

- \$593,199 decrease for General Government- (1) \$1,250,000 was transferred from personnel services in General Government division to fund termination pay resulting from retirements throughout the City; 15% of this transfer was spread out to departments within the General Government division, the remainder was transferred to Public Safety and Public Works; (2) a correction was made to the budget in the technology, property management, and neighborhood network departments to account for prior year encumbrances of \$319,202 that had not been included in the original budget; (3) budget increase in the finance department due to increased bank charges and professional services related to implementation of GASB Statement No. 34 that totaled \$51,408
- \$3,158,514 increase for Public Safety- 66% of which was due to the retirement and subsequent termination payout for 5% of the police force- including the police chief, the assistant police chief and two sergeants; 23% of which was for capital outlay expenditures associated with the construction of the new police crime lab
- \$444,959 increase for Public Works- 51% of this increase was due to the hiring of additional employees with benefits within the engineering department, 43% was caused by an increase in contractual services paid by the sanitation department for an additional recycling route
- \$13,640 increase in Health
- \$12,296 decrease in Culture and Recreation
- \$88,800 increase in Interfund transfers out

This budget increase was to be funded by the \$180,433 increase in budgeted revenues. The remaining increases were to come from fund balance.

Even with the abovementioned amendments, actual expenditures of \$70,106,236 were \$1,968,882 below the final budget. The City was able to reduce contractual services by \$683,230 (36%). Capital outlay expenditures also were decreased by \$490,947 (26%).

Actual revenues of \$66,985,064 were \$777,031 above the final budget. Utility tax revenues, with a positive variance of \$1,636,255, were more than expected because a special arrangement was made with a utility company to have the third quarter payment submitted to the City within 30 days after the close of the fiscal year. Sales tax revenue fell short of the budgeted amount by \$393,425, as well as, municipal court fines by \$307,550.

## 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, 2004, amounted to \$623,673,488 (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 2.7% (a 3.5% increase for governmental activities and a 1.1% increase for business-type activities).

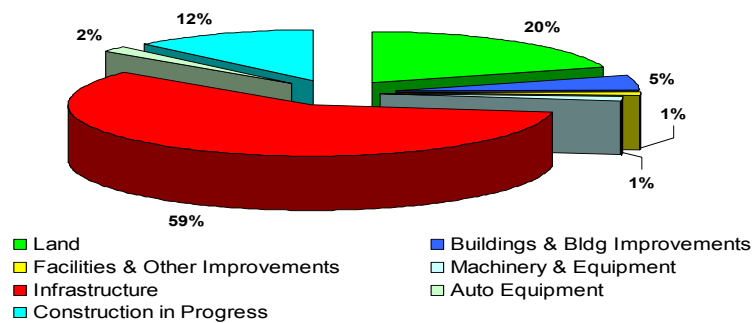
Major capital asset activities that occurred during the current fiscal year included the following:

- Construction on new Fire Station in Brookwood Subdivision – \$2,011,691
- Construction began on the Police Crime Lab; construction in progress as of the close of the fiscal year had reached \$1,453,309
- Paving, drainage, traffic (Jackson Street) – with \$5,140,643 in construction in progress at the close of the fiscal year
- Storm sewer, drainage, street improvements (Allendale/Richey-Oaks) – with \$5,543,557 in construction in progress at the close of the fiscal year
- Development began on Sunrise Meadows subdivision - \$1,411,536

### Capital Assets (net of depreciation) September 30, 2004

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land	\$ 123,924,463	\$ 123,924,463	\$ 1,238,950	\$ 1,238,950	\$ 125,163,413	\$ 125,163,413
Buildings and bldg improvements	27,473,846	27,850,675	221,866	1,763,166	29,695,712	29,613,841
Facilities and other improvements	2,439,753	2,485,632	3,491,106	3,562,225	5,930,859	6,047,857
Machinery & equip	2,752,621	3,548,713	5,690,737	7,926,281	8,443,358	11,474,994
Infrastructure	225,189,312	221,026,883	142,194,205	139,063,407	367,383,517	360,090,290
Automotive equipment	9,872,263	11,952,979	481,166	568,957	10,353,429	12,521,936
Construction in progress	37,390,209	23,906,212	39,312,991	38,307,788	76,703,200	62,214,000
<b>Totals</b>	<b>\$ 429,042,467</b>	<b>\$ 414,695,557</b>	<b>\$ 192,631,021</b>	<b>\$ 192,430,774</b>	<b>\$ 623,673,488</b>	<b>\$ 607,126,331</b>

### Total Primary Government Capital Assets



Additional information on the City of Pasadena's capital assets can be found in note IV. D on page 53 of this report.

**Long-term debt.** At the end of the current fiscal year, the City had total long-term debt outstanding of \$162,401,649. Of this amount, \$75,106,649 represents debt backed by the full faith and credit of the City, \$32,895,000 represents bonds secured solely by the net revenues of City's water and sewer operations and \$54,400,000 represents bonds secured by ad valorem taxes and further secured by a subordinate lien on and limited pledge of net revenues of City's water and sewer operations.

**City of Pasadena's Outstanding Debt**  
**General and Certificate of Obligation, Tax Notes, and Revenue Bonds**  
**September 30, 2004**

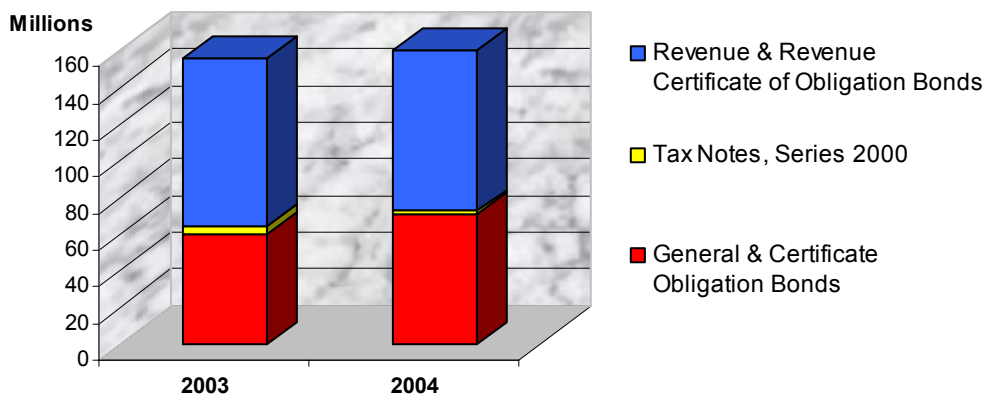
	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General and certificate obligation bonds	\$ 70,867,875	\$ 59,452,875	\$ -	\$ -	\$ 70,867,875	\$ 59,452,875
Other long-term debt	1,683,038	4,757,965	-	-	1,683,038	4,757,965
Revenue bonds	-	-	28,265,000	29,730,000	28,265,000	29,730,000
Refunding revenue bonds	-	-	4,630,000	5,680,000	4,630,000	5,680,000
Tax and revenue certificate of obligation bonds	-	-	54,400,000	55,975,000	54,400,000	55,975,000
Deferred water charges debt	-	-	2,555,736	2,714,418	2,555,736	2,714,418
<b>Total</b>	<b>\$ 72,550,913</b>	<b>\$ 64,210,840</b>	<b>\$ 89,850,736</b>	<b>\$ 94,099,418</b>	<b>\$ 162,401,649</b>	<b>\$ 158,310,258</b>

The total debt increased by \$4,091,391 (2.6%) during the current fiscal year.

During the current fiscal year, the City issued new debt as follows:

- \$17,500,000 in general obligation bonds to make public improvements in streets, drainage, parks, library, police and fire facilities and for the costs of issuance of the bonds.
- \$18,640,000 in general obligation bonds to refinance previously outstanding general obligation bonds (\$18,750,000); this resulted in decreasing overall debt service payments by \$595,921 and giving the City an economic gain of \$808,275.

**Outstanding Debt ~ FY 2003 vs. FY 2004**



Both issuances qualified for municipal bond insurance underwritten by Financial Guaranty Insurance Company. The qualification of insurance and AAA rating allowed the City to benefit from the highest bond rating and therefore the lowest rate attainable.

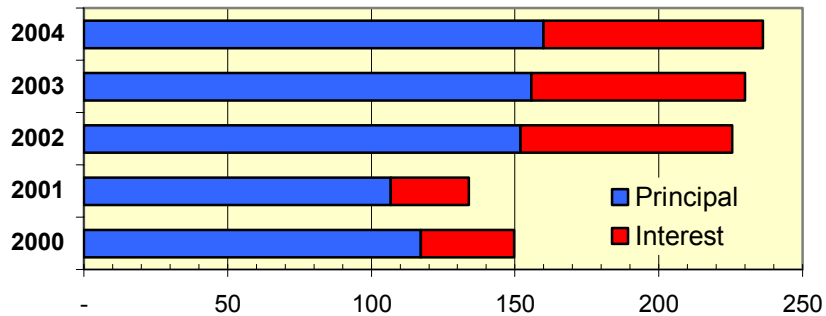


The City's underlying bond ratings are:

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

State statutes limit the amount of general obligation debt a governmental entity may issue up to 10% of its total assessed valuation. The current debt limitation for the City is \$434,663,860, which is significantly in excess of the City's outstanding general obligation debt.

**Debt Service Requirements to Maturity  
Last Five Fiscal Years  
(in millions)**



Additional information on the City's long-term debt can be found in note IV.G on pages 58-63 of this report.

#### **Economic Factors and Next Year's Budgets and Rates**

- The unemployment rate for the most recent year available (2004) was 6.7%, down from 7.5% for the previous year.
- New payment procedures have been instituted in the municipal court along with more rigorous collection efforts with delinquent tickets, court fines are expected to grow approximately 10% during the next fiscal year.
- In fiscal year 2004, the system fund transferred \$1,700,000 to the general fund. For fiscal year 2005, the transfer was reduced to \$500,000.
- Assessed value for property tax used for the fiscal year 2005 budget preparation is up approximately \$200 million (4%) from fiscal year 2004 and is expected to bring in an additional \$500,000 while new construction for fiscal year 2005 is estimated to be \$128 million and bring in almost \$700,000 in new revenue.

These indicators were taken into account when adopting the general fund budget for fiscal year 2005. Revenues in the general fund are budgeted in the amount of \$67,835,623, an increase of 2.3% over the final 2004 budget of \$66,208,033.

Expenditures are budgeted to decrease by 2.1%, or \$1,533,769, in comparison to the budgeted expenditures from the current fiscal year. The City has added no major new programs or initiatives to the fiscal year 2005 budget.

#### **Contacting the City's Financial Management**

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

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**BASIC FINANCIAL STATEMENTS**



**CITY OF PASADENA, TEXAS  
STATEMENT OF NET ASSETS  
SEPTEMBER 30, 2004**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Pasadena Crime Control and Prevention District</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 896,677	\$ 112,810	\$ 1,009,487	\$ -
Investments	30,723,914	3,213,500	33,937,414	3,014,461
Receivables (net of allowances for uncollectible)	5,073,607	3,649,194	8,722,801	451,389
Due from component unit	2,793	-	2,793	-
Internal balances	877,523	(877,523)	-	-
Inventories	412,504	-	412,504	-
Deposits	110,000	529,600	639,600	-
Deferred charges	614,068	955,555	1,569,623	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	1,150,732	-	1,150,732	-
Investments	49,148,526	48,385,464	97,533,990	-
Intergovernmental receivables	1,618,970	-	1,618,970	-
Capital assets not being depreciated:				
Land	123,924,463	1,238,950	125,163,413	-
Construction in progress	37,390,209	39,312,991	76,703,200	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	27,473,846	2,221,866	29,695,712	-
Facilities and other improvements	2,439,753	3,491,106	5,930,859	-
Machinery and equipment	2,752,621	5,690,737	8,443,358	-
Infrastructure	225,189,312	142,194,205	367,383,517	-
Automotive	9,872,263	481,166	10,353,429	-
<b>TOTAL ASSETS</b>	<b>519,671,781</b>	<b>250,599,621</b>	<b>770,271,402</b>	<b>3,465,850</b>
<b>LIABILITIES</b>				
Accounts payable and other current liabilities	4,462,829	1,475,821	5,938,650	102,556
Accrued payroll payable	794,234	108,166	902,400	74,133
Accrued interest payable	1,286,729	-	1,286,729	-
Due to primary government	-	-	-	2,793
Liabilities payable from restricted assets	3,049,161	444,752	3,493,913	-
Customer deposits	-	1,773,897	1,773,897	-
Noncurrent liabilities:				
Due within one year	12,307,635	4,973,613	17,281,248	-
Due in more than one year	82,690,333	86,721,669	169,412,002	-
<b>TOTAL LIABILITIES</b>	<b>104,590,921</b>	<b>95,497,918</b>	<b>200,088,839</b>	<b>179,482</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	387,778,628	154,149,232	541,927,860	-
Restricted for:				
Capital projects	10,968,567	-	10,968,567	-
Grant and special revenue activities	6,247,052	-	6,247,052	-
Public safety	-	-	-	3,286,368
Debt service	1,409,320	1,634,435	3,043,755	-
Unrestricted (deficit)	8,677,293	(681,964)	7,995,329	-
<b>TOTAL NET ASSETS</b>	<b>\$ 415,080,860</b>	<b>\$ 155,101,703</b>	<b>\$ 570,182,563</b>	<b>\$ 3,286,368</b>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 12,499,970	\$ 7,128,632	\$ 41,966	\$ -	\$ (5,329,372)	\$ -	\$ (5,329,372)	\$ -
Public safety	35,031,295	6,106,518	1,618,067	2,272,785	(25,033,925)	-	(25,033,925)	-
Public works	21,028,781	1,935,635	81,319	-	(19,011,827)	-	(19,011,827)	-
Health	2,300,482	327,889	527	-	(1,972,066)	-	(1,972,066)	-
Culture and recreation	12,277,865	1,341,976	40,465	-	(10,895,424)	-	(10,895,424)	-
Housing and community development	7,989,705	24,277	7,773,208	2,711,691	(2,519,471)	-	(2,519,471)	-
Interest on long-term debt	2,578,646	-	-	-	(2,578,646)	-	(2,578,646)	-
Total governmental activities	93,706,744	16,864,927	9,555,552	4,984,476	(62,301,789)	-	(62,301,789)	-
Business-type activities:								
Water and sewer system	30,641,552	25,175,410	-	-	(5,466,142)	-	(5,466,142)	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 124,348,296</b>	<b>\$ 42,040,337</b>	<b>\$ 9,555,552</b>	<b>\$ 4,984,476</b>	<b>\$ (62,301,789)</b>	<b>\$ (5,466,142)</b>	<b>\$ (67,767,931)</b>	<b>\$ -</b>
<b>Component unit:</b>	<b>\$ 7,284,425</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (7,284,425)</b>
Pasadena Crime Control District								
General revenues:								
General property taxes					24,889,552	-	24,889,552	-
Business taxes								
Industrial district fees					15,175,399	-	15,175,399	-
Sales taxes					18,567,877	-	18,567,877	6,153,599
Utility taxes					6,938,968	-	6,938,968	-
Other taxes					528,727	-	528,727	-
Total business taxes					41,210,971	-	41,210,971	6,153,599
Investment earnings								
Unrestricted					457,598	96,440	554,038	47,109
Restricted					607,827	469,671	1,077,498	-
Gain on sale of capital assets					58,456	-	58,456	-
Transfers					746,492	(746,492)	-	-
Total general revenues and transfers					67,970,896	(180,381)	67,790,515	6,200,708
<b>Change in net assets</b>					<b>5,669,107</b>	<b>(5,646,523)</b>	<b>22,584</b>	<b>(1,083,717)</b>
<b>Net assets - beginning</b>					<b>409,411,753</b>	<b>160,748,226</b>	<b>570,159,979</b>	<b>4,370,085</b>
<b>Net assets - ending</b>					<b>\$ 415,080,860</b>	<b>\$ 155,101,703</b>	<b>\$ 570,182,563</b>	<b>\$ 3,286,368</b>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and cash equivalents	\$ 896,677	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 896,677
Investments	13,916,369	-	-	-	-	-	13,916,369
Receivables (net of allowance for uncollectible)	3,719,052	444,469	498,697	-	-	-	4,662,218
Due from other funds	950,134	35,983	-	815,791	-	80,856	1,882,764
Due from component unit	-	-	-	-	2,793	-	2,793
Restricted assets	-	-	-	-	-	-	-
Cash and cash equivalents	-	-	115,996	-	981,769	52,967	1,150,732
Investments	-	964,851	12,549,265	31,013,701	1,659,967	2,960,742	49,148,526
Intergovernmental receivable	40,577	-	-	-	1,578,393	-	1,618,970
<b>TOTAL ASSETS</b>	<b>\$ 19,522,809</b>	<b>\$ 1,445,303</b>	<b>\$ 13,163,958</b>	<b>\$ 31,829,492</b>	<b>\$ 4,222,922</b>	<b>\$ 3,094,565</b>	<b>\$ 73,279,049</b>
<b>LIABILITIES</b>							
Accounts payable	\$ 3,836,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,836,111
Accrued payroll payable	716,066	-	-	-	-	-	716,066
Intergovernmental payable	-	-	-	-	12,832	-	12,832
Due to other funds	1,145,808	-	-	691	862,784	26,441	2,035,724
Compensated absences payable	-	-	-	-	133,016	-	133,016
Deferred revenue	427,004	342,020	-	-	-	-	769,024
Liabilities payable from restricted assets	-	-	82,564	2,112,827	732,989	107,949	3,036,329
<b>TOTAL LIABILITIES</b>	<b>6,124,989</b>	<b>342,020</b>	<b>82,564</b>	<b>2,113,518</b>	<b>1,741,621</b>	<b>134,390</b>	<b>10,539,102</b>
<b>FUND BALANCES</b>							
Reserved for:							
Encumbrances	385,344	-	-	53,777	69,314	161,441	669,876
Debt service	-	1,103,283	-	-	-	-	1,103,283
<b>Total reserved</b>	<b>385,344</b>	<b>1,103,283</b>	<b>-</b>	<b>53,777</b>	<b>69,314</b>	<b>161,441</b>	<b>1,773,159</b>
Unreserved, designated for, reported in:							
General fund	803,251	-	-	-	-	-	803,251
<b>Total unreserved and designated</b>	<b>803,251</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>803,251</b>
Unreserved, undesignated for, reported in:							
General fund	12,209,225	-	-	-	-	-	12,209,225
Pasadena Second Century Corp. fund	-	-	13,081,394	-	-	-	13,081,394
Capital projects fund	-	-	-	29,662,197	-	-	29,662,197
Grant management fund	-	-	-	-	2,411,987	-	2,411,987
Special revenue funds	-	-	-	-	-	2,798,734	2,798,734
<b>Total unreserved and undesignated</b>	<b>12,209,225</b>	<b>-</b>	<b>13,081,394</b>	<b>29,662,197</b>	<b>2,411,987</b>	<b>2,798,734</b>	<b>60,163,537</b>
<b>TOTAL FUND BALANCES</b>	<b>13,397,820</b>	<b>1,103,283</b>	<b>13,081,394</b>	<b>29,715,974</b>	<b>2,481,301</b>	<b>2,960,175</b>	<b>62,739,947</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,522,809</b>	<b>\$ 1,445,303</b>	<b>\$ 13,163,958</b>	<b>\$ 31,829,492</b>	<b>\$ 4,222,922</b>	<b>\$ 3,094,565</b>	

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. 417,502,545

Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds. 1,172,971

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. 22,872,790

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. (89,207,393)

**NET ASSETS OF GOVERNMENTAL ACTIVITIES** **\$ 415,080,860**

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, 2004**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
General property taxes	\$ 14,061,316	\$ 10,934,088	\$ -	\$ -	\$ -	\$ -	\$ 24,995,404
Business taxes							
Industrial district fees	15,175,399	-	-	-	-	-	15,175,399
Sales taxes	12,378,575	-	6,189,302	-	-	-	18,567,877
Utility taxes	8,326,255	-	-	-	-	-	8,326,255
Other taxes	214,692	-	-	-	-	303,151	517,843
Total business taxes	36,094,921	-	6,189,302	-	-	303,151	42,587,374
Licenses and permits	2,019,968	-	-	-	-	3,230	2,023,198
Municipal court fines	4,987,450	-	-	-	-	326,669	5,314,119
Charges for services	7,270,872	-	-	-	-	-	7,270,872
Intergovernmental	247,707	-	-	-	13,284,123	282,464	13,814,294
Program income	-	-	-	-	120,460	-	120,460
Assessments	-	-	-	23,663	-	-	23,663
Contribution from outside sources	-	-	-	42,500	-	-	42,500
Miscellaneous	353,400	-	-	-	-	154,401	507,801
Investment income	249,430	14,598	127,060	406,109	25,748	34,312	857,257
<b>TOTAL REVENUES</b>	<b>65,285,064</b>	<b>10,948,686</b>	<b>6,316,362</b>	<b>472,272</b>	<b>13,430,331</b>	<b>1,104,227</b>	<b>97,556,942</b>
<b>EXPENDITURES</b>							
Current:							
General government	10,634,963	-	-	-	-	181,224	10,816,187
Public safety	31,229,696	-	-	-	2,988,311	378,827	34,596,834
Public works	14,893,374	-	159,006	-	52,436	-	15,104,816
Health	2,089,793	-	-	-	42,493	-	2,132,286
Culture and recreation	10,630,807	-	-	-	43,590	691,185	11,365,582
Housing and community development	-	-	-	-	10,620,479	-	10,620,479
Debt Service:							
Principal	-	7,905,000	1,095,000	-	-	-	9,000,000
Interest	-	2,546,663	24,911	-	-	-	2,571,574
Fiscal charges	-	4,571	-	-	-	-	4,571
Bond issuance costs	-	232,010	-	331,028	-	-	563,038
Capital Outlay:							
Public safety	-	-	-	1,391,618	-	-	1,391,618
Public works	-	-	594,914	14,201,414	-	-	14,796,328
Culture and recreation	-	-	850	759,372	-	-	760,222
<b>TOTAL EXPENDITURES</b>	<b>69,478,633</b>	<b>10,688,244</b>	<b>1,874,681</b>	<b>16,683,432</b>	<b>13,747,309</b>	<b>1,251,236</b>	<b>113,723,535</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(4,193,569)</b>	<b>260,442</b>	<b>4,441,681</b>	<b>(16,211,160)</b>	<b>(316,978)</b>	<b>(147,009)</b>	<b>(16,166,593)</b>
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers in	1,700,000	-	-	2,854,574	27,603	-	4,582,177
Transfers out	(627,603)	-	(2,854,574)	-	-	-	(3,482,177)
Proceeds of refunding bonds	-	18,640,000	-	-	-	-	18,640,000
Proceeds of general obligation bonds	-	-	-	17,500,000	-	-	17,500,000
Premiums on bonds	-	1,032,812	-	227,134	-	-	1,259,946
Payment to refunded bond escrow agent	-	(19,433,731)	-	-	-	-	(19,433,731)
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<b>1,072,397</b>	<b>239,081</b>	<b>(2,854,574)</b>	<b>20,581,708</b>	<b>27,603</b>	<b>-</b>	<b>19,066,215</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(3,121,172)</b>	<b>499,523</b>	<b>1,587,107</b>	<b>4,370,548</b>	<b>(289,375)</b>	<b>(147,009)</b>	<b>2,899,622</b>
<b>FUND BALANCES - BEGINNING</b>	<b>16,518,992</b>	<b>603,760</b>	<b>11,494,287</b>	<b>25,345,426</b>	<b>2,770,676</b>	<b>3,107,184</b>	<b>59,840,325</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 13,397,820</b>	<b>\$ 1,103,283</b>	<b>\$ 13,081,394</b>	<b>\$ 29,715,974</b>	<b>\$ 2,481,301</b>	<b>\$ 2,960,175</b>	<b>\$ 62,739,947</b>

