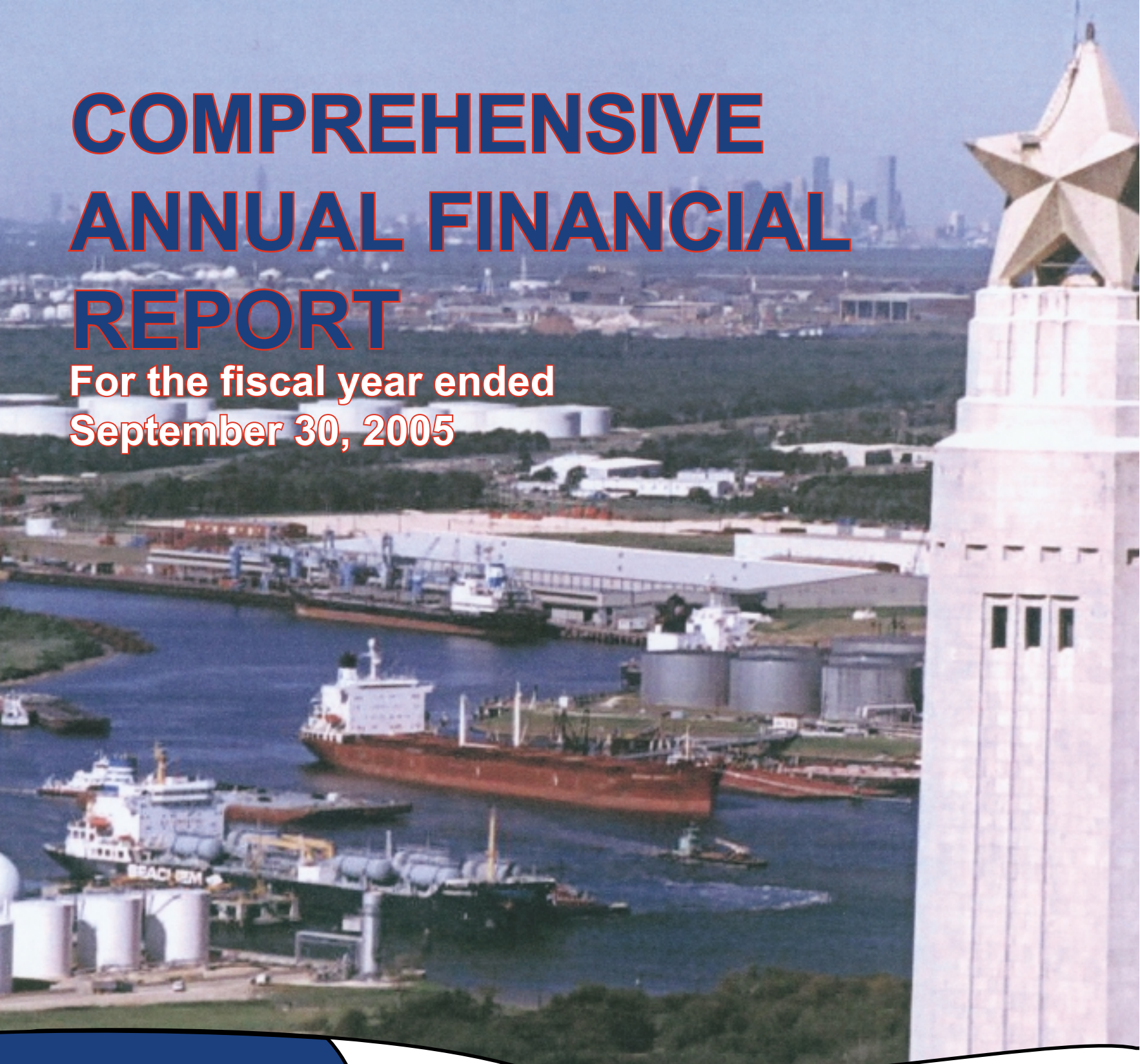


COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the fiscal year ended
September 30, 2005



*City of
Pasadena, Texas*



CITY OF PASADENA, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2005

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

**City of Pasadena, Texas
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2005**

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INTRODUCTORY SECTION

February 28, 2006

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, 2005, including the independent auditor's report, is presented to comply with both local charter and state statutes.

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

Mosher, Seifert and Company, Certified Public Accountants, issued an unqualified (clean) opinion on the City of Pasadena, Texas' financial statements for the fiscal year ended September 30, 2005. 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 13-25.

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 158,173 in 2005 (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 45).

The City Charter requires the adoption of the City budget no later than September 27th. The appropriated budget is prepared by fund, function, and department/division. Within the department/division, it is categorized further by object and subject. City department heads may make transfers between two subjects within the same object (e.g. transfer between postage and office supplies within the object of materials and supplies). Any other transfers or changes to the appropriations require the approval of the City Council and an amendment to the budget. For additional information on the City's budgetary practices, see Note III.A on page 53, in the financial statement notes.

Local Economy

The area's economy is showing signs of growth, but still faces unsettled economic conditions and rapidly escalating costs for key items including health insurance, electricity, and fuel. In this environment, the City is establishing themselves as stewards of two equally important responsibilities: providing quality services to the City's constituents and protecting the City's financial strength.

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 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 has been sluggish for the past four years. A significant indicator of the impact of the economic downturn or upturn is seen in the City's employment and unemployment statistics. In December 2004, the unemployment rate was 5.9%. As of December 2005, the unemployment rate fell to 5.3%, which indicates a 0.6% growth in the local employment rate per the Texas Workforce Commission. 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. In 2005, the Texas job count increased by 153,500 or 1.6%.

Long-term Financial Planning

In August 2002, the City adopted the first-ever Capital Improvement Plan ("CIP") and on September 2002, the voters approved bond propositions totaling \$102 million for the tax supported projects in the CIP. The City has since updated the CIP for fiscal years 2006-2010 including up-to-date cost estimates and schedules. Per the CIP, the \$20.1 million in new bonds proceeds, received before the fiscal year end, are to be allocated to four program categories next year: streets, traffic, drainage, and police. Bond proceeds remaining from prior years' sales totaling approximately \$14 million will be

used to finance CIP projects in the fire, parks, library, and municipal facilities programs.

The critical component of the CIP is the financing plan to complete the approved construction projects on schedule. The tax-supported portion of the plan includes permanent improvement tax bonds that will be retired through the debt service fund as well as projects funded with sales tax revenue from Pasadena Second Century Corporation and Pasadena Crime Control District and grants from the county, state, and federal governments. Because permanent improvement tax bonds are the most important aspect of the CIP Financing Plan, the City's property tax rate assumptions are critical.

The key assumptions are:

1. The current overall property tax rate of \$0.567 per \$100 of assessed value will be maintained throughout the forecasted period while the portion of the tax rate allocated to debt service will vary depending on the CIP progress and economic conditions.
2. The property tax roll will grow at slower rates in part due to the implementation of the property tax freeze for homeowners who are over 65 years of age or disabled beginning in fiscal year 2006.
3. Debt service on the new bonds will be paid over twenty years, with a declining balance approach beginning in fiscal year 2008.
4. Interest rates return to historically higher levels (5.5%) beginning with next year's debt sales.

The remaining financing sources of the CIP are planned to come from excess fund balances, funds from future planned but unsold bonds, and funds remaining from previously sold bonds.

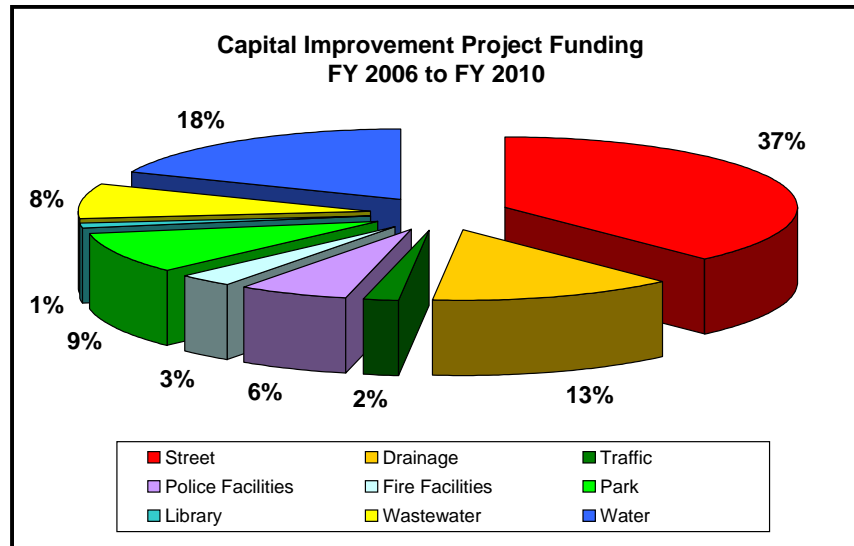
Relevant Financial Policies

The City Council formalized the City's revenue recognition and other financial and budget policies at the end of the fiscal year. The policy changed and extended the revenue recognition policy for financial and budgeting reporting purposes from 30 days to 60 days. The City has considerable discretion in determining the availability period for revenue recognition. In the past, the City has consistently used a 30 day availability period. The City will now recognize revenue 60 days after September 30th fiscal year end. This is in compliance with generally accepted accounting principles which states that the financial resources should be considered available only to the extent the revenues are "collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period."

Also approved by the City Council for unforeseen contingencies was the level of unreserved, undesignated general fund balance to be at a minimum of two months of regular general fund operating expenditures. In recent years, the fund balance has been systematically drawn down to put tax dollars to work 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.

Major Initiatives

At the end of 2005, the fourth year of the City's long-term CIP is about to begin. The CIP covers a wide range of improvements to street, drainage, traffic, police facilities, fire facilities, park, library, municipal facilities, and water and wastewater system. The CIP has so far completed approximately thirty-six projects totaling \$56.3 million. The projects completed to date include 61 miles of street and sidewalk improvements, 48 miles of drainage, and 23 miles of sewer/waterline improvements. An additional seventy-five projects budgeted at \$83.5 million are in progress.



Awards and Acknowledgements

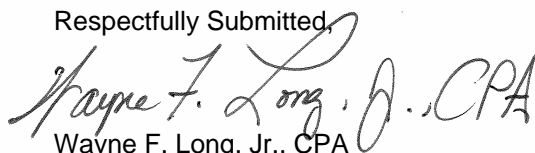
The Government Finance Officers Association ("GFOA") awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report ("CAFR") for the fiscal year ended September 30, 2004. This was the eleventh year that the City has received this prestigious 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, 2004. 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
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, 2004

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.



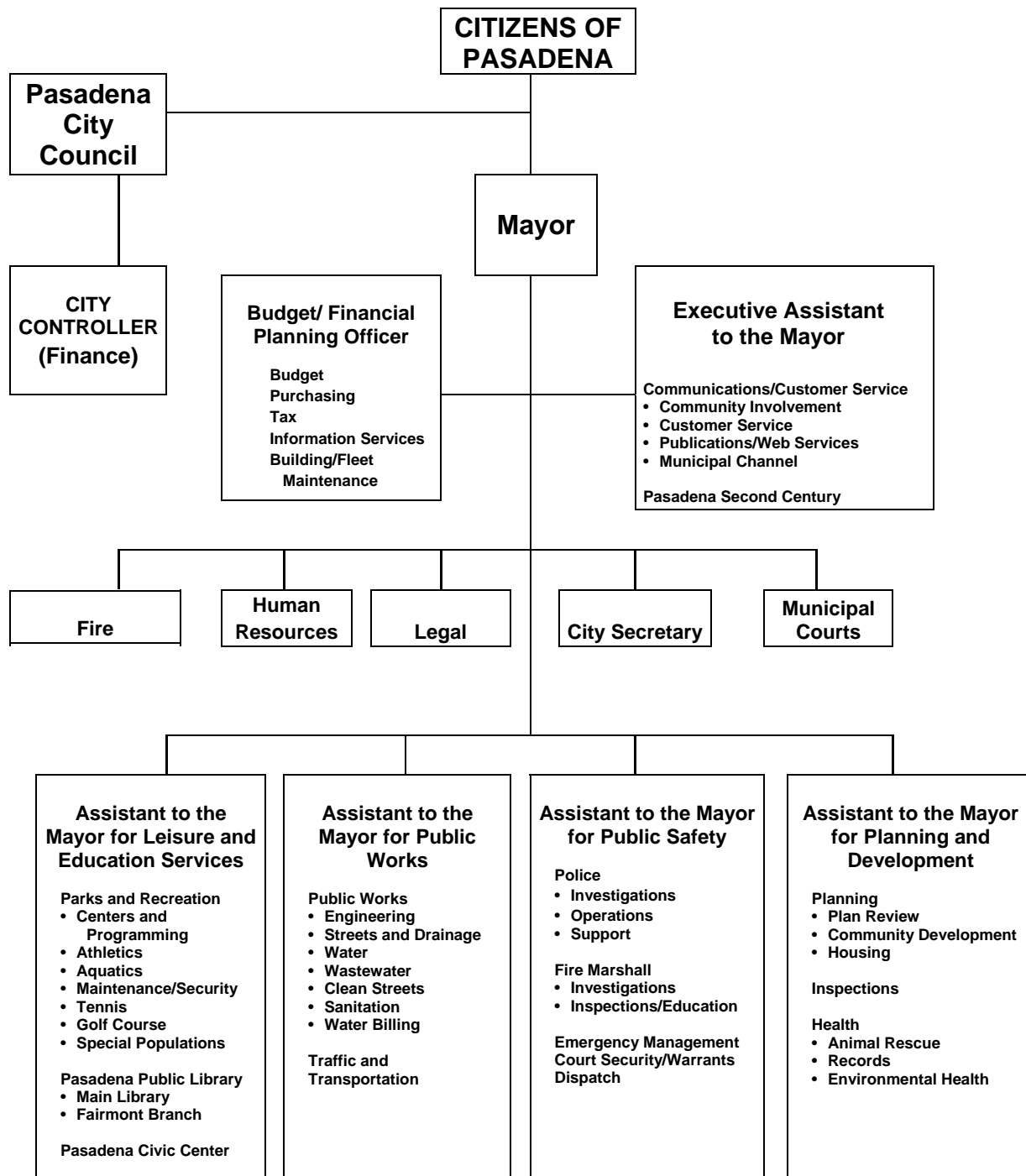
Carla E. Perry

President

Jeffrey R. Emery

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/CHIEF OF POLICE**

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

RALPH RIGGS
JACKIE WELCH
DON HARRISON
JACK DOUGLASS
JIM BARKER
JAMES GUTHRIE
DANA PHILIBERT (MAYOR PRO-TEM)
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 – Retired 11/30/2005

FIRE MARSHAL

DAVID BRANNON

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Pasadena, Texas (the "City") as of and for the year ended September 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2005, and 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 principals generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 13 through 25 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Mosher, Seifert and Company

Mosher, Seifert and Company
Certified Public Accountants
February 28, 2006

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**MANAGEMENT'S DISCUSSION
AND ANALYSIS**

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Pasadena's ("City") Comprehensive Annual Financial Report ("CAFR") presents a narrative overview and analysis of the financial performance of the City for the fiscal year ended September 30, 2005. This discussion and analysis includes comparative data for fiscal year 2004. Please read it in conjunction with the transmittal letter, in the introductory section, of this report and City's financial statements following this section.

FINANCIAL HIGHLIGHTS

Some of the City's financial highlights for the fiscal year ended September 30, 2005 are as follows:

Government-Wide Financial Statements

The City's assets exceeded its liabilities by \$579,745,147 (net assets). This compared to the prior fiscal year when assets exceeded its liabilities by \$571,076,514, showing an increase of \$8,668,633 (1.5%). More than two-thirds of this increase is attributed to donated right of way and infrastructure from various developers to the City for maintenance.

Total net assets of the City are comprised of the following:

- Capital assets, net of related debt, of \$554,022,547 (95.6%) include land, improvements, construction in progress, and other capital assets, net of accumulated depreciation, and reduced by outstanding debt, and net unspent proceeds related to the construction of capital assets.
- Net assets of \$23,372,674 (4.0%) are restricted by constraints imposed from outside the City such as debt obligations, laws and regulations.
- Net assets of \$2,349,926 (0.4%) represent the unrestricted portion available to meet the City's ongoing obligations to citizens and creditors.

The City's total debt increased by \$25,124,206 (15.47%) during the current fiscal year. This is due to a combination of (1) issuance of \$67,150,000 general obligation and refunding bonds and sales tax revenue bonds (2) refunded certain outstanding obligation of the City in the amount of \$30,135,000 and (3) total debt principal payments in the amount of \$11,890,794.

Fund Financial Statements

- The City's governmental funds reported combined fund balances of \$87,495,671. This compares to the prior fiscal year combined fund balances of \$63,955,082, showing an increase of \$23,540,589 (36.8%). Approximately 98% of the fund balances, \$85,738,420, is available for spending at the City's discretion (unreserved, undesignated fund balance).
- At the end of fiscal year, general fund had a total fund balance of \$12,203,585. The reserved and unreserved, designated portion of the fund balance were \$69,987 and \$584,031, respectively. The unreserved, undesignated portion of the fund balance was \$11,549,567 or 16.5% of total general fund expenditures (including transfers out) of \$69,901,574. The City has a policy which requires the unreserved, undesignated portion of the fund balance to be equivalent of two months of regular general fund operating expenditures. At the end of September 30, 2005, the unreserved, undesignated fund balance was slightly over (\$8,874) this required amount.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

The City of Pasadena adopts an annual appropriated budget for its general fund, debt service fund, the Federal equitable sharing of forfeited property of Justice and Treasury Departments within the grant management fund and four nonmajor governmental funds. The budgetary comparison 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 30-37 of this report.

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

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

The basic proprietary financial statements can be found on pages 38-43 of this report.

Notes to the financial statements. The accompanying notes provide information essential to a full understanding of the government-wide and fund financial statements. The notes to the financial statements begin immediately following the fund financial statements and can be found on pages 45-77.

Other information. The combining and individual fund statements and schedules referred to earlier in connection with budgetary schedules, nonmajor governmental funds, and internal service funds can be found on pages 79-107.

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 \$579,745,147 at fiscal year ended September 30, 2005.

CITY OF PASADENA'S
Net Assets

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Current and other assets	\$ 114,879,399	\$ 92,375,566	\$ 51,628,139	\$ 55,968,600	\$ 166,507,538	\$ 148,344,166
Capital assets	446,074,381	429,042,467	198,398,931	194,631,021	644,473,312	623,673,488
Total assets	560,953,780	521,418,033	250,027,070	250,599,621	810,980,850	772,017,654
Long-term liabilities, outstanding	153,783,706	94,997,968	59,742,092	91,695,282	213,525,798	186,693,250
Other liabilities	11,082,851	10,445,254	6,627,054	3,802,636	17,709,905	14,247,890
Total liabilities	164,866,557	105,443,222	66,369,146	95,497,918	231,235,703	200,941,140
Net assets:						
Invested in capital assets, net of debt	369,618,615	387,778,628	184,403,932	154,149,232	554,022,547	541,927,860
Restricted	22,888,815	18,624,939	483,859	1,634,435	23,372,674	20,259,374
Unrestricted (deficit)	3,579,793	9,571,244	(1,229,867)	(681,964)	2,349,926	8,889,280
Total net assets	\$ 396,087,223	\$ 415,974,811	\$ 183,657,924	\$ 155,101,703	\$ 579,745,147	\$ 571,076,514

By far the largest portion of the City's net assets, \$554,022,547 (95.6%), reflects its investment in capital assets (e.g., land, building, machinery, equipment, and infrastructure), less any related outstanding debt used to acquire those assets. These assets are used to provide services to citizens; consequently, they are not available to be used for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate liabilities.

This portion of the City's net assets increased by \$12,094,687 (2.2%) compared to prior fiscal year of \$541,927,860. The increase was due to a combination of increase in capital project activities and recognition of \$6,226,874 donated right of way and infrastructure from various developers. The donations were related to various residential subdivisions, which were donated to the City for maintenance at the time of completion.

The second portion of the City's net assets, \$23,372,674 (4.0%), represents resources that are subject to external restrictions on how they may be used. This compared to the prior fiscal year of \$20,259,374, showing an increase of \$3,113,300 (15.4%). This increase was connected to the increase in sales tax revenues set aside by the City's blended component unit, Pasadena Second Century Corporation. The sales tax revenues are restricted for economic development capital projects.

The third and final portion of the City's net assets, \$2,349,926 (0.4%) 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 \$6,539,354 (74%) compared to the prior fiscal year of \$8,889,280. This change was due to a combination of (1) an increase in health benefit costs (2) an increase in interest expense on long-term debt and (3) a recognized loss on disposal of capital assets due to reconstruction.

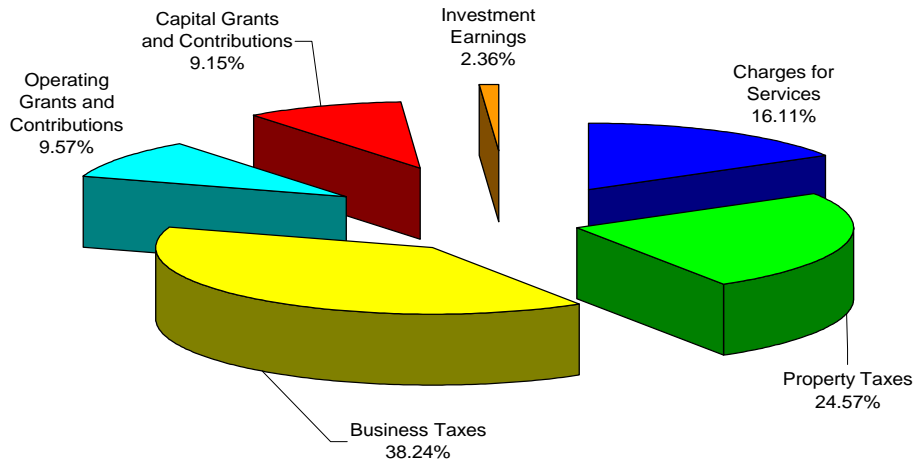
At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets. However, while the business activities reported a positive balance in total net assets, a deficit of \$1,229,867 was reported in the unrestricted portion.

