

PASADENA INDEPENDENT SCHOOL DISTRICT

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED AUGUST 31, 2004*

## *Introductory Section*

Pasadena Independent School District  
Annual Financial Report  
For The Year Ended August 31, 2004

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CERTIFICATE OF BOARD

Pasadena Independent School District  
Name of School District

Harris  
County

101-917  
Co.-Dist. Number

We, the undersigned, certify that the attached annual financial reports of the above named school district were reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the period ended August 31, 2004, at a meeting of the board of trustees of such school district on the \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

If the board of trustees disapproved of the auditor's report, the reason(s) for disapproving it is (are):  
(attach list as necessary)

**Original signatures on file with the Texas Education Agency**

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## *Financial Section*

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**CLYDE D. THOMAS & COMPANY, P.C.**

3218 Spencer Highway  
Pasadena, Texas 77504

**Independent Auditor's Report on Financial Statements**

Board of Trustees  
Pasadena Independent School District  
1515 Cherrybrook  
Pasadena, Texas 77502

Members of the Board of Trustees:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pasadena Independent School District as of and for the year ended August 31, 2004, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Pasadena Independent School District'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, each major fund, and the aggregate remaining fund information of Pasadena Independent School District as of August 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

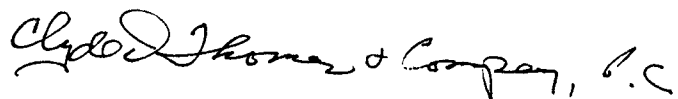
In accordance with GOVERNMENT AUDITING STANDARDS, we have also issued our report dated November 18, 2004, on our consideration of Pasadena Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with GOVERNMENT AUDITING STANDARDS and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the budgetary information identified as Required Supplementary Information in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements which collectively comprise the Pasadena Independent School District's basic financial statements. The accompanying schedule of expenditures of federal awards required by U. S. Office of Management and Budget Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS AND NON-PROFIT ORGANIZATIONS and the supporting schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information, except for that portion marked "unaudited" on which we express

no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Respectfully submitted,

A handwritten signature in cursive script that reads "Clyde D. Thomas & Company, P.C.".

Clyde D. Thomas & Company, P. C.

November 18, 2004

# PASADENA INDEPENDENT SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### FOR THE YEAR ENDED AUGUST 31, 2004

This section of Pasadena Independent School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended August 31, 2004. Please read it in conjunction with the District's financial statements, which follow this section.

#### FINANCIAL HIGHLIGHTS

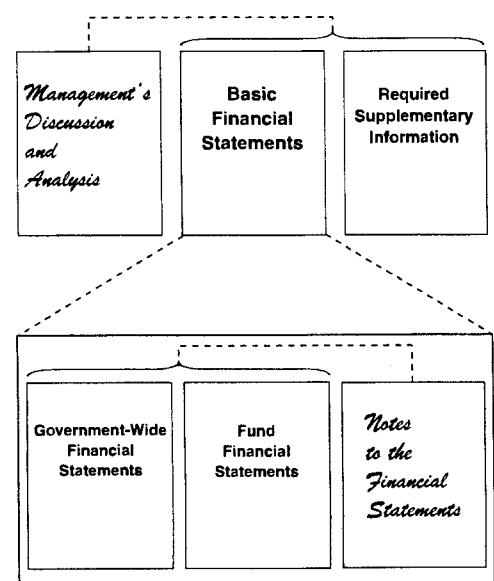
- The District's total combined net assets were \$293,622,538 at August 31, 2004.
- During the year, the District's revenues were \$35,280,635 more than the \$258,804,263 net expenses for governmental activities.
- The total cost of the District's programs was virtually unchanged from last year, and no new programs were added this year.
- The general fund reported a fund balance this year of \$62,814,805.
- The District refunded approximately \$7 million of its bonds in November 2003 to take advantage of low interest rates and to better position itself for the state subsidy on its debt service,

#### OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the District's operations in more detail than the government-wide statements.
- The *governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short- and long-term* financial information about the activities the government operates like *businesses*, such as food service.
- *Fiduciary fund* statements provide information about the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the District's Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

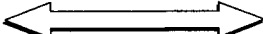
Summary  Detail

Figure A-2. Major Features of the District's Government-wide and Fund Financial Statements

Type of Statements	Fund Statements			
	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire Agency's government (except fiduciary funds) and the Agency's component units	The activities of the district that are not proprietary or fiduciary	Activities the district operates similar to private businesses: self insurance	Instances in which the district is the trustee or agent for someone else's resources
Required financial statements	• Statement of net assets	• Balance sheet	• Statement of net assets	• Statement of fiduciary net assets
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses and changes in fund net assets • Statement of cash flows	• Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term; the Agency's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

## Government-wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets—the difference between the District's assets and liabilities—is one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the District, one needs to consider additional nonfinancial factors such as changes in the District's tax base

The government-wide financial statements of the District include the *Governmental activities*. Most of the District's basic services are included here, such as instruction, extracurricular activities, curriculum and staff development, health services and general administration. Property taxes and grants finance most of these activities.

## Fund Financial Statements

The fund financial statements provide more detailed information about the District's most significant *funds*—not the District as a whole. Funds are accounting devices that the District uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The Board of Trustees establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The District has the following kinds of funds:

- *Governmental funds*—Most of the District's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

- *Proprietary funds*—Services for which the District charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.
- We use *internal service funds* to report activities that provide supplies and services for the District's other programs and activities.
- *Fiduciary funds*—The District is the trustee, or *fiduciary*, for certain funds. It is also responsible for other assets that—because of a trust arrangement—can be used only for the trust beneficiaries. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. We exclude these activities from the District's government-wide financial statements because the District cannot use these assets to finance its operations.

## FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets. The District's combined net assets were \$293,622,538 at August 31, 2004. (See Table A-1).

**Table A-1**  
Pasadena Independent School District's Net Assets

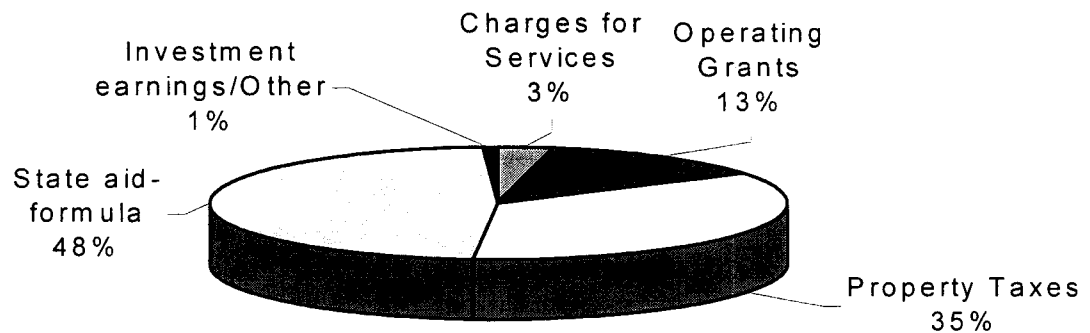
	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
Current assets:							
Cash and cash equivalents	61,513,275	101,729,128			61,513,275	101,729,128	(39.53%)
Due from other governments	40,702,170	17,789,611			40,702,170	17,789,611	128.80%
Due from other funds							
Other receivables	9,215,337	10,426,775			9,215,337	10,426,775	(11.62%)
Inventories – supplies and materials	1,645,246	2,076,862			1,645,246	2,076,862	(20.78%)
Total current assets:	113,076,028	132,022,376			113,076,028	132,022,376	(14.35%)
Noncurrent assets:							
Land	27,079,861	22,357,707			27,079,861	22,357,707	21.12%
Furniture and equipment	554,780,778	535,592,222			554,780,778	535,592,222	3.58%
Less accumulated depreciation	(116,798,044)	(120,832,219)			(116,798,044)	(120,832,219)	(3.34%)
Construction In progress	0	6,678,773			0	6,678,773	(100.00%)
Total noncurrent assets	465,062,595	443,796,483			465,062,595	443,796,483	4.79%
Total Assets	578,138,623	575,818,859			578,138,623	575,818,859	0.40%
Current liabilities:							
Accounts payable and accrued liabilities	22,089,336	30,318,962			22,089,336	30,318,962	(27.14%)
Claims payable	27,811,076	26,598,481			27,811,076	26,598,481	4.56%
Due to other funds	0	0			0	0	
Deferred revenue	419,613	1,050,445			419,613	1,050,445	(60.05%)
Total current liabilities	50,320,025	57,967,888			50,320,025	57,967,888	(13.19%)
Long-term liabilities:							
Claims payable	234,196,060	259,509,070			234,196,060	259,509,070	(9.75%)
Total Liabilities	284,516,085	317,476,958			284,516,085	317,476,958	(10.38%)
Net Assets:							
Invested in capital assets	207,158,047	163,582,331			207,158,047	163,582,331	26.64%
Restricted for:							
State and federal programs	1,268,202	1,384,381			1,268,202	1,384,381	(8.39%)
Debt Service	10,055,092	9,392,448			10,055,092	9,392,448	7.06%
Construction	26,722,156	37,506,209			26,722,156	37,506,209	(28.75%)
Unrestricted	48,419,041	46,476,532			48,419,041	46,476,532	4.18%
Total Net Assets	293,622,538	258,341,901			293,622,538	258,341,901	13.66%

Approximately 70% of the District's restricted net assets represent proceeds from bonds. These proceeds when spent, are restricted for capital assets. The \$48,419,041 of unrestricted net asset represents resources available to fund the programs of the District next year.

Due from Other Governments increased by 128% or \$23 million due to the state aid payment normally paid in August 2004 was delayed until September 2004 of the following fiscal year.

**Changes in net assets.** The District's total revenues were \$350,848,484. A significant portion, 48%, of the District's revenue comes from state aid – formula grants (See Figure A-3.) 35% comes from taxes, while only 3% relates to charges for services.

**Figure A-3 District  
Sources of Revenue for Fiscal Year 2004**



#### **Governmental Activities**

- The total property tax rate remained at \$1.775. However, the increase in taxable values allowed the tax revenues to increase by \$14.2 million or about 13%.
- The District completed the opening one new high school (Memorial) and one replacement high school (Dobie) in August of 2003. Subsequently, the old Dobie High School was renovated into a replacement for Beverly Hills Intermediate and the old Beverly Hills Intermediate was renovated into the Kathleen Morris 5th Grade Center. Both of these renovated schools opened in August 2004.
- The total cost of all programs and services was \$315,567,849; 71 percent of these costs are for instructional and student services.

**Table A-2**  
Changes in Pasadena Independent School District's Net Assets

	Governmental Activities		Business- Activities		Total		Total Percentage Change
	2004	2003	2004	2003	2004	2003	2003-2004
Program Revenues:							
Charges for Services	10,636,695	9,552,492			10,636,695	9,552,492	11.35%
Operating Grants and Contributions	212,923,929	205,445,109			212,923,929	205,445,109	3.64%
General Revenues							
Property Taxes	123,921,277	109,720,528			123,921,277	109,720,528	12.94%
Investment Earnings	1,200,618	2,323,871			1,200,618	2,323,871	(48.34%)
Other	2,165,965	2,997,550			2,165,965	2,997,550	(27.74%)
Total Revenues	<u>350,848,484</u>	<u>330,039,550</u>			<u>350,848,484</u>	<u>330,039,550</u>	6.30%
Instruction	171,296,783	170,909,226			171,296,783	170,909,226	0.23%
Instructional Resources and Media Services	6,279,472	5,769,711			6,279,472	5,769,711	8.84%
Curriculum Dev. And Instructional Staff Dev.	4,478,766	4,344,206			4,478,766	4,344,206	3.10%
Instructional Leadership	4,555,932	4,251,252			4,555,932	4,251,252	7.17%
School Leadership	18,132,080	16,973,169			18,132,080	16,973,169	6.83%
Guidance, Counseling and Evaluation Services	9,068,121	9,126,291			9,068,121	9,126,291	(0.64%)
Social Work Services	210,824	202,659			210,824	202,659	4.03%
Health Services	2,982,531	2,848,536			2,982,531	2,848,536	4.70%
Student (Pupil) Transportation	6,702,275	5,897,583			6,702,275	5,897,583	13.64%
Food Services	18,810,290	17,259,408			18,810,290	17,259,408	8.99%
Curricular/Extracurricular Activities	4,995,674	4,980,265			4,995,674	4,980,265	0.31%
General Administration	7,523,444	7,195,407			7,523,444	7,195,407	4.56%
Plant Maintenance & Oper.	30,518,303	29,749,605			30,518,303	29,749,605	2.58%
Security & Monitoring Svcs.	2,814,200	2,519,881			2,814,200	2,519,881	11.68%
Data Processing Services	3,341,998	2,809,677			3,341,998	2,809,677	18.95%
Community Services	504,694	464,580			504,694	464,580	8.63%
School District Admin.							
Support Services	0	0			0	0	
Debt Service	10,580,062	16,729,815			10,580,062	16,729,815	(36.76%)
Facilities Acquisition and Construction*	12,529,850	132,015,814			12,529,850	132,015,814	(90.51%)
Contracted Instr. Services							
Between Public Schools	0	0			0	0	
Increment Costs Associated Chapter 41 (WADA)	0	0			0	0	
Payments to Fiscal Agent/Member Dist. – SSA	0	0			0	0	
Public Education Grant Progr.	0	0			0	0	
Payments to Juvenile Justice Alternative Ed. Program	242,550	37,541			242,550	37,541	546.09%
Payments to Charter Schools	0	0			0	0	
Payments to Tax Increment Fund	0	0			0	0	
Total Expenses	<u>315,567,849</u>	<u>434,084,626</u>			<u>315,567,849</u>	<u>434,084,626</u>	(27.30%)
Excess (Deficiency) Before Other Resources, Uses & Transfers	0	0			0	0	
Other Resources (Uses)	0	0			0	0	
Transfers In (Out)	0	0			0	0	
Increase (Decrease) in Net Assets	<u>35,280,635</u>	<u>(104,045,076)</u>	<u>0</u>	<u>0</u>	<u>35,280,635</u>	<u>(104,045,076)</u>	(133.91%)

\*Facilities Acquisition and Construction for 2003 includes \$121 million of Construction in Progress related to bond funds. By removing this item from the above analysis, the percentage increase would be 18%. See below.