The accompanying notes are an integral part of the financial statements



**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, 2004**

Amounts reported for governmental activities in the statement of activities (page 26) are different because:

Net change in fund balances - total governmental funds (page 28)	\$	2,899,622
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.		16,857,030
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		(1,408,082)
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.		(8,351,747)
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.		315,500
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.		<u>(4,643,216)</u>
<b>Change in net assets of governmental activities (page 26)</b>	<b>\$</b>	<b><u>5,669,107</u></b>

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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
General property taxes	\$ 13,945,000	\$ 13,945,000	\$ 14,061,316	\$ 116,316
Business taxes				
Industrial district fees	15,200,000	15,200,000	15,175,399	(24,601)
Sales taxes	12,772,000	12,772,000	12,378,575	(393,425)
Utility taxes	6,690,000	6,690,000	8,326,255	1,636,255
Other taxes	160,000	160,000	214,692	54,692
Total business taxes	<u>34,822,000</u>	<u>34,822,000</u>	<u>36,094,921</u>	<u>1,272,921</u>
Licenses and permits	1,805,600	1,805,600	2,019,968	214,368
Municipal court fines	5,295,000	5,295,000	4,987,450	(307,550)
Charges for services	7,249,400	7,254,400	7,270,872	16,472
Intergovernmental	201,800	201,800	247,707	45,907
Miscellaneous	273,800	438,800	353,400	(85,400)
Investment income	335,000	345,433	249,430	(96,003)
<b>TOTAL REVENUES</b>	<b><u>63,927,600</u></b>	<b><u>64,108,033</u></b>	<b><u>65,285,064</u></b>	<b><u>1,177,031</u></b>
<b>EXPENDITURES</b>				
<b>Current</b>				
<b>General Government</b>				
Council	120,179	124,264	97,284	26,980
Mayor	421,386	415,686	399,747	15,939
Budget	199,808	205,508	201,376	4,132
Municipal court	1,649,874	1,644,323	1,539,707	104,616
City Controller	1,205,364	1,256,772	1,153,889	102,883
Tax	548,505	579,413	571,377	8,036
Purchasing	250,658	247,208	237,196	10,012
Legal	1,003,818	998,535	884,153	114,382
City secretary	262,823	331,106	317,228	13,878
Elections	500	392	276	116
Human resources	668,014	744,620	689,714	54,906
Civil service	12,111	12,112	8,562	3,550
City marshal	449,771	453,573	451,356	2,217
Community relations	649,486	719,349	685,486	33,863
Mayor's action line	279,722	276,722	265,541	10,981
Planning	329,414	338,613	294,550	44,063
Planning/development administration	116,107	116,107	115,707	400
Neighborhood network	294,719	378,451	240,115	138,336
Inspections	1,675,090	1,665,090	1,566,547	98,543
Property management	719,498	835,149	603,910	231,239
Technology	525,000	644,819	55,971	588,848
Other charges	1,461,225	262,061	255,071	6,990
<b>Total General Government</b>	<b><u>12,843,072</u></b>	<b><u>12,249,873</u></b>	<b><u>10,634,963</u></b>	<b><u>1,614,910</u></b>
<b>Public Safety</b>				
Public safety administration	246,949	186,599	176,759	9,840
Emergency preparedness	269,100	269,120	270,242	(1,122)
Fire fighting	2,964,772	3,280,693	3,236,188	44,505
Fire prevention	912,585	873,035	857,191	15,844
Police	19,869,144	22,808,930	23,025,805	(216,875)
Police civilian	3,483,361	3,486,048	3,663,511	(177,463)
<b>Total Public Safety</b>	<b><u>27,745,911</u></b>	<b><u>30,904,425</u></b>	<b><u>31,229,696</u></b>	<b><u>(325,271)</u></b>
<b>Public Works</b>				
Public works administration	252,226	254,226	252,870	1,356
Engineering	1,500,099	1,728,998	1,659,826	69,172
Street lighting and signals	990,000	1,010,000	1,137,923	(127,923)
Sanitation	6,480,949	6,674,973	6,535,314	139,659
Street and bridge	4,283,381	4,284,734	4,245,442	39,292
Traffic and transportation	1,109,172	1,107,855	1,061,999	45,856
<b>Total Public Works</b>	<b><u>14,615,827</u></b>	<b><u>15,060,786</u></b>	<b><u>14,893,374</u></b>	<b><u>167,412</u></b>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Health</b>				
Health	1,409,996	1,412,136	1,355,889	56,247
Animal rescue and assistance	752,200	763,700	733,904	29,796
<b>Total Health</b>	<b>\$ 2,162,196</b>	<b>\$ 2,175,836</b>	<b>\$ 2,089,793</b>	<b>\$ 86,043</b>
<b>Culture and Recreation</b>				
Leisure services administration	\$ 231,260	\$ 231,300	\$ 216,678	\$ 14,622
Parks	2,937,315	2,960,363	2,836,080	124,283
Recreation	1,962,640	1,953,312	1,828,099	125,213
Clean streets	910,494	809,077	792,274	16,803
Golf course	634,823	610,823	583,950	26,873
Multi-purpose center	436,174	451,359	416,216	35,143
Civic center	671,060	691,532	707,753	(16,221)
Senior center - Madison Jobe	450,524	469,774	433,128	36,646
Library	2,748,404	2,792,858	2,816,629	(23,771)
<b>Total Culture and Recreation</b>	<b>10,982,694</b>	<b>10,970,398</b>	<b>10,630,807</b>	<b>339,591</b>
<b>TOTAL EXPENDITURES</b>	<b>68,349,700</b>	<b>71,361,318</b>	<b>69,478,633</b>	<b>1,882,685</b>
<b>(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES</b>	<b>(4,422,100)</b>	<b>(7,253,285)</b>	<b>(4,193,569)</b>	<b>3,059,716</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,700,000	1,700,000	1,700,000	-
Transfers out	(625,000)	(713,800)	(627,603)	86,197
Sale of capital assets	400,000	400,000	-	(400,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,475,000</b>	<b>1,386,200</b>	<b>1,072,397</b>	<b>(313,803)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(2,947,100)</b>	<b>(5,867,085)</b>	<b>(3,121,172)</b>	<b>2,745,913</b>
<b>FUND BALANCES - BEGINNING</b>	<b>15,339,025</b>	<b>16,518,992</b>	<b>16,518,992</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 12,391,925</b>	<b>\$ 10,651,907</b>	<b>\$ 13,397,820</b>	<b>\$ 2,745,913</b>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2004**

	<b>Business-type Activities - Enterprise Fund</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer System</b>		
<b><u>ASSETS</u></b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 112,810		\$ -
Investments			
TexPool	2,335,335		16,800,799
CLASS	869,232		-
GNMA	8,933		6,746
Receivables (net of allowances for uncollectible)	3,649,194		7,442
Due from other funds	122,095		131,969
Inventory, at cost	-		412,504
Restricted assets			
Investments			
Texpool	1,634,435		-
CLASS	46,751,029		-
<b>Total Current Assets</b>	<b><u>55,483,063</u></b>		<b><u>17,359,460</u></b>
<b>Noncurrent Assets</b>			
Deposits	<b><u>529,600</u></b>		<b><u>110,000</u></b>
Deferred charges - revenue bond issuance costs, bond insurance premium and administrative cost recovery fees	<b><u>955,555</u></b>		<b><u>-</u></b>
Capital assets			
Land	1,238,951		602
Buildings and building improvements	6,491,271		2,086,911
Accumulated depreciation - buildings and building improvements	(4,269,405)		(1,612,063)
Facilities and other improvements	5,333,900		175,754
Accumulated depreciation - facilities and other improvements	(1,842,794)		(30,531)
Machinery and equipment	12,672,197		4,336,263
Accumulated depreciation - machinery and equipment	(6,981,460)		(3,293,922)
Infrastructure	204,305,808		9,882
Accumulated depreciation - infrastructure	(62,111,603)		(5,237)
Automotive	600,428		28,530,899
Accumulated depreciation - automotive	(119,262)		(18,658,636)
Construction in progress	39,312,991		-
Net capital assets	<b><u>194,631,022</u></b>		<b><u>11,539,922</u></b>
<b>Total Noncurrent Assets</b>	<b><u>196,116,177</u></b>		<b><u>11,649,922</u></b>
<b>TOTAL ASSETS</b>	<b><u>\$ 251,599,240</u></b>		<b><u>\$ 29,009,382</u></b>

	<b>Business-type Activities - Enterprise Fund</b>		<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer System</b>		
<b><u>LIABILITIES</u></b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 1,241,322	\$	626,718
Accrued payroll payable	108,166		78,168
Revenue bonds payable - current	2,622,500		-
Deferred water charges debt - City of Houston	567,941		-
Environmental violation penalty payable	234,500		-
Due to other funds	4,609		96,495
Claims payable	-		3,121,139
Compensated absences payable	190,672		112,832
Customer deposits	1,773,897		-
Liabilities payable from restricted assets			
Accounts payable	444,752		-
Revenue bonds payable	1,592,500		-
<b>Total Current Liabilities</b>	<b>8,780,859</b>		<b>4,035,352</b>
<b>Noncurrent Liabilities</b>			
Deferred water charges debt - City of Houston	1,987,795		-
Revenue bonds payable (net of unamortized discounts/premium and deferred amount on refunding \$68,438)	83,017,819		-
Claims payable	-		2,080,760
Compensated absences payable	1,716,055		1,015,489
<b>Total Noncurrent Liabilities</b>	<b>86,721,669</b>		<b>3,096,249</b>
<b>TOTAL LIABILITIES</b>	<b>95,502,528</b>		<b>7,131,601</b>
<b><u>NET ASSETS</u></b>			
Invested in capital assets, net of related debt	154,149,232		11,539,922
Restricted for debt service	1,634,435		-
Unrestricted	313,045		10,337,859
<b>TOTAL NET ASSETS</b>	<b>156,096,712</b>	<b>\$</b>	<b>21,877,781</b>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	<b>(995,009)</b>		
Net assets of business-type activities	<b>\$ 155,101,703</b>		

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, 2004**

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer System</b>	
<b>OPERATING REVENUES</b>		
Charges for sales and services	<b>\$ 25,175,410</b>	<b>\$ 22,317,387</b>
<b>OPERATING EXPENSES</b>		
Personnel services	7,177,046	4,803,236
Contractual services	5,368,098	1,290,175
Material and supplies	1,276,497	3,143,608
Maintenance charges	1,000,638	1,031,405
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	154,086	-
Operating, maintenance and water charges - Southeast Water Purification Plant	5,135,193	-
Insurance/reinsurance premiums	-	2,380,669
Claims and legal expenses	-	11,593,256
Administration fees	-	327,737
Miscellaneous	-	10,395
Depreciation	6,497,287	4,094,881
<b>TOTAL OPERATING EXPENSES</b>	<b>26,608,845</b>	<b>28,675,362</b>
<b>OPERATING (LOSS)</b>	<b>(1,433,435)</b>	<b>(6,357,975)</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Gain on sale of capital assets	-	58,456
Investment income	566,111	206,665
Interest expense on bonds	(3,326,664)	-
Amortization	(89,413)	-
Fiscal agent fees	(2,102)	-
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(2,852,068)</b>	<b>265,121</b>
<b>(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(4,285,503)</b>	<b>(6,092,854)</b>
CAPITAL CONTRIBUTIONS	1,217,039	40,008
TRANSFERS IN	-	3,140,000
TRANSFERS OUT	(1,963,531)	(2,344,898)
<b>CHANGE IN NET ASSETS</b>	<b>(5,031,995)</b>	<b>(5,257,744)</b>
<b>TOTAL NET ASSETS - BEGINNING</b>		<b>27,135,525</b>
<b>TOTAL NET ASSETS - ENDING</b>		<b>\$ 21,877,781</b>
<b>ADJUSTMENT TO REFLECT THE CONSOLIDATION OF INTERNAL SERVICE FUND ACTIVITIES RELATED TO ENTERPRISE FUND</b>	<b>(614,528)</b>	
<b>CHANGE IN NET ASSETS OF BUSINESS-TYPE ACTIVITIES (page 26)</b>	<b>\$ (5,646,523)</b>	

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, 2004**

	<b>Business-type Activities - Enterprise Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Water and Sewer System</b>	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Cash received from customers	\$ 25,556,007	\$ 22,182,963
Cash payments to suppliers for goods and services	(14,300,360)	(5,211,397)
Cash payments to employees for services	(7,146,760)	(4,844,353)
Cash payments for insurance premiums, liability claims and administration	-	(13,271,967)
<b>NET CASH PROVIDED BY AND (USED FOR) OPERATING ACTIVITIES</b>	<b>4,108,887</b>	<b>(1,144,754)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>		
Transfers (to)/from other funds		
General	(1,700,000)	600,000
General liability insurance	(250,000)	-
Water and sewer system	-	250,000
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,950,000)</b>	<b>850,000</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>		
Proceeds from sale of capital assets	-	154,642
Acquisition and construction of capital assets	(6,756,937)	(1,695,837)
Arbitrage rebate paid to United States Treasury	(1,583,556)	-
Principal paid on revenue bonds	(4,090,000)	-
Principal paid on deferred water charges debt - City of Houston	(158,682)	-
Interest and fiscal agent fees paid on revenue bonds	(4,165,762)	-
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(16,754,937)</b>	<b>(1,541,195)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Purchase of investments	(16,215,804)	(16,452,790)
Proceeds from sale and maturities of investments	30,231,267	18,082,074
Investment income received	666,019	206,665
<b>NET CASH PROVIDED BY INVESTING ACTIVITIES</b>	<b>14,681,482</b>	<b>1,835,949</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>85,432</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>27,378</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ 112,810</b>	<b>\$ -</b>



	<b>Business-type Activities - Enterprise Fund</b>	
	<b>Water and Sewer System</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATION ACTIVITIES</b>		
Operating (loss)	<b>\$ (1,433,435)</b>	<b>\$ (6,357,975)</b>
<b>Adjustments to reconcile operating (loss) to net cash provided by (used for) operating activities</b>		
Depreciation	6,497,287	4,094,881
Changes in assets and liabilities		
(Increase) in accounts receivables	-	(7,442)
(Increase) in due from other funds	(26,374)	(126,982)
Decrease in inventory	-	44,087
Decrease in prepaid insurance	-	51,127
(Increase) decrease in deposits	(71,103)	15,000
Increase (decrease) in accounts and claims payable	(1,142,617)	1,204,330
(Decrease) in accrued payroll liabilities	(213,509)	(131,685)
Increase in compensated absences payable	30,287	89,074
(Decrease) in due to other funds	(9,722)	(19,169)
Increase in customer deposits	478,073	-
<b>Total Adjustments</b>	<b>5,542,322</b>	<b>5,213,221</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>\$ 4,108,887</b>	<b>\$ (1,144,754)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>		
Contribution of capital assets from the government	\$ 1,217,039	\$ 40,008
Transfer of capital assets to the government	(13,531)	(54,898)

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**

**INDEX**

	<u>Page</u>
<b>I. <u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u></b>	
<b>A. Reporting Entity</b> .....	39
<b>B. Government-Wide and Fund Financial Statements</b> .....	40
<b>C. Measurement Focus and Basis of Accounting and         Financial Statement Presentation</b> .....	41
<b>D. Assets, Liabilities and Net Assets or Equity</b>	
1. Cash, Cash Equivalents and Investments .....	43
2. Receivables and Payables .....	43
3. Inventories and Prepaid Items .....	43
4. Restricted Assets .....	44
5. Capital Assets .....	44
6. Compensated Absences .....	44
7. Long-Term Debt, Bond Discounts/Premiums and Issuance Costs .....	45
8. Fund Equity .....	45
<b>II. <u>RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS</u></b>	
<b>A. Explanation of Certain Differences Between the Governmental Fund         Balance Sheet and the Government-Wide Statement of Net Assets</b> .....	45
<b>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</b> .....	46
<b>III. <u>STEWARDSHIP, COMPLIANCE and ACCOUNTABILITY</u></b>	
<b>A. Budgetary Information</b> .....	47
<b>B. Excess of Expenditures over Appropriations</b> .....	48
<b>C. Deficit in Fund Equity</b> .....	50
<b>IV. <u>DETAILED NOTES ON ALL FUNDS</u></b>	
<b>A. Deposits and Investments</b> .....	50

<b>B. Property Tax Calendar and Receivables</b>	
1. Property Tax Calendar .....	51
2. Receivables .....	52
<b>C. Restricted Assets .....</b>	<b>53</b>
<b>D. Capital Assets</b>	
1. Governmental Activities .....	53
2. Business-Type Activities .....	54
3. Depreciation Expenses .....	54
<b>E. Construction Commitments .....</b>	<b>55</b>
<b>F. Interfund Receivables, Payables and Transfers</b>	
1. Due to/from other funds .....	57
2. Due to/from Primary Government and Component units .....	58
3. Interfund Transfers .....	58
<b>G. Long-Term Debt</b>	
1. Governmental Activities .....	58
2. Business-Type Activities .....	61
3. Defeasance of Debt .....	62
4. Rebatable Arbitrage .....	62
5. Voter Authorized Obligations .....	62
6. Legal Debt Margin .....	62
7. Changes in Long-Term Liabilities .....	62
<b>V. <u>OTHER INFORMATION</u></b>	
<b>A. Risk Management .....</b>	<b>64</b>
<b>B. Commitments and Contingent Liabilities</b>	
1. Commitments .....	66
2. Litigation .....	66
3. Federal and State Grants .....	66
<b>C. Other Post-Employment Benefits .....</b>	<b>66</b>
<b>D. Employee Retirement Systems and Pension Plans</b>	
1. Texas Municipal Retirement System .....	67
2. Volunteer Firemen's Relief and Retirement Pension Trust Fund/Texas Statewide Emergency Services Personnel Retirement Fund .....	68
<b>E. Subsequent Events .....</b>	<b>70</b>

**CITY OF PASADENA, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2004**

**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 governmental units. 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 governmental units. 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 November 30, 1989 for its business-type activities and enterprise fund unless they conflict with GASB pronouncements. The City has the option to continue following subsequent private-sector standards issued after November 30, 1989 and the City has elected not to do so.

**A. Reporting Entity**

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

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

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

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

## **B. Government-Wide and Fund Financial Statements**

### **Government-Wide Financial Statements**

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

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

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

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

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

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

### **Fund Financial Statements**

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

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

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



Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

#### **Government-Wide Financial Statements**

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

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

#### **Fund Financial Statements**

##### **Governmental Funds**

The governmental fund financial statements are presented using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. This is the manner in which these funds (general, debt service, and four of the special revenue funds) 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 30 days of the end of the current fiscal period. 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 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 from the Department of Housing and Urban Development, and Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement Agencies Grants from the Department of Treasury and the Department of Justice.

### **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, CLASS, and GNMA Pool. Investments in TexPool, LOGIC, and CLASS operate like a "2a7-like" pool and are reported at amortized cost. Investments in GNMA Pool are reported at fair value.

### **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, 2004.

### **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:

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

#### **6. Compensated Absences**

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

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

Employees with a hire date after March 3, 1992, are allowed a maximum of 30 days of earned vacation to be paid upon retirement or termination.

After three years of employment, an employee is entitled to payment for unused sick leave upon termination of their employment up to 90 days. Any sick leave accrued over 90 days can only be used for illness while in the employ of the City.