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

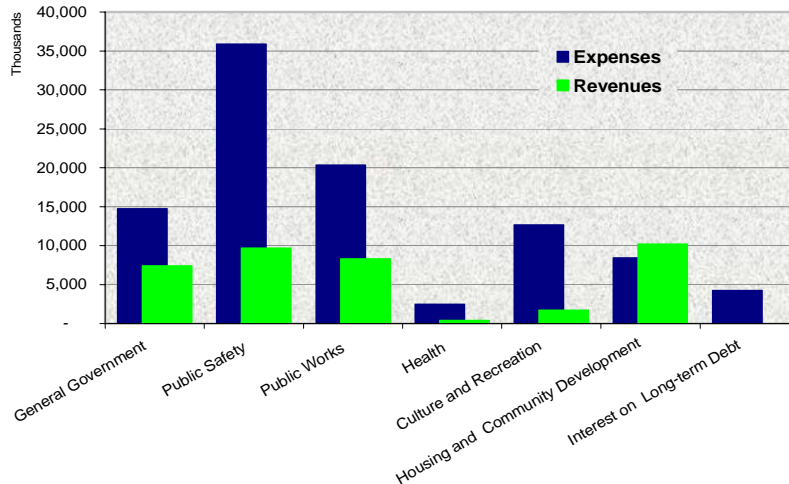
	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Revenues						
Program revenues:						
Charges for services	\$ 17,455,048	\$ 16,871,017	\$ 26,261,124	\$ 25,175,410	\$ 43,716,172	\$ 42,046,427
Operating grants and contributions	10,377,127	9,555,552	-	-	10,377,127	9,555,552
Capital grants and contributions	9,913,507	4,984,476	1,315,972	-	11,229,479	4,984,476
General revenues						
Property taxes	26,630,894	24,889,552	-	-	26,630,894	24,889,552
Business taxes	41,447,089	42,951,133	-	-	41,447,089	42,951,133
Investment earnings	2,554,992	1,065,425	1,309,736	566,111	3,864,728	1,631,536
Gain on sale of capital assets	-	58,456	-	-	-	58,456
Total Revenues	108,378,657	100,375,611	28,886,832	25,741,521	137,265,489	126,117,132
Expenses:						
General government	14,760,376	12,499,970	-	-	14,760,376	12,499,970
Public safety	35,897,408	35,031,295	-	-	35,897,408	35,031,295
Public works	20,368,711	21,881,082	-	-	20,368,711	21,881,082
Health	2,481,836	2,300,482	-	-	2,481,836	2,300,482
Culture and recreation	12,676,655	12,277,865	-	-	12,676,655	12,277,865
Housing and community development	8,433,494	7,989,705	-	-	8,433,494	7,989,705
Interest on long-term debt	4,252,445	2,578,646	-	-	4,252,445	2,578,646
Water and sewer	-	-	29,725,931	30,641,552	29,725,931	30,641,552
Total expenses	98,870,925	94,559,045	29,725,931	30,641,552	128,596,856	125,200,597
Increase (decrease) in net assets before transfers	9,507,732	5,816,566	(839,099)	(4,900,031)	8,668,633	916,535
Transfers	(29,395,320)	746,492	29,395,320	(746,492)	-	-
Increase (decrease) in net assets	(19,887,588)	6,563,058	28,556,221	(5,646,523)	8,668,633	916,535
Net assets - beginning	415,974,811	409,411,753	155,101,703	160,748,226	571,076,514	570,159,979
Net assets - ending	\$ 396,087,223	\$ 415,974,811	\$ 183,657,924	\$ 155,101,703	\$ 579,745,147	\$ 571,076,514

Governmental Activities. Governmental activities decreased the City's net assets by \$19,887,588 (4.8%) during this fiscal year. The key element of this decrease is attributed to the refunding of several enterprise fund debts in the amount of \$28,230,000 with the general obligation refunding bonds. This decrease (transfer out) outpaced the increase in property taxes \$1,741,342 (7.0%) and capital contributions in the amount of \$6,226,874 from various developers on donated right of way and infrastructure.

Revenues by Source Governmental Activities ~ FY 2005



Expenses and Program Revenues Governmental Activities ~ FY 2005

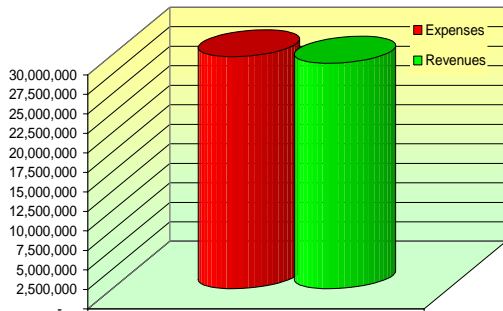


Business-type Activities. Business-type activities increased the City's net assets by \$28,556,221. The key elements of this increase include:

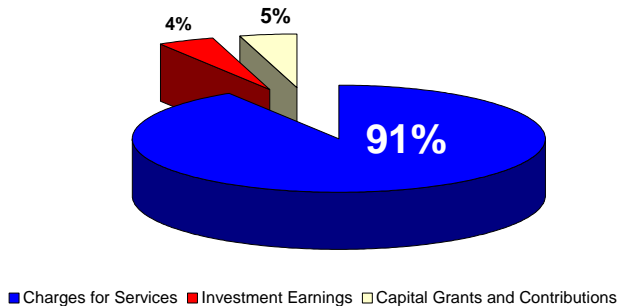
- Charges for services for business-type activities increased by \$1,085,714 (4.3%). This was due to decline in rainfall compared to the last fiscal year, which in turn resulted increase in water and sewer operating revenues.
- As mentioned earlier in the governmental activities discussion, the general obligation refunding bonds refunded several debts in the enterprise fund in the amount of \$28,230,000. This amount is recorded as a transfer from the governmental to business activities on the statement of activities in the government-wide financial statements.

The above increases were offset by (1) increase in annual wastewater plant maintenance contract expenditures by \$459,930 (9%) and (2) \$785,000 transfers out to governmental funds to assist its operations.

**Expenses and Program Revenues
Business-type Activities ~ FY 2005**



**Revenues by Source
Business-type Activities ~ FY 2005**



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.

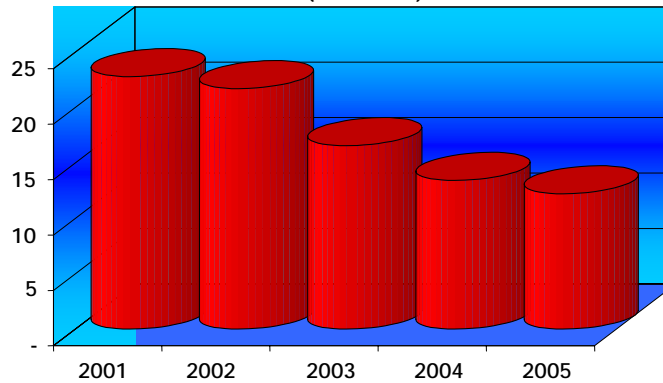
As of the end of the current fiscal year, the City reported combined ending fund balances of \$87,495,671; approximately 98% of this amount (\$85,738,420) represents unreserved, undesignated fund balance, which is available for spending at the City's discretion. The remainder of fund balance is either 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 (\$164,091 or 0.2%)
- 2) pay debt service (\$1,009,129 or 1.1%)
- 3) pay for certain capital and technological improvements and recall, election, and charter revision (\$584,031 or 0.7%)

The general fund is the principal operating fund of the City of Pasadena. As of September 30, 2005, the general fund reported fund balance of \$12,203,585. This compared to the prior fiscal year of \$14,837,967, showing a decrease of \$2,634,382 (17.8%). About 91.4% of this decrease related to ongoing expenditures that outstripped ongoing revenues.

The unreserved, undesignated portion of the general fund balance was \$11,549,567. As a measure of the general fund's liquidity, it is useful to compare this portion of the fund balance to the total general fund expenditures including transfers out of \$69,901,574 (16.5%) versus the total fund balance to the same amount (17.5%).

**General Fund Balance Trend
for Last Five Fiscal Years**
(in millions)



The debt service fund has a total fund balance of \$1,009,129, all of which is reserved for the payment of debt service. A decrease of \$141,389 (12.3%) in fund balance compared to prior fiscal year of \$1,150,518 was due to the property tax and investment revenues came in slightly short of meeting the debt service payments and refunding activities.

The Pasadena Second Century Corporation fund has a total fund balance of \$19,792,426, all of which is restricted for economic development capital projects. The net increase in fund balance during the current fiscal year was \$6,130,978 (44.9%) compared to prior fiscal year of \$13,661,448. The increase was in part due to the issuance of the sales tax revenue bonds, series 2004 in the amount of \$5,000,000. Out of the total fund balance, \$16,495,780 (83.3%) is for specific capital projects that are currently under construction or contract.

The capital projects fund has a total fund balance of \$49,337,715, all of which is restricted for capital improvement projects. The net increase in fund balance during the current fiscal year amounted to \$20,474,042 (70.9%) compared to prior fiscal year of \$28,863,673. A large part of this increase was due to issuance of \$32,580,000 of General Obligation Bonds. Out of the total fund balance, \$11,914,192 (24.1%) is for specific capital projects that are currently under construction or contract.

The grant management fund has a total fund balance of \$2,190,599, all of which is restricted for specific grant purposes. The net decrease in fund balance during the fiscal year was \$290,702 (11.7%) compared to prior fiscal year of \$2,481,301. The decrease was primarily due to the on going grant expenditures outpaced the grants revenues. The largest decline of \$605,614 in funding can be seen in the Federal equitable sharing of forfeited property grants from the Departments of Justice and Treasury.

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 \$72,364,005, including transfers out, was \$1,522,566 (2.1%) more than the original budget of \$70,841,439. This increase was funded by the increase in budgeted revenues of \$260,459. The remaining increases came from fund balance.

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

- \$1,302,909 decrease for General Government- \$1,565,065 was decrease in other charges in personnel services, \$3,400 was increased for business travel and printing and advertising in the budget department, \$15,000 for utilities in the property management department and \$16,805 on various amendments in other general government departments.
- \$2,169,026 increase for Public Safety- for increased costs in various salary accounts.
- \$297,438 increase for Public Works- for increased utility costs.
- \$52,000 increase in Health- for professional services.
- \$181,226 increases in Culture and Recreation- \$38,700 to budget for custodian in the library and \$80,000 to pay for increased maintenance materials and professional services in the parks department.
- \$125,785 increase in Interfund transfers out.

Even with the abovementioned amendments, total actual expenditures, including transfers out, of \$69,901,574 were \$2,462,431 below the final budget. The actual personnel and contractual service expenditures came in under the final budgeted amount by \$1,147,162 (2.3%) and \$720,349 (7%), respectively.

Actual revenues including the transfers in and sale of capital assets totaled to \$67,267,192, which was slightly over the final budgeted amount of \$67,248,059 by \$19,133.

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, 2005, amounted to \$644,473,312 (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 \$20,799,823 (3.3%) compared to prior fiscal year of \$623,673,489. A 4.0% increase for governmental activities and a 1.9% increase for business-type activities.

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

- Completion of Darling Street ditch (D002) - \$102,730 with final capitalized project cost in the amount of \$862,881.
- Completion of Young street drainage improvements (D006) - \$470,745 with final capitalized project cost in the amount of \$4,060,265.
- Continue improvement to Rustic ditch (D008) – \$727,683 with \$882,420 construction in progress at the end of the fiscal year.
- Completion of fire station #10 (F001) - \$20,482 with final capitalized project cost in the amount of \$2,032,173.
- Completion of police crime lab (M001) - \$102,581 with final capitalized project cost in the

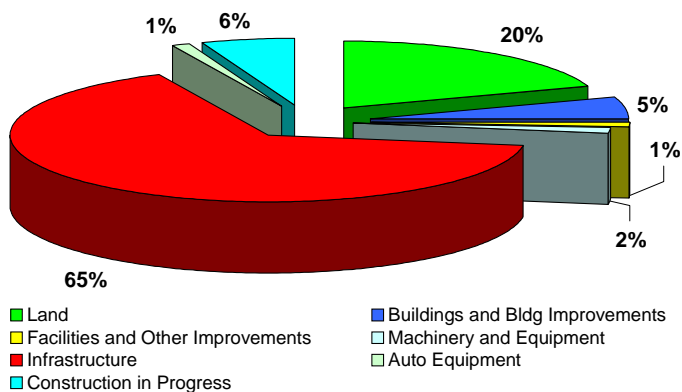
amount of \$1,555,889.

- Continue with preliminary work, and land acquisition (including relocation assistance) of the new police complex (P001) - \$3,376,316 with \$3,570,267 construction in progress at the end of fiscal year.
- Continue with Memorial park renovation project (R007) - \$381,203 with \$584,826 construction in progress at the end of fiscal year.
- Completion of Allendale Street and drainage from Richey to Oaks (S002) - \$332,421 with final capitalized project cost in the amount of \$5,646,680.
- Completion of Jana extension (S005) - \$40,316 with final capitalized project cost in the amount of \$3,233,705.
- Completion of Strawberry Street, Phase I from Spencer to Vista (S010) - \$44,747 with final capitalized project cost in the amount of \$1,687,387.
- Completion of Jackson Street from Scarborough to Pasadena Blvd (S011) - \$431,364 with final capitalized project cost in the amount of \$5,572,007.
- Continue the construction of Vista extension, Phase I (S017) - \$1,811,599 with \$2,639,841 construction in progress at the end of fiscal year.
- Reconstruct Shaw Street, Phase I, including drainage, water and sewer lines (S020) - \$853,825 construction in progress.
- Continue reconstruction of Beusch Street from Strawberry to Claremont (S028) - \$865,003 with \$1,727,791 construction in progress at the end of fiscal year
- Continue with reconstruction of Allendale Phase III (S030) - \$1,247,907 with \$1,923,137 construction in progress at the end of the fiscal year.
- Continue with reconstruction of Strawberry Phase III (S035) - \$2,692,879 with \$3,013,246 construction in progress at the end of the fiscal year.
- Strawberry extension (S044) - continue with land acquisition (including relocation assistance) - \$2,284,651 with \$2,293,051 construction in progress at the end of fiscal year.
- Construction of deepwater elevated water tank (W003) - \$1,890,794 construction in progress.
- Completion of 42" WW line and 24" force main (WW007) - \$576,290 with final capitalized project cost in the amount of \$8,431,045.
- Strawberry trunk line, segment C (WW009) - \$ 1,110,588 construction in progress.
- Contribution of right of way and infrastructure from various developers - \$ 6,226,874.

**Capital Assets
(net of depreciation)
September 30, 2005**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land	\$ 125,447,465	\$ 123,924,463	\$ 1,238,951	\$ 1,238,951	\$ 126,686,416	\$ 125,163,414
Buildings and building improvements	33,051,408	27,473,846	2,096,635	2,221,866	35,148,043	29,695,712
Facilities and other improvements	3,040,046	2,439,753	3,419,988	3,491,106	6,460,034	5,930,859
Machinery and equipment	5,274,285	2,752,621	4,238,824	5,690,737	9,513,109	8,443,358
Infrastructure	245,062,626	225,189,312	176,814,474	142,194,205	421,877,100	367,383,517
Automotive equipment	7,686,915	9,872,263	393,376	481,166	8,080,291	10,353,429
Construction in progress	26,511,636	37,390,209	10,196,683	39,312,991	36,708,319	76,703,200
Totals	\$ 446,074,381	\$ 429,042,467	\$ 198,398,931	\$ 194,631,022	\$ 644,473,312	\$ 623,673,489

Total Primary Government Capital Assets



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

Long-term debt. At the end of the current fiscal year, the City had total long-term debt outstanding of \$187,525,855. Of this amount, \$125,283,060 represents debts backed by the full faith and credit of the City, \$4,375,000 represents debt secured by the sales tax revenues, \$24,202,795 represents debts secured solely by the net revenues of City’s water and sewer operations and \$33,665,000 represents debts 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.

During the current fiscal year, the City issued and refunded the following debts:

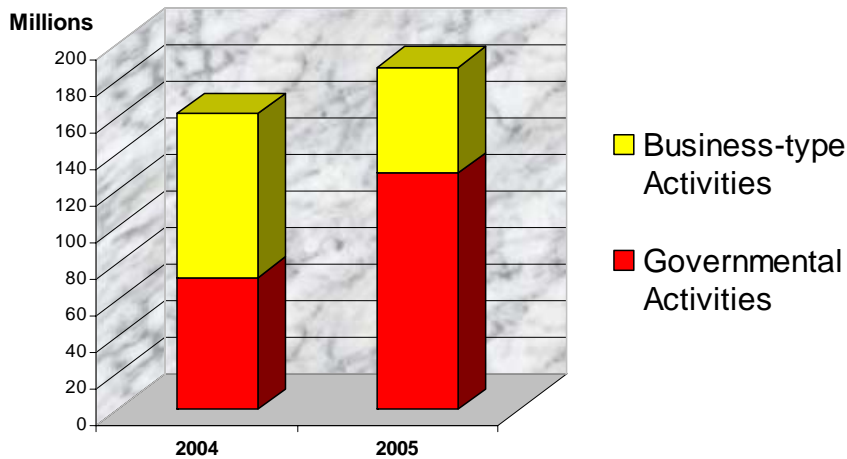
- Issued \$13,200,000 in general obligation bonds, series 2004 to finance various capital projects.
- Issued \$5,000,000 in sales tax revenue bonds, series, 2004 to finance various capital projects.
- Issued \$19,600,000 in general obligation refunding bonds, series 2005 to refund (1) \$1,905,000 in general obligation bonds and (2) \$17,755,000 revenue bonds and obligations of the enterprise fund. The purpose of this refunding was to take advantage of the low interest rate, reduce debt service payments and lessen the debt burden of City’s enterprise fund.
- Issued \$29,350,000 in general obligation and refunding bonds, series 2005A. Part of the bonds proceeds (\$19,380,000) are to be used to finance the construction of a new police complex and various other capital projects, the remainder (\$9,970,000) was used to refund \$10,475,000 in revenue bonds and obligations of the enterprise fund. The purpose of this refunding was to restructure and lessen the debt burden of City’s enterprise fund.

As a result of the above activities, the total debt increased by \$25,124,206 (15.5%). Please refer to note IV, G to the financial statements for further information on the City’s long-term debt. In addition, the statistical section of this report has various schedules on the City’s debt capacity to help citizens and investors to assess the affordability of the City’s current level of outstanding debt and the City’s ability to issue additional debt in the future.

City of Pasadena's Long Term Debt
September 30, 2005

	Governmental Activities		Business-type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
General and certificate obligation bonds including refunding	\$ 123,942,875	\$ 70,867,875	\$ -	\$ -	\$ 123,942,875	\$ 70,867,875
Other long-term debt	5,715,185	1,683,038	-	-	5,715,185	1,683,038
Revenue bonds	-	-	18,625,000	28,265,000	18,625,000	28,265,000
Refunding revenue bonds	-	-	3,590,000	4,630,000	3,590,000	4,630,000
Tax and revenue certificate of obligation bonds	-	-	33,665,000	54,400,000	33,665,000	54,400,000
Deferred water charges debt	-	-	1,987,795	2,555,736	1,987,795	2,555,736
Total	\$ 129,658,060	\$ 72,550,913	\$ 57,867,795	\$ 89,850,736	\$ 187,525,855	\$ 162,401,649

Outstanding Debt ~ 2004 vs. 2005

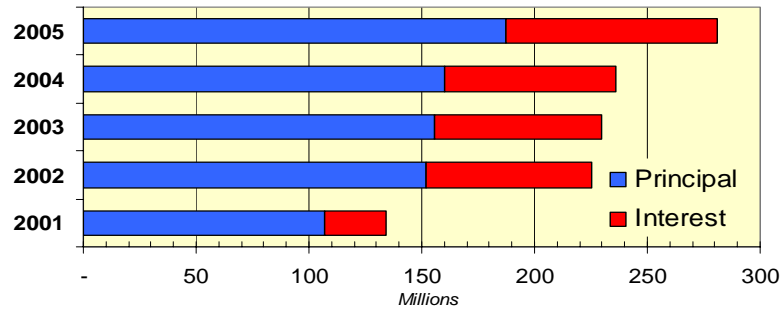


The City has a continuing goal to upgrade the City's debt rating. The City's underlying bond ratings are:

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 \$452,803,882, which is significantly in excess of the City's outstanding general obligation debt.

**Debt Service Requirements to Maturity
Last Five Fiscal Years**



Economic Factors and Next Year’s Budgets and Rates

- The unemployment rate for the most recent year available (as of December 2005) was 5.3%, down from 5.9% for the previous December per the Texas Workforce Commission.
- Assessed value for property tax used for the fiscal year 2006 budget preparation is up approximately \$189 million (4.17%) from fiscal year 2005 and is expected to bring in an additional \$1,071,000 in revenues.
- The sales tax revenue is expected to grow by \$619,000 (3.3%) over fiscal year 2005. Pasadena’s sales tax has shown the first year-over-year growth pattern since 2002. This reflects the apparent improvement in economic outlook since January 2005.
- The industrial district fees are expected to bring in \$900,000 (6%) more than fiscal year 2005.
- The 2006 budget includes a significant increase in water and sewer operating revenues of approximately \$6,800,000 (26%) with the increase in water and sewer rates. This should cover the City’s cost in providing water and sewer service while minimizing the impact on residential customers over 65 and avoiding the need for major increases in the future.
- In fiscal year 2005, the enterprise fund transferred \$500,000 to the general fund. For fiscal year 2006, the transfer was increased to \$3,772,000 to the general fund with \$2,400,000 for planning, management and support services and \$1,372,000 to assist debt service payments for the general obligation refunding bonds.

These indicators were taken into account when adopting the general fund budget for fiscal year 2006. Revenues in the general fund are budgeted in the amount of \$73,408,400, an increase of 9.2% over the final 2005 budget of \$67,248,059 (including transfer in).