	Governmental Activities		Business-type Activities		Total		Total Percentage Change 2003-2004
	2004	2003	2004	2003	2004	2003	
Facilities Acquisition and Construction*	12,529,850	10,372,512	0	0	12,259,850	10,372,512	18%

Table A-3 presents the cost of each of the District's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all governmental activities this year was \$315.5 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$123.9 million.
- Some of the cost was paid by those who directly benefited from the programs, \$10.6 million, or by grants and contributions \$212.9 million.
- The Debt Service variance is due to refunding approximately \$7 million of bonds.
- The Capital Outlay variance is due to the \$121 million of Construction In Progress related to the bond funds for 2003.

**Table A-3**  
Net Cost of Selected District Functions  
(in millions of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	2004	2003		2004	2003	
Instruction	171.3	170.9	0.23%	154.7	153.3	0.91%
School administration	18.1	16.9	7.10%	16.9	15.3	10.46%
Food Services	18.8	17.3	8.67%	(0.32)	(0.26)	23.08%
Plant Maintenance & Operations	30.5	29.7	2.69%	30	28.8	4.17%
Debt Service – Interest & Fiscal Charges	10.6	16.7	(36.53%)	(3.40)	2.5	(236.00%)
Capital Outlay	12.5	132.0	(90.53%)	12.4	131.2	(90.55%)

#### Business-type Activities

The fiscal year ending August 31, 2004 did not include any Business-type activities.

#### FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

Revenues from governmental fund types totaled \$350.8 million. The primary sources of revenue are property taxes of \$123.9 million and state and federal grants of \$212.9 million.



## General Fund Budgetary Highlights

Over the course of the year, the District revised its budget monthly. Even with these adjustments, actual expenditures were \$12.2 million below final budget amounts. The most significant positive variance resulted from Instruction, Student Transportation, Plant Maintenance and Operations, and Construction. Staffing is budgeted for full employment throughout the full year. Budget amounts for vacant positions throughout the year are not eligible to budget revisions. The budget for Student Transportation was increased to order additional buses for student growth, but the buses will not be delivered till the next fiscal year. Some amounts budgeted in Maintenance and Operations and Construction are for multi-year projects or budgeted as contingency amounts for emergency capital replacement projects. The amounts unspent at the end of the fiscal year are amended to the following year's budget to complete the existing projects or to maintain an adequate contingency for emergencies.

On the other hand, revenues available were \$17.4 million above the final budgeted amount. As noted earlier:

- Property tax collections were more than expected.
- Increased average daily attendance caused state funding to exceed beginning budget amounts for the current year. Increased state funding was mainly used to hire additional instructional staff.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2004, the District had invested \$581.8 million in a broad range of capital assets, including land, equipment, and buildings. (See Table A-4.) This amount represents a net increase (including additions and deductions) of \$23.8 million or 4.27 percent over last year.

**Table A-4**  
District's Capital Assets  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Land	27	22.4	0	0	27	22.4	20.54%
Buildings and improvements	507.8	486.4	0	0	507.8	486.4	4.40%
Equipment	45.5	47.5	0	0	45.5	47.5	(4.21%)
Capital Lease Purchases	1.5	1.7	0	0	1.5	1.7	(11.76%)
Totals at historical cost	<u>581.8</u>	<u>558.0</u>	<u>0</u>	<u>0</u>	<u>581.8</u>	<u>558.0</u>	<u>4.27%</u>
Total accumulated depreciation	116.8	120.8	0	0	116.8	120.8	(3.31%)
Net capital assets	<u>465.0</u>	<u>437.2</u>	<u>0</u>	<u>0</u>	<u>465.0</u>	<u>437.2</u>	<u>6.36%</u>

The District's fiscal year 2005 capital budget forecasts spending \$2.9 million for capital projects, principally for the completion of the renovations of Beverly Hills Intermediate and Morris 5<sup>th</sup> Grade Center. The general fund includes an additional \$2.5 million for miscellaneous capital projects. More detailed information about the District's capital assets is presented in the notes to the financial statements.

## Long Term Debt

At year-end the District had \$257 million in bonds and notes outstanding as shown in Table A-5. More detailed information about the District's debt is presented in the notes to the financial statements.

### Bond Ratings

The District's bond presently carry "AAA" ratings with an underlying rating as follows: Moody' Investor Services "Aa3".

**Table A-5**  
District's Long Term Debt  
(In millions of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2003-2004</u>
Leases payable	0.24	0.04	0	0	0.24	0.04	500.00%
Bonds payable	248.38	269.87	0	0	248.38	269.87	(7.96%)
Loans payable	8.38	10.29	0	0	8.38	10.29	(18.56%)
Total bonds & notes payable	<u>257.00</u>	<u>280.20</u>	<u>0</u>	<u>0</u>	<u>257.00</u>	<u>280.20</u>	(8.28%)

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Appraised value used for the 2005 budget preparation is up \$450 million, or 6.5% from the prior year. New construction for 2005 is \$282 million.
- General operating fund spending per student increased in the 2005 budget from \$5,694 to \$5,941. This is a 4.6% increase.
- The District's 2005 refined average daily attendance is expected to be 44,400, up 4.7%.

These indicators were taken into account when adopting the general fund budget for 2005. Amounts available for appropriation in the general fund budget are \$283.8 million, an increase of 9.26 percent over the adopted 2004 budget of \$259.7 million and an increase of .6 percent over the final 2004 budget of \$282 million. Property taxes will increase due to the increasing values even with maintaining the Maintenance and Operations rate. State revenue will increase as the student population grows. The District will use these increases in revenues to finance programs we currently offer.

Expenditures are budgeted to rise nearly 9.26 percent or \$24 million. The largest increments are increased staffing, and teacher salary schedule adjustments. These competitive salary schedule adjustments allowed the District to open the 2005 school year with a minimum of teacher vacancies. The District has added no major new programs or initiatives to the 2005 budget.

If these estimates are realized, the District's budgetary general fund fund balance is expected to slightly decrease by the close of 2005, but be greater than the standard of 12.5% of prior year expenditures as established by the Board of Trustees.

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## *Basic Financial Statements*

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**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**STATEMENT OF NET ASSETS**  
**AUGUST 31, 2004**

Data Control Codes		1	Governmental Activities
<b>ASSETS:</b>			
1110	Cash and Cash Equivalents	\$	1,856,338
1120	Current Investments		59,656,937
1225	Property Taxes Receivable (Net)		9,205,096
1240	Due from Other Governments		40,702,170
1290	Other Receivables (Net)		10,241
1300	Inventories		1,645,246
Capital Assets:			
1510	Land		27,079,861
1520	Buildings and Improvements, Net		402,795,057
1530	Furniture and Equipment, Net		34,249,327
1550	Capital Lease Assets, Net		938,350
1000	Total Assets		<u>578,138,623</u>
<b>LIABILITIES:</b>			
2110	Accounts Payable		11,282,260
2120	Short-Term Debt Payable		2,005,000
2165	Accrued Liabilities		8,801,418
2180	Due to Other Governments		658
2300	Deferred Revenue		419,613
Noncurrent Liabilities:			
2501	Due Within One Year		27,811,076
2502	Due in More Than One Year		234,196,060
2000	Total Liabilities		<u>284,516,085</u>
<b>NET ASSETS</b>			
3200	Invested in Capital Assets, Net of Related Debt		207,158,047
Restricted For:			
3820	State and Federal Programs		1,268,202
3850	Debt Service		10,055,092
3860	Construction		26,722,156
3900	Unrestricted		48,419,041
3000	Total Net Assets	\$	<u>293,622,538</u>

The accompanying notes are an integral part of this statement.

## PASADENA INDEPENDENT SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes	Functions/Programs	1	3	4	Net (Expense) Revenue and Changes in Net Assets
		Expenses	Program Revenues Charges for Services	Operating Grants and Contributions	Governmental Activities
	Government Activities:				
11	Instruction	\$ 171,296,783	\$ 2,682,155	\$ 13,837,318	\$ (154,777,310)
12	Instructional Resources and Media Services	6,279,472	185,234	126,272	(5,967,966)
13	Curriculum and Staff Development	4,478,766	48,961	1,882,434	(2,547,371)
21	Instructional Leadership	4,555,932	48,849	417,619	(4,089,464)
23	School Leadership	18,132,080	809,335	360,480	(16,962,265)
31	Guidance, Counseling, & Evaluation Services	9,068,121	60,142	1,906,637	(7,101,342)
32	Social Work Services	210,824	1,382	41,527	(167,915)
33	Health Services	2,982,531	24,517	105,225	(2,852,789)
34	Student Transportation	6,702,275	47,777	29,348	(6,625,150)
35	Food Service	18,810,290	5,472,214	13,013,476	(324,600)
36	Extracurricular Activities	4,995,674	822,648	20,769	(4,152,257)
41	General Administration	7,523,444	62,742	37,794	(7,422,908)
51	Plant Maintenance and Operations	30,518,303	272,835	152,293	(30,093,175)
52	Security and Monitoring Services	2,814,200	22,068	72,881	(2,719,251)
53	Data Processing Services	3,341,998	25,766	15,827	(3,300,405)
61	Community Services	504,694	3,107	119,395	(382,192)
72	Interest on Long-term Debt	10,397,738	3,805	13,961,086	3,567,153
73	Bond Issuance Costs and Fees	182,324	-	-	(182,324)
81	Capital Outlay	12,529,850	41,157	25,281	(12,463,412)
95	Payments to Juvenile Justice Alternative Ed. Programs	242,550	2,001	1,229	(239,320)
TG	Total Governmental Activities	315,567,849	10,636,695	46,126,891	(258,804,263)
TP	Total Primary Government	\$ 315,567,849	\$ 10,636,695	\$ 46,126,891	(258,804,263)
General Revenues:					
MT	Property Taxes, Levied for General Purposes				105,735,658
DT	Property Taxes, Levied for Debt Service				18,185,619
IE	Investment Earnings				1,200,618
GC	Grants and Contributions Not Restricted to Specific Programs				166,797,038
MI	Miscellaneous				2,184,127
FR	Transfers				(18,162)
TR	Total General Revenues				294,084,898
CN	Change in Net Assets				35,280,635
NB	Net Assets - Beginning				258,341,903
NE	Net Assets - Ending				\$ 293,622,538

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT****BALANCE SHEET - GOVERNMENTAL FUNDS**

AUGUST 31, 2004

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ (908,043)	\$ 2,681	\$ 2,414,492	\$ 1,509,130
1120 Current Investments	37,362,294	10,073,837	3,391,712	50,827,843
1225 Taxes Receivable, Net	8,114,851	1,090,245	-	9,205,096
1240 Due from Other Governments	37,667,403	-	3,034,767	40,702,170
1260 Due from Other Funds	30,000	-	-	30,000
1290 Other Receivables	(147,157)	-	240	(146,917)
1300 Inventories	1,173,054	-	472,192	1,645,246
1000 Total Assets	<u>\$ 83,292,402</u>	<u>\$ 11,166,763</u>	<u>\$ 9,313,403</u>	<u>\$ 103,772,568</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 6,679,652	\$ 21,427	\$ 3,381,649	\$ 10,082,728
2150 Payroll Deductions & Withholdings	1,410,772	-	-	1,410,772
2160 Accrued Wages Payable	4,129,210	-	117,308	4,246,518
2170 Due to Other Funds	30,000	-	-	30,000
2180 Due to Other Governments	41	-	617	658
2200 Accrued Expenditures	1,850	-	-	1,850
2300 Deferred Revenue	8,226,072	1,090,244	308,392	9,624,708
2000 Total Liabilities	<u>20,477,597</u>	<u>1,111,671</u>	<u>3,807,966</u>	<u>25,397,234</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3410 Investments in Inventory	1,173,054	-	208,513	1,381,567
3420 Debt Service	-	10,055,092	-	10,055,092
3440 Outstanding Encumbrances	5,109,783	-	611,336	5,721,119
3450 Reserve for Food Service	-	-	539,110	539,110
3490 Other Reserves of Fund Balance	1,800,000	-	-	1,800,000
Designated Fund Balance:				
3510 Construction	16,550,062	-	2,216,921	18,766,983
3600 Unreserved	38,181,906	-	-	38,181,906
Unreserved, Reported in Nonmajor:				
3610 Special Revenue Funds	-	-	1,929,557	1,929,557
3000 Total Fund Balances	<u>62,814,805</u>	<u>10,055,092</u>	<u>5,505,437</u>	<u>78,375,334</u>
4000 Total Liabilities and Fund Balances	<u>\$ 83,292,402</u>	<u>\$ 11,166,763</u>	<u>\$ 9,313,403</u>	<u>\$ 103,772,568</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET ASSETS**  
**AUGUST 31, 2004**

Total fund balances - governmental funds balance sheet	\$ 78,375,334
Amounts reported for governmental activities in the statement of net assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	465,062,595
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	9,205,095
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	5,743,441
Payables for bond principal which are not due in the current period are not reported in the funds.	(248,380,000)
Payables for capital leases which are not due in the current period are not reported in the funds.	(243,126)
Payables for bond interest which are not due in the current period are not reported in the funds.	(896,422)
Payables for notes which are not due in the current period are not reported in the funds.	(8,385,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(2,799,695)
Other long-term liabilities which are not due and payable in the current period are not reported in the funds.	(4,204,315)
The accretion of interest on capital appreciation bonds is not reported in the funds.	144,631
Net assets of governmental activities - statement of net assets	\$ <u>293,622,538</u>

The accompanying notes are an integral part of this statement.