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

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

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

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

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

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

**8. Fund Equity**

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

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this \$89,207,393 difference are as follows:

Bonds Payable	\$ 72,550,913
Add: bond premiums	1,079,684
Less: deferred loss on refunded bonds	(570,951)
Less: issuance costs	(614,068)
Accrued interest payable	1,286,729
Compensated absences	15,475,086
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 89,207,393</u>

Another element of that reconciliation explains that “Internal service funds are used by management to charge the technical services, warehouse, fleet, facilities operations, mail room, risk management in regards to workers’ compensation claims, general liabilities and health care benefits to individual funds. The assets and liabilities of the internal service

funds are included in governmental activities in the statement of net assets.” The details of this \$22,872,790 difference are as follows:

Net assets of the internal service funds	\$ 21,877,781
Add: Internal receivable representing charges less the cost to business-type activities - prior year	380,481
Add: Internal receivable representing charges less the cost to business-type activities - current year	<u>614,528</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 22,872,790</u>

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

The governmental fund *statement of revenues, expenditures, and changes in fund balances* includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide *statement of activities*. One element of that reconciliation explains that “Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this \$16,857,030 difference are as follows:

Capital Outlay	\$ 23,056,058
Depreciation	<u>(6,199,028)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 16,857,030</u>

Another element of that reconciliation states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$8,351,747 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ 36,140,000
Add: bond premiums	1,259,946
Less: issuance costs	(1,246,769)
Less: refunded bonds	(18,750,000)
Less: principal repayments	<u>(9,051,430)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 8,351,747</u>

Another element of that reconciliation states that “Some expenses reported in the *statement of activities* do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this \$315,500 difference are as follows:

Compensated absences	\$ 310,687
Accrued interest	(3,545)
Amortization of bond issuance costs	(60,116)
Amortization of bond premiums	<u>68,474</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 315,500</u>

Another element of that reconciliation states that “Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mail room, risk management in regards to workers’ compensation claims, general liabilities, health care benefits to individual funds. The net revenue (expense) of certain activities of internal service funds is reported with governmental activities.” The details of this \$4,643,216 differences are as follow:

Change in net assets of the internal service funds	\$ 5,257,744
Less: Profits from charges from business-type activities	<u>(614,528)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 4,643,216</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), enterprise, and internal service funds. All the budgets are prepared on a basis consistent with generally accepted accounting principles. Capital projects and grant management funds 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 reserve that portion of the applicable appropriation - is utilized in the governmental funds. Encumbrances outstanding at the fiscal year end are reported as a reserve 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 \$3,100,418. This increase was necessary to fund the retirement and termination payout for numerous high ranking police department employees, construction of the new police crime lab, and additional salaries and benefits for the new hires in the engineering department.

**B. Excess of Expenditures over Appropriations**

For the fiscal year ended September 30, 2004 expenditures exceeded the budget at the object level as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<b>General Fund</b>			
<b>General Government</b>			
City Council			
Personnel services	\$ 34,015	\$ 34,357	\$ (342)
Municipal Court			
Maintenance charges	177,101	178,177	(1,076)
City Controller's Office			
Maintenance charges	64,524	65,109	(585)
Tax			
Personnel services	220,883	222,596	(1,713)
Other charges	-	185	(185)
City Secretary			
Maintenance charges	30,356	30,695	(339)
Human Resources			
Maintenance charges	54,309	54,915	(606)
City Marshal			
Personnel services	362,270	367,532	(5,262)
Community Relations			
Personnel services	373,715	376,843	(3,128)
Maintenance charges	63,971	64,091	(120)
Planning/Development Administration			
Personnel services	109,028	111,741	(2,713)
Property Management			
Personnel services	142,318	142,399	(81)



	Appropriation	Expenditures	Excess
<b>General Fund</b>			
<b>Public Safety</b>			
Emergency Preparedness			
Personnel services	159,024	163,748	(4,724)
Fire Fighting			
Contractual services	822,000	826,593	(4,593)
Maintenance charges	1,620,410	1,624,500	(4,090)
Fire Prevention			
Maintenance charges	121,122	121,155	(33)
Police			
Personnel services	18,803,096	18,963,466	(160,370)
Contractual services	568,750	631,588	(62,838)
Maintenance charges	2,293,734	2,301,643	(7,909)
Other charges	-	15	(15)
Police Civilian			
Personnel services	3,467,363	3,646,171	(178,808)
<b>Public Works</b>			
Engineering			
Personnel services	1,381,553	1,381,715	(162)
Street Lighting and Signals			
Contractual services	1,010,000	1,137,923	(127,923)
Sanitation			
Maintenance charges	544,632	551,280	(6,648)
Street and Bridge			
Personnel services	2,498,735	2,504,183	(5,448)
Maintenance charges	614,783	615,141	(358)
<b>Health</b>			
Animal Rescue and Assistance			
Maintenance charges	58,552	58,891	(339)
Other charges	-	458	(458)
<b>Culture and Recreation</b>			
Leisure Services Administration			
Contractual services	1,685	3,563	(1,878)
Parks			
Maintenance charges	379,479	390,685	(11,206)
Other charges	-	8	(8)
Recreation Center			
Maintenance charges	164,920	165,958	(1,038)
Clean Streets			
Personnel services	639,059	639,970	(911)
Golf Course			
Other charges	-	88	(88)
Civic Center			
Contractual services	131,504	142,476	(10,972)
Maintenance charges	170,050	181,420	(11,370)
Senior Center - Madison Jobe			
Personnel services	294,595	294,815	(220)
Other charges	11,750	53,198	(41,448)
Library			
Personnel services	1,981,526	1,983,492	(1,966)
Contractual services	235,995	249,365	(13,370)
Maintenance charges	260,935	263,639	(2,704)
Capital Outlay	207,500	220,736	(13,236)

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

**C. Deficit in Fund Equity**

The health insurance fund had a deficit fund equity of \$333,617 as of September 30, 2004. The deficit was caused by rapid rising health care costs. The City is increasing the amount of contribution made by each department for their share of the health care benefits in order to cover the deficit.

**IV. DETAILED NOTES TO ALL FUNDS**

**A. Deposits and Investments**

**Deposits**

**Primary Government**

At September 30, 2004, the carrying amount of the City's deposits with financial institutions was \$2,057,307 and the bank balances were \$3,459,717 as shown below:

The bank balances are categorized as follows:

Insured (FDIC)	\$ 500,000
Uninsured-Collaterized with securities pledged to the City and held by the pledging financial institution's trustee. These securities are not in the City's name, but they can not be released without the City's authorization	2,959,717
	<u>\$ 3,459,717</u>

**Investments**

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

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

Local Government Investment Cooperative ("LOGIC") and The Cooperative Liquid Assets Securities System -Texas ("CLASS") were organized to conform to the Texas Government Code - Interlocal Cooperation Act, Chapter 791 and the Public Funds Investment Act, Chapter 2256.

LOGIC's governing body is a five-member Board of Directors comprised of three government officials or employees and two other persons with expertise in public finance representing the general manager of LOGIC. LOGIC is required by the Public funds Investment Act to maintain an "AAA" rating. It has an "AAA/V-1+" rating from Fitch IBCA, Inc. which monitors the funds compliance with its rating requirements.

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

The City's investments could be categorized as either (1) insured or registered, or securities held by the City or its agent in the City's name, (2) uninsured and unregistered, with securities held by the counter party's trust department or agent in the City's name or (3) uninsured and unregistered, with securities held by the counter party or by its trust department or agent but not in the City's name. In general, participation in investment pools of other governments would not be categorized into one of the above three custodial credit risk categories since the investments are not evidenced by securities.

The investment balances were as follows:

Type of Investments	Categories			Fair Value	Cost
	1	2	3		
<b>Primary Government</b>					
Texpool		Not Applicable		\$ 44,590,303	\$ 44,590,303
LOGIC		Not Applicable		1,002,173	1,002,173
CLASS		Not Applicable		85,863,249	85,863,249
GNMA Pool		Not Applicable		15,679	14,940
				<u>\$ 131,471,404</u>	<u>\$ 131,470,665</u>
<b>Component Unit (Discretely Presented)</b>					
Texpool		Not Applicable		<u>\$ 3,014,461</u>	<u>\$ 3,014,461</u>

The fair value of GNMA is based on quoted market prices.

A reconciliation of cash and investments as shown on the *Statement of Net Assets* is as follows:

	Primary Government	Component Units	Reporting Entity
Cash on hand	\$ 102,912	\$ -	\$ 102,912
Carrying amount of deposits	2,057,307	-	2,057,307
Carrying amount of investments	131,471,404	3,014,461	134,485,865
	<u>\$ 133,631,623</u>	<u>\$ 3,014,461</u>	<u>\$ 136,646,084</u>
Cash and cash equivalents	\$ 1,009,487	\$ -	\$ 1,009,487
Cash and cash equivalents - restricted	1,150,732	-	1,150,732
Investments	33,937,414	3,014,461	36,951,875
Investments - restricted	97,533,990	-	97,533,990
	<u>\$ 133,631,623</u>	<u>\$ 3,014,461</u>	<u>\$ 136,646,084</u>

## **B. Property Tax Calendar and Receivables**

### **1. Property Tax Calendar**

The appraisal of property within the City is the responsibility of the Harris County Appraisal District ("Appraisal District"). Excluding agricultural and open-space land,

which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code to appraise all property within the Appraisal District on the basis of 100% of its market value.

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

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

The 2003 taxable assessed valuation of the City's property in the amount of \$4,346,638,596 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	\$ 0.317
Debt service	0.250
	<u>\$ 0.567</u>

## 2. Receivables

Receivables as of September 30, 2004, for the City's individual major funds and internal service in the aggregate, including allowance for uncollectible accounts, are as follows:

	General	Debt Service	Pasadena Second Century Corporation	Grant Management	Water and Sewer System	Internal Service	Total
Receivables							
Taxes	\$ 1,707,315	\$ 1,482,469	\$ 495,297	\$ -	\$ -	\$ -	\$ 3,685,081
Accounts	3,309,737	-	3,400	-	4,016,988	7,442	7,337,567
Less: allowance for for uncollectible	<u>(1,298,000)</u>	<u>(1,038,000)</u>	-	-	<u>(367,794)</u>	-	<u>(2,703,794)</u>
	3,719,052	444,469	498,697	-	3,649,194	7,442	8,318,854
Intergovernmental - restricted	<u>40,577</u>	-	-	<u>1,578,393</u>	-	-	<u>1,618,970</u>
Net total receivables	<u>\$ 3,759,629</u>	<u>\$ 444,469</u>	<u>\$ 498,697</u>	<u>\$ 1,578,393</u>	<u>\$ 3,649,194</u>	<u>\$ 7,442</u>	<u>\$ 9,937,824</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 as follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 427,004
Delinquent property taxes receivable (Debt service fund)	342,020
Total deferred for governmental funds	<u>\$ 769,024</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	Non-major Governmental Funds	Water and Sewer Enterprise
Cash and cash equivalents	\$ -	\$ -	\$ 115,996	\$ -	\$ 981,769	\$ 52,967	\$ -
Investments	-	964,851	12,549,265	31,013,701	1,659,967	2,960,742	48,385,464
Intergovernmental receivables	40,577	-	-	-	1,578,393	-	-
	<u>\$ 40,577</u>	<u>\$ 964,851</u>	<u>\$ 12,665,261</u>	<u>\$ 31,013,701</u>	<u>\$ 4,220,129</u>	<u>\$ 3,013,709</u>	<u>\$ 48,385,464</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, 2004 was as follows:

#### 1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 123,924,463	\$ -	\$ -	\$ 123,924,463
Construction in progress	23,906,212	20,668,621	(7,184,625)	37,390,209
Total capital assets, not being depreciated	<u>147,830,675</u>	<u>20,668,621</u>	<u>(7,184,625)</u>	<u>161,314,672</u>
Capital assets, being depreciated:				
Buildings and building improvements	40,485,430	310,366	-	40,795,796
Facilities and other improvements	3,906,985	6,902	-	3,913,887
Machinery and equipment	14,309,482	271,462	(10,500)	14,570,444
Infrastructure	328,572,208	9,023,806	-	337,596,014
Automotive equipment	28,047,338	1,650,972	(1,167,411)	28,530,899
Total capital assets being depreciated:	<u>415,321,443</u>	<u>11,263,508</u>	<u>(1,177,911)</u>	<u>425,407,040</u>
Less accumulated depreciation for:				
Building and building improvements	(12,634,755)	(687,195)	-	(13,321,950)
Facilities and other improvements	(1,421,353)	(52,781)	-	(1,474,134)
Machinery and equipment	(10,760,769)	(1,057,054)	-	(11,817,823)
Infrastructure	(107,545,325)	(4,861,377)	-	(112,406,702)
Automotive equipment	(16,094,359)	(3,635,502)	1,071,225	(18,658,636)
Total accumulated depreciation	<u>(148,456,561)</u>	<u>(10,293,909)</u>	<u>1,071,225</u>	<u>(157,679,245)</u>
Total capital assets, being depreciated, net	<u>266,864,882</u>	<u>969,599</u>	<u>(106,686)</u>	<u>267,727,795</u>
Governmental activities capital assets, net	<u>\$ 414,695,557</u>	<u>\$ 21,638,221</u>	<u>\$ (7,291,311)</u>	<u>\$ 429,042,467</u>

## 2. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,238,950	\$ -	\$ -	\$ 1,238,950
Construction in progress	38,307,788	7,613,846	(6,608,643)	39,312,991
Total capital assets, not being depreciated	<u>39,546,738</u>	<u>7,613,846</u>	<u>(6,608,643)</u>	<u>40,551,941</u>
Capital assets, being depreciated:				
Buildings and building improvements	5,924,642	566,629	-	6,491,271
Facilities and other improvements	5,333,900	-	-	5,333,900
Machinery and equipment	12,618,433	53,764	-	12,672,197
Infrastructure	197,233,870	7,071,938	-	204,305,808
Automotive equipment	600,428	-	-	600,428
Total capital assets being depreciated:	<u>221,711,273</u>	<u>7,692,331</u>	<u>-</u>	<u>229,403,604</u>
Less accumulated depreciation for:				
Building and building improvements	(4,161,476)	(107,929)	-	(4,269,405)
Facilities and other improvements	(1,771,675)	(71,119)	-	(1,842,794)
Machinery and equipment	(4,692,152)	(2,289,308)	-	(6,981,460)
Infrastructure	(58,170,463)	(3,941,140)	-	(62,111,603)
Automotive equipment	(31,471)	(87,791)	-	(119,262)
Total accumulated depreciation	<u>(68,827,237)</u>	<u>(6,497,287)</u>	<u>-</u>	<u>(75,324,524)</u>
Total capital assets, being depreciated, net	<u>152,884,036</u>	<u>1,195,044</u>	<u>-</u>	<u>154,079,080</u>
Business-type activities capital assets, net	<u>\$ 192,430,774</u>	<u>\$ 8,808,890</u>	<u>\$ (6,608,643)</u>	<u>\$ 194,631,021</u>

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

### Governmental activities:

General Government	\$ 338,467
Public Safety	565,351
Public Works	4,737,917
Health	3,100
Culture and Recreation	554,193
Capital assets held by the City's internal service funds are charged to the various functions based on their usage of the assets	4,094,881
	<u>\$ 10,293,909</u>

### Business-type activities

Water and Sewer System	<u>\$ 6,497,287</u>
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## **E. Construction Commitments**

The government has active construction projects at year end with contractors as follows:

Projects	Project Appropriation	Amount Expended to Date
<b><u>Drainage</u></b>		
Bliss Meadows Drainage Improvements	\$ 44,470	\$ 32,245
Country Briar Drainage Improvements: Country Road to B115	95,324	34,984
Crenshaw Drainage: Allen Genoa to Vince Bayou	141,750	-
Darling Street Ditch	900,100	760,151
Design Ditch Improvements from Houston to Vince Bayou (Rustic Ditch)	196,031	154,737
Fairdale Drainage Improvements	22,780	22,339
Pine Street Drainage Phase I: Preston to Beltway 8	511,529	137,017
Westside Drainage Improvements: Llano to Vista	819,231	583,220
Young Street (Fox Meadow) Drainage Improvements	3,808,856	3,589,521
	<u>\$ 6,540,071</u>	<u>\$ 5,314,214</u>
<b><u>Fire</u></b>		
Construction of Fire Station No. 10	\$ 2,071,485	\$ 2,011,691
Rebuild Fire Station No. 2	229,960	9,510
	<u>\$ 2,301,445</u>	<u>\$ 2,021,201</u>
<b><u>Library</u></b>		
Central Library Renovations	\$ 322,478	\$ 234,246
<b><u>Municipal Facilities</u></b>		
Convention Center Levee Phase II: Entrance Ramps and Pumps	\$ 64,500	\$ 24,128
Police Crime Lab Construction	1,566,464	1,453,309
Design Sunset Recreation Center	629,585	595,141
Facility Improvements - Rodeo Arena Roof and Elevators Upgrade at Curtis	111,650	-
Pal Gym Renovations	503,010	442,716
Remodel of Brown and Root Offices	447,579	228,401
	<u>\$ 3,322,788</u>	<u>\$ 2,743,695</u>
<b><u>Parks</u></b>		
Armand Bayou Hike & Bike Trail	\$ 950,000	\$ 77,525
Construction of a Hike & Bike Trail from Strawberry to Burke/Crenshaw	218,600	-
Construction of Holly Bay Trail Spur	125,000	15,625
Highlands Park Renovation	137,855	5,100
Memorial Park Renovation	651,305	203,623
Preston/Crenshaw Nature Park	25,000	8,105
Sunset Park Renovations	354,039	350,949
Village Grove Pedestrian Bridge Construction	27,100	10,735
	<u>\$ 2,488,899</u>	<u>\$ 671,662</u>
<b><u>Traffic</u></b>		
Installation of Computerized Traffic Control System	\$ 350,000	\$ 302,137
Installation of Traffic Signal Pre-emption	150,000	86,372
Intersection Redesign	283,214	229,214
	<u>\$ 783,214</u>	<u>\$ 617,723</u>

Projects	Project Appropriation	Amount Expended to Date
<b><u>Police</u></b>		
Construction of the Police Academy Driving Track Phase II	\$ 817,430	\$ 354,941
Design and Construction of a New Police Complex	468,555	193,951
Police Communication Improvements	544,398	496,196
	<u>\$ 1,830,383</u>	<u>\$ 1,045,088</u>
<b><u>Streets</u></b>		
Allendale Street Reconstruction and Appurtenances Project	\$ 6,276,745	\$ 5,543,557
Allendale Phase II: Old Allendale-Oaks to Shaver	603,414	445,932
Bridge Improvements	330,668	200,418
Design Lanes on Garner from Shaver to Pasadena	372,205	120,184
Engineering for Pasadena Blvd from Beltway 8 to Jasmine	406,300	306,109
Engineering for Strawberry and Burke Road	900,000	203,519
Extension of Preston from Beltway 8 to Genoa Red Bluff	157,293	14,030
Extension of Vista Rd. From Beltway 8 to Jana	400,000	337,364
Highway 225 Beautification	166,750	148,234
Improvement of Jackson Street from Scarborough Lane to Pasadena Blvd	5,466,362	5,140,643
Jana Extension & Widening Phase I: Fairmont to Spencer	60,000	17,898
Pasadena Blvd Phase V: SH 225 to Laird	37,866	35,121
Pasadena Blvd Phase VI: Southmore to Strawberry	108,000	-
Reconstruction of Beusch Street from Strawberry to Claremont	1,943,992	862,788
Reconstruction of Strawberry Road Phase I: Spencer to Vista	1,597,074	1,507,748
Reconstruction of Strawberry Road Phase II: Jackson to Harris	500,000	8,400
Reconstruction of Strawberry Road Phase III: Spencer to Cherrybrook	518,823	320,367
Sidewalk Improvements	976,396	483,407
	<u>\$ 20,821,888</u>	<u>\$ 15,695,719</u>
<b><u>Water</u></b>		
Construction of 2 New Elevated Water Tanks and Improvements	\$ 4,002,510	\$ 1,347,704
Design of New Water Transmission Line	1,267,436	992,595
Improvements to New Ground Storage Tanks	378,000	335,594
	<u>\$ 5,647,946</u>	<u>\$ 2,675,893</u>
<b><u>Wastewater</u></b>		
Design New Lift Station and Forcemain on Vince Bayou	\$ 8,563,469	\$ 7,854,755
Engineering of Deepwater Sanitary Sewer	200,000	173,380
Engineering of Force Main Modification	60,350	22,077
Engineering for Lift Station Modification	207,020	203,876
Lift Station Modification	1,850,707	1,803,137
New Vince Bayou Wastewater Treatments Plant	17,982,580	16,514,492
Replacement of Sewer and Water Lines on Crenshaw from Anthony to Jana	2,185,683	2,129,062
Replacement of Strawberry Trunkline: Witter to Pasadena	573,566	528,870
Replacement of Strawberry Trunkline III: Harris to Pasadena	953,830	940,525
Replacements of Elcary, Crenshaw, and Pansy Lift Stations	2,407,095	2,212,887
Wastewater Rehabilitation	63,281	54,995
	<u>\$ 35,047,581</u>	<u>\$ 32,438,056</u>



**Pasadena Second Century Corporation has several outstanding projects as of September 30, 2004**

Projects	Project Appropriation	Amount Expended to Date
<b><u>Municipal Facilities</u></b>		
Update Sports Complex and Maintain Facility	\$ 600,000	\$ -
<b><u>Parks</u></b>		
Armand Bayou Hike & Bike Trail	\$ 1,250,000	\$ -
Construction of a Hike & Bike Trail from Strawberry to Burke/Crenshaw	500,000	7,008
Construction of Holly Bay Trail Spur	100,000	-
Design and Construct Vince Bayou Trail Phase II	1,000,000	-
	<u>\$ 2,850,000</u>	<u>\$ 7,008</u>
<b><u>Streets</u></b>		
Allendale Street Reconstruction and Appurtenances Project	\$ 145,426	\$ -
Extension of Vista Rd. From Beltway 8 to Jana	5,400,000	490,868
Jana Extension & Widening Phase I: Fairmont to Spencer	3,928,472	3,501,472
Pasadena Phase II - Red Bluff to Beltway 8 and Pansy to Strawberry	500,000	380,355
Pasadena Blvd Phase V: SH 225 to Laird	300,000	16,379
Reconstruction of Strawberry Road Phase II: Jackson to Harris	500,000	11,045
	<u>\$ 10,773,898</u>	<u>\$ 4,400,119</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, 2004, is as follows:

**1. Due to/from Other Funds:**

<u>Receivable Fund</u>	<u>Payable Fund</u>		<u>Amount</u>
<b>General</b>	Grant management	\$ 854,595	
	* Health insurance	<u>95,539</u>	\$ 950,134
<b>Debt service</b>	General		35,983
<b>Capital projects</b>	General		815,791
<b>Non-major governmental</b>	General		80,856
<b>Water and sewer system</b>	General	121,165	
	* Health insurance	<u>930</u>	122,095
<b>* Maintenance</b>	General	88,615	
	Capital projects	691	
	Grant management	7,068	
	Non-major governmental	104	
	Water and sewer system	4609	
<b>* Worker's compensation</b>	General	29,308	
	Grant management	1,121	
	Non-major governmental	428	
	Water and sewer system	<u>25</u>	131,969
	<b>Total</b>		<u><u>\$ 2,136,828</u></u>

\* Internal service funds

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

<u>Receiving Entity</u>	<u>Payable Entity</u>	<u>Amount</u>
Primary government - Grant management	Pasadena Crime Control and Prevention District	<b><u>\$ 2,793</u></b>

**3. Interfund Transfers:**

Transfer out:	<u>Transfer In:</u>				
	<u>General</u>	<u>Capital Projects</u>	<u>Grant Management</u>	<u>* General Liability Insurance</u>	<u>* Health Insurance</u>
General	\$ -	\$ -	\$ 27,603	\$ 600,000	\$ -
Water and Sewer System	1,700,000	-	-	250,000	-
* Workers' Compensation Insurance	-	-	-	350,000	940,000
* Maintenance	-	-	-	-	1,000,000
Pasadena Second Century Corporation	-	2,854,574	-	-	-
<b>Total</b>	<b><u>\$ 1,700,000</u></b>	<b><u>\$ 2,854,574</u></b>	<b><u>\$ 27,603</u></b>	<b><u>\$ 1,200,000</u></b>	<b><u>\$ 1,940,000</u></b>

\* Internal service funds

Transfers are used to move unrestricted funds from the general, water and sewer system, workers' compensation insurance, and maintenance funds to other 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, a net of \$1,203,508 capital assets of the general government was contributed to the enterprise fund. The government-wide statement of activities reflected this capital contribution as a transfer between governmental activities and business-type activities.