Expenditures are budgeted to increase by 2%, or \$1,449,950, in comparison to the budgeted expenditures from the current fiscal year. The City will reinstate its equipment replacement program, ensuring that the general condition of fleet, communications, and computer equipment is kept at a serviceable level per the fiscal year 2006 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, 2005**

	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Pasadena Crime Control and Prevention District</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 2,199,524	\$ 67,348	\$ 2,266,872	\$ -
Investments	23,780,311	1,395,435	25,175,746	2,740,804
Receivables (net of allowances for uncollectible)	6,452,191	5,496,203	11,948,394	1,028,708
Due from primary government	-	-	-	273
Due from component unit	1,974	-	1,974	-
Internal balances	1,064,539	(1,064,539)	-	-
Inventories	469,989	-	469,989	-
Deposits	75,000	529,600	604,600	-
Deferred charges	1,610,658	569,155	2,179,813	-
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents	620,422	-	620,422	-
Investments	76,168,116	44,634,937	120,803,053	-
Intergovernmental receivables	2,436,675	-	2,436,675	-
Capital assets not being depreciated:				
Land	125,447,465	1,238,951	126,686,416	-
Construction in progress	26,511,636	10,196,683	36,708,319	-
Capital assets net of accumulated depreciation:				
Buildings and building improvements	33,051,408	2,096,635	35,148,043	-
Facilities and other improvements	3,040,046	3,419,988	6,460,034	-
Machinery and equipment	5,274,285	4,238,824	9,513,109	-
Infrastructure	245,062,626	176,814,474	421,877,100	-
Automotive	7,686,915	393,376	8,080,291	-
TOTAL ASSETS	560,953,780	250,027,070	810,980,850	3,769,785
<u>LIABILITIES</u>				
Accounts payable and other current liabilities	4,065,460	1,537,912	5,603,372	74,733
Accrued payroll payable	1,035,293	127,654	1,162,947	79,318
Accrued interest payable	2,194,011	-	2,194,011	-
Due to primary government	-	-	-	1,974
Due to component unit	273	-	273	-
Liabilities payable from restricted assets	3,787,814	2,901,307	6,689,121	-
Customer deposits	-	2,060,181	2,060,181	-
Noncurrent liabilities:				
Due within one year	11,632,437	1,916,978	13,549,415	-
Due in more than one year	142,151,269	57,825,114	199,976,383	-
TOTAL LIABILITIES	164,866,557	66,369,146	231,235,703	156,025
<u>NET ASSETS</u>				
Invested in capital assets, net of related debt	369,618,615	184,403,932	554,022,547	-
Restricted for:				
Capital projects	14,923,909	-	14,923,909	-
Grant and special revenue activities	6,812,564	-	6,812,564	-
Public safety	-	-	-	3,613,760
Debt service	1,152,342	483,859	1,636,201	-
Unrestricted (deficit)	3,579,793	(1,229,867)	2,349,926	-
TOTAL NET ASSETS	\$ 396,087,223	\$ 183,657,924	\$ 579,745,147	\$ 3,613,760

The accompanying notes are an integral part of the financial statements

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**CITY OF PASADENA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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				Pasadena Crime Control and Prevention District
					Governmental Activities	Business-type Activities	Total		
Primary government:									
Governmental activities:									
General government	\$ 14,760,376	\$ 7,348,053	\$ 65,746	\$ -	\$ (7,346,577)	\$ -	\$ (7,346,577)	\$ -	
Public safety	35,897,408	6,312,465	1,866,008	1,505,035	(26,213,900)	-	(26,213,900)	-	
Public works	20,368,711	1,876,420	103,543	6,331,697	(12,057,051)	-	(12,057,051)	-	
Health	2,481,836	373,931	14,671	-	(2,093,234)	-	(2,093,234)	-	
Culture and recreation	12,676,655	1,514,690	110,328	118,755	(10,932,882)	-	(10,932,882)	-	
Housing and community development	8,433,494	29,489	8,216,831	1,958,020	1,770,846	-	1,770,846	-	
Interest on long-term debt	4,252,445	-	-	-	(4,252,445)	-	(4,252,445)	-	
Total governmental activities	98,870,925	17,455,048	10,377,127	9,913,507	(61,125,243)	-	(61,125,243)	-	
Business-type activities:									
Water and sewer system	29,725,931	26,261,124	-	1,315,972	-	(2,148,835)	(2,148,835)	-	
TOTAL PRIMARY GOVERNMENT	\$ 128,596,856	\$ 43,716,172	\$ 10,377,127	\$ 11,229,479	(61,125,243)	(2,148,835)	(63,274,078)	-	
Component unit:	\$ 6,420,350	\$ -	\$ -	\$ -	-	-	6,420,350	-	
Pasadena Crime Control District									
General revenues:									
General property taxes					26,630,894	-	26,630,894	-	
Business taxes									
Industrial district fees					15,064,575	-	15,064,575	-	
Sales taxes					18,771,552	-	18,771,552	6,080,985	
Utility taxes					7,132,803	-	7,132,803	-	
Other taxes					478,159	-	478,159	-	
Total business taxes					41,447,089	-	41,447,089	6,080,985	
Investment earnings									
Unrestricted					898,174	24,737	922,911	99,633	
Restricted					1,656,818	1,284,999	2,941,817	-	
Transfers					(29,395,320)	29,395,320	-	-	
Total general revenues and transfers					41,237,655	30,705,056	71,942,711	6,180,618	
CHANGE IN NET ASSETS					(19,887,588)	28,556,221	8,668,633	(239,732)	
NET ASSETS - BEGINNING					415,974,811	155,101,703	571,076,514	3,853,492	
NET ASSETS - ENDING					\$ 396,087,223	\$ 183,657,924	\$ 579,745,147	\$ 3,613,760	

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
ASSETS				
Cash and cash equivalents	\$ 2,199,524	\$ -	\$ -	\$ -
Investments	9,415,693	-	-	-
Receivables (net of allowance for uncollectible)	4,902,862	386,610	1,057,886	-
Due from other funds	1,669,609	179,302	-	961,240
Due from component unit	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	120,226	-
Investments	-	877,618	19,493,528	50,814,039
Intergovernmental receivable	37,129	-	-	-
TOTAL ASSETS	\$ 18,224,817	\$ 1,443,530	\$ 20,671,640	\$ 51,775,279
LIABILITIES				
Accounts payable	\$ 3,699,269	\$ -	\$ -	\$ -
Accrued payroll payable	944,855	-	-	-
Accrued interest payable	-	111,886	-	-
Intergovernmental payable	-	-	-	-
Due to other funds	1,042,877	-	468,232	84,801
Due to component unit	273	-	-	-
Compensated absences payable	-	-	-	-
Deferred revenue	333,958	322,515	-	-
Liabilities payable from restricted assets	-	-	410,982	2,352,763
TOTAL LIABILITIES	6,021,232	434,401	879,214	2,437,564
FUND BALANCES				
Reserved for:				
Encumbrances	69,987	-	-	83,250
Debt service	-	1,009,129	-	-
Total reserved	69,987	1,009,129	-	83,250
Unreserved, designated for, reported in:				
General fund				
Capital and technology improvements	569,031	-	-	-
Recall, election, and charter revisions	15,000	-	-	-
Total unreserved and designated	584,031	-	-	-
Unreserved, undesignated for, reported in:				
General fund	11,549,567	-	-	-
Pasadena Second Century Corp fund	-	-	19,792,426	-
Capital projects fund	-	-	-	49,254,465
Grant management fund	-	-	-	-
Special revenue funds	-	-	-	-
Total unreserved, undesignated	11,549,567	-	19,792,426	49,254,465
TOTAL FUND BALANCES	12,203,585	1,009,129	19,792,426	49,337,715
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,224,817	\$ 1,443,530	\$ 20,671,640	\$ 51,775,279

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

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

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

Internal service funds are used by management to charge the costs of technical services, warehouse, fleet, facilities operations, mail room, risk management - in regards to workers' compensation claims, general liabilities, and health care benefits to individual funds. These assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

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

NET ASSETS OF GOVERNMENTAL ACTIVITIES

Grant Management	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 2,199,524
-	-	9,415,693
-	-	6,347,358
84,801	-	2,894,952
1,974	-	1,974
447,229	52,967	620,422
2,155,573	2,827,358	76,168,116
2,203,475	196,071	2,436,675
\$ 4,893,052	\$ 3,076,396	\$ 100,084,714

\$ -	\$ -	\$ 3,699,269
-	-	944,855
-	-	111,886
138,138	-	138,138
1,625,821	11,182	3,232,913
-	-	273
155,560	-	155,560
-	-	656,473
782,934	102,997	3,649,676
2,702,453	114,179	12,589,043

10,729	125	164,091
-	-	1,009,129
10,729	125	1,173,220

-	-	569,031
-	-	15,000
-	-	584,031

-	-	11,549,567
-	-	19,792,426
-	-	49,254,465
2,179,870	-	2,179,870
-	2,962,092	2,962,092
2,179,870	2,962,092	85,738,420
2,190,599	2,962,217	87,495,671
\$ 4,893,052	\$ 3,076,396	

437,091,510

656,473

19,127,322

(148,283,753)

\$ 396,087,223

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, 2005

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects
REVENUES				
General property taxes	\$ 15,806,824	\$ 10,832,722	\$ -	\$ -
Business taxes				
Industrial district fees	15,064,576	-	-	-
Sales taxes	12,514,368	-	6,257,184	-
Utility taxes	7,181,942	-	-	-
Other taxes	196,816	-	-	-
Total business taxes	<u>34,957,702</u>	<u>-</u>	<u>6,257,184</u>	<u>-</u>
Licenses and permits	1,984,006	-	-	-
Municipal court fines	5,122,457	-	-	-
Charges for services	7,592,005	-	-	-
Intergovernmental	242,604	-	-	104,823
Program income	-	-	-	-
Assessments	-	-	-	2,152
Contribution from outside sources	-	-	-	68,500
Miscellaneous	554,928	-	-	50
Investment income	496,666	48,305	474,138	1,004,189
TOTAL REVENUES	<u>66,757,192</u>	<u>10,881,027</u>	<u>6,731,322</u>	<u>1,179,714</u>
EXPENDITURES				
Current:				
General government	10,719,005	-	194,547	-
Public safety	31,017,316	-	-	-
Public works	14,205,605	-	-	-
Health	2,232,358	-	-	-
Culture and recreation	11,069,872	-	-	-
Housing and community development	-	-	-	-
Debt Service:				
Principal	-	7,460,000	625,000	-
Interest	-	3,297,400	149,497	-
Fiscal charges	-	3,647	-	-
Bond issuance costs	-	605,070	70,500	433,584
Capital Outlay:				
Public safety	-	-	-	3,237,900
Public works	-	-	1,732,704	12,797,290
Culture and recreation	-	-	33,864	424,557
TOTAL EXPENDITURES	<u>69,244,156</u>	<u>11,366,117</u>	<u>2,806,112</u>	<u>16,893,331</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,486,964)</u>	<u>(485,090)</u>	<u>3,925,210</u>	<u>(15,713,617)</u>
OTHER FINANCING SOURCES (USES)				
Sale of City property	10,000	-	-	-
Transfers in	500,000	35,000	-	2,794,232
Transfers out	(657,418)	-	(2,794,232)	(237,084)
Refunding bonds issued	-	29,570,000	-	-
Bonds issued	-	-	5,000,000	32,580,000
Premiums on bonds	-	2,204,136	-	1,050,511
Payment to refunded bond escrow agent	-	(31,465,435)	-	-
TOTAL OTHER FINANCING SOURCES AND (USES)	<u>(147,418)</u>	<u>343,701</u>	<u>2,205,768</u>	<u>36,187,659</u>
NET CHANGE IN FUND BALANCES	<u>(2,634,382)</u>	<u>(141,389)</u>	<u>6,130,978</u>	<u>20,474,042</u>
FUND BALANCES, BEGINNING	<u>14,837,967</u>	<u>1,150,518</u>	<u>13,661,448</u>	<u>28,863,673</u>
FUND BALANCES, ENDING	<u>\$ 12,203,585</u>	<u>\$ 1,009,129</u>	<u>\$ 19,792,426</u>	<u>\$ 49,337,715</u>

Grant Management	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 26,639,546
-	-	15,064,576
-	-	18,771,552
-	-	7,181,942
-	292,954	489,770
-	292,954	41,507,840
-	3,720	1,987,726
-	353,212	5,475,669
-	-	7,592,005
12,504,246	327,518	13,179,191
297,428	-	297,428
-	-	2,152
-	-	68,500
-	136,973	691,951
55,347	74,839	2,153,484
12,857,021	1,189,216	99,595,492
131,492	332,137	11,377,181
2,492,029	586,113	34,095,458
58,405	-	14,264,010
14,671	-	2,247,029
395,365	268,924	11,734,161
10,350,263	-	10,350,263
-	-	8,085,000
-	-	3,446,897
-	-	3,647
-	-	1,109,154
-	-	3,237,900
-	-	14,529,994
-	-	458,421
13,442,225	1,187,174	114,939,115
(585,204)	2,042	(15,343,623)
-	-	10,000
294,502	-	3,623,734
-	-	(3,688,734)
-	-	29,570,000
-	-	37,580,000
-	-	3,254,647
-	-	(31,465,435)
294,502	-	38,884,212
(290,702)	2,042	23,540,589
2,481,301	2,960,175	63,955,082
\$ 2,190,599	\$ 2,962,217	\$ 87,495,671

The accompanying notes are an integral part of the financial statements

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**CITY OF PASADENA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

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

Net change in fund balances - total governmental funds (page 33)	\$ 23,540,589
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.	16,208,975
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, transfer and donations) is to increase net assets	3,379,990
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds	(195,314)
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.	(57,922,204)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,154,156)
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>(3,745,468)</u>
Change in net assets of governmental activities (page 29)	<u>\$ (19,887,588)</u>

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes	\$ 15,642,000	\$ 15,680,400	\$ 15,806,824	\$ 126,424
Business taxes				
Industrial district fees	14,900,000	14,900,000	15,064,576	164,576
Sales taxes	12,570,000	12,570,000	12,514,368	(55,632)
Utility taxes	7,101,400	7,101,400	7,181,942	80,542
Other taxes	217,000	217,000	196,816	(20,184)
Total business taxes	<u>34,788,400</u>	<u>34,788,400</u>	<u>34,957,702</u>	<u>169,302</u>
Licenses and permits	1,929,400	1,929,400	1,984,006	54,606
Municipal court fines	5,624,000	5,624,000	5,122,457	(501,543)
Charges for services	7,211,100	7,411,800	7,592,005	180,205
Intergovernmental	193,600	193,600	242,604	49,004
Miscellaneous	890,700	903,172	554,928	(348,244)
Investment income	208,400	217,287	496,666	279,379
TOTAL REVENUES	<u>66,487,600</u>	<u>66,748,059</u>	<u>66,757,192</u>	<u>9,133</u>
EXPENDITURES				
Current				
General Government				
City council	116,957	116,157	86,356	29,801
Mayor	399,842	406,802	399,564	7,238
Budget and financial planning	217,636	221,051	209,085	11,966
Municipal court	1,745,014	1,729,314	1,618,352	110,962
City controller	1,302,139	1,349,588	1,189,937	159,651
Tax	603,080	620,436	596,190	24,246
Purchasing	249,756	267,178	250,317	16,861
Legal	955,422	926,655	799,735	126,920
City secretary	282,415	298,140	270,937	27,203
Elections	45,000	67,530	64,238	3,292
Human resources	642,807	655,807	628,697	27,110
Civil service	11	11	4	7
City marshal	450,979	457,929	456,035	1,894
Community relations	679,680	671,175	596,950	74,225
Pasadena action line	203,125	203,135	194,951	8,184
Planning	342,555	342,675	323,614	19,061
Planning/development administration	210,141	210,633	209,803	830
Neighborhood network	259,221	251,731	222,273	29,458
Inspections	1,598,791	1,598,671	1,557,415	41,256
Property management	650,423	743,084	789,016	(45,932)
Technology	300,000	368,948	43,906	325,042
Other charges	1,884,418	329,853	211,630	118,223
Total General Government	<u>13,139,412</u>	<u>11,836,503</u>	<u>10,719,005</u>	<u>1,117,498</u>
Public Safety				
Emergency preparedness	264,087	249,585	226,239	23,346
Fire fighting	2,802,664	2,876,248	2,788,109	88,139
Fire prevention	804,037	1,069,925	1,060,333	9,592
Police	25,126,086	26,970,142	26,942,635	27,507
Total Public Safety	<u>28,996,874</u>	<u>31,165,900</u>	<u>31,017,316</u>	<u>148,584</u>
Public Works				
Public works administration	267,038	267,944	259,624	8,320
Engineering	1,555,156	1,638,007	1,601,540	36,467
Street lighting and signals	1,008,000	1,208,000	1,195,474	12,526
Sanitation	6,641,282	6,642,887	6,553,955	88,932
Street and bridge	3,609,797	3,611,070	3,451,287	159,783
Traffic and transportation	1,169,218	1,180,021	1,143,725	36,296
Total Public Works	<u>\$ 14,250,491</u>	<u>\$ 14,547,929</u>	<u>\$ 14,205,605</u>	<u>\$ 342,324</u>

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health	\$ 1,492,531	\$ 1,484,531	\$ 1,381,537	\$ 102,994
Animal rescue and assistance	810,172	870,172	850,821	19,351
Total Health	2,302,703	2,354,703	2,232,358	122,345
Culture and Recreation				
Leisure services administration	197,515	201,817	200,919	898
Parks	2,987,033	3,054,083	2,852,504	201,579
Recreation	2,246,640	2,307,434	2,125,630	181,804
Clean streets	815,855	864,340	858,008	6,332
Golf course	619,783	619,783	570,510	49,273
Multi-purpose center	517,186	518,769	454,823	63,946
Civic center	729,819	665,304	654,701	10,603
Senior center - Madison Jobe	456,426	470,248	463,161	7,087
Library	2,981,702	3,031,407	2,889,616	141,791
Total Culture and Recreation	11,551,959	11,733,185	11,069,872	663,313
TOTAL EXPENDITURES	70,241,439	71,638,220	69,244,156	2,394,064
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(3,753,839)	(4,890,161)	(2,486,964)	2,403,197
OTHER FINANCING SOURCES (USES)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(600,000)	(725,785)	(657,418)	68,367
Sale of capital assets	-	-	10,000	10,000
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	(225,785)	(147,418)	78,367
NET CHANGE IN FUND BALANCES	(3,853,839)	(5,115,946)	(2,634,382)	2,481,564
FUND BALANCES - BEGINNING	14,837,967	14,837,967	14,837,967	-
FUND BALANCES - ENDING	\$ 10,984,128	\$ 9,722,021	\$ 12,203,585	\$ 2,481,564

The accompanying notes are an integral part of the financial statements

**CITY OF PASADENA, TEXAS
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2005**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
ASSETS	Water and Sewer System	Service Funds
Current Assets		
Cash and cash equivalents	\$ 67,348	\$ -
Investments		
TexPool	1,356,841	14,364,128
CLASS	37,921	-
GNMA	673	490
Receivables (net of allowances for uncollectible)	5,496,203	32,442
Due from other funds	324,447	173,567
Inventory, at cost	-	469,989
Restricted assets		
Investments		
Texpool	483,859	-
CLASS	44,151,078	-
Total Current Assets	51,918,370	15,040,616
Noncurrent Assets		
Deposits	529,600	75,000
Deferred charges - revenue bond issuance costs, bond insurance premium and administrative cost recovery fees	569,155	-
Capital assets		
Land	1,238,951	602
Buildings and building improvements	6,491,271	2,086,911
Accumulated depreciation - buildings and building improvements	(4,394,636)	(1,622,286)
Facilities and other improvements	5,333,900	175,754
Accumulated depreciation - facilities and other improvements	(1,913,912)	(33,870)
Machinery and equipment	9,546,772	4,342,725
Accumulated depreciation - machinery and equipment	(5,307,948)	(3,586,002)
Infrastructure	242,009,818	9,882
Accumulated depreciation - Infrastructure	(65,195,344)	(5,369)
Automotive	600,428	28,214,068
Accumulated depreciation - automotive	(207,052)	(20,527,153)
Construction in progress	10,196,683	-
Net capital assets	198,398,931	9,055,262
Total Noncurrent Assets	199,497,686	9,130,262
TOTAL ASSETS	\$ 251,416,056	\$ 24,170,878

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>LIABILITIES</u>		
Current Liabilities		
Accounts payable	\$ 1,303,412	\$ 366,191
Accrued payroll payable	127,654	90,438
Revenue bonds payable - current	671,141	-
Deferred water charges payable - City of Houston	567,941	-
Environmental violation penalty payable	234,500	-
Due to other funds	293	159,760
Claims payable	-	2,809,293
Compensated absences payable	194,037	113,371
Customer deposits	2,060,181	-
Liabilities payable from restricted assets		
Accounts payable	1,298,374	-
Retainage payable	1,602,933	-
Revenue bonds payable	483,859	-
Total Current Liabilities	<u>8,544,325</u>	<u>3,539,053</u>
Noncurrent Liabilities		
Deferred water charges payable - City of Houston	1,419,853	-
Revenue bonds payable (net of unamortized discounts/premium and deferred amount on refunding \$ 53,230)	54,658,924	-
Claims payable	-	1,872,862
Compensated absences payable	1,746,337	1,020,334
Total Noncurrent Liabilities	<u>57,825,114</u>	<u>2,893,196</u>
TOTAL LIABILITIES	<u>66,369,439</u>	<u>6,432,249</u>
<u>NET ASSETS</u>		
Invested in capital assets, net of related debt	187,219,944	9,055,262
Unrestricted	(2,173,327)	8,683,367
TOTAL NET ASSETS	185,046,617	<u>\$ 17,738,629</u>
Adjustments to reflect the consolidation of internal service fund activities related to enterprise fund	<u>(1,388,693)</u>	
Net assets of business-type activities (page 27)	<u>\$ 183,657,924</u>	

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, 2005

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	Service Funds
OPERATING REVENUES		
Charges for sales and services	\$ 26,261,124	\$ 22,503,493
OPERATING EXPENSES		
Personnel services	7,170,274	4,805,450
Contractual services	5,001,600	1,179,084
Material and supplies	1,040,413	3,279,712
Maintenance charges	742,004	924,455
Sewer and water payments - Clear Lake Water Authority and City of Seabrook	142,767	-
Operating, maintenance and water charges - Southeast Water Purification Plant	5,595,123	-
Insurance/reinsurance premiums	-	3,020,624
Claims and legal expenses	-	11,129,144
Administration fees	-	355,929
Miscellaneous	134,784	1,320
Depreciation	4,936,821	3,354,182
TOTAL OPERATING EXPENSES	24,763,786	28,049,900
OPERATING INCOME (LOSS)	1,497,338	(5,546,407)
NONOPERATING REVENUES (EXPENSES)		
Gain (loss) on sale and retirement of capital assets	(873,687)	81,999
Investment income	1,309,736	401,508
Interest expense on bonds	(3,309,641)	-
Amortization	(382,505)	-
Fiscal agent fees	(2,628)	-
TOTAL NONOPERATING REVENUES (EXPENSES)	(3,258,725)	483,507
(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(1,761,387)	(5,062,900)
CAPITAL CONTRIBUTIONS	31,496,292	73,748
TRANSFERS IN	-	3,200,000
TRANSFERS (OUT)	(785,000)	(2,350,000)
CHANGES IN NET ASSETS	28,949,905	(4,139,152)
TOTAL NET ASSETS - BEGINNING		21,877,781
TOTAL NET ASSETS - ENDING		\$ 17,738,629
Adjustment to reflect the consolidation of internal service fund activities related to enterprise fund	(393,684)	
Change in net assets of business-type activities (page 29)	\$ 28,556,221	

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, 2005**

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Cash received from customers	\$ 24,414,115	\$ 22,455,672
Cash payments to suppliers for goods and services	(10,196,967)	(5,664,046)
Cash payments to employees for services	(7,117,139)	(4,786,112)
Cash payments for insurance premiums, liability claims and administration	-	(14,986,174)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>7,100,009</u>	<u>(2,980,660)</u>
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>		
Transfers (to)/from other funds		
General fund	(500,000)	600,000
Debt service fund	(35,000)	-
Water and sewer system fund	-	250,000
Workers' compensation fund	-	350,000
Maintenance fund	-	2,000,000
General liability insurance fund	(250,000)	(350,000)
Health insurance fund	-	(2,000,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	<u>(785,000)</u>	<u>850,000</u>
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>		
Proceeds from sale of capital assets	-	258,268
Acquisition and construction of capital assets	(6,173,587)	(972,043)
Principal paid on revenue bonds	(3,185,000)	-
Principal paid on deferred loan from City of Houston	(567,942)	-
Interest and fiscal agent fees paid on revenue bonds	(3,312,269)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(13,238,798)</u>	<u>(713,775)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase of investments	(16,793,644)	(17,272,589)
Proceeds from sale and maturities of investments	22,361,858	19,715,174
Investment income received	1,310,113	401,850
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>6,878,327</u>	<u>2,844,435</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	<u>(45,462)</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - BEGINNING	<u>112,810</u>	<u>-</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 67,348</u>	<u>\$ -</u>

	Business-type Activities - Enterprise Fund	Governmental Activities - Internal Service Funds
	Water and Sewer System	
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATION ACTIVITIES		
Operating income (loss)	\$ 1,497,338	\$ (5,546,407)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities		
Depreciation	4,936,821	3,354,182
Changes in assets and liabilities		
(Increase) in accounts receivables	(1,847,009)	(25,000)
(Increase) in due from other funds	(202,352)	(22,821)
(Increase) in inventory	-	(57,485)
Decrease in deposits	-	35,000
Increase (decrease) in accounts and claims payable	2,380,108	(780,271)
Increase in accrued payroll liabilities	19,488	12,270
Increase in compensated absences payable	33,647	5,384
Increase (decrease) in due to other funds	(4,316)	44,488
Increase in customer deposits	286,284	-
Total Adjustments	5,602,671	2,565,747
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 7,100,009	\$ (2,980,660)
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contribution of capital assets from the government	\$ 1,950,320	\$ 73,748
Contribution of capital assets from developers	1,315,973	-

The accompanying notes are an integral part of the financial statements

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NOTES TO FINANCIAL STATEMENTS

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

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**CITY OF PASADENA, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to state and local governments. The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for state and local governments. The City has applied all relevant GASB pronouncements and applicable private sector standards (Financial Accounting Standard Board (FASB) pronouncements and Accounting Principles Board (APB) opinions) issued on or before December 1, 1989 for its government-wide reporting and proprietary fund to the extent that they are not conflict with GASB guidance. The City has the option to continue following subsequent private-sector standards 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, four of the special revenue funds, and two grant management programs) are normally budgeted. This presentation is to demonstrate legal and covenant compliance, the source and use of liquid resources, and to establish that the City's actual performance conforms to the budgeted fiscal plan. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenue is available to finance the expenditures of the same fiscal period for which it is recorded. Expenditures are generally recorded when a liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments are recorded only when the payment is due.