**PASADENA INDEPENDENT SCHOOL DISTRICT****STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - GOVERNMENTAL FUNDS****FOR THE YEAR ENDED AUGUST 31, 2004**

Data Control Codes	10 General Fund	50 Debt Service Fund	Other Governmental Funds	98 Total Governmental Funds
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ 112,069,041	\$ 18,396,077	\$ 8,363,615	\$ 138,828,733
5800 <i>State Program Revenues</i>	164,308,176	13,958,749	4,976,631	183,243,556
5900 <i>Federal Program Revenues</i>	1,170,060	-	28,371,650	29,541,710
5020 <i>Total Revenues</i>	<u>277,547,277</u>	<u>32,354,826</u>	<u>41,711,896</u>	<u>351,613,999</u>
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	159,428,615	-	16,439,882	175,868,497
0012 <i>Instructional Resources and Media Services</i>	5,042,099	-	311,388	5,353,487
0013 <i>Curriculum and Staff Development</i>	2,524,369	-	1,907,861	4,432,230
0021 <i>Instructional Leadership</i>	4,118,286	-	432,064	4,550,350
0023 <i>School Leadership</i>	16,933,817	-	1,219,622	18,153,439
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	7,180,448	-	1,883,955	9,064,403
0032 <i>Social Work Services</i>	167,521	-	43,303	210,824
0033 <i>Health Services</i>	2,860,899	-	121,632	2,982,531
0034 <i>Student Transportation</i>	8,711,408	-	71,172	8,782,580
0035 <i>Food Service</i>	10,122	-	18,893,438	18,903,560
0036 <i>Extracurricular Activities</i>	4,441,920	-	513,323	4,955,243
0041 <i>General Administration</i>	7,487,963	-	35,274	7,523,237
0051 <i>Plant Maintenance and Operations</i>	31,225,827	-	276,099	31,501,926
0052 <i>Security and Monitoring Services</i>	2,755,849	-	87,680	2,843,529
0053 <i>Data Processing Services</i>	3,456,254	-	14,709	3,470,963
0061 <i>Community Services</i>	376,561	-	128,133	504,694
0071 <i>Principal on Long-term Debt</i>	2,056,649	20,839,831	-	22,896,480
0072 <i>Interest on Long-term Debt</i>	457,668	10,729,088	-	11,186,756
0073 <i>Bond Issuance Costs and Fees</i>	3,500	178,824	-	182,324
0081 <i>Capital Outlay</i>	10,327,428	-	20,900,260	31,227,688
0095 <i>Payments to Juvenile Justice Alternative</i>				
0095 <i>Education Programs</i>	242,550	-	-	242,550
6030 <i>Total Expenditures</i>	<u>269,809,753</u>	<u>31,747,743</u>	<u>63,279,795</u>	<u>364,837,291</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>				
1100 <i>Expenditures</i>	<u>7,737,524</u>	<u>607,083</u>	<u>(21,567,899)</u>	<u>(13,223,292)</u>
Other Financing Sources and (Uses):				
7911 <i>Capital-Related Debt Issued (Regular Bonds)</i>	-	7,034,999	-	7,034,999
7912 <i>Sale of Real or Personal Property</i>	15,206	-	-	15,206
7913 <i>Proceeds from Capital Leases</i>	331,297	-	-	331,297
7914 <i>Non-Current Loan Proceeds</i>	348,586	-	-	348,586
7915 <i>Operating Transfers In</i>	449,778	-	4,615,940	5,065,718
7916 <i>Premium or Discount on Issuance of Bonds</i>	-	107,217	-	107,217
7917 <i>Prepaid Interest</i>	-	17,182	-	17,182
8911 <i>Operating Transfers Out</i>	(4,627,915)	-	(455,965)	(5,083,880)
8949 <i>Other Uses</i>	-	(7,103,837)	-	(7,103,837)
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>(3,483,048)</u>	<u>55,561</u>	<u>4,159,975</u>	<u>732,488</u>
1200 <i>Net Change in Fund Balances</i>	<u>4,254,476</u>	<u>662,644</u>	<u>(17,407,924)</u>	<u>(12,490,804)</u>
0100 <i>Fund Balances - Beginning</i>	58,560,329	9,392,448	22,913,361	90,866,138
3000 <i>Fund Balances - Ending</i>	<u>\$ 62,814,805</u>	<u>\$ 10,055,092</u>	<u>\$ 5,505,437</u>	<u>\$ 78,375,334</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED AUGUST 31, 2004*

Net change in fund balances - total governmental funds	\$ (12,490,804)
Amounts reported for governmental activities in the statement of activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	35,650,313
The depreciation of capital assets used in governmental activities is not reported in the funds.	(14,384,201)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,218,254)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(7,383,586)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	28,530,671
Repayment of capital lease principal is an expenditure in the funds but is not an expense in the SOA.	148,941
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	1,910,000
The accretion of interest on capital appreciation bonds is not reported in the funds.	144,632
(Increase) decrease in accrued interest from beginning of period to end of period	57,383
The net revenue (expense) of internal service funds is reported with governmental activities.	3,516,152
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	799,389
Rounding difference	(1)
Change in net assets of governmental activities - statement of activities	<u>\$ 35,280,635</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT****STATEMENT OF NET ASSETS****INTERNAL SERVICE FUNDS****AUGUST 31, 2004**

Data Control Codes		Internal Service Funds
	<b>ASSETS:</b>	
	Current Assets:	
1110	Cash and Cash Equivalents	\$ 347,209
1120	Investments	8,829,094
	Total Current Assets	9,176,303
1000	Total Assets	\$ 9,176,303
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	Accounts Payable	\$ 1,042,374
2200	Accrued Expenditures/Expenses	2,390,488
	Total Current Liabilities	3,432,862
2000	Total Liabilities	3,432,862
	<b>NET ASSETS:</b>	
3900	Unrestricted Net Assets	5,743,441
3000	Total Net Assets	\$ 5,743,441

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
 IN FUND NET ASSETS - INTERNAL SERVICE FUNDS  
 FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		Internal Service Funds
	<b>OPERATING REVENUES:</b>	
5700	<i>Local and Intermediate Sources</i>	\$ 23,211,295
5020	Total Revenues	<u>23,211,295</u>
	<b>OPERATING EXPENSES:</b>	
6100	<i>Payroll Costs</i>	1,786,835
6400	<i>Other Operating Costs</i>	<u>17,908,308</u>
6030	Total Expenses	<u>19,695,143</u>
1300	Change in Net Assets	3,516,152
0100	Total Net Assets - Beginning	2,227,289
3300	Total Net Assets - Ending	<u>\$ 5,743,441</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED AUGUST 31, 2004**

	Internal Service Funds
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 21,803,784
Cash Received from Grants	-
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	-
Cash Payments to Employees for Services	(13,027)
Cash Payments to Other Suppliers for Goods and Services	(2,469,389)
Claims paid	(17,163,348)
Other Operating Cash Receipts (Payments)	356,070
Net Cash Provided (Used) by Operating Activities	<u>2,514,090</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Proceeds (Payments) from (for) Borrowings	-
Operating Grants Received	-
Operating Transfers From (To) Primary Government	-
Net Cash Provided (Used) by Non-capital Financing Activities	<u>-</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Proceeds from Issuance of Long-term Debt	-
Principal and Interest Paid	-
Acquisition or Construction of Capital Assets	-
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>-</u>
<b>Cash Flows from Investing Activities:</b>	
Purchase of Investment Securities	-
Proceeds from Sale and Maturities of Securities	-
Interest and Dividends on Investments	77,783
Net Cash Provided (Used) for Investing Activities	<u>77,783</u>
Net Increase (Decrease) in Cash and Cash Equivalents	2,591,873
Cash and Cash Equivalents at Beginning of Year	6,584,430
Cash and Cash Equivalents at End of Year	<u>\$ 9,176,303</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 3,516,153
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	-
Interests and Dividends	(77,783)
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	-
Decrease (Increase) in Prepaid Expenses	-
Increase (Decrease) in Accounts Payable	1,921
Increase (Decrease) in Accrued Wages Payable	-
Increase (Decrease) in Interfund Payables	-
Increase (Decrease) in Due to Other Governments	-
Increase (Decrease) in Accrued Expenses	(926,201)
Increase (Decrease) in Deferred Revenue	-
Total Adjustments	<u>(1,002,063)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,514,090</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT****STATEMENT OF FIDUCIARY NET ASSETS****FIDUCIARY FUNDS****AUGUST 31, 2004**

Data Control Codes		Agency Funds
	<b>ASSETS:</b>	
1110	<i>Cash and Cash Equivalents</i>	\$ 191,338
1120	<i>Current Investments</i>	272,979
1000	Total Assets	<u>\$ 464,317</u>
	<b>LIABILITIES:</b>	
	Current Liabilities:	
2110	<i>Accounts Payable</i>	\$ 6,118
2190	<i>Due to Student Groups</i>	458,199
2000	Total Liabilities	<u>464,317</u>
	<b>NET ASSETS</b>	
3000	Total Net Assets	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**A. Summary of Significant Accounting Policies**

The basic financial statements of Pasadena Independent School District (the "District") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units in conjunction with the Texas Education Agency's Financial Accountability System Resource Guide ("Resource Guide"). The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

**1. Reporting Entity**

The Board of School Trustees ("Board"), a seven-member group, has governance responsibilities over all activities related to public elementary and secondary education within the jurisdiction of the District. The Board is elected by the public and has the exclusive power and duty to govern and oversee the management of the public schools of the District. All powers and duties not specifically delegated by statute to the Texas Education Agency ("TEA") or to the State Board of Education are reserved for the Board, and the TEA may not substitute its judgment for the lawful exercise of those powers and duties by the Board. The District receives funding from local, state and federal government sources and must comply with the requirements of those funding entities. However, the District is not included in any other governmental "reporting entity" as defined by the GASB in its Statement No. 14, "The Financial Reporting Entity" and there are no component units included within the reporting entity.

**2. Basis of Presentation, Basis of Accounting**

**a. Basis of Presentation**

**Government-wide Financial Statements:** The statement of net assets and the statement of activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**Fund Financial Statements:** The fund financial statements provide information about the District's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General Fund:** This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund.

In addition, the District reports the following fund types:

**Internal Service Funds:** These funds are used to account for revenues and expenses related to services provided

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to parties inside the District. These funds facilitate distribution of support costs to the users of support services on a cost-reimbursement basis. Because the principal users of the internal services are the District's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide financial statements.

**Agency Funds:** These funds are used to report student activity funds and other resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

Fiduciary funds are reported in the fiduciary fund financial statements. However, because their assets are held in a trustee or agent capacity and are therefore not available to support District programs, these funds are not included in the government-wide statements.

**b. Measurement Focus, Basis of Accounting**

**Government-wide, Proprietary, and Fiduciary Fund Financial Statements:** These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

**Governmental Fund Financial Statements:** Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The District does not consider revenues collected after its year-end to be available in the current period. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the District incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the District's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The District has chosen to apply future FASB standards.

**3. Financial Statement Amounts**

**a. Cash and Cash Equivalents**

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.



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b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

Allowances for uncollectible tax receivables within the General Fund in the amount of \$5,578,274 and Debt Service Fund in the amount of \$634,996 are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the District is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

The District records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory in accordance with the Resource Guide.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

Asset Class	Estimated Useful Lives
Infrastructure	30
Buildings	50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

e. Receivable and Payable Balances

The District believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In

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and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

g. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

h. Data Control Codes

Data Control Codes appear in the rows and above the columns of certain financial statements. The TEA requires the display of these codes in the financial statements filed with TEA in order to insure accuracy in building a statewide database for policy development and funding plans.

**B. Compliance and Accountability**

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Assets of Individual Funds

Following are funds having deficit fund balances or fund net assets at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

**C. Deposits and Investments**

The District's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the District's agent bank approved pledged securities in an amount sufficient to protect District funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At August 31, 2004, the carrying amount of the District's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$59,929,916 and the bank balance was \$2,047,675 for a total of \$61,977,591. These amounts were shown as follows:

	<u>Cash and Cash</u>	<u>Investments</u>	<u>Total</u>
	<u>Equivalent</u>		
Exhibit A-1	\$ 1,856,337	\$ 59,656,937	\$ 61,513,274
Exhibit E-1	191,338	272,979	464,317
	<u>\$ 2,047,675</u>	<u>\$ 59,929,916</u>	<u>\$ 61,977,591</u>

The District's cash deposits at August 31, 2003 and during the year ended August 31, 2003, were covered by FDIC insurance or by pledged collateral held by the District's agent bank in the District's name.

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Investments:

The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The District's investments at August 31, 2004 are shown below.

<u>Investment</u>	<u>Category</u>			<u>Reported Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
U.S. Agencies	\$ -	\$ -	\$ -	-	-
Tex Pool				\$ 35,762,681	\$ 35,762,681
Lone Star				24,167,235	24,167,235
Total Investments				\$ 59,929,916	\$ 59,929,916

Investment Accounting Policy

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The District's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

# PASADENA INDEPENDENT SCHOOL DISTRICT

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### D. Capital Assets

Capital asset activity for the period ended August 31, 2004, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 22,357,706	\$ 4,722,155	\$ -	\$ 27,079,861
Construction in progress	6,678,773	-	6,678,773	-
Total capital assets not being depreciated	29,036,479	4,722,155	6,678,773	27,079,861
<i>Capital assets being depreciated:</i>				
Buildings and improvements	486,450,496	24,180,241	2,875,570	507,755,167
Equipment	47,455,857	13,096,165	15,031,623	45,520,399
Vehicles	-	-	-	-
Leased capital property	1,685,869	330,526	511,183	1,505,212
Total capital assets being depreciated	535,592,222	37,606,932	18,418,376	554,780,778
Less accumulated depreciation for:				
Buildings and improvements	(97,838,640)	(9,997,040)	(2,875,570)	(104,960,110)
Equipment	(22,048,860)	(4,253,835)	(15,031,623)	(11,271,072)
Vehicles	-	-	-	-
Leased capital property	(944,719)	(133,326)	(511,183)	(566,862)
Total accumulated depreciation	(120,832,219)	(14,384,201)	(18,418,376)	(116,798,044)
Total capital assets being depreciated, net	414,760,003	23,222,731	-	437,982,734
Governmental activities capital assets, net	\$ 443,796,482	\$ 27,944,886	\$ 6,678,773	\$ 465,062,595

Depreciation was charged to functions as follows:

Instruction	\$ 274,799
Instructional Resources and Media Services	926,877
Curriculum and Staff Development	66,117
Instructional Leadership	5,582
School Leadership	9,388
Guidance, Counseling, & Evaluation Services	3,718
Student Transportation	840,358
Food Services	221,719
Extracurricular Activities	62,393
General Administration	30,962
Plant Maintenance and Operations	778,548
Security and Monitoring Services	51,776
Data Processing Services	204,407
Facilities Acquisition and Construction	10,907,557
	<u>\$ 14,384,201</u>

### E. Interfund Balances and Activities

#### 1. Due To and From Other Funds

Balances due to and due from other funds at August 31, 2004, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Trust and Agency	\$ 30,000	Short-term loans
	Total	<u>\$ 30,000</u>	

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All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at August 31, 2004, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Capital Projects	\$ 4,615,940	Supplement construction costs
General fund	Stadium Fund	11,975	Reimburse TX Invitational expen
	Total	\$ 4,627,915	

F. Short-Term Debt Activity

The District accounts for short-term debts for maintenance purposes through the General Fund. The proceeds from loans are shown in the financial statements as Other Resources.