During the fiscal year, the Board of Directors for the Pasadena Second Century Corporation (City's blended component unit) authorized a transfer of \$2,854,574 to the City for the Allendale Street project. The Board opted to transfer the entire amount authorized to the City and have the City handle the payments to the contractors.

**G. Long-Term Debt**

**1. Governmental Activities**

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

The City issues general obligation bonds and certificates of obligation to provide funds for the construction and improvements of the City's infrastructures (i.e. streets, drainage, water and sewer systems, public safety, recreation, and culture facilities). In the past, the City has also refunded certain issues of general obligation bonds to take advantage of lower interest rates and even out debt payments. The original amount of general

obligation bonds and certificates of obligation issued in prior years was \$36,475,000. The original amount of general obligation refunding bonds was \$58,597,875.

During the current fiscal year, the City issued general obligation bonds, series 2003 in the amount of \$17,500,000 and general obligation refunding bonds, series 2004 in the amount of \$18,640,000.

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), and general obligation refunding bonds (GOB refunding) are currently outstanding as follows:

	Interest %	Maturity	Purpose	Installments	Amount
GOB, 1995	4.50 - 6.40	5/15/2008	Business-type	\$475,000	\$ 475,000
GOB Refunding, 1999	5.50	2/15/2007	Both	\$4,167,875	4,167,875
COB, 2001	4.00 - 5.50	2/15/2021	Governmental type	\$30,000 to \$1,150,000	13,885,000
GOB, 2002	3.50 - 5.00	2/15/2022	Governmental type	\$50,000 to \$1,195,000	16,200,000
GOB, 2003	3.25 - 5.25	2/15/2023	Governmental type	\$880,000 to \$1,375,000	17,500,000
GOB Refunding, 2004	2.00 - 5.00	2/15/2009	Both	\$2,515,000 to \$6,610,000	18,640,000
					\$ 70,867,875

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
2005	\$ 7,170,000	\$ 2,621,451	\$ 9,791,451
2006	6,785,000	2,413,614	9,198,614
2007	4,252,875	4,124,689	8,377,564
2008	5,720,000	2,158,751	7,878,751
2009	5,465,000	1,920,945	7,385,945
2010-2014	14,595,000	7,670,934	22,265,934
2015-2019	16,330,000	4,250,389	20,580,389
2020-2023	10,550,000	794,464	11,344,464
	\$ 70,867,875	\$ 25,955,237	\$ 96,823,112

### **Other Long-Term Notes**

- (a) \$464,535 long-term notes dated November, 1997, payable from the General Fund revenues, interest at 5.863%, due in ten annual installment of \$61,812 to fund the balance owed to the Office of Fire Fighters' Pension Commission, State of Texas on prior service costs of Volunteer Firefighters' retirement. The original principal of the note was changed from \$588,099 to \$464,535 due to a revision made to the initial cost study.
- (b) \$5,295,000 Tax Notes, Series 2000 dated August 15, 2000, interest at 4.5 to 6.00%, due in seven installments of \$220,000 to \$2,590,000 through February 15, 2007 were issued by the City to finance certain equipment and capital expenditures (i.e. fleet cars, fire vehicles, equipment, a truck weigh station, and other public projects). This obligation is authorized by action of the City Council and is a direct obligation of the City, payable from the ad valorem tax levied on taxable property located within the City. The principal due amount of \$1,585,000 on February 15, 2007 was refunded by the general obligation refunding bonds, series 2004.

- (c) \$5,000,000 Sales Tax Revenue Notes, Series 1999 dated May 1, 1999, interest at 4.55%, due in installments of \$910,000 to \$1,095,000 through February 15, 2004 were issued by the City's blended component unit – Pasadena Second Century Corporation to fund the cost of certain capital improvement projects. The notes are payable and secured solely from sales and use tax collections. This note was completely paid off at this current fiscal year.

Annual debt service requirements to maturity for these long-term notes are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2005	\$ 342,854	\$ 70,608	\$ 413,462
2006	275,952	56,035	331,987
2007	1,064,232	25,192	1,089,424
	\$ 1,683,038	\$ 151,835	\$ 1,834,873
	\$ 1,683,038	\$ 151,835	\$ 1,834,873

### **Advance and Current Refundings**

The City issued \$18,640,000 general obligation refunding bonds, series 2004 with average interest rate of 1.87% to current refund \$15,590,000 of 1994 general obligation refunding bonds with an average interest rate of 5.85%, and to advance refund \$1,575,000 of 1995 general obligation bonds with an average rate of 4.5% and \$1,585,000 tax notes, series 2000 with an average interest rate of 4.5%.

The net proceeds of \$19,433,731 (after premiums of \$1,032,812 and payment of issuance costs of \$239,081) were deposited in an irrevocable trust with an escrow agent to provide fund (\$16,113,741) for the immediate recall of 1994 general obligation refunding bonds and the balance (\$3,319,990) to purchase U.S. government securities for all future debt service payments related to 1995 general obligation bonds and tax notes, series 2000.

As a result, the 1994 general obligation refunding bonds, and \$1,575,000 (\$500,000, \$525,000 and \$550,000 due on February 15, 2006, 2007 and 2008) of 1995 general obligation bonds and \$1,585,000 (due on February 15, 2007) of tax notes, series 2000 are considered to be defeased and the corresponding liability for those bonds has been removed from the governmental activities column of the statement of net assets.

The purpose of this current and advance refunding was to take advantage of the current low interest rate and to reduce the total debt service payments. The reacquisition price exceeded the net carrying amount of old debt by \$683,731. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. The transaction in effect reduced the debt service payments by \$595,921 and obtained an economic gain (difference between present value of the debt service payments on the new and old debt) of \$808,275.

## 2. Business-Type Activities

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

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

	Interest %	Maturity	Purpose	Installments	Amount
\$1,540,000 Revenue bonds, 1996	5.50 - 7.00	4/1/2011	Sanitary sewer	\$65,000 to \$150,000	\$ 875,000
\$7,105,000 Refunding, 1998	5.88 - 6.00	4/1/2009	Water and sewer	\$365,000 to \$1,050,000	4,630,000
\$31,370,000 Revenue bonds, 1998A	2.00 - 3.40	4/1/2019	New WWTP	\$5,000 to \$2,355,000	27,390,000
\$17,720,000 Revenue COB, 1999	5.00 - 6.50	10/1/2014	Water and sewer	\$780,000 to \$1,690,000	13,345,000
\$42,220,000 Revenue COB, 2002	4.50 - 5.625	4/1/2032	Water and sewer	\$565,000 to \$2,795,000	41,055,000
					<u>\$ 87,295,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2005	\$ 4,215,000	\$ 3,971,887	\$ 8,186,887
2006	4,335,000	3,774,322	8,109,322
2007	4,500,000	3,569,451	8,069,451
2008	4,640,000	3,356,027	7,996,027
2009	4,350,000	3,159,895	7,509,895
2010-2014	21,525,000	13,188,613	34,713,613
2015-2019	17,040,000	8,975,171	26,015,171
2020-2024	8,090,000	6,095,738	14,185,738
2025-2029	10,655,000	3,579,994	14,234,994
2030-2032	7,945,000	640,893	8,585,893
	<u>\$ 87,295,000</u>	<u>\$ 50,311,991</u>	<u>\$ 137,606,991</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 \$47,328.44 towards to this deferred debt. As of September 30, 2004, the deferred debt amount was \$2,555,736.

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

Fiscal Year Ending September 30,	Principle
2005	\$ 567,941
2006	567,941
2007	567,941
2008	567,941
2009	283,972
	<u>\$ 2,555,736</u>

### **3. Defeasance of Debt**

In prior and current fiscal years, certain outstanding bonds were defeased by placing proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts and defeased bonds are not included in the financial statements. At September 30, 2004, \$3,160,000 of outstanding general obligation bonds and tax notes (governmental activities) and \$4,560,000 of waterworks and sewer system revenue bonds (business-type activities) are considered defeased.

### **4. Rebatable Arbitrage**

The Waterworks and Sewer System Revenue Bonds, Series 1998A (the Revenue Bonds) has a rebatable arbitrage of \$1,583,556 for the period beginning November 18, 1998, the delivery date of the Revenue Bonds to November 18, 2003. This rebate liability was paid to the Department of Treasury in January, 2004. The Revenue Bonds were issued for the purpose of constructing a new wastewater treatment plant. The City is treating the rebatable arbitrages as a reduction of revenue since the rebatable arbitrage resulted from interest earnings, which are subject to capitalization under provision of FASB Statement No. 62. Under the revenue reduction approach, the City is effectively spreading the impact of rebatable arbitrage over the life of the new wastewater treatment plant.

### **5. Voter Authorized Obligations**

On September 14, 2002, the voters of the City authorized the issuance of \$102,000,000 of Public Improvement Bonds. At September 30, 2004, the remaining authorized but unissued bonds was \$75,100,000.

### **6. Legal Debt Margin**

At September 30, 2004, the City's legal debt margin was 10% of assessed property valuation totaling \$4,346,638,596, less amount of bonded debt outstanding net of amount available in debt service fund (\$71,279,592) the City's legal debt margin was \$363,384,268.

### **7. Changes in Long-Term Liabilities**

#### **Governmental Activities:**

Long-term liability activity for the year ended September 30, 2004, was as follows:

	Beginning Balance	Additions	Refunding/ Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Bonds payable:					
General obligation bonds	\$ 45,537,875	\$ 36,140,000	\$ (24,695,000)	\$ 56,982,875	\$ 7,135,000
Certificate of obligation bonds	13,915,000	-	(30,000)	13,885,000	35,000
	59,452,875	36,140,000	(24,725,000)	70,867,875	7,170,000
Less deferred amounts:					
For issuance premiums	992	227,134	(10,894)	217,232	-
On refunding	-	349,081	(57,580)	291,501	-
Total bonds payable	59,453,867	36,716,215	(24,793,474)	71,376,608	7,170,000
Rebatable arbitrage	1,503	-	(1,503)	-	-
Other long-term notes	4,757,965	-	(3,074,927)	1,683,038	342,854
Claims	4,176,242	9,969,762	(8,944,105)	5,201,899	3,121,139
Compensated absences	16,945,670	5,135,058	(5,344,305)	16,736,423	1,673,642
Governmental activity long-term liabilities	<u>\$ 85,335,247</u>	<u>\$ 51,821,035</u>	<u>\$ (42,158,314)</u>	<u>\$ 94,997,968</u>	<u>\$ 12,307,635</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, 2004, \$1,128,321 of internal service funds compensated absences are 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	Refunding/ Reductions	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Bonds payable:					
Revenue bonds	\$ 29,730,000	\$ -	\$ (1,465,000)	\$ 28,265,000	\$ 1,510,000
Refunding revenue bonds	5,680,000	-	(1,050,000)	4,630,000	1,040,000
Tax and revenue certificates of obligation	55,975,000	-	(1,575,000)	54,400,000	1,665,000
	91,385,000	-	(4,090,000)	87,295,000	4,215,000
Less deferred amounts:					
For issuance premiums					
On refunding	41,487	-	(3,654)	37,833	-
For deferred loss on early retirement	(83,647)	-	15,209	(68,438)	-
For issuance discount	(38,594)	-	7,018	(31,576)	-
Deferred water charges payable	2,714,418	125,289	(283,971)	2,555,736	567,941
Compensated absences	1,876,441	525,792	(495,506)	1,906,727	190,672
Business-type activity long-term liabilities	<u>\$ 95,895,105</u>	<u>\$ 651,081</u>	<u>\$ (4,850,904)</u>	<u>\$ 91,695,282</u>	<u>\$ 4,973,613</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 purchases its liability and property insurances through AXIS Surplus Insurance Company (aka Lloyd of London), American International Companies and Texas Municipal League Intergovernmental Risk Pool (TML-IRP). These policies encompass property, general, and auto liability, public officials' errors and omissions, mobile equipment, boiler and machinery. The deductible ranged from \$1,000 to \$100,000 with limit on per occurrence or aggregate. The City has not had a significant reduction in insurance coverage and the participation of the City in the TML-IRP is limited to the payment of premiums.

### **Workers' Compensation**

The City became fully insured in its workers' compensation program effective April 1, 2004. Prior to this date, the City was self-insured. The City uses Employers General Insurance Group, Inc. as its third-party administrator for claims administration, investigation, subrogation and adjustment for all claims incurred before April 1, 2004. Stop-loss insurance for individual claims has been purchased through Arthur J. Gallagher & Co., from Safety National Casualty; stop-loss attachment point is \$375,000 for each claim other than police and fire, which is \$500,000. The City covers the Pasadena Volunteer Fire Department with Workers' Compensation.

### **Unemployment Insurance**

The City reimburses the Texas Workforce Commission for 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 is the third party administrator. The City's dental insurance is a fully insured plan provided through CIGNA.

The City pays all but \$15 of the employees' share of the monthly premium. Dependents' coverage is available for qualified dependents at the employees' option. If elected, the City pays a portion of the premium and the employee pays the remainder. A cafeteria style plan (e.g., health spending and dependent care) is available at the employee's election.

The City also added short-term and long-term disability income protection plan, life insurance and accident death and dismemberment insurance to its group benefit plan effective January 1, 2004.



## 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</u> <u>Insurance</u>
<b><u>Current Fiscal Year</u></b>			
<b>Unpaid claims and claim adjustment expenses at the beginning of the current fiscal year</b>	\$ 1,168,101	\$ 663,603	\$ 2,344,537
<b>Incurred claims and claim adjustment expenses:</b>			
Provisions for insured events of the current fiscal year	113,682	334,755	10,110,800
Increase (decrease) in provision for insured events prior years	68,445	72,180	(730,100)
Total incurred claims and claim adjustment expenses	<u>182,127</u>	<u>406,935</u>	<u>9,380,700</u>
<b>Payments:</b>			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	57,707	24,555	6,436,288
Prior fiscal years	<u>528,881</u>	<u>309,046</u>	<u>1,587,627</u>
Total payments	<u>586,588</u>	<u>333,601</u>	<u>8,023,915</u>
<b>Total unpaid claims and claim adjustment expenses at end of current fiscal year</b>	<u>\$ 763,640</u>	<u>\$ 736,937</u>	<u>\$ 3,701,322</u>
<b><u>Prior Fiscal Year</u></b>			
<b>Unpaid claims and claim adjustment expenses at the beginning of the prior fiscal year</b>	<u>\$ 1,679,396</u>	<u>\$ 749,792</u>	<u>\$ 1,713,131</u>
<b>Incurred claims and claim adjustment expenses:</b>			
Provisions for insured events of the current fiscal year	450,633	62,898	7,330,472
Increase (decrease) in provision for insured events prior years	(117,263)	312,311	(520,217)
Total incurred claims and claim adjustment expenses	<u>333,370</u>	<u>375,209</u>	<u>6,810,255</u>
<b>Payments:</b>			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	196,123	32,898	4,996,940
Prior fiscal years	<u>648,542</u>	<u>428,500</u>	<u>1,181,908</u>
Total payments	<u>844,665</u>	<u>461,398</u>	<u>6,178,848</u>
<b>Total unpaid claims and claim adjustment expenses at end of prior fiscal year</b>	<u>\$ 1,168,101</u>	<u>\$ 663,603</u>	<u>\$ 2,344,538</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**

The City has offered health benefits to its retirees for many years. In fiscal year 2002, the City passed an ordinance that drastically reduced the amount that the retirees contributed for their health benefit plan. Substantially all of the City's employees become eligible for the health benefits if they reach normal retirement age while working for the City. The City is self insured, in health benefits, and expenses are financed on a pay as you go basis. One hundred and twenty-nine participants were eligible to receive benefits during the fiscal year ended September 30, 2004.

In fiscal year 2004, retirees made contributions totaling \$241,349, while the City paid \$1,417,285 in claims on behalf of retirees, their spouses, and dependents. Effective January 1, 2004, retirees and their spouses on the City's health plan, age 65 or older, were enrolled in a Medicare Supplement plan and no longer eligible for the City's self insured health plan. The City pays \$293 per person, per month, at a cost of \$152,316 for fiscal year 2004 for this supplemental plan.

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

**D. Employee Retirement Systems and Pension Plans**

**1. Texas Municipal Retirement System**

**Plan Description**

The City provides pension benefits for all of its full-time employees, other than volunteer firemen, through a non-traditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system.

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

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes. Plan provisions for the City were as follows (as of 4/1/04):

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

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

**Contribution**

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service

contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period. The unit credit actuarial cost method is used for determining the City contribution rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect. (i.e. December 31, 2003 valuation is effective for rates beginning January 2005).

The City of Pasadena is one of 794 municipalities having the benefit plan administered by TMRS. Each of the 794 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-03 valuations are contained in the 2003 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	12/31/2001	12/31/2002	12/31/2003
Actuarial Value of Assets	\$ 127,926,794	\$ 133,133,076	\$ 136,059,661
Actuarial Accrued Liability	\$ 153,656,907	\$ 160,735,346	\$ 168,427,353
Percentage Funded	83.80%	82.80%	80.80%
Unfunded Actuarial Accrued Liability (UAAL)	\$ 25,730,113	27,602,270	32,367,692
Annual Covered Payroll	\$ 36,633,953	40,723,201	43,197,498
UAAL as a Percentage of Covered Payroll	70.20%	67.80%	74.90%
Net Pension Obligation at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 5,642,885	\$ 6,098,589	\$ 6,270,855
Contributions Made	5,642,885	6,098,589	6,270,855
Net Pension Obligation at the end of the period	\$ -	\$ -	\$ -

**Actuarial Assumptions**

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

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

**Plan Description**

The Fire Fighters' Pension Commission is the administrator of the Texas Statewide Emergency Services Personnel Retirement Fund (Fund), 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. The Fund does not issue a stand-alone financial report but 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, 2004 there were 177 member fire or emergency services departments participating in the Fund. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

At August 31, 2004, the Fund membership consisted of:

Retirees and beneficiaries currently receiving benefits	1,557
Terminated members entitled to benefits but not yet receiving them	1,827
Current active members (vested and nonvested)	<u>4,610</u>
	<u><u>7,994</u></u>

Senate Bill 411, 65<sup>th</sup> legislature, Regular Session (1977), created the Fund, and established the applicable benefit provisions. These benefit provisions include retirement benefits as well as death and disability benefits. Members are vested beginning with the fifth year of service, at 5% per year of service for the first ten years and 10% for each of the next five 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 7% compounded annually.

On and off duty death and on duty death 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. The Texas Legislature has authority to amend the benefit provisions.

**Funding policy**

Contribution provisions were established by S.B. 411, 65<sup>th</sup> Legislature, Regular Session (1977). No contributions are required by volunteer emergency services personnel. The governing bodies of participating department are required to contribute at least \$12 per month for each active member and can elect to increase the monthly amount. The City's contributions to the Fund for the fiscal years ended September 30, 2004, 2003 and 2002 were \$183,199, \$185,015 and \$177,984 respectively, and have met the required contributions each year.

Additional contributions may be required by a governing body to pay for unfunded prior service costs from a prior plan or to establish credit in the Fund for service prior to entry in the Fund. The City's additional contributions to the Fund for the fiscal year ended September 30, 2004, 2003 and 2002 were \$174,871, \$179,736 and \$164,449 respectively.

The State may also be required to make annual contributions of a limited amount to make the fund actuarially sound. The cost of administering the Fund is paid from the Fund.

**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. Subsequent Events**

**Primary Government**

On October 19, 2004, the City issued \$13,200,000 general obligation bonds, series 2004 to fund the improvement of streets, drainage, and fire facilities in the City. In addition, a portion of the proceeds from the sale of the bonds will be used to pay the costs of issuance of the bonds.