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

Proprietary Funds

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

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

Focus on Major Funds

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

The City reports the following major funds:

Governmental Funds

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

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

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

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

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

Proprietary Funds

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

Additionally, the City also reports the following fund type:

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

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

D. Assets, Liabilities and Net Assets or Equity

1. Cash, Cash Equivalents, and Investments

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

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

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

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

During the year, the City invested in TexPool, LOGIC, 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, 2005.

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

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

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

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

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

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

6. Compensated Absences

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

Employees must take a minimum of 1 week of vacation per calendar year, 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 \$148,283,753 difference are as follows:

Bonds Payable	\$ 123,942,875
Other long-term debt	5,715,185
Add: bond premiums	4,016,797
Less: deferred gain/loss on refunded bonds	(1,695,223)
Less: issuance costs	(1,610,660)
Accrued interest payable	2,082,125
Compensated absences	15,832,654
Net adjustment to reduce fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 148,283,753</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 \$19,127,322 difference are as follows:

Net assets of the internal service funds	\$ 17,738,629
Add: Internal receivable representing charges less the cost to business-type activities - prior years	995,009
Add: Internal receivable representing charges less the cost to business-type activities - current year	<u>393,684</u>
Net adjustment to increase fund balance - total governmental funds to arrive at net assets - governmental activities	<u>\$ 19,127,322</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 \$16,208,975 difference are as follows:

Capital outlay	\$ 22,460,897
Depreciation expense	<u>(6,251,922)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 16,208,975</u>

Another element of that reconciliation states that “The net effect of various miscellaneous transactions involving capital assets (i.e., sales, donations and transfers) is to increase net assets.” The detail of this \$3,379,990 differences are as follows:

In the statement of activities, only the loss on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the capital assets sold.	\$ (2,021,410)
Donations of capital assets increase net assets in the statement of activities, but do not appear in the governmental funds because they are not financial resources.	7,273,426
Transfer of capital assets decrease net assets in the statement of activities, but do not appear in the governmental funds because they are not financial uses.	<u>(1,872,026)</u>
Net adjustment to increase net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities.	<u>\$ 3,379,990</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 \$57,922,204 difference are as follows:

Debt issued or incurred:	
Issuance of general obligation and refunding bonds	\$ 62,150,000
Issuance of sales tax revenue bonds	5,000,000
Add: bond premiums	3,254,647
Less: issuance costs	(1,109,154)
Less: principal repayments	(8,137,854)
Less: payments to escrow agent for refunding	(31,465,435)
Add: capital contributed to refund system fund debt	<u>28,230,000</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 57,922,204</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 \$1,154,156 difference are as follows:

Compensated absences	\$ 357,566
Accrued interest	795,396
Amortization of bond issuance costs	112,565
Amortization of bond premiums	(18,475)
Amortization of deferred amounts on refunding	<u>(92,896)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 1,154,156</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 \$3,745,468 differences are as follow:

Change in net assets of the internal service funds	\$ 4,139,152
Less: Profits from charges from business-type activities	<u>(393,684)</u>
Net adjustment to decrease net changes in fund balances - total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 3,745,468</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

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

Encumbrances represent commitments related to unperformed contracts for goods and services. Encumbrance accounting - under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded to 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.

The following provides actual fiscal year 2005 results for both budgeted and nonbudgeted grant programs under the grant management fund:

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Sources (Uses)</u>
Budgeted grant programs:			
Federal equitable sharing of forfeited property:			
Justice Department	\$ 459,018	\$ 528,059	\$ -
Treasury Department	91,905	331,257	-
Nonbudgeted grant programs:			
Various grants	1,938,144	2,232,646	294,502
HUD section 8 rental voucher program	6,535,124	6,517,433	-
HUD CDBG entitlement program	2,246,909	2,246,909	-
HUD HOME investment partnerships program	1,522,511	1,522,511	-
HUD emergency shelter program	63,410	63,410	-
Total grant management fund - actual	<u>\$ 12,857,021</u>	<u>\$ 13,442,225</u>	<u>\$ 294,502</u>

During the current fiscal year, general fund expenditure budget increased in the amount of \$1,522,566. This increase was necessary to fund additional salaries and benefits in the police department, utility increases, various professional services increase in the parks and animal shelter departments, and a range of increases in the general government expenditures.

B. Excess of Expenditures over Appropriations

For the fiscal year ended September 30, 2005 expenditures exceeded the budget at the object level as follows:

	<u>Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
General Government			
Purchasing			
Maintenance charges	\$ 18,955	\$ 21,514	\$ (2,559)
Inspections			
Other charges	-	11	(11)
Property Management			
Capital outlay	-	65,625	(65,625)
Other Charges			
Contractual services	83,000	84,520	(1,520)
Public Safety			
Police			
Personnel services	23,939,176	23,941,816	(2,640)
Contractual services	653,465	657,015	(3,550)
Other charges	-	38	(38)
Capital outlay	-	163	(163)
Health			
Animal Rescue and Assistance			
Other charges	-	366	(366)
Culture and Recreation			
Recreation			
Capital outlay	65,000	163,022	(98,022)
Golf Course			
Other charges	-	6	(6)
Civic Center			
Other charges	-	22	(22)
<u>Grant Management Fund</u>			
Federal Equitable Sharing of Forfeited			
Property Justice Department			
Public Safety			
Capital outlay	167,150	206,564	(39,414)
<u>Special Charges Allocation Special</u>			
<u>Revenue Fund</u>			
Public Safety			
Personnel services	128,429	151,543	(23,114)
Other charges	-	243	(243)

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 workers' compensation insurance fund had a deficit fund equity of \$153,690 as of September 30, 2005. The deficit was attributed to the City becoming fully insured in its workers' compensation program effective April 1, 2004. Consequently, the City has to pay the insurance premium plus the claims related to when the City was self-insured, such claims payments declined only about 26%. The City is increasing the amount of contribution made by each department for their share of the workers' compensation insurance in order to cover the deficit.

IV. DETAILED NOTES TO ALL FUNDS

A. Deposits and Investments

Deposits

Primary Government

The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102%. As of September 30, 2005, the carrying amount of the City's deposits with financial institutions was \$5,208,812 and the market values of pledged securities were \$8,284,656. The pledged securities are held by a third party custodian in the City's name.

Investments

As of September 30, 2005 the city has the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
Texpool Local Government Investment Pools	\$ 44,879,241	0.00
Logic Local Government Investment Pool	1,029,587	0.00
Class Local Government Investment Pool	102,809,612	0.00
GNMA	1,163	0.17
Savings/Money Market Checking	115,663	0.00
Total Fair Value	<u>\$ 148,835,266</u>	
Portfolio Weighted Average Maturity		0.00

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.

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

GASB Statement No. 31 provides an exception to the fair value reporting for investments in an external pool if the pool operates as a “2a7-like” pool. TexPool, LOGIC and CLASS 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.

GNMAs are backed by the full faith and credit of the United States Government. The GNMA on the City’s books was paid in full in November 2005.

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

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

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

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

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

B. Property Tax Calendar and Receivables

1. Property Tax Calendar

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

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 2004 taxable assessed valuation of the City's property in the amount of \$4,528,038,820 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	\$ 0.3333
Debt service	0.2337
	<u>\$ 0.5670</u>

2. Receivables

Receivables as of September 30, 2005, 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	Nonmajor Governmental Funds	Water and Sewer System	Internal Service	Total
Receivables								
Property taxes	\$ 1,463,644	\$ 1,362,610	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,826,254
Sales taxes	2,115,773	-	1,057,886	-	-	-	-	3,173,659
Accounts	2,380,445	-	-	-	-	5,846,961	32,442	8,259,848
Less: allowance for for uncollectible	<u>(1,057,000)</u>	<u>(976,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(350,758)</u>	<u>-</u>	<u>(2,383,758)</u>
	4,902,862	386,610	1,057,886	-	-	5,496,203	32,442	11,876,003
Intergovernmental - restricted	<u>37,129</u>	<u>-</u>	<u>-</u>	<u>2,203,475</u>	<u>196,071</u>	<u>-</u>	<u>-</u>	<u>2,436,675</u>
Net total receivables	<u>\$ 4,939,991</u>	<u>\$ 386,610</u>	<u>\$ 1,057,886</u>	<u>\$ 2,203,475</u>	<u>\$ 196,071</u>	<u>\$ 5,496,203</u>	<u>\$ 32,442</u>	<u>\$ 14,312,678</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 follows:

	<u>Unavailable</u>
Delinquent property taxes receivable (General fund)	\$ 333,958
Delinquent property taxes receivable (Debt service fund)	322,515
Total deferred for governmental funds	<u>\$ 656,473</u>

C. Restricted Assets

Restricted assets are reported for deposits, investments, and receivables restricted for (1) payment of debt service, (2) use in federal and state grant programs, and (3) use in capital projects as specified in applicable bond covenants and interlocal agreement.

	General	Debt Service	Pasadena Second Century Corporation	Capital Projects	Grant Management	Nonmajor Governmental Funds	Water and Sewer Enterprise
Cash and cash equivalents	\$ -	\$ -	\$ 120,226	\$ -	\$ 447,229	\$ 52,967	\$ -
Investments	-	877,618	19,493,528	50,814,039	2,155,573	2,827,358	44,634,937
Intergovernmental receivables	<u>37,129</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,203,475</u>	<u>196,071</u>	<u>-</u>
	<u>\$ 37,129</u>	<u>\$ 877,618</u>	<u>\$ 19,613,754</u>	<u>\$ 50,814,039</u>	<u>\$ 4,806,277</u>	<u>\$ 3,076,396</u>	<u>\$ 44,634,937</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, 2005 was as follows:

1. Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 123,924,463	\$ 1,993,517	\$ (470,515)	\$ 125,447,465
Construction in progress	37,390,209	19,098,856	(29,977,429)	26,511,636
Total capital assets, not being depreciated	161,314,672	21,092,373	(30,447,944)	151,959,101
Capital assets, being depreciated:				
Buildings and building improvements	40,795,796	6,285,061	(17,657)	47,063,200
Facilities and other improvements	3,913,887	652,834	-	4,566,721
Machinery and equipment	14,570,444	3,325,753	-	17,896,197
Infrastructure	337,596,014	27,819,256	(3,596,145)	361,819,125
Automotive equipment	28,530,899	1,039,329	(1,356,160)	28,214,068
Total capital assets being depreciated:	425,407,040	39,122,233	(4,969,962)	459,559,311
Less accumulated depreciation for:				
Building and building improvements	(13,321,950)	(699,376)	9,534	(14,011,792)
Facilities and other improvements	(1,474,134)	(52,541)	-	(1,526,675)
Machinery and equipment	(11,817,823)	(804,089)	-	(12,621,912)
Infrastructure	(112,406,702)	(5,001,690)	651,893	(116,756,499)
Automotive equipment	(18,658,636)	(3,048,407)	1,179,890	(20,527,153)
Total accumulated depreciation	(157,679,245)	(9,606,103)	1,841,317	(165,444,031)
Total capital assets, being depreciated, net	267,727,795	29,516,130	(3,128,645)	294,115,280
Governmental activities capital assets, net	\$ 429,042,467	\$ 50,608,503	\$ (33,576,589)	\$ 446,074,381

2. Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 1,238,951	\$ -	\$ -	\$ 1,238,951
Construction in progress	39,312,991	6,302,796	(35,419,104)	10,196,683
Total capital assets, not being depreciated	<u>40,551,942</u>	<u>6,302,796</u>	<u>(35,419,104)</u>	<u>11,435,634</u>
Capital assets, being depreciated:				
Buildings and building improvements	6,491,271	-	-	6,491,271
Facilities and other improvements	5,333,900	-	-	5,333,900
Machinery and equipment	12,672,197	37,326	(3,162,751)	9,546,772
Infrastructure	204,305,808	38,657,398	(953,388)	242,009,818
Automotive equipment	600,428	-	-	600,428
Total capital assets being depreciated:	<u>229,403,604</u>	<u>38,694,724</u>	<u>(4,116,139)</u>	<u>263,982,189</u>
Less accumulated depreciation for:				
Building and building improvements	(4,269,405)	(125,231)	-	(4,394,636)
Facilities and other improvements	(1,842,794)	(71,118)	-	(1,913,912)
Machinery and equipment	(6,981,460)	(1,186,111)	2,859,623	(5,307,948)
Infrastructure	(62,111,603)	(3,466,571)	382,830	(65,195,344)
Automotive equipment	(119,262)	(87,790)	-	(207,052)
Total accumulated depreciation	<u>(75,324,524)</u>	<u>(4,936,821)</u>	<u>3,242,453</u>	<u>(77,018,892)</u>
Total capital assets, being depreciated, net	<u>154,079,080</u>	<u>33,757,903</u>	<u>(873,686)</u>	<u>186,963,297</u>
Business-type activities capital assets, net	<u>\$ 194,631,022</u>	<u>\$ 40,060,699</u>	<u>\$ (36,292,790)</u>	<u>\$ 198,398,931</u>

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

Governmental activities:

General Government	\$ 317,846
Public Safety	543,578
Public Works	4,784,589
Health	32,936
Culture and Recreation	572,973
Capital assets held by the City's internal service funds are charged to the various functions based on their useage of the assets	<u>3,354,181</u>
	<u>\$ 9,606,103</u>

Business-type activities

Water and Sewer System	<u>\$ 4,936,821</u>
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E. Construction Commitments

The City's commitments with contractors are as follows as of September 30, 2005:

Projects	Project Appropriation	Spent-to-Date
<u>Drainage</u>		
2004 Storm Sewer Replacement	\$ 534,196	\$ 412,000
Bliss Meadows / Sinclair	460,525	405,673
Country Briar Drainage: Country Rd to B115	1,085,661	376,121
Crenshaw Drainage: Allen Genoa to Vince Bayou	141,750	85,813
Fairdale Drainage Improvements	22,780	22,339
Flood Protection Plan	402,000	131,492
Pine St Drainage Ph I: Preston to Beltway 8	511,529	327,588
Rustic Ditch:Houston to Vince Bayou	1,262,271	882,420
Shooting Range Drainage Improvements	102,501	96,369
	<u>\$ 4,523,213</u>	<u>\$ 2,739,815</u>
 <u>Fire</u>		
Rebuild Fire Station #2	\$ 2,728,565	\$ 327,685
Traffic Signal Pre-emption	333,882	224,005
	<u>\$ 3,062,447</u>	<u>\$ 551,690</u>
 <u>Municipal Facilities</u>		
Civic Ctr Levee Phase II: Entrance ramps/pumps	\$ 64,500	\$ 47,261
Municipal court teller windows	54,584	51,855
Remodel of Brown and Root Offices	447,579	228,401
	<u>\$ 566,663</u>	<u>\$ 327,517</u>
 <u>Parks</u>		
Armand Bayou Hike & Bike Trail	\$ 177,525	\$ 234,863
Holly Bay Trail Spur	125,000	15,625
Hwy 225 Beautification	166,750	148,234
Median Beautificatin	104,678	104,678
Memorial Park Renovation	626,985	584,826
Park Land Acquisition	332,000	197,328
Preston/Crenshaw Nature Park Phase I	25,000	8,105
Village Grove Pedestrian Bridge Construction	27,100	27,100
Vince Bayou Trail: Phase I	718,600	69,889
	<u>\$ 2,303,637</u>	<u>\$ 1,390,648</u>
 <u>Traffic</u>		
Installation of Computerized Traffic Control System	\$ 550,000	\$ 496,483
Intersection Redesign	960,348	370,405
	<u>\$ 1,510,348</u>	<u>\$ 866,888</u>

Projects	Project Appropriation	Spent-to-Date
<u>Police</u>		
Design and Construction of a New Police Complex	\$ 4,510,855	\$ 3,570,267
Police Driving Track Phase II	829,430	796,020
	<u>\$ 5,340,285</u>	<u>\$ 4,366,287</u>
<u>Streets</u>		
Allendale Phase II: Old Allendale-Oaks to Shaver	\$ 2,837,636	\$ 1,923,137
Beusch St: Strawberry to Claremont	1,943,992	1,727,791
Engineering for Strawberry and Burke Rd	900,000	228,415
Engineering for Pasadena Blvd:BW8 to Jasmine	406,300	306,109
Garner: Judy to Pasadena Blvd	372,205	157,669
Pansy: Old Vista to Crenshaw	100,000	2,100
Pasadena Blvd Phase III: Strawberry to E of Burke	50,000	11,700
Pasadena Blvd Phase IV: Jackson to Southmore	100,000	100,000
Pasadena Blvd Phase V: SH 225 to Laird	437,866	35,121
Pasadena Blvd Phase VI: Southmore to Strawberry	212,806	-
Preston: Beltway 8 to Genoa Red Bluff	157,293	51,298
R.O.W. Acquisition	785,586	385,083
Shaw Phase I: Light Co Rd to Richey	1,158,093	853,825
Sidewalk Improvements	976,396	463,405
Strawberry Phase II: Jackson to Harris	2,744,172	2,121,978
Strawberry Phase III: Spencer to Cherrybrook	5,325,638	3,013,246
Vista Extension Phase I	600,000	583,057
Washington Ave Paving	324,675	292,561
	<u>\$ 19,432,658</u>	<u>\$ 12,256,495</u>
<u>Water</u>		
El Jardin Waterline	\$ 300,000	\$ 65,000
Elevated Water Tanks	4,017,503	3,266,496
Ground Storage: Phase I	403,000	377,477
New Transmission Line	1,267,436	992,595
Update Water Distribution Master Plan	60,000	-
	<u>\$ 6,047,939</u>	<u>\$ 4,701,568</u>
<u>Wastewater</u>		
Engineering of Deepwater Sanitary Sewer	200,000	173,380
Environmental Project	\$ 130,000	\$ -
Golden Acres Treatment Plant Improvements	100,000	13,500
Lift Station Modification	2,444,766	2,351,390
Replacement of Strawberry Trunkline III: Harris to Pasadena	2,315,862	2,051,113
Replacement of Strawberry Trunkline IV: Pasadena to Everglade	712,862	677,330
	<u>\$ 5,903,490</u>	<u>\$ 5,266,713</u>

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

Projects	Project Appropriation	Spent-to-Date
Parks		
Armand Bayou Hike & Bike Trail	\$ 1,122,475	\$ -
Construction of Holly Bay Trail Spur	100,000	9,104
Design and Construct Vince Bayou Trail Phase II	1,000,000	-
	<u>\$ 2,222,475</u>	<u>\$ 9,104</u>
Streets		
Pasadena Phase II - Red Bluff to Beltway 8 and Pansy to Strawberry	\$ 500,000	\$ 405,420
Pasadena Blvd Phase V: SH 225 to Laird	300,000	135,345
Strawberry Phase II: Jackson to Harris	500,000	171,073
Vista Extension Phase I: BW8 to Space Center	5,400,000	2,056,784
Vista Improv Ph II: Strawberry to Watters	2,300,000	87,007
	<u>\$ 9,000,000</u>	<u>\$ 2,855,629</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, 2005, is as follows:

1. Due to/from Other Funds:

Receivable Fund	Payable Fund	Amount
General	Grant management	\$ 1,622,069
	Nonmajor governmental	10,554
	* Workers' compensation insurance	48
	* Health insurance	36,938
		<u>\$ 1,669,609</u>
Debt service	General	179,302
Capital projects	General	493,008
	Pasadena Second Century Corporation	<u>468,232</u>
Grant management	Capital projects	84,801
Water and sewer system	General	324,447
* Maintenance	General	46,121
	Grant management	633
	Nonmajor governmental	42
	Water and sewer system	293
	* Workers' compensation insurance	<u>113,888</u>
	<u>160,977</u>	
* Workers' compensation insurance	Grant management	3,118
	Nonmajor governmental	587
	* Health insurance	<u>8,885</u>
	<u>12,590</u>	
	Total	<u>\$ 3,392,966</u>
* Internal service funds		

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

Receiving Entity	Payable Entity	Amount
Primary government - Grant management fund	Pasadena Crime Control and Prevention District	\$ 1,974
Pasadena Crime Control and Prevention District	Primary government- General fund	273

3. Interfund Transfers:

Fund Financial Statements

Transfer out:	General	Debt Service	Capital Projects	Grant Management	* General Liability Insurance	* Health Insurance
General	\$ -	\$ -	\$ -	\$ 57,418	\$ 600,000	\$ -
Capital project	-	-	-	237,084	-	-
Water and Sewer System	500,000	35,000	-	-	250,000	-
Workers' Compensation Insurance	-	-	-	-	350,000	-
Maintenance	-	-	-	-	-	2,000,000
Pasadena Second Century Corporation	-	-	2,794,232	-	-	-
Total	\$ 500,000	\$ 35,000	\$ 2,794,232	\$ 294,502	\$ 1,200,000	\$ 2,000,000

\$3,200,000 Internal Service Funds

* Internal service funds

Transfers are used to move unrestricted funds from the general, capital projects, 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, the Board of Directors for the Pasadena Second Century Corporation (City's blended component unit) authorized a transfer of \$2,794,232 to the City for the Vince Bayou Trail, Phase I and Strawberry Phase III: Spencer to Cherrybrook projects. The Board opted to transfer the entire amount authorized to the City and have the City handle the payments to the contractors.

Government-Wide Financial Statements

During the fiscal year, the transfer activities between the governmental and business activities totaled \$ 29,395,320 and it can be summaries as follows:

- Capital assets in the amount of \$1,950,320 were contributed to the water and sewer system enterprise fund from the general government.
- Revenue bonds and obligations in the amount of \$ 28,230,000 of the water and sewer system enterprise fund were refunded by the general obligation refunding bonds. Please see note IV, G. Long-Term Debt (2) business-type activities for detail explanation.
- An operating transfer out \$785,000 was made from the water and sewer system enterprise fund to the general government.