G. Long-Term Obligations

The District has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the District.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the period ended August 31, 2004, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
General obligation bonds**	\$ 269,875,671	\$ 7,179,632	\$ 28,675,303	\$ 248,380,000	27,695,000
Capital leases	43,481	348,586	148,940	243,127	116,076
Loans payable	10,295,000	-	1,910,000	8,385,000	2,005,000
Compensated absences *	3,832,374	11,175,282	12,207,961	2,799,695	-
Long Term Worker Comp *	3,971,025	2,007,002	1,773,712	4,204,315	-
Total governmental activities	\$ 288,017,551	\$ 20,710,502	\$ 44,715,916	\$ 264,012,137	\$ 29,816,076

\* Other long-term liabilities

\*\* The ending balance of \$248,300,000 includes accretion of \$1,098,200.

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated absences	Governmental	General
Long Term Worker Comp Claims Payable	Governmental	General
Compensated absences	Business-type	
Claims and judgments	Business-type	

2. Debt Service Requirements

Debt service requirements on long-term debt at August 31, 2004, are as follows:

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Year Ending August 31,	Governmental Activities		
	Principal	Interest	Total
2005	\$ 27,695,000	\$ 11,288,371	\$ 38,983,371
2006	8,460,000	10,501,952	18,961,952
2007	13,085,000	10,177,379	23,262,379
2008	13,025,000	9,886,947	22,911,947
2009	13,050,000	9,424,760	22,474,760
2010-2014	31,040,000	41,506,993	72,546,993
2015-2019	46,410,000	32,128,325	78,538,325
2020-2024	54,020,000	18,388,591	72,408,591
2025-2029	41,595,000	4,800,253	46,395,253
2030-2034	-	-	-
Totals	\$ 248,380,000	\$ 148,103,571	\$ 396,483,571

Interest rate on bonds range from 2.20% to 6.00%.

### 3. Loans Payable

Year Ending August 31,	Principal	Interest	Total
2005	\$ 2,005,000	\$ 353,055	\$ 2,358,055
2006	2,105,000	254,293	2,359,293
2007	1,055,000	179,010	1,234,010
2008	1,115,000	128,917	1,243,917
2009	2,105,000	75,084	2,180,084
2010-2014	-	85,711	85,711
Total	\$ 8,385,000	\$ 1,076,070	\$ 9,461,070

Interest rates on loans range from 4.50% to 7.00%. The purpose of the loan was to purchase facilities and equipment.

### 4. Capital Leases

The Public Property Finance Act gives the District authority to enter into capital leases for the acquisition of personal property. Principal repayment requirements due after August 31, 2004, are accounted for in the Long-Term Debt Account Group and current principal and interest requirements are recorded in the applicable fund.

Date of Issue and Purpose	Interest Rate	Terms Maturity Schedule	Fund Payable From	Amounts Outstanding 9/01/03	Issued Current Year	Retired Current Year	Amounts Outstanding 8/31/04
7-25-99 Lease/Purchase Equipment	5.65%	1999-2004	General	\$ 43,481	\$ -	\$ 43,481	-
7-22-03 Lease/Purchase Equipment	3.30%	2004-2006	General	-	218,901	70,169	148,732
8-28-03 Lease/Purchase Equipment	3.30%	2004-2006	General	-	112,396	32,998	79,398
8-28-03 Lease/Purchase Equipment	10.50%	2004-2009	General	-	17,289	2,292	14,997
				\$ 43,481	\$ 348,586	\$ 148,940	\$ 243,127

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Commitments under capitalized lease agreements for facilities and equipment provide for minimum future lease payments as of August 31, 2004, as follows:

<u>Year Ending August 31:</u>	
2005	\$ 116,076
2006	116,076
2007	6,776
2008	3,599
2009	600
Total Minimum Rentals	<u>\$ 243,127</u>

The effective interest rate on capital leases is 4.550%.

**5. Accumulated Unpaid Vacation and Sick Leave Benefits**

On retirement or death of certain employees, the District pays any accrued sick leave and vacation leave in a lump cash payment to such employee or his/her estate. Individuals employed after October 1, 1985, are not eligible to receive the lump sum payments. A summary of changes in the accumulated sick leave and vacation leave liability follows:

	Sick Leave	Vacation Leave	Total
Balance, August 31, 2003	\$ 3,210,688	\$ 621,686	\$ 3,832,374
Additions - New Entrants and Salary Increments	9,845,528	1,329,754	11,175,282
Deductions - Payments to Participants	(10,866,180)	(1,341,781)	(12,207,961)
Balance, August 31, 2004	<u>\$ 2,190,036</u>	<u>\$ 609,659</u>	<u>\$ 2,799,695</u>

**H. Commitments Under Noncapitalized Leases**

Commitments under operating (noncapitalized) lease agreements for facilities and equipment provide for minimum future rental payments as of August 31, 2004, as follows:

<u>Year Ending August 31,</u>	
2005	\$ 433,768
2006	388,533
2007	178,121
2008	167,410
2009	165,361
Total Minimum Rentals	<u>\$ 1,333,193</u>
Rental Expenditures in 2004	<u>\$ 439,272</u>

The imputed interest rates on leases range from 5.00% to 7.00%.

**I. Risk Management**

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2004, the District purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for each of the past three fiscal years.

**J. Pension Plan**

**1. Plan Description**

The District contributes to the Teacher Retirement System of Texas (the "System"), a public employee retirement

# PASADENA INDEPENDENT SCHOOL DISTRICT

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system. It is a cost-sharing, multiple-employer defined benefit pension plan with one exception: all risks and costs are not shared by the District, but are the liability of the State of Texas. The System provides service retirement and disability retirement benefits, and death benefits to plan members and beneficiaries. The System operates primarily under the provisions of the Texas Constitution and Texas Government Code, Title 8, Subtitle C. The Texas legislature has the authority to establish or amend benefit provisions. The System issues a publicly available financial report that includes financial statements and required supplementary information for the District. That report may be obtained by writing the Teacher Retirement System of Texas, 1000 Red River Street, Austin, TX 78701-2698 or by calling (800) 223-8778.

### 2. Funding Policy

Under provisions in State law, plan members are required to contribute 6.4% of their annual covered salary and the State of Texas contributes an amount equal to 6.0% of the District's covered payroll. The District's employees' contributions to the System for the fiscal periods ending in 2004, 2003 and 2002 were \$12,286,889, \$12,354,428 and \$11,857,958, respectively, and were equal to the required contributions for each year. Other contributions made from federal and private grants and from the District for salaries above the statutory minimum for the fiscal periods ending in 2004, 2003 and 2002 were \$706,491, \$625,279 and \$530,345, respectively, and were equal to the required contributions for each year. The amount contributed by the State on behalf of the District was \$6,769,608 for the year ended August 31, 2004.

### 3. 457 Plan

Eligible employees and the District contribute to an IRS section 457 Plan. The balance in the 457 Plan at August 31, 2004, was \$2,732,415.

### K. Health Care Coverage

During the period ended August 31, 2004, employees of the District were covered by a health insurance plan (the Plan). The District contributed \$225 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Section 21.922, Texas Education Code and was documented by contractual agreement.

The contract between the District and the third party administrator is renewable January 1, 2005, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the District was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Acordia Insurance Company, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$200,000 and for aggregate loss exceeding \$14,598,935. According to the latest actuarial opinion dated August 31, 2004, the unfunded claim benefit obligation included \$415,937 in reported claims that were unpaid and estimated incurred, but not reported, claims of \$1,974,551.

### Maintenance of Effort

The Texas School Employees Uniform Group Health Coverage Act, which was enacted by the 77th Texas Legislature, established a statewide health insurance program for public education employees effective September 1, 2001. Since expenditures for health care coverage during the 2000-2001 fiscal year constitute a base year for determining whether the District maintains its efforts in this area, and since non-medical expenditures are not applicable to that determination, the following is disclosed for the current year as required by the Texas Education Agency.

1.	Total annual premiums and/or contributions for health care.	\$	12,746,700
2.	Less non-medical expenditures, if any, included in the above:		
	Life insurance	\$	-
	Dental insurance		-



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	Vision insurance	-
	Long-term disability insurance	-
	Short-term disability insurance	-
	Alternate plans	3,352,725
	Cobra expense	-
	Retiree expense	-
	One-time catastrophic claims	-
	Subtotal	3,352,725
3.	2003-2004 Maintenance of Effort	<u>\$ 9,393,975</u>

**L. Commitments and Contingencies**

**1. Contingencies**

The District participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the District has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the District, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**2. Litigation**

No reportable litigation was pending against the District at August 31, 2004.

**M. Self-Insured Worker's Compensation**

In 1997 the District established its self-funding Worker's Compensation program. TASB, through its actuarial review of the Worker's Compensation self-insured program, projected a liability of \$4,204,315 as of August 31, 2004 for the ultimate loss reserve of the fund.

The District currently maintains a self-insured retention of \$300,000 per occurrence. The District does not purchase aggregate excess insurance.

The accrued liability for Worker's Compensation of self-insurance of \$4,204,315 includes incurred but not reported claims. This liability reported in the fund at August 31, 2004, is based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred as of the date of the financial statements, and the amount of loss can be reasonably estimated. Because actual claim liabilities depend on such complex factors as inflation, change in legal doctrines, and damage awards, the process used in computing the liability does not result necessarily in an exact amount.

The following year-by year exposure details the number of annual claims:

Fiscal Year	Claims
1995	303
1996	280
1997	342
1998	341
1999	349
2000	334
2001	302
2002	331
2003	321
2004	344

# PASADENA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED AUGUST 31, 2004

10 Year Average 325

Changes in the worker's compensation claims liability amounts in fiscal 2003 and 2004 are represented below:

	Beginning of Fiscal Year Liability	Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2003 Worker's Compensation	\$ 3,778,922	\$ 2,177,667	\$ 1,985,564	\$ 3,971,025
2004 Worker's Compensation	3,971,025	2,007,002	1,773,712	4,204,315

### N. Due From Other Governments

The District participates in a variety of federal and state programs from which it receives grants to partially or fully finance certain activities. In addition, the District receives entitlements from the state through the School Foundation Per Capita Programs. Amounts due from federal and state governments as of August 31, 2004, are reported on the combined financial statements as Due from Other Governments and are summarized below:

Fund	State Entitlements	Federal Grants	Other Governments	Total
General	\$ 37,181,812	\$ 427,354	\$ 58,237	\$ 37,667,403
Special Revenue	2,879,249	-	158,403	3,037,652
Total	<u>\$ 40,061,061</u>	<u>\$ 427,354</u>	<u>\$ 216,640</u>	<u>\$ 40,705,055</u>

### O. Refunding Bonds

#### 1. Defeased Bond Debt

The District has refunded and defeased in substance the following series of bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust accounts assets and the liability for the defeased bonds are not included in the District's financial statements.

Series	Amount
1992	\$ 9,890,000
1993	6,375,000
1996	15,440,000
	<u>\$ 31,705,000</u>

#### 2. Long Term Debt Issued

During the year ended August 31, 2004, the District issued \$7,035,000 Unlimited Tax Refunding Bonds. In the report issued on November 13, 2003, William R. Hough & Company reported the Net Par Value Cash Flow Savings (Loss) of \$(115,057) and the Net Present Value Benefit (Loss) of \$(94,996).

### P. Local and Intermediate Revenues

During the year, local and intermediate revenues consisted of the following:

Revenue Description	General Fund	Special Fund	Debt Fund	Capital Fund	Total
Property Taxes	\$ 104,683,775	\$ -	\$ 18,210,596	\$ -	\$ 122,894,371
Food Sales	-	5,291,193	-	-	5,291,193
Investment Income	893,284	38,973	185,480	82,882	1,200,619
Penalties, Interest, and Other					

# PASADENA INDEPENDENT SCHOOL DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED AUGUST 31, 2004

Tax-Related Income	2,245,159	-	-	-	2,245,159
Co-curricular Activities	485,342	2,676,055	-	-	3,161,397
Other	3,761,481	243,380	-	31,133	4,035,994
	<u>\$ 112,069,041</u>	<u>\$ 8,249,601</u>	<u>\$ 18,396,076</u>	<u>\$ 114,015</u>	<u>\$ 138,828,733</u>

### Q. Shared Services Arrangements

#### Shared Services Arrangement - Membership

The District participates in a shared services arrangement ("SSA") for a federal program with the following school districts:

#### Member Districts

Harris County Department of Education

The District does not account for revenues or expenditures in this program and does not disclose them in these financial statements. The District neither has a joint ownership interest in fixed assets purchased by the fiscal agent, school name, nor does the District have a net equity interest in the fiscal agent. The fiscal agent is neither accumulating significant financial resources nor fiscal exigencies that would give rise to a future additional benefit or burden to the District. The fiscal agent manager is responsible for all financial activities of the SSA.