Below is a summary of the future maturities of this bond issuance:

Fiscal Year Ending	Principle	Interest	Principle and Interest
2005	\$ -	\$ 478,999	\$ 478,999
2006	-	522,544	522,544
2007	-	522,544	522,544
2008	635,000	513,019	1,148,019
2009	615,000	494,269	1,109,269
2010 to 2014	3,395,000	2,172,035	5,567,035
2015 to 2019	3,950,000	1,430,892	5,380,892
2020 to 2024	4,605,000	517,505	5,122,505
	<u>\$ 13,200,000</u>	<u>\$ 6,651,807</u>	<u>\$ 19,851,807</u>

**Component Unit**

On October 20, 2004, Pasadena Second Century Corporation issued \$5,000,000 sales tax revenue notes, series 2004 to fund various capital improvements and issuance costs associated. Below is a summary of the future maturities of this note issuance:

Fiscal Year Ending	Principle	Interest	Principle and Interest
2005	\$ 625,000	\$ 149,496	\$ 774,496
2006	660,000	159,777	819,777
2007	685,000	133,214	818,214
2008	715,000	105,564	820,564
2009	740,000	76,827	816,827
2010 to 2011	1,575,000	62,905	1,637,905
	<u>\$ 5,000,000</u>	<u>\$ 687,783</u>	<u>\$ 5,687,783</u>

**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, 2004**

**ASSETS**

Cash and cash equivalents	\$ 896,677
Investments	
TexPool	4,108,484
LOGIC CLASS A	247,282
CLASS	9,560,603
	13,916,369
Receivables (net, where applicable, of allowances for uncollectible)	
Taxes, including interest and penalties	514,315
Accounts	3,204,737
	3,719,052
Intergovernmental	
FEMA public assistance grants	40,577
Due from other funds	950,134
<b>TOTAL ASSETS</b>	<b>\$ 19,522,809</b>

**LIABILITIES**

Accounts payable	\$ 3,836,111
Accrued payroll payable	716,066
Due to other funds	1,145,808
Deferred revenue	427,004
<b>TOTAL LIABILITIES</b>	<b>6,124,989</b>

**FUND BALANCES**

Reserved for encumbrances	385,344
Unreserved, designated for:	
Capital and technology improvements	788,251
Recall, election, and charter revision	15,000
Unreserved, and undesignated	12,209,225
<b>TOTAL FUND BALANCES</b>	<b>13,397,820</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 19,522,809</b>

The accompanying notes are an integral part of the financial statements

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**CITY OF PASADENA, TEXAS  
GENERAL FUND  
STATEMENTS OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

**REVENUES**

General property taxes	\$ 14,061,316
Business taxes	
Industrial district fees	15,175,399
Sales taxes	12,378,575
Utility taxes	8,326,255
Other taxes	214,692
Total business taxes	36,094,921
Licenses and permits	2,019,968
Municipal court fines	4,987,450
Charges for services	7,270,872
Intergovernmental	247,707
Miscellaneous	353,400
Investment income	249,430
<b>TOTAL REVENUES</b>	<b>65,285,064</b>

**EXPENDITURES**

Current	
General government	10,634,963
Public safety	31,229,696
Public works	14,893,374
Health	2,089,793
Culture and recreation	10,630,807
<b>TOTAL EXPENDITURES</b>	<b>69,478,633</b>

**(DEFICIENCY) OF REVENUES  
(UNDER) EXPENDITURES**

**(4,193,569)**

**OTHER FINANCING SOURCES (USES)**

Transfers in	1,700,000
Transfers out	(627,603)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>1,072,397</b>

**NET CHANGE IN FUND BALANCES**

(3,121,172)

**FUND BALANCES - BEGINNING**

**16,518,992**

**FUND BALANCES - ENDING**

**\$ 13,397,820**

The accompanying notes are an integral part of the financial statements

**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, 2004**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>REVENUES</b>				
<b>General Property Taxes</b>				
Ad valorem taxes	\$ 13,550,000	\$ 13,550,000	\$ 13,604,198	\$ 54,198
Penalty and interest	395,000	395,000	457,118	62,118
<b>Total General Property Taxes</b>	<b>13,945,000</b>	<b>13,945,000</b>	<b>14,061,316</b>	<b>116,316</b>
<b>Business Taxes</b>				
Industrial district fees	15,200,000	15,200,000	15,175,399	(24,601)
Utility taxes	6,690,000	6,690,000	8,326,255	1,636,255
City sales tax	12,772,000	12,772,000	12,378,575	(393,425)
Other taxes				
Mixed drink tax	110,000	110,000	151,597	41,597
Bingo tax	50,000	50,000	63,095	13,095
<b>Total Business Taxes</b>	<b>34,822,000</b>	<b>34,822,000</b>	<b>36,094,921</b>	<b>1,272,921</b>
<b>Licenses and Permits</b>				
Business types	1,626,600	1,626,600	1,839,021	212,421
Occupational types	112,300	112,300	111,315	(985)
Non-business types	66,700	66,700	69,632	2,932
<b>Total Licenses and Permits</b>	<b>1,805,600</b>	<b>1,805,600</b>	<b>2,019,968</b>	<b>214,368</b>
<b>Municipal court fines and fees</b>	<b>5,295,000</b>	<b>5,295,000</b>	<b>4,987,450</b>	<b>(307,550)</b>
<b>Charges for Services</b>				
Ellington municipal golf course	525,600	525,600	459,768	(65,832)
Recreational activities	177,100	182,100	194,178	12,078
Swimming pool	55,500	55,500	59,765	4,265
Tennis court	4,500	4,500	4,924	424
Civic center	255,100	255,100	250,116	(4,984)
Other centers	89,000	89,000	109,058	20,058
Miscellaneous	470,100	470,100	450,375	(19,725)
Solid waste collection	5,061,800	5,061,800	5,127,825	66,025
Health services	315,100	315,100	292,921	(22,179)
Library services	42,100	42,100	50,549	8,449
Property management	253,500	253,500	271,393	17,893
<b>Total Charges for Services</b>	<b>7,249,400</b>	<b>7,254,400</b>	<b>7,270,872</b>	<b>16,472</b>
<b>Intergovernmental</b>				
FEMA - emergency management performance grants	-	-	89,262	89,262
Fire protection	56,800	56,800	56,840	40
Reimbursement from other law enforcement agencies	20,000	20,000	24,805	4,805
TXDOT - traffic signal maintenance	20,000	20,000	25,277	5,277
TXDOT - NPDES	40,000	40,000	-	(40,000)
Transmitter fees	65,000	65,000	51,523	(13,477)
<b>Total Intergovernmental</b>	<b>201,800</b>	<b>201,800</b>	<b>247,707</b>	<b>45,907</b>
<b>Miscellaneous</b>	<b>273,800</b>	<b>438,800</b>	<b>353,400</b>	<b>(85,400)</b>
<b>Investment Income</b>	<b>335,000</b>	<b>345,433</b>	<b>249,430</b>	<b>(96,003)</b>
<b>TOTAL REVENUES</b>	<b>\$ 63,927,600</b>	<b>\$ 64,108,033</b>	<b>\$ 65,285,064</b>	<b>\$ 1,177,031</b>

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Current</b>				
<b>General Government</b>				
<b>City Council</b>				
Personnel services	\$ 34,015	\$ 34,015	\$ 34,357	\$ (342)
Contractual services	45,500	45,500	24,023	21,477
Materials and supplies	7,700	7,700	2,379	5,321
Maintenance charges	32,964	37,049	36,525	524
	<b>120,179</b>	<b>124,264</b>	<b>97,284</b>	<b>26,980</b>
<b>Mayor</b>				
Personnel services	345,546	345,846	339,628	6,218
Contractual services	27,300	24,800	20,811	3,989
Materials and supplies	12,000	8,500	3,720	4,780
Maintenance charges	36,540	36,540	35,588	952
	<b>421,386</b>	<b>415,686</b>	<b>399,747</b>	<b>15,939</b>
<b>Budget</b>				
Personnel services	175,779	181,479	181,130	349
Contractual services	7,600	7,600	4,388	3,212
Materials and supplies	1,600	1,600	1,050	550
Maintenance charges	14,829	14,829	14,808	21
	<b>199,808</b>	<b>205,508</b>	<b>201,376</b>	<b>4,132</b>
<b>Municipal Court</b>				
Personnel services	1,415,472	1,359,472	1,260,249	99,223
Contractual services	51,150	58,150	56,083	2,067
Materials and supplies	13,600	49,600	45,198	4,402
Maintenance charges	169,652	177,101	178,177	(1,076)
	<b>1,649,874</b>	<b>1,644,323</b>	<b>1,539,707</b>	<b>104,616</b>
<b>City Controller</b>				
Personnel services	932,887	932,887	889,549	43,338
Contractual services	191,500	239,101	181,378	57,723
Materials and supplies	18,260	20,260	17,853	2,407
Maintenance charges	62,717	64,524	65,109	(585)
	<b>\$ 1,205,364</b>	<b>\$ 1,256,772</b>	<b>\$ 1,153,889</b>	<b>\$ 102,883</b>

The accompanying notes are an integral part of the financial statements

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, 2004**

<b>EXPENDITURES</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>General Government, Continued</b>				
<b>Tax</b>				
Personnel services	\$ 207,883	\$ 220,883	\$ 222,596	\$ (1,713)
Contractual services	269,800	283,800	279,648	4,152
Materials and supplies	18,600	24,600	24,144	456
Maintenance charges	52,222	50,130	44,804	5,326
Other charges	-	-	185	(185)
	<b>548,505</b>	<b>579,413</b>	<b>571,377</b>	<b>8,036</b>
<b>Purchasing</b>				
Personnel services	195,950	198,950	193,353	5,597
Contractual services	13,900	14,650	12,189	2,461
Materials and supplies	5,500	5,500	3,864	1,636
Maintenance charges	35,308	28,108	27,790	318
	<b>250,658</b>	<b>247,208</b>	<b>237,196</b>	<b>10,012</b>
<b>Legal</b>				
Personnel services	809,625	813,730	777,435	36,295
Contractual services	125,020	116,915	41,074	75,841
Materials and supplies	17,500	17,500	15,715	1,785
Maintenance charges	51,673	50,390	49,929	461
	<b>1,003,818</b>	<b>998,535</b>	<b>884,153</b>	<b>114,382</b>
<b>City Secretary</b>				
Personnel services	188,550	234,550	223,094	11,456
Contractual services	37,600	58,300	58,297	3
Materials and supplies	7,600	7,900	5,142	2,758
Maintenance charges	29,073	30,356	30,695	(339)
	<b>262,823</b>	<b>331,106</b>	<b>317,228</b>	<b>13,878</b>
<b>Elections</b>				
Personnel services	500	392	276	116
	<b>500</b>	<b>392</b>	<b>276</b>	<b>116</b>
<b>Human Resources</b>				
Personnel services	456,412	529,511	489,957	39,554
Contractual services	132,300	132,300	116,938	15,362
Materials and supplies	28,500	28,500	27,904	596
Maintenance charges	50,802	54,309	54,915	(606)
	<b>668,014</b>	<b>744,620</b>	<b>689,714</b>	<b>54,906</b>
<b>Civil Service</b>				
Contractual services	12,000	12,000	8,490	3,510
Materials and supplies	100	100	60	40
Maintenance charges	11	12	12	-
	<b>\$ 12,111</b>	<b>\$ 12,112</b>	<b>\$ 8,562</b>	<b>\$ 3,550</b>



	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>City Marshal</b>				
Personnel services	\$ 359,270	\$ 362,270	\$ 367,532	\$ (5,262)
Contractual services	7,700	7,700	6,285	1,415
Materials and supplies	9,200	9,200	3,182	6,018
Maintenance charges	73,601	74,403	74,357	46
	<b>449,771</b>	<b>453,573</b>	<b>451,356</b>	<b>2,217</b>
<b>Community Relations</b>				
Personnel services	373,715	373,715	376,843	(3,128)
Contractual services	127,200	128,563	114,378	14,185
Materials and supplies	84,600	88,100	67,369	20,731
Maintenance charges	63,971	63,971	64,091	(120)
Capital outlay	-	65,000	62,805	2,195
	<b>649,486</b>	<b>719,349</b>	<b>685,486</b>	<b>33,863</b>
<b>Mayor's Action Line</b>				
Personnel services	231,294	230,626	228,043	2,583
Contractual services	13,600	11,268	6,276	4,992
Materials and supplies	5,100	5,100	1,758	3,342
Maintenance charges	29,728	29,728	29,664	64
	<b>279,722</b>	<b>276,722</b>	<b>265,741</b>	<b>10,981</b>
<b>Planning</b>				
Personnel services	234,422	244,422	204,506	39,916
Contractual services	11,900	11,900	8,934	2,966
Materials and supplies	4,600	4,600	4,247	353
Maintenance charges	78,492	77,691	76,863	828
	<b>329,414</b>	<b>338,613</b>	<b>294,550</b>	<b>44,063</b>
<b>Planning/Development Administration</b>				
Personnel services	109,028	109,028	111,741	(2,713)
Contractual services	3,000	3,000	634	2,366
Materials and supplies	3,450	3,450	2,708	742
Maintenance charges	629	629	624	5
	<b>116,107</b>	<b>116,107</b>	<b>115,707</b>	<b>400</b>
<b>Neighborhood Network</b>				
Personnel services	96,775	87,775	72,550	15,225
Contractual services	149,000	241,732	123,789	117,943
Materials and supplies	31,100	31,100	25,944	5,156
Maintenance charges	17,844	17,844	17,832	12
	<b>\$ 294,719</b>	<b>\$ 378,451</b>	<b>\$ 240,115</b>	<b>\$ 138,336</b>

The accompanying notes are an integral part of the financial statements

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, 2004**

<b>EXPENDITURES</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b><u>General Government, Continued</u></b>				
<b>Inspections</b>				
Personnel services	\$ 1,442,831	\$ 1,432,831	\$ 1,351,452	\$ 81,379
Contractual services	38,800	38,800	31,065	7,735
Materials and supplies	24,850	24,850	17,402	7,448
Maintenance charges	168,609	168,609	166,628	1,981
	<b>1,675,090</b>	<b>1,665,090</b>	<b>1,566,547</b>	<b>98,543</b>
<b>Property Management</b>				
Personnel services	138,317	142,318	142,399	(81)
Contractual services	230,900	230,900	204,233	26,667
Materials and supplies	34,500	34,500	27,514	6,986
Maintenance charges	235,781	235,781	229,764	6,017
Capital outlay	80,000	191,650	-	191,650
	<b>719,498</b>	<b>835,149</b>	<b>603,910</b>	<b>231,239</b>
<b>Technology</b>				
Contractual services	175,000	249,414	31,533	217,881
Materials and supplies	200,000	200,000	4,258	195,742
Capital outlay	150,000	195,405	20,180	175,225
	<b>525,000</b>	<b>644,819</b>	<b>55,971</b>	<b>588,848</b>
<b>Other Charges</b>				
Personnel services	1,250,000	-	-	-
Contractual services	83,000	87,836	87,576	260
Materials and supplies	2,000	2,000	-	2,000
Maintenance charges	225	225	216	9
Other charges	126,000	172,000	167,279	4,721
	<b>1,461,225</b>	<b>262,061</b>	<b>255,071</b>	<b>6,990</b>
<b>Total General Government</b>	<b>\$ 12,843,072</b>	<b>\$ 12,249,873</b>	<b>\$ 10,634,963</b>	<b>\$ 1,614,910</b>

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Public Safety</b>				
<b>Public Safety Administration</b>				
Personnel services	\$ 233,119	\$ 173,119	\$ 165,051	\$ 8,068
Contractual services	2,000	2,000	1,172	828
Materials and supplies	3,800	3,800	2,904	896
Maintenance charges	8,030	7,680	7,632	48
	<b>246,949</b>	<b>186,599</b>	<b>176,759</b>	<b>9,840</b>
<b>Emergency Preparedness</b>				
Personnel services	159,024	159,024	163,748	(4,724)
Contractual services	41,600	43,000	41,113	1,887
Materials and supplies	21,500	20,245	18,688	1,557
Maintenance charges	46,976	46,851	46,693	158
	<b>269,100</b>	<b>269,120</b>	<b>270,242</b>	<b>(1,122)</b>
<b>Fire Fighting</b>				
Personnel services	302,352	297,352	297,272	80
Contractual services	775,300	822,000	826,593	(4,593)
Materials and supplies	212,100	380,818	333,668	47,150
Maintenance charges	1,575,020	1,620,410	1,624,500	(4,090)
Capital outlay	100,000	160,113	154,155	5,958
	<b>2,964,772</b>	<b>3,280,693</b>	<b>3,236,188</b>	<b>44,505</b>
<b>Fire Prevention</b>				
Personnel services	755,713	712,713	704,449	8,264
Contractual services	25,100	25,100	21,474	3,626
Materials and supplies	14,100	14,100	10,113	3,987
Maintenance charges	117,672	121,122	121,155	(33)
	<b>912,585</b>	<b>873,035</b>	<b>857,191</b>	<b>15,844</b>
<b>Police</b>				
Personnel services	16,715,896	18,803,096	18,963,466	(160,370)
Contractual services	543,750	568,750	631,588	(62,838)
Materials and supplies	387,350	387,350	379,916	7,434
Maintenance charges	2,222,148	2,293,734	2,301,643	(7,909)
Other charges	-	-	15	(15)
Capital outlay	-	756,000	749,177	6,823
	<b>19,869,144</b>	<b>22,808,930</b>	<b>23,025,805</b>	<b>(216,875)</b>
<b>Police Civilian</b>				
Personnel services	3,467,363	3,467,363	3,646,171	(178,808)
Contractual services	700	700	698	2
Maintenance charges	15,298	17,985	16,642	1,343
	<b>3,483,361</b>	<b>3,486,048</b>	<b>3,663,511</b>	<b>(177,463)</b>
<b>Total Public Safety</b>	<b>\$ 27,745,911</b>	<b>\$ 30,904,425</b>	<b>\$ 31,229,696</b>	<b>\$ (325,271)</b>

The accompanying notes are an integral part of the financial statements

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, 2004**

<b>EXPENDITURES</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b>Public Works</b>				
<b>Public Works Administration</b>				
Personnel services	\$ 227,044	\$ 229,044	\$ 228,659	\$ 385
Contractual services	5,430	5,430	5,119	311
Materials and supplies	2,650	2,650	2,016	634
Maintenance charges	17,102	17,102	17,076	26
	<b>252,226</b>	<b>254,226</b>	<b>252,870</b>	<b>1,356</b>
<b>Engineering</b>				
Personnel services	1,214,938	1,381,553	1,381,715	(162)
Contractual services	75,250	142,778	94,424	48,354
Materials and supplies	49,160	46,545	28,647	17,898
Maintenance charges	160,751	158,122	155,040	3,082
	<b>1,500,099</b>	<b>1,728,998</b>	<b>1,659,826</b>	<b>69,172</b>
<b>Street Lighting and Signals</b>				
Contractual services	990,000	1,010,000	1,137,923	(127,923)
	<b>990,000</b>	<b>1,010,000</b>	<b>1,137,923</b>	<b>(127,923)</b>
<b>Sanitation</b>				
Personnel services	2,377,573	2,325,341	2,289,813	35,528
Contractual services	2,714,650	2,949,650	2,874,725	74,925
Materials and supplies	855,350	855,350	819,496	35,854
Maintenance charges	533,376	544,632	551,280	(6,648)
	<b>6,480,949</b>	<b>6,674,973</b>	<b>6,535,314</b>	<b>139,659</b>
<b>Street and Bridge</b>				
Personnel services	2,405,468	2,498,735	2,504,183	(5,448)
Contractual services	210,895	195,395	183,803	11,592
Materials and supplies	720,122	632,621	599,431	33,190
Maintenance charges	614,783	614,783	615,141	(358)
Capital outlay	332,113	343,200	342,884	316
	<b>4,283,381</b>	<b>4,284,734</b>	<b>4,245,442</b>	<b>39,292</b>
<b>Traffic and Transportation</b>				
Personnel services	812,195	781,195	767,425	13,770
Contractual services	62,880	86,880	82,819	4,061
Materials and supplies	126,950	128,950	102,112	26,838
Maintenance charges	107,147	110,830	109,643	1,187
	<b>1,109,172</b>	<b>1,107,855</b>	<b>1,061,999</b>	<b>45,856</b>
<b>Total Public Works</b>	<b>\$ 14,615,827</b>	<b>\$ 15,060,786</b>	<b>\$ 14,893,374</b>	<b>\$ 167,412</b>

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Health</b>				
<b>Health</b>				
Personnel services	\$ 663,771	\$ 683,771	\$ 682,175	\$ 1,596
Contractual services	640,400	620,400	573,601	46,799
Materials and supplies	18,000	20,140	12,584	7,556
Maintenance charges	87,825	87,825	87,529	296
	<b>1,409,996</b>	<b>1,412,136</b>	<b>1,355,889</b>	<b>56,247</b>
<b>Animal Rescue and Assistance</b>				
Personnel services	596,948	596,948	583,759	13,189
Contractual services	75,900	71,800	59,743	12,057
Materials and supplies	20,800	36,400	31,053	5,347
Maintenance charges	58,552	58,552	58,891	(339)
Other charges	-	-	458	(458)
	<b>752,200</b>	<b>763,700</b>	<b>733,904</b>	<b>29,796</b>
<b>Total Health</b>	<b>\$ 2,162,196</b>	<b>\$ 2,175,836</b>	<b>\$ 2,089,793</b>	<b>\$ 86,043</b>
<b>Culture and Recreation</b>				
<b>Leisure Services Administration</b>				
Personnel services	\$ 226,543	\$ 226,543	\$ 210,599	\$ 15,944
Contractual services	1,685	1,685	3,563	(1,878)
Materials and supplies	2,550	2,590	2,048	542
Maintenance charges	482	482	468	14
	<b>231,260</b>	<b>231,300</b>	<b>216,678</b>	<b>14,622</b>
<b>Parks</b>				
Personnel services	1,752,463	1,803,963	1,796,470	7,493
Contractual services	469,600	479,600	462,702	16,898
Materials and supplies	173,960	164,438	145,192	19,246
Maintenance charges	409,018	379,479	390,685	(11,206)
Other charges	-	-	8	(8)
Capital outlay	132,274	132,883	41,023	91,860
	<b>2,937,315</b>	<b>2,960,363</b>	<b>2,836,080</b>	<b>124,283</b>
<b>Recreation</b>				
Personnel services	1,281,241	1,217,342	1,178,283	39,059
Contractual services	294,000	266,970	238,903	28,067
Materials and supplies	166,350	192,219	168,953	23,266
Maintenance charges	158,164	164,920	165,958	(1,038)
Other charges	47,600	63,850	57,860	5,990
Capital outlay	15,285	48,011	18,142	29,869
	<b>\$ 1,962,640</b>	<b>\$ 1,953,312</b>	<b>\$ 1,828,099</b>	<b>\$ 125,213</b>