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 \$53,975,000. The original amount of general obligation refunding bonds was \$22,807,875.

During the current fiscal year, the City issued general obligation bonds, series 2004 in the amount of \$13,200,000, general obligation refunding bonds, series 2005 in the amount of \$19,600,000 and general obligation and refunding bonds, series 2005A in the amount of \$ 29,350,000.

All bonds are direct obligations and are secured by the full faith and credit of the City. General obligation bonds (GOB), certificates of obligations (COB), general obligation refunding bonds (GOB refunding) and general obligation and refunding bonds (GO and Refunding) are currently outstanding as follows:

	Interest %	Maturity	Purpose	Installments	Amount
GOB Refunding, 1999	4.50 - 6.40	2/15/2007	Business-type	\$4,167,875	\$ 4,167,875
COB, 2001	4.00 - 5.50	2/15/2021	Governmental type	\$625,000 to \$ 805,000	11,945,000
GOB, 2002	3.50 - 5.00	2/15/2022	Governmental type	\$50,000 to \$ 1,195,000	16,150,000
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 \$ 6,700,000	12,030,000
GOB, 2004	3.00 - 4.50	2/15/2024	Governmental type	\$615,000 to \$ 980,000	13,200,000
GOB Refunding, 2005	3.00 - 5.00	2/15/2020	Both	\$120,000 to \$ 3,730,000	19,600,000
GO and Refunding, 2005A	3.25 - 5.00	2/15/2025	Both	\$60,000 to \$ 4,140,000	29,350,000
					<u>\$ 123,942,875</u>

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	6,785,000	5,196,325	11,981,325
2007	4,252,875	6,907,402	11,160,277
2008	6,540,000	4,928,932	11,468,932
2009	6,315,000	4,665,258	10,980,258
2010	6,025,000	4,419,871	10,444,871
2011-2015	33,820,000	18,121,532	51,941,532
2016-2020	38,200,000	9,989,843	48,189,843
2021-2025	22,005,000	1,806,866	23,811,866
	<u>\$ 123,942,875</u>	<u>\$ 56,036,029</u>	<u>\$ 179,978,904</u>

Other Long-Term Debt

- (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 Bonds, Series 2005 dated October 20, 2004, interest at 3.95%, due in installments of \$625,000 to \$805,000 through February 15, 2011 were issued by the City's blended component unit – Pasadena Second Century Corporation to fund the cost of certain capital improvement projects. The notes are payable and secured solely from sales and use tax collections.

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

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	\$ 935,953	\$ 215,812	\$ 1,151,765
2007	1,749,232	158,406	1,907,638
2008	715,000	105,564	820,564
2009	740,000	76,827	816,827
2010	770,000	47,005	817,005
2011	805,000	15,899	820,899
	\$ 5,715,185	\$ 619,513	\$ 6,334,698

Advance Refundings

- (a) The City issued \$19,600,000 general obligation refunding bonds, series 2005 to advance refund the following:
 - Principal amount due on February 15, 2013 and 2014 in the amount of \$1,905,000 - combination tax and revenue certificates of obligation, series 2001, a governmental fund debt.
 - Principal amount due on April 15, 2008, 2009, 2010 and 2011 in the amount of \$550,000 - waterworks and sewer system revenue bonds, series 1996, a water and sewer system enterprise fund debt.
 - Principal amount due on October 1, 2010, 2011, 2012, 2013, and 2014 in the amount of \$7,585,000 - combination tax and revenue certificates of obligation, series 1999, a water and sewer system enterprise fund debt.
 - Principal amount due on April 1, 2013, 2014, 2015, 2016, 2017, 2018, 2019 and 2020 in the amount of \$9,620,000 - combination tax and revenue certificates of obligation, series 2002, a water and sewer system enterprise fund debt.

The net proceeds of \$21,126,495 (after premiums of \$1,582,231 and payment of issuance costs of \$332,714) plus City's net contribution of \$176,978 were deposited in

an irrevocable trust with an escrow agent to purchase U.S. government securities for all future debt service payments of the refunded debt.

As a result, the above mentioned refunded debt are considered defeased and the corresponding liability for those debt has been removed from the governmental and business activities column of the statement of net assets.

Since the City defeased water and sewer system enterprise fund debt with the proceeds of this general obligation refunding bonds that will be repaid from the resources of governmental activities. Consequently, the water and sewer system enterprise fund recognized a capital contribution from the government in the amount of \$ 17,755,000.

The purpose of this advance refunding was to take advantage of the current low interest rate, reduce the debt service payment and lessen the debt burden of the water and sewer system enterprise fund. The reacquisition price exceeded the net carrying amount of old debt by \$1,466,494. This amount is being netted against the new debt and amortized over the life of the new debt issued. The transaction in effect reduced the debt service payments by \$1,022,476 and obtained an economic gain (difference between present value of the debt service payments on the new and old debt) of \$554,159.

- (b) In addition, the City issued \$29,350,000 general obligation and refunding bonds, series 2005A . Part of the proceeds (\$ 9,970,000) of the bonds were used to advance refund the following debt in water and sewer system enterprise fund:
- Principal amount due on April 1, 2006 and 2007 in the amount of \$225,000 – waterworks and sewer system revenue bonds, series 1996.
 - Principal amount due on April 1, 2006 and part of principal amount due on 2008, 2009, 2010, 2011, 2012, 2013 and 2014 in the amount of \$7,355,000 – waterworks and sewer system revenue bonds, series 1998A.
 - Principal amount due on October 1, 2005 and part of principal amount due on October 1, 2006, and 2007 in the amount of \$ 2,225,000 – combination tax and revenue certificates of obligation, series 1999.
 - Principal amount due on April 1, 2006 in the amount of \$ 670,000 – combination tax and revenue certificates of obligation, series 2002.

The net proceeds of \$10,338,941 (after premiums of \$621,905 and payment of issuance costs of \$272,356) plus City's net contribution of \$19,392 were deposited in an irrevocable trust with an escrow agent to purchase U.S. government securities for all future debt service payments of the refunded debt.

As a result, the above mentioned refunded debt are considered defeased and the corresponding liability for those debt has been removed from the business activities column of the statement of net assets.

Since the City defeased water and sewer system enterprise fund debt with the proceeds of this general obligation refunding bonds that will be repaid from the resources of governmental funds. Consequently, the water and sewer system enterprise fund recognized a capital contribution from the government in the amount of \$ 10,475,000.

The purpose of this advance refunding was to restructure and relieve some of the debt burden on the water and sewer system enterprise fund. The net carrying amount of old debt exceeded the reacquisition price by \$136,059. This amount is being added to the new debt and amortized over the life of the new debt issued. The transaction in effect increased the debt service payments by \$5,155,408 and obtained an economic loss (difference between present value of the debt service payments on the new and old debt) of \$526,587.

2. Business-Type Activities

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

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

	Interest %	Maturity	Purpose	Installments	Amount
\$ 7,150,000 Refunding, 1998	5.875 - 6.00	4/1/2009	Water and sewer	\$365,000 to \$ 1,050,000	\$ 3,590,000
\$ 31,370,000 Revenue bonds, 1998A	2.00 - 3.40	4/1/2019	New WWTP	\$5,000 to \$ 2,355,000	18,625,000
\$ 17,720,000 Revenue COB, 1999	5.00 - 6.50	10/1/2009	Water and sewer	\$780,000 to \$ 1,690,000	3,535,000
\$ 42,220,000 Revenue COB, 2002	4.50 - 5.625	4/1/2032	Water and sewer	\$565,000 to \$ 2,795,000	30,130,000
					<u>\$ 55,880,000</u>

Debt service requirements to maturity are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
2006	\$ 1,155,000	\$ 2,549,115	\$ 3,704,115
2007	4,135,000	2,442,282	6,577,282
2008	3,705,000	2,639,601	6,344,601
2009	3,540,000	2,090,684	5,630,684
2010	865,000	1,956,031	2,821,031
2011-2015	8,355,000	8,868,922	17,223,922
2016-2020	8,880,000	7,345,001	16,225,001
2021-2025	8,550,000	5,653,899	14,203,899
2026-2030	11,255,000	2,985,778	14,240,778
2031-2032	5,440,000	289,537	5,729,537
	<u>\$ 55,880,000</u>	<u>\$ 36,820,850</u>	<u>\$ 92,700,850</u>

During the year, principal in the amount of \$ 28,230,000 were refunded by the general obligation refunding bonds, series 2005 (\$17,755,000) and series 2005A (\$10,475,000). As a result, the water and sewer system enterprise fund recognized a capital contribution in the amount of \$28,230,000 from the general government and this capital contribution is shown as a transfer between the general and business activities on the government-wide financial statements. Please see the above note on advance refundings for more detail.

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, 2005, the deferred debt amount was \$1,987,795.

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

Fiscal Year Ending September 30,	Principal
2006	\$ 567,941
2007	567,941
2008	567,941
2009	283,972
	<u>\$ 1,987,795</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, 2005, \$100,000 of waterworks and sewer system revenue bonds (business-type activities) were considered defeased.

4. Voter Authorized Obligations

On September 14, 2002, the voters of the City authorized the issuance of \$102,000,000 of Public Improvement Bonds. At September 30, 2005, the remaining authorized but unissued bonds was \$41,800,000.

5. Legal Debt Margin

At September 30, 2005, the City's legal debt margin was 10% of assessed property valuation totaling \$4,528,038,820, less amount of bonded debt outstanding net of amount available in debt service fund of \$124,158,746, the City's legal debt margin was \$328,645,136.

6. Changes in Long-Term Liabilities

Governmental Activities:

Long-term liability activity for the year ended September 30, 2005, was as follows:

	Beginning Balance	Additions	Refunding/ Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable:					
General obligation and refunding bonds	\$ 56,982,875	\$ 62,150,000	\$ (7,135,000)	\$ 111,997,875	\$ 6,140,000
Certificate of obligation bonds	13,885,000	-	(1,940,000)	11,945,000	35,000
	<u>70,867,875</u>	<u>62,150,000</u>	<u>(9,075,000)</u>	<u>123,942,875</u>	<u>6,175,000</u>
Less deferred amounts:					
For issuance premium	217,232	138,822	(18,475)	337,579	-
On Refunding	291,501	1,785,390	(92,896)	1,983,995	-
Total bonds payable	<u>71,376,608</u>	<u>64,074,212</u>	<u>(9,186,371)</u>	<u>126,264,449</u>	<u>6,175,000</u>
Other long-term notes	1,683,038	5,000,000	(967,853)	5,715,185	935,952
Claims	5,201,899	9,061,292	(9,581,036)	4,682,155	2,809,293
Compensated absences	16,736,423	6,040,800	(5,655,306)	17,121,917	1,712,192
	<u>16,736,423</u>	<u>6,040,800</u>	<u>(5,655,306)</u>	<u>17,121,917</u>	<u>1,712,192</u>
Governmental activity Long-term liabilities	<u>\$ 94,997,968</u>	<u>\$ 84,176,304</u>	<u>\$ (25,390,566)</u>	<u>\$ 153,783,706</u>	<u>\$ 11,632,437</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, 2005, \$1,133,705 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
Business-type activities:					
Bonds payable:					
Revenue bonds	\$ 28,265,000	\$ -	\$ (9,640,000)	\$ 18,625,000	\$ -
Revenue refunding bonds	4,630,000	-	(1,040,000)	3,590,000	1,025,000
Tax and revenue certificate of obligation	54,400,000	-	(20,735,000)	33,665,000	130,000
Less deferred amounts:					
For premiums on issuance	37,833	-	(26,120)	11,713	-
On refunding					
For deferred loss on early retirement	(68,438)	-	15,208	(53,230)	-
For issuance discount	(31,576)	-	7,016	(24,560)	-
Deferred water charges payable	2,555,736	-	(567,941)	1,987,795	567,941
Compensated absences	1,906,727	545,464	(511,817)	1,940,374	194,037
	<u>1,906,727</u>	<u>545,464</u>	<u>(511,817)</u>	<u>1,940,374</u>	<u>194,037</u>
Business-type activity Long-term liabilities	<u>\$ 91,695,282</u>	<u>\$ 545,464</u>	<u>\$ (32,498,654)</u>	<u>\$ 59,742,092</u>	<u>\$ 1,916,978</u>

V. OTHER INFORMATION

A. Risk Management

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

Liabilities/Property

The City became fully insured in its liability and property insurances effective December 1, 2004. Prior to this date, the City was self-insured. The City uses Arthur J. Gallagher and Company as its third-party administrator for claims incurred before November 30, 2004. The City purchases its liability and property insurances through Texas Municipal League Intergovernmental Risk Pool (TML-IRP). These policies encompass property, general, and auto liability, public officials' errors and omissions, mobile equipment, boiler and machinery. The deductible 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. After April 1, 2004 the City became a member of the Texas Municipal League Intergovernmental Risk Pool. The City pays a premium based on the City's total payroll and past loss experience. As a member of the pool, the City no longer needs stop loss insurance. 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 (TML) is the third party administrator. The City has two dental insurance plans, one is a fully insured plan provided through CIGNA and the other is self insured, effective January 1, 2005 and TML is the third party administrator. The claim liabilities are included in the health insurance totals.

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:

	Workers' Compensation	General Liabilities Insurance	Health/Dental Insurance
<u>Current Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the current fiscal year	\$ 763,640	\$ 736,937	\$ 3,701,322
Incurred claims and claim adjustment expenses:			
Provisions for insured events of the current fiscal year	-	316,286	9,758,180
Increase (decrease) in provision for insured events prior years	414,879	224,565	(1,652,618)
Total incurred claims and claim adjustment expenses	<u>414,879</u>	<u>540,851</u>	<u>8,105,562</u>
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	-	236,312	6,706,538
Prior fiscal years	436,587	156,346	2,045,253
Total payments	<u>436,587</u>	<u>392,658</u>	<u>8,751,791</u>
Total unpaid claims and claim adjustment expenses at end of current fiscal year	<u>\$ 741,932</u>	<u>\$ 885,130</u>	<u>\$ 3,055,093</u>
<u>Prior Fiscal Year</u>			
Unpaid claims and claim adjustment expenses at the beginning of the prior fiscal year	\$ 1,168,101	\$ 663,603	\$ 2,344,537
Incurred claims and claim adjustment expenses:			
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>
Payments:			
Claims and claim adjustment expenses attributable to insured events-			
Current fiscal year	57,707	24,555	6,436,288
Prior fiscal years	528,881	309,046	1,587,627
Total payments	<u>586,588</u>	<u>333,601</u>	<u>8,023,915</u>
Total unpaid claims and claim adjustment expenses at end of prior fiscal year	<u>\$ 763,640</u>	<u>\$ 736,937</u>	<u>\$ 3,701,322</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 including dental if they reach normal retirement age while working for the City. The City is self insured, in health benefits, and the City has two dental insurance plans, one is fully insured plan provided through CIGNA and the other effective January 1, 2005 is self-insured. This means expenses are financed on a pay as you go basis. One hundred and fifty-five participants were eligible to receive benefits during the fiscal year ended September 30, 2005.

In fiscal year 2005, retirees made contributions totaling \$302,527, while the City paid \$1,824,113 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 \$278,274 for fiscal year 2005 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 801 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 4/1/05):

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

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

Contribution

Under the state law governing TMRS, the actuary annually determines the City contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the City matching percent, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (over funded) actuarial liability (asset) over the remainder of the plan's 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, 2004 valuation is effective for rates beginning January 2006).

The City of Pasadena is one of 801 municipalities having the benefit plan administered by TMRS. Each of the 801 Municipalities have an annual, individual actuarial valuation performed. All assumptions for the 12-31-04 valuations are contained in the 2004 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	12/31/2002	12/31/2003	12/31/2004
Actuarial Value of Assets	\$ 133,133,076	\$ 136,059,661	\$ 134,986,975
Actuarial Accrued Liability	160,735,346	168,427,353	170,358,196
Percentage Funded	82.80%	80.80%	79.24%
Unfunded Actuarial Accrued Liability (UAAL)	27,602,270	32,367,692	35,371,221
Annual Covered Payroll	40,723,201	43,197,498	42,078,577
UAAL as a Percentage of Covered Payroll	67.80%	74.90%	84.10%
Net Pension Obligation at the Beginning of Period	\$ -	\$ -	\$ -
Annual Pension Cost:			
Annual required contribution (ARC)	\$ 6,098,589	\$ 6,270,855	\$ 6,292,899
Contributions Made	6,098,589	6,270,855	6,292,899
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 -	3.50%
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 was 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)	4,610
	<hr style="border-top: 1px solid black;"/>
	<u>7,994</u>

Senate Bill 411, 65th 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, 65th 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, 2005, 2004 and 2003 were \$235,833, \$296,258 and \$280,621 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, 2005, 2004 and 2003 were \$61,812, \$61,812 and \$61,812, 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. Restatement

As a result of implementing a change in accounting and reporting policies which included the change in the revenue recognition policy for financial reporting from 30 days to 60 days and the recording of retainage payable, the City has restated fund balances/net assets in the general fund, debt service fund, Pasadena Second Century Corporation, capital projects, component unit – Pasadena Crime Control and Prevention District and the governmental activities at the beginning of the year. The restatements of the beginning fund balances/net assets for the funds are as follows:

	General Fund	Debt Service Fund	Second Century Corporation	Capital Projects
Prior year ending fund balances as reported	\$ 13,397,820	\$ 1,103,283	\$ 13,081,394	\$ 29,715,974
Change in reporting of accruals	1,440,147	47,235	580,054	-
Change in reporting retainage payable	-	-	-	(852,301)
Restated beginning fund balances	<u>\$ 14,837,967</u>	<u>\$ 1,150,518</u>	<u>\$ 13,661,448</u>	<u>\$ 28,863,673</u>

	Pasadena Crime Control and Prevention District	Governmental Activities
Prior year ending net assets balances as reported	\$ 3,286,368	\$ 415,080,860
Change in reporting of accruals	<u>567,124</u>	<u>893,951</u>
Restated beginning net assets	<u>\$ 3,853,492</u>	<u>\$ 415,974,811</u>

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**COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES**

GENERAL FUND

**The General Fund is used to account for all financial resources
except those required to be accounted for in another fund**

**CITY OF PASADENA, TEXAS
GENERAL FUND
BALANCE SHEET
SEPTEMBER 30, 2005**

ASSETS

Cash and cash equivalents	\$	2,199,524
Investments		
TexPool		4,966,759
LOGIC CLASS A		254,046
CLASS		4,194,888
		9,415,693
Total investments		9,415,693
Receivables (net, where applicable, of allowances for uncollectible)		
Taxes, including interest and penalties		406,644
Accounts		4,496,218
Intergovernmental		37,129
		4,939,991
Total receivables, net		4,939,991
Due from other funds		1,669,609
		1,669,609
TOTAL ASSETS	\$	18,224,817

LIABILITIES

Accounts payable	\$	3,699,269
Accrued payroll payable		944,855
Due to other funds		1,042,877
Due to component unit		273
Deferred revenue		333,958
		6,021,232
TOTAL LIABILITIES		6,021,232

FUND BALANCES

Reserved for encumbrances		69,987
Unreserved, designated for:		
Capital and technology improvements		569,031
Recall, election, and charter revisions		15,000
Unreserved, undesignated		11,549,567
		12,203,585
TOTAL FUND BALANCES		12,203,585
TOTAL LIABILITIES AND FUND BALANCES	\$	18,224,817

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**CITY OF PASADENA, TEXAS
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

REVENUES	
General property taxes	\$ 15,806,824
Business taxes	
Industrial district fees	15,064,576
Sales taxes	12,514,368
Utility taxes	7,181,942
Other taxes	196,816
Total business taxes	<u>34,957,702</u>
Licenses and permits	1,984,006
Municipal court fines	5,122,457
Charges for services	7,592,005
Intergovernmental	242,604
Miscellaneous	554,928
Investment income	496,666
TOTAL REVENUES	<u>66,757,192</u>
EXPENDITURES	
Current	
General government	10,719,005
Public safety	31,017,316
Public works	14,205,605
Health	2,232,358
Culture and recreation	11,069,872
TOTAL EXPENDITURES	<u>69,244,156</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	<u>(2,486,964)</u>
OTHER FINANCING SOURCES (USES)	
Transfers in	500,000
Transfers out	(657,418)
Sale of City property	10,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(147,418)</u>
NET CHANGE IN FUND BALANCES	(2,634,382)
FUND BALANCES - BEGINNING	<u>14,837,967</u>
FUND BALANCES - ENDING	<u>\$ 12,203,585</u>

**CITY OF PASADENA, TEXAS
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
General Property Taxes				
Ad valorem taxes	\$ 15,092,000	\$ 15,130,400	\$ 14,930,880	\$ (199,520)
Penalty and interest	550,000	550,000	875,944	325,944
Total General Property Taxes	15,642,000	15,680,400	15,806,824	126,424
Business Taxes				
Industrial district fees	14,900,000	14,900,000	15,064,576	164,576
City sales tax	12,570,000	12,570,000	12,514,368	(55,632)
Utility taxes	7,101,400	7,101,400	7,181,942	80,542
Other taxes				
Mixed drink tax	155,000	155,000	142,990	(12,010)
Bingo tax	62,000	62,000	53,826	(8,174)
Total Business Taxes	34,788,400	34,788,400	34,957,702	169,302
Licenses and Permits				
Business types	1,774,300	1,774,300	1,817,293	42,993
Occupational types	86,400	86,400	95,172	8,772
Non-business types	68,700	68,700	71,541	2,841
Total Licenses and Permits	1,929,400	1,929,400	1,984,006	54,606
Municipal court fines and fees	5,624,000	5,624,000	5,122,457	(501,543)
Charges for Services				
Ellington municipal golf course	505,800	505,800	522,951	17,151
Recreational activities	215,500	215,500	223,793	8,293
Swimming pool	70,000	70,000	73,553	3,553
Tennis court	4,500	4,500	5,404	904
Civic center	284,800	284,800	323,425	38,625
Other centers	57,100	57,100	64,820	7,720
Miscellaneous	451,500	451,500	549,452	97,952
Solid waste collection	4,991,800	5,140,500	5,148,155	7,655
Health services	313,200	365,200	330,823	(34,377)
Library services	66,100	66,100	69,909	3,809
Property management	250,800	250,800	279,720	28,920
Total Charges for Services	7,211,100	7,411,800	7,592,005	180,205
Intergovernmental				
Fire protection	56,800	56,800	57,693	893
Reimbursement from other				
law enforcement agencies	15,000	15,000	49,484	34,484
TXDOT - traffic signal maintenance	25,300	25,300	20,700	(4,600)
Emergency Mgmt Performance Grant	81,500	81,500	74,257	(7,243)
Transmitter fees	15,000	15,000	40,470	25,470
Total Intergovernmental	193,600	193,600	242,604	49,004
Miscellaneous	890,700	903,172	554,928	(348,244)
Investment Income	208,400	217,287	496,666	279,379
TOTAL REVENUES	\$ 66,487,600	\$ 66,748,059	\$ 66,757,192	\$ 9,133