### R. Deferred Revenue

Deferred revenue at August 31, 2003, consisted of the following:

Revenue Description	General Fund	Food Service	Special Revenue Fund	Debt Service Fund	Deferred Amount
Net Tax Revenue	\$ 8,226,072	\$ -	\$ -	\$ 1,090,244	\$ 9,316,316
USDA Commodities	-	263,679	-	-	263,679
State Revenue	-	-	44,714	-	44,714
Total Deferred Revenue	<u>\$ 8,226,072</u>	<u>\$ 263,679</u>	<u>\$ 44,714</u>	<u>\$ 1,090,244</u>	<u>\$ 9,624,709</u>

### S. Subsequent Events

None

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### *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

# PASADENA INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2004

EXHIBIT G-1

Page 1 of 2

Data Control Codes		1	2	3	Variance with
		Budgeted Amounts		Actual	Final Budget Positive (Negative)
		Original	Final		
REVENUES:					
5700	Local and Intermediate Sources	\$ 106,809,355	\$ 107,200,355	\$ 112,069,041	\$ 4,868,686
5800	State Program Revenues	151,919,745	151,919,745	164,308,176	12,388,431
5900	Federal Program Revenues	1,000,000	1,000,000	1,170,060	170,060
5020	Total Revenues	259,729,100	260,120,100	277,547,277	17,427,177
EXPENDITURES:					
Current:					
Instruction & Instructional Related Services:					
0011	Instruction	161,841,739	161,952,530	159,428,615	2,523,915
0012	Instructional Resources and Media Services	4,979,325	5,107,043	5,042,099	64,944
0013	Curriculum and Staff Development	2,432,457	2,668,116	2,524,369	143,747
	Total Instruction & Instr. Related Services	169,253,521	169,727,689	166,995,083	2,732,606
Instructional and School Leadership:					
0021	Instructional Leadership	4,007,021	4,132,747	4,118,286	14,461
0023	School Leadership	16,410,755	16,967,209	16,933,817	33,392
	Total Instructional & School Leadership	20,417,776	21,099,956	21,052,103	47,853
Support Services - Student (Pupil):					
0031	Guidance, Counseling and Evaluation Services	7,402,330	7,421,585	7,180,448	241,137
0032	Social Work Services	131,361	173,452	167,521	5,931
0033	Health Services	2,944,230	2,961,497	2,860,899	100,598
0034	Student (Pupil) Transportation	6,188,110	9,312,743	8,711,408	601,335
0035	Food Services	32,254	32,841	10,122	22,719
0036	Extracurricular Activities	4,108,254	4,585,327	4,441,920	143,407
	Total Support Services - Student (Pupil)	20,806,539	24,487,445	23,372,318	1,115,127
Administrative Support Services:					
0041	General Administration	7,056,868	7,702,859	7,487,963	214,896
	Total Administrative Support Services	7,056,868	7,702,859	7,487,963	214,896
Support Services - Nonstudent Based:					
0051	Plant Maintenance and Operations	30,287,424	35,436,039	31,225,827	4,210,212
0052	Security and Monitoring Services	2,392,614	2,940,608	2,755,849	184,759
0053	Data Processing Services	3,027,473	4,754,992	3,456,254	1,298,738
	Total Support Services - Nonstudent Based	35,707,511	43,131,639	37,437,930	5,693,709
Ancillary Services:					
0061	Community Services	382,334	397,334	376,561	20,773
	Total Ancillary Services	382,334	397,334	376,561	20,773
Debt Service:					
0071	Principal on Long-Term Debt	2,569,551	2,068,025	2,056,649	11,376
0072	Interest on Long-Term Debt	-	457,724	457,668	56
0073	Bond Issuance Costs and Fees	-	3,500	3,500	-
	Total Debt Service	2,569,551	2,529,249	2,517,817	11,432
Capital Outlay:					
0081	Capital Outlay	2,470,000	12,705,125	10,327,428	2,377,697
	Total Capital Outlay	2,470,000	12,705,125	10,327,428	2,377,697
Intergovernmental Charges:					

# PASADENA INDEPENDENT SCHOOL DISTRICT

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2004

EXHIBIT G-1

Page 2 of 2

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
0095	Payments to Juvenile Justice Alternative Ed. Progr	1,065,000	265,000	242,550	22,450
	Total Intergovernmental Charges	1,065,000	265,000	242,550	22,450
6030	Total Expenditures	259,729,100	282,046,296	269,809,753	12,236,543
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	-	(21,926,196)	7,737,524	29,663,720
	Other Financing Sources (Uses):				
7912	Sale of Real or Personal Property	-	-	15,206	15,206
7913	Proceeds from Capital Leases	-	331,297	331,297	-
7914	Non-Current Loan Proceeds	-	-	348,586	348,586
7915	Operating Transfers In	-	449,779	449,778	(1)
8911	Operating Transfers Out	-	(4,627,915)	(4,627,915)	-
7080	Total Other Financing Sources and (Uses)	-	(3,846,839)	(3,483,048)	363,791
1200	Net Change in Fund Balance	-	(25,773,035)	4,254,476	30,027,511
0100	Fund Balance - Beginning	-	25,769,535	58,560,329	32,790,794
3000	Fund Balance - Ending	\$ -	\$ (3,500)	\$ 62,814,805	\$ 62,818,305

The accompanying notes are an integral part of this statement.

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*Combining Statements and Budget Comparisons  
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

**PASADENA INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR GOVERNMENTAL FUNDS**

AUGUST 31, 2004

Data Control Codes	Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-1)
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ (1,005,072)	\$ 3,419,564	\$ 2,414,492
1120 Current Investments	2,719,760	671,952	3,391,712
1240 Due from Other Governments	3,034,767	-	3,034,767
1290 Other Receivables	240	-	240
1300 Inventories	472,192	-	472,192
1000 Total Assets	<u>\$ 5,221,887</u>	<u>\$ 4,091,516</u>	<u>\$ 9,313,403</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 1,507,054	\$ 1,874,595	\$ 3,381,649
2160 Accrued Wages Payable	117,308	-	117,308
2180 Due to Other Governments	617	-	617
2300 Deferred Revenue	308,392	-	308,392
2000 Total Liabilities	<u>1,933,371</u>	<u>1,874,595</u>	<u>3,807,966</u>
<b>FUND BALANCES:</b>			
Reserved Fund Balances:			
3410 Investments in Inventory	208,513	-	208,513
3440 Outstanding Encumbrances	611,336	-	611,336
3450 Reserve for Food Service	539,110	-	539,110
Designated Fund Balance:			
3510 Construction	-	2,216,921	2,216,921
Unreserved, Reported in Nonmajor:			
3610 Special Revenue Funds	1,929,557	-	1,929,557
3000 Total Fund Balances	<u>3,288,516</u>	<u>2,216,921</u>	<u>5,505,437</u>
4000 Total Liabilities and Fund Balances	<u>\$ 5,221,887</u>	<u>\$ 4,091,516</u>	<u>\$ 9,313,403</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR GOVERNMENTAL FUNDS

FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		Special Revenue Funds	Capital Projects Fund	Total Nonmajor Governmental Funds (See Exhibit C-2)
<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 8,249,601	\$ 114,014	\$ 8,363,615
5800	State Program Revenues	4,976,631	-	4,976,631
5900	Federal Program Revenues	28,371,650	-	28,371,650
5020	Total Revenues	41,597,882	114,014	41,711,896
<b>EXPENDITURES:</b>				
Current:				
0011	Instruction	16,439,882	-	16,439,882
0012	Instructional Resources and Media Services	311,388	-	311,388
0013	Curriculum and Staff Development	1,907,861	-	1,907,861
0021	Instructional Leadership	432,064	-	432,064
0023	School Leadership	1,219,622	-	1,219,622
0031	Guidance, Counseling, & Evaluation Services	1,883,955	-	1,883,955
0032	Social Work Services	43,303	-	43,303
0033	Health Services	121,632	-	121,632
0034	Student Transportation	71,172	-	71,172
0035	Food Service	18,893,438	-	18,893,438
0036	Extracurricular Activities	513,323	-	513,323
0041	General Administration	35,274	-	35,274
0051	Plant Maintenance and Operations	276,099	-	276,099
0052	Security and Monitoring Services	87,680	-	87,680
0053	Data Processing Services	14,709	-	14,709
0061	Community Services	128,133	-	128,133
0081	Capital Outlay	-	20,900,260	20,900,260
6030	Total Expenditures	42,379,535	20,900,260	63,279,795
1100	Excess (Deficiency) of Revenues Over (Under)			
1100	Expenditures	(781,653)	(20,786,246)	(21,567,899)
Other Financing Sources and (Uses):				
7915	Operating Transfers In	-	4,615,940	4,615,940
8911	Operating Transfers Out	(455,965)	-	(455,965)
7080	Total Other Financing Sources and (Uses)	(455,965)	4,615,940	4,159,975
1200	Net Change in Fund Balances	(1,237,618)	(16,170,306)	(17,407,924)
0100	Fund Balances - Beginning	4,526,134	18,387,227	22,913,361
3000	Fund Balances - Ending	\$ 3,288,516	\$ 2,216,921	\$ 5,505,437

The accompanying notes are an integral part of this statement.

# PASADENA INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2004

Data Control Codes	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Children	224 IDEA-B Formula Spec Ed
<b>ASSETS:</b>				
1110 Cash and Cash Equivalents	\$ (20,864)	\$ (536,777)	\$ (16,110)	\$ (328,630)
1120 Current Investments	-	-	-	-
1240 Due from Other Governments	19,536	676,352	18,392	432,774
1290 Other Receivables	-	-	-	-
1300 Inventories	-	-	-	-
1000 Total Assets	<u>\$ (1,328)</u>	<u>\$ 139,575</u>	<u>\$ 2,282</u>	<u>\$ 104,144</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110 Accounts Payable	\$ 1,147	\$ 61,312	\$ -	\$ 66,280
2160 Accrued Wages Payable	(2,475)	78,263	2,282	37,864
2180 Due to Other Governments	-	-	-	-
2300 Deferred Revenue	-	-	-	-
2000 Total Liabilities	<u>(1,328)</u>	<u>139,575</u>	<u>2,282</u>	<u>104,144</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3410 Investments in Inventory	-	-	-	-
3440 Outstanding Encumbrances	-	-	-	-
3450 Reserve for Food Service	-	-	-	-
Unreserved, Reported in Nonmajor:				
3610 Special Revenue Funds	-	-	-	-
3000 Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000 Total Liabilities and Fund Balances	<u>\$ (1,328)</u>	<u>\$ 139,575</u>	<u>\$ 2,282</u>	<u>\$ 104,144</u>

The accompanying notes are an integral part of this statement.

225	226	240	242	243
IDEA-B Preschool Grant	IDEA-B Discretionary	National School Breakfast/Lunch Program	Summer Feeding Program	Vo Ed Technical Preparation
\$ (7,392)	\$ (48,642)	\$ 67,510	\$ 3,697	\$ (38,401)
-	-	965,974	-	-
7,132	48,642	739,446	-	38,401
-	-	-	-	-
-	-	472,192	-	-
\$ (260)	\$ -	\$ 2,245,122	\$ 3,697	\$ -
\$ -	\$ -	\$ 913,586	\$ -	\$ -
(260)	-	(44,346)	-	-
-	-	-	-	-
-	-	263,679	-	-
(260)	-	1,132,919	-	-
-	-	208,513	-	-
-	-	368,277	-	-
-	-	535,413	3,697	-
-	-	-	-	-
-	-	1,112,203	3,697	-
\$ (260)	\$ -	\$ 2,245,122	\$ 3,697	\$ -

# PASADENA INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2004

Data Control Codes		244 Vo Ed Basic Grant	255 ESEA Title II Part A Teacher & Principal Training & Recruit.	262 Title II, Part D Enhancing Ed thru Tech.	263 English Language Acquisition and Enhancement
<b>ASSETS:</b>					
1110	Cash and Cash Equivalents	\$ (52,736)	\$ (72,289)	\$ 700	\$ (32,710)
1120	Current Investments	-	-	-	-
1240	Due from Other Governments	221,215	117,379	34,873	56,820
1290	Other Receivables	-	-	-	-
1300	Inventories	-	-	-	-
1000	Total Assets	<u>\$ 168,479</u>	<u>\$ 45,090</u>	<u>\$ 35,573</u>	<u>\$ 24,110</u>
<b>LIABILITIES:</b>					
Current Liabilities:					
2110	Accounts Payable	\$ 158,224	\$ 44,265	\$ 35,573	\$ 2,739
2160	Accrued Wages Payable	10,255	825	-	21,371
2180	Due to Other Governments	-	-	-	-
2300	Deferred Revenue	-	-	-	-
2000	Total Liabilities	<u>168,479</u>	<u>45,090</u>	<u>35,573</u>	<u>24,110</u>
<b>FUND BALANCES:</b>					
Reserved Fund Balances:					
3410	Investments in Inventory	-	-	-	-
3440	Outstanding Encumbrances	-	-	-	-
3450	Reserve for Food Service	-	-	-	-
Unreserved, Reported in Nonmajor:					
3610	Special Revenue Funds	-	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 168,479</u>	<u>\$ 45,090</u>	<u>\$ 35,573</u>	<u>\$ 24,110</u>

The accompanying notes are an integral part of this statement.

e	265 21st Century Community Learning Centers	269 Title V, Part A Innovative Programs	288 Case Grant	393 Texas Successful Schools	394 Pregnancy Education and Parenting Progra
	\$ (9,293)	\$ (14,588)	\$ 1,001	\$ 3,485	\$ 2,082
	-	-	-	-	-
	14,615	20,422	7,646	-	11,125
	-	-	-	-	-
	-	-	-	-	-
	<u>\$ 5,322</u>	<u>\$ 5,834</u>	<u>\$ 8,647</u>	<u>\$ 3,485</u>	<u>\$ 13,207</u>
	\$ 239	\$ 3,793	\$ -	\$ -	\$ 11,125
	5,083	2,041	3,006	-	2,082
	-	-	-	-	-
	-	-	5,641	3,485	-
	<u>5,322</u>	<u>5,834</u>	<u>8,647</u>	<u>3,485</u>	<u>13,207</u>
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	<u>5,322</u>	<u>5,834</u>	<u>8,647</u>	<u>3,485</u>	<u>13,207</u>

# PASADENA INDEPENDENT SCHOOL DISTRICT

## COMBINING BALANCE SHEET

### NONMAJOR SPECIAL REVENUE FUNDS

AUGUST 31, 2004

Data Control Codes		397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative
<b>ASSETS:</b>				
1110	Cash and Cash Equivalents	\$ 26,933	\$ (243,692)	\$ (224,838)
1120	Current Investments	-	-	-
1240	Due from Other Governments	-	243,692	224,838
1290	Other Receivables	-	-	-
1300	Inventories	-	-	-
1000	Total Assets	<u>\$ 26,933</u>	<u>\$ -</u>	<u>\$ -</u>
<b>LIABILITIES:</b>				
Current Liabilities:				
2110	Accounts Payable	\$ -	\$ -	\$ -
2160	Accrued Wages Payable	-	-	-
2180	Due to Other Governments	-	-	-
2300	Deferred Revenue	26,933	-	-
2000	Total Liabilities	<u>26,933</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES:</b>				
Reserved Fund Balances:				
3410	Investments in Inventory	-	-	-
3440	Outstanding Encumbrances	-	-	-
3450	Reserve for Food Service	-	-	-
Unreserved, Reported in Nonmajor:				
3610	Special Revenue Funds	-	-	-
3000	Total Fund Balances	<u>-</u>	<u>-</u>	<u>-</u>
4000	Total Liabilities and Fund Balances	<u>\$ 26,933</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.