The accompanying notes are an integral part of the financial statements

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, 2004**

<b>EXPENDITURES</b>	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
	<b>Original</b>	<b>Final</b>		
<b><u>Culture and Recreation, Continued</u></b>				
<b>Clean Streets</b>				
Personnel services	\$ 599,628	\$ 639,059	\$ 639,970	\$ (911)
Contractual services	23,300	23,300	21,358	1,942
Materials and supplies	39,100	39,100	36,656	2,444
Maintenance charges	248,466	107,618	94,290	13,328
	<b>910,494</b>	<b>809,077</b>	<b>792,274</b>	<b>16,803</b>
<b>Golf Course</b>				
Personnel services	429,115	417,115	405,628	11,487
Contractual services	71,400	59,400	46,450	12,950
Materials and supplies	64,950	64,950	62,759	2,191
Maintenance charges	69,358	69,358	69,025	333
Other charges	-	-	88	(88)
	<b>634,823</b>	<b>610,823</b>	<b>583,950</b>	<b>26,873</b>
<b>Multi-Purpose Center</b>				
Personnel services	311,272	297,922	270,721	27,201
Contractual services	25,950	41,124	37,241	3,883
Materials and supplies	15,900	23,911	21,821	2,090
Maintenance charges	25,877	26,227	26,206	21
Other charges	-	5,000	3,339	1,661
Capital outlay	57,175	57,175	56,888	287
	<b>436,174</b>	<b>451,359</b>	<b>416,216</b>	<b>35,143</b>
<b>Civic Center</b>				
Personnel services	397,593	382,592	376,492	6,100
Contractual services	120,600	131,504	142,476	(10,972)
Materials and supplies	3,700	7,386	7,365	21
Maintenance charges	149,167	170,050	181,420	(11,370)
	<b>671,060</b>	<b>691,532</b>	<b>707,753</b>	<b>(16,221)</b>
<b>Senior Center - Madison Jobe</b>				
Personnel services	287,195	294,595	294,815	(220)
Contractual services	81,900	81,900	31,455	50,445
Materials and supplies	11,050	11,150	8,463	2,687
Maintenance charges	70,379	70,379	45,197	25,182
Other charges	-	11,750	53,198	(41,448)
	<b>\$ 450,524</b>	<b>\$ 469,774</b>	<b>\$ 433,128</b>	<b>\$ 36,646</b>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<b>Library</b>				
Personnel services	\$ 1,968,526	\$ 1,981,526	\$ 1,983,492	\$ (1,966)
Contractual services	209,600	235,995	249,365	(13,370)
Materials and supplies	101,843	106,902	99,397	7,505
Maintenance charges	260,935	260,935	263,639	(2,704)
Capital outlay	207,500	207,500	220,736	(13,236)
	<u>2,748,404</u>	<u>2,792,858</u>	<u>2,816,629</u>	<u>(23,771)</u>
<b>Total Culture and Recreation</b>	<u>\$ 10,982,694</u>	<u>\$ 10,970,398</u>	<u>\$ 10,630,807</u>	<u>\$ 339,591</u>
<b>TOTAL EXPENDITURES</b>	<u>68,349,700</u>	<u>71,361,318</u>	<u>69,478,633</u>	<u>1,882,685</u>
<b>(DEFICIENCY) OF REVENUES</b>				
<b>(UNDER) EXPENDITURES</b>	<u>(4,422,100)</u>	<u>(7,253,285)</u>	<u>(4,193,569)</u>	<u>3,059,716</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in (out)				
Health insurance	(600,000)	(600,000)	(600,000)	-
Special revenue	(25,000)	(113,800)	(27,603)	86,197
Water and sewer system	1,700,000	1,700,000	1,700,000	-
Sale of capital assets	400,000	400,000	-	(400,000)
	<u>1,475,000</u>	<u>1,386,200</u>	<u>1,072,397</u>	<u>(313,803)</u>
<b>TOTAL OTHER FINANCING SOURCES AND (USES)</b>	<u>1,475,000</u>	<u>1,386,200</u>	<u>1,072,397</u>	<u>(313,803)</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>(2,947,100)</u>	<u>(5,867,085)</u>	<u>(3,121,172)</u>	<u>2,745,913</u>
<b>FUND BALANCE - BEGINNING</b>	<u>15,339,025</u>	<u>16,518,992</u>	<u>16,518,992</u>	<u>-</u>
<b>FUND BALANCE - ENDING</b>	<u>\$ 12,391,925</u>	<u>\$ 10,651,907</u>	<u>\$ 13,397,820</u>	<u>\$ 2,745,913</u>

The accompanying notes are an integral part of the financial statements

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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, 2004**

	<b>Original/Final Budgeted Amount</b>	<b>Actual Amounts</b>	<b>Variance with Final Budget</b>
<b>REVENUES</b>			
General property taxes			
Ad valorem taxes	\$ 10,765,000	\$ 10,934,088	\$ 169,088
Investment income	10,000	14,598	4,598
<b>TOTAL REVENUES</b>	<b>10,775,000</b>	<b>10,948,686</b>	<b>173,686</b>
<b>EXPENDITURES</b>			
Debt service			
Principal	7,955,000	7,905,000	(50,000)
Interest	2,673,900	2,546,663	127,237
Fiscal charges	4,800	4,571	229
Bond issuance costs	-	232,010	(232,010)
Other charges	141,300	-	141,300
<b>TOTAL EXPENDITURES</b>	<b>10,775,000</b>	<b>10,688,244</b>	<b>(13,244)</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>-</b>	<b>260,442</b>	<b>260,442</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	18,640,000	18,640,000
Premiums on bonds	-	1,032,812	1,032,812
Payment to refunded bond escrow agent	-	(19,433,731)	(19,433,731)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>239,081</b>	<b>239,081</b>
<b>FUND BALANCES - BEGINNING</b>	<b>603,760</b>	<b>603,760</b>	<b>-</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 603,760</b>	<b>\$ 1,103,283</b>	<b>\$ 499,523</b>

The accompanying notes are an integral part of the financial statements

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## **NON-MAJOR FUNDS**

### **Special Revenue Funds**

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

**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.

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

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

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

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

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

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

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

**Abandoned Motor 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  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2004**

	<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>	
<b><u>ASSETS</u></b>					
Due from other funds	\$ 15,660	\$ -	\$ 65,196	\$ -	\$ 80,856
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,711,193	354,572	594,862	300,115	2,960,742
<b>TOTAL ASSETS</b>	<b><u>\$ 1,726,853</u></b>	<b><u>\$ 407,539</u></b>	<b><u>\$ 660,058</u></b>	<b><u>\$ 300,115</u></b>	<b><u>\$ 3,094,565</u></b>
<b><u>LIABILITIES</u></b>					
Due to other funds	\$ 3,921	\$ 21,172	\$ 104	\$ 1,244	\$ 26,441
Liabilities payable from restricted assets					
Accounts payable	61,587	32,610	7,563	2,211	103,971
Accrued payroll liabilities	3,978	-	-	-	3,978
	<u>65,565</u>	<u>32,610</u>	<u>7,563</u>	<u>2,211</u>	<u>107,949</u>
<b>TOTAL LIABILITIES</b>	<b><u>69,486</u></b>	<b><u>53,782</u></b>	<b><u>7,667</u></b>	<b><u>3,455</u></b>	<b><u>134,390</u></b>
<b><u>FUND BALANCES</u></b>					
Reserved for encumbrances	102,505	42,604	16,332	-	161,441
Unreserved, undesignated	1,554,862	311,153	636,059	296,660	2,798,734
<b>TOTAL FUND BALANCES</b>	<b><u>1,657,367</u></b>	<b><u>353,757</u></b>	<b><u>652,391</u></b>	<b><u>296,660</u></b>	<b><u>2,960,175</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 1,726,853</u></b>	<b><u>\$ 407,539</u></b>	<b><u>\$ 660,058</u></b>	<b><u>\$ 300,115</u></b>	<b><u>\$ 3,094,565</u></b>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

	<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>	
<b>REVENUES</b>					
Business taxes					
Other taxes					
Hotel and motel taxes	\$ -	\$ -	\$ 303,151	\$ -	\$ 303,151
Licenses and permits	3,230	-	-	-	3,230
Municipal court fines	326,669	-	-	-	326,669
Intergovernmental	196,778	85,686	-	-	282,464
Miscellaneous	-	-	-	154,401	154,401
Investment income	18,114	3,613	9,671	2,914	34,312
<b>TOTAL REVENUES</b>	<b>544,791</b>	<b>89,299</b>	<b>312,822</b>	<b>157,315</b>	<b>1,104,227</b>
<b>EXPENDITURES</b>					
Current					
General government	181,224	-	-	-	181,224
Public safety	207,735	78,387	-	92,705	378,827
Culture and recreation	-	-	691,185	-	691,185
<b>TOTAL EXPENDITURES</b>	<b>388,959</b>	<b>78,387</b>	<b>691,185</b>	<b>92,705</b>	<b>1,251,236</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>155,832</b>	<b>10,912</b>	<b>(378,363)</b>	<b>64,610</b>	<b>(147,009)</b>
<b>FUND BALANCES - BEGINNING</b>	<b>1,501,535</b>	<b>342,845</b>	<b>1,030,754</b>	<b>232,050</b>	<b>3,107,184</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 1,657,367</b>	<b>\$ 353,757</b>	<b>\$ 652,391</b>	<b>\$ 296,660</b>	<b>\$ 2,960,175</b>

The accompanying notes are an integral part of the financial statements



**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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Licenses and permits	\$ 9,000	\$ 9,000	\$ 3,230	\$ (5,770)
Municipal court fines	333,400	357,500	326,669	(30,831)
Intergovernmental	197,200	197,200	196,778	(422)
Miscellaneous	-	-	-	-
Investment income	40,600	26,089	18,114	(7,975)
<b>TOTAL REVENUES</b>	<b>580,200</b>	<b>589,789</b>	<b>544,791</b>	<b>(44,998)</b>
<b>EXPENDITURES</b>				
Current				
General government	573,486	1,322,510	181,224	1,141,286
Public safety	241,800	341,027	207,735	133,292
<b>TOTAL EXPENDITURES</b>	<b>815,286</b>	<b>1,663,537</b>	<b>388,959</b>	<b>1,274,578</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(235,086)</b>	<b>(1,073,748)</b>	<b>155,832</b>	<b>1,229,580</b>
<b>FUND BALANCES - BEGINNING</b>	<b>-</b>	<b>-</b>	<b>1,501,535</b>	<b>1,501,535</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (235,086)</b>	<b>\$ (1,073,748)</b>	<b>\$ 1,657,367</b>	<b>\$ 2,731,115</b>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS  
STATE FORFEITED PROPERTY SPECIAL REVENUE FUNDS  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - BUDGET AND ACTUAL  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ -	\$ -	\$ 85,686	\$ 85,686
Investment income	-	-	3,613	3,613
<b>TOTAL REVENUES</b>	<u>-</u>	<u>-</u>	<u>89,299</u>	<u>89,299</u>
<b>EXPENDITURES</b>				
Current				
Public safety	187,600	203,325	78,387	124,938
<b>TOTAL EXPENDITURES</b>	<u>187,600</u>	<u>203,325</u>	<u>78,387</u>	<u>124,938</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>(187,600)</u>	<u>(203,325)</u>	<u>10,912</u>	<u>214,237</u>
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>-</u>	<u>342,845</u>	<u>342,845</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ (187,600)</u>	<u>\$ (203,325)</u>	<u>\$ 353,757</u>	<u>\$ 557,082</u>

The accompanying notes are an integral part of the financial statements

**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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Business taxes	\$ 375,000	\$ 375,000	\$ 303,151	\$ (71,849)
Intergovernmental	10,000	10,000	-	(10,000)
Investment income	16,000	16,000	9,671	(6,329)
<b>TOTAL REVENUES</b>	<b>401,000</b>	<b>401,000</b>	<b>312,822</b>	<b>(88,178)</b>
<b>EXPENDITURES</b>				
Current				
Culture and recreation	895,143	927,112	691,185	235,927
<b>TOTAL EXPENDITURES</b>	<b>895,143</b>	<b>927,112</b>	<b>691,185</b>	<b>235,927</b>
<b>(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES</b>	<b>(494,143)</b>	<b>(526,112)</b>	<b>(378,363)</b>	<b>147,749</b>
<b>FUND BALANCES - BEGINNING</b>	<b>-</b>	<b>-</b>	<b>1,030,754</b>	<b>1,030,754</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ (494,143)</b>	<b>\$ (526,112)</b>	<b>\$ 652,391</b>	<b>\$ 1,178,503</b>

The accompanying notes are an integral part of the financial statements

**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, 2004**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget -</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Miscellaneous	\$ 100,000	\$ 155,460	\$ 154,401	\$ (1,059)
Investment income	1,600	1,600	2,914	1,314
<b>TOTAL REVENUES</b>	<b>101,600</b>	<b>157,060</b>	<b>157,315</b>	<b>255</b>
<b>EXPENDITURES</b>				
Current				
Public safety	49,600	140,160	92,705	47,455
<b>TOTAL EXPENDITURES</b>	<b>49,600</b>	<b>140,160</b>	<b>92,705</b>	<b>47,455</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>52,000</b>	<b>16,900</b>	<b>64,610</b>	<b>47,710</b>
<b>FUND BALANCES - BEGINNING</b>	<b>-</b>	<b>-</b>	<b>232,050</b>	<b>232,050</b>
<b>FUND BALANCES - ENDING</b>	<b>\$ 52,000</b>	<b>\$ 16,900</b>	<b>\$ 296,660</b>	<b>\$ 279,760</b>

The accompanying notes are an integral part of the financial statements

## **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, switchboard, warehouse, electrical, data processing, garage, 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, 2004**

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
<b><u>ASSETS</u></b>					
<b>Current Assets</b>					
Investments - Texpool	\$ 11,169,371	\$ 1,242,329	\$ 936,198	\$ 3,452,901	\$ 16,800,799
- GNMA	-	-	-	6,746	6,746
Accounts receivable	-	-	-	7,442	7,442
Due from other funds					
General	88,615	29,308	-	-	117,923
Capital projects	691	-	-	-	691
Grant management	7,068	1,121	-	-	8,189
Special revenue	104	428	-	-	532
Health insurance	-	25	-	-	25
Water and sewer system	4,609	-	-	-	4,609
Inventory, at cost	412,504	-	-	-	412,504
<b>Total Current Assets</b>	<b>11,682,962</b>	<b>1,273,211</b>	<b>936,198</b>	<b>3,467,089</b>	<b>17,359,460</b>
<b>Deposits</b>	<b>-</b>	<b>110,000</b>	<b>-</b>	<b>-</b>	<b>110,000</b>
<b>Capital Assets</b>					
Land	602	-	-	-	602
Buildings and building improvements	2,086,911	-	-	-	2,086,911
Accumulated depreciation - buildings and building improvements	(1,612,063)	-	-	-	(1,612,063)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(30,531)	-	-	-	(30,531)
Machinery and equipment	4,336,263	-	-	-	4,336,263
Accumulated depreciation - machinery and equipment	(3,293,922)	-	-	-	(3,293,922)
Infrastructure	9,882	-	-	-	9,882
Accumulated depreciation - infrastructure	(5,237)	-	-	-	(5,237)
Automotive equipment	28,530,899	-	-	-	28,530,899
Accumulated depreciation - automotive equipment	(18,658,636)	-	-	-	(18,658,636)
<b>Net Capital Assets</b>	<b>11,539,922</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,539,922</b>
<b>Total Noncurrent Assets</b>	<b>11,539,922</b>	<b>110,000</b>	<b>-</b>	<b>-</b>	<b>11,649,922</b>
<b>TOTAL ASSETS</b>	<b>23,222,884</b>	<b>1,383,211</b>	<b>936,198</b>	<b>3,467,089</b>	<b>29,009,382</b>
<b><u>LIABILITIES</u></b>					
<b>Current Liabilities</b>					
Accounts payable	620,000	6,718	-	-	626,718
Accrued payroll payable	73,785	1,494	-	2,889	78,168
Due to other funds					
General	-	-	-	95,539	95,539
Water and sewer system	-	-	-	931	931
Workers' compensation insurance	-	-	-	25	25
Claims payable	-	458,184	442,162	2,220,793	3,121,139
Compensated absences payable	112,832	-	-	-	112,832
<b>Total Current Liabilities</b>	<b>806,617</b>	<b>466,396</b>	<b>442,162</b>	<b>2,320,177</b>	<b>4,035,352</b>
<b>Noncurrent Liabilities</b>					
Claims payable	-	305,456	294,775	1,480,529	2,080,760
Compensated absences payable	1,015,489	-	-	-	1,015,489
<b>Total Noncurrent Liabilities</b>	<b>1,015,489</b>	<b>305,456</b>	<b>294,775</b>	<b>1,480,529</b>	<b>3,096,249</b>
<b>TOTAL LIABILITIES</b>	<b>1,822,106</b>	<b>771,852</b>	<b>736,937</b>	<b>3,800,706</b>	<b>7,131,601</b>
<b><u>NET ASSETS</u></b>					
Invested in capital assets, net of related debt	11,539,922	-	-	-	11,539,922
Unrestricted (deficit)	9,860,856	611,359	199,261	(333,617)	10,337,859
<b>TOTAL NET ASSETS</b>	<b>\$ 21,400,778</b>	<b>\$ 611,359</b>	<b>\$ 199,261</b>	<b>\$ (333,617)</b>	<b>\$ 21,877,781</b>

The accompanying notes are an integral part of the financial statements

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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, 2004**

	<b>Maintenance</b>	<b>Workers' Compensation Insurance</b>	<b>General Liability Insurance</b>	<b>Health Insurance</b>	<b>Total</b>
<b>OPERATING REVENUES</b>					
Charges for sales and services	<b>\$ 12,302,387</b>	<b>\$ 1,019,049</b>	<b>\$ -</b>	<b>\$ 8,995,951</b>	<b>\$ 22,317,387</b>
<b>OPERATING EXPENSES</b>					
Personnel services	4,703,408	1,494	-	98,334	4,803,236
Contractual services	1,272,400	-	-	17,775	1,290,175
Material and supplies	3,142,199	1,409	-	-	3,143,608
Maintenance charges	1,031,405	-	-	-	1,031,405
Insurance/reinsurance premiums	-	458,284	776,058	1,146,327	2,380,669
Claim and legal expenses	-	231,440	406,935	10,954,881	11,593,256
Administration fees	-	14,400	-	313,337	327,737
Miscellaneous	-	975	-	9,420	10,395
Depreciation	4,094,881	-	-	-	4,094,881
<b>TOTAL OPERATING EXPENSES</b>	<b>14,244,293</b>	<b>708,002</b>	<b>1,182,993</b>	<b>12,540,074</b>	<b>28,675,362</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(1,941,906)</b>	<b>311,047</b>	<b>(1,182,993)</b>	<b>(3,544,123)</b>	<b>(6,357,975)</b>
<b>NONOPERATING REVENUES</b>					
Gain on sale of capital assets	58,456	-	-	-	58,456
Investment income	135,001	23,862	11,909	35,893	206,665
<b>INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS</b>	<b>(1,748,449)</b>	<b>334,909</b>	<b>(1,171,084)</b>	<b>(3,508,230)</b>	<b>(6,092,854)</b>
CONTRIBUTIONS	40,008	-	-	-	40,008
TRANSFERS IN	-	-	1,200,000	1,940,000	3,140,000
TRANSFERS OUT	(1,054,898)	(1,290,000)	-	-	(2,344,898)
<b>CHANGES IN NET ASSETS</b>	<b>(2,763,339)</b>	<b>(955,091)</b>	<b>28,916</b>	<b>(1,568,230)</b>	<b>(5,257,744)</b>
<b>TOTAL NET ASSETS - BEGINNING</b>	<b>24,164,117</b>	<b>1,566,450</b>	<b>170,345</b>	<b>1,234,613</b>	<b>27,135,525</b>
<b>TOTAL NET ASSETS - ENDING</b>	<b>\$ 21,400,778</b>	<b>\$ 611,359</b>	<b>\$ 199,261</b>	<b>\$ (333,617)</b>	<b>\$ 21,877,781</b>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004**

	<b>Maintenance</b>	<b>Workers' Compensation Insurance</b>	<b>General Liability Insurance</b>	<b>Health Insurance</b>	<b>Total</b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>					
Cash received from users	\$ 12,205,845	\$ 988,884	\$ -	\$ 8,988,234	\$ 22,182,963
Cash payments to suppliers for goods and services	(5,211,397)	-	-	-	(5,211,397)
Cash payments to employees for services	(4,748,908)	-	-	(95,445)	(4,844,353)
Cash payments for insurance premiums, liability claims and administration	-	(1,038,191)	(1,109,659)	(11,124,117)	(13,271,967)
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>	<b>2,245,540</b>	<b>(49,307)</b>	<b>(1,109,659)</b>	<b>(2,231,328)</b>	<b>(1,144,754)</b>
<b><u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u></b>					
<b><u>FINANCING ACTIVITIES</u></b>					
Transfers from other funds					
General	-	-	600,000	-	600,000
Water and sewer system	-	-	250,000	-	250,000
Workers' compensation insurance	-	-	350,000	940,000	1,290,000
Maintenance				1,000,000	1,000,000
Transfers to other funds					
General liability insurance	-	(350,000)	-	-	(350,000)
Health insurance	(1,000,000)	(940,000)	-	-	(1,940,000)
<b>NET CASH PROVIDED BY (USED FOR) NONCAPITAL FINANCING ACTIVITIES</b>	<b>(1,000,000)</b>	<b>(1,290,000)</b>	<b>1,200,000</b>	<b>1,940,000</b>	<b>850,000</b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>					
Proceeds from sale of capital assets	154,642	-	-	-	154,642
Acquisition and construction of capital assets	(1,695,837)	-	-	-	(1,695,837)
<b>NET CASH (USED FOR) CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(1,541,195)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,541,195)</b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>					
Purchase of investments	(4,558,458)	(865,453)	(697,554)	(10,331,325)	(16,452,790)
Proceeds from sale and maturities of investments	4,719,112	2,180,898	595,304	10,586,760	18,082,074
Investment income received	135,001	23,862	11,909	35,893	206,665
<b>NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES</b>	<b>295,655</b>	<b>1,339,307</b>	<b>(90,341)</b>	<b>291,328</b>	<b>1,835,949</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - BEGINNING</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (1,941,906)	\$ 311,047	\$ (1,182,993)	\$ (3,544,123)	\$ (6,357,975)
<b>Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities</b>					
Depreciation	4,094,881	-	-	-	4,094,881
Changes in assets and liabilities					
(Increase) in accounts receivable	-	-	-	(7,442)	(7,442)
(Increase) in due from other funds	(96,542)	(30,165)	-	(275)	(126,982)
Decrease in inventory	44,087	-	-	-	44,087
Decrease in prepaid insurance	-	51,127	-	-	51,127
Decrease in deposits	-	15,000	-	-	15,000
Increase (decrease) in accounts and claims payable	172,022	(397,810)	73,334	1,356,784	1,204,330
Increase (decrease) in accrued payroll payable	(134,574)	-	-	2,889	(131,685)
Increase in compensated absences payable	89,074	-	-	-	89,074
Increase (decrease) in due to other funds	18,498	1,494	-	(39,161)	(19,169)
<b>Total Adjustments</b>	<b>4,187,446</b>	<b>(360,354)</b>	<b>73,334</b>	<b>1,312,795</b>	<b>5,213,221</b>
<b>NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES</b>					
	<b>\$ 2,245,540</b>	<b>\$ (49,307)</b>	<b>\$ (1,109,659)</b>	<b>\$ (2,231,328)</b>	<b>\$ (1,144,754)</b>
<b>NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES</b>					
Contribution of capital assets from the government	\$ 40,008	\$ -	\$ -	\$ -	\$ 40,008
Transfer of capital assets to the government	(54,898)	-	-	-	(54,898)