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Current				
General Government				
City Council				
Personnel services	\$ 33,263	\$ 33,363	\$ 33,341	\$ 22
Contractual services	41,000	42,700	20,400	22,300
Materials and supplies	7,000	7,000	5,112	1,888
Maintenance charges	35,694	33,094	27,503	5,591
	116,957	116,157	86,356	29,801
Mayor				
Personnel services	355,357	361,157	361,071	86
Contractual services	23,000	25,500	21,860	3,640
Materials and supplies	5,400	4,060	1,663	2,397
Maintenance charges	16,085	16,085	14,970	1,115
	399,842	406,802	399,564	7,238
Budget and Financial Planning				
Personnel services	198,304	198,304	191,121	7,183
Contractual services	4,900	8,300	3,786	4,514
Materials and supplies	1,150	1,150	882	268
Maintenance charges	13,282	13,297	13,296	1
	217,636	221,051	209,085	11,966
Municipal Court				
Personnel services	1,486,229	1,450,029	1,383,613	66,416
Contractual services	41,400	61,900	59,244	2,656
Materials and supplies	26,800	26,800	24,148	2,652
Maintenance charges	190,585	190,585	151,347	39,238
	1,745,014	1,729,314	1,618,352	110,962
City Controller				
Personnel services	1,006,569	1,029,018	972,628	56,390
Contractual services	213,920	238,920	144,380	94,540
Materials and supplies	21,610	21,605	18,218	3,387
Maintenance charges	60,040	60,040	54,707	5,333
Other Charges	-	5	4	1
	\$ 1,302,139	\$ 1,349,588	\$ 1,189,937	\$ 159,651

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, 2005**

EXPENDITURES <u>General Government, Continued</u>	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Tax				
Personnel services	\$ 242,684	\$ 258,940	\$ 251,860	\$ 7,080
Contractual services	291,805	291,805	282,082	9,723
Materials and supplies	23,100	22,950	15,656	7,294
Maintenance charges	45,491	46,591	46,449	142
Other charges	-	150	143	7
	603,080	620,436	596,190	24,246
Purchasing				
Personnel services	216,001	216,001	203,456	12,545
Contractual services	11,500	28,800	23,342	5,458
Materials and supplies	3,300	3,422	2,005	1,417
Maintenance charges	18,955	18,955	21,514	(2,559)
	249,756	267,178	250,317	16,861
Legal				
Personnel services	819,637	804,870	697,995	106,875
Contractual services	74,100	57,485	38,764	18,721
Materials and supplies	15,800	18,400	17,723	677
Maintenance charges	45,885	45,885	45,241	644
Other Charges	-	15	12	3
	955,422	926,655	799,735	126,920
City Secretary				
Personnel services	199,481	199,481	186,315	13,166
Contractual services	41,900	56,925	47,237	9,688
Materials and supplies	6,300	7,000	6,006	994
Maintenance charges	34,734	34,734	31,379	3,355
	282,415	298,140	270,937	27,203
Elections				
Personnel services	-	10,600	10,472	128
Contractual services	40,000	50,925	47,862	3,063
Materials and supplies	5,000	6,005	5,904	101
	45,000	67,530	64,238	3,292
Human Resources				
Personnel services	437,277	491,277	479,393	11,884
Contractual services	128,900	89,900	81,297	8,603
Materials and supplies	28,500	26,500	23,529	2,971
Maintenance charges	48,130	48,130	44,478	3,652
	642,807	655,807	628,697	27,110
Civil Service				
Maintenance charges	11	11	4	7
	\$ 11	\$ 11	\$ 4	\$ 7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
City Marshal				
Personnel services	\$ 383,220	\$ 389,170	\$ 389,147	\$ 23
Contractual services	7,250	7,250	5,750	1,500
Materials and supplies	4,700	5,700	5,666	34
Maintenance charges	55,809	55,809	55,472	337
	450,979	457,929	456,035	1,894
Community Relations				
Personnel services	437,601	425,449	401,185	24,264
Contractual services	108,800	112,265	87,328	24,937
Materials and supplies	86,000	86,202	61,962	24,240
Maintenance charges	47,279	47,259	46,475	784
	679,680	671,175	596,950	74,225
Pasadena Action Line				
Personnel services	173,648	173,648	168,526	5,122
Contractual services	7,900	7,900	6,575	1,325
Materials and supplies	3,500	3,500	1,766	1,734
Maintenance charges	18,077	18,087	18,084	3
	203,125	203,135	194,951	8,184
Planning				
Personnel services	256,287	256,287	240,354	15,933
Contractual services	12,600	12,600	10,506	2,094
Materials and supplies	5,100	5,100	4,082	1,018
Maintenance charges	68,568	68,688	68,672	16
	342,555	342,675	323,614	19,061
Planning/Development Administration				
Personnel services	205,705	206,105	206,056	49
Contractual services	1,800	1,400	702	698
Materials and supplies	2,150	2,642	2,565	77
Maintenance charges	486	486	480	6
	210,141	210,633	209,803	830
Neighborhood Network				
Personnel services	62,871	62,871	57,865	5,006
Contractual services	149,025	141,525	124,328	17,197
Materials and supplies	27,700	27,700	20,448	7,252
Maintenance charges	19,625	19,635	19,632	3
	\$ 259,221	\$ 251,731	\$ 222,273	\$ 29,458

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, 2005**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>General Government, Continued</u>				
Inspections				
Personnel services	\$ 1,376,090	\$ 1,387,690	\$ 1,387,654	\$ 36
Contractual services	59,650	48,050	23,094	24,956
Materials and supplies	29,000	29,000	20,005	8,995
Maintenance charges	134,051	133,931	126,651	7,280
Other charges	-	-	11	(11)
	<u>1,598,791</u>	<u>1,598,671</u>	<u>1,557,415</u>	<u>41,256</u>
Property Management				
Personnel services	150,850	150,850	149,981	869
Contractual services	220,550	239,050	233,585	5,465
Materials and supplies	26,300	26,300	21,099	5,201
Maintenance charges	252,723	326,884	318,726	8,158
Capital outlay	-	-	65,625	(65,625)
	<u>650,423</u>	<u>743,084</u>	<u>789,016</u>	<u>(45,932)</u>
Technology				
Contractual services	150,000	193,723	8,932	184,791
Materials and supplies	50,000	50,000	3,288	46,712
Capital outlay	100,000	125,225	31,686	93,539
	<u>300,000</u>	<u>368,948</u>	<u>43,906</u>	<u>325,042</u>
Other Charges				
Personnel services	1,650,000	84,935	-	84,935
Contractual services	83,000	83,000	84,520	(1,520)
Materials and supplies	1,000	1,000	-	1,000
Maintenance charges	218	218	216	2
Other charges	50,200	60,700	34,334	26,366
Other uses	100,000	100,000	92,560	7,440
	<u>1,884,418</u>	<u>329,853</u>	<u>211,630</u>	<u>118,223</u>
Total General Government	<u>\$ 13,139,412</u>	<u>\$ 11,836,503</u>	<u>\$ 10,719,005</u>	<u>\$ 1,117,498</u>

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Safety				
Emergency Preparedness				
Personnel services	\$ 175,368	\$ 160,468	\$ 148,751	\$ 11,717
Contractual services	41,200	39,800	30,623	9,177
Materials and supplies	11,100	12,898	10,671	2,227
Maintenance charges	36,419	36,419	36,194	225
	264,087	249,585	226,239	23,346
Fire Fighting				
Personnel services	330,509	270,175	264,153	6,022
Contractual services	816,900	943,974	912,170	31,804
Materials and supplies	248,900	326,772	301,526	25,246
Maintenance charges	1,306,355	1,298,355	1,290,697	7,658
Capital outlay	100,000	36,972	19,563	17,409
	2,802,664	2,876,248	2,788,109	88,139
Fire Prevention				
Personnel services	658,639	916,371	913,906	2,465
Contractual services	20,550	25,050	23,718	1,332
Materials and supplies	13,600	17,256	14,266	2,990
Maintenance charges	111,248	111,248	108,443	2,805
	804,037	1,069,925	1,060,333	9,592
Police				
Personnel services	22,256,966	23,939,176	23,941,816	(2,640)
Contractual services	511,950	653,465	657,015	(3,550)
Materials and supplies	284,100	296,431	278,929	17,502
Maintenance charges	2,073,070	2,081,070	2,064,674	16,396
Other charges	-	-	38	(38)
Capital outlay	-	-	163	(163)
	25,126,086	26,970,142	26,942,635	27,507
Total Public Safety	\$ 28,996,874	\$ 31,165,900	\$ 31,017,316	\$ 148,584

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, 2005**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Public Works				
Public Works Administration				
Personnel services	\$ 243,775	\$ 244,676	\$ 238,466	\$ 6,210
Contractual services	4,996	4,996	3,569	1,427
Materials and supplies	1,240	1,240	561	679
Maintenance charges	17,027	17,032	17,028	4
	267,038	267,944	259,624	8,320
Engineering				
Personnel services	1,166,865	1,241,760	1,213,952	27,808
Contractual services	227,356	231,561	231,552	9
Materials and supplies	40,310	37,540	28,895	8,645
Maintenance charges	120,625	127,146	127,141	5
	1,555,156	1,638,007	1,601,540	36,467
Street Lighting and Signals				
Contractual services	1,008,000	1,208,000	1,195,474	12,526
	1,008,000	1,208,000	1,195,474	12,526
Sanitation				
Personnel services	2,175,361	2,309,369	2,260,924	48,445
Contractual services	3,079,831	2,938,954	2,933,250	5,704
Materials and supplies	910,320	925,320	914,907	10,413
Maintenance charges	475,770	469,244	444,874	24,370
	6,641,282	6,642,887	6,553,955	88,932
Street and Bridge				
Personnel services	2,454,839	2,456,112	2,389,349	66,763
Contractual services	155,836	155,836	98,697	57,139
Materials and supplies	554,845	554,845	522,550	32,295
Maintenance charges	444,277	444,277	440,691	3,586
	3,609,797	3,611,070	3,451,287	159,783
Traffic and Transportation				
Personnel services	907,703	862,863	835,648	27,215
Contractual services	65,404	94,745	94,721	24
Materials and supplies	112,550	138,852	133,709	5,143
Maintenance charges	83,561	83,561	79,647	3,914
	1,169,218	1,180,021	1,143,725	36,296
Total Public Works	\$ 14,250,491	\$ 14,547,929	\$ 14,205,605	\$ 342,324

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Health				
Health				
Personnel services	\$ 744,945	\$ 744,945	\$ 701,228	\$ 43,717
Contractual services	646,100	646,100	593,578	52,522
Materials and supplies	22,900	14,900	9,433	5,467
Maintenance charges	78,586	78,586	77,298	1,288
	1,492,531	1,484,531	1,381,537	102,994
Animal Rescue and Assistance				
Personnel services	665,941	674,541	674,481	60
Contractual services	65,450	116,850	104,730	12,120
Materials and supplies	34,300	34,300	28,362	5,938
Maintenance charges	44,481	44,481	42,882	1,599
Other charges	-	-	366	(366)
	810,172	870,172	850,821	19,351
Total Health	2,302,703	2,354,703	2,232,358	122,345
Culture and Recreation				
Leisure Services Administration				
Personnel services	188,406	192,696	192,691	5
Contractual services	3,661	3,661	3,197	464
Materials and supplies	2,615	2,615	2,187	428
Maintenance charges	2,833	2,845	2,844	1
	197,515	201,817	200,919	898
Parks				
Personnel services	1,993,642	1,982,307	1,822,797	159,510
Contractual services	480,900	540,285	529,691	10,594
Materials and supplies	152,950	182,950	163,457	19,493
Maintenance charges	359,541	348,541	336,559	11,982
	2,987,033	3,054,083	2,852,504	201,579
Recreation				
Personnel services	1,507,561	1,492,975	1,320,721	172,254
Contractual services	311,360	283,239	230,310	52,929
Materials and supplies	199,175	228,760	206,573	22,187
Maintenance charges	162,444	173,432	144,297	29,135
Other charges	66,100	64,028	60,707	3,321
Capital outlay	-	65,000	163,022	(98,022)
	\$ 2,246,640	\$ 2,307,434	\$ 2,125,630	\$ 181,804

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, 2005**

EXPENDITURES	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
<u>Culture and Recreation, Continued</u>				
Clean Streets				
Personnel services	\$ 662,542	\$ 712,142	\$ 711,154	\$ 988
Contractual services	18,700	18,700	16,441	2,259
Materials and supplies	30,075	30,075	28,130	1,945
Maintenance charges	104,538	103,423	102,283	1,140
	815,855	864,340	858,008	6,332
Golf Course				
Personnel services	473,476	453,476	431,730	21,746
Contractual services	37,475	44,475	40,409	4,066
Materials and supplies	48,875	61,875	40,098	21,777
Maintenance charges	59,957	59,957	58,267	1,690
Other charges	-	-	6	(6)
	619,783	619,783	570,510	49,273
Multi-Purpose Center				
Personnel services	369,917	369,917	327,408	42,509
Contractual services	29,544	29,544	25,252	4,292
Materials and supplies	22,620	22,620	19,582	3,038
Maintenance charges	78,105	78,105	64,161	13,944
Other charges	17,000	18,583	18,420	163
	517,186	518,769	454,823	63,946
Civic Center				
Personnel services	416,909	429,254	429,249	5
Contractual services	110,600	104,800	104,632	168
Materials and supplies	3,418	3,918	3,617	301
Maintenance charges	198,892	127,332	117,181	10,151
Other charges	-	-	22	(22)
	729,819	665,304	654,701	10,603
Senior Center - Madison Jobe				
Personnel services	310,474	318,789	318,786	3
Contractual services	79,850	84,570	82,911	1,659
Materials and supplies	11,100	11,712	10,234	1,478
Maintenance charges	43,002	43,002	39,092	3,910
Other charges	12,000	12,175	12,138	37
	\$ 456,426	\$ 470,248	\$ 463,161	\$ 7,087

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Library				
Personnel services	\$ 2,253,604	\$ 2,276,802	\$ 2,182,454	\$ 94,348
Contractual services	230,900	248,025	228,680	19,345
Materials and supplies	105,900	106,207	97,260	8,947
Maintenance charges	178,598	178,598	172,476	6,122
Capital outlay	212,700	221,775	208,746	13,029
	2,981,702	3,031,407	2,889,616	141,791
Total Culture and Recreation	11,551,959	11,733,185	11,069,872	663,313
TOTAL EXPENDITURES	70,241,439	71,638,220	69,244,156	2,394,064
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(3,753,839)	(4,890,161)	(2,486,964)	2,403,197
OTHER FINANCING SOURCES (USES)				
Operating transfers in (out)				
Water and sewer system	500,000	500,000	500,000	-
General liability insurance fund	(600,000)	(600,000)	(600,000)	-
Various grants fund	-	(125,785)	(57,418)	68,367
Sale of capital assets	-	-	10,000	10,000
TOTAL OTHER FINANCING SOURCES AND (USES)	(100,000)	(225,785)	(147,418)	78,367
NET CHANGE IN FUND BALANCES	(3,853,839)	(5,115,946)	(2,634,382)	2,481,564
FUND BALANCE - BEGINNING	14,837,967	14,837,967	14,837,967	-
FUND BALANCE - ENDING	\$ 10,984,128	\$ 9,722,021	\$ 12,203,585	\$ 2,481,564

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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, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
General property taxes				
Ad valorem taxes	\$ 10,703,000	\$ 10,703,000	\$ 10,832,722	\$ 129,722
Investment income	10,000	10,000	48,305	38,305
TOTAL REVENUES	10,713,000	10,713,000	10,881,027	168,027
EXPENDITURES				
Debt service				
Principal	7,460,000	7,460,000	7,460,000	-
Interest	3,220,000	3,586,568	3,297,400	289,168
Fiscal charges	4,000	4,000	3,647	353
Refunding bond issuance costs	-	620,679	605,070	15,609
Other charges	-	29,000	-	29,000
TOTAL EXPENDITURES	10,684,000	11,700,247	11,366,117	334,130
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	29,000	(987,247)	(485,090)	502,157
OTHER FINANCING SOURCES (USES)				
Transfers in - water and sewer system fund	-	35,000	35,000	-
Premiums on bonds	-	2,204,136	2,204,136	-
Refunding bonds issued	-	29,570,000	29,570,000	-
Payment to refunded bond escrow agent	-	(31,465,435)	(31,465,435)	-
TOTAL OTHER FINANCING SOURCES (USES)	-	343,701	343,701	-
NET CHANGE IN FUND BALANCE	29,000	(643,546)	(141,389)	502,157
FUND BALANCES - BEGINNING	1,150,518	1,150,518	1,150,518	-
FUND BALANCES - ENDING	\$ 1,179,518	\$ 506,972	\$ 1,009,129	\$ 502,157

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GRANT MANAGEMENT FUND – BUDGETED PROGRAM

Federal Equitable Sharing of Forfeited Property Justice Department Grant -

This program was established to account for the City's equitable share of cash and proceeds realized from the sale of forfeited property resulted from direct participation and investigation by the City's law enforcement in cooperation with the U.S. Department of Justice. This program is restricted for law enforcement purposes.

Federal Equitable Sharing of Forfeited Property Treasury Department Grant

- This program was established to account for the City's equitable share of cash and proceeds realized from the sale of forfeited property resulted from direct participation and investigation by the City's law enforcement in cooperation with the U.S. Department of the Treasury. This program is restricted for law enforcement purposes.

**CITY OF PASADENA, TEXAS
FEDERAL EQUITABLE SHARING OF FORFEITED PROPERTY JUSTICE DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND (PROGRAM) BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 600,000	\$ 687,316	\$ 445,480	(241,836)
Program Income	7,800	7,800	13,538	5,738
TOTAL REVENUES	<u>607,800</u>	<u>695,116</u>	<u>459,018</u>	<u>(236,098)</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	126,800	124,700	105,738	18,962
Materials and supplies	205,000	215,266	147,613	67,653
Intergovernmental	-	72,000	68,144	3,856
Capital outlay	160,000	167,150	206,564	(39,414)
TOTAL EXPENDITURES	<u>491,800</u>	<u>579,116</u>	<u>528,059</u>	<u>51,057</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	116,000	116,000	(69,041)	(185,041)
FUND (PROGRAM) BALANCE - BEGINNING	<u>593,505</u>	<u>593,505</u>	<u>593,505</u>	<u>-</u>
FUND (PROGRAM) BALANCE - ENDING	<u>\$ 709,505</u>	<u>\$ 709,505</u>	<u>\$ 524,464</u>	<u>\$ (185,041)</u>

CITY OF PASADENA, TEXAS
FEDERAL EQUITABLE SHARING OF FORFEITED PROPERTY TREASURY DEPARTMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND (PROGRAM) BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 60,000	\$ 344,198	\$ 84,918	\$ (259,280)
Program income	7,000	7,000	6,987	(13)
TOTAL REVENUES	<u>67,000</u>	<u>351,198</u>	<u>91,905</u>	<u>(259,293)</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	49,500	49,500	48,711	789
Materials and supplies	207,700	276,698	272,626	4,072
Capital outlay	40,000	25,000	9,920	15,080
TOTAL EXPENDITURES	<u>297,200</u>	<u>351,198</u>	<u>331,257</u>	<u>19,941</u>
(DEFICIENCY) OF REVENUES				
(UNDER) EXPENDITURES	(230,200)	-	(239,352)	(239,352)
FUND (PROGRAM) BALANCE - BEGINNING	<u>384,983</u>	<u>384,983</u>	<u>384,983</u>	-
FUND (PROGRAM) BALANCE - ENDING	<u>\$ 154,783</u>	<u>\$ 384,983</u>	<u>\$ 145,631</u>	<u>\$ (239,352)</u>

NONMAJOR FUNDS

Special Revenue Funds

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

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

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

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

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

**CITY OF PASADENA, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2005**

	<u>Special Revenue</u>				<u>Totals</u>
	<u>Special Charge Allocation Fund</u>	<u>State Forfeited Property</u>	<u>Hotel and Motel Tax</u>	<u>Abandoned Motor Vehicles and Property</u>	
<u>ASSETS</u>					
Due from other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted assets					
Cash and cash equivalents	-	52,967	-	-	52,967
Investments	1,699,859	208,950	613,854	304,695	2,827,358
Receivables (net of allowances of uncollectibles)					
Intergovernmental	11,316	49,772	134,983	-	196,071
TOTAL ASSETS	<u>\$ 1,711,175</u>	<u>\$ 311,689</u>	<u>\$ 748,837</u>	<u>\$ 304,695</u>	<u>\$ 3,076,396</u>
<u>LIABILITIES</u>					
Due to other funds	\$ 7,154	\$ -	\$ 3,996	\$ 32	\$ 11,182
Liabilities payable from restricted assets					
Accounts payable	49,941	1,551	43,253	4,102	98,847
Accrued payroll liabilities	4,150	-	-	-	4,150
	<u>54,091</u>	<u>1,551</u>	<u>43,253</u>	<u>4,102</u>	<u>102,997</u>
TOTAL LIABILITIES	<u>61,245</u>	<u>1,551</u>	<u>47,249</u>	<u>4,134</u>	<u>114,179</u>
<u>FUND BALANCES</u>					
Reserved for encumbrances	-	-	125	-	125
Unreserved, undesignated	1,649,930	310,138	701,463	300,561	2,962,092
TOTAL FUND BALANCES	<u>1,649,930</u>	<u>310,138</u>	<u>701,588</u>	<u>300,561</u>	<u>2,962,217</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,711,175</u>	<u>\$ 311,689</u>	<u>\$ 748,837</u>	<u>\$ 304,695</u>	<u>\$ 3,076,396</u>

**CITY OF PASADENA, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Special Revenue</u>				<u>Total</u>
	<u>Special Charge Allocation Fund</u>	<u>State Forfeited Property</u>	<u>Hotel and Motel Tax</u>	<u>Abandoned Motor Vehicles and Property</u>	
REVENUES					
Business taxes					
Other taxes					
Hotel and motel taxes	\$ -	\$ -	\$ 292,954	\$ -	\$ 292,954
Licenses and permits	3,720	-	-	-	3,720
Municipal court fines	353,212	-	-	-	353,212
Intergovernmental	218,687	100,001	8,830	-	327,518
Miscellaneous	-	-	-	136,973	136,973
Investment income	44,295	6,196	16,337	8,011	74,839
TOTAL REVENUES	619,914	106,197	318,121	144,984	1,189,216
EXPENDITURES					
Current					
General government					
Personnel services	132,794	-	-	-	132,794
Contractual services	65,298	-	-	-	65,298
Materials and supplies	72,908	-	-	-	72,908
Capital Outlay	61,137	-	-	-	61,137
Public safety					
Personnel services	151,543	-	-	-	151,543
Contractual services	92,262	44,875	-	91,349	228,486
Materials and supplies	5,643	72,441	-	40,348	118,432
Other charges	243	-	-	9,386	9,629
Capital Outlay	45,523	32,500	-	-	78,023
Culture and recreation					
Contractual services	-	-	131,025	-	131,025
Materials and supplies	-	-	60,257	-	60,257
Other charges	-	-	49,207	-	49,207
Capital Outlay	-	-	28,435	-	28,435
TOTAL EXPENDITURES	627,351	149,816	268,924	141,083	1,187,174
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(7,437)	(43,619)	49,197	3,901	2,042
FUND BALANCES - BEGINNING	1,657,367	353,757	652,391	296,660	2,960,175
FUND BALANCES - ENDING	\$ 1,649,930	\$ 310,138	\$ 701,588	\$ 300,561	\$ 2,962,217