409	411	418	429	450
Basic Skills Programs	Technology Allotment	Active Employee Health Coverage	State Funded Special Revenue Fund	Gulf Coast Co-op
\$ (2,847)	\$ 171,646	\$ (98,064)	\$ 994	\$ 831
-	-	-	-	-
3,965	-	97,502	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,118</u>	<u>\$ 171,646</u>	<u>\$ (562)</u>	<u>\$ 994</u>	<u>\$ 831</u>
\$ -	\$ 19,344	\$ -	\$ -	\$ -
1,118	-	(562)	-	-
-	-	-	-	-
-	-	-	994	-
<u>1,118</u>	<u>19,344</u>	<u>(562)</u>	<u>994</u>	<u>-</u>
-	-	-	-	-
-	34,761	-	-	-
-	-	-	-	-
-	117,541	-	-	831
-	<u>152,302</u>	-	-	<u>831</u>
<u>\$ 1,118</u>	<u>\$ 171,646</u>	<u>\$ (562)</u>	<u>\$ 994</u>	<u>\$ 831</u>

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**PASADENA INDEPENDENT SCHOOL DISTRICT****COMBINING BALANCE SHEET****NONMAJOR SPECIAL REVENUE FUNDS**

AUGUST 31, 2004

Data Control Codes	461 Campus Activity Funds	480 PISD Ed Foundation Grants	Total Nonmajor Special Revenue Funds (See Exhibit H-1)
<b>ASSETS:</b>			
1110 Cash and Cash Equivalents	\$ 451,022	\$ 12,900	\$ (1,005,072)
1120 Current Investments	1,753,786	-	2,719,760
1240 Due from Other Governments	-	-	3,034,767
1290 Other Receivables	240	-	240
1300 Inventories	-	-	472,192
1000 Total Assets	<u>\$ 2,205,048</u>	<u>\$ 12,900</u>	<u>\$ 5,221,887</u>
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 Accounts Payable	\$ 184,187	\$ 5,240	\$ 1,507,054
2160 Accrued Wages Payable	761	-	117,308
2180 Due to Other Governments	617	-	617
2300 Deferred Revenue	-	7,660	308,392
2000 Total Liabilities	<u>185,565</u>	<u>12,900</u>	<u>1,933,371</u>
<b>FUND BALANCES:</b>			
Reserved Fund Balances:			
3410 Investments in Inventory	-	-	208,513
3440 Outstanding Encumbrances	208,298	-	611,336
3450 Reserve for Food Service	-	-	539,110
Unreserved, Reported in Nonmajor:			
3610 Special Revenue Funds	1,811,185	-	1,929,557
3000 Total Fund Balances	<u>2,019,483</u>	<u>-</u>	<u>3,288,516</u>
4000 Total Liabilities and Fund Balances	<u>\$ 2,205,048</u>	<u>\$ 12,900</u>	<u>\$ 5,221,887</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

Data Control Codes	202 ESEA Title VII Part C Emergency Immigr	204 ESEA Title IV SDFSC	211 ESEA Title I Improving Basic Programs	212 ESEA Title I, Part C Migrant Childre
<b>REVENUES:</b>				
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -	\$ -	\$ -
5800 <i>State Program Revenues</i>	-	-	-	-
5900 <i>Federal Program Revenues</i>	97,677	222,416	6,669,797	133,352
5020 <i>Total Revenues</i>	97,677	222,416	6,669,797	133,352
<b>EXPENDITURES:</b>				
Current:				
0011 <i>Instruction</i>	38,819	2,275	4,857,057	9,960
0012 <i>Instructional Resources and Media Services</i>	-	-	1,779	-
0013 <i>Curriculum and Staff Development</i>	30,031	56,174	327,317	123,092
0021 <i>Instructional Leadership</i>	28,827	-	243,530	-
0023 <i>School Leadership</i>	-	-	190,500	184
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	-	105,360	838,399	-
0032 <i>Social Work Services</i>	-	-	-	26
0033 <i>Health Services</i>	-	-	90,726	-
0034 <i>Student Transportation</i>	-	-	-	-
0035 <i>Food Service</i>	-	-	-	-
0036 <i>Extracurricular Activities</i>	-	-	-	-
0041 <i>General Administration</i>	-	-	-	-
0051 <i>Plant Maintenance and Operations</i>	-	-	3,002	-
0052 <i>Security and Monitoring Services</i>	-	58,607	-	90
0053 <i>Data Processing Services</i>	-	-	-	-
0061 <i>Community Services</i>	-	-	117,487	-
6030 <i>Total Expenditures</i>	97,677	222,416	6,669,797	133,352
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>	-	-	-	-
1100 <i>Expenditures</i>	-	-	-	-
Other Financing Sources and (Uses):				
8911 <i>Operating Transfers Out</i>	-	-	-	-
7080 <i>Total Other Financing Sources and (Uses)</i>	-	-	-	-
1200 <i>Net Change in Fund Balances</i>	-	-	-	-
0100 <i>Fund Balances - Beginning</i>	-	-	-	-
3000 <i>Fund Balances - Ending</i>	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

224 IDEA-B Formula Spec Ed	225 IDEA-B Preschool Grant	226 IDEA-B Discretionary	240 National School Breakfast/Lunch Program	242 Summer Feeding Program
\$ -	\$ -	\$ -	\$ 5,492,156	\$ -
-	-	-	169,783	-
4,125,458	89,186	97,283	12,639,579	206,167
4,125,458	89,186	97,283	18,301,518	206,167
3,149,679	89,186	97,283	-	-
-	-	-	-	-
80,989	-	-	-	-
123,725	-	-	-	-
-	-	-	-	-
771,065	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	18,503,587	205,659
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4,125,458	89,186	97,283	18,503,587	205,659
-	-	-	(202,069)	508
-	-	-	-	-
-	-	-	-	-
-	-	-	(202,069)	508
-	-	-	1,314,272	3,189
\$ -	\$ -	\$ -	\$ 1,112,203	\$ 3,697

# PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		243 Vo Ed Technical Preparation	244 Vo Ed Basic Grant	255 ESEA Title II Part A Teacher & Principal Training & Recruit.	262 Title II, Part D Enhancing Ed thru Tech.
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	-	-	-	-
5900	Federal Program Revenues	38,401	656,962	1,797,816	142,268
5020	Total Revenues	38,401	656,962	1,797,816	142,268
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	37,456	552,355	971,234	-
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Staff Development	945	-	826,582	142,268
0021	Instructional Leadership	-	659	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	103,948	-	-
0032	Social Work Services	-	-	-	-
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Service	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	38,401	656,962	1,797,816	142,268
1100	Excess (Deficiency) of Revenues Over (Under)	-	-	-	-
1100	Expenditures	-	-	-	-
Other Financing Sources and (Uses):					
8911	Operating Transfers Out	-	-	-	-
7080	Total Other Financing Sources and (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-
3000	Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.

263 English Language Acquisition and Enhancement	265 21st Century Community Learning Centers	269 Title V, Part A Innovative Programs	288 Case Grant	383 Professional Staff Development
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	271
783,143	225,077	315,212	131,856	-
<u>783,143</u>	<u>225,077</u>	<u>315,212</u>	<u>131,856</u>	<u>271</u>
605,026	145,642	159,641	131,856	-
1,000	-	97,885	-	-
177,117	-	57,686	-	271
-	-	-	-	-
-	77,603	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,832	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>783,143</u>	<u>225,077</u>	<u>315,212</u>	<u>131,856</u>	<u>271</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ -	\$ -	\$ -	\$ -	\$ -
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,  
AND CHANGES IN FUND BALANCES  
NONMAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		384 Texas After School Initiative	390 LEP Summer Program	393 Texas Successful Schools	394 Pregnancy Education and Parenting Progr
<b>REVENUES:</b>					
5700	Local and Intermediate Sources	\$ -	\$ -	\$ -	\$ -
5800	State Program Revenues	(8,906)	24,141	5,026	53,848
5900	Federal Program Revenues	-	-	-	-
5020	Total Revenues	(8,906)	24,141	5,026	53,848
<b>EXPENDITURES:</b>					
Current:					
0011	Instruction	(8,906)	24,141	5,026	13,196
0012	Instructional Resources and Media Services	-	-	-	-
0013	Curriculum and Staff Development	-	-	-	-
0021	Instructional Leadership	-	-	-	-
0023	School Leadership	-	-	-	-
0031	Guidance, Counseling, & Evaluation Services	-	-	-	-
0032	Social Work Services	-	-	-	40,652
0033	Health Services	-	-	-	-
0034	Student Transportation	-	-	-	-
0035	Food Service	-	-	-	-
0036	Extracurricular Activities	-	-	-	-
0041	General Administration	-	-	-	-
0051	Plant Maintenance and Operations	-	-	-	-
0052	Security and Monitoring Services	-	-	-	-
0053	Data Processing Services	-	-	-	-
0061	Community Services	-	-	-	-
6030	Total Expenditures	(8,906)	24,141	5,026	53,848
1100	Excess (Deficiency) of Revenues Over (Under)	-	-	-	-
1100	Expenditures	-	-	-	-
Other Financing Sources and (Uses):					
8911	Operating Transfers Out	-	-	-	-
7080	Total Other Financing Sources and (Uses)	-	-	-	-
1200	Net Change in Fund Balances	-	-	-	-
0100	Fund Balances - Beginning	-	-	-	-
3000	Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -

The accompanying notes are an integral part of this statement.



m	397 Advanced Placement Incentives	401 Optional Extended Year Program	404 Student Success Initiative	409 Basic Skills Programs	411 Technology Allotment
	\$ -	\$ -	\$ -	\$ -	\$ -
	20,957	243,692	510,802	130,106	1,267,728
	-	-	-	-	-
	<u>20,957</u>	<u>243,692</u>	<u>510,802</u>	<u>130,106</u>	<u>1,267,728</u>
	19,397	243,692	464,477	124,794	1,233,669
	-	-	-	-	-
	1,560	-	45,697	-	-
	-	-	-	-	-
	-	-	-	5,312	782
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	-
	-	-	628	-	-
	-	-	-	-	-
	<u>20,957</u>	<u>243,692</u>	<u>510,802</u>	<u>130,106</u>	<u>1,234,451</u>
	-	-	-	-	33,277
	-	-	-	-	-
	-	-	-	-	-
	-	-	-	-	<u>33,277</u>
	-	-	-	-	119,025
\$	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 152,302</u>

# PASADENA INDEPENDENT SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES,

AND CHANGES IN FUND BALANCES

NONMAJOR SPECIAL REVENUE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes	418 Active Employee Health Coverage	421 Master Teacher Reading Stipends
<b>REVENUES:</b>		
5700 <i>Local and Intermediate Sources</i>	\$ -	\$ -
5800 <i>State Program Revenues</i>	2,534,683	24,500
5900 <i>Federal Program Revenues</i>	-	-
5020 <i>Total Revenues</i>	<u>2,534,683</u>	<u>24,500</u>
<b>EXPENDITURES:</b>		
Current:		
0011 <i>Instruction</i>	1,694,314	24,500
0012 <i>Instructional Resources and Media Services</i>	34,668	-
0013 <i>Curriculum and Staff Development</i>	3,625	-
0021 <i>Instructional Leadership</i>	17,188	-
0023 <i>School Leadership</i>	97,875	-
0031 <i>Guidance, Counseling, &amp; Evaluation Services</i>	64,087	-
0032 <i>Social Work Services</i>	2,625	-
0033 <i>Health Services</i>	29,792	-
0034 <i>Student Transportation</i>	71,172	-
0035 <i>Food Service</i>	182,360	-
0036 <i>Extracurricular Activities</i>	2,457	-
0041 <i>General Administration</i>	33,792	-
0051 <i>Plant Maintenance and Operations</i>	247,018	-
0052 <i>Security and Monitoring Services</i>	28,355	-
0053 <i>Data Processing Services</i>	14,709	-
0061 <i>Community Services</i>	10,646	-
6030 <i>Total Expenditures</i>	<u>2,534,683</u>	<u>24,500</u>
1100 <i>Excess (Deficiency) of Revenues Over (Under)</i>		
1100 <i>Expenditures</i>	<u>-</u>	<u>-</u>
Other Financing Sources and (Uses):		
8911 <i>Operating Transfers Out</i>	-	-
7080 <i>Total Other Financing Sources and (Uses)</i>	<u>-</u>	<u>-</u>
1200 <i>Net Change in Fund Balances</i>	<u>-</u>	<u>-</u>
0100 <i>Fund Balances - Beginning</i>	-	-
3000 <i>Fund Balances - Ending</i>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