The accompanying notes are an integral part of the financial statements

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**STATISTICAL SECTION**



**CITY OF PASADENA, TEXAS  
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION (1)  
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works</u>	<u>Health</u>	<u>Culture and Recreation</u>	<u>Capital Outlay</u>	<u>Debt Service</u>	<u>Total</u>							
1995	\$ 5,530,813 (2)	8.83%	\$ 18,275,836	29.18%	15.04%	\$ 1,005,435	1.61%	\$ 6,780,078	10.83%	\$ 11,103,912	17.73%	\$ 10,517,001	16.79%	\$ 62,630,891	100.00%
1996	6,035,943	9.02%	19,705,570	29.45%	14.82%	1,025,104	1.53%	6,999,481	10.46%	12,323,287	18.42%	10,896,707	16.29%	66,901,090	100.00%
1997	6,635,199	9.91%	22,013,479	32.89%	16.21%	1,143,493	1.71%	7,654,348	11.44%	7,176,857	10.72%	11,456,809	17.12%	66,932,441	100.00%
1998	7,231,954	10.50%	24,533,237	35.61%	16.25%	1,207,702	1.75%	7,721,894	11.21%	7,291,096	10.58%	9,713,982	14.10%	68,892,189	100.00%
1999	7,718,466	11.53%	26,718,600 (3)	39.93%	16.02%	1,184,986	1.77%	8,701,189	13.00%	3,099,593	4.63%	8,771,751	13.11%	66,915,078	100.00%
2000	10,479,766	13.36%	30,353,720 (3)	38.71%	14.58%	1,269,205	1.62%	9,343,766	11.92%	5,871,702	7.49%	9,669,251	12.33%	78,417,119	100.00%
2001	11,356,993	13.89%	31,652,905 (3)	38.70%	15.96%	1,427,787	1.75%	9,161,803	11.20%	4,838,133	5.92%	10,300,032	12.59%	81,787,576	100.00%
2002	12,019,646	13.16%	33,858,422 (3)	37.07%	16.05%	1,902,479	2.08%	10,133,978	11.10%	6,779,951	7.42%	11,986,700	13.12%	91,337,655	100.00%
2003	11,536,552	10.11%	38,804,091 (3)	34.02%	14.01%	1,998,562	1.75%	11,421,975	10.01%	22,562,217	19.78%	11,755,881	10.31%	114,059,432	100.00%
2004	10,816,187	9.80%	41,881,259 (3)	37.94%	13.68%	2,132,286	1.93%	11,365,582	10.30%	16,948,168	15.35%	12,139,183	11.00%	110,387,481	100.00%

(1) Includes general, special revenue (excluding HUD Section 8 rental voucher and certificate programs, CDBG entitlement and HOME investment partnerships programs), debt service and capital projects funds.

(2) Includes a payment in lieu of user charges to the internal service fund.

(3) Includes discretely presented component unit, Pasadena Crime Control and Prevention District.

**CITY OF PASADENA, TEXAS  
GENERAL GOVERNMENTAL REVENUES BY SOURCE (1)  
LAST TEN FISCAL YEARS**

Fiscal Year	Property and Business Taxes	Licenses and Permit	Inter Governmental	Charges for Services	Fines	Investment Income	Total							
1995	\$ 44,485,514	72.00%	\$ 698,632	1.13%	\$ 6,282,215	10.17%	\$ 5,478,185	8.87%	\$ 2,670,844	4.32%	\$ 2,167,572	3.51%	\$ 61,782,962	100.00%
1996	46,245,677	72.28%	833,615	1.30%	5,682,728	8.88%	5,528,774	8.64%	3,219,183	5.03%	2,472,429	3.86%	63,982,406	100.00%
1997	46,918,887	72.02%	925,538	1.42%	5,528,851	8.49%	5,641,254	8.66%	3,395,365	5.21%	2,736,465	4.20%	65,146,360	100.00%
1998	48,133,945	67.38%	1,022,736	1.43%	10,340,207	14.47%	5,705,060	7.99%	3,857,056	5.40%	2,376,978	3.33%	71,435,982	100.00%
1999	55,581,199	69.22%	1,050,128	1.31%	11,580,849	14.42%	5,819,711	7.25%	4,171,277	5.19%	2,091,045	2.60%	80,294,209	100.00%
2000	61,241,511	68.78%	1,234,270	1.39%	11,592,081	13.02%	6,720,258	7.55%	5,223,280	5.87%	3,031,334	3.40%	89,042,734	100.00%
2001	67,117,641	71.62%	1,439,272	1.54%	8,983,656	9.59%	7,431,042	7.93%	5,648,031	6.03%	3,097,142	3.30%	93,716,784	100.00%
2002	71,292,302	72.59%	1,642,180	1.67%	10,862,179	11.06%	7,289,335	7.42%	5,538,185	5.64%	1,591,429	1.62%	98,215,610	100.00%
2003	71,004,849	71.69%	1,925,525	1.94%	12,319,121	12.44%	7,203,857	7.27%	5,522,614	5.58%	1,063,157	1.07%	99,039,123	100.00%
2004	73,736,377	71.54%	2,023,198	1.96%	13,814,294	13.40%	7,270,872	7.05%	5,314,119	5.16%	904,366	0.88%	103,063,226	100.00%

(1) Includes general, special revenue, debt service and capital projects funds. Excludes program income, miscellaneous, assessments - street and contributions from outside sources and Section 8 overpayment recovery.

(2) Includes discretely presented component unit, Pasadena Crime Control and Prevention District.



**CITY OF PASADENA, TEXAS  
PROPERTY TAX LEVIES AND COLLECTIONS  
LAST TEN FISCAL YEARS**

Tax/Fiscal Year	Tax Rate	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Ratio of Total Tax Collections to Total Tax Levy	Outstanding Delinquent Taxes	Percent Delinquent Taxes to Tax Levy	Tax Rate Distribution			
										General Government	Debt Service	Percent	
												Ratio	Percent
1994/1995	\$0.6475/\$100	\$ 18,324,778	\$ 17,701,313	96.60%	\$ 338,635	\$ 18,039,948	98.45%	\$ 2,283,581	12.46%	0.2829	43.69%	0.3646	56.31%
1995/1996	\$0.6475/\$100	19,032,915	18,490,197	97.15%	328,138	18,818,335	98.87%	2,315,858	12.17%	0.2711	41.87%	0.3764	58.13%
1996/1997	\$0.6450/\$100	18,738,498	18,201,198	97.13%	256,343	18,457,541	98.50%	1,951,331	10.41%	0.3053	47.33%	0.3397	52.67%
1997/1998	\$0.6450/\$100	19,025,136	18,307,184	96.23%	236,652	18,543,836	97.47%	2,327,684	12.23%	0.3408	52.84%	0.3042	47.16%
1998/1999	\$0.6430/\$100	20,083,914	19,326,412	96.23%	509,890	19,836,302	98.77%	2,489,122	12.39%	0.3650	56.77%	0.2780	43.23%
1999/2000	\$0.5790/\$100	18,025,220	17,328,875	96.14%	521,460	17,880,335	99.20%	2,639,477	14.64%	0.3110	53.70%	0.2680	46.30%
2000/2001	\$0.5670/\$100	19,518,965	18,672,238	95.66%	574,102	19,246,340	98.60%	2,573,067	13.18%	0.3088	54.46%	0.2582	45.54%
2001/2002	\$0.5670/\$100	21,482,060	20,271,347	94.36%	651,621	20,922,968	97.40%	3,388,469	15.77%	0.3060	53.96%	0.2610	46.03%
2002/2003	\$0.5670/\$100	22,921,160	21,830,486	95.24%	1,147,053	22,977,539	101.92%	3,195,969	13.94%	0.2610	46.03%	0.3060	53.96%
2003/2004	\$0.5670/\$100	24,645,441	23,677,442	96.07%	770,562	24,448,004	99.20%	2,217,816	9.00%	0.3170	55.91%	0.2500	44.09%

**CITY OF PASADENA, TEXAS  
 ASSESSED AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY (1) (UNAUDITED)  
 LAST TEN FISCAL YEARS**

<b>Fiscal Year</b>	<b>Real Property Assessed Value (1)</b>	<b>%</b>	<b>Personal Property Assessed Value</b>	<b>%</b>	<b>Total Assessed Value</b>	<b>%</b>	<b>Ratio Total Assessed to Total Estimated Actual Value</b>
1995	\$ 2,252,209,480	79.58%	\$ 577,872,057	20.42%	\$ 2,830,081,537	100.00%	100.00%
1996	2,325,716,380	79.12%	613,729,881	20.88%	2,939,446,261	100.00%	100.00%
1997	2,325,704,680	80.01%	581,131,915	19.99%	2,906,836,595	100.00%	100.00%
1998	2,380,197,148	80.69%	569,436,340	19.31%	2,949,633,488	100.00%	100.00%
1999	2,552,839,064	81.73%	570,631,280	18.27%	3,123,470,344	100.00%	100.00%
2000	2,533,795,502	81.39%	579,368,500	18.61%	3,113,164,002	100.00%	100.00%
2001	2,794,719,355	81.18%	647,778,910	18.82%	3,442,498,265	100.00%	100.00%
2002	3,124,864,764	82.48%	663,858,340	17.52%	3,788,723,104	100.00%	100.00%
2003	3,329,769,490	82.37%	712,763,170	17.63%	4,042,532,660	100.00%	100.00%
2004	3,586,799,530	82.52%	759,839,066	17.48%	4,346,638,596	100.00%	100.00%

(1) Estimated and actual assessed values are the same.

**CITY OF PASADENA, TEXAS  
COMPUTATION OF LEGAL DEBT MARGIN (UNAUDITED)  
SEPTEMBER 30, 2004**

No direct funded debt limitation is imposed on the City under current state law. However, under Article IX, Section 14 of the City Charter, the maximum bonded indebtedness of the City outstanding at any one time and payable solely from ad valorem taxes shall not exceed ten percent of the assessed valuation of all taxable property on the City's tax roll.

Assessed value based on 2003 certified tax roll		\$ 4,346,638,596
Bonded debt limitation - 10% of total assessed value		\$ 434,663,860
Amount of bonded debt outstanding as of September 30, 2004 (1)	\$ 72,382,875	
Less amount available in Debt Service Fund	<u>(1,103,283)</u>	
		<u>(71,279,592)</u>
<b>Legal debt margin</b>		<b><u>\$ 363,384,268</u></b>

Article XI, Section 5 of the State of Texas Constitution, provides for an overall limitation for Home Rule Cities of \$2.50 per \$100 of assessed valuation of which not more than \$1.50 can be used for general operating purposes under the City Charter. The Attorney General of Texas follows a policy, with respect to Home Rule Cities which have such a \$2.50 limitation, of approving ad valorem tax bonds only to the extent that all of such City's ad valorem tax debt can be serviced by a tax rate of not more than \$1.50 at 90% collection.

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

**CITY OF PASADENA, TEXAS  
TAX BASE DISTRIBUTION (UNAUDITED)  
SEPTEMBER 30, 2004**

Type of Property	2003		2002		% Change
	Tax Roll/ Assessed Valuation	%	Tax Roll/ Assessed Valuation	%	
Real Residential	\$ 3,266,300,400	62.70%	\$ 2,992,930,430	62.02%	0.68%
Real Vacant	68,388,720	1.31%	64,329,540	1.33%	-0.02%
Real Acreage	54,660,110	1.05%	51,746,370	1.07%	-0.02%
Real Farm and Ranch Improvements	219,820	0.00%	-	0.00%	0.00%
Real Commercial	788,524,850	15.14%	747,052,030	15.48%	-0.35%
Real Industrial	127,572,470	2.45%	148,983,490	3.09%	-0.64%
<b>Total Real Property</b>	<b>4,305,666,370</b>	<b>82.65%</b>	<b>4,005,041,860</b>	<b>83.00%</b>	<b>-0.35%</b>
<b>Less: Exemptions</b>	<b>(718,866,840)</b>		<b>(675,272,370)</b>		
<b>Net Total Real Property</b>	<b>3,586,799,530</b>		<b>3,329,769,490</b>		
Oil Gas and Mineral Reserves	3,468,740	0.07%	2,989,570	0.06%	0.00%
Real and Tangible Personal Utility	513,290	0.01%	522,490	0.01%	0.00%
Gas Companies	8,255,430	0.16%	8,215,010	0.17%	-0.01%
Electric Companies	59,291,710	1.14%	55,211,110	1.14%	-0.01%
Telephone Companies	22,956,210	0.44%	30,924,600	0.64%	-0.20%
Railroads	262,600	0.01%	227,060	0.00%	0.00%
Pipelines	24,829,790	0.48%	24,646,050	0.51%	-0.03%
Major Cable TV Systems	12,036,930	0.23%	12,052,890	0.25%	-0.02%
Tangible Personal Commercial	435,964,970	8.37%	424,731,170	8.80%	-0.43%
Tangible Personal Industrial	285,370,390	5.48%	211,614,770	4.39%	1.09%
Tangible Personal Other - Mobile Homes	18,001,500	0.35%	19,262,240	0.40%	-0.05%
Residential Inventory - Vacant	4,153,050	0.08%	8,449,970	0.18%	-0.10%
Governmental Exemption	5,715,590	0.11%	53,260	0.00%	0.11%
Charitable Exemption	455,900	0.01%	182,790	0.00%	0.00%
Religious Exemption	4,962,650	0.10%	3,265,120	0.07%	0.03%
Low-Moderate Income Housing	104,400	0.00%	-	0.00%	0.00%
Agricultural	17,598,310	0.34%	18,212,120	0.38%	-0.04%
<b>Total Other Property</b>	<b>903,941,460</b>	<b>17.35%</b>	<b>820,560,220</b>	<b>17.00%</b>	<b>0.35%</b>
<b>Less: Exemptions</b>	<b>(144,102,394)</b>		<b>(107,797,050)</b>		
<b>Net Total Other Property</b>	<b>759,839,066</b>		<b>712,763,170</b>		
<b>Total Property</b>	<b>5,209,607,830</b>	<b>100.00%</b>	<b>4,825,602,080</b>	<b>100.00%</b>	
<b>Less: Total Exemptions</b>	<b>(862,969,234)</b>		<b>(783,069,420)</b>		
<b>Net Total property</b>	<b>\$ 4,346,638,596</b>		<b>\$ 4,042,532,660</b>		

**CITY OF PASADENA, TEXAS  
PRINCIPAL TAXPAYERS/WATER AND SEWER CUSTOMERS (UNAUDITED)  
SEPTEMBER 30, 2004**

**Principal Taxpayers**

	Type of Property	2003 Tax Roll		% of Total 2003 Assd. Value	2002 Tax Roll		% of 2002 Assd. Value
Tejas Gas Marketing LLC	Oil & Gas	\$ 86,601,920	(1)	1.99%	\$ 58,788,870	(1)	-
Centerpoint Energy	Electric Utility	56,728,070	(2)	1.31%	43,646,480	(2)	1.08%
CHCA Bayshore LP	Hospital	34,925,990	(3)	0.80%	34,557,880	(3)	0.85%
GATX Terminal Kinder Morgan	Tank Farm	26,268,890	(4)	0.60%	25,447,410	(8)	0.63%
Trizechahn Office Properties	Commercial Office	25,200,000	(5)	0.58%	27,199,990	(4)	0.67%
Village on the Lake Ltd	Apartments	24,063,470	(6)	0.55%	24,029,480	(6)	0.59%
KIR Pasadena II, LP	Commercial	22,936,200	(7)	0.53%	-		0.00%
SWB Telephone	Telecommunication	22,750,260	(8)	0.52%	26,995,800	(5)	0.67%
Tejas Gas Pipeline LLC	Refinery and Pipeline	22,255,040	(9)	0.51%	19,998,820	(9)	0.49%
Crown Central Petroleum	Refinery and Pipeline	21,401,220	(10)	0.49%	23,549,300	(7)	0.58%
Celenese LTD	Petro-Chemical	-		0.00%	19,760,060	(10)	0.49%
<b>Total Top Ten Taxpayers Assessed Valuation</b>		<b>\$ 343,131,060</b>		<b>7.89%</b>	<b>\$ 303,974,090</b>		<b>6.07%</b>

**Water and Sewer Customers**

	Type of Property	Consumption Per Month (thousand gallons)	Annualized Consumption (thousand gallons)	Billed
City of Seabrook (Toddville)	Municipal	9,570,000	114,840,000	\$ 73,837
Pasadena ISD	School	5,779,408	69,352,900	272,932
Bryton Hills Apartments	Apartments	4,312,550	51,750,600	170,876
Brandywood Housing Coop	Apartments	3,552,475	42,629,700	136,825
San Jacinto College	Junior College	3,541,508	42,498,100	171,921
Columbia Bayshore Hospital	Health Care	3,064,892	36,778,700	143,200
Sandstone Apts Ltd Ptn	Apartments	2,923,242	35,078,900	111,566
Compton Court	Apartments	2,865,433	34,385,200	119,251
The Columns	Apartments	2,642,133	31,705,600	104,593
Minh Food Co	Food Packing	2,537,300	30,447,600	128,744
<b>Total Top Ten Water and Sewer Customers</b>		<b>40,788,942</b>	<b>489,467,300</b>	<b>\$ 1,433,744</b>

Customer count	Year	Count
	2002	33,982
	2003	33,793
	2004	33,649

**CITY OF PASADENA, TEXAS**  
**DEBT SERVICE REQUIREMENTS TO MATURITY - REVENUE BONDS AND**  
**COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION**  
**SEPTEMBER 30, 2004**

Fiscal Year	Waterworks and Sewer System Revenue Bonds, Series, 1996		Waterworks and Sewer System Revenue Refunding Bonds, Series 1998		Waterworks and Sewer System Revenue Bonds Series, 1998A		Combination Tax and Revenue Certificates of Obligation, Series 1999		Combination Tax and Revenue Certificates of Obligation, Series 2002		Total Requirements	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 100,000	\$ 43,975	\$ 1,040,000	\$ 253,035	\$ 1,410,000	\$ 804,037	\$ 1,030,000	\$ 699,900	\$ 635,000	\$ 2,170,940	\$ 4,215,000	\$ 3,971,887
2006	100,000	38,925	1,025,000	190,052	1,455,000	768,930	1,085,000	638,100	670,000	2,138,315	4,335,000	3,774,322
2007	125,000	33,125	1,015,000	127,832	1,505,000	731,554	1,150,000	573,000	705,000	2,103,940	4,500,000	3,569,451
2008	125,000	26,562	1,000,000	65,625	1,555,000	692,150	1,215,000	504,000	745,000	2,067,690	4,640,000	3,356,027
2009	125,000	19,875	550,000	17,188	1,605,000	650,267	1,280,000	443,250	790,000	2,029,315	4,350,000	3,159,895
2010	150,000	12,375	-	-	1,665,000	605,290	1,355,000	379,250	835,000	1,988,690	4,005,000	2,985,605
2011	150,000	4,125	-	-	1,725,000	556,968	1,430,000	311,500	880,000	1,945,815	4,185,000	2,818,408
2012	-	-	-	-	1,790,000	505,105	1,510,000	240,000	930,000	1,900,565	4,230,000	2,645,670
2013	-	-	-	-	1,860,000	449,425	1,600,000	164,500	985,000	1,852,074	4,445,000	2,465,999
2014	-	-	-	-	1,930,000	390,197	1,690,000	84,500	1,040,000	1,798,234	4,660,000	2,272,931
2015	-	-	-	-	2,010,000	327,640	-	-	1,100,000	1,739,384	3,110,000	2,067,024
2016	-	-	-	-	2,090,000	261,518	-	-	1,160,000	1,677,234	3,250,000	1,938,752
2017	-	-	-	-	2,175,000	191,668	-	-	1,225,000	1,611,646	3,400,000	1,803,314
2018	-	-	-	-	2,260,000	117,925	-	-	1,295,000	1,541,537	3,555,000	1,659,462
2019	-	-	-	-	2,355,000	40,035	-	-	1,370,000	1,466,584	3,725,000	1,506,619
2020	-	-	-	-	-	-	-	-	1,445,000	1,387,412	1,445,000	1,387,412
2021	-	-	-	-	-	-	-	-	1,525,000	1,305,977	1,525,000	1,305,977
2022	-	-	-	-	-	-	-	-	1,615,000	1,221,983	1,615,000	1,221,983
2023	-	-	-	-	-	-	-	-	1,705,000	1,135,091	1,705,000	1,135,091
2024	-	-	-	-	-	-	-	-	1,800,000	1,045,275	1,800,000	1,045,275
2025	-	-	-	-	-	-	-	-	1,905,000	945,572	1,905,000	945,572
2026	-	-	-	-	-	-	-	-	2,010,000	835,462	2,010,000	835,462
2027	-	-	-	-	-	-	-	-	2,125,000	719,166	2,125,000	719,166
2028	-	-	-	-	-	-	-	-	2,245,000	600,469	2,245,000	600,469
2029	-	-	-	-	-	-	-	-	2,370,000	479,325	2,370,000	479,325
2030	-	-	-	-	-	-	-	-	2,505,000	351,356	2,505,000	351,356
2031	-	-	-	-	-	-	-	-	2,645,000	216,169	2,645,000	216,169
2032	-	-	-	-	-	-	-	-	2,795,000	73,368	2,795,000	73,368
<b>TOTAL</b>	<b>\$ 875,000</b>	<b>\$ 178,962</b>	<b>\$ 4,630,000</b>	<b>\$ 653,732</b>	<b>\$ 27,390,000</b>	<b>\$ 7,092,709</b>	<b>\$ 13,345,000</b>	<b>\$ 4,038,000</b>	<b>\$ 41,055,000</b>	<b>\$ 38,348,588</b>	<b>\$ 87,295,000</b>	<b>\$ 50,311,991</b>
												<b>\$ 137,606,991</b>