**CITY OF PASADENA, TEXAS
SPECIAL CHARGE ALLOCATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses and permits	\$ 6,000	\$ 6,000	\$ 3,720	\$ (2,280)
Municipal court fines	363,000	363,000	353,212	(9,788)
Intergovernmental	199,200	201,200	218,687	17,487
Investment income	16,400	16,400	44,295	27,895
TOTAL REVENUES	584,600	586,600	619,914	33,314
EXPENDITURES				
Current				
General government				
Personnel services	130,749	184,374	132,794	51,580
Contractual services	60,600	77,211	65,298	11,913
Materials and supplies	210,000	250,923	72,908	178,015
Other charges	3,000	3,000	-	3,000
Capital outlay	156,000	157,548	61,137	96,411
Public safety				
Personnel services	128,429	128,429	151,543	(23,114)
Contractual services	157,200	159,200	92,262	66,938
Materials and supplies	9,000	9,000	5,643	3,357
Other charges	-	-	243	(243)
Capital outlay	-	45,523	45,523	-
TOTAL EXPENDITURES	854,978	1,015,208	627,351	387,857
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(270,378)	(428,608)	(7,437)	421,171
FUND BALANCE - BEGINNING	1,657,367	1,657,367	1,657,367	-
FUND BALANCE - ENDING	\$ 1,386,989	\$ 1,228,759	\$ 1,649,930	\$ 421,171

**CITY OF PASADENA, TEXAS
STATE FORFEITED PROPERTY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ 60,000	\$ 60,000	\$ 100,001	40,001
Investment income	2,200	2,200	6,196	3,996
TOTAL REVENUES	<u>62,200</u>	<u>62,200</u>	<u>106,197</u>	<u>43,997</u>
EXPENDITURES				
Current				
Public safety				
Contractual services	46,000	46,000	44,875	1,125
Materials and supplies	56,700	75,454	72,441	3,013
Capital outlay	30,000	53,850	32,500	21,350
TOTAL EXPENDITURES	<u>132,700</u>	<u>175,304</u>	<u>149,816</u>	<u>25,488</u>
(DEFICIENCY) OF REVENUES (UNDER) EXPENDITURES	(70,500)	(113,104)	(43,619)	69,485
FUND BALANCE - BEGINNING	<u>353,757</u>	<u>353,757</u>	<u>353,757</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 283,257</u>	<u>\$ 240,653</u>	<u>\$ 310,138</u>	<u>\$ 69,485</u>

**CITY OF PASADENA, TEXAS
HOTEL AND MOTEL TAX SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Business taxes	\$ 270,000	\$ 270,000	\$ 292,954	\$ 22,954
Intergovernmental	10,000	10,000	8,830	(1,170)
Investment income	10,000	10,000	16,337	6,337
TOTAL REVENUES	290,000	290,000	318,121	28,121
EXPENDITURES				
Current				
Culture and recreation				
Contractual services	96,575	139,536	131,025	8,511
Materials and supplies	89,525	63,730	60,257	3,473
Other charges	73,900	73,066	49,207	23,859
Capital outlay	120,000	120,000	28,435	91,565
TOTAL EXPENDITURES	380,000	396,332	268,924	127,408
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(90,000)	(106,332)	49,197	155,529
FUND BALANCE - BEGINNING	652,391	652,391	652,391	-
FUND BALANCE - ENDING	\$ 562,391	\$ 546,059	\$ 701,588	\$ 155,529

CITY OF PASADENA, TEXAS
ABANDONED MOTOR VEHICLE AND PROPERTY SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Miscellaneous	\$ 110,000	\$ 110,000	\$ 136,973	\$ 26,973
Investment income	1,800	1,800	8,011	6,211
TOTAL REVENUES	111,800	111,800	144,984	33,184
EXPENDITURES				
Current				
Public safety				
Contractual services	89,500	92,400	91,349	1,051
Materials and supplies	45,000	48,100	40,348	7,752
Other charges	10,000	10,000	9,386	614
TOTAL EXPENDITURES	144,500	150,500	141,083	9,417
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(32,700)	(38,700)	3,901	42,601
FUND BALANCE - BEGINNING	296,660	296,660	296,660	-
FUND BALANCE - ENDING	\$ 263,960	\$ 257,960	\$ 300,561	\$ 42,601

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, 2005**

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
<u>ASSETS</u>					
Current Assets					
Investments - Texpool	\$ 8,171,765	\$ 502,959	\$ 1,213,152	\$ 4,476,252	\$ 14,364,128
- GNMA	-	-	-	490	490
Accounts receivable	-	-	-	32,442	32,442
Due from other funds					
General	46,121	-	-	-	46,121
Grant management	633	3,118	-	-	3,751
Special revenue	42	587	-	-	629
General liability insurance	113,888	-	-	-	113,888
Health insurance	-	8,885	-	-	8,885
Water and sewer system	293	-	-	-	293
Inventory, at cost	469,989	-	-	-	469,989
Total Current Assets	8,802,731	515,549	1,213,152	4,509,184	15,040,616
Deposits	-	75,000	-	-	75,000
Capital Assets					
Land	602	-	-	-	602
Buildings and building improvements	2,086,911	-	-	-	2,086,911
Accumulated depreciation - buildings and building improvements	(1,622,286)	-	-	-	(1,622,286)
Facilities and other improvements	175,754	-	-	-	175,754
Accumulated depreciation - facilities and other improvements	(33,870)	-	-	-	(33,870)
Machinery and equipment	4,342,725	-	-	-	4,342,725
Accumulated depreciation - machinery and equipment	(3,586,002)	-	-	-	(3,586,002)
Infrastructure	9,882	-	-	-	9,882
Accumulated depreciation - infrastructure	(5,369)	-	-	-	(5,369)
Automotive equipment	28,214,068	-	-	-	28,214,068
Accumulated depreciation - automotive equipment	(20,527,153)	-	-	-	(20,527,153)
Net Capital Assets	9,055,262	-	-	-	9,055,262
Total Noncurrent Assets	9,055,262	75,000	-	-	9,130,262
TOTAL ASSETS	17,857,993	590,549	1,213,152	4,509,184	24,170,878
<u>LIABILITIES</u>					
Current Liabilities					
Accounts payable	363,932	2,259	-	-	366,191
Accrued payroll payable	89,233	-	-	1,205	90,438
Due to other funds					
General	-	48	-	36,939	36,987
Maintenance	-	-	113,888	-	113,888
Workers' compensation insurance	-	-	-	8,885	8,885
Claims payable	-	445,159	531,078	1,833,056	2,809,293
Compensated absences payable	113,371	-	-	-	113,371
Total Current Liabilities	566,536	447,466	644,966	1,880,085	3,539,053
Noncurrent Liabilities					
Claims payable	-	296,773	354,052	1,222,037	1,872,862
Compensated absences payable	1,020,334	-	-	-	1,020,334
Total Noncurrent Liabilities	1,020,334	296,773	354,052	1,222,037	2,893,196
TOTAL LIABILITIES	1,586,870	744,239	999,018	3,102,122	6,432,249
<u>NET ASSETS</u>					
Invested in capital assets, net of related debt	9,055,262	-	-	-	9,055,262
Unrestricted (deficit)	7,215,861	(153,690)	214,134	1,407,062	8,683,367
TOTAL NET ASSETS	\$ 16,271,123	\$ (153,690)	\$ 214,134	\$ 1,407,062	\$ 17,738,629

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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, 2005

	Maintenance	Workers' Compensation Insurance	General Liability Insurance	Health Insurance	Total
OPERATING REVENUES					
Charges for sales and services	\$ 9,854,317	\$ 1,189,942	\$ 96,873	\$ 11,362,361	\$ 22,503,493
OPERATING EXPENSES					
Personnel services	4,723,167	82,283	-	-	4,805,450
Contractual services	1,128,756	-	-	50,328	1,179,084
Material and supplies	3,278,780	932	-	-	3,279,712
Maintenance charges	924,455	-	-	-	924,455
Insurance/reinsurance premiums	-	1,073,482	737,361	1,209,781	3,020,624
Claim and legal expenses	-	442,558	578,088	10,108,498	11,129,144
Administration fees	-	16,864	-	339,065	355,929
Miscellaneous	-	-	-	1,320	1,320
Depreciation	3,354,182	-	-	-	3,354,182
TOTAL OPERATING EXPENSES	13,409,340	1,616,119	1,315,449	11,708,992	28,049,900
OPERATING (LOSS)	(3,555,023)	(426,177)	(1,218,576)	(346,631)	(5,546,407)
NONOPERATING REVENUES					
Gain on sale of capital assets	81,999	-	-	-	81,999
Investment income	269,621	11,128	33,449	87,310	401,508
(LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	(3,203,403)	(415,049)	(1,185,127)	(259,321)	(5,062,900)
CONTRIBUTIONS	73,748	-	-	-	73,748
TRANSFERS IN	-	-	1,200,000	2,000,000	3,200,000
TRANSFERS OUT	(2,000,000)	(350,000)	-	-	(2,350,000)
CHANGES IN NET ASSETS	(5,129,655)	(765,049)	14,873	1,740,679	(4,139,152)
TOTAL NET ASSETS - BEGINNING	21,400,778	611,359	199,261	(333,617)	21,877,781
TOTAL NET ASSETS - ENDING	\$ 16,271,123	\$ (153,690)	\$ 214,134	\$ 1,407,062	\$ 17,738,629

**CITY OF PASADENA, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2005**

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>					
Cash received from users	\$ 9,812,929	\$ 1,208,234	\$ 96,873	\$ 11,337,636	\$ 22,455,672
Cash payments to suppliers for goods and services	(5,664,046)	-	-	-	(5,664,046)
Cash payments to employees for services	(4,702,335)	(83,777)	-	-	(4,786,112)
Cash payments for insurance premiums, liability claims and administration	-	(1,524,955)	(1,053,368)	(12,407,851)	(14,986,174)
NET CASH (USED) BY OPERATING ACTIVITIES	(553,452)	(400,498)	(956,495)	(1,070,215)	(2,980,660)
<u>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</u>					
<u>FINANCING ACTIVITIES</u>					
Transfers from other funds					
General	-	-	600,000	-	600,000
Water and sewer system	-	-	250,000	-	250,000
Workers' compensation insurance	-	-	350,000	-	350,000
Maintenance	-	-	-	2,000,000	2,000,000
Transfers to other funds					
General liability insurance	-	(350,000)	-	-	(350,000)
Health insurance	(2,000,000)	-	-	-	(2,000,000)
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	(2,000,000)	(350,000)	1,200,000	2,000,000	850,000
<u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u>					
Proceeds from sale of capital assets	258,268	-	-	-	258,268
Acquisition and construction of capital assets	(972,043)	-	-	-	(972,043)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(713,775)	-	-	-	(713,775)
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>					
Purchase of investments	(1,841,192)	(1,091,357)	(1,215,643)	(13,124,397)	(17,272,589)
Proceeds from sale and maturities of investments	4,838,798	1,830,727	938,689	12,106,960	19,715,174
Investment income received	269,621	11,128	33,449	87,652	401,850
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	3,267,227	750,498	(243,505)	(929,785)	2,844,435
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENT	-	-	-	-	-
CASH AND CASH EQUIVALENTS - BEGINNING	-	-	-	-	-
CASH AND CASH EQUIVALENTS - ENDING	\$ -	\$ -	\$ -	\$ -	\$ -

	<u>Maintenance</u>	<u>Workers' Compensation Insurance</u>	<u>General Liability Insurance</u>	<u>Health Insurance</u>	<u>Total</u>
RECONCILIATION OF OPERATING (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating (loss)	<u>\$ (3,555,023)</u>	<u>\$ (426,177)</u>	<u>\$ (1,218,576)</u>	<u>\$ (346,631)</u>	<u>\$ (5,546,407)</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation	3,354,182	-	-	-	3,354,182
Changes in assets and liabilities					
(Increase) in accounts receivable	-	-	-	(25,000)	(25,000)
(Increase) decrease in due from other funds	(41,388)	18,292	-	275	(22,821)
(Increase) in inventory	(57,485)	-	-	-	(57,485)
Decrease in deposits	-	35,000	-	-	35,000
Increase (decrease) in accounts and claims payable	(256,068)	(26,167)	148,193	(646,229)	(780,271)
Increase (decrease) in accrued payroll payable	15,448	(1,494)	-	(1,684)	12,270
Increase in compensated absences payable	5,384	-	-	-	5,384
Increase (decrease) in due to other funds	(18,502)	48	113,888	(50,946)	44,488
Total Adjustments	<u>3,001,571</u>	<u>25,679</u>	<u>262,081</u>	<u>(723,584)</u>	<u>2,565,747</u>
NET CASH (USED) BY OPERATING ACTIVITIES	<u>\$ (553,452)</u>	<u>\$ (400,498)</u>	<u>\$ (956,495)</u>	<u>\$ (1,070,215)</u>	<u>\$ (2,980,660)</u>
NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES					
Contribution of capital assets from the government	\$ 73,748	\$ -	\$ -	\$ -	\$ 73,748

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STATISTICAL SECTION

This part of the City of Pasadena, Texas' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents	Page
Financial Trends These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	109-114
Revenue Capacity These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	115-118
Debt Capacity These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	119-123
Demographic and Economic Information These schedules offer demographic and economic indicators to help the reader understand the environment within the government's financial activities take place.	124-125
Operating Information These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.	126-128

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

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

	Fiscal Year		
	2003	2004	2005
Governmental activities			
Invested in capital assets, net of related debt	\$ 378,334,323	\$ 387,778,628	\$ 369,618,615
Restricted	16,176,151	18,624,939	22,888,815
Unrestricted	14,901,279	9,571,244	3,579,793
Total governmental activities net assets	<u>\$ 409,411,753</u>	<u>\$ 415,974,811</u>	<u>\$ 396,087,223</u>
Business-type activities			
Invested in capital assets, net of related debt	\$ 156,229,230	\$ 154,149,232	\$ 184,403,932
Restricted	1,561,254	1,634,435	483,859
Unrestricted (deficit)	2,957,742	(681,964)	(1,229,867)
Total business-type activities net assets	<u>\$ 160,748,226</u>	<u>\$ 155,101,703</u>	<u>\$ 183,657,924</u>
Primary government			
Invested in capital assets, net of related debt	\$ 534,563,553	\$ 541,927,860	\$ 554,022,547
Restricted	17,737,405	20,259,374	23,372,674
Unrestricted (deficit)	17,859,021	8,889,280	2,349,926
Total primary government net assets	<u>\$ 570,159,979</u>	<u>\$ 571,076,514</u>	<u>\$ 579,745,147</u>

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

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

	Fiscal Year		
	2003	2004	2005
Expenses			
Governmental activities			
General government	\$ 12,990,439	\$ 12,499,970	\$ 14,760,376
Public safety	34,547,829	35,031,295	35,897,408
Public works	24,354,816	21,881,082	20,368,711
Health	2,237,933	2,300,482	2,481,836
Culture and recreation	12,584,629	12,277,865	12,676,655
Housing and community development	7,495,941	7,989,705	8,433,494
Interest and fiscal agent fees on long-term debt	3,332,080	2,578,646	4,252,445
Total governmental activities expenses	<u>97,543,667</u>	<u>94,559,045</u>	<u>98,870,925</u>
Business-type activities			
Water and sewer	31,368,154	30,641,552	29,725,931
Total business-type activities expenses	<u>31,368,154</u>	<u>30,641,552</u>	<u>29,725,931</u>
Total primary government expenses	<u>\$ 128,911,821</u>	<u>\$ 125,200,597</u>	<u>\$ 128,596,856</u>
Program Revenues			
Governmental activities:			
Charges for service			
General government	\$ 6,565,663	\$ 7,134,722	\$ 7,348,053
Public safety	6,506,737	6,106,518	6,312,465
Other activities	3,587,805	3,629,777	3,794,530
Operating grants and contributions	9,455,830	9,555,552	10,377,127
Capital grants and contributions	5,091,202	4,984,476	9,913,507
Total governmental activities program revenues	<u>31,207,237</u>	<u>31,411,045</u>	<u>37,745,682</u>
Business-type activities:			
Charges for services:			
Water and sewer	26,266,529	25,175,410	26,261,124
Capital grants and contributions	3,148,391	-	1,315,972
Total business-type activities program revenues	<u>29,414,920</u>	<u>25,175,410</u>	<u>27,577,096</u>
Total primary government program revenues	<u>\$ 60,622,157</u>	<u>\$ 56,586,455</u>	<u>\$ 65,322,778</u>
Net (Expense)/Revenue			
Governmental activities	\$ (66,336,430)	\$ (63,148,000)	\$ (61,125,243)
Business-type activities	(1,953,234)	(5,466,142)	(2,148,835)
Total primary government net expense	<u>\$ (68,289,664)</u>	<u>\$ (68,614,142)</u>	<u>\$ (63,274,078)</u>
General Revenues and Other Changes in Net Assets			
Governmental activities:			
Taxes			
General property taxes	\$ 23,147,891	\$ 24,889,552	\$ 26,630,894
Industrial district fees	15,516,488	15,175,399	15,064,575
Sales taxes	18,325,403	20,308,039	18,771,552
Utility taxes	7,712,646	6,938,968	7,132,803
Other taxes	477,992	528,727	478,159
Investment earnings			
Unrestricted	353,699	457,598	898,174
Restricted	874,893	607,827	1,656,818
Gain on sale of capital assets	820,959	58,456	-
Transfers	1,306,868	746,492	(29,395,320)
Total governmental activities	<u>68,536,839</u>	<u>69,711,058</u>	<u>41,237,655</u>
Business-type activities:			
Investment earnings			
Unrestricted	155,200	96,440	24,737
Restricted	546,194	469,671	1,284,999
Transfers	(1,306,868)	(746,492)	29,395,320
Total business-type activities	<u>(605,474)</u>	<u>(180,381)</u>	<u>30,705,056</u>
Total primary government	<u>\$ 67,931,365</u>	<u>\$ 69,530,677</u>	<u>\$ 71,942,711</u>
Change in Net Assets			
Governmental activities	\$ 2,200,409	\$ 6,563,058	\$ (19,887,588)
Business-type activities	(2,558,708)	(5,646,523)	28,556,221
Total primary government	<u>\$ (358,299)</u>	<u>\$ 916,535</u>	<u>\$ 8,668,633</u>

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

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

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General property taxes	\$ 23,147,891	\$ 24,889,552	\$ 26,630,894
Industrial district fees	15,516,488	15,175,399	15,064,575
Sales taxes	18,325,403	20,308,039	18,771,552
Utility taxes	7,712,646	6,938,968	7,132,803
Other taxes	477,992	528,727	478,159
	<u>\$ 65,180,420</u>	<u>\$ 67,840,685</u>	<u>\$ 68,077,983</u>

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

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

	Fiscal Year		
	2003	2004	2005
General Fund			
Reserved	\$ 523,489	\$ 385,344	\$ 69,987
Unreserved, designated for:			
Capital and technology improvements	-	788,251 (2)	569,031
Recall, election, and charter revisions	-	15,000 (2)	15,000
Unreserved	15,995,503	13,649,372	11,549,567
Total general fund	<u>\$ 16,518,992</u>	<u>\$ 14,837,967</u>	<u>\$ 12,203,585</u>
All Other Governmental Funds			
Reserved	\$ 1,071,550	\$ 1,435,050	\$ 1,103,233
Unreserved, reported in:			
Pasadena Second Century Corp fund	-	13,661,448 (2)	19,792,426
Capital project fund	36,422,758	28,809,896	49,254,465
Grant management fund	2,742,695	2,411,987	2,179,870
Special revenue funds	3,084,330	2,798,734	2,962,092
Total all other governmental funds	<u>\$ 43,321,333</u>	<u>\$ 49,117,115</u>	<u>\$ 75,292,086</u>

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

(2) First year amounts reported on these items.