450 Gulf Coast Co-op	461 Campus Activity Funds	480 PISD Ed Foundation Grants	Total Nonmajor Special Revenue Funds (See Exhibit H-2)
\$ -	\$ 2,696,013	\$ 61,432	\$ 8,249,601
-	-	-	4,976,631
-	-	-	28,371,650
-	2,696,013	61,432	41,597,882
-	1,692,681	61,432	16,439,882
-	176,056	-	311,388
-	34,507	-	1,907,861
-	18,135	-	432,064
-	847,366	-	1,219,622
-	1,096	-	1,883,955
-	-	-	43,303
-	1,114	-	121,632
-	-	-	71,172
-	-	-	18,893,438
-	510,866	-	513,323
-	1,482	-	35,274
-	26,079	-	276,099
-	-	-	87,680
-	-	-	14,709
-	-	-	128,133
-	3,309,382	61,432	42,379,535
-	(613,369)	-	(781,653)
-	(455,965)	-	(455,965)
-	(455,965)	-	(455,965)
-	(1,069,334)	-	(1,237,618)
831	3,088,817	-	4,526,134
\$ 831	\$ 2,019,483	\$ -	\$ 3,288,516

# PASADENA INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-5

SUMMER FEEDING PROGRAM (DHS)  
SPECIAL REVENUE FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5900	<i>Federal Program Revenues</i>	\$ -	\$ 205,750	\$ 206,167	\$ 417
5020	Total Revenues	-	205,750	206,167	417
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Student (Pupil):				
0035	<i>Food Services</i>	-	205,750	205,659	91
	Total Support Services - Student (Pupil)	-	205,750	205,659	91
6030	Total Expenditures	-	205,750	205,659	91
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	-	-	508	508
1200	Net Change in Fund Balance	-	-	508	508
0100	Fund Balance - Beginning	-	-	3,189	3,189
3000	Fund Balance - Ending	\$ -	\$ -	\$ 3,697	\$ 3,697

The accompanying notes are an integral part of this statement.

## PASADENA INDEPENDENT SCHOOL DISTRICT

EXHIBIT H-6

## CAPITAL PROJECTS FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	<i>Local and Intermediate Sources</i>	\$ 31,133	\$ 31,133	\$ 114,014	\$ 82,881
5020	Total Revenues	31,133	31,133	114,014	82,881
	<b>EXPENDITURES:</b>				
	Capital Outlay:				
0081	<i>Capital Outlay</i>	27,567,010	27,567,010	20,900,260	6,666,750
	Total Capital Outlay	27,567,010	27,567,010	20,900,260	6,666,750
6030	Total Expenditures	27,567,010	27,567,010	20,900,260	6,666,750
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	(27,535,877)	(27,535,877)	(20,786,246)	6,749,631
	Other Financing Sources (Uses):				
7915	<i>Operating Transfers In</i>	4,615,940	4,615,940	4,615,940	-
7080	Total Other Financing Sources and (Uses)	4,615,940	4,615,940	4,615,940	-
1200	Net Change in Fund Balance	(22,919,937)	(22,919,937)	(16,170,306)	6,749,631
0100	Fund Balance - Beginning	22,919,937	22,919,937	18,387,227	(4,532,710)
3000	Fund Balance - Ending	\$ -	\$ -	\$ 2,216,921	\$ 2,216,921

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT****COMBINING STATEMENT OF NET ASSETS****INTERNAL SERVICE FUNDS****AUGUST 31, 2004**

Data Control Codes	753  Insurance Fund	770  Insurance Fund	Total Internal Service Funds (See Exhibit D-1)
<b>ASSETS:</b>			
Current Assets:			
1110 <i>Cash and Cash Equivalents</i>	\$ (226,461)	\$ 573,670	\$ 347,209
1120 <i>Investments</i>	7,570,823	1,258,271	8,829,094
Total Current Assets	7,344,362	1,831,941	9,176,303
1000 Total Assets	\$ 7,344,362	\$ 1,831,941	\$ 9,176,303
<b>LIABILITIES:</b>			
Current Liabilities:			
2110 <i>Accounts Payable</i>	\$ 1,042,374	\$ -	\$ 1,042,374
2200 <i>Accrued Expenditures/Expenses</i>	2,390,488	-	2,390,488
Total Current Liabilities	3,432,862	-	3,432,862
2000 Total Liabilities	3,432,862	-	3,432,862
<b>NET ASSETS:</b>			
3900 <i>Unrestricted Net Assets</i>	3,911,500	1,831,941	5,743,441
3000 Total Net Assets	\$ 3,911,500	\$ 1,831,941	\$ 5,743,441

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF REVENUES, EXPENSES,

AND CHANGES IN FUND NET ASSETS

INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		753  Insurance Fund	770  Insurance Fund	Total Internal Service Funds (See Exhibit D-2)
	<b>OPERATING REVENUES:</b>			
5700	<i>Local and Intermediate Sources</i>	\$ 21,447,641	\$ 1,763,654	\$ 23,211,295
5020	Total Revenues	<u>21,447,641</u>	<u>1,763,654</u>	<u>23,211,295</u>
	<b>OPERATING EXPENSES:</b>			
6100	<i>Payroll Costs</i>	13,123	1,773,712	1,786,835
6400	<i>Other Operating Costs</i>	17,908,308	-	17,908,308
6030	Total Expenses	<u>17,921,431</u>	<u>1,773,712</u>	<u>19,695,143</u>
1300	Change in Net Assets	3,526,210	(10,058)	3,516,152
0100	Total Net Assets - Beginning	385,290	1,841,999	2,227,289
3300	Total Net Assets - Ending	<u>\$ 3,911,500</u>	<u>\$ 1,831,941</u>	<u>\$ 5,743,441</u>

The accompanying notes are an integral part of this statement.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

COMBINING STATEMENT OF CASH FLOWS

ALL INTERNAL SERVICE FUNDS

FOR THE YEAR ENDED AUGUST 31, 2004

	753	770	Total Internal Service Funds (See Exhibit D-3)
	Insurance Fund	Insurance Fund	
<b>Cash Flows from Operating Activities:</b>			
Cash Received from Customers	\$ 20,053,784	\$ 1,750,000	\$ 21,803,784
Cash Received from Grants	-	-	-
Cash Receipts (Payments) for Quasi-external Operating Transactions with Other Funds	-	-	-
Cash Payments to Employees	(13,027)	-	(13,027)
Cash Payments to Suppliers for Goods and Services	(695,677)	(1,773,712)	(2,469,389)
Claims paid	(17,163,348)	-	(17,163,348)
Other Operating Cash Receipts (Payments)	356,070	-	356,070
Net Cash Provided (Used) by Operating Activities	2,537,802	(23,712)	2,514,090
<b>Cash Flows from Non-capital Financing Activities:</b>			
Proceeds (Payments) from (for) Borrowings	-	-	-
Operating Grants Received	-	-	-
Operating Transfers From (To) Primary Government	-	-	-
Net Cash Provided (Used) by Non-capital Financing Activities	-	-	-
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Proceeds from Issuance of Long-term Debt	-	-	-
Principal and Interest Paid	-	-	-
Acquisition or Construction of Capital Assets	-	-	-
Net Cash Provided (Used) for Capital and Related Financing Activities	-	-	-
<b>Cash Flows from Investing Activities:</b>			
Purchase of Investment Securities	-	-	-
Proceeds from Sale and Maturities of Securities	-	-	-
Interest and Dividends on Investments	64,129	13,654	77,783
Net Cash Provided (Used) for Investing Activities	64,129	13,654	77,783
Net Increase (Decrease) in Cash and Cash Equivalents	2,601,931	(10,058)	2,591,873
Cash and Cash Equivalents at Beginning of Year	4,742,431	1,841,999	6,584,430
Cash and Cash Equivalents at End of Year	\$ 7,344,362	\$ 1,831,941	\$ 9,176,303
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>			
Operating Income (Loss)	\$ 3,526,211	\$ (10,058)	\$ 3,516,153
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	-	-	-
Interest and Dividends	(64,129)	(13,654)	(77,783)
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	-	-	-
Decrease (Increase) in Prepaid Expenses	-	-	-
Increase (Decrease) in Accounts Payable	1,921	-	1,921
Increase (Decrease) in Accrued Wages Payable	-	-	-
Increase (Decrease) in Interfund Payables	-	-	-
Increase (Decrease) in Due to Other Governments	-	-	-
Increase (Decrease) in Accrued Expenses	(926,201)	-	(926,201)
Increase (Decrease) in Deferred Revenue	-	-	-
Total Adjustments	(988,409)	(13,654)	(1,002,063)
Net Cash Provided (Used) by Operating Activities	\$ 2,537,802	\$ (23,712)	\$ 2,514,090



### *Other Supplementary Information*

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF DELINQUENT TAXES RECEIVABLE**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

Year Ended August 31	1		2		3	
	Tax Rates				Assessed/Appraised Value For School Tax Purposes	
	Maintenance		Debt Service			
1995 and Prior Years	\$	Various	\$	Various	\$	Various
1996		1.00		.14		4,593,404,180
1997		1.31		.17		5,188,852,240
1998		1.32		.20		4,343,876,792
1999		1.36		.20		5,050,039,380
2000		1.47		.05		5,267,917,061
2001		1.48		.13		5,647,803,975
2002		1.5349		.13		5,956,532,344
2003		1.515		.1725		6,421,236,921
2004 (School Year Under Audit)		1.515		.26		6,940,927,017
1000 Totals						
9000 - Portion of Row 1000 for Taxes Paid into Tax Increment Zone Under Chapter 311, Tax Code						

10 Beginning Balance 9/1/03	20 Current Year's Total Levy	31 Maintenance Collections	32 Debt Service Collections	40 Entire Year's Adjustments	50 Ending Balance 8/31/04
\$ 4,513,416	\$ -	\$ 167,219	\$ 23,494	\$ (1,473,567)	\$ 2,849,136
518,886	-	29,442	4,122	(896)	484,426
596,967	-	65,558	8,507	(3,414)	519,488
677,304	-	65,275	9,890	(2,543)	599,596
807,464	-	119,039	17,506	16,531	687,450
1,104,783	-	213,873	7,275	9,329	892,964
1,794,759	-	355,476	31,224	(64,737)	1,343,322
2,752,082	-	942,209	79,801	70,976	1,801,048
3,870,959	-	1,624,302	184,945	(77,017)	1,984,695
-	123,201,455	101,101,382	17,843,833	-	4,256,240
<u>\$ 16,636,620</u>	<u>\$ 123,201,455</u>	<u>\$ 104,683,775</u>	<u>\$ 18,210,597</u>	<u>\$ (1,525,338)</u>	<u>\$ 15,418,365</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

# PASADENA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-2

## SCHEDULE OF EXPENDITURES FOR COMPUTATION OF INDIRECT COST FOR 2005-2006 GENERAL AND SPECIAL REVENUE FUNDS FOR THE YEAR ENDED AUGUST 31, 2004

### FUNCTION 41 AND RELATED FUNCTION 53 - GENERAL ADMINISTRATION

Account Number	Account Name	1 (702) School Board	2 (703) Tax Collection	3 (701) Supt's Office	4 (750) Indirect Cost	5 (720) Direct Cost	6 (Other) Misc.	7 Total
611X-6146	Payroll Costs	\$ 4,936	\$ 238,168	\$ 564,175	\$ 5,011,102	\$ 172,273	\$ -	\$ 5,990,654
6149	Fringe Benefits (Unused Leave for Separating Employees in Function 41 and Related 53)	-	-	-	93,465	-	-	93,465
6149	Fringe Benefits (Unused Leave for Separating Employees in all Functions except Function 41 and Related 53)	-	-	-	1,052,381	-	-	1,052,381
6211	Legal Services	-	60,289	347,064	-	-	-	407,353
6212	Audit Services	-	-	-	76,500	-	-	76,500
6213	Tax Appraisal and Collection	-	890,036	-	-	-	-	890,036
621X	Other Prof. Services	1,200	-	86,665	166,098	-	-	253,963
6220	Tuition and Transfer Payments	-	-	-	-	-	-	-
6230	Education Service Centers	-	-	-	-	-	-	-
6240	Contr. Maint. and Repair	-	-	-	-	832,372	-	832,372
6250	Utilities	-	-	-	-	4,000	-	4,000
6260	Rentals	-	-	-	188,132	-	-	188,132
6290	Miscellaneous Contr.	-	5,147	-	29,784	-	-	34,931
6310	Operational Supplies, Materials	-	-	-	-	-	-	-
6320	Textbooks and Reading	-	71	1,294	116,847	535	-	118,747
6330	Testing Materials	-	-	-	-	-	-	-
63XX	Other Supplies, Materials	391	51,949	14,000	967,894	6,961	-	1,041,195
6410	Travel, Subsistence, Stipends	27,585	2,055	9,133	70,631	1,091	-	110,495
6420	Ins. and Bonding Costs	189,596	-	-	3,609	17,400	-	210,605
6430	Election Costs	43,832	-	-	-	-	-	43,832
6490	Miscellaneous Operating	60,157	13,557	16,059	210,631	295	-	300,699
6500	Debt Service	-	-	-	-	-	-	-
6600	Capital Outlay	-	-	-	-	-	364,127	364,127

Total \$ 327,697 \$ 1,261,272 \$ 1,038,390 \$ 7,987,074 \$ 1,034,927 \$ 364,127 \$ 12,013,487

Total expenditures for General and Special Revenue Funds (9) \$ 312,189,288

#### LESS: Deductions of Unallowable Costs

#### FISCAL YEAR

Total Capital Outlay (6600)	(10)	\$ 16,372,346
Total Debt & Lease (6500)	(11)	\$ 2,521,533
Plant Maintenance (Function 51, 6100-6400)	(12)	\$ 29,739,755
Food (Function 35, 6341 and 6499)	(13)	\$ 7,959,263
Stipends (6413)	(14)	\$ -
Column 4 (above) - Total Indirect Cost		\$ 7,987,074

Subtotal 64,579,971

Net Allowed Direct Cost \$ 247,609,317

#### CUMULATIVE

Total Cost of Buildings Before Depreciation (1520)	(15)	\$ 163,763,243
Historical Cost of Buildings over 50 years old	(16)	3,717,112
Amount of Federal Money in Building Cost (Net of #16)	(17)	823,124
Total Cost of Furniture & Equipment Before Depreciation (1530 & 1540)	(18)	37,372,162
Historical Cost of Furniture & Equipment over 16 years old	(19)	2,110,623
Amount of Federal Money in Furniture & Equipment (Net of #19)	(20)	\$ 3,926,607

(8) Note A - \$3,456,254 in Function 53 expenditures are included in this report on administrative costs.