**DEBT SERVICE REQUIREMENTS TO MATURITY -  
OTHER LONG-TERM NOTES, CERTIFICATES OF OBLIGATION BONDS  
AND GENERAL OBLIGATION BONDS  
SEPTEMBER 30, 2004**

Fiscal Year	Volunteer Fireman Prior Service Costs Note, Dated July 1, 1997		Tax Notes, Series 2000		Other Long-Term Notes Total Requirements		General Obligation Bonds, Series 1995		General Obligation Refunding Bonds, Series, 1999	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 52,854	\$ 8,958	\$ 290,000	\$ 61,650	\$ 342,854	\$ 70,608	\$ 413,462	\$ 475,000	\$ -	\$ -
2006	55,952	5,860	220,000	50,175	275,952	56,035	331,987	-	-	-
2007	59,232	2,579	1,005,000	22,613	1,064,232	25,192	1,089,424	-	4,167,875	1,842,125
<b>Total</b>	<b>\$ 168,038</b>	<b>\$ 17,397</b>	<b>\$ 1,515,000</b>	<b>\$ 134,438</b>	<b>\$ 1,683,038</b>	<b>\$ 151,835</b>	<b>\$ 1,834,873</b>	<b>\$ 475,000</b>	<b>\$ 4,167,875</b>	<b>\$ 1,842,125</b>

Fiscal Year	General Obligation Bonds, Series, 2002		General Obligation Bonds, Series, 2003		General Obligation Refunding Bonds, Series, 2004		General Obligation Bonds, Series 1995		General Obligation Refunding Bonds, Series, 1999		Combination Tax and Revenue Certificates of Obligation, Series 2001	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2005	50,000	653,619	-	720,925	6,610,000	588,400	1,973,632	9,108,632	35,000	647,820	35,000	682,820
2006	50,000	651,869	-	720,925	6,700,000	394,400	1,767,194	8,517,194	35,000	646,420	35,000	681,420
2007	50,000	650,119	-	720,925	-	266,500	3,479,669	7,697,544	35,000	645,020	35,000	680,020
2008	1,175,000	628,681	880,000	706,625	2,815,000	196,125	1,531,431	6,401,431	850,000	627,320	850,000	1,477,320
2009	1,195,000	587,206	885,000	677,944	2,515,000	62,875	1,328,025	5,923,025	870,000	592,920	870,000	1,462,920
2010	1,110,000	546,869	895,000	649,019	-	-	1,195,888	3,200,888	880,000	557,920	880,000	1,437,920
2011	1,010,000	509,769	915,000	618,463	-	-	1,128,232	3,053,232	900,000	522,320	900,000	1,422,320
2012	1,005,000	474,506	935,000	584,919	-	-	1,059,425	2,999,425	920,000	485,345	920,000	1,405,345
2013	1,025,000	438,981	1,015,000	549,118	-	-	988,099	3,028,099	940,000	440,520	940,000	1,380,520
2014	1,035,000	401,637	1,045,000	503,416	-	-	905,053	2,985,053	965,000	388,132	965,000	1,353,132
2015	1,050,000	355,981	1,075,000	447,766	-	-	803,747	2,928,747	985,000	338,940	985,000	1,323,940
2016	1,080,000	302,731	1,105,000	397,447	-	-	700,178	2,885,178	1,010,000	292,550	1,010,000	1,302,550
2017	1,085,000	253,353	1,135,000	352,648	-	-	606,001	2,826,001	1,035,000	244,234	1,035,000	1,279,234
2018	1,110,000	207,665	1,175,000	305,860	-	-	513,525	2,798,525	1,065,000	193,826	1,065,000	1,258,826
2019	1,120,000	160,275	1,210,000	256,362	-	-	416,637	2,746,637	1,090,000	140,750	1,090,000	1,230,750
2020	1,055,000	112,985	1,245,000	204,496	-	-	317,481	2,617,481	1,120,000	85,500	1,120,000	1,205,500
2021	985,000	67,613	1,285,000	149,770	-	-	217,383	2,487,383	1,150,000	28,750	1,150,000	1,178,750
2022	1,010,000	22,725	1,325,000	91,688	-	-	114,413	2,449,413	-	-	-	-
2023	-	-	1,375,000	30,937	-	-	30,937	1,405,937	-	-	-	-
<b>Total</b>	<b>\$ 16,200,000</b>	<b>\$ 7,026,584</b>	<b>\$ 17,500,000</b>	<b>\$ 8,689,253</b>	<b>\$ 18,640,000</b>	<b>\$ 1,508,300</b>	<b>\$ 56,982,875</b>	<b>\$ 19,076,950</b>	<b>\$ 13,885,000</b>	<b>\$ 6,878,287</b>	<b>\$ 20,763,287</b>	

**CITY OF PASADENA, TEXAS  
DEBT SERVICE REQUIREMENTS TO MATURITY  
LAST TEN FISCAL YEARS**

Fiscal Year	PRINCIPAL					INTEREST					Total Debt Service Requirement	
	Revenue Bonds and Combination Tax and Revenue Certificates of Obligation		Certificates of Obligation		Long-Term/Real Estate Lien Notes	Revenue Bonds and Combination Tax and Revenue Certificates of Obligation		Certificates of Obligation		Long-Term/Real Estate Lien Notes		
	General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation		General Obligation Bonds	Certificates of Obligation	General Obligation Bonds	Certificates of Obligation			
Total	Total	Total	Total	Total	Total	Total	Total	Total	Total	Total		
1995	\$ 19,560,000	\$ 3,920,000	\$ 55,027,547	\$ 3,920,000	\$ -	\$ -	\$ 7,900,392	\$ 23,492,805	\$ 172,480	\$ -	\$ 31,565,677	\$ 110,073,224
1996	19,245,000	-	62,579,665	-	9,470,048	-	7,390,737	22,488,306	-	1,167,530	31,046,573	122,341,286
1997	17,260,000	-	59,694,897	-	6,478,099	-	6,166,479	17,988,401	-	670,382	24,825,262	108,258,258
1998	14,535,000	-	56,165,000	-	4,313,271	-	4,402,384	14,150,207	-	417,423	18,970,014	93,983,285
1999	44,045,000	-	51,750,000	-	7,976,513	(1)	15,055,643	11,182,597	-	809,734	27,047,974	130,819,487
2000	59,025,000	-	47,172,875	-	11,066,760	(1)	20,809,223	10,036,222	-	1,611,419	32,456,864	149,721,499
2001	56,130,000	-	42,187,875	-	8,394,677	(1)	18,325,912	7,779,704	-	1,141,720	27,247,336	133,959,888
2002	95,350,000	13,945,000	35,902,875	13,945,000	6,630,127	(1)	58,826,591	5,816,499	8,177,727	780,877	73,601,694	225,429,696
2003	91,385,000	13,915,000	45,537,875	13,915,000	4,757,965	(1)	54,475,651	11,873,392	7,527,408	514,207	74,390,658	229,986,498
2004	87,295,000	13,885,000	56,982,875	13,885,000	1,683,038	(1)	50,311,991	19,076,950	6,878,287	151,835	76,419,063	236,284,976

(1) - Includes Sales Tax Revenue Notes, Series 1999 issued by the City's component unit - Pasadena Second Century Corporation



**CITY OF PASADENA, TEXAS  
DIRECT AND ESTIMATED OVERLAPPING DEBT (UNAUDITED)  
SEPTEMBER 30, 2004**

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of government entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City.

<b>Taxing Body</b>	<b>Debt as of 9/1/2004</b>	<b>Percent</b>	<b>Overlapping Amount</b>
Clear Creek Independent School District	\$ 420,235,000	6.68%	\$ 28,071,698
Clear Lake City Water Authority	66,655,000	28.41%	18,936,686
Deer Park Independent School District	96,925,000	8.84%	8,568,170
Harris County Flood Control District	71,799,985	2.30%	1,651,400
Harris County	1,302,131,589	2.30%	29,949,027
Harris County WC&ID #156	5,510,000	29.93%	1,649,143
La Porte Independent School District	68,540,000	2.75%	1,884,850
Pasadena Independent School District	245,748,669	36.76%	90,337,211
Port of Houston Authority	306,245,000	2.30%	7,043,635
San Jacinto Community College District	89,770,000	11.54%	10,359,458
<b>Total Gross Overlapping Debt</b>			<b>198,451,277</b>
City of Pasadena	72,382,875	100.00%	72,382,875
<b>Total Direct and Overlapping Debt</b>			<b>\$ 270,834,152</b>

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

**Debt Ratios**

		<b>Direct Debt</b>	<b>Direct and Overlapping Debt</b>
2003 Certified Assessed Valuation	\$ 4,346,638,596	1.67%	6.23%
Per Capita (2003 Estimate Population)	157,942	\$ 458.29	\$ 1,714.77

**CITY OF PASADENA, TEXAS**  
**PROPERTY TAX RATE - DIRECT AND OVERLAPPING GOVERNMENTS (UNAUDITED)**  
**(PER \$100 OF ASSESSED VALUATION) (1)**  
**LAST TEN FISCAL YEARS**

Fiscal Year Ended Sep 30	Tax Year	Clear Lake Water Authority		Clear Creek ISD		Deer Park ISD		La Porte ISD		Pasadena ISD		Harris County		City of Pasadena	
		Rate	Overlapping (2)	Rate	Overlapping (2)	Rate	Overlapping (3)	Rate	Overlapping (3)	Rate	Overlapping (3)	Rate	Overlapping (4)	Rate	Overlapping (4)
1995	1994	0.2950	3.02331	1.4700	3.02331	1.590	2.84831	1.560	2.81831	1.4500	1.4500	0.61081	0.6475	0.6475	0.6475
1996	1995	0.3350	3.05570	1.4700	3.05770	1.530	2.78270	1.560	2.81270	1.4500	1.4500	0.60520	0.6475	0.6475	0.6475
1997	1996	0.3300	3.19290	1.5900	3.19290	1.560	2.83290	1.610	2.88540	1.5210	1.5210	0.62790	0.6450	0.6450	0.6450
1998	1997	0.3300	3.37234	1.6415	3.37434	1.580	2.98284	1.610	3.01284	1.5530	1.5530	0.75784	0.6450	0.6450	0.6450
1999	1998	0.3300	3.36420	1.6415	3.36420	1.670	3.06270	1.650	3.04270	1.5200	1.5200	0.74970	0.6430	0.6430	0.6430
2000	1999	0.3300	3.26552	1.5985	3.26552	1.670	3.00702	1.650	2.98702	1.5235	1.5235	0.75802	0.5790	0.5790	0.5790
2001	2000	0.3300	3.37186	1.70084	3.37186	1.690	3.03102	1.630	2.97102	1.6100	1.6100	0.77402	0.5670	0.5670	0.5670
2002	2001	0.3300	3.39898	1.7250	3.39898	1.690	3.03398	1.630	2.97398	1.6649	1.6649	0.77698	0.5670	0.5670	0.5670
2003	2002	0.3100	3.39398	1.7400	3.39398	1.804	3.14748	1.680	3.02398	1.6875	1.6875	0.77698	0.5670	0.5670	0.5670
2004	2003	0.2900	3.37240	1.7300	3.37240	1.871	3.22340	1.680	3.03240	1.7750	1.7750	0.78540	0.5670	0.5670	0.5670

- (1) Total overlapping tax rate per property is determined by adding county tax rate, school tax rate, applicable utility district tax rate, and City of Pasadena tax rate. The overlapping rates include direct and overlapping tax rates.
- (2) Includes Clear Lake Water Authority, Clear Creek ISD, Harris County, and City of Pasadena tax rates.
- (3) Includes Harris County, applicable school, and the City of Pasadena tax rates.
- (4) Harris County tax rate includes the Harris County Flood Control District, Port of Houston Authority, Harris County Department of Education, Harris County Toll Road District, the Harris County Hospital District, and the San Jacinto Jr. College District.

**CITY OF PASADENA, TEXAS  
RATIO OF NET GENERAL BONDED DEBT  
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended Sept 30</b>	<b>Estimated Population (1)</b>	<b>Net Assessed Value</b>	<b>Total General Bonded Debt Service</b>	<b>Debt Service Monies Available</b>	<b>Net General Bonded Debt Service</b>	<b>Ratio (%) NET General Bonded Debt Service to NET Assessed Value</b>	<b>Net General Bonded Debt Service per Capita</b>
1995	129,292	\$ 2,830,081,537	\$ 82,612,832	\$ 1,363,799	\$ 81,249,033	2.87%	628
1996	127,500	2,939,446,261	93,897,758 (2)	1,740,741	92,157,017	3.14%	723
1997	138,583	2,906,836,595	84,049,229 (2)	1,923,868	82,125,361	2.83%	593
1998	134,400	2,949,633,488	74,341,606 (2)	1,311,980	73,029,626	2.48%	543
1999	135,000	3,123,470,344	65,634,668 (2)	1,458,996	64,175,672	2.05%	475
2000	141,674	3,113,164,002	64,981,710 (2)	1,392,559	63,589,151	2.04%	449
2001	143,195	3,442,498,265	55,779,592 (2)	1,171,532	54,608,060	1.59%	381
2002	144,600	3,788,723,104	68,705,539 (2)	470,871	68,234,668	1.80%	472
2003	151,344	4,042,532,660	62,897,875 (2)	603,760	62,294,115	1.54%	412
2004	157,942	4,346,638,596	72,382,875 (2)	1,103,283	71,279,592	1.64%	451

(1) Obtained from the Bureau of Statistics

(2) Includes long-term notes to be paid from ad valorem tax levied on taxable property located within the City.

**CITY OF PASADENA, TEXAS  
RATIO OF ANNUAL DEBT SERVICE FOR  
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENT EXPENDITURES  
LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended Sept 30</b>	<b>Principal</b>	<b>Interest and Fiscal Agent Fees</b>	<b>Total Debt Service</b>	<b>Total General Governmental Expenditures (1)</b>	<b>Ratio of Debt Service to Total Expenditures</b>
1995	\$ 6,208,368	\$ 4,308,633	\$ 10,517,001	\$ 62,630,891	16.79%
1996	6,417,881 (2)	4,478,826	10,896,707	66,901,090	16.29%
1997	6,464,816 (2)	4,991,993	11,456,809	66,932,441	17.12%
1998	5,649,897 (2)	4,064,085	9,713,982	68,892,189	14.10%
1999	5,600,000 (2)	3,111,717	8,771,751	66,915,078	13.11%
2000	5,950,000 (2)	2,602,453	8,552,453	78,417,119	10.91%
2001	6,660,000 (2)	2,520,784	9,180,784	81,787,576	11.23%
2002	8,190,000 (2)	2,681,945	10,871,945	91,337,655	11.90%
2003	7,525,000 (2)	2,993,406	10,518,406	114,059,432	9.22%
2004	7,905,000 (2)	2,783,244	10,688,244	110,387,481	9.68%

(1) Includes general, special revenue (excluding HUD Section 8 rental voucher and certificate programs, HUD CDBG entitlement and HOME investment partnerships programs), debt service and capital projects funds.

(2) Includes long-term notes to be paid from ad valorem tax levied on taxable property located within the City.

**CITY OF PASADENA, TEXAS  
REVENUE BOND COVERAGE  
WATER AND SEWER SYSTEM (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year Ended Sept 30	Gross Revenues (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Debt Service Requirements (3)			Coverage
				Principal	Interest	Total	
1995	\$ 18,952,512	\$ 13,589,207	\$ 5,363,305	\$ 1,780,000	\$ 1,330,492	\$ 3,110,492	1.72
1996	20,356,629	12,599,820	7,756,809	1,855,000	1,261,067	3,116,067	2.49
1997	20,147,327	13,150,704	6,996,623	1,985,000	1,224,258	3,209,258	2.18
1998	21,348,163	13,735,559	7,612,604	2,070,000	918,061	2,988,061	2.55
1999	22,045,466	14,661,469	7,383,997	1,860,000	1,658,552	3,518,552	2.10
2000	25,492,939	15,188,159	10,304,780	2,740,000	2,394,232	5,134,232	2.01
2001	23,495,100	17,362,099	6,133,001	2,895,000	2,483,310	5,378,310	1.14
2002	27,126,094	19,723,404	7,402,690	3,000,000	3,294,487	6,294,487	1.18
2003	26,746,577	20,746,358	6,000,219	3,965,000	4,350,940	8,315,940	0.72
2004	25,741,521	20,111,558	5,629,963	4,090,000	4,163,660	8,253,660	0.68

(1) Total revenues including interest.

(2) Total operating expenses exclusive of depreciation.

(3) Includes principal and interest of revenue bonds and combination tax and revenue certificates of obligation.

**CITY OF PASADENA, TEXAS  
 DEMOGRAPHIC STATISTICS (UNAUDITED)(1)  
 LAST TEN FISCAL YEARS**

<b>Fiscal Year Ended Sept 30</b>	<b>Estimated Population</b>	<b>Per Capita Income</b>	<b>Median Age</b>	<b>School Enrollment</b>	<b>Unemployment Percentage</b>
1995	129,292	\$ 12,402	29.4	39,655	6.3
1996	127,500	12,588	29.3	40,415	5.6
1997	138,583	12,966	29.4	40,800	5.8
1998	134,400	13,118	29.5	41,000	5.7
1999	135,000	13,381	29.6	41,500	4.5
2000	141,674	13,430	29.2	42,269	4.7
2001	143,195	13,479	29.1	43,414	5.0
2002	144,600	13,519	29.3	44,420	6.2
2003	151,344	15,856	29.9	50,374	9.0
2004	157,942	17,830	28.9	46,100	10.2

(1) Obtained from the Bureau of Statistics website database - estimates

**CITY OF PASADENA, TEXAS  
REAL PROPERTY VALUE AND CONSTRUCTION (UNAUDITED)  
LAST TEN FISCAL YEARS**

Fiscal Year	Real Property Value (1)			Commercial Construction (2)		Residential Construction (3)		
	Commercial	Residential	Exemptions	Total	Number of Units	Value	Number of Units	Value
1995	\$ 685,776,990	\$ 1,800,793,560	\$ 234,361,070	\$ 2,252,209,480	134	\$ 18,485,377	198	\$ 14,637,872
1996	715,342,910	1,884,451,690	274,078,220	2,325,716,380	155	33,099,832	338	23,779,304
1997	710,153,000	1,872,283,660	256,731,980	2,325,704,680	341	86,455,479	379	22,500,531
1998	653,792,740	2,007,692,168	281,287,760	2,380,197,148	329	160,169,721	303	26,322,055
1999	676,609,690	2,163,118,404	286,889,030	2,552,839,064	303	40,879,486	434	59,120,851
2000	739,841,260	2,324,711,152	530,756,910	2,533,795,502	305	71,777,738	268	18,919,279
2001	861,172,630	(4) 2,524,339,160	(4) 557,664,540	(4) 2,827,847,250	312	114,858,921	691	53,333,489
2002	1,642,210,910	(4) 2,827,940,440	(4) 682,169,870	(4) 3,787,981,480	354	68,002,635	726	52,524,685
2003	990,035,550	3,002,014,980	674,428,240	3,317,622,290	328	50,221,105	686	59,411,395
2004	1,013,578,820	3,296,240,600	718,889,940	3,590,929,480	333	77,720,212	747	63,438,468

(1) Estimated and actual assessed values are the same.

(2) Source: Permit Department, City of Pasadena, Texas

(3) Source: Permit Department, City of Pasadena, Texas

(4) Updated: Tax Department, City of Pasadena, Texas

**CITY OF PASADENA, TEXAS  
GENERAL DEMOGRAPHIC INFORMATION (1)  
SEPTEMBER 30, 2004**

Date of incorporation	December 26, 1928
Form of government	Mayor / Council
Area	59.5 square miles
Land miles of streets maintained by City	360 approx.
Fire protection:	
Number of stations	10
Number of personnel	190 (all volunteers)
Number of fire vehicles	36
Police protection:	
Number of stations	2
Number of commissioned officers	250
Number of police vehicles	310
Parks:	
Number of parks	47
Acres	351.54
Municipal Bond Rating:	
Bond Insured	
Moody's Investors Service Inc.	Aaa
Standard & Poor's Corporation	AAA
Underlying (without insurance)	
Moody's Investors Service Inc.	A1
Standard & Poor's Corporation	A+
Population:	
1980 Census	112,560
1990 Census	120,574
2000 Census	141,674
County:	Harris
Government type	Commissioners Court
Schools:	
Elementary	35
Intermediate	10
High School	5
Alternative	4
Colleges	3
Total Enrollment	
Grades Kindergarten through 12	46,142
San Jacinto College	22,177
Texas Chiropractic College	500
University of Houston at Clear Lake	7,785

(1) This information was provided through various City departments and through the U.S. Census Bureau, American Community Survey Profile 2002



Health Facilities:	
In Pasadena	3
In general area	61
Special Purpose Health Care Facilities	54
Religious Facilities	201
Total number of city owned vehicles	807
Miles of sewers	388
Number of bridges	72
Miles of water mains	448
Number of traffic signals	190

	<b><u>1990</u></b> <b><u>Census</u></b>	<b><u>2000</u></b> <b><u>Census</u></b>
Demographics:		
Total population	120,574	141,674
Total housing units	47,539	50,367
Total occupied households	42,044	47,031
Average household size	2.82	2.99
Medium household income	\$ 27,621	N/A
Population by race:		
White	82,492	101,219
Hispanic	34,627	30,173
Black	1,003	2,316
Asian / Pacific Islands	1,732	2,647
American Indian	490	957
Other	230	4,362

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