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

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

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

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

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
General property taxes	\$ 23,065,814	\$ 25,099,303	\$ 26,639,546
Industrial district fees	15,329,998	15,175,399	15,064,576
Sales taxes	18,325,403	20,308,039	18,771,552
Utility taxes	7,777,466	8,528,068	7,181,942
Other taxes	502,663	533,315	489,770
	<u>\$ 65,001,344</u>	<u>\$ 69,644,124</u>	<u>\$ 68,147,386</u>

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

CITY OF PASADENA, TEXAS
ASSESSED VALUE AND ACTUAL VALUE OF TAXABLE PROPERTY (2)
LAST EIGHT FISCAL YEARS (1)

Assessed Value of Taxable Property	Fiscal Year Ended September 30,									
	2005	2004	2003	2002	2001	2000	1999	1998	1997	
Real Property										
Real Residential	\$ 3,440,020,230	\$ 3,266,300,400	\$ 3,020,674,720	\$ 2,795,295,314	\$ 2,487,071,955	\$ 2,244,033,222	\$ 2,083,934,824	\$ 1,926,333,528	\$ 1,826,333,528	\$ 1,726,333,528
Real Commercial	810,536,290	788,524,850	783,413,430	742,959,700	668,640,790	618,811,650	558,756,330	534,045,070	534,045,070	534,045,070
Real Industrial	123,296,580	127,572,470	146,983,490	167,075,240	101,709,310	91,098,900	89,033,960	89,094,440	89,094,440	89,094,440
Real Agriculture	930,250	219,820	1,184,750	1,446,380	1,195,670	809,170	815,300	1,518,320	1,518,320	1,518,320
Real Vacant	66,377,580	68,388,720	223,850	223,850	67,220,490	60,806,650	57,828,940	56,644,940	56,644,940	56,644,940
Real Acreage Undeveloped	51,182,580	54,660,110	50,581,620	53,123,640	54,821,910	48,992,820	49,358,740	53,848,610	53,848,610	53,848,610
Total Real Property	4,492,343,510	4,305,666,370	4,005,041,860	3,760,025,744	3,380,660,125	3,064,552,412	2,839,728,094	2,661,484,908	2,661,484,908	2,661,484,908
Less: Exemptions	(741,233,200)	(718,866,840)	(675,272,370)	(635,160,980)	(585,940,770)	(530,756,910)	(286,889,030)	(281,287,760)	(281,287,760)	(281,287,760)
Net Total Real Property	3,751,110,310	3,586,799,530	3,329,769,490	3,124,864,764	2,794,719,355	2,533,795,502	2,552,839,064	2,380,197,148	2,380,197,148	2,380,197,148
Other Property										
Oil Gas and Mineral Reserves	1,546,720	3,468,740	2,989,570	4,273,360	2,823,660	2,944,490	20,385,800	29,837,320	29,837,320	29,837,320
Real and Tangible Personal - Utility	464,650	513,290	522,490	482,080	10,630	473,620	471,840	471,840	471,840	471,840
Gas Companies	8,118,090	8,255,430	8,215,010	8,171,670	8,099,210	8,090,720	8,081,350	7,722,750	7,722,750	7,722,750
Electric Companies	61,042,420	59,291,710	55,211,110	53,815,990	45,937,690	45,690,140	47,193,300	48,792,820	48,792,820	48,792,820
Telephone Companies	23,967,470	22,956,210	20,924,600	20,924,600	29,886,370	34,988,100	37,979,320	39,846,250	39,846,250	39,846,250
Railroad	310,450	262,600	227,060	191,960	177,960	118,520	146,950	170,060	170,060	170,060
Pipelines	25,554,840	24,829,790	24,646,050	24,761,010	25,360,930	25,485,780	24,659,590	23,583,610	23,583,610	23,583,610
Major Cable TV Systems	5,135,200	12,036,930	12,052,890	10,703,550	8,941,790	6,271,090	4,824,010	4,727,060	4,727,060	4,727,060
Tangible Personal Commercial	446,662,770	435,964,970	424,731,170	411,480,130	379,196,750	347,492,600	339,390,970	322,793,790	322,793,790	322,793,790
Tangible Personal Industrial	302,988,360	285,370,390	211,614,770	134,520,780	157,443,170	121,127,060	123,517,890	138,814,580	138,814,580	138,814,580
Tangible Personal Other - Mobile Homes	18,725,010	18,001,500	19,262,240	19,860,610	19,646,900	17,544,030	12,864,350	12,491,520	12,491,520	12,491,520
Residential Inventory - Vacant	8,765,750	4,153,050	8,449,970	10,930,910	4,128,910	1,570,910	1,889,260	2,725,630	2,725,630	2,725,630
Governmental Exemption	665,870	5,715,590	53,280	1,903,050	158,840	475,170	2,923,830	437,380	437,380	437,380
Charitable Exemption	14,700	455,900	182,790	83,100	940,350	1,305,500	51,260	51,260	51,260	51,260
Religious Exemption	681,920	4,962,650	3,265,120	308,550	940,350	3,614,770	2,206,400	2,127,120	2,127,120	2,127,120
Agricultural	-	17,598,310	18,212,120	19,559,300	20,242,400	-	-	-	-	-
Low-Moderate Income Housing	-	104,400	-	-	-	-	-	-	-	-
Unknown	139,750	-	-	-	-	-	2,720,410	-	-	-
Total Other Property	904,783,970	903,941,460	820,560,220	729,269,380	707,995,560	617,192,500	629,306,530	634,594,990	634,594,990	634,594,990
Less: Exemptions	(127,855,460)	(144,102,394)	(107,797,050)	(65,411,040)	(60,216,650)	(37,824,000)	(58,675,250)	(65,158,650)	(65,158,650)	(65,158,650)
Net Total Other Property	776,928,510	759,839,066	712,763,170	663,858,340	647,778,910	579,368,500	570,631,280	569,436,340	569,436,340	569,436,340
Total Property	5,397,127,480	5,209,607,830	4,825,602,080	4,489,295,124	4,088,655,685	3,681,744,912	3,469,034,624	3,296,079,898	3,296,079,898	3,296,079,898
Less: Total Exemptions	(869,088,660)	(862,969,234)	(783,069,420)	(700,572,020)	(646,157,420)	(568,580,910)	(345,564,280)	(346,446,410)	(346,446,410)	(346,446,410)
Total Assessed Value of Taxable Property	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344	\$ 2,949,633,488	\$ 2,949,633,488	\$ 2,949,633,488
Total Actual Value of Taxable Property	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344	\$ 2,949,633,488	\$ 2,949,633,488	\$ 2,949,633,488
Total Direct Tax Rate Per \$ 100	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.567	\$ 0.579	\$ 0.643	\$ 0.645	\$ 0.645	\$ 0.645

Source: Harris County Appraisal District Certified Tax Roll

(1) The requirement for statistical data is ten years; only eight fiscal years are available at this time.
(2) Property is assessed at actual value; therefore, the assessed values are equal to actual value.
Tax rates are per \$100 of assessed value.

CITY OF PASADENA, TEXAS
PROPERTY TAX RATES
DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Fiscal Years
 (Per \$100 of assessed value)

Fiscal Year Ended September 30,	City Direct Rates					Overlapping Rates (1)					Total Direct and Overlapping Rates		
	Tax Year	General Fund	Debt Service Fund	Total Direct	Clear Lake City Water Authority	Creek ISD	Deer Park ISD	La Porte ISD	Pasadena ISD	Harris County (2)		Harris County Department of Education	San Jacinto College District
1996	1995	\$ 0.2711	\$ 0.3764	\$ 0.6475	\$ 0.3350	\$ 1,4700	\$ 1,5300	\$ 1,5600	\$ 1,4500	\$ 0.6195	\$ 0.0050	\$ 0.1100	\$ 7,7270
1997	1996	0.3053	0.3397	0.6450	0.3300	1.63000	1.5300	1.5600	1.4800	0.6417	0.0056	0.1100	7.9323
1998	1997	0.3408	0.3042	0.6450	0.3300	1.51500	1.5600	1.6100	1.5210	0.6417	0.0061	0.1100	7.9388
1999	1998	0.3650	0.2780	0.6430	0.3300	1.64200	1.5800	1.6100	1.5500	0.6417	0.0063	0.1100	8.1130
2000	1999	0.3110	0.2680	0.5790	0.3300	1.64150	1.6700	1.6500	1.5200	0.6417	0.0063	0.1100	8.1485
2001	2000	0.3088	0.2582	0.5670	0.3300	1.64150	1.6900	1.6300	1.5200	0.6417	0.0063	0.1100	8.1365
2002	2001	0.3060	0.2610	0.5670	0.3300	1.72500	1.6900	1.6300	1.6600	0.6399	0.0063	0.1260	8.3742
2003	2002	0.2610	0.3060	0.5670	0.3100	1.74000	1.8035	1.6800	1.6875	0.6399	0.0063	0.1307	8.5649
2004	2003	0.3170	0.2500	0.5670	0.2900	1.73000	1.8071	1.6800	1.7750	0.6399	0.0063	0.1307	8.6260
2005	2004	0.3333	0.2337	0.5670	0.2900	1.74500	1.8055	1.7335	1.7750	0.0640	0.0063	0.1391	8.1254

Source: Harris County Appraisal District.

(1) Overlapping rates are those of local and county governments that apply within the City of Pasadena. Not all overlapping rates apply to all City of Pasadena property owners (e.g., the rates for certain school/college district and water authority apply only to the proportion of the City's property owners whose property is located within the geographic boundaries of the school/college district or water authority).

(2) Harris County tax rates includes Harris County, Harris County Flood District, Port of Houston Authority and Harris County Hospital District.

**CITY OF PASADENA, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
September 30, 2005**

Property Taxpayer	Fiscal Year Ended September 30, 2005			Fiscal Year Ended September 30, 1996		
	2004 Tax Year		% of Taxable Assessed Value	1995 Tax Year		% of Taxable Assessed Value
	Taxable Assessed Value	Rank		Taxable Assessed Value	Rank	
Coral Energy Resources	\$ 91,087,110	1	2.01%	\$ -	-	-
CenterPoint Energy, Inc	47,498,420	2	1.05%	48,368,960	1	1.65%
CHCA Bayshore LP	35,354,850	3	0.78%	-	-	-
GATX Terminal Kinder Morgan	28,591,010	4	0.63%	-	-	-
Crown Central Petroleum	28,166,040	5	0.62%	20,526,760	9	0.70%
Village on the Lake Ltd.	25,063,470	6	0.55%	-	-	-
Pasadena Bayshore Hospital	24,822,680	7	0.55%	22,967,490	8	0.78%
Boeing Co.	24,738,480	8	0.55%	-	-	-
KIR Pasadena II, LP	23,471,500	9	0.52%	-	-	-
Tejas Gas Pipeline Partnership	21,883,350	10	0.48%	-	-	-
Southwestern Bell	-	-	-	40,208,490	2	1.37%
Global Natural Resources	-	-	-	32,017,760	3	1.09%
Middlebrook Association	-	-	-	29,539,400	4	1.00%
General American Transport	-	-	-	27,853,370	5	0.95%
Exxon Corporation	-	-	-	27,070,507	6	0.92%
JMB Federated Realty	-	-	-	24,001,500	7	0.82%
Schwan's Sales, Inc.	-	-	-	19,538,590	10	0.66%
Subtotal	\$ 350,676,910		7.74%	\$ 292,092,827		9.94%
Other Taxpayers	4,177,361,910		92.26%	2,647,353,434		90.06%
Total	\$ 4,528,038,820		100.00%	\$ 2,939,446,261		100.00%

Source: City of Pasadena Tax Assessor-Collector's records.

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

Fiscal Year Ended September 30,	Tax Year	Tax Rate	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
				Amount	Percentage of Levy		Amount	Percentage of Levy
1996	1995	\$0.6475/\$100	\$ 19,032,915	\$ 18,490,197	97.15%	\$ 478,661	\$ 18,968,858	99.66%
1997	1996	\$0.6450/\$100	18,738,498	18,201,198	97.13%	461,416	\$ 18,662,614	99.60%
1998	1997	\$0.6450/\$100	19,025,136	18,307,184	96.23%	618,490	\$ 18,925,674	99.48%
1999	1998	\$0.6430/\$100	20,083,914	19,326,412	96.23%	623,026	\$ 19,949,438	99.33%
2000	1999	\$0.5790/\$100	18,025,220	17,328,875	96.14%	555,442	\$ 17,884,317	99.22%
2001	2000	\$0.5670/\$100	19,518,965	18,672,238	95.66%	670,099	\$ 19,342,337	99.10%
2002	2001	\$0.5670/\$100	21,482,060	20,271,347	94.36%	935,332	\$ 21,206,679	98.72%
2003	2002	\$0.5670/\$100	22,921,160	21,830,486	95.24%	752,796	\$ 22,583,282	98.53%
2004	2003	\$0.5670/\$100	24,645,441	23,677,442	96.07%	516,013	\$ 24,193,455	98.17%
2005	2004	\$0.5670/\$100	25,673,980	24,842,799	96.76%	-	\$ 24,842,799	96.76%

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

Fiscal Year Ended September 30,	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996
Governmental Activities										
General Obligation Bonds	\$ 46,850,000	\$ 34,175,000	\$ 18,750,000	\$ 2,925,000	\$ 4,325,000	\$ 4,700,000	\$ 9,100,000	\$ 9,425,000	\$ 9,750,000	\$ 10,050,000
General Obligation Refunding Bonds	35,797,875	22,807,875	26,787,875	32,977,875	37,862,875	42,472,875	42,650,000	46,740,000	49,944,897	52,529,665
General Obligation and Refunding Bonds	29,350,000	-	-	-	-	-	-	-	-	-
Combination Tax and Revenue Certificates of Obligation	11,945,000	13,885,000	13,915,000	13,945,000	-	-	-	-	-	-
Other Long-Term Debt	-	-	-	-	-	-	-	-	-	-
Volunteer Fireman Prior Service Costs Note	115,185	168,038	217,965	265,127	309,677	351,761	391,513	543,271	588,099	-
Tax Notes, 2000	1,225,000	1,515,000	3,445,000	4,225,000	4,950,000	5,295,000	-	-	-	-
Long term notes	-	-	-	-	-	1,330,000	2,585,000	3,770,000	5,890,000	9,470,048
Blended Component Unit - Pasadena Second Century Corporation	-	-	1,095,000	2,140,000	3,135,000	4,090,000	5,000,000	-	-	-
Sales Tax Notes,	4,375,000	-	-	-	-	-	-	-	-	-
Sales Tax Revenue Bonds	129,658,060	72,550,913	64,210,840	56,478,002	50,582,552	58,239,636	59,726,513	60,478,271	66,172,996	72,049,713
Business Activities										
Waterworks and Sewer System Revenue Bonds	18,625,000	28,265,000	29,730,000	31,150,000	32,535,000	32,615,000	32,695,000	1,400,000	1,475,000	1,540,000
Waterworks and Sewer System Revenue Refunding Bonds	3,590,000	4,630,000	5,680,000	6,740,000	7,480,000	9,470,000	11,350,000	6,030,000	7,725,000	9,345,000
Waterworks and Sewer System Subordinate Lien Revenue Bonds	33,665,000	54,400,000	55,975,000	57,460,000	16,115,000	16,940,000	-	7,105,000	8,060,000	8,360,000
Combination Tax and Revenue Certificates of Obligation	55,880,000	87,295,000	91,385,000	95,350,000	56,130,000	59,025,000	44,045,000	14,535,000	17,260,000	19,245,000
Total Primary Government	\$ 185,538,060	\$ 159,845,913	\$ 155,595,840	\$ 151,828,002	\$ 106,712,552	\$ 117,264,636	\$ 103,771,513	\$ 75,013,271	\$ 83,432,996	\$ 91,294,713
(1) Percentage of Personal Income	6.51%	5.68%	6.48%	7.77%	5.53%	5.08%	5.74%	4.25%	4.64%	5.69%
(1) Per Capita	\$ 1,173	\$ 1,012	\$ 1,028	\$ 1,050	\$ 745	\$ 828	\$ 769	\$ 558	\$ 602	\$ 716

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

(1) See the Schedule of Demographic and Economic Statistics on page 124 for personal income and population data

CITY OF PASADENA, TEXAS
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
Last Ten Fiscal Years

Fiscal Year Ended September 30,	(1) General Bonded Debt	Less: Amounts Available in Debt Service Fund	Total	(2) Assessed Value of Property	Percentage of Assessed Value of Property	(3) Population	Per Capita
1996	\$ 72,049,713	\$ (1,740,741)	\$ 70,308,972	\$ 2,939,446,261	2.39%	127,500	\$ 551
1997	65,584,897	(1,923,868)	63,661,029	2,906,836,595	2.19%	138,583	459
1998	59,935,000	(1,311,980)	58,623,020	2,949,633,488	1.99%	134,400	436
1999	54,335,000	(1,458,996)	52,876,004	3,123,470,344	1.69%	135,000	392
2000	53,797,875	(1,392,559)	52,405,316	3,113,164,002	1.68%	141,674	370
2001	47,137,875	(1,171,532)	45,966,343	3,442,498,265	1.34%	143,195	321
2002	54,072,875	(470,871)	53,602,004	3,788,723,104	1.41%	144,600	371
2003	62,897,875	(603,760)	62,294,115	4,042,532,660	1.54%	151,344	412
2004	72,382,875	(1,103,283)	71,279,592	4,346,638,596	1.64%	157,942	451
2005	125,167,875	(1,009,129)	124,158,746	4,528,038,820	2.74%	158,173	785

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

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

CITY OF PASADENA, TEXAS
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
For the Fiscal Year Ended September 30, 2005

<u>Government Unit</u>	<u>Debt Outstanding as of 7/1/2005</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Harris County	\$ 1,541,921,590	2.44%	\$ 37,622,887
Harris County Flood Control District	53,599,985	2.44%	1,307,840
Port of Houston Authority	287,900,000	2.44%	7,024,760
Harris County Department of Education	1,135,000	2.44%	27,694
Clear Lake City Water Authority	76,490,000	28.41%	21,730,809
Clear Creek ISD	520,725,000	6.68%	34,784,430
Deer Park Independent School District	98,480,000	8.84%	8,705,632
La Porte Independent School District	62,550,000	2.75%	1,720,125
Pasadena Independent School District	251,413,815	36.76%	92,419,718
San Jacinto College District	86,815,000	11.54%	10,018,451
Subtotal, overlapping debt			<u>147,648,356</u>
City direct debt			<u>125,167,875</u>
Total direct and overlapping debt			<u>\$ 272,816,231</u>

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

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

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

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

	2005	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
Fiscal Year Ended September 30,											
Debt limit											
Assessed value based on tax year	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995	
	\$ 4,528,038,820	\$ 4,346,638,596	\$ 4,042,532,660	\$ 3,788,723,104	\$ 3,442,498,265	\$ 3,113,164,002	\$ 3,123,470,344	\$ 2,949,633,488	\$ 2,906,836,595	\$ 2,939,446,261	
10% of assessed value	<u>452,803,882</u>	<u>434,663,860</u>	<u>404,253,266</u>	<u>378,872,310</u>	<u>344,249,827</u>	<u>311,316,400</u>	<u>312,347,034</u>	<u>294,963,349</u>	<u>290,683,660</u>	<u>293,944,626</u>	
Less: net debt applicable to limit											
Debt to be repaid from ad valorem tax	125,167,875	72,382,875	62,897,875	54,072,875	47,137,875	53,797,875	54,335,000	59,935,000	65,584,897	72,049,713	
Less: amount available in debt service fund	(1,009,129)	(1,103,283)	(603,760)	(470,871)	(1,171,532)	(1,392,559)	(1,458,996)	(1,311,980)	(1,923,868)	(1,740,741)	
	<u>124,158,746</u>	<u>71,279,592</u>	<u>62,294,115</u>	<u>53,602,004</u>	<u>45,966,343</u>	<u>52,405,316</u>	<u>52,876,004</u>	<u>58,623,020</u>	<u>63,661,029</u>	<u>70,308,972</u>	
Legal Debt Margin	\$ <u>328,645,136</u>	\$ <u>363,384,268</u>	\$ <u>341,959,151</u>	\$ <u>325,270,306</u>	\$ <u>298,283,484</u>	\$ <u>258,911,084</u>	\$ <u>259,471,030</u>	\$ <u>236,340,329</u>	\$ <u>227,022,631</u>	\$ <u>223,635,654</u>	
Total net debt applicable to the limit as a percentage of debt limit	27.42%	16.40%	15.41%	14.15%	13.35%	16.83%	16.93%	19.87%	21.90%	23.92%	

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

**CITY OF PASADENA, TEXAS
 PLEDGED-REVENUE COVERAGE
 Last Ten Fiscal Years**

Fiscal Year Ended September 30,	Water and Sewer Gross Revenues	Less: Operating Expenses	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
1996	\$ 20,356,629	\$ 12,599,820	\$ 7,756,809	\$ 1,855,000	1,261,067	2.49
1997	20,147,327	13,150,704	6,996,623	1,985,000	1,224,258	2.18
1998	21,348,163	13,735,559	7,612,604	2,070,000	918,061	2.55
1999	22,045,466	14,661,469	7,383,997	1,860,000	1,658,552	2.10
2000	25,492,939	15,188,159	10,304,780	2,740,000	2,394,232	2.01
2001	23,495,100	17,362,099	6,133,001	2,895,000	2,483,310	1.14
2002	27,126,094	19,723,404	7,402,690	3,000,000	3,294,487	1.18
2003	26,746,577	20,746,358	6,000,219	3,965,000	4,350,940	0.72
2004	25,741,521	20,111,558	5,629,963	4,373,971	4,163,660	0.66
2005	27,570,860	19,826,965	7,743,895	3,752,941	3,309,641	1.10

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

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

Fiscal Year Ended September 30,	Population(1)	Personal Income (amounts expressed in thousands)	Per Capita Personal Income(2)	Median Age (2)	School Enrollment(3)	Unemployment Rate(4)
1996	127,500	\$ 1,604,970	\$ 12,588	29.3	40,415	5.6%
1997	138,583	1,796,867	12,966	29.4	40,800	5.8%
1998	134,400	1,763,059	13,118	29.5	41,000	5.7%
1999	135,000	1,806,435	13,381	29.6	41,500	4.5%
2000	141,674	2,309,428	16,301	29.0	40,935	4.6%
2001	143,195	1,930,125	13,479	29.1	43,414	5.0%
2002	144,600	1,954,847	13,519	29.3	44,420	6.2%
2003	151,344	2,399,710	15,856	29.9	50,374	7.5%
2004	157,942	2,816,106	17,830	28.9	46,100	5.9%
2005	158,173	2,848,427	18,008	29.0	45,038	5.3%

Data sources:

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

CITY OF PASADENA, TEXAS
PRINCIPAL EMPLOYERS
 Current Year (1)

<u>Employer</u>	<u>2005</u>		
	<u>Employees</u>	<u>Rank</u>	<u>Percentage of Total City Employment</u>
Pasadena Independent School District	4,946	1	4.10%
The Boeing Company	2,300	2	1.91%
Lyondell-Citgo, Refining LP	1,080	3	0.90%
San Jacinto College District	1,058	4	0.88%
City of Pasadena	1,058	5	0.88%
Bayshore Medical Center	1,047	6	0.87%
Wal-Mart	850	7	0.70%
Chevron Phillips - Pasadena Plastics	693	8	0.57%
Celanese Chemicals - Pasadena	590	9	0.49%
Albermarle	280	10	0.23%
	<u>13,902</u>		<u>11.53%</u>

Source: Pasadena Chamber of Commerce

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

CITY OF PASADENA, TEXAS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
Last Six Fiscal Years (1)

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

Source: Payroll department.

Note: This schedule is prepared by City Employees Home Organization.

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

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

	Fiscal Year									
	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Function										
Public Safety										
Police										
Arrests	10,691	10,142	10,564	10,971	10,040	11,625	12,883	12,913	12,073	13,768
Accident reports	(1)	(1)	4,307	4,375	4,296	4,439	3,685	3,681	4,056	3,827
Citations issued	(1)	(1)	71,362	71,611	92,166	86,354	88,562	88,650	76,448	76,132
Calls for service	87,685	50,672	34,810	39,226	78,985	80,511	80,726	78,800	85,119	88,770
Public Works										
Refuse collection										
Refuse collected Type 1 (tons/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	107	97
Refuse collected Type 2 (cubic yards/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	236	195
Mulching collected (cubic yards/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	68	71
Recyclables collected (tons/day)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	1.26	1.57
Health										
Number of food permits issued	875	761	(1)	860	1,053	799	1,003	943	1,004	1,132
Number of health inspections	1,536	1,972	(1)	1,929	733	2,275	2,390	2,458	2,626	2,184
Water and Sewer System										
Average daily consumption (millions of gallons)	20.82	20.83	21.95	21.57	22.47	21.26	20.84	18.65	17.49	18.92
Total Consumption (millions of gallons)	7,601.07	7,601.46	8,012.69	7,871.60	8,202.24	7,760.88	6,960.36	6,806.97	6,384.79	6,906.26
Average daily Waste Water Plant Flow (millions of gallons)	(1)	13.43	16.82	16.95	8.13	16.64	16.20	16.15	14.36	11.54
Total Waste Water Plant Flow (millions of gallons)	(1)	4,900.74	6,139.69	6,188.10	2,968.13	6,075.24	5,911.65	5,895.33	5,239.80	4,213.41

Source: Various City departments.

Note: Indicators are not available for the General Government and Culture and Recreation functions.

(1) Information unavailable.

**CITY OF PASADENA, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION
Current Fiscal Year (1)**

Function / Program	
Public Safety	
Police	
Stations	2
Patrol units	152
Fire stations	10
Public Works	
Streets (miles)	534
Streetlights	7,027
Traffic signals	185
Sanitation	
Collection trucks	37
Culture and Recreation	
Parks	48
Parks acreage	767.826
Swimming pools	5
Tennis courts	15
Community centers	6
Water and Sewer System	
Water	
Water mains (miles)	463
Fire hydrants	2,150
Maximum daily capacity (millions of gallons)	27
Sewer	
Sanitary sewers (miles)	386
Storm sewers (miles)	216
Max daily treatment capacity (millions of gallons)	18.5

Source: Various City departments

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

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



John Manlove, Mayor

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