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**FUND BALANCE AND CASH FLOW CALCULATION WORKSHEET (UNAUDITED)**  
**GENERAL FUND**  
**AS OF AUGUST 31, 2004**

**EXHIBIT J-3**

Data Control Codes	Explanation	Amount
1	Total General Fund Fund Balance as of August 31, 2004 (Exhibit C-1 object 3000 for the General Fund only)	\$ 62,840,342
2	Total General Fund Reserved Fund Balance (from Exhibit C-1 - total of object 3400s for the General Fund only)	8,082,837
3	Total General Fund Designated Fund Balance (from Exhibit C-1 - total of object 3500s for the General Fund only)	16,550,062
4	Estimated amount needed to cover fall cash flow deficits in the General Fund (net of borrowed funds and funds representing deferred revenues)	13,048,000
5	Estimate of one month's average cash disbursements during the regular school session (9/1/04 - 5/31/05)	24,400,000
6	Estimate of delayed payments from state sources (58XX) including August payment delays	-
7	Estimate of underpayment from state sources equal to variance between Legislative Payment Estimate (LPE) and District Planning Estimate (DPE) or District's calculated earned state aid amount	-
8	Estimate of delayed payments from federal sources (59XX)	1,100,000
9	Estimate of expenditures to be reimbursed to General Fund from Capital Projects Fund (uses of General Fund cash after bond referendum and prior to issuance of bonds)	-
10	General Fund Optimum Fund Balance and Cash Flow (Lines 2+3+4+5+6+7+8+9)	63,180,899
11	Excess (Deficit) Undesignated Unreserved General Fund Fund Balance (Line 1 minus Line 10)	\$ (340,557)

If Item 11 is a Positive Number

Explanation of need for and/or projected use of net positive  
Undesignated Unreserved General Fund Fund Balance:

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**NATIONAL SCHOOL BREAKFAST AND LUNCH PROGRAM**  
**BUDGETARY COMPARISON SCHEDULE**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**EXHIBIT J-4**

Data Control Codes		1	2	3	Variance with Final Budget
		Budgeted Amounts		Actual	Positive (Negative)
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 5,711,000	\$ 6,005,250	\$ 5,492,156	\$ (513,094)
5800	State Program Revenues	310,000	310,000	169,783	(140,217)
5900	Federal Program Revenues	10,483,600	11,983,600	12,639,579	655,979
5020	Total Revenues	16,504,600	18,298,850	18,301,518	2,668
	<b>EXPENDITURES:</b>				
	Current:				
	Support Services - Student (Pupil):				
0035	Food Services	16,504,600	18,558,661	18,503,587	55,074
	Total Support Services - Student (Pupil)	16,504,600	18,558,661	18,503,587	55,074
6030	Total Expenditures	16,504,600	18,558,661	18,503,587	55,074
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	-	(259,811)	(202,069)	57,742
1200	Net Change in Fund Balance	-	(259,811)	(202,069)	57,742
0100	Fund Balance - Beginning	-	259,811	1,314,272	1,054,461
3000	Fund Balance - Ending	\$ -	\$ -	\$ 1,112,203	\$ 1,112,203

The accompanying notes are an integral part of this statement.

## PASADENA INDEPENDENT SCHOOL DISTRICT

EXHIBIT J-5

## DEBT SERVICE FUND

## BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED AUGUST 31, 2004

Data Control Codes		1	2	3	Variance with Final Budget Positive (Negative)
		Budgeted Amounts		Actual	
		Original	Final		
	<b>REVENUES:</b>				
5700	Local and Intermediate Sources	\$ 17,900,000	\$ 17,900,000	\$ 18,396,077	\$ 496,077
5800	State Program Revenues	14,300,000	14,300,000	13,958,749	(341,251)
5020	Total Revenues	32,200,000	32,200,000	32,354,826	154,826
	<b>EXPENDITURES:</b>				
	Debt Service:				
0071	Principal on Long-Term Debt	32,200,000	20,845,000	20,839,831	5,169
0072	Interest on Long-Term Debt	-	11,175,000	10,729,088	445,912
0073	Bond Issuance Costs and Fees	-	180,000	178,824	1,176
	Total Debt Service	32,200,000	32,200,000	31,747,743	452,257
6030	Total Expenditures	32,200,000	32,200,000	31,747,743	452,257
1100	Excess (Deficiency) of Revenues Over (Under)				
1100	Expenditures	-	-	607,083	607,083
	Other Financing Sources (Uses):				
7911	Capital-Related Debt Issued (Regular Bonds)	-	7,105,000	7,034,999	(70,001)
7916	Premium or Discount on Issuance of Bonds	-	-	107,217	107,217
7917	Prepaid Interest	-	-	17,182	17,182
8949	Other Uses	-	(7,105,000)	(7,103,837)	1,163
7080	Total Other Financing Sources and (Uses)	-	-	55,561	55,561
1200	Net Change in Fund Balance	-	-	662,644	662,644
0100	Fund Balance - Beginning	-	-	9,392,448	9,392,448
3000	Fund Balance - Ending	\$ -	\$ -	\$ 10,055,092	\$ 10,055,092

The accompanying notes are an integral part of this statement.

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**CLYDE D. THOMAS & COMPANY, P.C.**

3218 Spencer Highway  
Pasadena, Texas 77504

**Independent Auditor's Report**

Report on Compliance and on Internal Control over Financial  
Reporting Based on an Audit of Financial Statements Performed  
in Accordance with Government Auditing Standards

Board of Trustees  
Pasadena Independent School District  
1515 Cherrybrook  
Pasadena, Texas 77502

**Members of the Board of Trustees:**

We have audited the basic financial statements of Pasadena Independent School District as of and for the year ended August 31, 2004, and have issued our report thereon dated November 18, 2004. 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.

Compliance

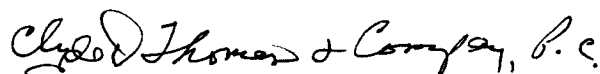
As part of obtaining reasonable assurance about whether Pasadena Independent School District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under GOVERNMENT AUDITING STANDARDS.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Pasadena Independent School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Clyde D. Thomas & Company, P. C.

November 18, 2004

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**CLYDE D. THOMAS & COMPANY, P.C.**

3218 Spencer Highway  
Pasadena, Texas 77504

**Independent Auditor's Report**

Report on Compliance with Requirements Applicable  
To each Major Program and Internal Control over Compliance  
In Accordance With OMB Circular A-133

Board of Trustees  
Pasadena Independent School District  
1515 Cherrybrook  
Pasadena, Texas 77502

Members of the Board of Trustees:

Compliance

We have audited the compliance of Pasadena Independent School District with the types of compliance requirements described in the U. S. OFFICE OF MANAGEMENT AND BUDGET (OMB) CIRCULAR A-133 COMPLIANCE SUPPLEMENT that are applicable to each of its major federal programs for the year ended August 31, 2004. Pasadena Independent School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Pasadena Independent School District's management. Our responsibility is to express an opinion on Pasadena Independent School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in GOVERNMENT AUDITING STANDARDS, issued by the Comptroller General of the United States; and OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Pasadena Independent School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Pasadena Independent School District's compliance with those requirements.

In our opinion, Pasadena Independent School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended August 31, 2004.

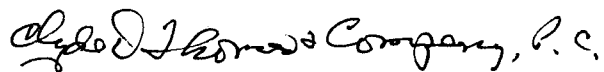
Internal Control Over Compliance

The management of Pasadena Independent School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Pasadena Independent School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we considered to be material weaknesses.

This report is intended solely for the information and use of management, others within the organization, the Board of Trustees, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Clyde D. Thomas & Company, P.C.".

Clyde D. Thomas & Company, P. C.

November 18, 2004

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FOR THE YEAR ENDED AUGUST 31, 2004**

**A. Summary of Auditor's Results**

**1. Financial Statements**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?        Yes        X No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes        X None Reported

Noncompliance material to financial statements noted?        Yes        X No

**2. Federal Awards**

Internal control over major programs:

Material weakness(es) identified?        Yes        X No

Reportable condition(s) identified that are not considered to be material weaknesses?        Yes        X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?        Yes        X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555	National School Breakfast/Lunch Program
84.027	IDEA-B Formula
93.596	Case Grant

Dollar threshold used to distinguish between type A and type B programs: \$858,491

Auditee qualified as low-risk auditee?        X Yes        No

**B. Financial Statement Findings**

NONE

**C. Federal Award Findings and Questioned Costs**

NONE

**PASADENA INDEPENDENT SCHOOL DISTRICT**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

**FOR THE YEAR ENDED AUGUST 31, 2004**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
NONE		

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED AUGUST 31, 2004*

N/A

**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**EXHIBIT K-1**  
**Page 1 of 2**

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
	U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
	Passed Through State Department of Education:			
313	Medicaid *	93.778	101-917	\$ 159,050
	Total U.S. Department of Health and Human Services			159,050
	U. S. DEPARTMENT OF EDUCATION			
	Direct Programs:			
243	Vocational Education - Technical Preparation	84.243A	101-917	38,401
265	21st Century Community Learning Centers	84.287	101-917	14,615
	Total Direct Programs			53,016
	Passed Through State Department of Education:			
211	ESEA Title I Part A - Improving Basic Programs	84.010A	4610101101917	5,993,445
211	ESEA Title I Part A - Improving Basic Programs	84.010A	5610101101917	676,352
	Total CFDA Number 84.010A			6,669,797
212	ESEA Title I Part C - Migratory Children	84.011	4615001101917	133,352
224	IDEA-B Formula Special Education	84.027	4660001101917	3,692,684
224	IDEA-B Formula	84.027	566000110191766	432,774
226	IDEA-B Discretionary	84.027	466000610191766	97,283
	Total CFDA Number 84.027			4,222,741
244	Vocational Education - Basic Grant	84.048	442000610191704	435,747
244	Vocational Education - Basic Grant	84.048	54200061011704	221,215
	Total CFDA Number 84.048			656,962
202	ESEA Title VII Part C-Emergency Immigrant Education Program	84.162	4671101101917	97,677
225	IDEA-B Preschool	84.173	466100110191744	82,054
225	IDEA-B Preschool	84.173	566100110191766	7,132
	Total CFDA Number 84.173			89,186
204	ESEA Title IV Safe & Drug Free Schools & Communities Act	84.184	5691001101917	19,536
204	ESEA Title IV Safe & Drug Free Schools & Communities Act	84.186A	4691001101917	202,880
265	21st Century Community Learning Centers	84.287	101-917	210,462
269	Title V, Part A - Innovative Programs	84.298	4685001101917	295,790
269	Title V, Part A - Innovative Programs	84.298	5685001101917	19,422
	Total CFDA Number 84.298			315,212
262	Enhancing Education Through Technology	84.318	5630001101917	34,873
262	ESEA, Title II, Part D, Enhancing Education Through Technology	84.318X	4630001101917	107,395
263	English Language Acquisition and Language Enhancement	84.365	4671001101917	726,323
263	English Language Acquisition and Language Enhancement	84.365	5671001101917	56,820
	Total CFDA Number 84.365			783,143
255	ESEA Title II Part A - Teacher & Principal Training & Recruitment	84.367	569450110191	\$ 117,379



**PASADENA INDEPENDENT SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED AUGUST 31, 2004**

**EXHIBIT K-1**  
**Page 2 of 2**

	(1)	(2)	(2A)	(3)
Data Control Codes	Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
255	ESEA Title II Part A - Teacher & Principal Training & Recruiting	84.367A	469450110191	\$ 1,680,437
288	Case Grant *	93.596	HCDE	131,856
	Total Passed Through State Department of Education			15,472,888
	Total U. S. Department of Education			15,525,904
	U. S. DEPARTMENT OF DEFENSE			
	Passed Through State Department of Education:			
314	ROTC	12.420	101-917	85,675
	Total U. S. Department of Defense			85,675
	U. S. DEPARTMENT OF AGRICULTURE			
	Passed Through State Department of Education:			
241	Commodity Supplemental Food	10.550	101-917	999,189
240	National School Breakfast/Lunch Program *	10.553/10.55	101-917	11,640,390
242	Summer Feeding Program *	10.559	TX1011001SU	206,166
	Total Passed Through State Department of Education			12,845,745
	Total U. S. Department of Agriculture			12,845,745
	TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 28,616,374

\* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

**PASADENA INDEPENDENT SCHOOL DISTRICT****NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED AUGUST 31, 2004**Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Pasadena Independent School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

**PASADENA INDEPENDENT SCHOOL DISTRICT**

*SCHEDULE OF REQUIRED RESPONSES TO SELECTED SCHOOL FIRST INDICATORS  
AS OF AUGUST 31, 2004*

<u>Data Control Codes</u>		<u>Responses</u>
SF2	Were there any disclosures in the Annual Financial Report and/or other sources of information concerning default on bonded indebtedness obligations?	No
SF4	Did the district receive a clean audit? - Was there an unqualified opinion in the Annual Financial Report?	Yes
SF5	Did the Annual Financial Report disclose any instances of material weaknesses in internal controls?	No
SF9	Was there any disclosure in the Annual Financial Report of material noncompliance?	No